

# GALE Pacific

Full Year Results – 2015/16

18 August 2016





# Who we are



- GALE Pacific manufactures and markets branded screening, shading and home improvement products.
- We are a world leader in specialised textiles and recognised in our markets as an innovator and long-term producer of premium quality products.
- Based in Australia, we operate globally with approximately half our revenue coming from northern hemisphere markets.
- Our products are marketed across commercial and retail sectors, with distribution into architectural, horticultural, agricultural, mining, construction, and home improvement channels. They are stocked by many of the world's largest retailers and also have strong online distribution.
- Key products include architectural shade fabrics, exterior window shades, shade sails and an array of specialised commercial fabrics used for crop protection, irrigation, water storage and screening.
- The company is focused on strengthening our global market position through product innovation and brand strength.





# Our brands & products



- Shade Sails
- Shade Fabrics
- Window Shades
- Shade Umbrellas
- Gazebos
- Synthetic Grass



- Window Furnishings



- Pool Fencing
- Balustrade
- Mirrors
- Splashbacks
- Shower Screens

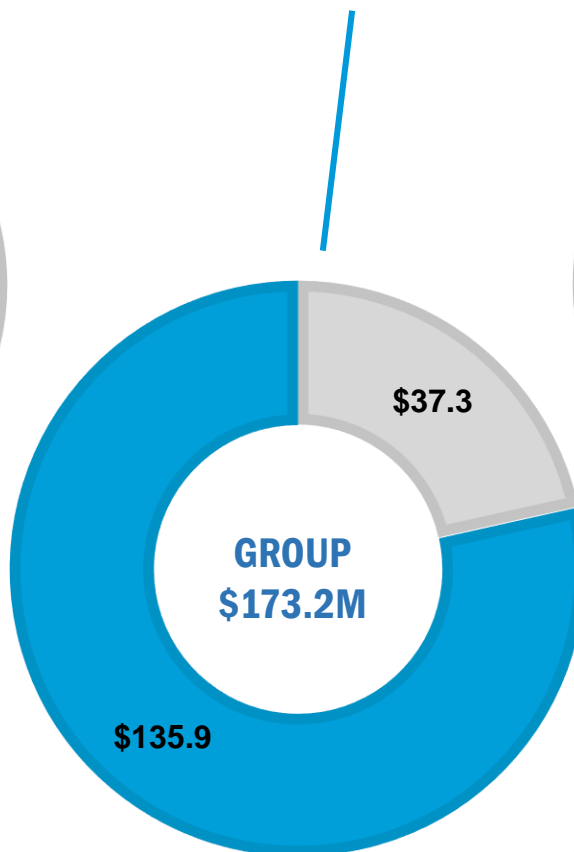
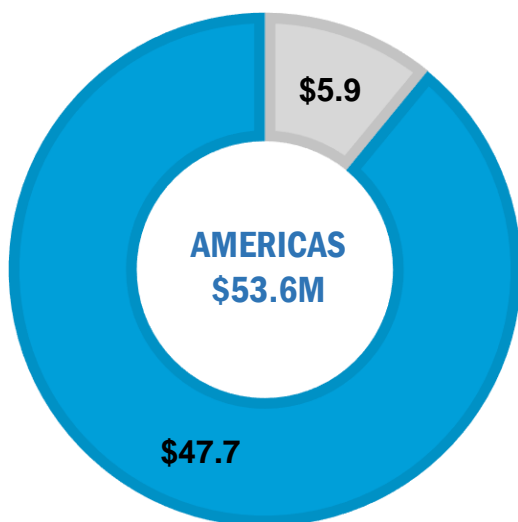
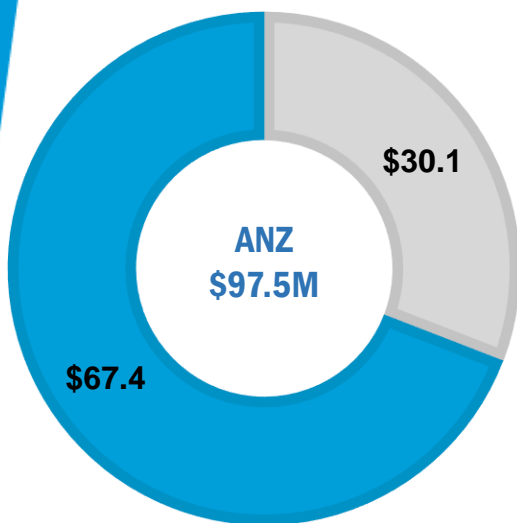


- Architectural Shade
- Horticultural Shade
- Agricultural Fabrics
- Construction Fabrics
- Mining Fabrics

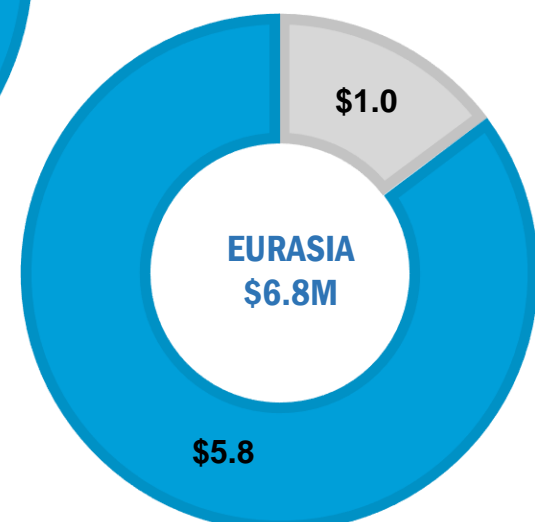
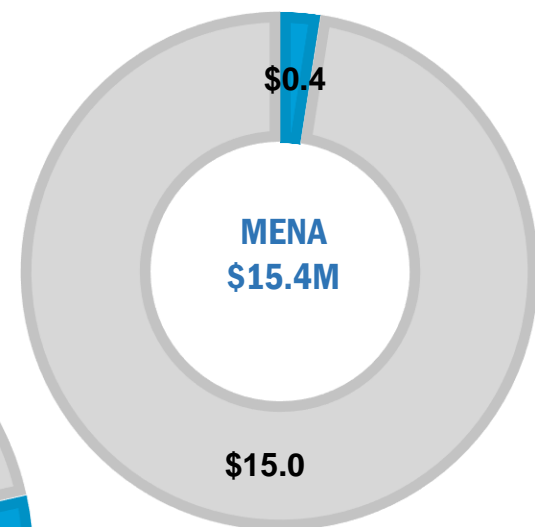




# Sales by region and channel



A\$M



RETAIL  
COMMERCIAL



# FY2016 results summary



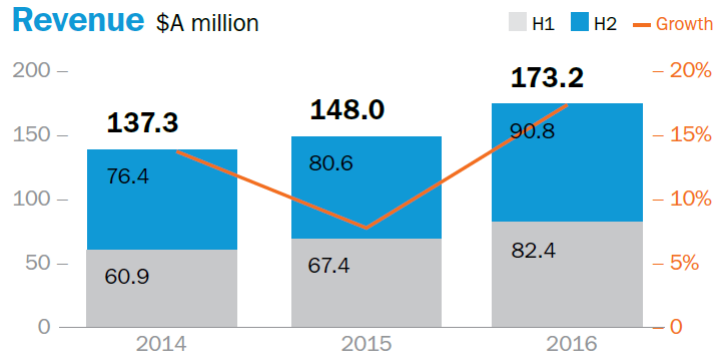
	FY2016 A\$ million	FY2015 A\$ million	Change %
Revenue	<b>173.2</b>	148.0	17
Underlying EBITDA	<b>22.3</b>	18.2	22
Underlying EBIT	<b>15.1</b>	10.6	43
Underlying profit before tax	<b>13.5</b>	8.7	55
Underlying profit after tax	<b>10.2</b>	6.9	47
Statutory profit/loss before tax	<b>13.5</b>	6.2	117
Statutory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



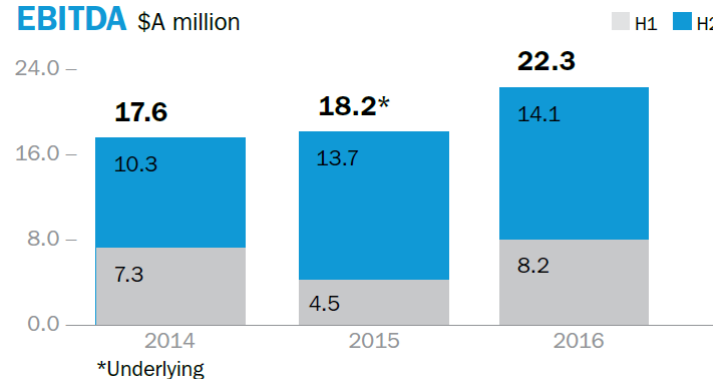
# Key Financial Metrics



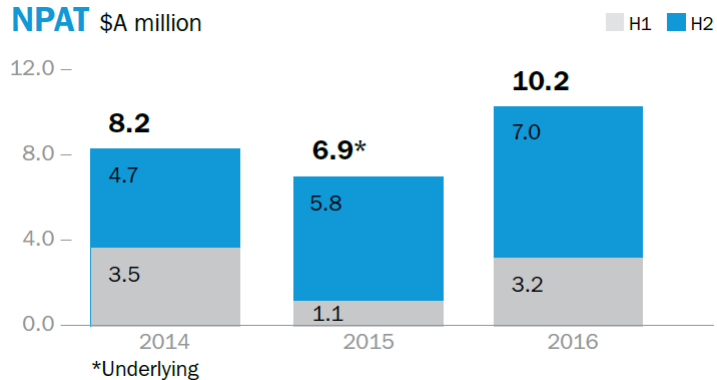
**Revenue** \$A million



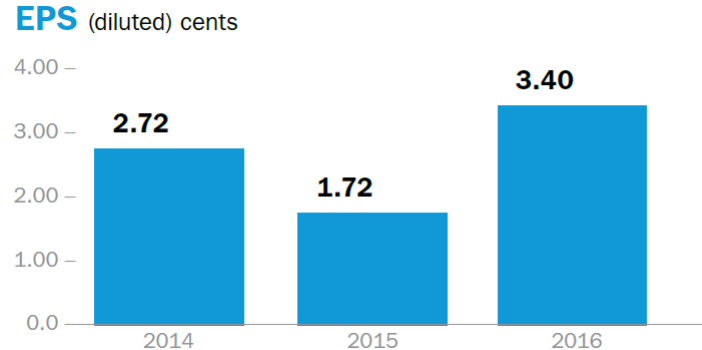
**EBITDA** \$A million



**NPAT** \$A million



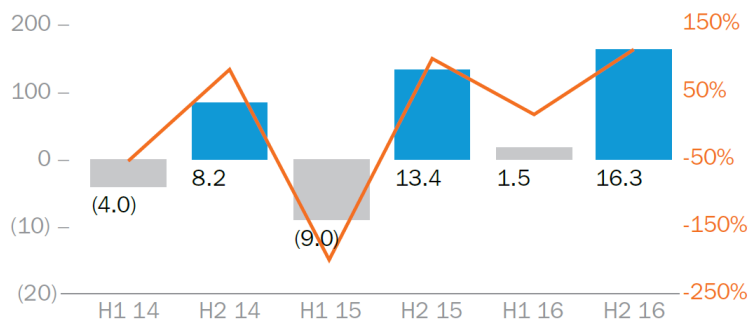
**EPS** (diluted) cents





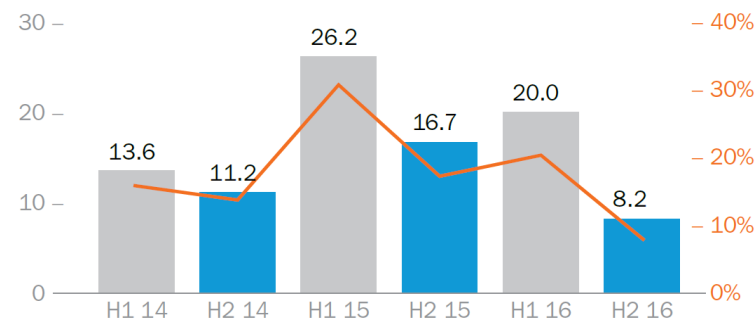
# Cash flow and balance sheet

**Operating Cash Flow** \$A million ■ H1 ■ H2 — as a % of EBITDA



- Strong positive cash flow driven by higher sales, supply chain improvements and global inventory management

**Net Debt** \$A million ■ H1 ■ H2 — as a % of Equity



- Net debt at lowest levels since 2013
- Strong balance sheet provides flexibility to fund prudent value-adding investments and growth opportunities



# Key achievements



- Strong revenue growth – 17%



- New and innovative products launched



- New leaders appointed in line with key strategic initiatives



- Strong operating cash flow reducing net debt to \$8.2 million



- China manufacturing transformation commenced



- New long-term multi-currency banking facility secured



# Strong revenue growth

Our strategy is to transform ourselves into a faster-growing, more global business.



- New ranging wins achieved in key retail markets and product categories



- Growth achieved across both Retail & Commercial sectors



- Exits of non-core product categories continued



- Existing geographic markets continue to be narrowed with increasing focus on core markets



- Growth limited by supply chain challenges in the USA and challenging market conditions in the Middle East



# New & innovative products



**Our strategy is to become innovative across our business. We are striving for genuine innovation in our core product categories underpinned by consumer insights.**

- Launched new architectural fabric for large-scale shade applications
- Launched new recycled grain cover fabric solving a key end-of-life disposal issue for grain handlers
- Continued to build technical alliances to help bring our ideas to reality
- Built research centres in China & Australia to support our technical leadership and competence





# New leaders appointed



**Our strategy is to create a high performance culture. Throughout the year we continued to invest in building capability and establishing a more collaborative global business. We made key leadership changes to better support our growth plan.**

- **Americas** - in line with the strategy to accelerate growth within the USA market Lindsay Klebenow was appointed President/General Manager.

**Lindsay Klebenow**



**Commenced  
JUNE 2016**

- **China Manufacturing** – Cliff Zhang was appointed to lead the Company's manufacturing transformation with a focus on further reducing product costs and improving service.

**Cliff Zhang**



**Commenced  
MAY 2016**

- **Australia/New Zealand** - Craig Fuller was appointed as General Manager to drive further growth and efficiencies in our significant ANZ business.

**Craig Fuller**



**Commenced  
MARCH 2016**



# Strong operating cash flow



Our strategy is to work closely with our suppliers and customers with deeper, more collaborative relationships. Throughout the year we continued our efforts to improve our working capital management.



- **Operating Cash Flow** - \$17.8M, a 4 times improvement over prior year



- **Group Working Capital** – increased due to unfavourable exchange rate translation. Improvements in all major working capital metrics.



- **Supplier Consolidation** – considerable progress rationalising the supplier base to a smaller number of sophisticated suppliers on more favourable terms.



- **Inventory Management** – improvements in inventory turns achieved, and decreases in aged inventory.



- **Receivables** – despite challenges in the middle east region, metrics remain on track with good progress in the Americas particularly.



# Supply chain strengthening



**Our strategy is to reduce complexity in our supply chain with a clear goal of improving service, and reducing cost.**

- **Australia**
  - completed warehouse consolidations
  - seamless relocation to new retail distribution centre
  - transport and labour savings achieved whilst simultaneously improving service
- **Americas**
  - commenced evaluation of future manufacturing and warehousing options
- **Systems Development** – progress made on forecast strengthening and information technology initiatives to reduce cost and improve service.





# China manufacturing transformation



**Our manufacturing strategy involves us exiting non-core manufacturing processes and reducing complexity in the plant, with the goal of removing cost and improving service performance.**

- **Capacity Build** – commissioned new equipment to build plant flexibility and increase capacity
- **Facility Improvements** – commenced important upgrade works to support quality and cost improvements
- **Manufacturing Processes** – made decisions to exit non-core manufacturing processes to focus on our core competence





# Banking Facilities



**Our strategy is to create a faster-growing, more global business. To do that we need to build an infrastructure, including finance facilities, that more effectively supports our growth ambitions.**

- **Term** - longer-term facility
- **Debt** – multi-currency to reduce exposure to exchange fluctuations
- **Terms** – favourable commercial terms





# Australia/New Zealand



- Sales growth through both retail and commercial channels
- Considerable new business secured in core product categories
- Glass business returned to growth and profitability
- Supply chain strengthening driving cost and service improvements
- New leadership appointed to drive further growth and efficiencies

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



# Americas



- Strong demand continues with new retail business secured
- Performance impacted by supply chain challenges that restricted the ability to service demand
- Investments made in new supply chain leadership and process strengthening
- Costs associated with leadership transition accounted for in FY2016
- New leadership appointed June 2016

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



# Middle East North Africa



- Continued strong appetite for GALE products despite challenging market conditions
- Growth restricted as a result of our cautious credit philosophy
- New architectural fabrics launched – initial projects commenced
- Market continues to be highly attractive and warrants further sales team and new product investment

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



# China Manufacturing/Eurasia



## Eurasia

- Sales reflected movement away from lower margin, lower value, and non-core retail items to higher margin commercial fabrics
- Focus on a smaller number of geographic regions and channels
- Completed build of Shanghai-based sales and support team

## China Manufacturing

- Efficiency remained high with solid performance in quality and waste reduction
- Transitioning to an increased focus on cost reduction and service improvement which will, over time, benefit the selling regions

	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%





LOOKING  
FORWARD



# Our next phase



## Our next phase will focus on:



- **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 our innovation initiatives, working closely with global technical partners, who will help bring our ideas to reality.



- **Focus** – accelerating our exit from non-core product categories and sharpening our focus on a smaller number of geographic regions and channels, based on market insights.



- **Marketing** – global transition to our new branding frameworks and investing in building more global digital platforms to engage with our consumers more fully.

**We are confident that GALE Pacific is well positioned to deliver consistent sales and earnings growth.**



# Disclaimer



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