



GALE Pacific Limited

(ASX: GAP)

20 February 2024

GALE Pacific Announces 1H FY24 Result, Confirms FY24 Profit Growth Outlook

GALE Pacific Limited (GALE or the Company) today announced results for the first half of the 2024 financial year.

Profit before tax of \$(6.1)m was lower compared to the \$0.6m delivered in 1H FY23 with revenue of \$77.0m lower compared to \$92.6m in 1H FY23.

Net debt at 31 December 2023 was \$2.2m compared to net debt of \$24.7m at 31 December 2022 with net cash from operating activities of \$19.6m at 31 December 2023 compared to \$(11.7)m at 31 December 2022 driven by lower global inventory, cost discipline, and strong cash collection.

The Directors have decided not to declare an interim dividend (prior year 1.0 cent, 100% franked).

	1H FY24 A\$ million	1H FY23 A\$ million	Change %
Revenue	77.0	92.6	(17)
EBITDA	2.5	7.9	(68)
EBIT	(3.9)	2.1	(>100)
Profit before tax	(6.1)	0.6	(>100)
Net profit after tax	(4.4)	0.1	(>100)
Basic EPS (cents)	(1.56)	0.03	-
Interim Dividend (cents per share, franked)	-	1.0	-
Net cash from operating activities	19.6	(11.7)	>100%
Net cash (debt)	(2.4)	(24.7)	90%

The first half result was driven by a revenue decline largely attributable to:

- unfavourable weather conditions in Australia, which dampened demand in both commercial/agricultural and consumer/retail sectors,
- improved manufacturing lead times, and increased global shipping capacity, which led to further on-hand inventory reductions at US retailers throughout the first half,
- the deferral of product shipments needed for the upcoming Northern Hemisphere summer selling season from the first half to the second half at retailers in the Americas due to the noted improvements in global supply chains,
- lower sell-through for the Company's products at retailers in the United States due to the further rotation of consumer spending from goods to services, the persistence of inflation, high interest rates, and continued challenges across housing markets.

In response to these demand factors, the Company proactively reduced manufacturing volumes to manage down global inventory throughout Q4 FY23 and Q1 FY24, with the financial impact of these increased product costs fully realised in the first half result.

GLOBAL DEBT FINANCING & TREASURY TRANSITION

GALE Pacific has secured long-term debt financing and group-wide global treasury management services from HSBC Bank that will increase the Company's borrowing capacity to approximately AUD \$85.0m, up from approximately AUD \$60.0m under its previous borrowing arrangement with ANZ Bank.

The streamlined, asset-based lending structure enables GALE to reduce total borrowing and interest costs while providing the capacity for increased investments in new product innovation and capital expenditure, as well as inventory to fuel the elements outlined in the Company's Growth Acceleration Plan.

The United States, Australia, and China debt facilities will be fully closed following the settlement of outstanding ANZ Bank loan balances in the coming weeks.

John Paul Marcantonio, Chief Executive Officer and Managing Director, said: 'Despite the challenging demand environment, our team made significant progress against many strategic elements outlined in our Growth Acceleration Plan throughout the first half.

'We proactively reduced global inventory in line with demand in Q4 FY23 and Q1 FY24, which yielded positive results in debt reduction and cash generation while maintaining consistently high levels of customer service.

'Incremental business wins have been secured by our US team, which gave us the confidence to increase production in the second quarter to service the growth anticipated in the second half.

'Our innovation pipeline is yielding share gains and distribution expansion. New placements for Coolaroo® with Heat Shield shade and pet products have been secured at the largest retailers in the world, including Bunnings, Lowes, The Home Depot, Walmart, and Amazon, and will ship throughout the second half.

'The Company's commercial fabrics business is performing well across Australia, the United States and the Developing Markets entering the second half and, in many cases, we anticipate record production and revenue levels despite a challenging grain season in Australia in the first half.

'Further to these accomplishments, we have secured efficient and flexible long-term debt financing with expanded borrowing capacity and a streamlined global treasury management platform with HSBC Bank. Having a presence in all our operating jurisdictions, HSBC will be an important global partner as we scale the Company over the coming years.

'Additionally, our ERP transition to cloud based Microsoft Dynamics 365 is progressing according to plan, with the project currently on time, on budget, and in scope, with go-live planned for late quarter four in the U.S. and Australia.

'We are encouraged by the positive shift in trading conditions and the increased forward looking demand entering the second half, which is off to a positive start.

'I want to thank the GALE Pacific team worldwide for their continued commitment to our customers, consumers and commercial end users and for positioning the Company for growth in the second half and beyond.'

REGIONAL RESULTS

AMERICAS

Result for the full year to	1H FY24	1H FY23	1H FY22	Change % FY23	Change % FY22
Revenue	29.7	37.6	32.9	(21)	(10)
EBITDA	(0.5)	1.3	(0.3)	(140)	(59)

Lower revenue than the prior corresponding period in the Americas region was attributable to:

- continued inventory destocking by retailers due to improved global supply chain conditions and improved product lead times,
- retailers electing to receive promotional product shipments in quarter three versus quarter two,
- an overall lower level of sellthrough across retailers attributed to lower consumer spending due to inflation, housing challenges, and the further rotation in spending from goods to services

Business development activities resulted in incremental distribution and new product placements in the second half, led by Coolaroo® with Heat Shield® shade and pet products across major retailers, in-store and online, which will drive improved second-half results in the region. Share and distribution gains enabled the company to deliver record revenue for commercial architectural shade fabrics in the first half, with a record second half and full year forecasted for these categories.

Improved forecast accuracy, efficient inventory management, and lower manufacturing and shipping lead times lowered working capital and reduced debt while maintaining high levels of customer service in the first half.

The relocation of GALE's custom outdoor roller shade production from Orlando, Florida, to a contract manufacturing partner in Spartanburg, South Carolina, was completed in the first half with planned efficiency forecasted to positively impact the second half result while increased production capacity will enable forecasted growth due to the relaunch of the custom category in quarter four.

AUSTRALIA | NEW ZEALAND

Result for the full year to	1H FY24	1H FY23	1H FY22	Change % FY23	Change % FY22
Revenue	42.6	50.2	57.0	(15)	(25)
EBITDA	4.8	8.1	7.0	(40)	(31)

Poor, inconsistent weather across Australia throughout the first half negatively impacted demand for GALE's commercial fabrics used in grain handling and water containment, and dampened planned demand increases across consumer shade categories sold at home improvement retailers in the first half.

GALE launched new products across consumer categories with positive sell-through results, including Coolaroo® with Heat Shield® shade products, a leading new range of umbrellas at Bunnings, and extended distribution for gazebos and pergolas to a major new retailer in the first half.

The Company was awarded default position for Ecobanner®, the Company's novel closed-loop recyclable banner fabric, at Australia's largest out-of-home advertising company in the first half, with revenue and profit increases planned for the second half. GALE also completed the successful in-field, multi-site trial of patented, recycled Landmark® grain fabrics in the first half and anticipates share gain in the second half as a result.

Improved demand for commercial coated non-woven products used in commercial food transportation and distribution was achieved exiting the first half, with quarter three- and full-year production forecasted to be at record levels.

Efficiency projects to lower regional operating costs in line with demand were completed in Q4 FY23, the benefits of which read through in the first half and are planned to continue in the second half.

DEVELOPING MARKETS

Result for the full year to	1H FY24	1H FY23	1H FY22	Change % FY23	Change % FY22
Revenue	4.7	4.8	6.0	(3)	(22)
EBITDA	0.4	1.2	1.3	(71)	(73)

Demand across markets in the Middle East, particularly the United Arab Emirates, increased in late quarter four and is forecasted to grow throughout the second half based on increased project activity, share gains and improvement in business expansion activity in Saudi Arabia. Demand increased for GALE's commercial shade range in Q4 and is planned for 2H due to increased commercial shade project investment across the region. Overall and long dated debtors decreased in the first half with further reductions forecasted for the second half as a result of improved collections and tighter credit policy.

Demand for consumer products in Japan decreased in the first half due to macro factors while the timing of demand for commercial fabrics in Italy and Spain shifted from the first to second half due to improvements in global supply chains. Demand for commercial fabrics in Israel was negatively impacted in the first half due to the ongoing conflict in the region. However, orders have been secured for quarter three with further recovery anticipated throughout the second half.

OUTLOOK

The Company expects improved results in the second half, driven largely by:

- the launch of patented new Coolaroo with Heat Shield® shade products in the US,
- increased distribution of core product ranges across new retailer locations in the US,
- incremental promotional placements across retailers in the US,
- core range on-hand inventory increases across Americas customers in preparation for the northern hemisphere summer selling season,
- sell-through improvement compared to the prior corresponding period across US retail customers,
- favourable trading conditions and market share gains resulting in increased demand for the Company's commercial fabric ranges in the US, Australia, and the Middle East,
- relative input cost stability,
- further operational efficiency initiatives,
- increased manufacturing volumes,
- favorable product mix and pricing consistency leading to margin expansion.

Given these positive factors, the Company confirms previous guidance for increased revenue and profit for the full 2024 financial year compared to the 2023 financial year.

Authorised for release by the Board of GALE Pacific Limited.

INVESTOR AND ANALYST WEBINAR

CEO John Paul Marcantonio and CFO Sheryl Smith will hold a webinar briefing for analysts and investors outlining first half business performance and second half guidance on **Tuesday, 20 February 2024, at 10.30 am Australian Eastern Daylight Time.**

An accompanying presentation and media release will be made available via the ASX announcements platform before the call.

Participants are required to register in advance. Following registration, a confirmation email will be sent with details on how to access and join the webinar.

The webinar will feature a Q&A session for attendees. Alternatively, investors can pre-submit their questions to investor.relations@galepacific.com before the webinar.

Participants can register for the conference at: <https://s1.c-conf.com/diamondpass/10036581-olrz7h.html>.



ABOUT GALE PACIFIC

GALE Pacific is a market-leading manufacturer of technical fabrics used for consumer and commercial applications around the world. Founded in Melbourne, Australia in 1951, today GALE has operations in Australia, New Zealand, the United States, China, and Dubai and employs more than 600 people worldwide. GALE's products are sold across Australia, New Zealand, Asia, the Americas, Europe, the Middle East, and a growing number of additional markets.

GALE's products are recognised around the world for their innovative technology, quality, durability, and reliability. The Company's consumer products, marketed under the Coolaroo® brand, include outdoor roller shades, shade sails, shade and garden fabrics, shade structures and pet products. They can be found at market leading major retailers, both in-store and online, around the world.

The Company's commercial products, marketed under the GALE Pacific Commercial® brand, include knitted, coated, and advanced polymer fabrics used in a growing number of applications across the agricultural, horticultural, aquacultural, architectural, construction, mining, and packaging industries.

GALE's core strategy is to accelerate its growth as a world-class global fabrics technology business through product innovation, category expansion, expanded distribution in existing and new markets, and improved operational efficiency and flexibility.

GALE Pacific Limited's shares are listed on the Australian Securities Exchange (code: GAP).

For further information please contact:

CONTACT

Corporate

John Paul Marcantonio

Chief Executive Officer & Managing Director

investor.relations@galepacific.com

Investors

Adrian Mulcahy

+61 438 630 422

adrian.mulcahy@atomicgroup.com.au