COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

MELBOURNE, 21 August 2019: Globe International Limited (the Group), designer, producer and distributor in the board sports, street fashion, outdoor and work-wear markets, today announced its results for the financial year ended 30 June 2019. In addition, the Group announced the divestment of its Dwindle brands that occurred following the end of the year on 9 August 2019. The sale of this business division was part of the ongoing strategic overhaul of the Group's brand mix, aimed at reducing the number of smaller brands in the global operations.

The Group reported continued growth in net sales for the year, while profitability was just below the previous corresponding period (pcp), mainly due to the impact on margins from the strengthening of the US dollar against the AUD. The key business metrics were as follows:

- Net sales for the financial year of $158.7 million were 8% or $11.5 million higher than the pcp.
- Earnings before interest, tax, depreciation and amortization (EBITDA) fell by 5% to $9.1 million, compared to $9.6 million in the pcp.
- Net profit after tax (NPAT) of $8.2 million for the financial year was 3% lower than the $8.4 million reported in the pcp.
- Cash-flows used in operations were $3.5 million, compared to $11.2 million in cash generated from operations in the pcp.
- Dividends, paid or determined, in relation to the 2019 financial year of 13 cents per share were 18% higher than the 11 cents per share paid in relation to the 2018 financial year.

Net sales for the year of $158.7 million grew by 8% in reported currency terms, or 5% in constant currency terms. Gross profit margins were lower than the pcp by 1.5 percentage points, driven mainly by the impact of the stronger USD on margins in the Australian business. EBITDA margins of 5.8% of net sales were lower than the pcp by 0.8%, as sales growth off-set the majority of the impact of lower gross profit margins.

A brief overview of performance by region is included below:

- The Australian division continued to be the key contributor to Group sales and profitability. At $82.0 million, sales were 5% higher than the prior year, marking the 8th consecutive year of sales growth for the Australian division. Sales growth in the current year was driven by FXD apparel and boots, Salty Crew clothing and Impala rollerskates. Despite the growth in sales, the $13.4 million EBITDA reported was $1.1 million or 8% lower than the pcp, mainly due to the impact of the stronger USD on gross profit margins which were lower by 1.8 percentage points than the pcp.
- The North American division continued to grow revenues in the current financial year, with a 7% increase in constant currency net sales. Sales growth was driven by Salty Crew and Impala rollerskates. Despite the growth in sales, EBITDA profit was below the pcp with a reported EBITDA of $0.2 million, compared to $1.6 million in the prior year. The lower profitability was driven by a reduction in gross margins due to customer mix in this financial year. In addition, costs increased due to further investments in future growth brands such as Salty Crew, FXD and Impala in the North American markets. In future periods the cost base will be significantly lower with the divestment of Dwindle and related restructuring of the business during FY20.
- The performance of the European business was largely flat in constant currency, from a sales and profitability perspective. During the year investments were made in Salty Crew and Impala for future growth.

The Group's net cash position at 30 June 2019 was $7.9 million, which was $8.9 million lower than the same time last year. This reduction in net cash is mainly due to $3.5 million of cash used in operations and the payment of $5.0 million of dividends during the financial year. The negative cash flows generated from operations were a consequence of a $13.1 million increase in working capital, largely due to an $8.0 million increase in inventory.

Inventory growth was in part due to planned inventory build for new brands to support sales growth. However, the most significant factor that drove the increase in inventory in the second half of the financial year was conservative inventory planning for non-seasonal products, due to a supplier change-over in April. It is expected that inventory levels will be significantly lower by the end of the first half of the 2020 financial year, without the need for any major inventory clearance activity.

Since the end of the financial year, the Group has sold its suite of Dwindle brands to Highline Industries Corporation. This divestment was part of the Group's ongoing strategic overhaul to reduce the number of smaller brands and move towards having fewer brands in each product category. Following this change the company has a much better balance of apparel, footwear and skateboard hardgoods brands proportionate to the revenue of each product category. The Group remains fully committed to the skateboard market and the boardsports distribution channel through its remaining brands, including Globe. Meanwhile the Dwindle brands and personnel will find a suitable home at the hardgoods-focused Highline Industries. The transaction will be recognized in the financial year ended 30 June 2020. The sale of this business will have a modest downward impact on total group sales in the FY20 year, but is not expected to negatively impact profitability as a result of efficiency improvements in the costs to run the company's remaining brands.

Chief Executive Officer Matt Hill said, "We are excited that in a year that involved so much change, that we were simultaneously able to work on a major realignment of our brand portfolio, maintain a solid financial result, and see significant expansion in brands that will be our future growth drivers such as Salty Crew, FXD and Impala. We now have the right mix of diverse brands with scale potential. Our brands are operating in different segments of distribution covering a wider range of demographics than ever before, while we remain active and committed to our core of skateboarding and boardsports. We have a terrific platform for future global growth and profitability improvement that goes beyond the recent growth we've experienced in Australia."

The Directors have determined that an unfranked final dividend of 7 cents per share will be paid to shareholders on 19 September 2019, which takes the full year dividends to 13 cents, compared to 11 cents which was paid in relation to the 2018 financial year.

Matt Hill said, "I am pleased that we have been able to remain on track for solid consistent increases in returns to shareholders again this year, despite some of the challenges we faced. As we look forward, are optimistic about our growth brands. At the same time, we will work through the divestment of Dwindle and the associated restructuring of the North American business and other underperforming brands, which is part of the on-going evolution of our business. Looking forward, we expect working capital levels to be lower in the 2020 financial year due to a planned reduction in inventory months on hand. Current profit outlooks are largely in line with FY19, however these outlooks do not take into account recent macro events caused by the on-going trade war between the USA and China. The resulting devaluation of the AUD against the USD and the proposed introduction of increased duties on US imports from China are likely to have a negative impact on profitability in FY20, the full effect of which is not yet known."

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