COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE YEAR ENDED 30 JUNE 2016

MELBOURNE, 23 August 2016: Globe International Limited (the Group), producer and distributor in the board sports, street fashion and work-wear markets, today announced its financial results for the year ended 30 June 2016. Both revenues and profitability continued to grow, albeit at a slower rate than the high rates of the prior financial year amidst more difficult trading conditions, particularly in the Northern Hemisphere.

- Net Sales of $150.3 million grew 10% over the prior financial year (3% in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of $6.8 million were $0.5 million ahead of the previous financial year.
- Net Profit After Tax (NPAT) of $4.7 million for the full year was $1.0 million higher than the previous financial year.

Financial Performance

At $150.3 million, Group net sales were 10% higher than the previous financial year, despite a significant reduction in Northern Hemisphere hardgoods sales. The overall sales growth was driven by the Australasian Division, where revenues were 36% higher than the same time last year. The Australian Division in particular benefits from recent investments and diversification into new markets, with much of its sales growth coming from expansion into a more diverse apparel business. Both the North American and European Divisions were impacted by softer retail conditions, particularly for hardgoods, resulting in a reduction in net sales in each region by 14% and 15% respectively.

Profitability for the year was adversely impacted by the stronger US Dollar which resulted in significant reductions in gross margins in both the Australasian and European Divisions. Despite this, the reported EBITDA of $6.8m was $0.5m ahead of the same time last year. The increase in EBITDA was driven by sales growth and restructuring in North America.

Net Profit After Tax (NPAT) of $4.7 million for the full year was $1.0 million ahead of the previous financial year. The increase is driven by higher EBITDA as well as a lower effective tax rate due to an increase in the utilization of tax losses in Australia, which were unrecognized for accounting purposes.

Financial Position

At 30 June 2016, the Group reported net cash reserves of $4.1 million, compared to $10.3 million at the same time last year. The reduction in cash reserves during the financial year was due to $2.9 million of dividends paid and $3.4 million of cash used in operations. This cash used in operations was to fund a $6.7 million increase in working capital. The increase in working capital is reflective of an underlying shift in the business during the financial year, with the sales mix trending towards higher proportions of apparel, which has higher working capital needs relative to the hardgoods business. The underlying ageing profile of accounts receivable and inventory remains sound. Inventory was tightly managed in the second half which resulted in a reduction of aged stock on hand at 30 June 2016 compared to the same time last year.

Dividend

The Directors have determined that a fully franked final dividend of 3 cents per share will be paid to shareholders on 14 October 2016.

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Looking Forward

Chief Executive Officer Matt Hill said, "It was satisfying to achieve sales growth and hit our $150 million sales target for the year, despite the challenges we faced in the Northern Hemisphere due to softer market conditions. Equally, we were pleased that we were able to grow our bottom line and continue to invest in brands in a year when our margins were impacted by the stronger US Dollar.

While the coming year will have challenges, our key brands are performing well and we expect the business to remain stable and performance to be relatively flat. We believe there are a number of positives to draw from the fact that sales growth is coming from recently introduced brands and categories, and we will continue to invest in new branded initiatives so that we are laying a future for growth in an ever-changing market. As always, we will do this while continuing to maintain strong financial disciplines so that we are able to be flexible, take opportunities as they arise and react quickly to changing conditions."

Investors, Media and Analysts

Jessica Moelands
Chief Financial Officer
Phone: (03) 8534 9932
Email: Jessica.m@globebrand.com