



GLOBE INTERNATIONAL LIMITED

ANNUAL GENERAL MEETING

Wednesday, 26 OCTOBER 2016

CEO'S ADDRESS TO SHAREHOLDERS

Thanks Paul and welcome everyone.

The 2016 financial year was another solid year for the Globe International group, with revenues and profits increasing once again over the prior year, and a year in which we saw a number of our branded highlights around the world.

Despite significant challenges in some of our markets, we were pleased to maintain momentum while still investing in future branded initiatives. During the year we saw several of our more recently launched branded programs take hold and deliver significant growth for the company while continuing to seed the next wave of brands for the future. At the same time we reassessed and overhauled where needed, the more established brands in our brand mix. We hope, consistent with our thirty year history that this ongoing process of brand evolution - which has been the key to our longevity - will continue to contribute to the company's stability, growth and future relevance.

Group revenues for the 2016 year of \$150.8M were 10% up over the previous year. EBITDA was \$6.8M representing 9% growth over the prior year. Meanwhile NPAT grew significantly to \$4.7M, an increase of \$1M or 27% over the 2015 financial year. The company also continued a consistent dividend flow with interim and final 2016 year dividends totalling 6 cents per share being paid to shareholders.

At the end of the 2016 financial year, the balance sheet remained solid despite a reduction in net cash reserves compared to the prior year. This cash was used to fund working capital needs, driven by growing revenues and a change in product and brand mix.

Highlights

There were many branded highlights that contributed to the growth and positive momentum the company experienced in 2016.

At last year's AGM, I referenced the 30 year anniversary of our company and the upcoming release of the anniversary book "Unemployable". The book chronicled the company history, but also served as a marketing tool for the brands and their heritage and authenticity in their respective markets. Subsequently the book has been a great success and one of our most impactful marketing programs from a companywide perspective. It has been utilized across all our distribution markets, achieved mainstream exposure for the company's brands and been distributed widely through our traditional retailers, prestigious niche art and design boutique bookstores and mainstream bookstores around the world.

Other branded highlights included more recently introduced programs such as Globe apparel, FXD, and Stussy (for which we hold exclusive Australian and New Zealand rights) all of which grew in the 2016 year. In addition the launches of the licensed surf fashion apparel brand M/SF/T and a proprietary womenswear brand, Sample were both well received in the past year and are showing promising potential for the years to come.

Regions

Regionally results were mixed. Australia continued to deliver stellar growth particularly through the streetwear and workwear account base and new brands introduced in recent years in this region. In contrast, North America and Europe struggled and saw revenues decline due to a slowdown in skate hardgoods amidst a backdrop of tough retail conditions in the boardsports sector.

In North America much has been done over the past year to improve both the cost base and margins for that region. The cost base has been reduced and the business has been restructured to be more appropriately sized and positioned to current market potential for the traditional brands in that region. This new platform makes way for a more diverse brand mix to be introduced in 2017. There is more work to do in North America and we expect the 2017 financial year to be another difficult year in that market.

European challenges have largely been connected to the significant reduction in skate hardgoods demand in that region after explosive sales growth in prior years. While we anticipate that skate hardgoods will remain a key and solid contributor to our sales and profits in that region, it is expected that we will see negative comparable performance in this sector for the remainder of the 2017 financial year when compared to the 2016 year.

Salty Crew

With regard to new growth programs, particularly in the Northern Hemisphere, we are extremely excited with the recent addition of the Salty Crew brand to our brand mix. Established in 2014, Salty Crew currently trades in the North American market. Globe International has acquired 50% of this brand, which operates in the Surf Fish Dive and Sail category and we will assume 100% of its operations around the world. Salty Crew is one of the hottest emerging brands in its sector with the strength of operating in multiple distribution channels.

Salty Crew enables the North American region to diversify both its brand and product categories. In addition to the restructuring that has taken place in North America, the introduction of Salty Crew represents the execution of our stated strategy to add fresh and diverse brands to the North American operating platform and will assist in setting that region back on a growth path in the future.

Beyond North America, Salty Crew is a globally relevant young brand with good potential in all our major regions. In particular it offers a future growth engine for Europe as that division also looks to broaden its brand mix beyond current operations.

Financial Year 2017

Looking forward we expect market conditions to be relatively tough for the year ahead. The boardsports market has tightened over the past nine months and current trends do not suggest that will change in the short term. As such, we expect company performance to be mixed in the coming year. Some brands and product categories are set to grow, with that growth being offset by softer performance in other areas where more difficult market headwinds prevail. Nonetheless, we will continue to invest in the future with brands such as Salty Crew, M/SF/T and Sample to provide engine rooms of growth for the next financial year and beyond.

We expect regional sales trends from 2016 to continue in 2017 - with Australia expected to further grow over the prior year, and North America and Europe to be down on 2016 reported sales revenues.

Brands that have performed well such as Stussy and FXD are expected to continue on that trajectory. Meanwhile challenged segments such as skate hardgoods are expected to continue to track down as compared to last year, but to bottom out towards the end of the 2017 financial year. New brands such as Salty Crew, M/SF/T and Sample are expected to grow but off a low base and as such not be material to the 2017 revenue and profit.

The financial year profits for 2017 are currently expected to be approximately in line with the prior year.

As always our outlook is based on current market conditions and is subject to broader market and economic forces that we do not always control.

Against a harder environment, our philosophy is always to take a longer term view and try to make the correct moves in order to maintain stability, ongoing investment and to make the needed changes required to assure longevity. In this financial year we will be pushing for growth with brands and regions that can facilitate growth, maintaining controlled investments in future growth areas, and executing cost curtailment in underperforming brands and divisions. This is a strategy that was employed five years ago and has paid off in recent years and is momentum we wish to keep up over the next five years.

As always, I would like to thank the Board of Directors for the continued support as well as our hard working and creative staff. We continue to transform our brand mix, and work hard on revamping brands when the conditions demand such action. I am always impressed by just how committed all our staff are to that process equally when riding the highs and taking on the lows. We have some of the best branded and operational people around and they are the main reason for our recent performance of holding our own and improving performance despite tough conditions.

The company remains in a solid position after several years of positive growth. We remain committed to the boardsports sector of our business which is a meaningful contributor and at the core of our heritage. Meanwhile we continue to evolve both in terms of distribution channels and brand mix by investing in programs for the future. Over 30 years, this approach has served us well and we hope will continue to do so as we move ahead.

We look forward to 2017 delivering solid financial performance and stability, and further strengthening the Globe International financial and branded platform for long term growth and increased shareholder value.