

GALE PACIFIC DELIVERS \$17.2M PBT AND 31.3% REVENUE GROWTH FOR FY21

\$34.6m
**NET OPERATING
CASH UP FROM
\$7.2m**

- **PBT \$17.2m** (pcp: \$4.8m) at upper end of guidance
- **Net revenue up 31.3%** to \$205.2m
- **EBITDA \$28.2m** (pcp: \$18.7m)
- **NPAT \$12.3m** (pcp: \$3.7m)
- **Net cash \$1.5m** (pcp: net debt \$15.3m)
- **Final dividend 1.0 cps** (pcp: 1 cps), unfranked
- **Special dividend 1.0 cps** (pcp: nil), unfranked
- **Total dividends for the year 4.0 cps** (pcp: 1.0cps), unfranked

* All figures compare FY21 to FY20

GALE Pacific Limited (ASX: GAP) today announced a profit before tax of \$17.2 million for FY21 (FY20: \$4.8 million), at the upper end of the guidance range. The group delivered substantial increases in both retail and commercial sales in the United States and Australia with global revenue at \$205.2 million, up 31.3% (FY20: \$156.3 million), a record for the company.

The directors have declared a final dividend of 1.0 cent per share (FY20: 1.0 cps) unfranked and a special dividend of 1.0 cent per share (FY20: nil) unfranked, both payable on 15 October 2021 to shareholders on the register at 3 September 2021. Total dividends for the year will be 4.0 cents per share following the interim dividend of 1.0 cent and special interim dividend of 1.0 cent.

| Result for the full year to | 30 June 2021 A\$ million | 30 June 2020 A\$ million | Change % |
|---|-----------------------------|-----------------------------|----------|
| Revenue | 205.2 | 156.3 | 31.3 |
| EBITDA | 28.2 | 18.7 | 50.8 |
| EBIT | 19.0 | 7.0 | 171.4 |
| Profit before tax | 17.2 | 4.8 | 258.3 |
| Net profit after tax | 12.3 | 3.7 | 232.4 |
| Basic earnings per share (cents) | 4.48 | 1.34 | 234.3 |
| Final dividend (cents per share, unfranked) | 1.0 | 1.0 | – |
| Special final dividend (cents per share, unfranked) | 1.0 | 0.0 | 100 |
| Total dividends (cents per share, unfranked) | 4.0 | 1.0 | 300 |
| Net cash from operating activities | 34.6 | 7.2 | 380.6 |
| Net cash (debt) | 1.5 | (15.3) | >100 |

John Paul Marcantonio, Chief Executive Officer and Managing Director said: “FY21 was a breakout year for the company as we continued building GALE Pacific into a faster-growing, world-class, global fabrics technology business. Our team delivered record revenue with accelerated profit delivery while materially improving operating cash, enabling the company to end the year in a net cash position.

“We continued our first half momentum into the second half, delivering growth across three of our four selling regions and over \$50 million in revenue growth across our core markets of Australia and the Americas for the full year. Our brands and products continued to resonate strongly with consumers and commercial end-users, evidenced by the significant increases in demand we experienced.

“Our investment in new products, distribution expansion, and demand generation led to incremental new and promotional product placements, new customers, and increased sell-through. A historically large Australian grain harvest led to record high demand for our coated fabrics ranges used in grain handling applications in the first half, a key driver of the result.

“While we are proud of our efforts and the results achieved, a portion of the revenue uplift can be attributed to the positive impact of a change in consumer spending on home improvement projects and categories during periods of lockdown and government stimulus, particularly in Australia and the United States. It is unclear to what degree these increased demand levels will normalise over the coming periods; however, we remain committed to investing in our team and business in line with our growth strategy.

“Our global operations and supply chain teams successfully expanded production capacity and delivered operating efficiency throughout the year. Despite the challenges associated with input cost inflation and capacity constraints in international shipping and transportation, these improvements enabled us to meet the opportunities presented by significant increases in demand. Our strategy to prioritise customer service in the face of these increased costs and capacity challenges proved effective.

“Our team maintained the highest levels of professionalism, resilience, and perseverance throughout the year, developing new, more effective ways of working while maintaining largely uninterrupted, safe, and healthy operations. I want to thank the entire GALE Pacific team for their commitment, collaboration, hard work, and care in this challenging and complex time.”

REGIONAL RESULTS:

AMERICAS

| Result for the full year to | 30 June 2021 A\$ million | 30 June 2020 A\$ million | Change % |
|-----------------------------|-----------------------------|-----------------------------|----------|
| Net revenue | 96.2 | 73.3 | 31.2 |
| EBITDA | 13.5 | 11.8 | 14.4 |

Revenue in the Americas was a record \$96.2 million, up 31.2% (FY20: \$73.3 million). First-half revenue increased 111% to \$37.0 million (1H FY20: \$17.5 million) while second-half revenue increased 6.1% to \$59.2 million (2H FY20: \$55.8 million), both new half-year records for the company in the region. The full year result includes a provision of A\$6.6 million for the full impairment of personal protective equipment inventory.

GALE's core consumer ranges, new products, and incremental promotional lines resonated strongly with consumers, as evidenced by significant in-store and online sell-in and sell-through increases across the region. Comparative growth rates for sell-through increased significantly throughout the first three quarters and then moderated in quarter four as the company cycled the initial positive demand impacts of COVID-19 restrictions and government stimulus in the prior corresponding period.

The company also delivered strong growth for its commercial architectural shade fabric ranges following the launch of its new flame-retardant product range, the addition of new customers, and increased market demand for shade applications.

GALE expanded operational capacity in the region across customer service, custom roller shade manufacturing, and distribution, including direct-to-consumer shipments, to service the increased demand. Supply chain complexity, including international shipping capacity constraints and overall input cost inflation, increased while import tariffs for goods made in China persisted throughout the year.

AUSTRALIA/ NEW ZEALAND

| Result for the full year to | 30 June 2021 A\$ million | 30 June 2020 A\$ million | Change % |
|-----------------------------|-----------------------------|-----------------------------|----------|
| Net revenue | 92.0 | 64.6 | 42.4 |
| EBITDA | 14.4 | 5.4 | 166.7 |

ANZ revenue grew 42.4% to \$92.0 million in FY21 (FY20: \$64.6 million) across end markets and categories. First-half revenue of \$62.4 million was up 70% (1H FY20: \$36.8 million), driven by increased demand for GALE's market-leading commercial coated fabrics used in grain handling applications and strong growth across consumer categories in retail. Growth was more moderate in the second half, with sales up 6.5% to \$29.6 million (2H FY20: \$27.8 million).

Consumer spending on home improvement projects and products on the back of COVID-19 restrictions and government stimulus drove significant and sustained increases in sell-through rates throughout the first three quarters, with quarter four sell-through returning to more moderate, historical levels.

A significant number of new products, leading to incremental ranging, and promotional items across core consumer categories were launched in the year, a key driver of the result. GALE partnered with Cancer Council Australia for an exclusive endorsement partnership for shade products across core retail and commercial product ranges and brands, brought to life both in-store and online.

The company also implemented manufacturing, procurement, and retail store servicing efficiency initiatives while developing further improvement projects in regional distribution and transportation to optimise costs and improve quality, service, and delivery over the coming years.

MIDDLE EAST/ NORTH AFRICA (MENA)

| Result for the full year to | 30 June 2021 A\$ million | 30 June 2020 A\$ million | Change % |
|-----------------------------|-----------------------------|-----------------------------|----------|
| Net revenue | 8.6 | 10.5 | (18.1) |
| EBITDA | 2.2 | 2.2 | 0.0 |

Challenging economic and broad market trading conditions persisted throughout the first three quarters as pandemic-related restrictions continued to affect demand region-wide, with some improvement as the company returned to growth versus prior year in the fourth quarter. Though overall debtors decreased and efforts to reduce long-dated debtors showed signs of improvement exiting the year, challenges persisted. The company's tightened credit policy continues to impact trading. GALE remains committed to supporting its trading partners in the region.

EURASIA

| Result for the full year to | 30 June 2021 A\$ million | 30 June 2020 A\$ million | Change % |
|-----------------------------|-----------------------------|-----------------------------|----------|
| Net revenue | 8.4 | 8.0 | 5.0 |
| EBITDA | 2.7 | 2.7 | 0.0 |

Growth accelerated in the second half, driven by increased demand for the company's differentiated commercial fabrics ranges and select consumer product ranges, in line with its strategy in the region. GALE delivered growth across most trading countries due to increased demand for commercial shade structures and consumer demand increases on the back of COVID-19 restrictions. Capacity constraints and cost escalations in international shipping created operational complexity throughout the year for both the company and its trading partners.

BALANCE SHEET AND CASH FLOW:

The significant improvement in operating cash flow, generated from the additional scale, resulted in net cash from operating activities for the financial year of \$34.6 million compared to \$7.2 million in FY20. This allowed the company to pay down a significant portion of its debt and resulted in a net cash position of \$1.5 million at 30 June 2021, compared to a net debt balance of \$15.3 million at 30 June 2020.

John Paul Marcantonio commented: “We were pleased to reduce debt over the financial year significantly. Together with increased sales volume, this places GALE in a strong financial position for continued growth. Our strong balance sheet provides us with the financial flexibility to fund and accelerate our global growth ambitions in the years to come.”

GALE’S CORE STRATEGY:

The company’s core strategy is to build GALE Pacific into a faster growing, world-class, global fabrics technology business through product innovation, category growth, improved operations and by expanding into new markets. Building on its market-leading, vertically integrated, knitted, and coated fabrics core competencies, the company will invest to further accelerate growth in the United States and Australia, its anchor markets.

GALE will grow its core categories by launching functional product innovation, expanding distribution, and accelerating demand across both consumer and commercial markets. To enable delivery of the growth plan, the company will continue to evolve its global supply chain to effectively match capacity to serve market demand with a focus on service, efficiency, and flexibility.

OUTLOOK:

The acceleration in results delivery and progress against our strategy in FY21 was encouraging and placed the company in a strong financial position entering FY22. We anticipate that the significant, positive demand forces across both consumer and commercial end markets will moderate and normalise to some degree in FY22 as compared to FY21. We also anticipate that the complex, unpredictable environment for global supply chains and the inflationary environment for shipping, materials and labour will continue in FY22.

Despite these challenges, we will continue to invest in line with our strategy to build the company for the future. Given the size, scale, and overall long-term market potential for our business in the Americas region, the company has made the strategic decision to invest in management capability in the United States, including the CFO role, which will soon relocate. We have added two leadership roles - a global leader of marketing and innovation and a global leader of supply chain - and we intend to add additional sales and marketing resources in the region in FY22.

We will continue to invest in accelerating profitable growth initiatives and improving our operations in Australia across consumer and commercial categories and customers. We also anticipate a bright future for our MENA and Eurasia regions, with distribution expansion and market development runways ahead of us.

Though this increased expenditure will have a near-term impact on earnings, we expect increased revenue and profits as we capitalise on the full potential of our existing products and new ranges over the coming years.

While it is difficult to forecast in the current, complex global operating environment, we anticipate that first half profit in FY22 will be below the prior corresponding period due to several factors, including:

- Lower forecast volumes across consumer categories in Australia/New Zealand and the Americas due to more moderate, normalised consumer spending and sell-through levels across retail channels
- Lower forecast Australian grain season than prior year impacting coated fabrics volumes
- Continued input cost inflation across shipping, transportation, materials, and labor offset where possible by price increases progressively enacted during the period consistent with our marketing objectives
- Continued volatility and delays in international shipping due to capacity constraints
- Significant investments in management capability, selling, and marketing in the United States

While we are currently planning for growth in the second half of the year, we anticipate providing improved visibility on the company’s earnings outlook at our annual general meeting in November.

Authorised by the GALE Pacific Board of Directors.

INVESTOR AND ANALYST CALL

An investor and analyst call will be held on **24 August at 10:30am (AEST)**.

To pre-register for this conference and avoid a queue when calling, please use the following link below:

[→ GAP FY21 RESULT CONFERENCE CALL REGISTRATION](#)

You will be given a unique pin number to enter when you call which will bypass the operator and give you immediate access to the event.

If you are unable to register, then at the time of the conference call dial one of the numbers below and provide the conference ID 10015620 to the operator:

| | |
|-------------------------|---------------|
| ■ Australia | 1800 954 501 |
| ■ New Zealand | 0800 480 392 |
| ■ USA/Canada | 1855 336 4664 |
| ■ Hong Kong | 800 906 986 |
| ■ United Kingdom | 0808 168 3761 |

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, 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 Australia Securities Exchange (code: GAP).

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