COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

MELBOURNE, 22 February 2024: 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 2023. The Group reported a strong improvement in profitability and cash flows from operations as the business executed its strategic agenda. The key business metrics for the half-year were as follows:

- Reported net sales for the half-year of $108.0 million were 10.4% lower than the prior comparative period (pcp). Excluding extraordinary clearance in the pcp, sales were down 3.5%.
- Earnings before interest and tax (EBIT) were $7.3 million, representing 6.8% of net sales. This was $6.4 million ahead of the 0.7% return on sales that was achieved in pcp.
- A net profit after tax of $4.9 million was reported, compared to a net loss after tax of $0.2 million in the pcp.
- Cash-flows generated from operations were $16.5 million, which represented an $11.8 million improvement on the $4.7 million of cash used in operations in the pcp.
- There were no working capital borrowings at the end of the period, an improvement of $2.9 million.
- Profitability is expected to continue to improve in the second half of the financial year.
- The directors declared a fully franked interim dividend of 9 cents per ordinary share.

Matt Hill said, *"As foreshadowed to shareholders at our October 2023 AGM, Globe International is strongly ($6.4 million) ahead of its EBIT position compared to the same time last year. Most importantly and key to our longer-term strategic agenda, the profit improvement comes largely from a strong turnaround in regional performance in both North America and Europe. Meanwhile, Australia continued to be a stable profit contributor to the group. This was a major step forward in our strategic goal to see more even contribution of EBIT from all three regions and is forecast to continue in the second half of FY24. Most gratifying was the continuation of a strong dividend return to shareholders that this improved performance has facilitated."*

The $6.4 million EBIT turnaround reported for the half-year was the result of greatly improved gross profit margins and reduced cost base. The improved margins were driven by significantly less inventory clearance, lower freight costs, and favourable FX movements as well as successful execution of product development initiatives. Expense reductions were achieved by the rationalization of underperforming brands, improved operating efficiencies and a restructure of the European division. It should be noted that this all occurred while still investing in growth brands to a normal level.

The decline in net sales in the first half of the financial year was due to reduced inventory clearance activity, particularly in the hardgoods divisions against the prior comparative period. Excluding clearance activity, sales were only 3.5% down. This was most significant in both North America and Europe. Despite tough trading conditions, apparel and footwear brands had either flat or modest increases in net sales globally for the period.

Regarding the company's strategic agenda, Matt Hill said, "With all three regions and all major brands profitable, *the result demonstrates not only strong financial improvement but also a much higher* quality result, with execution of many of our strategic priorities. *During the half-year, we saw margins improve, cost base rationalized, and significant continued investment in our key growth brands of Salty Crew, FXD and It's Now Cool. Furthermore, during the half-year, a successful restructure of our European division was executed with new management delivering a remarkable turnaround for the division after a massive loss in the pcp. Combined with an extremely healthy balance sheet at the end of the first half, we enter the second half of this financial year in a robust position to keep pushing our key brands forward.*"

While Globe International will always value skateboard hardgoods and its core relevance to the company's culture, it has been a goal of the company to have fewer hardgoods brands and to retain a few key hardgoods brands of scale. The objective has been for hardgoods to become a lower proportion of sales to ensure less volatility in the company financial performance. This is achieved by continuing to invest and nurture our skate hardgoods programs, whilst also growing the apparel side of our business to a greater relative scale. Over the last seven years Globe International has strategically transformed away from its reliance on volatile hardgoods sales and multiple small hardgoods brands to a revenue baseline of more stable global apparel and only a handful of larger hardgoods brands of scale.

Matt Hill explains "*Seven years ago we had $150 million of revenue with almost one third coming from over a dozen micro hardgoods brands. Since then, we have grown revenue in our apparel business significantly while rationalizing our hardgoods brand portfolio. Today we are left with two leading global hardgoods brands of scale in Globe and Impala, which have proven capable of delivering strong profit conversion on big revenue booms if circumstances prevail (as exemplified during the COVID boom) but only representing approximately 10% of our revenue today. Fundamentally Globe International has transformed to a business reliant on apparel and footwear for growth and stability, while still preserving our connection to skate heritage culture, brands and product development. We have a base for consistent growth and improved performance for shareholders through worldwide apparel and footwear brands such as FXD, Salty Crew, It's Now Cool and Globe with high revenue potentials, while not losing our heritage, connection, and culture in skate*."

As at 31 December 2023, the Group's cash position, net of working capital borrowings, was $20.0 million compared to $10.7 million at the end of the 2023 financial year. Cash utilisation during the half-year was driven by non-operating factors (dividends, capital expenditure, leases, and property loan payments), while cash generated from operations was $16.5 million, driven by an $11.2 million reduction in working capital associated with a significant reduction in inventory holdings, combined with decreases in both trade receivables and payables. Consistent with expectations, utilization of working capital facilities continued to decrease throughout the half to a negligible level by the end of December. It is expected that the utilization of these facilities will remain minimal and will only be required to support minor inter-month fluctuations over the remainder of the financial year.

Looking ahead, Matt Hill said, *"All operating divisions in Australia, North America and Europe as well as all key brands look set to continue their current positive contributions in the second half of this financial year. This is facilitated by preservation of the strong margin gains made in the first half of the year, combined with continued efficiency driven cost reductions and the continued strong investment in, and demand for, our key global pillar brands."*

The Directors have determined that a fully franked interim dividend of 9 cents per share will be paid to shareholders on March 22, 2024.

Authorised for release by the Board of Globe International Limited.

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