

# GALE PACIFIC LIMITED RESULTS FOR SIX MONTHS TO DECEMBER 2011



# December 2011 Half Year Results – Key Points

- Revenue up 18% to \$55.1 million.
- EBIT up 29% to \$6.2 million.
- NPAT up 14% to \$4.1 million.
- Earnings per share of 1.39 cents up 12% from prior year.
- Net Debt of \$4.4 million. Net debt / equity ratio 6%.
- Interim dividend – 1.2 cents per share fully franked up 20% on prior year.

# December 2011 Half Year Results – Key Points

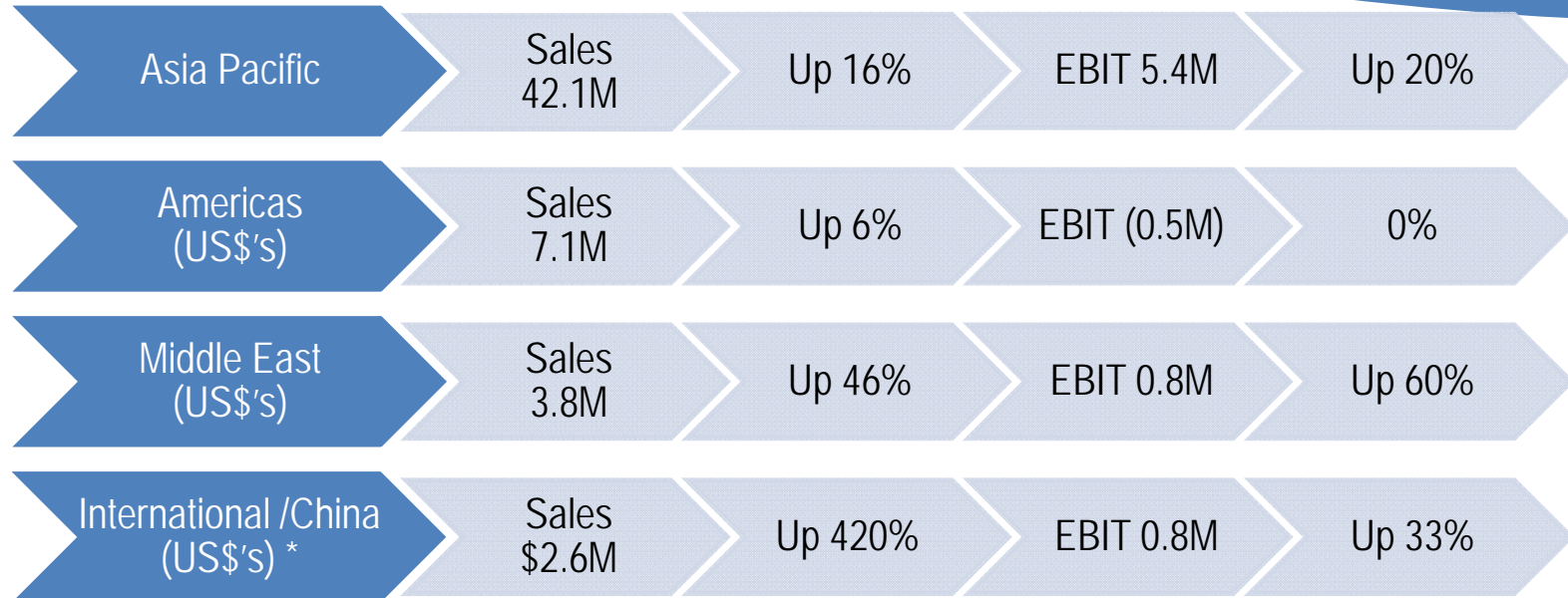
- Increased sales from growth for the half year recorded in the Middle East, U.S.A., Japan, and South Africa, and from the Zone Hardware and Riva Window Fashions businesses acquired in June 2011.
- Sales down in Australia and New Zealand due to subdued consumer demand and cool and wet weather conditions in many areas.
- Gale's manufacturing facility in China continues to operate very efficiently with improved yields, low waste and effective labour utilisation.
- Capital expenditure for the half was only \$0.6 million and is expected to remain at relatively low levels for the foreseeable future.

# December 2011 Half Year Results

	Dec 11	Dec 10	
	A\$M'S	A\$M'S	% Variance
Sales	55.1	46.6	+18%
EBITDA	9.3	7.9	+18%
EBIT	6.2	4.8	+29 %
PBT	5.6	4.3	+30%
NPAT	4.1	3.6	+14%
Cash from Operations	5.5	1.5	267%
Net Debt	(4.4)	(1.3)	
Earnings per share - cents	1.39	1.24	+12%
Dividends per share - cents	1.2	1.0	+20%



# Regional Business Unit December 2011 Half Year Results



\* International Sales and Commercial Margin on Intercompany Sales from China Manufacturing



# Regional Results

- **Asia Pacific (excluding China)**

- Sales increase of 16% due to the sales contribution from the Zone Hardware and Riva Window Fashions businesses acquired in June 2011. This was partly offset by weak consumer demand in Australia and New Zealand, and cool and wet summer conditions in Queensland, NSW and New Zealand. Some price deflation has also occurred in Australia due to the strength of the A\$ and increased competition in the home improvement market.
- EBIT up 20% to A\$5.4 million for the first half.
- Sales of coated fabrics in Australia in line with the first half of last year. Recent flooding in New South Wales and Queensland has had an adverse impact on the harvest of some agricultural crops affecting anticipated sales of industrial coated fabrics in January and February.
- Soft market conditions expected to remain in the second half.

# Regional Results

- Americas

- Sales growth of 6% in local currency for the half.
- Sales of commercial fabrics increased by 29%.
- EBIT for the half was in line with last year.
- Consumer confidence remains low and retail customers taking a cautious approach on seasonal programs and reducing inventory levels.
- New Synthesis branded coated waterproof and fire retardant product ranges to be launched in the second half in the USA market.
- Continued sales growth on last year expected for the second half.

# Regional Results

- Middle East
  - Sales growth of 46% over the prior year in local currency.
  - Strong sales of Synthesis branded coated waterproof fabrics and a high end PVC architectural range have been achieved.
  - Investment in shade structures throughout the region has been very solid.
  - EBIT increased 60% to US\$0.8 million.
  - Strong second half sales anticipated.

# Regional Results

- **International**

- Sales up by 420% to US\$2.6 million.
- Increase in sales to the Japanese market where a government initiative of reducing personal power consumption has led to consumers investing in exterior shading products.
- Successful entry to the South African market by aligning with a distributor focussed exclusively on Coolaroo and Synthesis products. Coolaroo has been rolled out across 57 retail DIY stores through Makro, Builders Warehouse and Builders Express.
- Further dedicated resources have been added to the team to assess and develop the South American and broader Asian markets.
- A strong order book is in hand for the second half.



# Regional Results

- China

- Improved plant yields and reduced scrap rates have been maintained throughout the year as part of our ongoing continuous improvement program in the plant.
- Wage rate pressures are being experienced in the Chinese market but these have been largely offset by improved labour utilisation and efficiencies.
- Tight cost control, efficient use of labour and maintaining our high yields and low waste remain as the key areas of focus.
- Plant volumes for the second half above last year which should result in continued strong performance of the China operation.

# Outlook

- Outlook for increased sales in the second half remains positive, particularly in the Middle East, USA and Japan.
- Trading conditions in Australia and New Zealand remain challenging and we are cautious about any recovery of the USA economy and any increase in the level of consumer spending.
- The full integration of the Zone and Riva businesses will occur in March/April 2012 with synergy benefits flowing into FY13. Ranging opportunities for the Zone product range are being finalised for the New Zealand market.
- Riva Window Fashions store roll out to be completed in March with full commercialisation in FY13.

# Outlook

- We expect to deliver an increase in full year sales of approximately 15% and generate positive earnings growth over the prior year profit result.
- Further acquisitions are being pursued to add to the well established Gale infrastructure and business model to provide growth and additional scale.
- The considerable cash generation from the business and substantial unused bank facilities will provide funding for these growth plans while maintaining dividend payments to shareholders and a conservative debt position.

# Disclaimer

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

