

GALE PACIFIC LIMITED

(ASX: GAP)

ASX and Media Release

28 November 2019

Market Update

Gale Pacific Limited (**Gale** or the **Company**) announces it expects profit before tax for the half year ending 31 December 2019 to result in a loss of between \$1.5 - \$1.8 million versus profit before tax of \$1.3 million for the prior corresponding period. The Company expects second half profit before tax to be comparable to the prior corresponding period and full year profit before tax to be approximately 20% lower than FY2019.

The primary drivers are attributable to:

- the impact of import tariffs imposed by the United States on goods manufactured in China. Our current outlook accounts for all imposed tariffs to date.
- the continuation of difficult trading conditions in the Australian market across both retail and commercial sectors.

The Company has moved swiftly to mitigate the effect of the tariffs currently in place by driving further efficiencies at its manufacturing facilities, improving its sourcing capabilities, pursuing price increases and accelerating the launch of innovative new products.

In relation to the 2020 financial year, the Company anticipates growth in total revenue, however, it will not be able to mitigate the full financial impact of the tariffs.

Despite these challenges, the Company remains committed to the Americas region providing future significant growth opportunities and has continued to work closely with its customers there to manage the current trading environment. Further, it continues to invest in its sales and marketing capability in the region to enable the growth plan.

The Company's balance sheet remains robust, with another year of strong cash generation anticipated.

Net debt levels are expected to be comparable to prior year.

The Company's dividend policy and capital management strategy remain unchanged.

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