



COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE YEAR ENDED 30 JUNE 2014

MELBOURNE, 22 August 2014: Globe International Limited (the Group) today announced continued revenue growth and a significant turn-around in operating profitability for the year ended 30 June 2014.

- Net sales of \$103.5 million grew 24% over the prior financial year (13% in constant currency)
- Earnings before interest, tax, depreciation and amortization (EBITDA¹) of \$2.4 million were \$7.1 million ahead of the corresponding loss reported in the previous financial year.

Financial Performance

Net sales of \$103.5 million were 24% higher than the previous year in reported currency, and 13% higher in constant currency. The growth in net sales drove the underlying profitability improvement. This sales and profitability improvement came from multiple sources across the Group as a consequence of the investment and diversification into new markets and brands over recent years.

The stand-outs from a regional perspective were Australia and Europe, with constant currency net sales growth of 42% and 23% respectively. The growth in Australian net sales was driven by the 4-Front streetwear division, due mainly to the introduction of Stussy; and the continued growth of F.X.D, the Group's proprietary work-wear brand. In Europe, the Globe brand continued to grow across all categories of footwear, apparel and skate hardgoods, with 2014 being the fourth consecutive year of double digit sales growth in that region. In North America, despite growth in skate hardgoods and Globe apparel, sales were down by 9% for the full year in constant currency, following last year's restructure which resulted in certain operations being discontinued within the Dwindle division.

Chief Executive Officer Matt Hill said "Breaking the \$100m net sales mark with such significant growth is an achievement for us at a time when the boardsports retail space remains volatile. After 30 years in business, we constantly evolve and adapt, while always staying true to our roots in skate and surf. Recently we have made a number of strategic changes to our brand mix and product categories, and we can now see these changes really starting to pay-off."

Non-Trading Items - Impairments

Following completion of the Group's impairment testing process, included in the full-year results for the year ended 30 June 2014 is an impairment charge of \$17.1 million (pre-tax) including a 100% write-down in the carrying value of the Globe Trademark. The after tax impact of this impairment charge is \$12.8 million. This impairment charge is a non-cash, non-trading item, and resulted in the Group reporting a net loss after tax of \$12.3 million for the financial year ended 30 June 2014. Excluding the net effect of the impairment charge, the Group would have reported a net profit after tax (NPAT) of \$0.5 million, which equates to a \$5.7 million turnaround in underlying NPAT.

This non-cash impairment charge has no impact on the Group's normal business operations and development, nor is it reflective of the directors' long term view of the potential of the Globe brand. The impairment charge has been recognised in accordance with the accounting standards, which have strict requirements regarding the assessment of the value of intangible assets. The impairment charge is largely a result of the significant changes that have impacted the action sports industry, and its key brands, over the past few years. This has been driven by a range of factors including difficult broader economic conditions, challenges for the Action Sports retail account base and the saturation of some of the more iconic action sports brands. As a result, the performance of the Globe brand has been affected and the market for buying and selling brands in the industry has declined. Importantly, the Group has created substantial value in other areas of the business, by diversifying its brand and product category offering.

Financial Position

On 30 June 2014, the Group had \$8.1 million in net cash reserves compared to \$6.4 million at the end of the prior year. The increase in net cash comes mainly from the \$2.3 million cash flows generated from operations. Despite the overall growth in net sales, working capital levels have not grown significantly which has had a positive impact on net cash from operations.

Dividend

The Directors have resolved that no final dividend will be paid.

¹ Amortisation includes impairments of Intangible Assets



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Results for the year ended 30 June 2014

Looking Forward

“There is a lot happening over the next 12 months at Globe International,” said Matt Hill. “The 2015 year marks the 30-year anniversary of our founding company, Hardcore Enterprises, which is still the number one skateboard distribution company in Australia and New Zealand. It is also the 20-year anniversary of the Globe brand which comes at an exciting time when the brand is experiencing a resurgence at premium retail with its apparel and footwear ranges and the release of its latest surf film *Strange Rumbings* in Shangri-LA. In addition our Dwindle business is growing again and newer initiatives such as our 4Front Streetwear division and FXD in Australia continue to trade well with solid growth potential.”

Matt Hill added that “the company’s continued financial stability has allowed us to move quickly and independently to react to changes and invest in new areas of the business, as required. We will continue to look for opportunities to grow the business, while at all times maintaining the strong disciplines we have built around financial management.”

“While we remain cautious about the road ahead due to the nature of the retail environment we operate within, our business is getting good growth – both organically and through expansion – and we believe we’re doing good things for the right branded reasons at the moment. From this perspective, we are confident about where we are headed, despite a continued level of uncertainty around the broader market conditions.”

Investors, Media and Analysts

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