ASX/MEDIA RELEASE

Gale Pacific Limited
(ASX: GAP)

22 February 2021

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GALE PACIFIC DELIVERS $8.8m PBT AND 70% REVENUE GROWTH FOR 1H FY21

$20.5m
NET OPERATING CASH
UP FROM $(3.6)m

- **PBT $8.8m** (pcp: $3.6m loss) at top end of guidance
- **Net revenue up 70%** to $106.1m
- **EBITDA $14.7m** (pcp: $3.4m)
- **NPAT $6.0m** (pcp: $2.6m loss)
- **Net debt $3.9m** (pcp: $23.6m)
- **Interim dividend of 1.0 cps** (pcp: nil), unfranked
- **Special dividend of 1.0 cps** (pcp: nil), unfranked

* All figures compare 1H FY21 to 1H FY20

GALE Pacific Limited (ASX: GAP) today announced a profit before tax of $8.8 million for 1H FY21, at the top end of the previous guidance range. This compares with a pre-tax loss of $3.6 million in the prior corresponding period. Substantial increases in both retail and commercial sales in the United States and Australia were the primary drivers of the global revenue increase of 70% as compared to 1H FY20.

The directors have declared an interim dividend of 1.0 cent per share (1H FY20: nil) unfranked and a special dividend of 1.0 cent per share (1H FY20: nil) unfranked, both payable on 9 April 2021 to shareholders on the register at 3 March 2021. The company received no income or subsidy from the JobKeeper Payment scheme.

Result for the half year to	31 December 2020 A$ million	31 December 2019 A$ million	Change %
Revenue	106.1	62.3	70
EBITDA	14.7	3.4	332
EBIT	9.7	(2.5)	488
Profit/(loss) before tax	8.8	(3.6)	344
Net profit/(loss) after tax	6.0	(2.6)	331
Basic earnings per share (cents)	2.18	(0.95)	329
Interim dividend (cents per share, unfranked)	1.0	nil	n/a
Special dividend (cents per share, unfranked)	1.0	nil	n/a
Net cash from operating activities	20.5	(3.6)	669
Net debt	(3.9)	(23.6)	84

John Paul Marcantonio, Chief Executive Officer and Managing Director, said: "This strong first half result demonstrates the growth potential of our company. Our strategy to develop GALE Pacific into a faster growing, world-class, global fabrics technology business is well underway and working.

"We've capitalised on robust market conditions in our core categories across end markets in the first half. Our brands and products are resonating well with our target consumers and commercial end-users. The revenue and profit growth in the United States and Australia, on the back of sustained consumer demand increases and a historically large Australian grain harvest, are particularly encouraging.

"Our strategy to increase investment in product innovation, distribution expansion, demand generation, and improve operational efficiency and expand capacity to serve were critical drivers of this result. We successfully adapted our global supply chain to meet the opportunity presented by sharp increases in demand and managed well the challenges posed by worldwide shipping and transportation constraints, material and labor inflation, and the continued complexity posed by the COVID-19 pandemic.

"Our team did a wonderful job of delivering a great result in the face of a highly complex and challenging global operating environment."

REGIONAL RESULTS

AMERICAS

Result for the half year to	31 December 2020 A$ million	31 December 2019 A$ million	Change %
Net revenue	37.0	17.5	111
EBITDA	3.6	(1.1)	427

GALE's core retail ranges and new product innovation continue to resonate strongly with consumers, with sell-through rates up sharply across the market. The company continues to secure additional points of distribution, launch new products and to drive sustained revenue growth from demand generation activities across brick and mortar, eCommerce and omnichannel retail partners. Online listings and consumer demand for the company's products sold online both rose sharply in the first half.

Significant demand increases — which started in 2H FY20 due to COVID-19 restrictions — continued as consumers spent more on home improvement products and projects. GALE was well-positioned to capitalise on this trend across the retail landscape. Demand for the company's commercial architectural shade fabrics grew following the launch of its new flame-retardant product range, the addition of new customers, and increased demand for shade applications. The result includes a provision for impairment of A$2.5m against personal protective equipment inventory.

John Paul Marcantonio commented: "We've accelerated our efforts to grow our business more rapidly in the Americas with additional investments in people, capabilities, innovation, expanded distribution, and service infrastructure, all of which were drivers of the first half result. The United States is a focus growth market and is central to our strategy of building GALE Pacific into a faster-growing global fabrics technology business over the coming years; we're encouraged by the first-half results."

AUSTRALIA/NEW ZEALAND

Result for the half year to	31 December 2020 A$ million	31 December 2019 A$ million	Change %
Net revenue	62.4	36.8	70
EBITDA	11.6	4.0	190

Sales of GALE's core categories grew significantly across both consumer and commercial markets. New product launches and increased ranging with sustained, accelerated sell-through across the company's core categories were the primary growth drivers in retail. GALE was well-positioned as Australian consumers continued to spend more on home improvement projects and products on the back of COVID-19 restrictions. GALE also announced an endorsement partnership with Cancer Council Australia for sun screening products.

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GALE experienced high demand across its range of market-leading coated technical fabrics, most notably those used in grain handling applications on the back of a historically large Australian grain harvest in calendar 2020. The company's recent investment in additional coating capacity and supply chain improvements enabled GALE to capitalise on this opportunity and service the spike in demand.

John Paul Marcantonio commented: "We are highly encouraged by the result in the ANZ region across both consumer and commercial sectors. Our investments in product innovation, marketing, production capacity, and supply chain efficiency initiatives paid dividends in the half, enabling our ability to service our partners effectively as our joint businesses surged. We've made solid progress against our strategy to build a more efficient, profitable, growing business in ANZ."

MIDDLE EAST/NORTH AFRICA

Result for the half year to	31 December 2020 A$ million	31 December 2019 A$ million	Change %
Net revenue	4.4	5.8	(24)
EBITDA	1.1	1.5	(27)

Challenging macroeconomic and broad market trading conditions persisted throughout the first half. Pandemic-related restrictions continued to affect demand throughout the region, and the company's tightened credit policy impacted trading. Although overall debtors decreased, challenges in collecting long dated debtors persisted. GALE continues to work collaboratively with its regional partners through the challenging trading environment.

EURASIA

Result for the half year to	31 December 2020 A$ million	31 December 2019 A$ million	Change %
Net revenue	2.3	2.3	0
EBITDA	0.5	0.6	(17)

Though challenged by variability in key market openness and lower economic activity due to the COVID-19 pandemic, GALE's business in the region was relatively flat compared to prior corresponding period. The company made progress against its strategy of driving demand for its differentiated commercial fabrics ranges and serviced demand increases for its core consumer products ranges in key markets.

BALANCE SHEET AND CASH FLOW

Net cash from operating activities for 1H FY21 was $20.5 million (1H FY20: negative $3.6 million), the first positive 1H result since 1H FY16. Net debt at 31 December 2020 was $3.9 million, an 84% improvement compared with $23.6 million at 31 December 2019.

John Paul Marcantonio commented: "Increased sales across our global operations delivered strong first half cash flow and allowed GALE to reduce its debt materially. This is a very pleasing outcome which will set the company on a solid footing as we continue to grow into the future."

OUTLOOK

The company anticipates profit before tax to be in the range of $7.0m – $9.0m for 2H FY21 (pcp: $8.3m) and in the range of $15.8m – $17.8m for FY21 (pcp: $4.8m).

John Paul Marcantonio commented: "We anticipate that momentum in consumer spending on home improvement projects and products will continue for some portion of the second half in both the United States and Australia, with comparative growth rates in quarter four more moderate as we cycle the initial demand impacts of COVID-19. We have customer commitments in place and are currently executing against our growth plans for the coming summer selling season in the United States.

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"We have cost efficiency and operational measures in place to counter headwinds we expect to face in the second half, most notably international shipping and transportation cost inflation and capacity constraints, as well as labour and material cost inflation. Our expectations are tempered by these macro factors.

"Our company and team have proven resilient and capable of delivering against our growth strategy, despite the challenging operating environment. I continue to be confident in our ability to manage these complex operating conditions effectively."

GALE'S CORE 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 by 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 end markets. To enable delivery of the growth plan, the company will continue to evolve its global supply chain to effectively match capacity to serve market demand, focusing on service, efficiency, and flexibility.

Authorised by the GALE Pacific Board of Directors.

INVESTOR AND ANALYST CALL

An investor and analyst call will be held on 23 February at 10:30am (AEDT).

To pre-register for this conference and avoid a queue when calling, please use the following link below:

→ GAP 1H21 RESULTS CALL REGISTRATION

You will be given a unique pin number to enter when you call which will bypass the operator and give you immediate access to the event.

If you are unable to register, then at the time of the conference call dial one of the numbers below and provide the conference ID 10012767 to the operator:

- **Australia** 1800 954 501
- **New Zealand** 0800 480 392
- **USA/Canada** 1855 336 4664
- **Hong Kong** 800 906 986
- **United Kingdom** 0808 168 3761

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, Asia, the Americas, Europe, the Middle East, Africa, 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 Australia Securities Exchange (ASX: GAP).

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