

GALE PACIFIC LIMITED

(ASX: GAP)

ASX and Media Release

18 August 2016

GALE Pacific NPAT up 47% over prior year

- Sales revenue up 17% to \$173.2 million
- Profit before tax up 55% to \$13.5 million
- Net debt down by 51% to \$8.2 million
- Full year dividend up 75% to 1.75 cps
- Company transformation continues
- Revenue and earnings growth expected in 2017

GALE Pacific Limited (ASX: GAP) is pleased to report that its profit before tax for the financial year ended 30 June 2016 (FY16) increased by 55% to \$13.5 million. This strong result was at the top end of the Company's earnings guidance released in June 2016. Net profit after tax for FY16 was \$10.2 million, an increase of 47% over the prior year's underlying profit result.

The results were achieved on a 17% increase in sales revenue to \$173.2 million and reflected continuing manufacturing efficiencies and supply chain improvements. Strong operating cash flow of \$17.8 million enabled the Company to reduce the net debt to \$8.2 million, significantly lower than the guidance signalled in June.

Directors have declared a final dividend of 1 cent per share (unfranked), bringing full year dividends to 1.75 cents per share, 75% above FY2015. The record date for the final dividend is 26 September 2016 and the dividend will be paid on 3 October 2016.

RESULTS SUMMARY

	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	173.2	148.0	17
Underlying EBITDA	22.3	18.2	22
Underlying EBIT	15.1	10.6	43
Underlying profit before tax	13.5	8.7	55
Underlying profit after tax	10.2	6.9	47
Statutory profit before tax	13.5	6.2	117
Statutory profit after tax	10.2	5.2	98
Net cash provided by operating activities	17.8	4.4	307
Net debt	8.2	16.7	(51)
Diluted earnings per share	3.40 cents	1.72 cents	98
Dividends per share	1.75 cents	1.0 cent	75

COMMENTARY

Group Managing Director Nick Pritchard said the results reflected the continuing transformation of the Company. “We are continuing to implement our strategy of creating a more focused, more innovative and more collaborative and service-driven business which is able to leverage its global scale. It is pleasing to see these strategies translating to improved profitability and increased shareholder value,” he said.

“Our strong operating cash flows and much lower debt have helped establish a solid platform for future growth. Importantly, these results were achieved whilst we continued to exit non-core businesses, invest in our brands and build capability for the future,” Mr Pritchard said.

RESULTS BY REGION

Australia/New Zealand

	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	97.5	82.7	18
Underlying EBITDA	3.6	3.2	12

Sales grew through both the retail and commercial channels.

In the retail sector, the Company secured considerable new distribution for core product categories, including portable sun shelters, umbrellas and synthetic grass. The prior year’s investment in the establishment of the EVERTON brand for glass products, and its relaunch, resulted in solid growth in the category and returned it to profitability.

In the commercial sector, growth was achieved as a result of new products and service improvements.

Throughout the year there was ongoing focus on achieving further improvements in the supply chain. These resulted in improved inventory turns, supplier rationalisation and improvements in trading terms, as well as transport and labour savings.

Restructuring initiatives strengthened the team’s capability and separated commercial and retail sector responsibilities, positioning them for further growth.

Americas

	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	53.6	43.4	24
EBITDA	4.9	5.0	(1)

Demand for GALE’s products was strong, and new retail business was secured in the core window shades category. During the year, the company invested in new supply chain leadership to strengthen the planning function, and in improvements to its warehousing and manufacturing. Combined with the cost savings and service improvements in the Chinese operations, these have established a solid platform for profitable growth.

The performance of the Americas region, however, was impacted by supply chain challenges that restricted the ability to service market requirements effectively.

Late in the year, GALE appointed a new President/General Manager for the region with the goal of accelerating growth in the retail sector and building a strategy for commercial market expansion. A provision for the cost of the leadership transition is included in the FY2016 accounts.

There are significant opportunities in the Americas market and increased investment is intended to capitalise on them.

Middle East/North Africa

	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	15.4	14.4	7
EBITDA	3.1	3.3	(4)

Market conditions in the region were particularly challenging throughout the year. Low oil prices and political volatility combined to put pressure on the region's cash flows. Demand for GALE products remained strong, but ongoing focus on the quality of the customer base resulted in lower sales growth.

During the year, there was a soft launch of GALE's new Commercial Heavy architectural fabric, with a number of initial projects. There is considerable potential for higher performing architectural fabrics in the region, and new product development initiatives are focused in this area.

The Middle East/North Africa market continues to be highly attractive. Investments in this area will be limited largely to new products (inventory) and additional sales resources.

China Manufacturing & Eurasia

	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	6.8	7.5	(10)%
Intersegment Sales (eliminated when consolidating group results)	58.4	43.0	36%
EBITDA	12.6	10.6	19%

Sales to the Eurasia region were slightly lower, reflecting the transition to higher margin commercial fabrics. Unfavourable legacy trading arrangements were addressed and a platform was created for sustained profitable growth in the region.

The formation of a regionally-based sales and support team was completed, with roles transferred from Australia, and a decision was taken to focus on a smaller number of geographic regions and channels.

At the company's Chinese manufacturing operations, facilities and plant were upgraded. Efficiency in the plant remained high, with solid performance in quality and waste reduction. There was higher demand for knitted and woven fabrics from all regions which contributed to improved capacity utilisation.

The strategy to treat the Chinese manufacturing facility as a cost centre focused on quality, cost reduction and service remains, as shown by the improvement in key performance indicators.

BALANCE SHEET

Net debt at 30 June 2016 was \$8.2 million, compared with \$20.0 million at 31 December 2015 and \$16.7 million at 30 June 2015. The decrease during the year reflected strong sales growth, continued improvements in supply chain and improvements in global inventory management.

OUTLOOK

The Directors are confident that GALE Pacific is well positioned to deliver further sales and earnings growth in FY2017. Priorities for the coming year include:

- **China Manufacturing Transformation** – reducing complexity in the plant, building technical capability, more sophisticated procurement and creating a greater service orientation.
- **Americas** – developing a manufacturing and logistics infrastructure to support faster growth, focusing on core retail categories and designing a plan for commercial sector growth.
- **Middle East/North Africa** – investing in additional sales resources to capitalise on the market opportunity.
- **Research & Development** – continuing the Company’s innovation initiatives, working closely with global technical partners who will help bring ideas to reality.
- **Focus** – accelerating the exit from non-core product categories and sharpening the focus on a smaller number of geographic regions and channels, based on market insights.
- **Marketing** – global transition to the Company’s new branding frameworks and investing in building more global digital platforms to engage consumers more fully.

RECONCILIATION OF UNDERLYING RESULTS TO STATUTORY RESULTS FOR PRIOR CORRESPONDING PERIOD (2014/2015)

In the prior corresponding period, the company incurred non-recurring costs related to restructuring and the re-launch of the company’s pool fencing and balustrade ranges. The following table reconciles the underlying results to the statutory results.

A\$ million	EBITDA	EBIT	Profit before tax	Profit after tax
Statutory	15.7	8.0	6.2	5.2
Restructuring costs	0.3	0.3	0.3	0.2
Product re-launch costs	2.2	2.2	2.2	1.5
Underlying	18.2	10.6	8.7	6.9

Underlying profit, EBITDA and EBIT are the Statutory profit, EBITDA and EBIT respectively adjusted for non recurring costs related to restructuring and the re-launch of the company’s pool fencing and balustrade ranges. The Company believes that underlying profit, EBITDA and EBIT provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

Underlying profit, EBITDA and EBIT are useful as they remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods.

Underlying profit is presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 “Disclosing non-IFRS financial information” issued in December 2011. The Company’s policy for reporting underlying profit is consistent with this guidance. The Directors had the consistency of the application of the policy reviewed by the external auditor of the Company.

-Ends

About GALE Pacific

GALE Pacific is a manufacturer and marketer of commercial and DIY products that protect and enhance environments around the world.

Our products are marketed across commercial and retail sectors, with distribution into agricultural, horticultural, architectural, mining, construction, and home improvement channels. They are stocked by many of the world's largest retailers and also have strong online distribution.

GALE Pacific is a world leader in specialised textiles and associated products and is recognised in our markets as an innovator and long-term producer of premium quality products.

Contacts:

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APPENDIX 4E

PERIOD ENDING 30 JUNE 2016

FULL YEARLY REPORT

Name of Entity:	Gale Pacific Limited
ABN or Equivalent Company Reference:	80 082 263 778
Report for the Year Ended:	30 June 2016
Previous Corresponding Period is the Financial Year Ended:	30 June 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%	\$'000		\$'000
Revenues from continuing activities:	Up	17%	25,198	To	173,191
Profit from continuing activities after tax attributable to members:	Up	98%	5,058	To	10,228
Net profit for the period attributable to members:	Up	98%	5,058	To	10,228
Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.					

DIVIDENDS

	Amount Per Security	Percentage Franked
Final Dividend for the year ending 30 June 2015 (paid 1 Dec 2016)	1.0 cent	0%
Interim Dividend for the year ending 30 June 2016 (paid 1 April 2016)	0.75 cent	0%
Final Dividend for the year ending 30 June 2016:	1.0 cent	0%
Date final dividend for year ending 30 June 2016 is payable:	3 October 2016	
Record date for determining entitlements to the dividend:	26 September 2016	
Trading ex-dividend:	23 September 2016	

Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.

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PERIOD ENDING 30 JUNE 2016

AMOUNTS PER SECURITY

	Amount Per Security	Ordinary Security Val.
Final Dividend for the year ending 30 June 2015 (paid 1 Dec 2016)	1.0 cent	\$2,975,000
Interim Dividend for the year ending 30 June 2016 (paid 1 April 2016)	0.75 cent	\$2,231,000

The above table refers to the dividends paid to members during the financial year ended 30 June 2016.

As above, in addition to the above dividends, on 18 August 2016 the Directors declared a dividend of 1 cent per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2016, payable on 3rd October 2016 to shareholders on the register at 26 September 2016. The final dividend will be unfranked. This dividend has not been included as a liability in the attached financial statements. The total estimated dividend to be paid is \$2,974,744.

NET TANGIBLE ASSET PER SECURITY

	As at 30 June 2016	As at 30 June 2015
Net tangible asset per ordinary security:	25.0 cents	24.4 cents

EARNINGS PER SECURITY (EPS)

	2015 / 2016	2014 / 2015
Earnings used in the calculations of basic and diluted earnings per share:	10,228,000	5,170,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	297,474,396	297,474,396
Performance rights on issue:	3,602,405	2,364,138
Weighted average number of performance rights issued in prior years:	2,364,138	3,700,000
Weighted average number of performance rights issued during the year:	2,188,060	1,394,123
Weighted average number of performance rights vested during the year	-	-
Weighted average number of performance rights lapsed during the year:	(784,195)	(2,741,644)
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:	301,242,399	299,826,875

APPENDIX 4E

PERIOD ENDING 30 JUNE 2016

EARNINGS PER SHARE

	Year Ending 30 June 2016	Year Ending 30 June 2015
Basic Earnings Per Share	3.44 cents	1.74 cents
Diluted Earnings Per Share	3.40 cents	1.72 cents

ITEMS TO BE REFERENCED IN THE ACCOMPANYING ANNUAL REPORT

- Consolidated statement of profit and loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Significant accounting policies
- Auditor independence declaration and report
- Any other significant information

OTHER INFORMATION REQUIRED BY LISTING RULE 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 2016 Annual Report.