

GALE PACIFIC LIMITED

RESULTS FOR YEAR ENDED 30 JUNE 2014



FY2014 Financial Summary

	FY14	FY13	Variance	Comments
	A\$M's	A\$M's	%	
Sales	137.3	120.0	+14%	
EBITDA	17.6	18.0	-2%	
EBIT	12.1	12.9	-6%	EBIT to total funds employed FY14 13.3% (FY13 14.9%)
NPAT	8.2	9.1	-9%	
Earnings per share (cents)	2.72	3.00	-9%	
Dividends per share (cents)	2.65	2.65	0%	
Cash from operations	4.2	11.5	-63%	Reduction due to an increase in working capital
Net debt	(11.2)	(3.2)	+250%	Net debt to total funds employed FY14 12.3% (FY13 3.7%)

STRATEGY UPDATE



Our Plan

PLAN

Create a more **focused, innovative, globally collaborative** business geared towards **improving service** and **leveraging our global scale**

FOCUSED

- Brand strategies
- Product categories
- New Product Development
- International expansion

INNOVATIVE

- Incubate R&D
- Fewer/Bigger/Better
- Highly measured
- Process-driven
- Market-driven

GLOBAL COLLABORATION

- Executive Leadership Team
- Operating Rhythm
- New Products & Promotions
- Brand strategies
- Knowledge sharing
- Standardised reporting

IMPROVING SERVICE

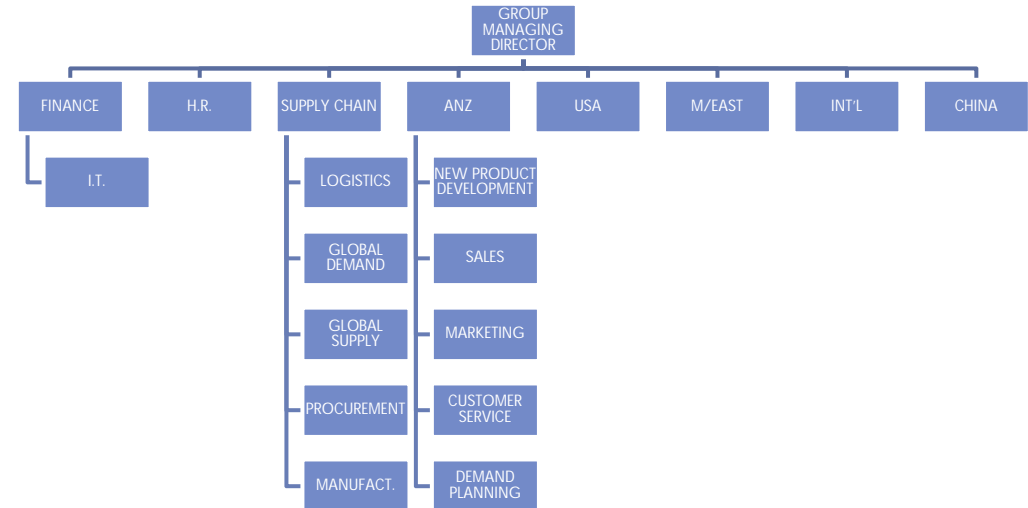
- Global planning
- Measuring service company-wide
- Standard service measurements
- Easy to do Business With culture

LEVERAGING GLOBAL SCALE

- Purchasing e.g. resin, international freight
- Knowledge sharing
- Supplier selection & validation

Our Structure

- A new structure aligned with and supporting our strategy
- New leadership – Nick Pritchard appointed to role of Group Managing Director
- Streamlined organisation design with shortened reporting lines and reduced administrative duplication
- Establishment of an Executive Leadership Team, comprising key regional leaders, to foster collaboration, support global strategy development and leverage scale
- Key functions to have global outlook whilst recognising regional differences – look for synergies & take advantage of scale opportunities at every opportunity
- Research & Development - incubated with greater commercial outcomes



Efficiency/Effectiveness Projects

EFFICIENCY & EFFECTIVENESS PROJECTS

Major Efficiency & Effectiveness programs to unlock our trapped capacity for growth and position us for success.

Global Supply Chain & Inventory Model

Build model to improve planning, manufacturing efficiency, service & reduce global inventory

International – Market & Product Review

Review all current & potential export markets. Prioritise countries & refocus on core categories

I.T. Optimisation

Align I.T. systems across regions. Standardise global reporting.

New Product Development

Incubate Research & Development to support innovation in the core – Fewer/Bigger/Better.

Extrusion Coating Technology

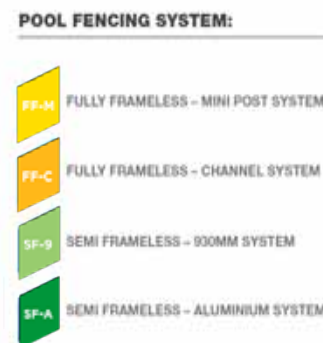
Invest in technology upgrade of Australian Extrusion Coater to improve quality & productivity.

Key Strategies

STRATEGIES TO WIN	MAKE OUR BRANDS REALLY MATTER	BUILD OUR GLOBAL EXECUTION CAPABILITY	SIMPLIFY & ALIGN THE ORGANISATION	FOCUS OUR INTERNATIONAL EXPANSION	DEVELOP THE TEAM FOR GROWTH
	<ul style="list-style-type: none"> ✓ Brands – Define our brand strategies & execute them consistently around the globe ✓ Products – Define our product strategies with an increased definition of, & focus on, our core business ✓ Digital – Build an integrated platform to engage consumers in each product category ✓ Innovation – Focus, incubate & accelerate our global new product development 	<ul style="list-style-type: none"> ✓ Planning – Take a global view to demand, production & capacity planning ✓ Procurement – Build a business that engages with a smaller number of strategic suppliers leveraging global scale ✓ Service Levels – Measure service performance at every level & build a service & Easy To Do Business With culture ✓ I.T. – Build a stronger, more globally aligned information technology platform 	<ul style="list-style-type: none"> ✓ Reporting – Align our regional reporting for global visibility & improved decision-making ✓ Structure – Implement a business model that reflects a more global outlook, leverages scale & more effectively matches skills & cost with the task ✓ Operating Rhythm – Build a cycle that supports collaboration 	<ul style="list-style-type: none"> ✓ Core Markets – Invest for growth in ANZ, USA/Mexico & the Middle East ✓ Secondary Markets – Grow in Japan & Sth. Africa with increased focus on core categories & products ✓ New Markets – Strategic insight program for priority emerging markets. Highly targeted expansion. 	<ul style="list-style-type: none"> ✓ Executive Leadership Team – Establish a global leadership team with a desire to grow regions but with a global outlook ✓ Performance Culture – Build a performance culture aligned to business strategy ✓ Global Perspective – Develop a more global business perspective with a natural, globally collaborative style

Key Initiatives - Pool Fencing Relaunch

- ❑ Relaunch Pool Fencing/Balustrade range under a new brand, EVERTON - October 2014
- ❑ Improved packaging stability & appearance
- ❑ Make category easier to shop with a selection system, improved in-store point-of-sale material, online pool fencing calculator & DIY videos
- ❑ Extend the balustrading range in 2nd half
- ❑ New marketing program over summer, combined with the launch of new website in October
- ❑ Pack designs to incorporate a new colour coding & naming system to make it easier for consumers to shop



Key Initiatives – Window Furnishings

- Addressing & clearing non-performing ranges with major customer – Q1
- Renaming ZONE Hardware branded Window Furnishings as ZONE Interiors
- Launching new on-trend Venetian blinds & colours - Q2
- Launching a new Zone Interiors website with a selection tool in Q2



Key Initiatives – Website Relaunch

- Re-launching a single, integrated Gale Pacific website that:

- Engages with customers
- Supports the buying process
- Leverages the entire Gale range to build the brand
- Supports the future growth strategy at Gale



Australasia

A\$ Million	FY14	FY13	Variance
Sales	79.9	76.9	+4%
EBITDA	1.7	6.2	-73%
EBITDA / Sales %	2.1%	8.1%	

- Sales increased 4% to A\$79.9m with growth in both Retail & Commercial channels
 - Customer demand for GALE products showed positive signs in most markets with very strong Retail sales out performance.
 - Significant proactive inventory reduction program in largest Retail customer impacted sales in.
 - Commercial channel sales impacted by weaker than anticipated grain storage cover volumes due to modest harvest, as well as declining sales to the mining industry. Margins impacted by large swings in product mix driven by major projects.
- I.T. system implementation, coupled with acquisition integration challenges, placed strain and complexity on the business impacting service levels and supply chain costs.
- Cost increases (polymer, overseas supplier pricing & devaluation of A\$) could not be fully passed on within the year causing margin pressure. Poor service levels early in the year made this more challenging. Innovation, brand investment and improved service will position us better to do this in the future.
- Last year's weaker than anticipated grain season resulted in significant carry over inventory into FY15 and, coupled with the problematic I.T. system implementation in July, impacted working capital performance.
- Proactive decisions to address non-performing product ranges in our largest Retail customer impacted negatively.

Australasia Transformation

Over the past 12 months we have...

- Implemented a new leadership team, simplified organisational design & built capability
- Stabilised the I.T. system & improved performance visibility across all functions
- Improved service levels across both Retail & Commercial channels
- Proactively addressed non-performing product categories and inventory in Retail channels
- Defined our brand and product category strategies
- Implemented new processes, and strengthened others, across the organisation
- Built a strong new product pipeline
- Made improvements to employee engagement and took steps to building a true performance culture
- Taken important steps to rebuilding customer confidence and trust
- Developed the strategy & built the implementation plan to relaunch Zone Hardware blinds & Highgrove pool fencing & balustrade categories
- Dramatically improved our in-store execution
- Taken steps towards the consolidation of facilities and national transport providers to achieve savings & reduce complexity

Americas

US\$ Million	FY14	FY13	Variance
Sales	32.9	25.9	+27%
EBITDA	3.0	2.1	+43%
EBITDA / Sales %	9.1%	8.1%	

- Sales increased 27% to US\$32.9m
 - Sales growth and expanded ranging achieved with most major accounts
 - Significant sales increases from two major club retailers and on-line customers
 - Strong seasonal programs and new product introductions drove solid sell-through performance with major retail customers
 - Sales of commercial fabrics increased by approximately 21% on the prior year
- Further investments to be made in Marketing & Sales resources to continue to drive new product development, product range expansion and future sales growth.
- Expanded range commitments in hand for FY15 from two largest wholesale clubs in the USA

Middle East

US\$ Million	FY14	FY13	Variance
Sales	11.1	9.7	+14%
EBITDA	2.4	1.9	+26%
EBITDA / Sales %	21.6%	19.6%	

- Sales increased 14% to US\$11.1m
- Increased sales in our two major markets of United Arab Emirates (+10%) and Saudi Arabia (+20%)
- Construction activity and demand for architectural fabrics remains despite turbulence in some parts of the region
- Saudi Arabia Business Development Manager to be hired in FY15
- EBITDA increased 26% to US\$2.4m driven by sales

China

US\$ Million	FY14	FY13	Variance
Sales – Other Overseas Markets	8.3	7.6	+9%
Sales – Internal	38.9	28.6	+36%
EBITDA	9.0	7.6	+18%
EBITDA / Sales %	19.1%	21.0%	

- Record volumes, increased efficiencies, improved yields and reduced waste levels contributed to a record result from the China operation.
- Gains helped to offset the impact of higher wage rates and labour on costs and the unfavourable impact of the strengthening of the Chinese renminbi.
- EBITDA increased 18% to US\$9.0m. EBITDA includes the margin on sales direct to international customers and a commercial margin on intercompany sales.

China

- Ongoing plant investment and modification has enabled us to increase capacity and flexibility to support business growth. Tonnes produced increased by more than 25% in FY14. Investment in a new tape extrusion line will increase capacity of the plant by approximately 1,000 tonnes per annum.
- Polymer prices have continued to increase during FY14 resulting in overall cost increase to the business.

Other Overseas Markets

- Sales increased 9% to US\$8.3m
 - Primary export markets (Japan & South Africa) grew as well as key commercial fabrics customers in Israel & Italy
 - Sales in Europe declined year on year. A more direct distribution model has recently been implemented supported by the hire of a new Business Development Manager in FY14.
 - Market development resource added in China to support future growth initiatives. Sales have already commenced and a number of business development opportunities being investigated.
 - Commercial fabric market development in Japan a key focus for FY15.

Outlook

- Trading conditions are expected to remain largely consistent with the past year.
- Continued strong growth in the USA, Middle East and in International markets is expected.
- Australasian region to grow at an increasing rate whilst simultaneously executing its transformation plan - an intense focus on service level improvement and inventory management.
- In Australia, the relaunch of ZONE Hardware branded blinds as ZONE Interiors, with more fashionable product ranges, will position the category well for future growth.
- The relaunch of Highgrove pool fencing & balustrade under the new EVERTON brand, with accompanying new marketing and digital support, will create a stronger platform for this strategic category.
- Increased brand advertising and digital marketing investment to be made in FY15 to build a strategic digital platform, increase consumer brand awareness and strengthen our core brands.

Outlook

- Strong pipeline of innovative new products across both Retail & Commercial channels. A clear focus on innovation in our core.
- Key operational initiatives in place to improve working capital management and improve service levels, resulting in higher operating cash flows.
- High focus on effective implementation of new organisational strategy and structure.
- Significant Research & Development projects entering market test phase in FY15 with commercial market launch expected in early FY16.
- The restructuring of the Australasian business is expected to lead to an improvement in Australasian earnings and, as a result, the company's FY15 underlying after-tax profit is expected to show an improvement on FY14. The statutory result will include non-recurring costs of approximately \$2.5m pretax (\$1.75m after tax) relating to the restructuring announced today and the transformation process that is underway.

Disclaimer

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