

Alright, everyone, it's 12 o'clock, uh,

Eastern standard daylight time.

So let's make a start of it.

I'm excited to welcome Troy Morman, uh, to the group today.

He's the CEO, uh, he's been in the top role now

for a bit over a year of Gail Pacific.

Uh, GAP is the code, uh, Gail's a designer

and manufacturer of technical fabrics

for consumer industrial commercial applications.

What does that mean? Well,

think shade cloth, that's the easy one.

But all kinds of things really.

Banners, horticultural fabrics,

commercial netting, a whole range of stuff.

What you want to think of here is these are, uh,

highly engineered, durable textiles

that have a specific functional purpose.

So this isn't something that's just going

just for aesthetics.

There's a specific role in mind here,

and Gail has been doing this for a long, long time.

I was, I was a little surprised to learn, actually,

the origins go back to the fifties.

Uh, they, uh, uh, introduced the first knitted shade cloth

to the market way back in 1976.

And it's been listed on the A SX

since the turn of the century.

And today you've got a business that's generating

around 170 million in annual sales.

Uh, it's got, uh, locations all around the world and,  
and, and operates globally.

So I'm really looking forward to  
learning a bit about the business.

Um, as I just said to, to Troy, I'm gonna ask a lot  
of dumb questions here.

So we're really gonna sort of build from, from the base up.

Um, and just a quick reminder, none of this is as advice.

It never is, and if you do have any questions,  
avail yourself of that Slido link

and I'll, I'll put it to Troy when we get the chance.

So with that out of the way, thanks  
for your time, Troy. Yep.

Thanks, Andrew. Good to be here.

So, as I said, this is a business with a very,  
very long history here.

Um, I I gave a very rough and ready sort of overview there.

How, how would you flesh that out?

What, what, what's important for investors  
to understand about Gail?

Yeah, look, you, you did actually a very,  
very good job actually explaining about who we are  
and, and what and what we do.

But, uh, but yeah, effectively we, we make fabrics  
that people rely on to protect something valuable.

You know, whether that be people, whether that be crops,  
whether that be, uh, their pets, uh,  
whether that be their assets.

And that's really where we've been doing that now for, you know, we're celebrating our 75th anniversary this year. Uh, so certainly since the, the mid seventies is when we invented, uh, that knitted, um, shade fabric here in Australia.

And then to be able to get that out into the world now where we distribute those products in over 40 countries around the world, um, you know, it's a great sort of platform and base to, um, you know, for us to really be able to build on.

So, so we've got sort of two arms to our business.

We've got the, the shade fabric business, which goes into those architectural, um, shade sales structures that you'll see over car parks and playgrounds, or in backyards in particular.

Uh, then we have an associated finished goods along with that as well.

So outdoor roller shades that go onto the side of decks, um, to stop, you know, glare and, uh, and the light coming through. So

People would see your products in Bunnings and the like, right?

Absolutely. So Roo is our, is our, uh, retail brand.

And so we are very fortunate to have a very dominant position at Bunnings.

And so if you are walking into Bunnings and buying, uh, a roller shade fabric or you're buying, uh, a shade sale, a a, an umbrella, an outdoor umbrella, an outdoor roller shade,

or even a semi-permanent gazebo,  
most times you're gonna be walking  
out with one of our products.

Yeah. Uh, so we have at least in,  
in a shade fabric at least anyway,  
90% share of shelf at Bunnings.

Um, so that's really where the business has started.

And then now we've got our expansion, uh, of,  
of our business in the US  
that we've been in the US now for 35 years.

And you can see that cooler rebranded product on the shelf  
in every single one of the Lowe's  
and Home Depot stores right around the United States.

Some sort of 3,200 locations, um,  
right around the United States.

Uh, and so that's a, again, it's a great little sort  
of platform for us to, um, you know,  
to build on in that, in that product space.

Yeah. Yeah. Nice. Um, so, uh, yeah,  
help me understand sort of the, you know, where  
to go here of the business.

So, um, you've got some manufacturing facilities, I believe,  
down in Melbourne, also in China, moving to Vietnam and,  
and elsewhere I believe.

So this, uh, this is a,  
a reasonable capital intensive operation,  
but once you've sort of got that fixed cost base up  
and running, I suppose you just, you're pushing

through things at reasonable sort of margin there.

Give us, give us a, a a, an understanding

'cause again, this out outside of our sort

of day-to-day lives, you know, what goes into sort of,

you know, from raw material to to end product

and the kinds of things that you guys are managing to,

to sort of, uh, make all of that work.

And of course the IP that goes into it,

which is important as well.

Yeah, definitely. So, so we've always been a manufacturer.

That's how we've started right back to, you know,

our founders es essentially.

And so we're still a proud Australian manufacturer.

And of course we've got the

manufacturing facility in, in China.

So our manufacturing facilities make two different things.

So China, uh, is where all of our knitted shade fabric

and associated finished goods are made.

And so we're a hundred percent vertically integrated there.

So we take raw resin

and high density polyethylene is the raw material

that we use to extr that into yarn.

And then we knit that product into, into fabric,

and then we'll cut and sew

and assemble to turn that into those finished goods, um,

that we sell on the consumer side,

and then into a bulk roll

that we sell out into our commercial fabricators for them

to be able to cut and sew into shade

sales and those types of products.

And so we've been doing that, started that business here, or that manufacturing here in Australia, uh, migrated that up to China about 25 years ago and continue to do that.

So all of those products that we make, uh, or that we sell, we make, um, up there in China.

Our facility here in Australia, um, was again, um, uh, been here for about 25 years, uh, through acquisition.

And it's a coated fabric business, so it's coated poly fabric.

So we take a, a woven base, um, cloth and base fabric, and we lay down a waterproof coating on top of that, usually polypropylene or polyethylene.

Mm-hmm. And those things are used for agriculture purposes.

They're used for, uh, water containment, things that you need a bit more of a waterproof and weatherproof type of, um, situation.

Um, we also do some contract manufacturing for busy, uh, as well, busy boxes, uh,

where we lay down waterproof coating onto cardboard that goes into boxes for Oh, right, the fruit.

So, but is table grapes, seafood, those types of things.

So there have been a good, you know, long term supply partner of ours as well.

Yeah. So, so again, we're essentially not quite vertically integrated here in Australia.

We do import the base fabric, uh, at the moment,

and then we, you know, perform that coating product,  
essentially putting that onto bulk rolls  
and then selling that out into, um,  
to our fabricator partners who will then turn  
that into finished goods like water tank liners or, uh,  
or grain bunker covers.

Um, is, is one of the big end use applications for,  
uh, for our product there as well. Yeah.

Gotcha. And, and how variable are those input costs?

Are these things that are fairly easy

and reliable to sort of source,

or does it take a bit of savviness in terms

of inventory management and all of that kind of stuff?

Yeah, the good, the good thing about that is, is that we,

we have very similar base materials, so there's lots

of different additives and different colors

and different, uh, things that we need to put into that.

But the base material, when we start looking at really three

core sort of materials is polyethylene,

whether it be in high density or low density,

uh, polypropylene.

Uh, then up in China, it's all high density polyethylene.

So it's really one base material

that we can then turn into multiple things

by putting in different types of additive, those sort

of 11 herbs and spices effectively, depending on

what we are making to be able to do that.

So, um, the good thing is that those are generally, uh,

are commodity traded, uh, as well.

And so yes, the, the pricing does fluctuate,  
but against their competitors, they're also buying,  
you know, the similar, uh, type of things.

So, uh, from, from the same type of supplies.

Um, so, so generally where we see our, uh,  
efficiencies is more about in our economies of scale  
and how we can get that level of efficiency  
through the manufacturing process.

Yeah. Uh, is where we can sort of start  
to differentiate on from a, from a cost of goods point  
of view as we get that out into finished goods.

That's excellent. Actually, I, that was,  
that was my next sort of question.

I, I, I is when you're dealing with sort of commodity sort  
of natured sort of things, what's the,  
what is the secret sauce?

So you've answered that well, so it's sort of the economies  
of scale are, are a beautiful thing, uh, when you get them.

But, but also too, I, I, I don't, I don't want  
to underplay the, the significance  
of these engineered fabrics.

I, I suspect there's a bit of IP that's sort  
of involved in this, that, that, you know, if you were  
to give, give me a billion dollars and said, go  
and compete with Gail, um, you know, capital is one thing,  
knowhow is another, can fill, fill that in for us. Yeah,  
Definitely. I mean,  
when you think about

what these fabrics have gotta do, uh,  
they've gotta withstand high heat, high uv, um,  
wind, uh, all of those things for a long period of time.

Yeah. Um, because we, so

We're talking years here, Talking years.

I mean, our, our warranty's 15 years

on, on, on our products.

Okay. 15. Yeah.

So particularly when you are dealing in markets like the  
Middle East where we have dominant share across education  
specification through the UAE and Saudi and Qatar  
and some of those places, or mass vehicle protection,  
we work with Mitsubishi  
and here, uh, in these markets  
to protect vehicles under 55 degree heat  
through sand storms, dust storms, those types of things.

Right? Um, shade cloth is not just shade cloth.

Uh, and so over many years and, and our own in-house r  
and d where we've got 50 years worth  
of experience in developing these fabrics, we've been able  
to change not only the additives that go into the fabric  
to make sure that we get great UV stabilization,  
but the knitting process itself.

Yeah. So we do a number of other sort  
of processes throughout the manufacturing process  
of the fabric that maintains the technical stability  
of the fabric over time.

Yeah. Now, those things do add in additional, you know,  
processing time and therefore additional cost.

But what it means is, is that the fabric that we have  
and the, and the, the, the range of, of fabric  
that we have called commercial 95,  
which was the original sort of commercial shade fabric  
is trusted now throughout the industry  
as the benchmark and as the standard.  
And so the, the thing about fabric is, is  
that you can get lower cost fabric,  
but what happens when it fails?  
Yeah. And it's the failure point of all of our fabrics  
is really the, the, the thing  
that our customers just can't let happen  
because generally something bad's going to happen, you know,  
underneath that, particularly when we start talking about  
larger scale structures.  
So where we've taken that and,  
and perfected that on large scale industrial applications,  
we've then been able to bring  
that down into a domestic application as well.  
So if it works in the Middle East in a 55 degree heat  
for 20 years, it won't lose color and it won't fall to bits.  
Yeah. You work in your backyard in suburban Sydney  
or in Suburban and you know, Orlando in, in, in Florida.  
So yeah, that's how we sort of tried it.  
I tried to take it from, from  
that aspect back down into our commercial,  
into our, um, consumer business. Yeah.  
I mean, I knew they lasted a while,

but that is a long time.

Um, so I guess w would you say, you know, um, w when asked, you know, what differentiates Gail from its competitors?

I mean, you, you, you, it sounds like you're really trying to sort of position yourself up the quality spectrum and sort of say, well, look, we could do it cheaper, but that's, that's not why you come to Gail for, were the higher end of the market. Is that a fair comment?

Yeah. WW well, we do transcend across sort of volume end of the market, but then also into that higher, higher quality.

So, so depending on, no matter what sort of application you need in that type of fabric, we've got a solution that will, that will work, whether it be down in protecting your tomato bushes from, from the sun, or whether it be in mass vehicle protection, um, you know, in the Middle East.

Uh, I think the key, you know, for us is that vertical integrated manufacturing is that we are one of few that, that really do that Right.

From the yarn extrusion, because that's really where the IP and the quality goes.

Yeah. Um, is that so that way then we can gain consistency throughout, you know, the 40 or 50 years that we've been doing this, it's exactly the same.

And so our customers can trust that. Yeah.

But then also it's about our connectivity with the end user of those products as well.

We don't just make fabric for someone else to turn into something else.

Mm. We are dealing, you know, deeply with our end use partners to understand the application and what they actually need from that.

And then we can go then and start to modify and start to engineer products that actually suit those needs differently and better.

Um, and that way then, because ucs needs, you know, change depending on the application, depending on the country, uh, depending on, you know, all sorts of different, you know, factors, um, uh, and that, that then by having that really, you know, deep understanding of our end user, then we can develop an engineer products that actually suit those needs as well.

Yeah, that's interesting. Do, do you reckon it gives you a bit of pricing per, I mean, it, you know, it's not like you can charge anything you want.

There is natural competitive dynamics that, that are at play here, but, but does that, that, uh, specialization, um, uh, uh, allow you to add a little bit of a premium that otherwise might be difficult to achieve?

Yeah, it does. Uh, it certainly does.

Um, you know, there's always a tipping point there where that becomes, um, too, too great.

Yep. The thing about shade fabric is, is

that when you're looking at a structure, the fabric itself, which is the thing that actually delivers the shade, is generally only somewhere between four to six, maybe 7% of the overall cost of the structure.

So you've got fabrication costs, you've got steel costs, you've got site work costs, those things that are common irrespective of what fabric that you use.

So if you're looking at the fabric itself as an overall percentage of the overall structure, and then you amortize that over an extended life period of 15 years as opposed to maybe a, a five or 10 year lifespan on a lower cost fabric, yeah.

We're talking cents per day to get fabric that has been proven and that will work in those conditions guaranteed.

Um, and so it's that risk element again, of protecting what's underneath and what happens when it goes wrong.

That's really part of how we extend that value proposition as well.

And so specification is really a, a strong, um, selling point for us and, and how we go to market by controlling some of that by talking to the end users, because again, it's about risk.

And so that's why then a lot of government bodies and, you know, even here in Australia through schools, shade cell programs have specified our fabric because they just know that it works.

Yeah. Um, which then leads us to, you know,

getting endorsements from Cancer Council, uh, as well, we we're the only brand that's, that's been endorsed by Cancer Council, um, for, for, for having efficacy for, for UV reduction.

So all of those things are independent validations, um, around just that risk profile.

And really, it's, it's, it's, it's not worth you going for a lower cost fabric to, uh, to save a few dollars here or there.

Yeah, totally. I a hundred percent get that.

I mean, brand, brand matters, right? So, yeah, it does.

Yeah. I, I get that.

Um, can you also give us a bit of a sense too of, of what, what the industry more broadly looks like?

What are the competitive sort of dynamics now?

Are you, is this a very fragmented industry with lots and lots of players?

Is it dominated by a sort of a, a sort of a concentrated, um, uh, group of very big players?

Where are they located? A very broad question,

but, um, yeah, as I say, we're all new to this sort of space, so No,

That's okay.

So it, it depends on what you, uh, define as competition, right?

If you're looking, our,

our products have natural substitutes along the way as well.

So if we just sort, so think about shade fabric,

there's a number of different competitors right around the world in Asia, South Africa, um, that manufacture A-H-D-P-E knitted shade fabric. Mm-hmm. Um, generally those, those, uh, competitors are generally factories and they're selling through to fabricators, and they're providing that as, as a bulk raw material.

We are really the only ones, um, in the world that have a re have a consumer brand and have a brand that's meaningful that then also turn that into finished goods as well, to, to be able to create a, a suite of, of, of particularly consumer shade products that's all manufactured outta the same product that compliment each other.

Yep. Um, so our competitors of that product, I mean, if you don't use a shade cell, well then you can use a fixed roof structure, you could use a umbrella, you can use a waterproof type of fabric as well.

Yeah. And so we have a broad range of competitors in terms of alternative materials and alternative products that can still deliver an element of shade.

Mm-hmm. So where we try to position ourselves against that is around the longevity of the product, the breathability of the product, the aesthetic nature of what you can do with, with, with, um, knitted shade fabric as well.

And, and, and then generally, you know, a lower cost element of that, um, as well, whether it be through the, in initial installation, but then also from a, from a maintenance cost point of view to really start competing against some of those alternatives which are more traditional in some markets that, uh, that can generally lead to, to, to, to higher costs.

So, yeah. Um, when we start talking about a consumer business, uh, again, shade has become broadly commoditized, um, outside of Australia where we, we have a dominant share of that cooler room brand.

You're going to any other level of, of home improvement store, big box home improvement store, particularly even also in the United States or in Europe, generally, it's the domain of private label because there's no real differentiation that that's out there.

And so that's where we see now the power of our brand and that connectivity that we have with the end user to be able to expand that, which is the real reason why we've been able to penetrate retailers like Lowe's and Home Depot with, with an Australian brand, um, which is, you know, very, very difficult and, and envi position for, for a lot of Australian brands to be able to

Do. Yeah. Well done. Yeah. A

lot of capital goes  
to die overseas, so. Yeah. Yeah,  
Yeah. Absolutely. And  
then, you know, the hard work has been done  
30 years ago when, uh, when we,  
when we entered those into those retailers,  
which is, which is excellent.  
So, um, so it sort of gives us that point  
of differentiation about how we connect with, with consumers  
and how we design products that just tend to make sense, um,  
using, using, you know, that that level  
of alternative type of material.

Yep. Yep. Makes sense. Um,  
the other one question I had on sort of the industry  
as well is that it, it, it strikes me, um,  
of, as one that is inherently lumpy to a degree, like,  
you know, we, we see waves of construction, we see,  
you know, economies ebb and flow,  
and I really want to stress you,  
I'm not saying that as a bad thing.

I think too often investors get themselves in trouble by  
not being able to look past the nose on their face  
and that there's nothing at, at all wrong  
with a lumpy business.

But recognizing that, that, that can be a bit of a dynamic,  
I think allows actually one to spot opportunity  
and also to understand the difference between  
what might be an or ordinary run  
of the mill cyclical downturn versus, wait a second,

there's a structural problem with the business.

Now invest, you don't need me to tell you this.

I'm often, investors will just go, oh, something, something terribly wrong, you know, sales dipped or whatever.

And I think anyone who's been in business for any length of time goes, that's just how it goes.

So it's, so I guess that's my sort of question to you is, is that right in terms of the nature of the business and, and if it is, right, how do you think, how do you go about sort of handling that and communicating that with investors?

It, it is, and you can only see that through the historical numbers of, of our performance really where it, it's been up and down.

And if you think about the industries that we're in and the end use applications that we're in, we're in talking, talking about products that, that are shading people and then also from an agriculture point of view.

So generally we are very cyclical from a seasonality point of view.

So our, our, our biggest, um, part of the year is in the middle of summer.

Um, naturally, so particularly on the consumer side, everyone goes into Bunnings and buys umbrellas and shade fabric, uh, in December is our biggest month of the year.

And then conversely, in the United States, it's in June and July.

So we are impacted by seasonality.

There's, there's, there's absolutely no doubt, doubt about it, particularly in Australia where we do have a, a more dominant share of the marketplace.

You know, as I mentioned, we've got 90% share of shelf at Bunnings, which is a fantastic position to be in.

Yeah. We know that Bunnings have generally expanded their, their store portfolio.

So we're not growing organically as they grow.

Uh, so that means that we are more susceptible to just general ebbs and flows of consumer demand based on what happens outside.

Yeah. Same thing on our agriculture business in Australia.

We, we do have a, a great partnership with, with Grain Corp, um, uh, and,

and we certainly, we supply all of the fabric for them for their storage of grain in their big grain bunkers that they have up and down the east coast.

Again, depending on what the grain harvest is, what the export market looks like depends on how much fabric that they need.

Yeah. So our share, our market share generally stays relatively flat, but our, our volume starts to, to starts to be a little bit, um, up and down.

Yep. Where we look to try

and diversify that is by having the geographical hedge

of having northern hemisphere, southern hemisphere,

and then also sort of eastern

and western hemisphere as we look at the Middle East.

Yep. They're just operating at different speeds right now.

Yeah. And we're not involved in the same levels

of industry, uh, as well.

So our Australian business being the more mature business is

split fairly evenly 50 50 across our sort of consumer

and our commercial business.

Mm-hmm. Our US business is predominantly a consumer

business, and we know that since, you know, tariffs

and when you have a factory in China, you know,

the volatility that's been going on,

and when that happened in the United States in particular

across February and April of, of last calendar year,

that's right at the start of our peak selling period.

And so if consumers are worried about everything going up,

well then they just stayed at home last season.

So, um, that,

that makes it really sort of challenging for us.

So what we are really focused on is broadening the breadth

and depth of our category offer in the locations

that we do have established presence like the Middle East

and like in North America

to replicate what we have in Australia.

'cause if we can get a product category, um,

differentiation, then we get some level of levels  
of natural sort of hedge sometimes in Australia.

But then, but then we can also do  
that across different hemispheres so that at a group level,  
we can start to smooth out those peaks  
and troughs as one season's up the next season, you know,  
might be down or hopefully they're all up  
and, and away we go.

But yeah, we're trying to control what we can control.

We can't control the weather,  
but if we can control our market share expansion of  
how we can grow those parts of our business  
and get a little bit more, uh, consistency around  
where our business is and  
and replicating some of those things, then we think we can,  
we can start to, to manage that, um,  
a look just a little bit differently  
to, to how we are right now.

Yeah. It makes a lot of sense.

And I, I really do wanna stress, I don't, I, I don't mean it  
as a insult or criticism, it's just,

I think it's really important just to, when you,  
when you go into a business, you sort  
of understand this is the nature of,  
you mentioned agriculture, right?

Like, who goes into agriculture thinking it's just smooth.

That's right. Does that mean it's a bad business?

Well, not necessarily. You know, and, and, um, so I I,  
and particularly the seasonality.

So it's, it's really sort of helpful to know that, um, one of, one of the other things you mentioned there as well, so Bunnings' obviously a great partner to have, but is there a flip side to that in terms of a counterparty risk?

Not that I want to, well, you know, let's look at the supermarkets.

They, they've got a certain reputation of squeezing their suppliers hard.

And, you know, while it's a mutually beneficial relationship, do you, you know, I'm sure you're limited in what you can say, but, but are are, are there, are there considerations there with, with, with Bunnings to make sure that they don't, they don't try and squeeze you or get too cute with, with what they, what they're trying to do? Yeah.

Look, well, Bunnings didn't get to where they got to by, you know, um, by not, by not being able to be fierce negotiators.

But I, I've, I've dealt with Bunnings throughout my entire career.

I found it to be a very, very loyal partner if you're adding value.

Yeah. And I think that's the thing that we really try to look at.

We're not just a supplier of product. Yeah.

We're really trying to add value into grow the category.

So for us, we don't just supply them product.

We look at the overall category management of that  
and looking at consumer insights.

We spend a lot of money on making sure we understand  
consumers, how they use our products, uh, what,  
what are the, what are the installation issues  
that they have so we can curate ranging  
that just makes sense across all price points.

Um, and, and to be able to, to offer consumers that sort  
of trade up sort of value as well, right.

Across the five categories that we participate in, in,  
in, in a Bunnings.

And that's the difference that, that we provide  
and our key value proposition at Bunnings compared  
to our competitors who are just providing product Yeah.  
At cost or whatever it might, but you're not going more.

Um, and so we then are engaging not only on social media,  
about to bring people in the cancel council endorsement is  
really important, um, as a, again,  
an external validation point for consumers  
and Bunnings like brands.

Um, and so, you know, we are the,  
the key brand when it comes  
to consumer shade product in Australia.

And so by constantly evolving our range,  
by evolving the way we turn up  
and merchandise those products in store to make it easier  
for consumers to select and choose  
and install our products, then we're adding value to buying.  
And as long as we continue to do that, um, then, you know,

we're a great partner for them, you know, to, to, to be in.

But we've always gotta have that productive paranoia, um, as they say to, uh, to make sure that, uh, you know, someone else isn't going to, uh, to come in.

But, um, um,

but yeah, that, that's the sort of our modus operandi of how we, how we try and manage that and how we can maintain that level of, of, of, of market share dominance on shelf.

I mean, it sounds, it sounds right Troy, like it's almost old fashioned to sort of say focus on a good quality product and they will come, like they, you know, it's, it's, it's, I can tell you in my personal Bunnings experience, uh, and I'm up there a lot, you know, you, you learn, well, hopefully you learn reasonably quickly of the false economies of the cheaper priced item, right? Like, it's like, oh, that you're looking at two things that in the store look identical.

This one's half the price, I'm gonna go for that one.

And then two weeks later you're back buying the higher quality one because, you know, it's, it's, uh, it's just not fit for purpose.

So, yeah. Um, uh, the other question I had for you too was that, as, as a manufacturer, um, and as, and as one that is, is looking to make sure that you've got various bases covered with your, with your sort of product offerings, there is, um,

there is a CapEx uh, requirement with, with all of that,  
given the capacity that you have right now for the products  
that you are doing right now, do you feel as though  
that the, the, the, um, the capital equipment  
that you've got is moral?

It's never, I know it's never a done thing.

There is always ongoing improvements for refinements,  
hopefully expansions as the business sort of grows.

So it's not that I don't think any sensible minded  
investor is afraid of CapEx,  
but it is sort of helpful to know where you kind  
of are at in that cycle.

Mm-hmm. And I'm very, I'm mutually pretty keen to sort  
of point out to our members that CapEx is really  
what sets the foundation for future growth.

Growth just doesn't appear right?

Like, it, it, it is, it, it comes from somewhere.

But, but often what people miss, I think, is  
that if there is a bit of a capital expenditure sort  
of outlay, sort of depress things, people go,  
hang on, what's going on?

Not realizing that that

that is hopefully the foundation for future growth.

It doesn't guarantee that that growth will come.

But, you know, without that, without that investment,  
it's almost certainly not there to come.

So, anyway, long-winded, long-winded  
and rambling question there, but Yeah.

Where, where are you at in terms of sort of the, the, the,

the, the, the CapEx cycle at the moment?

We're very fortunate in a way that a lot of that has already been done, um, over our manufacturing history.

So when we transition, say on our knitted shade fabric, business, manufacturing, um, business, we had that machinery here in Australia and we migrated that north to, to China.

A lot of those machines are still running.

We've got machines that are 40 years old. Yeah.

So all, all of our manufacturing equipment up in China is fully depreciated.

Yeah. And so really our CapEx up in China is more about, um, repairs and maintenance.

You know, there's not a lot of electronic sophistication.

You can go and buy brand new knitting machines and you might get a little bit of extra speed, but we don't need to really do that.

We've got enough capacity, we've got enough machines up there that can do different things, um, to, to to, to maximize that from a, uh, from a capacity, um, point of view up in China.

And, and sorry to interrupt. So, so, so for different products, it's not necessarily an entire different run, it's just like a retooling of the existing sort of machinery.

Yeah, exactly. Right. So we can have changeovers

or we can change the averages of the needles,  
or we can change the knit patterns and Gotcha.

We can do that across, so we can make  
multiple different types of products.

'cause the manufacturing process is broadly much the same.

Yeah. Um, so there's not a lot of real  
additional capital expenditure that we need  
to exert, um, up there.

In, in China in particular, uh, in Australia, uh, in 2019,  
we invested into doubling our  
capacity for our coated fabric.

Uh, and so again, that, that, um,  
machine is still depreciating through,  
but that's been able to double our capacity.

Again, the other machine was,  
was purchased under acquisition 25 years ago.

So again, fully depreciated.

So again, it's mainly just repairs and maintenance.

So it's a very low capital business from a  
manufacturing standpoint.

Um, we spent a lot of our CapEx really on r and d.

Uh, is is is where we do, where we're investing into,  
into new fabrics, into new technologies.

I was gonna ask you. Yeah, yeah.

A lot of work in, in recycling at the moment, all  
of our products are a hundred percent recyclables.

We're pioneering closed loop recycling in both  
of our material types where we bring back end  
of life product, recycling that back into raw materials

and putting that back into the supply chain.

So that's really where we've, where we, we spend a lot of CapEx is, uh, is to engineer the next wave of technical textiles that'll do a job for our customers.

Interesting. And, and, and, and that r

and d can be applied to those, those existing machinery?

Yeah. Yeah, exactly. Right. Okay.

That's what we wanna be able to do is to, is to be able to, you know, make that on our existing equipment, you know, they're very versatile with what it can make.

Um, and you can do lots of different things.

As I said, you know, in our factory here in Australia, we can coat fabric and we can coat paper.

And so the substrate can be completely different.

And what we coat on top of it, uh, is can be different.

We can stick two things together.

So we, we, we've got a broad level of application base that we can do here.

Mm-hmm. Um, that sort of makes it sort of simple to be able to go, okay, well then how then do we utilize that capability for fit for new product and new innovations that we're developing all the time.

Yeah. It, it, it's a really interesting, um, insight actually.

And, and not, not to get too technical here, but I mean, look, the, the, the, the, the accountants are, are probably gonna err towards a more, um, conservative depreciation schedule and the rest of it.

But I mean, I don't wanna put words in your mouth, but it feels as though it, it, it, it's, it probably doesn't accurately represent the full all in average annualized cost of these machines.

And in fact, if you are, they're fully depreciated, you're carrying them at zero cost on the, on the balance sheet, so That's right. Yeah. Yeah.

No, exactly. Exactly right. So yeah, because Sometimes people go, you should, you know, a lot of people like EBITDA for example, right.

And others will go, well, hang on, hang on, that's a real cost.

You know, it might not have been a real cash cost, but there there's nuance in all of this.

Yeah. Oh, look, there is exactly right.

And, um, so yeah, that's, and that's, that's exactly how we sort of tend to operate as well.

Yeah. Um, with that.

But, um, but yeah, so it's, it's really only the, the, the additional coding line that we added in here in 2019 that's, that's still, you know, being depreciated.

But, um, but everything else, you know, we are, we are, we are fortunate enough that, that, that that work's been done over, over many years.

And, and, uh, those machines are running just as strong as what they were since the day they came outta the box.

That's amazing. Mm-hmm.

Um, yeah, I, you, you, you touched on, on the US

and tariffs, I have to ask you this question,  
you're probably sick of talking about it,  
but it, it is, it did really sort of throw, uh, the cat  
amongst the pigeons for a lot  
of different enterprises there.

Um, uh, again, for those that are brand new to this,  
can you sort of tell us about how much of an impact  
that sort of had for you guys?

Uh, what actions you've sort of taken since then?

And sometimes by the way, tray is,  
there might not actually be an action to be taken right?

Other than we just ride this out  
'cause it's the new normal or, or whatever.

Um, and, and,  
and just your sense of sort of the lay of the land as, as,  
you know, things, things change on a daily basis  
with the current administration.

So, you know, we'll, we'll take it all  
with a grain of salt, but Yeah.

What, what do you think about all of that?

Yeah, it's, it's certainly been a journey for us.

There's no doubt about it. Uh,  
if you look at our US business, 98%  
of everything sold throughout  
that business comes from our facility in China.

Right. And so we're we're, you know, completely exposed,  
you know, to to, to tariffs.

So the one thing I guess

that's been lost in this most recent Trump administration is that there were tariffs imposed in the initial Trump administration That's right.

Back in 2017.

And so we've been dealing with tariffs now really on some of our products since that period of time.

And so we've been able to successfully, um,

take additional price

and look at different, you know, levels of,

of internal efficiencies,

but multitudes of mechanisms to try and protect margins.

When we get to sort of February of this, of last year, of,

of 2025, when all of a sudden, uh, tariffs come on.

Uh, and then we get the liberation day tariffs,

and then we, we start hearing 160 days of, uh, sorry,

160% tariffs

and these types of things that was on top of

what was already there.

So, um,

and so that sort of made it really quite sort

of volatile for, for, uh, for us.

So, um,

we carried some inventory coming into this time last year.

We carried additional inventory, uh, in,

in the United States, uh, to prepare

for an upcoming peak season.

Um, and what that did meant is

that we had residual imagery pretty much the,

the second half of last year, which didn't carry any of

that additional, any of that additional tariff, uh,  
which was helpful for us.

Uh, we then just, uh, really just only ordered  
or only brought in what we needed.

Uh, and so we tried to really manage that quite carefully,  
um, because we naturally, no one knew  
what was going to happen every day.

It was something that was completely different.

So, of course, then talking to our customers,  
our customers didn't really want  
to, they were very understanding.

They didn't really wanna be accepting any levels  
of price whilst there was a level of volatility.

So the initial levels of inventory, whilst  
that had a cash impact on us, when we got to the, you know,  
at the end of half one, it helped us to be able  
to mitigate some of that as we sort  
of went forward going into the back end  
of last financial year.

So, um, uh, our customers have been, you know,  
very good at understanding.

We have been able to take some price, uh,  
with our customers, uh, as well, uh, of which, you know,  
they're absorbing, you know, a lot of that, uh, it's,  
it's not impacting as much on the shelf price at the moment.

Um, because again, they're holding residual inventory  
through their distribution centers and through their three  
and a half thousand stores across the, uh, across the us.

Um, and so that's starting to naturally

to, to, to burn down as well.

So, um, but

what we're doing from a manufacturing standpoint is we've

started to look at, um, diversification of, of

that manufacturing base is to be able to say, well,

how do then do we diversify some of those items out of, uh,

the United States into other markets?

So, mm. Uh, so we've conducted some successful trials

of our roller shape production, uh, in Vietnam.

Um, you know, we've also, uh, be able

to successfully make fabric, um,

to air specifications in Thailand as well.

And so those efforts are, are accelerating.

So we've got a new head

of supply chain who's based here in Australia, who's,

who's spending a lot of time further north

and working with some partners up there to be able to,

to manufacture those products.

So I think that's where we're sort of trying

to, to augment that.

It's not, it's not about a shift of manufacturing. Mm-hmm.

Um, yet we've developed a great facility,

a high quality facility that's efficient, that's safe, um,

that our customers audit

and approve, which you need to do

for those big large US retailers, uh, in China.

That works very, very well for Australian business

and for our Middle East business and our business in Europe.

Mm-hmm. Um, it's just that US business naturally is quite volatile. So, um, so tariffs have eased, uh, so we're now sitting at 20% additional tariff on what was previously there. Mm. Uh, which is fairly comparable, you know, to other markets around Southeast Asia, Thailand, and Vietnam. They're all in and around the same sort of price points. Uh, sorry, same tariff points. So we are looking at this more as, as diversification for risk mitigation as much as it is about cost, uh, as well, because we dunno what's gonna happen on the tariff front. It can be volatile. Um, yeah. So, so we we're trying to, you know, rather than shift, we're trying to augment that by just getting a, a level of diversification that just gives us a level of redundancy, um, as well in a supply chain that we can sort of start to pivot one way or the other, um, depending on, on what we need to make. So we're doing it at a staged approach. We, we we're choosing products that, um, you know, that are more heavily tariff, uh, um, impacted from a dollar point of view from a volume perspective in the United States, um, which just happened to be our less technical products as well, which is important 'cause we're conscious

of protecting the ip Yeah.

On our more technical fabrics

that do command that price premium.

Um, and so we're choosing to keep those in China

because there is a level of,

of price premiumness around that a little bit.

You know, the, the elasticity on

that is a little bit different to some

of our more volume driven

consumer products in the United States.

And that's where we're sort of choosing to,

to focus our attention first.

Yeah. That, that's super interesting.

So out outside of sort of inventory management

and the rest of it, just sort of letting all of this wash

through, and for the sake of argument, let's, let's just say

that this, whatever regime is in place is, is sort of set

for the, for the foreseeable future.

One of the interesting things I I think a lot

of people get wrong is that you see, they, they, they feel

as though there's almost a very much a one-to-one

relationship between volumes and, and prices.

And it's not always the, the, the case, particularly

amongst premium products

and particularly amongst products whose, uh, uh, whose cost

as a component of the overall is relatively small,

which you touched on before.

So for example, if I'm building a big site

and there's something here that represents 5%

of my total costs and it doubles in price, you know,  
it's sort of like, it's not like the whole project blows out  
to some, like, there there is, there is more nuance in here.

I'm thinking of things like the a RB  
bull bars and that kind of stuff.

They, they similar sort of pressures,  
but these, there, it's,

it's different when you're not dealing with a pure, uh,  
commodity sort of product, you know, is where,  
where, where it's all the same.

So I guess I, I, I guess, have you, is it too early to sort  
of say, but do you feel as though there,  
there'd be some solace in that,  
or perhaps the market may be overreacting in its  
interpretation of the impact  
and ongoing impact of, of tariffs?

I think that the challenge  
with tariffs is it's not just isolated  
to our product category.

It's on everything. Right? Yes.

And you know where it's coming from,  
unless it's being manufactured a hundred percent in the  
United States, right.

It's being impacted by tariffs.

And so when you think about our commercial business,  
we are one part of the overall project  
of which everything steel is, is a big, you know, element  
for commercial projects, concrete.

Yeah. Uh, all, all of those building materials are impacted.

So where we've seen commercial, our commercial business be quite resilient, um, since over, really over the last 12 months.

'cause a lot of that is capital intensive.

It's already been approved, it's already through the, uh, development pipelines.

Um, we, we are starting to see, um, you know, quotations and some of those development approvals on some of those larger projects start to slow down a little bit as people are just considering the rising cost of building materials throughout the us It, it just takes a little bit of time naturally for some of those materials, particularly steel, to be transitioned, you know, back to the United States.

And so a lot of people are just in, in a bit of that wait and see, I think on that consumer business, you know, we're a category that, um, you're only, uh, interacting with every seven to 10 years.

Yeah. So the predominant part of our business in the US is, is the outdoor roller shades that go onto, onto, onto decks and gazebos and these types of products.

So if you are worried about general cost of living prices that that go up, you may choose just to keep your hands in your pocket and divert your discretionary spend somewhere else.

Sure. And so our roller shades in the United States are anywhere from a hundred dollars US to, you know, \$200 us.

They're not, they're relatively low cost, um,

in consideration to other alternatives to,  
to provide a similar benefit for, for, for consumers.

So I think we get wrapped up with not  
so much looking at the demand profile of our own products,  
but just as part of that overall macro environment  
and just what's going on from a consumer confidence point  
of view, which is still quite low, uh, in the us.

Yeah, that's, that's super helpful. Thank you for that.

Um, and just one, one quick follow up as well as, uh,  
as well you, you mentioned that, um, I mean notwithstanding  
what you just said with, with happy  
where your facilities are in China,  
but given that you moved those machines there in the first  
place, I, I'm assuming worst, worst case scenario,  
you can just ship them somewhere else if,  
if things got really nasty on the geopolitical front.

Yeah, definitely. Yeah, uh, definitely it's, it's,  
it comes down then to, you know, where do you do that?

Uh, it comes down to maintaining continuity  
of supply as well.

And, and, and the, the transition of that.

Um, you know, China's done a very,  
very good job at being able to increase, uh,  
or have a, develop a level of manufacturing capability,  
which is really difficult to replicate.

And I think a lot of companies in our position,  
and we deal a lot with our suppliers as well,  
who are looking at moving manufacturing facilities outside

of China into places like Thailand and Vietnam and Cambodia  
and, you know, the availability of skilled labor  
and the adoption curve  
and the transition curve to be able  
to get the general workforce to a level  
that can produce the same level of quality  
that customers expect is a lot longer  
and a lot more costly than what, um, yeah.

Than what people yet really think about.

So we are, we are learning from some of that as well,  
and not going to go too hard and fast.

Um, but trying to work with partners that we trust, um,  
that we can have a level of expertise from our facility  
to be able to then, you know, hopefully get  
that a little bit, uh, a little bit adoption curve a little  
bit quicker, but also without the, the,  
the heavy capital intensiveness  
or inventory, you know, intensiveness as well.

So yeah, we're doing this on a staged approach.

Our customers in the US are, uh,  
are happy with what that is.

They're very supportive with that.

They're not just demanding that we need to,  
they're not putting any burning platforms on us.

Um, but naturally they're, they're quite keen to  
diversify their own reliance on Chinese  
manufacturer as well.

Um, because I guess they're, they're worried about, uh,  
you know, that that demand with their customers as well.

So we're doing this in the right way, um,  
and we're doing the right progress,  
but we we're certainly not, um, you know, just sort  
of waiting around either we're, we're actively, you know,  
doing that as, as quickly as what we can. Yep.

Yep. Makes sense.

Um, gosh, time is racing,  
so I better do some viewer questions  
here 'cause I'm gonna run out of time.

Otherwise, uh, let's see what we've got.

So someone's been scrutinizing the financial statements  
here, so, uh, what we've got a million dollar per year on,  
on audit fees.

Um, the comment sort of being, it sort of, it feels up there  
for a 24 million sort of market cap company.

Is there any ground to sort of make a few,  
save a few bucks on that front  
or is it sort of worth the worth, the expense  
or unavoidable expense?

Yeah, no, definitely. No, we, it's certainly something  
that we're, uh, that we're absolutely focused on.

Uh, and we're working, you know, with our audit partners  
to, to reduce those fees.

So I think what, you know, hopefully you'll see is those  
fees, uh, come down, um, for, uh, for this year.

And, and what we're really focusing on is what's within our  
control as well, and making sure that we can, um, you know,  
do everything that we can do, uh, internally

as well throughout standardization  
and streamlining of systems  
and processes so that we can just make the auditors,  
you know, job easier as well.

So it's, but certainly something that we're focused on  
and getting that as, as low as possible.

Yeah, for sure. Okay, thanks for that.

Um, uh, the next one that I'm making comments, so I again,  
so you've been in the top roles about 18  
months or so now, is it?

Yeah, correct. Um, so I think the, the comment in regard to  
the prior era, there was a bit of a history of sort  
of downgrades to, to guidance and mm-hmm.

Guidance is always such a tricky thing, Troy, as,  
as I'm sure you know, can I just put in my advertisement fee  
fee to take it as you want?

And I say this as a former analyst, um, you, you are,  
you are able to tell those guys  
to get stuffed just like we don't know.

And I know, I know that in your position there is a,  
there is a huge amount of pressure from the market  
to tell us, tell us, tell us, and yeah.

And know you, you do, and then it falls short  
and everyone, you know, so there, there is a game that is,  
that is sort of played there.

But, um, I, I guess I don't know what the,  
the question is is probably sort  
of is is is probably more an urging to,  
to under promise and over deliver.

Are there, are there lessons to be learned,

I suppose from that prior experience?

Yeah, there is, there's no, there's no doubt about it.

Um, I, I think the challenge with our business, particularly when it comes to reporting periods, is that that's right at the peak of our peak earnings period Yeah.

From, from a revenue point of view.

And I think that's where it, it's, it's, it's, it's made it hard for us to be able to do that.

Yeah. Um, I think, you know, this year in particular, you know, we moved our A GM back to, to, to the end of November to be able to give us time to understand exactly where the season in Australia here was going to, to end.

And, and that, that's worked out quite, quite well because the guidance that we provided, the Ag g gm, you know, we've, we've achieved that and actually, you know, modestly sort of surpassed that.

And that's sort of the, the, the, the tack that we're trying to take is at every time we report to the market, here's what we said we were going to do, here's what we're going to do, and then we say, here's what we said, what we were going to do, here's what we did.

Yeah. Uh, to try and build up that level of credibility with the market again, because we know that that's been a, a pattern of behavior for us to, to be able to, to miss that.

So, um, we're trying to, you know, provide

as much information as we can  
to the market about what's going on  
from a trading point of view.

Um, but when we get to reporting periods,  
it always becomes difficult to look forward  
because the season,  
our peak season still hasn't started.

So, um, so, so that's how we just gotta try  
and manage the, manage the expectations,  
but still providing us enough information  
for investors is, is what we can

Yeah. I mean, I think people  
misunderstand that,  
that it's just if you just, 'cause you're on the inside  
of the, the 10, even though you can predict the future any  
better than than the rest of us, right.

Like, who knows what's gonna happen.

So I tend to, I tend to make the case wherever I can.

Is is that, and I think you've, you've articulated it well,  
it's like, and that is all you can do is just say, this is  
what we're gonna try and do is what we think err on the side  
of conservatism and, and be consistent.

And, and I've just seen it with so many companies, Troy,  
and, and you understand the pressure, you know,  
we've got a good story to tell, look  
what we're gonna do a hand on heart,  
we think we're gonna do it, something happens  
and it doesn't happen, and you get these sort of, it, it,  
it just doesn't do any favors.

And, and I I, I do feel as though boards  
and CEOs sort of get s sneaked into it  
by very fast talking analyst is, oh, you have to do this.  
And you're like, no, you don't. No, you don't.  
You know, they, I I I would say  
that their job is to come up with forecast.  
And if they can't do that, well that's on them.  
So that's, that's my little rant.  
Um, uh, uh, let's go to the next one.  
Um, the company typically has large cash balances,  
but also some large debt facilities here as well.  
So do you wanna maybe flesh out your thinking  
around capital management sort of here as well?  
I mean, we've talked about sort of cyclicalities that's in,  
sort of inherent in there.  
Um, I think there's always a very sensible case to be made  
for debt financing.  
Um, you know, as long  
as the return on investment is greater than the cost  
of capital, there's a mathematical argument  
that's rock solid there as well.  
But, and it's also, I'm just framing this up as best I can  
because I sometimes we, we can be too,  
like debt is always bad, um, uh,  
or no, you need to leverage up  
'cause you've got a lazy balance sheet  
and you have sort of ideological sort of viewpoints in here.  
Mm-hmm. So I guess I'm really asking is like,

what's your ideological viewpoint of sort of the best way to sort of manage capital and what, what specific considerations does Gail have as a business that that leads it to sort of manage their capital in, in a particular way?

Yeah, so, so we're a good cash generating business.

Uh, but with that cyclical of seasonality also means that we get cyclical when it comes to, from a cash point of view as well.

Yeah. So, um,

but it is, it is a great cash generating business from a debt point of view.

All of our debt is working capital financing, as I mentioned, we don't, we're not depreciating anything. We're very, very low CapEx business really when it comes to, to, to levels of, of, of, of debt that we are bringing in.

So, um, so that's where we don't see, you know, there's a lot of risk there, uh, in terms of, you know, servicing, you know, that debt because it is all work, all working capital.

Um, and then we've just gotta manage the cyclical of, of, of, of the cash, of, of, of receivables and also then of inventory.

So yeah, we've sort of seeing that in our sort of latest numbers that we put out there in F four C as well, where we've been able to bring inventory down, particularly through the United States as well as we manage that a little bit differently.

And then also the receivables coming into Australia that we,

we end the half, you know, in a net cash position.

So, but that's not something that's probably going

to continue as we get into the second half,

because of course in the, in Q4,

that's the big peak American trading season.

Uh, our customers in the US generally have

slightly longer payment terms.

And so that cash is, is realized back in Q1.

So, and that's just the cycle of our, of our business.

So it does sort of tend to, to ebb and flow.

But, you know, we're sitting on good cash reserves at,

at the end of the first half as we reported

to the market just, just recently.

Um, and then that, that just starts to change as, as the,

um, as the quarters start to, to flow through

and we gear up for a peak season in America.

Yeah. Yeah, that makes total sense.

Do, do you guys hedge at all as well with some, uh,

so much sort of foreign income there?

I mean, Aussie dollar's been on a little bit

of a tear lately, or more accurately put,

the US dollar has sort of been on a bit of a slump lately

and that's, that's a mixed bag too,

and that people will have their own philosophical sort

of views as to what is the better path,

but what, what path do you guys take and, and why? Yeah,

We do have a treasury policy there that allows

for some hedging, particularly between USD and and and a UD.

Um, 'cause we sort of operate across the three currencies also, CNY, uh, as well.

And so that's been the volatile currency, C-N-Y-U-S-D.

And so, um, you know,

we're not hedging on that, on that currency.

Mm. Uh, but mainly on, on the A UD, uh, USD.

So of course we're getting translation impacts of that coming through as well.

So irrespective of that, yeah, they're mainly balance sheet, um, uh, translations as opposed to cash.

So that's what we were concerned, particularly when we got into, you know, 12 months ago, uh, where there was hedging that was involved and the currencies, the three currencies were really fluid and volatile and we didn't wanna be exerting cash to try and protect that EBITDA number.

Um, so that's where cash was, uh, the, the, the, the elective thing there to preserve.

Um, and so a lot of those things are balance sheet transfer, um, translation impacts as we sort of translate, you know, earnings between the three jurisdictions.

Yep. Okay. Great. Makes sense.

I'll, I'll keep pushing on, there's one on the board and, and potential for board renewal, but that's, that's a bit hard to get you to comment on your bosses there.

I, yeah,

probably not Any comment. Yeah, no. Okay. Fair enough.

Yeah, I probably not one that I,

uh, I can comment on, I think.

Yeah, fair enough. Um, uh,

have you bought any shares?

I have bought some shares. Okay.

So I'm a holder. So yeah,

I believe in what we're trying to do.

You know, we are refining our strategy at the moment

to be really centered around shade,

and we've got a vision there to make shade is fundamental

to outdoor life as sunlight, uh,

and really honing our, our attention on, on that to try

and grow our share

and grow our presence, particularly in emerging

and new markets like the United States

and into the Middle East as well, and,

and extend our reach here in Australia.

So I think we've got a, a great story to tell.

We're already delivering some great value for customers, uh,

naturally, uh, we'd love to be able

to provide better returns for shareholders.

There's absolutely no doubt about that.

Now, financial performance hasn't been good enough, uh,

but we feel we we're building a, a, a good head of steam,

um, some good momentum behind us with some good people,

a new strategy that's that's spurring us along and,

and that's energizing us.

And, uh, and we we're confident we're gonna get there.

Yeah. The people love that. I mean, money talks, right?

So it's, it's sort of, it's, it's, it's always, um, uh,  
encouraging when, when those on the  
inside are, are buying shares.

And, and, and hence, hence the question, it's perfectly,  
perfectly, uh, understandable.

Um, yeah, I, I'm a little,

I'm a little bit like I'm a sucker

for a falling share price, honestly, Troy, I, I even find  
that they're, they're the more interest.

I mean, I'm sure it's, it's different

as an existing shareholder and in the company,

but it's sort of like, particularly when there is potential  
for overreactions

or failing to sort of see things as they are, it's sort of,  
it, it makes things interesting.

And, you know, when the C is buying

this, there's signal in that.

So that's, that's good. Um, okay, so there's a, a, a,

a question here regarding the four C reporting, which is an  
as SX requirement, uh, once I think you fall out  
of consistent profitability.

When do you, when do you, we've just talked about guidance

and I gave you my thoughts on it,

but I guess I'm gonna ask it more general.

I'm gonna frame it more generally.

When, when do you feel

as though the company's back at a consistent  
point of profitability?

Yeah, look, the, I guess we, we serve at the, the,

the pleasure of the as SX when it comes to, uh, you know, their requirements and how long they, you know, want us to be able to do that.

Um, all all I know is that, you know, we, we are continuing to work on, on the plans that we have for, we, we've be, you know, releasing our half year numbers, you know, which is essentially our unaudited numbers are in that four C that we've released at the end of January. Of course, we've got our full audited results coming out over the next, uh, two to three weeks.

And so, um, as I said, you know, I, I, I think we've, we, we are, are working on naturally trying to improve the profitability of the business.

We know we've got some challenges on the demand side, particularly in the United States.

It's still quite volatile there.

We're working to, to simplify our business, we, we did that in the first half by, you know, uh, consolidating some roles in the United States that we'll deliver a \$3.8 million benefit going forward.

Uh, so we're really focused on that.

We're focused on making our China facility really efficient.

So we're focusing on the things that we can control, particularly in and around cost, uh, preserving cash, managing, managing inventory well so that we can get our working capital numbers right, our debt, uh, and our net debt, uh, numbers in, in the right in, in the right orders.

Um, and, uh,  
and then, you know, really focusing in the organization on,  
on delivering growth, that's, that's really, you know,  
meaningful innovation and,  
and end user driven innovation with a targeted  
strategy towards one category as opposed to, you know,  
multiple categories where we might have  
been distracted in the past.

And so those things take a little bit of time to be able  
to manifest themselves through.

But certainly the things that we can control, you know, we,  
we think are already starting to see benefits of that, uh,  
coming through, particularly in, in the restructuring  
that we've done in the United States.

And we'll continue to see that in the second half.

Um, and, you know, you always need a little bit  
of luck in business, and if we can, uh,  
if we get a little bit of luck coming into, uh,  
the second half with, uh, with weather and,  
and general trading conditions in the  
United States, well then that'll help us.

But we're certainly not relying on that.

So, um, we'll continue to do that.

Then we expect that the, the financial performance  
of the business will, will, will recover in time and, um,  
and we can start, you know, really delivering value back  
to shareholders as as we really wanna do,  
because we haven't done that for a little while.

Yeah. Yeah, no, I mean that, just to dig into that,

but that, that seems quite material in terms of cost savings.

So I'm just looking at the FY 25.

So it was a, a net statutory loss of about 5 million and there's close to 4 million just in savings there, is that right?

Yeah, correct. Okay.

Interesting. Interesting. Um, uh, the final, we've already talked about CapEx, uh, so I'll skip that one.

So the last question I've, I've got here, um, from, from the audience is how long is the new ERP contract for, and what protections are there in the terms and conditions and risk mitigation plans

to prevent the software provider hiking its fees by large percentages in the coming years?

Yeah, it's, it's, you, you kinda get that with those sticky products, don't you, sort of, you, you, you know, you get your foot in the door and then, and ramp up, up the prices.

What, what, what can you tell us on that front? Yeah,

So, so we do have an agreement.

So Microsoft Dynamics 365 is the platform that we, we migrated to, and we turned that on in, in October, um, of, of the prior year, um, of, of the prior prior year.

So 24 was when we, when we turned that on, so, yep.

Um, so we do have an agreement with, you know, from, from a fixed licensing point of view, but of course it's Microsoft, so, um, as well.

Yeah. Uh, and so then, you know, there's always a renegotiation path, you know, that, that you, that you always go down.

So, um, so yeah, what that's going to be like in the future, really, you know, we, we, we, we don't really know, but we're protected as much as what we can in the short term.

Um, and then for us it's about, you know, making sure that we get the best and the best out of the system and leverage it to its full capacity and, you know, the licensing fees, um, uh, just one of those necessary costs that we need to bear.

Yeah, I totally get that.

I mean, well done, by the way, getting through the ERP migration, they are, I've had it, I've had it described to me as a spinal transplant.

Like it's, it's, it's not a fun thing. Um, yeah.

Now, now that, now that there is a little bit of water under the bridge since it went live, is it, is it largely better up?

I mean, these, there's always gremlins in such systems that just is, even if it's from Microsoft, but it feels it's largely bettered down.

Yeah, look, it is. And now we're just really looking for the efficiency gains that we can get out of the system.

Yeah. Uh, you know, the good thing was is that when we did the migration, we didn't lose any level of transactional ability.

We, we maintained continuity of supply.

Our customers didn't really know any different Right.

Other than maybe their invoices looked slightly different.

Um, so, so that, that part of the, of the implementation  
and the migration work really well,

now it's about making sure

that we can get the internal

efficiencies that we can get out of that.

We're seeing great efficiencies coming

through in our warehousing in particular

through speed stability.

Yeah. Um, particularly in the peak seasons when volumes are

quite high, um, we're seeing that coming through,

which has had a re a reduction in temp labor, uh,

in particular throughout a US facility.

But now we're looking at all

of those other functions within the business to make sure

that we can really leverage the system

and the power of that system

to its best extent, um, to get that out.

So we, we've brought in internal resource to,

that's all they're doing at the moment is just sort

of running the ruler over what we do and how we do it

and what the system can do to be able

to help us. So that's the Yeah,

That's, that's really, yeah.

That, that, that's really cool.

Is surprising what you can, you can get out of that. Mm-hmm.

Um, um, so we're running out of time,

so I've just got two very quick questions  
before I, I let you get back to the more,  
the more important stuff of, of running the business.

Um, and I really, I really want to frame this  
as generally as I can.

So I'm, I'm not one of act to 12 decimal places as,  
as analysts like to do,

but what's, what's your vision for,  
you know, the next five years?

What is, we're chatting in, in the year 2031,  
what does Gale look like?

You know, what are I, I don't want you  
to put necessarily numbers on it per se,  
but, you know, what sort of the ballpark range of growth  
that you think that you can do?

What are some of the operating  
or net margins you think the business is capable of?

Not, and I really, really do mean this, not to try  
and pin you down on anything specific,  
'cause a lot can happen in five years,  
but if, if, if the strategic plan sort of goes to plan and,  
and there's no major sort of black swans out there,  
what do you think, what do you think Gail looks like  
in, in the next five years?

Yeah. I think we have a, a business that has  
still our global reach  
and using the three really core, uh, areas  
that we're in Australia, the United States  
and the Middle East, but we have a more consistent business

across those three regions  
where we're replicating the category depth  
and breadth of Australia and the diversification  
that we have in categories and, and products in Australia.

And we are doing that in our other markets.

That's where we see our growth profile.

Uh, and so when you look at, you know,  
the five categories we participate in Bunnings,  
we're really only participating in one  
of those categories in the United States.

Mm-hmm. So that's our immediate, um, focus is to be able to,  
to, to to, to grow that.

Yeah. Um, on that commercial business again, to be able  
to grow our commercial business.

That's generally a high margin business as well.

And again, going out there  
and looking at the experience of 35 years  
and dealing in agriculture in, in Australia,  
and looking at places in the United States  
where those markets exist today,  
we haven't done a good enough job at that.

So that's really where I see that,  
but all centered on that strategy of shade  
and moving, migrating from just, just selling shade products  
to customers, but really providing those shared solutions  
to people and making it really simple  
and easy for them to be able to, you know,  
purchase our products for a brand that's, you know,

somewhat meaningful in all of those markets.

Uh, and that's, that's really what our strategy, the essence of what, of what it's all about and, and what what we are really trying to achieve.

Yep. And, and, and for the spreadsheet jockeys amongst us, you, it, it feels like you're sort of a, a net margin of five circa 5% sort of feels about right?

For a business of, of this nature that's, that's humming.

Yeah, look, I mean, it's, um, you know, the, the good thing about our products is that if, you know, if we're, if we're still sell selling what we make, uh, and we can do that in more areas that, particularly in large markets like the United States, that's where we can really get the scalability.

Yeah. You know, going there where we've got a store count that's 10 times the size of Bunnings in Australia, uh, where we have existing relationships there.

So, so the scalability of, of, of markets like the us if we can get that right, yeah.

Um, and expand that share there means that, you know, that can end up being margin of credit for us, um, because we're not having to, you know, we're using existing infrastructure and existing capacity to be able to service that.

So that's where we can really start to think it, it's starting to turn.

So that's where we're really focused on.

Um, I, I did sneak one more in there.

My final, final question was, was going to be,

and it's usually the same one, you know, you, you,  
you gotta speak to, to investors like us  
and various stakeholders all the time,  
and I, I'm, I'm sure there's a, a, a degree  
of repetition to it all.

So my, my final question is, is the one I like  
to ask Troy is, you know, what is it that no one asks you  
that you find is peculiar that they don't ask you?  
Or, or, or where is an insight that you feel  
as though the market misses when,  
when they look at the business?

I mean, there's, there's usually a point of frustration  
for those again, on the inside of the tent that just like,  
why don't people see this?

Or maybe that's not the case.

I don't wanna assume that there is, but, but often there is.

And if there is, what, what is it that you would like  
to urge, you know, shareholders to sort of pay attention to  
that, that not enough people pay attention to? Mm-hmm.

For us, I think it's, it is the United States. Okay.

I, I think it's a market that we haven't done a good enough  
job at being able to explain, you know,  
we've been in the US for 35 years.

Yeah. It's not like we've just entered the United States.

So we've got a presence there, you know,  
to have an Australian brand in the home improvement space on  
the shelf at every Lowe's and Home Depot store in America.

There's not many other brands,

Not an easy feat stores And fine.

And so I think the hard work has been  
done on that part of it.

Um, we, we, we've gotta right size it, which is  
what we're doing to make sure  
that in this current environment  
and that we really set it as a turbocharged sales  
and marketing machine to get out there  
and really start to grow.

But the scale of the United States with 350 million people,  
with 160 of them living in the south where it's hot, uh,  
most of the time just gives us a really great platform  
to be able to expand  
and to fill, fill a need that no one else is really filling.

And so, um, it's, it's a market that a lot of Australians,  
um, and Australian investors  
and in some cases don't understand the opportunity.

And that's where we really still see the  
United States as our growth engine.

So, um, you know,  
we've gotta do a better job at explaining the opportunity  
and the size of the opportunity there in the US and,  
and how we manage that responsibly so  
that we can really get the scalability benefits without  
incurring additional costs, which is where, you know, we've,  
we've, we've done that in the past,  
so we're changing the way we approach the US market, um,  
consolidating a lot more of that here in Australia,  
and then really letting that market just be a real sales

and marketing growth engine for us.

And so that's the, the transition that we've, um,

that we've made over the last 18 months

and it continuing to make,

Yeah, I mean, it's really, Troy honestly,

a fascinating conversation.

I mean, you know,

highly engineered textile fabrics doesn't feel

as though it would be the most exciting, uh,

topic, but it, it is.

And I think there's a, there's a lot of sort

of business finance junkies within our group that really,

really dig this kind of stuff and,

and you've, you've really helped, uh, illuminate things

for us and just quiet, it's been nice

to have a conversation without talking about AI for once

as well, so that's good.

So I, I didn't go there and, and

AI can't, can't protect you from the sun on,

on a hot summer's day, so, uh, exactly.

So as long as that's the case, that's good.

Yeah. Yeah. I mean, and there's something to be said for

that, like this non-disruptively or,

or I should never say, you know, that's never the,

never the case, but a much more difficult, uh,

to disrupt kind of thing.

A very futureproof kind of business is probably something

that it is worth a bit

of a premium in, in the modern economy.

Yeah, definitely. Yeah,

Luck. Uh, mate, it's

been, it's been a, it's been a real pleasure.

I've pushed my luck, um, with the time, but,

but I do appreciate hanging around

and answering the questions and,

and, uh, we'll, we'll, we'll do it again

next year if you're up for it.

Yeah, pleasure. Yeah, no worries at all. Thanks Andrew.

Awesome. Good to chat. Thank you.

Thank you. Cheers.