



**GLOBE INTERNATIONAL LIMITED**

**ANNUAL GENERAL MEETING**

**Thursday, 22 OCTOBER 2015**

**CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

**ADDRESS BY THE CHAIRMAN, PAUL ISHERWOOD AO**

My fellow directors, CEO Matt Hill and senior management welcome you to our fifteenth Annual General Meeting.

As previously advised the Group reported significant and continued revenue growth and an improvement in profitability, compared to the 2014 financial year.

Our group revenue for the 2014 year represented a 24% increase compared to 2013 and for the 2015 year revenue increased by a further 32% over 2014. These are impressive statistics and even more important was the 2015 year Net Profit After Tax of \$ 3.7 million which was \$ 3.2 million ahead of the previous year's result after excluding significant items.

We were pleased to declare and pay an interim fully franked dividend of 3 cents per share and a final fully franked dividend of 4 cents per share as a direct consequence of the Group's sharply improved performance.

On behalf of the board I extend our thanks to all of our employees for their contribution to our success and dedication to growing Globe International.

I particularly thank Peter and Stephen Hill, our executive founder directors and our CEO, Matt Hill for their dedication to continually improving and growing Globe business.

I now invite Matt Hill to address us.

## **CEO'S ADDRESS TO SHAREHOLDERS**

### **ADDRESS BY THE CEO, MATT HILL**

Thanks Paul and welcome everyone.

2015 marks the 30<sup>th</sup> anniversary for Globe International. The company was founded in 1985 by my brothers Stephen and Peter Hill as Hardcore Enterprises; a distribution only company, focused only on Australia and selling only one brand of skateboards. Since that time, the company has gone from being a distributor of third party brands and created its own proprietary brands. It has expanded from single focus on skateboards to a range of products including footwear and apparel in the wider boardsports, streetwear, and workwear markets. Today these products and brands are sold in almost 100 countries around the world with the company maintaining bases here in Australia, the USA, Europe and Asia.

As such the performance in the 2015 year was particularly gratifying with revenue, profits and shareholder wealth all increasing in this anniversary year. Furthermore, new brands as well as heritage brands grew in the period, showing that we maintain our ability after 30 years to evolve our business to meet the tastes and demands of our markets.

In FY15 we built on the turnaround progress we made in FY14, with further sales and profit growth. Group sales of \$137M million were 32% up over the previous year. Most encouraging was seeing the additional revenue produce EBITDA of \$6.2M, representing an increase of \$4.5M over the FY14 period thus enabling the company to pay fully franked dividends totalling 7 cents per share for the financial year.

Our balance sheet at year end was healthy, with cash, inventory and accounts receivable levels satisfactory. Working capital levels were kept in good standing despite the significant revenue growth for the financial year.

While there are always challenges, we now have a diverse and well spread business with a balance of heritage brands with scale, new brands delivering growth in their prime growth years, and emerging brands being seeded for future growth.

#### **Highlights**

Once again the highlight for the year was the strong revenue growth capped off this year with a flow through to an increase in bottomline profits. It was a significant achievement for the company to generate 32% in revenue growth in reported terms after 24% growth in the previous year.

Revenue growth came from all regions with Europe and Australia being the stand outs. These regions delivered the bulk of the company group profits. North America grew revenues but there is still work to be done in this region to improve margins and profitability.

All branded divisions grew for the year including long term established brands like Globe and our newest, “future growth” introductions. From a branded perspective highlights for the year included:

- Globe hardgoods and apparel revenue growth.
- Continued premium placement of the Globe brand in key influential retailers in North America, Europe, Japan and Australia.
- Dwindle Distribution and Hardcore, our skateboard hardgoods divisions in the USA and Australia posted solid revenue growth for the year, in a tough and competitive market.
- Our recently launched 4Front clothing division in Australia continued to grow via the stable of brands the division carries for the Streetwear and fashion markets.
- FXD our proprietary workwear brand continued to outperform our expectations, and while still a relatively small part of our total business is showing significant potential in a new market for the company.

### Outlook and Conclusion

Turning, to the year ahead, 2016 has begun well and the business remains profitable and brand trends from 2015 have largely continued in the first quarter of the current year. However, as advised in August of this year we expect both the general markets for our products, and the broader economic conditions to be tougher than the prior year. In addition the strengthening US dollar puts downward pressure on our margins in Australia and Europe. .

Current outlook for the 2016 year is consistent with previous guidance provided. We expect to see the company grow revenues and increase profits over the prior year. However, the rates of growth seen in 2015 which was exceptional, should not be expected in the current year. The phenomenal rates of growth in skate hardgoods and our international territories are expected to slow in 2016. In particular, in the European division we are seeing a softening in forward orders as a result of general economic conditions and a downturn in the skate hardgoods market.

As always our outlook is based on current market conditions and is subject to broader market and economic forces that we do not control. Our brands are in more demand and our brand mix is more robust than has been the case for many years. Nonetheless we are still impacted by broader economic and market movements should that landscape change as the year progresses.

2015 was a great year for Globe International, where solid financial performance matched the branded creative output for the company. We are seeing our established brands such as Globe putting out some of the best branded products for many years, while new additions like FXD are bringing a freshness to a whole new market for the company. To have all this culminate in our anniversary year is very satisfying for all involved.

As always I would like to thank the Board, staff and of course shareholders for their ongoing support for the company and I look forward to the year ahead.