GLOBE

COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

MELBOURNE, 20 February 2020: Globe International Limited (the Group), designer, producer and distributor in the boardsports, street fashion, outdoor and work-wear markets, today announced its financial results for the six months ended 31 December 2019. Compared to the prior corresponding period (pcp), the Group reported a decrease in profits, despite reported net sales being flat, predominantly due to the downward pressure on margins caused by foreign exchange rates and US tariff increases. The key statistics for the half-year were as follows:

- Net sales of $77.8 million were in line with the pcp in reported currency, but were 2% lower in constant currency.

- Earnings before interest and tax (EBIT) of $4.2 million were 5% or $0.2 million lower than the pcp. This result includes the one-off profit from the sale of the US based Dwindle brands during the half-year, net of other one-off expenses.

- Net profit after tax (NPAT) of $3.9 million for the half year was 9% lower than the pcp.

- Cash generated from operations during the period was $5.5 million, which represented a $10 million positive turn-around from the $4.5 million utilization of cash in operations in the pcp.

- The unfranked interim dividend declared of 5 cents per ordinary share compares to the 6 cents paid in relation to the 2019 interim dividend.

The 2% constant currency decline in net sales was due to the divestment of the Dwindle brands during the half year. Net sales for the continuing business actually grew by $4.6 million or 7% during the half-year, in constant currency terms. This growth was driven by the North American division where sales grew by 26% fuelled by Salty Crew, Impala, Globe skateboards and FXD. The European division reported net sales growth of 7% which came from the same brands. In Australia, net sales were 1% lower than the same time last year due to the decline in the Streetwear division, which off-set growth in these same brands.

Earnings before interest and tax (EBIT) of $4.2 million included $1.8 million of earnings from one-off significant items. The one-off items included the $3.7 million profit from the divestment of the Dwindle brands, off-set by $1.9 million of legal fees incurred in relation to a copyright infringement lawsuit that was concluded during the half-year. Excluding these one-off items, EBIT was $2.4 million, which was lower than the prior corresponding period (before significant items) by $1.4 million. The strengthening of the USD was a major factor in the lower profitability, with the deterioration in the weighted average AUD/USD buying rate resulting in a $2.5 million reduction in gross profit dollars, which was only partially off-set by USD product cost reductions and wholesale price increases. In addition, the increase in US tariffs on Chinese imports had a negative impact on gross margins earned in that region.

Cash flows from operations were significantly improved in the half-year, compared to the prior financial year. After utilizing $3.5m in cash from operations during the 12 months to 30 June 2019, the business returned to positive cash flows from operations, with $5.5 million generated in the 6 months to 31 December 2019. The major driver of these operating cash flows was the $3.3 million reduction in working capital during the half-year, which was largely a result of the correction to inventory holdings following the excess inventory situation experienced during the second half of the 2019 financial year.

Chief Executive Officer Matt Hill said, “During the half-year we completed the restructure of our Globe brand and divested the stable of Dwindle brands. At the same time we continued to invest in our growth brands across the outdoor (Salty Crew), work-wear (FXD) and boardsports (Impala rollerskates and Globe skateboards) markets, all of which grew during the half-year. In addition we launched dot boards - our first electric skateboard – after many years of research and development. So, it has been a busy and productive 6 months finalizing the restructure of our brand portfolio. It’s exciting to be now looking forward with what we consider to be a more relevant, stable and diverse brand portfolio – a platform from which we plan to grow sales internationally over the coming years.”

The Directors have determined that an unfranked interim dividend of 5 cents per share will be paid to shareholders on 20 March 2020.

Matt Hill said, "Despite the many external challenges we face this financial year it is pleasing to continue to deliver an interim dividend to our shareholders representing an annual yield of 7.3%. However, while our current collection of brands is one of the strongest in our history, as we look forward to the second half of the year, we will continue to face significant headwinds from external variables we do not control. The stronger USD, continued uncertainty around tariffs in the USA, the impact of Australian bushfires on consumer demand and the potential supply chain impact from Coronavirus all make it impossible to give a definitive outlook for the financial year. At this stage, having regard to the uncertainties described above, we expect sales to approximate last year, while profits are expected to be below last year in the order of 15%, as a result of one-off items, environmental factors and downward pressure on margins."

Authorised for release by Jessica Moelands, CFO

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