# COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

**MELBOURNE, 23 February 2023**: 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 half-year year ended 31 December 2022. The Group reported a decline in sales and profitability as the downturn in the hardgoods market and general macro-economic conditions continued to have an impact on performance, but cash flows from operations were significantly higher than the prior corresponding half-year. The key business metrics for the half-year were as follows:

- Reported net sales for the half-year of $120.5 million were 16% lower than the prior comparative period (pcp).
- Earnings before interest and tax (EBIT) were $0.9 million, representing 0.7% of net sales. This was significantly lower than the 12.7% return on sales that was achieved in pcp.
- A net loss after tax of $0.2 million was reported, compared to a net profit after tax of $12.5 million in the pcp.
- Cash-flows generated from operations were $4.7 million, which represented a $17.4 million improvement on the $12.7 million of cash used in operations in the pcp.
- Profitability is expected to improve in the second half of the financial year.
- The directors declared a fully franked interim dividend of 2 cents per ordinary share.

Matt Hill said, “As foreshadowed at our AGM in October, the performance of the business in the first half of this financial year has been impacted by a range of factors that have driven down both sales and margins. Most significantly, the decline in the hardgoods market had a massive impact on both sales and profitability, as we dealt with our own inventory issues and our customers continued to work through theirs. Inflationary pressures also had an impact on both consumer demand and profit margins, while heightened freight costs and a strong USD also impacted gross profit margins. In the midst of these negative macro factors which had an inevitable impact on profitability in the short-term, we continued to invest in our existing core brands, seeing either stability or growth in our non-hardgoods brands, including key brands Salty Crew and FXD. In addition, we acquired a 50% stake in emerging female fashion swimwear brand, It's Now Cool, which provides an exciting opportunity for growth in a new category for our business. So, despite the poor performance for the half-year, the business has a positive outlook.”

The decline in net sales in the first half-year was due to the reduction in sales of hardgoods across the business, including skateboards, roller-skates and skate accessories. Regionally, Globe Europe was most significantly impacted by the downturn in the hardgoods market as it is the most hardgoods-reliant division, resulting in a 30.7% constant currency reduction in net sales in the half-year – a reorganization of this business unit is underway to drive sales and margin growth and operational improvements. While similarly impacted by the decline in hardgoods, net sales in North America and Australasia fell by half this amount, as both regions have more diversity in brand and category offerings.

The $0.9 million EBIT reported for the half-year was significantly impacted by the decline in sales and gross profit margins. There were a range of factors that drove down gross profit margins, including the clearance of excess inventory, continued high freight and logistics costs and the strength of the US Dollar. As we look forward, we expect to see gross profit margins improve on the back of lower clearance sales, and a change in macro trends, with freight and logistics costs returning to pre-COVID levels, and some weakening in the USD over recent weeks. In addition to these factors, further steps are being taken internally with a focus on improving profit margins into FY24 and beyond.

As at 31 December 2022, the Group’s cash position, net of working capital borrowings, was $3.1 million, compared to $7.6 million at the end of the 2022 financial year. Cash utilization during the half-year was driven by non-operating factors (dividends, capital expenditure, leases and property loan payments), while cash generated from operations was $4.7 million, driven by the $4.5 million reduction in working capital. Net working capital at the end of the half-year is in a much better position than it was at the start of the half, largely due to inventory clearance activities. The remaining excess inventory as at 31 December 2022 is expected to be cleared in a more sustainable manner over the next half-year. Total working capital facilities utilized were $13.5 million, which represented 39% of the total available facilities. It is expected that the utilization of these facilities will reduce over the remainder of the financial year.

Looking ahead, Matt Hill said, “In the second half of this financial year, we expect to see a softening in the decline in net sales, as we cycle past the hardgoods peak which occurred in the back end of the 2021 calendar year. With total hardgoods sales now significantly reduced, there is little scope for any further major hardgoods reductions and we anticipate growth in some of our other key brands. In addition, in the first 6 weeks of the year there has been an improvement in gross profit margins as we see some normalization of the short-term and macro factors that have been driving margins down. We expect this trend to continue and, as such, we are forecasting improved profitability in the second half of this financial year, with the company to be profitable for the full 2023 financial year. In addition to these macro changes, we have undertaken a detailed strategic review over the last 6 months and have identified a number of opportunities to refine our operations, brand and category mix to simplify the business. As we look to the 2024 financial year and beyond, we expect these changes to enhance our ability to grow the business from our stable of global brands, all of which have potential for future growth. In addition, profitability will continue to improve with higher gross profit margins and lower costs.”

The Directors have determined that a fully franked interim dividend of 2 cents per share will be paid to shareholders on 24 March 2023.

**Authorised for release by the Board of Globe International Limited.**

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