



ASX: GAP

2017 Annual General Meeting

27 October 2017

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Chairman's address:
David Allman

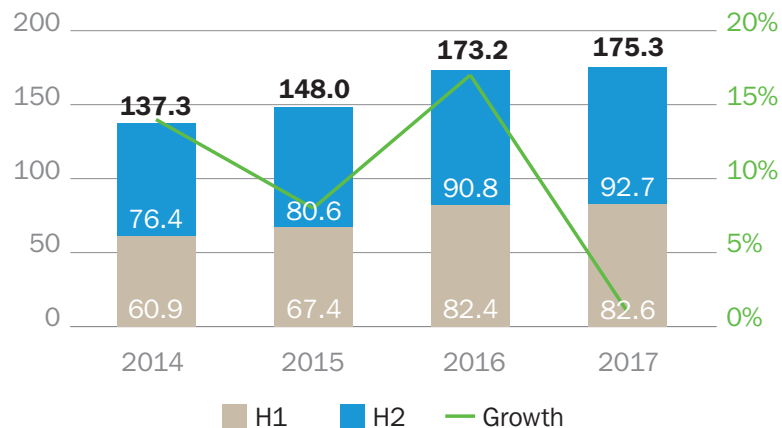
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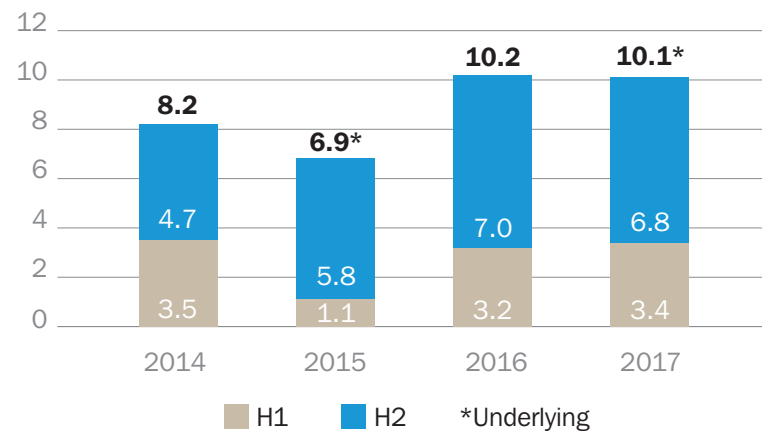
Chairman's address: David Allman



Revenue \$A million



NPAT \$A million



Chairman's address:
David Allman

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Group Managing Director's presentation: Nick Pritchard

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GALE: A fabrics technology company



A leader in the development, manufacture and marketing of shade solutions for the retail market and of high performance technical textiles for the commercial sector



Retail shade products



High performance technical textiles

Building a platform for growth

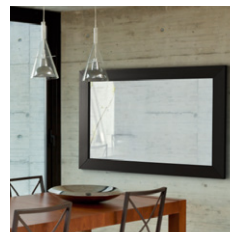


Exiting non-core categories

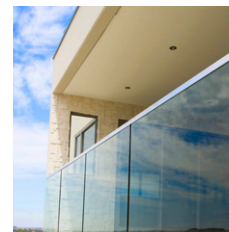
- Exited most non-core categories over three years
- June 2017: exited unprofitable EVERTON glass business
- Product portfolio now more aligned with fabrics technology strategy



Pool fencing



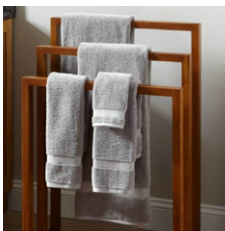
Mirrors



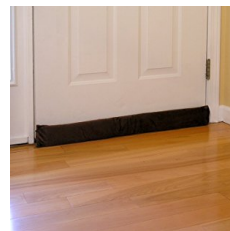
Balustrade



Splashbacks



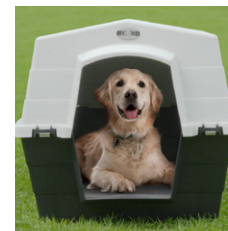
Towel racks



Door stops



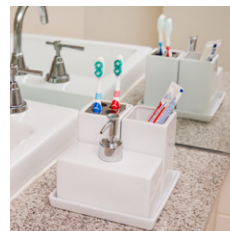
Cable management



Pet kennels



Bath mats



Soap dispensers



Hammocks

Building a platform for growth



Rationalised brand portfolio

- Rationalised brand portfolio so can invest in smaller number of brands
- Upgraded marketing materials including packaging, merchandising and websites
- Aligned branding across all regions



Building a platform for growth



Rationalising distribution

- Rationalised distribution to improve efficiency and service
- Four warehouses closed; the remainder upgraded



Dandenong South Distribution Centre, Melbourne, Australia

Building a platform for growth



Upgrading China manufacturing

- Upgraded facilities and invested in new plant and equipment
- Capacity increased; quality, service and cost improved



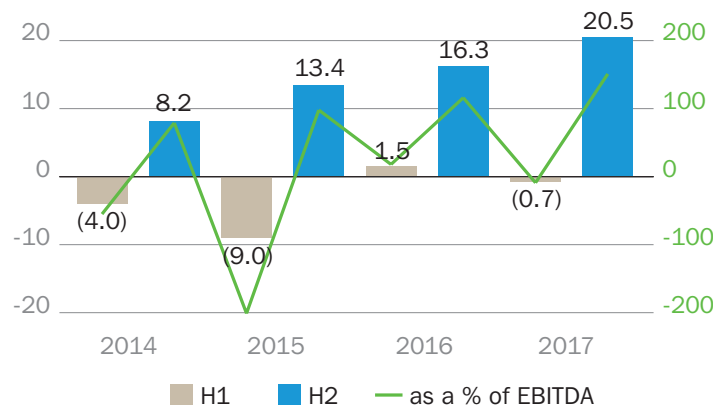
Building a platform for growth



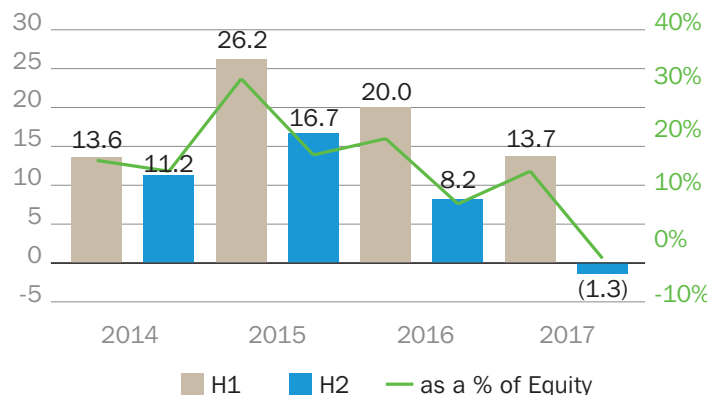
Strengthening balance sheet and infrastructure

- IT systems aligned and strengthened
- Inventory reduced
- Service improved
- Safety performance improved
- Team capability increased and values-based culture created
- Balance sheet strengthened, with strong cash generation paying down debt; net cash at 30/6/17

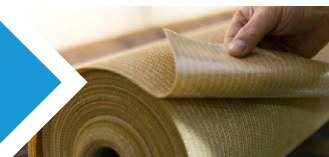
Operating Cash Flow \$A million



Net Debt \$A million



Delivering growth whilst transforming



During the transformation process GALE has achieved:

- compound annual revenue growth of 8.5%
- compound underlying earnings growth of 10%

8.5%

**Compound
annual
revenue
growth**

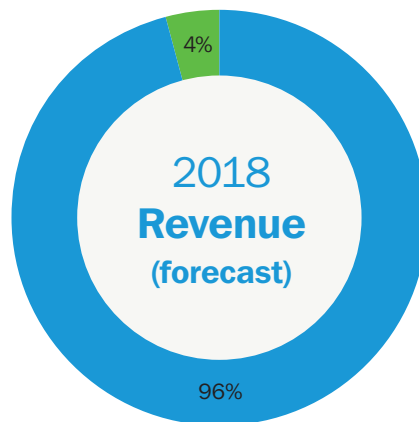
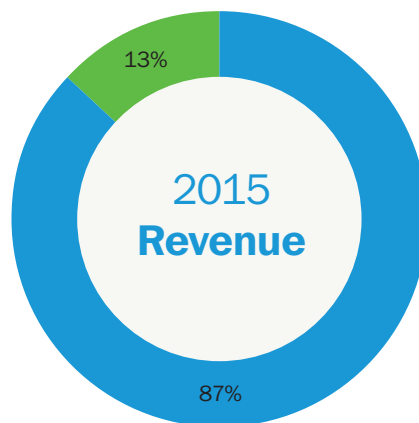
10.0%

**Compound
underlying
earnings
growth**

Transforming our product mix



- Non-core products created complexity, cost, a distraction from core categories and a drain on profitability
- Moving to fabric products and categories where GALE has greater expertise and market strength



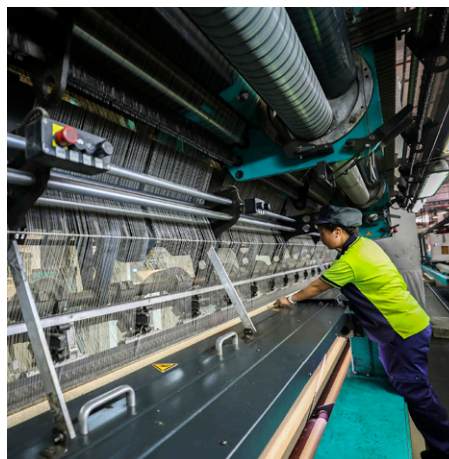
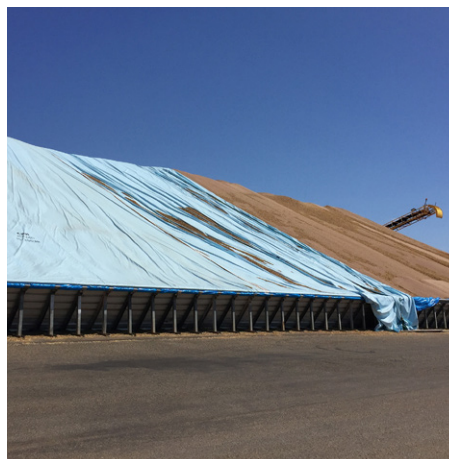
■ Fabric ■ Non-fabric



Our core business



- Core business today is the development and manufacturing of high performance technical textiles
- GALE has world-leading coating adhesion technology
- Developing fabrics with the right combination of weight, strength, life, stretch, adhesion, porosity, feel etc.
- Innovative technical fabrics for both commercial and retail sectors



Where we are



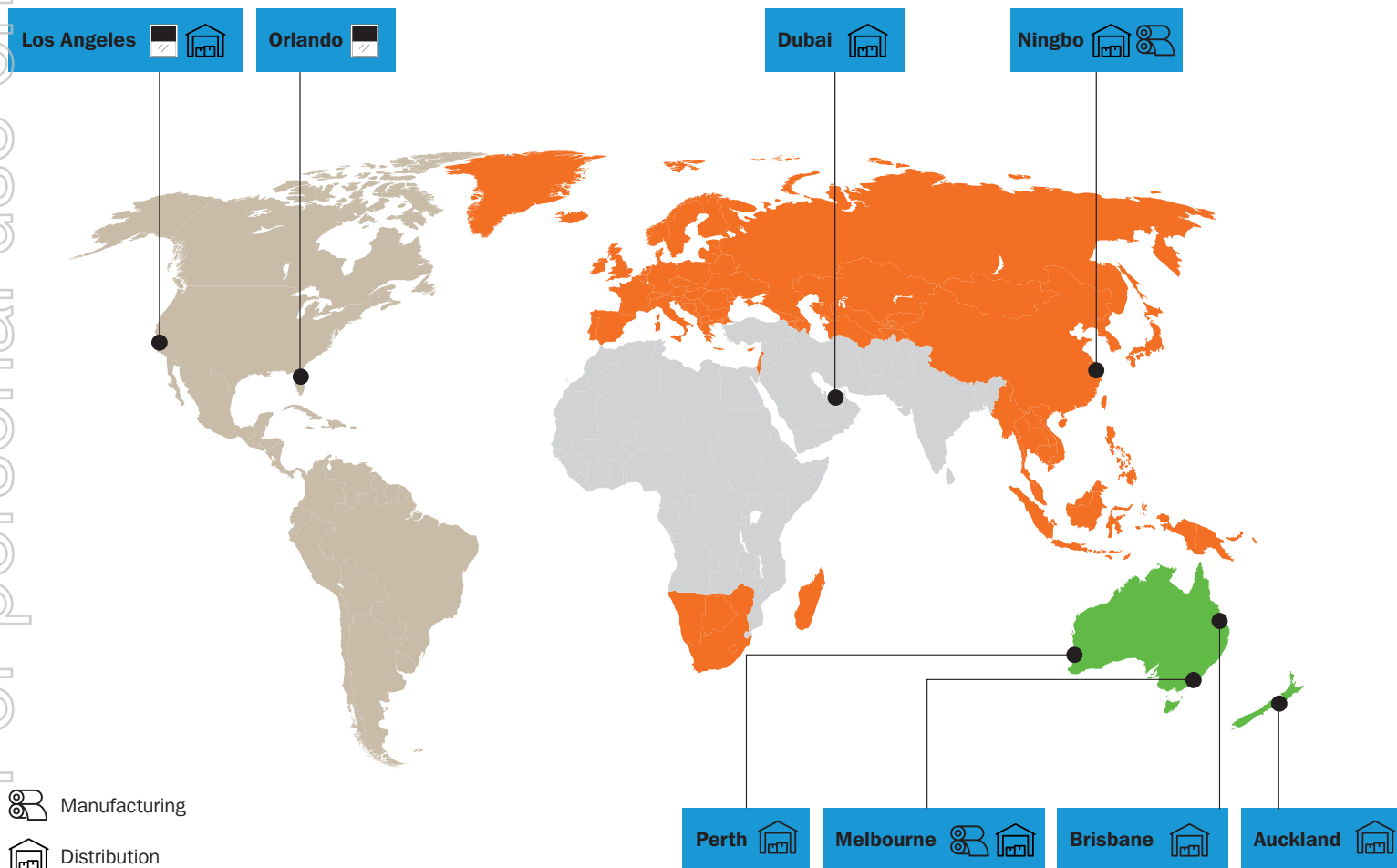
- Developing a more global business, with an increasing percentage of revenue from outside Australia
- Focused on building a bigger business in North America
- In MENA and Eurasia, focusing on a smaller number of countries
- Have established strong infrastructure to support global growth
- Low-cost manufacturing operations in China for knitted fabrics and value-added products
- High performance waterproof fabrics manufactured at Braeside, Victoria facility
- Small-scale custom window shade production facilities in USA
- Distribution centres in key markets and distribution partnerships with some of the world's largest retailers



Where we are



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Australia and New Zealand

Revenue: A\$92.4m
Underlying EBITDA: A\$2.9m

Americas

Revenue: A\$62.0m
EBITDA: A\$6.5m

Eurasia

Revenue: A\$8.2m

MENA

Revenue: A\$12.8m
EBITDA: A\$2.5m

China

EBITDA: A\$11.5m
(includes Eurasia)

Manufacturing

Distribution

Custom window shades assembly

Australia and New Zealand



Retail business

- ➔ Distribution through leading home improvement retailers
- ➔ Product range more focused following exit of non-core products
- ➔ Coolaroo – market leader in DIY shade and screening
- ➔ Investing in developing new shade solutions and in building the Coolaroo brand

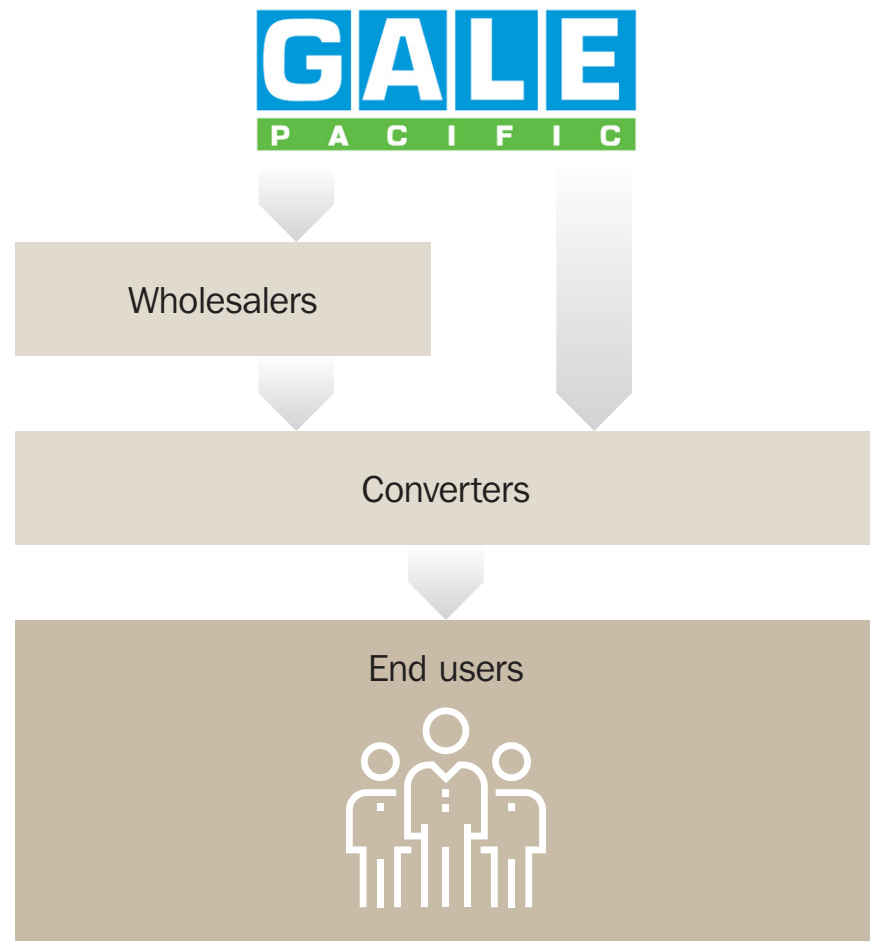


Australia and New Zealand



Commercial business

- Distribution through specialised wholesalers and fabricators which manufacture products from GALE fabrics
- Focus on agricultural, architectural and horticultural sectors where there is strong demand and the cost of product failure is high
- Advanced product range coupled with local R&D and manufacturing provides competitive advantage



Australia and New Zealand



Outlook for FY2018

- Core product categories expected to grow, although coated commercial fabric sales likely to be lower due to weaker grain harvest
- Confident of opportunities in the commercial sector and new coating line to be commissioned in late 2018 will enable product development and further growth



New extrusion coating line to be located in Melbourne, Australia

Americas



Retail business

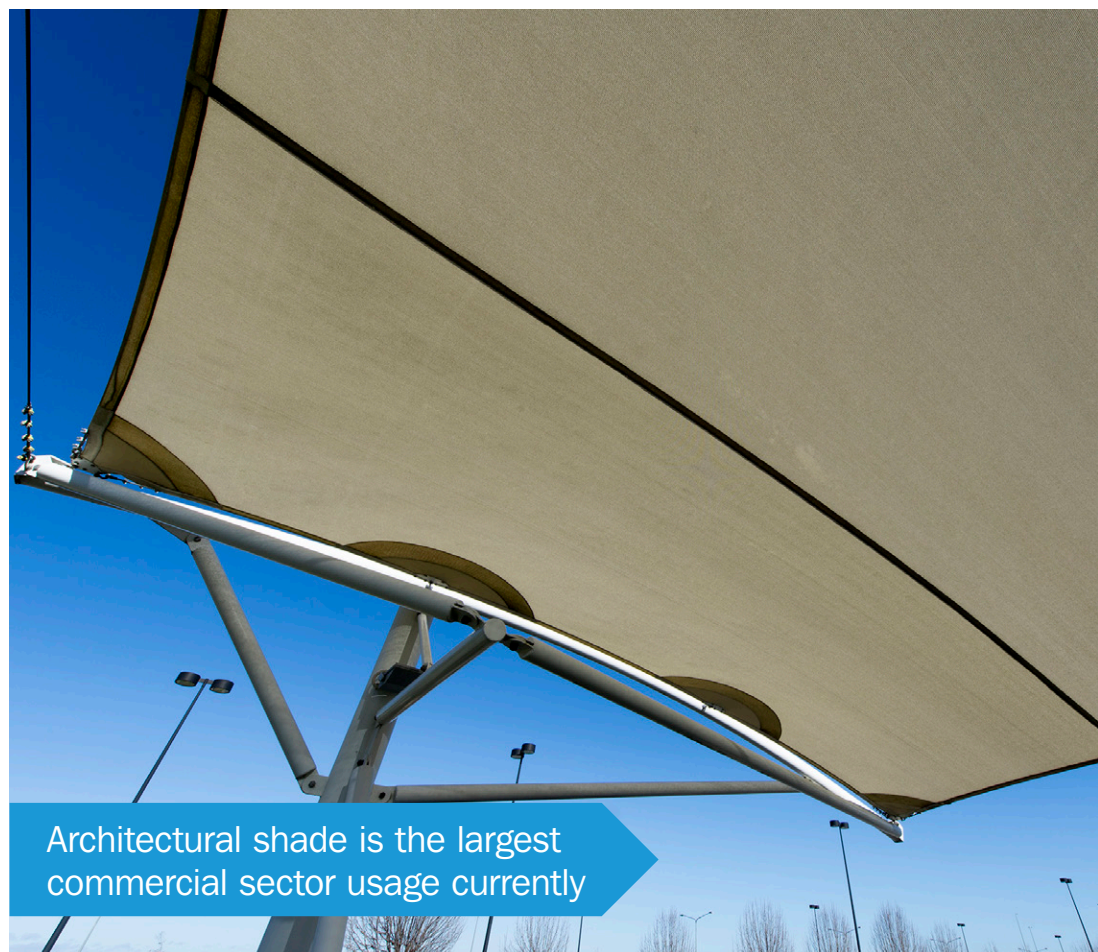
- Very pleased with progress and foresee tremendous opportunities
- Customers include some of the world's largest retailers
- Great potential to accelerate growth in the retail shade category through existing customers
- Have secured additional product ranging, including Coolaroo window shade program in all Lowe's stores





Commercial business

- Commercial business currently small and focused on architectural shade fabric
- Significant opportunities for growth
- Planning expansion based on new architectural shade products and coated fabrics which have competitive advantage



Architectural shade is the largest commercial sector usage currently



Outlook for 2018

- Strong growth expected in FY2018, driven by retail and online sales, despite impact of hurricanes in Texas and Florida
- Focus on servicing new ranging wins effectively
- Pursuing further ranging with existing and new customers
- New, larger warehouse in California to become operational in December 2017, increasing efficiency and service
- Investing in additional sales and marketing resources to take advantage of opportunities



New Fontana, California, warehouse will become operational in December 2017

Middle East/North Africa



Business and outlook for FY2018

- Small signs of market improvement
- Continuing to invest in new sales resources, while adopting a conservative approach to credit



New Commercial Heavy 430 architectural shade fabric



Business and outlook for FY2018

- Pivoting business from low value, low margin retail products towards higher value, higher margin commercial products
- Opportunity for growth through targeted approach to customers and categories
- Bunnings' UK/Ireland pilot stores stocking range of GALE garden-related products
- Seeking additional distribution for core products

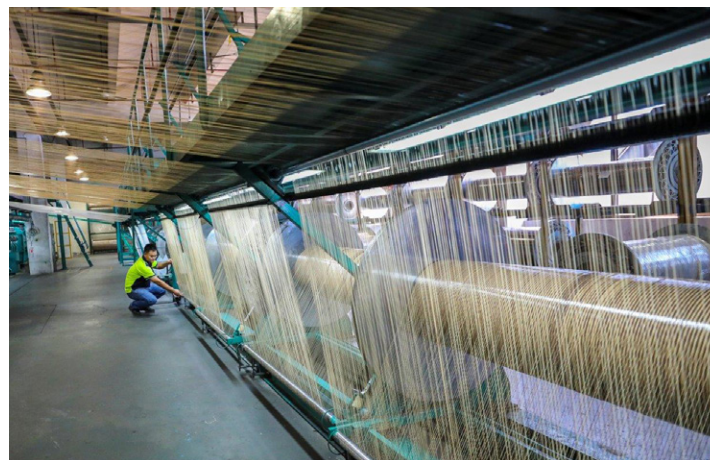


Bunnings UK

China manufacturing



- Substantial improvements to plant, equipment and amenities in FY2017 to support growth and improve service, quality and safety
- Strong performance across most key metrics, and further improvement expected in FY2018
- Investment continuing in FY2018: transitioning to global IT system, acquiring new equipment, and further facility upgrades
- GALE's vertically integrated model provides competitive advantage in manufacturing key product categories



Increasing investment in research & development

- Investment increasing to develop innovative technical fabrics and shade products
- In addition to internal R&D resources, building technical alliances with universities, etc to secure additional expertise and technologies
- Already a leader in technical fabrics; now also focused on innovation in DIY shade category



Research and testing facility, Ningbo, China

Our growth objective

Goal to be recognised as a global developer, manufacturer and marketer of shade solutions for the retail market and high performance technical textiles for the commercial sector



Our growth strategy



Key elements of the strategy:

- Accelerate growth of the Americas business, focusing on shade and screening products, while expanding the commercial products business
- In Australia and New Zealand, extend market-leading shading and screening business in retail sector and build a larger commercial business, underpinned by new coating line
- In the Middle East and Eurasia, focus on both commercial and retail shading products and develop a coated fabrics business as production capacity increases
- Continue to invest in differentiated technologies and technical partnerships to develop innovative products to meet customers' needs

