

GALE PACIFIC LIMITED

(ASX: GAP)

ASX and Media Release

24 October 2024

Gale Pacific 2024 Annual General Meeting – Chairman's Address

FY24

The financial performance for the year ended 30 June 2024 was very disappointing with a pretax loss of \$1.4 million compared with a \$5.3 million profit for the previous year. Adverse weather conditions and subdued retail conditions in our main markets meant that we were unable to deliver the revenue growth we had planned for at the start of the year.

EBITDA for the year was \$14.2 million, down from \$20.7 million for the previous year. The main reason for the year-on-year earnings decline was an increase in operating expenses, including a \$5.0 million expense associated with the implementation of our new ERP system, Dynamics 365. Excluding the ERP expense, underlying EBITDA of \$19.2 million was 7% below prior year. Strong cash flow from operating activities at \$26.7 million was 188% of EBITDA and enabled the funding of capital expenditure and a reduction in net debt from \$15.5 million at 30 June 2023 to \$0.7 million at 30 June 2024.

APPOINTMENT OF NEW CEO AND CORPORATE RESTRUCTURE

On 14 August the Board announced the appointment of Troy Mortleman as our new CEO. Further corporate management changes have been made to put in place a more streamlined and lower cost corporate structure. As a result, ongoing corporate expenses have been reduced by \$4 million per annum. I would like to stress that there has been no reduction in the core functions of manufacturing and supply chain, product development and sales and marketing.

DYNAMICS 365 IMPLEMENTATION

I am pleased to report that our new ERP system went live on the 1st of October and that all functions are running smoothly. This has been a major managerial and financial undertaking with associated operating expenses of \$7.3 million spread over FY24 and FY25 and \$5.8 million in capital expenditure. The new system brings substantial operating benefits and these will be outlined by Troy in his presentation.

FY25 TRADING AND OUTLOOK

Trading for the first quarter of FY25 has been positive to prior year and there are encouraging signs that this will continue. While retail conditions in the USA remain challenging, the impact of this is being offset by new product listings in that market and more favourable conditions in other markets.

At this stage we expect EBITDA for the first half to be between \$5.5 million and \$6.5 million compared with \$2.5 million for the prior year first half. This includes a total of approximately \$3.0 million in non-recurring expenditure associated with the ERP implementation and the corporate restructure for an underlying EBITDA of \$8.5million to \$9.5 million (compared to underlying EBITDA in the prior year first half of \$2.5 million).

I'll now hand over to Troy who will present more detail on current trading and market conditions.

- ENDS –

Authorised for release by the Board of GALE Pacific Limited.

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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, New Zealand, 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 Australian Securities Exchange (code: GAP).