



GALE PACIFIC LIMITED

(ASX: GAP)

ASX and Media Release

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2019 Annual General Meeting – MD's Address

Good morning ladies and gentlemen. Today I stand before you for the last time as Group Managing Director of GALE Pacific.

Leading GALE through the critical transformation phase has been a satisfying experience and I can now confirm that the business has the requisite foundations in place to support and sustain growth.

I have said on many occasions that we must first build strong foundations to support a good business. We have done that now.

GALE Pacific is now healthy, and ready to take advantage of the tremendous opportunities that lie ahead.

We are focused and clear on what we want to be - a global fabrics technology business. Today we are largely free of the non-core product categories that have distracted us and weighed us down over time.

We have invested to build the right infrastructure; with a smaller number of facilities, but facilities better able to support our customers and our growth, the right systems, strengthened processes, and the right leadership and team to deliver on our strategy.

Our brands are strong, recently refreshed and globally consistent, and we have a well-defined product strategy with an exciting new product pipeline.

Supporting this new product development are important new technical alliances which, when combined with our own team, are beginning to produce outstanding results.

We are launching innovative new products that have our customers excited and, in many cases, are supported by global patents.

Our recently launched Dual Shade, and Flame-Retardant architectural shade fabrics, are just two recent examples of these innovations.

In relation to our manufacturing facilities in China, and in Australia; we have invested in new equipment, and introduced more flexibility into our operations, bringing previously idle or underutilised equipment back into service. The latter having increased our manufacturing capacity without significant investment. Today we are less constrained and more able to sell with the confidence that we can support growth from a service standpoint.

All worldwide plants, manufacturing and warehousing, are safer, more efficient, and we have significantly reduced lead times and improved service levels across all categories and customers.

I am proud to say that our team now think and operate globally, reflecting the more global nature of our business today. We are working as a true global company, leveraging scale where possible, but still recognising the uniqueness of our customers and consumers in each market.

From the important customer and distribution perspective we have strengthened relationships with major customers, built considerable new distribution, particularly in the USA, and exited unprofitable and non-core geographic markets and customers.

Looking ahead, and some of the key new product projects our teams are working on today will drive a step change in the markets we operate in. These product innovations are not just aspirational, but tangible projects that are expected to deliver strong returns in the near-term. The future is exciting.

It has been a difficult job transforming GALE and doing it at a time where we have faced many challenges beyond our control.

Severe drought conditions, and a more recent softer retail market, have challenged our Australian business.

In the USA we've experienced hurricanes and are currently dealing with the uncertainty created by the China/USA trade war and the impact of increasing tariffs on our China-made products and how our customers are reacting because of it.

In our Middle East business, we've experienced, and continue to be impacted by recessionary conditions impacting our two largest markets of Saudi Arabia and the UAE.

And last year, we experienced resin prices at 10-year highs; resin being our major raw material representing a large percentage of our product costs.

Despite these challenges and remembering that we have exited around \$30 million of non-core category business, we have grown the core business strongly and successfully transformed the company.

Our business is now stronger and more able to withstand the considerable macro headwinds we've experienced than at any time in our company's history. Of this I am particularly pleased, and proud to have been part of.

I am also very pleased to be handing the leadership reins over to John Paul Marcantonio.

John Paul is capable, understands the interlinking parts of our business, has been leading what is now our largest selling region, and has been working closely with our company's largest customers.

John Paul's appointment reflects the growth we have attained outside Australia, and the true global nature of our business today.

John Paul has strong growth ambitions for GALE – within and outside of the USA.

John Paul, I wish you the very best in your new role and, as you know, offer any support you seek at any time in the future.

In concluding, I would like to thank the team of people at GALE who have helped drive the change that has been delivered under my leadership. They have been outstanding. It is tough changing a business, and a culture, but people across all regions have been open-minded and supportive throughout.

Thank you sincerely for all your support.

And thank you also to the board who have provided me with their counsel over my tenure. I'm sure they will prove just as helpful for John Paul.

I would now like to hand over to John Paul Marcantonio, to outline his thoughts on the business.

-Ends

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