# COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

**MELBOURNE, 22 August 2017**: Globe International Limited (the Group), producer and distributor in the board sports, street fashion and work-wear markets, today announced its financial results for the twelve months ended 30 June 2017. In line with expectations, the Group reported that profits were approximately flat on the previous corresponding period (pcp) and operating cash flows were significantly ahead of the same time last year, despite a downturn in revenues.

- Revenues for the financial year of $140.5 million were 7% or $10.3 million below the pcp (5% down in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of $6.1 million for the financial year were $0.6 million below the pcp.
- Net profit after tax (NPAT) of $5.1 million for the financial year was $0.3 million above the pcp.
- Cash-flows generated from operations during the period were $10.6 million, representing a $14.0 million improvement on the $3.4 million used in operations in the pcp.

## Financial Performance

The decline in net sales was largely due to the downturn in the Northern Hemisphere skateboard hardgoods market, particularly in the first half of the year. In the second half, constant currency sales were flat compared to the prior corresponding period, with growth in apparel brands and the bottoming out of the hardgoods decline.

Despite the decline in net sales, NPAT of $5.1 million was 7% above last year due to higher gross margins, lower costs and a lower effective tax rate. A brief overview of performance by region is included below:

- The Australian division continued to be the stand out performer. Net sales, mainly in streetwear and workwear, were 14% higher than the prior period.
- Restructuring of the North American division continued during the year leading to a change in brand and category mix, improved margins and a lower cost base. Of note was the introduction of Salty Crew from 1 January 2017, which contributed to second half sales being 2% higher than the prior corresponding period.
- The European business was most affected by the hardgoods downturn, with a 36% decline in net sales over the full year. Despite the substantial decline in net sales, the division remained profitable with sales stabilizing by the end of the year.

## Financial Position

During the current financial year, a number of initiatives were undertaken to successfully reduce the working capital needs of the business, including a targeted reduction in months' stock on hand for key at-once businesses. The net effect was a substantial improvement in operating cash flows, with $10.6 million generated in the current financial year compared to the $3.4 million cash used in operations in the 2016 financial year.

## Dividend

The Directors have determined that a fully franked final dividend of 5 cents per share will be paid to shareholders on 22 September 2017, which takes the full year dividends to 8 cents, compared to 6 cents which was paid in relation to the 2016 financial year.

## Looking Forward

Chief Executive Officer Matt Hill said, "As a function of our ongoing brand diversification, margin improvement strategies and effective initiatives to reduce costs and improve working capital, the business held up well over the financial year, despite the decline in net sales. Looking forward, we anticipate a return to revenue growth in the 2018 financial year."

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