

GALE PACIFIC DELIVERS 1H FY22 PBT AT TOP END OF GUIDANCE

- **PBT \$0.7m** (pcp: \$8.8m); up 118% on 1H FY20
- **Revenue \$95.9m** (pcp: \$106.1m); up 54% on 1H FY20
- **EBITDA \$6.3m** (pcp: \$14.7m); up 84% on 1H FY20
- **NPAT \$(0.2)m** (pcp: \$6.0m); up 92% on 1H FY20
- **Net debt \$12.8m** (pcp: \$3.9m); down 46% from 1H FY20
- **Interim dividend of 1.0 cps, 50% franked** (pcp: 2.0, unfranked); up from nil in 1H FY20

GALE Pacific Limited (**GALE** or the **Company**) today announced a profit before tax of \$0.7 million for 1H FY22, above the top end of the previous guidance range of \$(1.5) million to \$0.5 million. First-half FY22 revenue of \$95.9 million was down 10% on 1H FY21 and up 54% compared to \$62.3 million in 1H F20, driving an 84% increase in EBITDA on a two-year basis.

The directors have declared an interim dividend of 1.0 cent per share, 50% franked, payable on 15 April 2022 for shareholders on the register at 02 March 2022.

	1H FY22 A\$ million	1H FY21 A\$ million	Change %	1H FY20 A\$ million	Change %
Revenue	95.9	106.1	(10)	62.3	54
EBITDA	6.3	14.7	(57)	3.4	84
EBIT	1.5	9.7	(84)	(2.5)	162
Profit before tax	0.7	8.8	(93)	(3.6)	118
Net profit after tax	(0.2)	6.0	(104)	(2.6)	92
Basic earnings per share (cents)	(0.08)	2.18	(104)	(0.95)	92
Interim dividend (cents per share)	1.0 50% franked	2.0* unfranked	(50)	nil	n/a
Net cash from operating activities	(6.3)	20.5	(131)	(3.6)	(72)
Net debt	12.8	3.9	(230)	23.6	46

* includes 1.0 cps special dividend.

John Paul Marcantonio, Chief Executive Officer and Managing Director said: "We are pleased with how our team managed a highly challenging global operating environment, including unprecedented cost escalation, capacity constraints, delays, increased lead times, and overall volatility in international shipping and distribution, which significantly influenced the first half result. Due to these challenges, we have made strategic inventory investments across our supply chain, focusing on delivering consistent and reliable customer service despite the increased complexity and cost.

“Raw materials, labour, and shipping costs continued to increase in 1H FY22 compared to 1H FY21. Our pricing measures have offset a portion of these increased costs to date, with additional pricing measures in place heading into the second half. Our team deftly managed the complexity presented by the COVID-19 pandemic across our operations worldwide. Though we experienced mandatory plant closures at our Ningbo, China manufacturing facility for the first two weeks of January, we have maintained consistent supply and service to our customers.

“Though 1H FY22 revenue was down marginally to the Company’s record first half of FY21, we have grown revenue by 54% compared to 1H FY20, demonstrating that our growth strategy is working. Despite the cost headwinds, we have remained committed to and have accelerated investment in our strategy to build GALE Pacific into a faster-growing, world-class, global fabrics technology business. In line with our strategy, we have added new products, increased distribution, added new people and capabilities throughout the first half of FY22.

“I would like to thank our team for their dedicated, excellent work and commitment throughout the first half. We delivered a solid set of results for the Company in the face of significant complexity, operating challenges, and cost inflation. I am energised by our organisation’s resilience and the opportunity in front of us as we enter the second half of the year.”

REGIONAL RESULTS

AMERICAS

	1H FY22 A\$ million	1H FY21 A\$ million	Change %	1H FY20 A\$ million	Change %
Revenue	32.9	37.0	(11)	17.5	88
EBITDA	(0.3)	3.6	(108)	(1.1)	73

First-half revenue of \$32.9 million was down 11% compared to 1H FY21 and up 88% as compared to 1H FY20, a direct result of the Company’s growth strategy in the region. Cost inflation in shipping, distribution, materials, and labour had a negative effect on EBITDA compared to the prior corresponding period, with pricing programs offsetting a portion of the cost increases. The Company has incremental pricing programs secured for the second half and expects to offset a more significant amount of its projected cost inflation.

In 1H FY22, GALE’s core product ranges continued to resonate strongly with consumers and customers, with consumer demand normalising following the pandemic home improvement surge in the prior corresponding period. The Company secured a national core shade fabric and shade sails category expansion program in a major home improvement retailer in the first half and has secured incremental distribution across retailers in the US and Canada in the second half in preparation for the coming summer selling season.

The Company added marketing and selling capabilities and resources to drive further product innovation, category expansion, distribution expansion, brand activation, and accelerate eCommerce growth in the second half and beyond. GALE increased on-hand and in-transit inventory due to global supply chain challenges and to ensure consistent customer service and product delivery.

AUSTRALIA / NEW ZEALAND

	1H FY22 A\$ million	1H FY21 A\$ million	Change %	1H FY20 A\$ million	Change %
Revenue	57.0	62.4	(9)	36.8	55
EBITDA	7.0	11.6	(40)	4.0	75

First-half revenue of \$57.0 million was down 9% compared to 1H FY21 and up 55% compared to 1H FY20. The primary drivers of the revenue decline in retail were more moderate consumer buying behaviour compared to pandemic-related highs experienced in 1H FY21 and the impact of cooler, wetter weather across eastern Australia due to La Nina weather conditions.

Despite these challenges, GALE was successful in securing incremental new ranging and promotional placements across home improvement retail partners and successfully commenced trading with several pure play eCommerce customers, a first for the Company in the region.

The second consecutive year of record Australian grain harvests resulted in solid demand levels for GALE's coated fabrics used in grain handling applications. However, persistent supply chain and pandemic-related supplier challenges constrained the Company's production capacity for grain covers in the first half. Demand for coated fabrics used in water containment applications and coated products used in food storage and transportation applications increased in the first half, conditions which are anticipated to continue for the balance of FY22 and beyond.

Volatility and cost inflation in international shipping and logistics coupled with raw material cost increases had a negative impact on EBITDA in the first half compared to 1H FY21; notwithstanding these challenges, the Company delivered a 75% increase in EBITDA compared to 1H FY20, driven by its strategy to focus on cost efficiency and profitable growth initiatives.

MIDDLE EAST / NORTH AFRICA

	1H FY22 A\$ million	1H FY21 A\$ million	Change %	1H FY20 A\$ million	Change %
Revenue	3.4	4.4	(23)	5.8	(41)
EBITDA	0.6	1.1	(40)	1.5	(60)

Broad market trading challenges attributable to delays in investment for infrastructure projects and pandemic-related restrictions in market openness across the region persisted throughout the first half, with demand for the Company's commercial fabrics ranges affected negatively as a result. GALE's tightened credit policy has improved overall and long-dated debtors in the region; this, however, has constrained trading across select customers and markets.

EURASIA

	1H FY22 A\$ million	1H FY21 A\$ million	Change %	1H FY20 A\$ million	Change %
Revenue	2.6	2.3	13	2.3	10
EBITDA	0.7	0.5	45	0.6	14

Revenue growth and profit expansion in the first half compared to 1H FY21 were attributed to increased demand for the Company's differentiated commercial architectural shade fabrics across Europe and Asia and higher demand for branded consumer products in Japan. Growth was achieved despite pandemic-related market restrictions, international shipping constraints, and cost inflation.

BALANCE SHEET AND CASH FLOW

Net cash from operating activities at 31 December 2021 was \$(6.3) million, down from \$20.5 million in 1H FY21 and \$(3.6) million in 1H FY20. Net debt at 31 December 2021 was \$12.8 million compared to \$3.9 million in 1H FY21 and \$23.6 million in 1H FY20. The Company's balance sheet remains strong with a conservative debt position and significant capacity to support growth.

The reduction in net cash from operating activities as compared to 1H FY21 was driven primarily by the Company's investment in inventory in the Americas and Australia regions to ensure consistent service and enable growth while protecting against external supply chain challenges and increased lead times.

COMPANY STRATEGY

The Company's core strategy is to build GALE Pacific into a faster-growing, world-class, global fabrics technology business through product innovation, category growth, improved operations, and expanding into new markets. Building on its market-leading, vertically integrated, knitted, and coated fabrics core competencies, the Company will invest in accelerating further growth in the United States and Australia, its anchor markets.

GALE will grow its core categories by launching functional product innovation, expanding distribution, and accelerating demand across consumer and commercial markets. To enable the delivery of the growth plan, the Company will continue to evolve its global supply chain to effectively match capacity to serve market demand with a focus on service, efficiency, and flexibility.

OUTLOOK

The Company anticipates 2H FY22 profit before tax to be comparable to 2H FY21 at \$8.5 million, driven primarily by accelerated business performance and additional pricing programs in the Americas region throughout the summer selling season. The Company expects volatility and cost inflation across international and domestic supply chains and inflation in raw materials and labour to persist for the balance of the financial year.

The Company will continue investing according to its strategy of building GALE Pacific into a faster-growing, world-class, global fabrics technology business, particularly in the Americas region, given its scale and long-term market potential, and in further product innovation, market expansion, and operations improvement initiatives.

The Board remains focused on building long-term shareholder value and believes that the current share price does not reflect the Company's full underlying value. The Company has retained Luminis Partners to work with the Board and management to evaluate options to unlock shareholder value further.

Authorised by the GALE Pacific Board of Directors.

INVESTOR AND ANALYST WEBINAR

A webinar briefing for analysts and investors will be held by CEO John Paul Marcantonio and CFO Sheryl Smith on Tuesday 22 February 2022 at 11.00am Australian Eastern Daylight Savings Time.

An accompanying presentation will be made available via the ASX announcements platform prior to the call.

Attendees are required to register beforehand. After registering, a confirmation email will be sent containing information on how to join the webinar.

To register, please go to: https://us02web.zoom.us/webinar/register/WN_m0srGaPgQW-N3h6aoDsu4g (see the link below).

The webinar will include an opportunity for attendees to ask questions. Alternatively, investors can submit questions prior to the webinar via investor.relations@galepacific.com.

 **GAP 1H FY22 WEBINAR REGISTRATION**

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).

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