

GALE Pacific

Investor Presentation

Results to 30 June 2015

September 2015





Who we are

- »» GALE Pacific manufactures and markets branded screening, shading and home improvement products.
- »» We are a world leader in specialised textiles and recognised in our markets as an innovator and long-term producer of premium quality products.
- »» Based in Australia, we operate globally with approximately half our revenue coming from northern hemisphere markets.
- »» Our products are marketed across commercial and retail sectors, with distribution into architectural, horticultural, agricultural, mining, construction, and home improvement channels. They are stocked by many of the world's largest retailers and also have strong online distribution.
- »» Key products include architectural shade fabrics, exterior window shades, shade sails and an array of specialised commercial fabrics used for crop protection, irrigation, water storage and screening.
- »» In Australia and New Zealand we also market a range of interior window furnishings under the ZONE Interiors brand and a range of glass DIY pool fencing and balustrading, shower screens and other glass products under the EVERTON brand.
- »» The company is focused on strengthening our global market position through product innovation and brand strength.

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» FY2015 results summary

	FY2014 A\$ million	FY2015 A\$ million	% change
Sales	137.3	148.0	8
Underlying EBITDA	17.6	18.2	3
Underlying EBIT	12.1	10.6	(13)
Underlying profit before tax	11.0	8.7	(21)
Underlying profit after tax	8.2	6.9	(16)
Statutory profit before tax	11.0	6.2	(43)
Statutory profit after tax	8.2	5.2	(37)
Diluted earnings per share (cents)	2.72	1.72	(37)
Dividends per share (cents)	2.65	1.0	(62)

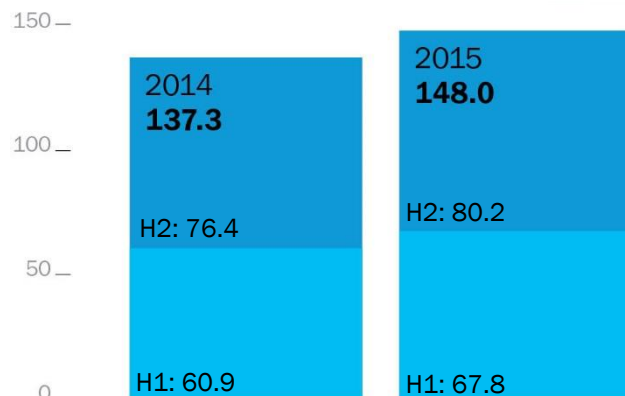


Half-on-half results

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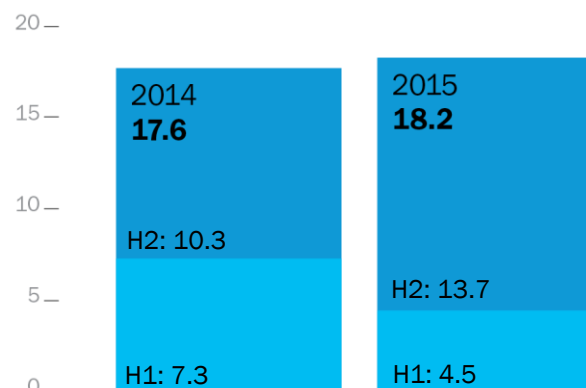
Sales \$A million

H1 H2



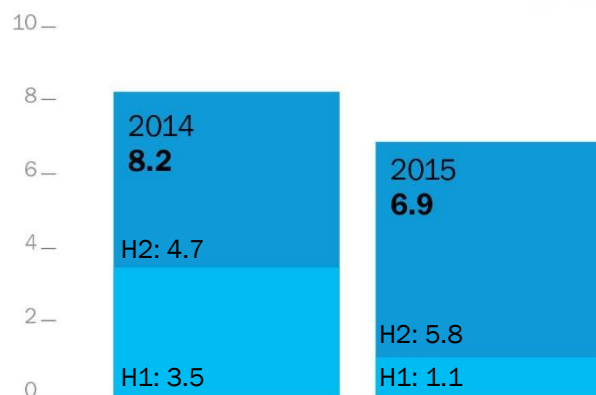
Underlying EBITDA \$A million

H1 H2

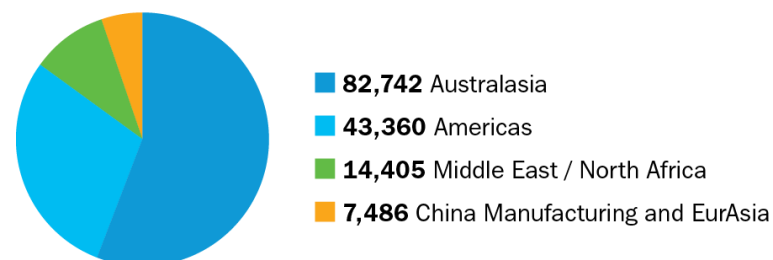


Underlying NPAT \$A million

H1 H2

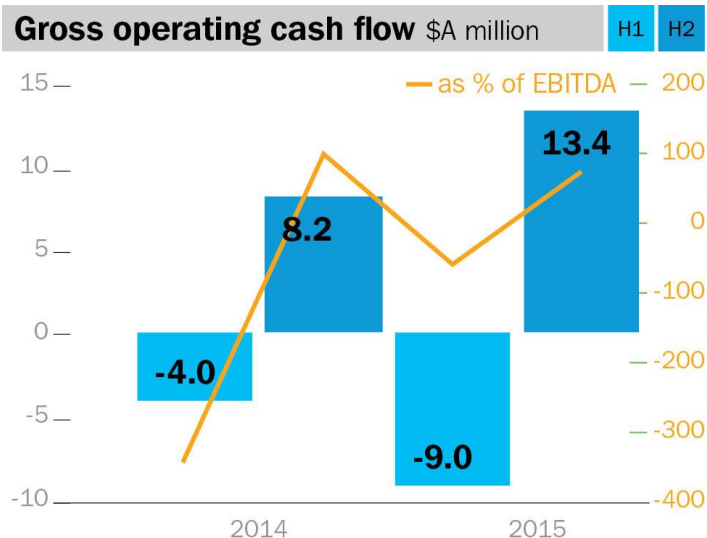


Sales by region \$A '000s

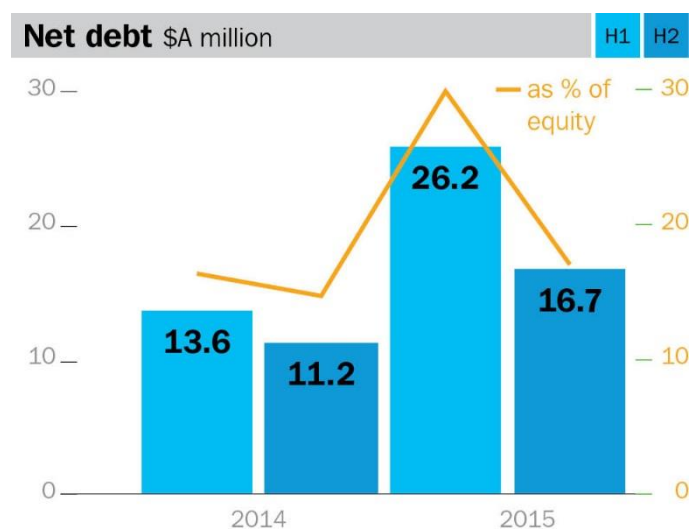




Cash flow and balance sheet



- Inventory reduced by \$9.5 million in H2, with increased inventory turn and lower aged inventory

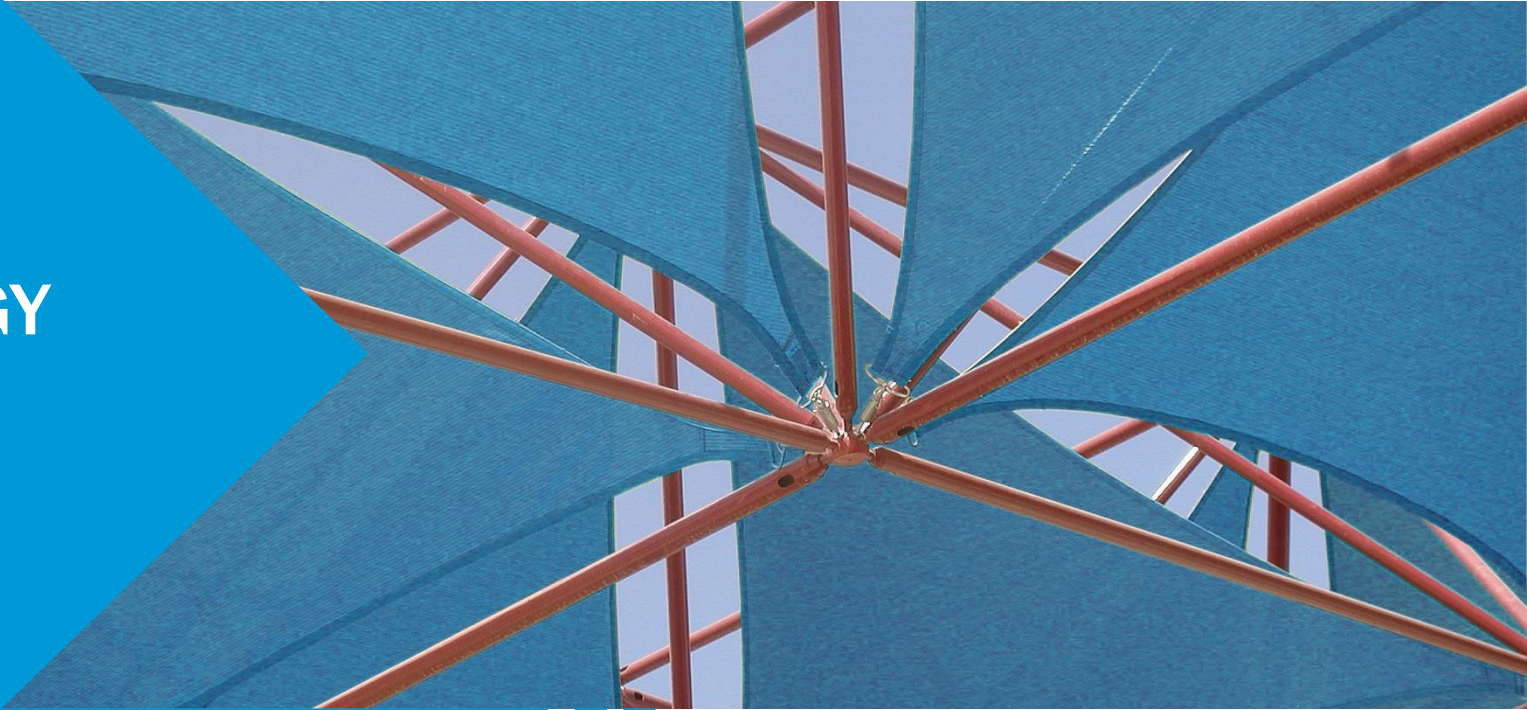


- Gearing (net debt divided by net debt plus shareholders' funds): 15%
- Increased net debt during the year reflected investment in product development, regeneration of China manufacturing plant and integration of Americas operations with global ERP platform



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STRATEGY UPDATE





» Strategy update

- » In late August 2014 we announced a strategy to create a more **focused**, more **innovative**, **globally collaborative** business geared towards improving **service** and **leveraging our global scale**.
- » We are pleased to report significant progress in the implementation of this strategy.



» **Structure**



» **Brands**



» **Product Categories**



» **Innovation**



» **Collaboration**



» **Service**



» **Selling Regions**



» **Digital Strategy**



»» Strategy update: achievements - 1



»» Structure

- »» Global organisational structure
- »» Global supply chain model to improve working capital management and leverage company's scale in procurement



»» Brands

- »» 14 brands reduced to 5
- »» Investment in less brands enables us to make them more meaningful to consumers and customers



»» Product Categories

- »» Product category strategy defined
- »» Plans to exit non-strategic categories and focus on core business



» Brand execution

- » Decision to exit brands with low consumer equity, enabling focus on smaller number of brands
- » Stringent brand guidelines established with reinvigorated packaging, websites, etc.
- » EVERTON pool fencing and balustrade range relaunched, increasing point-of-sale performance
- » New range of ZONE Interiors blinds introduced





»» Strategy update: achievements - 2



»» Innovation

- »» Strong new product pipeline established in core categories
- »» Significant range wins for new products secured with largest Australian customer



»» Collaboration

- »» Global executive leadership team established
- »» Operating cycle supporting sharing ideas and marketing programs between regions



»» Service

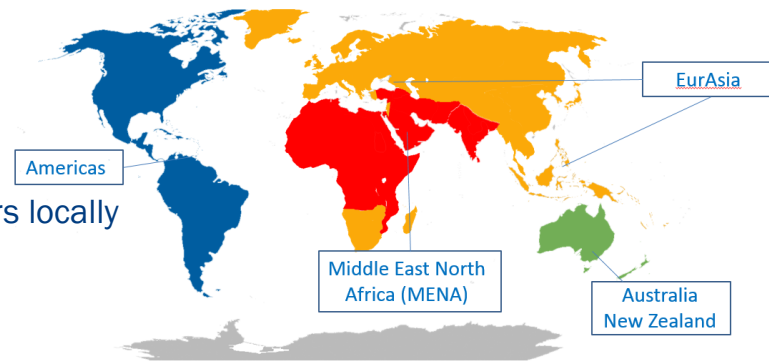
- »» Increases in key service level metrics, particularly in Australia
- »» Started to build stronger customer service culture company-wide

» Strategy update: achievements – 3



» Selling Regions

- » Regional selling model implemented
- » EurAsia region, based in Shanghai, established
- » Changes aimed at servicing overseas customers locally and at lower cost



» Digital Strategy

- » Digital strategies developed for all brands
- » New ZONE Interiors and EVERTON websites
- » Additional websites imminent





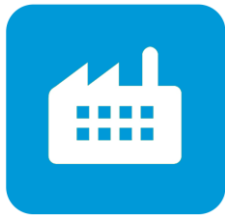
EFFICIENCY & EFFECTIVENESS





Efficiency and effectiveness - 1

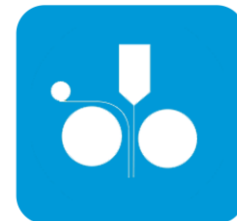
» 6 sizeable projects to unlock GALE Pacific's capacity for growth and position the company for success



» **China Manufacturing Pricing Model**



» **New Product Development**



» **Extrusion Coating Technology Upgrade**



» **Global Supply Chain Model**



» **International Market & Product Review**



» **I.T. Optimisation**



Efficiency and effectiveness - 2



- China manufacturing operation established as a cost centre rather than a profit centre, effective 1 July 2015
- Improves visibility of regional profitability and transitions focus in China to quality, manufacturing efficiency and service

China Manufacturing Pricing Model

COMPLETED



- Research and development processes improved
- Focus on fewer, but larger, more global projects
- Strong new product pipeline and impressive ranging wins

New Product Development

COMPLETED



- New operating system and scanning technology for Australian-based extrusion coating plant
- Quality improvements and production efficiencies already being achieved

Extrusion Coating Technology Upgrade

COMPLETED



Efficiency and effectiveness - 3



- » Improve product forecasting, global procurement, manufacturing, inventory management and supply chain reporting
- » *Achievements so far:* strengthened processes, reduced supplier numbers with improved payment terms, and reduced inventory

» Global Supply Chain Model

IN PROGRESS



- » Define, and establish entry plans for, key expansion markets
- » Develop strategy for European region

» International Market and Product Review

IN PROGRESS



- » Continue to build information technology capability to drive productivity and service improvement
- » *Achievement so far:* successful implementation of new ERP (I.T.) system in the Americas region

» I.T. Optimisation

IN PROGRESS



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REGIONS





» Australasia

	FY2014 A\$ million	FY2015 A\$ million	% change
Sales	79.9	82.7	4
Underlying EBITDA	4.7	3.2	(32)

- » Australian sales through retail channels higher, across most product categories
- » Commercial sector sales impacted by non-repeat of large export order and weaker demand for grain protection fabrics. Excluding large export order in the prior year, underlying commercial sales up 30%
- » New Zealand retail and commercial channels returned to strong growth with positive performance across most categories and new retail ranging
- » Australasian earnings impacted by higher inventory and by supply chain challenges, as well as by transformation activities and depreciation of the Australian dollar
- » Wherever possible, price increases implemented to offset cost pressures
- » New product development in knitted and coated fabrics accelerated to establish technical leadership
- » Supply chain simplified to lower costs, with the number of warehouses reduced, improved service levels, rationalisation of suppliers and improved trading terms



» Americas

	FY2014 A\$ million	FY2015 A\$ million	% change
Sales	36.1	43.4	20
Underlying EBITDA	3.3	5.0	51

- » Sales up strongly across retail, online and commercial sectors
- » Strong profit growth
- » ERP (I.T.) system upgraded successfully
- » Custom window shade manufacturing plant extended to Florida to improve customer service and reduce freight costs
- » Increased sales expected in South America in FY2016, following transfer of market responsibility to the Americas region from Australia
- » Investment in commercial business sales leadership expected to lead to considerable sales increase in FY2016 from a low base



» Middle East / North Africa

	FY2014 A\$ million	FY2015 A\$ million	% change
Sales	12.2	14.4	18
Underlying EBITDA	2.7	3.3	20

- » Strong performance continued
- » Increased sales of architectural shade fabrics for large scale shading projects, including public areas, car parks and vehicle protection for automotive manufacturers
- » Further investments, coupled with new architectural fabric products, expected to result in ongoing growth



» China Manufacturing / Eurasia

	FY2014 A\$ million	FY2015 A\$ million	% change
Sales	9.0	7.5	(17)
Underlying EBITDA	9.7	10.6	9

- » Japan and Europe sales lower, but will benefit from structural changes and new leadership
- » Chinese manufacturing operations, which produce knitted and woven fabrics and value-added products, affected by lower demand in Australia and reductions in global inventory
- » Manufacturing plant efficiency remained high, with strong performance in quality, waste reduction and service
- » Markets and product portfolio reviewed, resulting in focus on core product categories and restructured leadership, with new General Manager for the region, based in Shanghai



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LOOKING FORWARD





» Looking Forward

- » The next phase of the company's transformation will focus on:
 - » Successful execution of the significant new business won across product categories in Australia;
 - » Building a more robust global supply chain with improvements in product forecasting, procurement, manufacturing and inventory management;
 - » Advancing new product development, particularly in the area of commercial fabrics;
 - » Building strategies for accelerated commercial sector growth in all regions;
 - » Developing a strong EurAsia selling region; and
 - » Continuing to optimise the company's information technology platform to reduce costs and improve service.
- » We are confident that GALE Pacific is well positioned to deliver strong sales and earnings growth.



» Disclaimer

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