



**GLOBE INTERNATIONAL LIMITED**

**ANNUAL GENERAL MEETING**

**THURSDAY, 17 OCTOBER 2013**

**CHAIRMAN AND CEO ADDRESSES TO SHAREHOLDERS**

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

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

As previously advised the Group reported a net loss after tax of \$6 million for the 2013 year, even though our group sales of \$84 million grew by 2% compared to the prior year.

The loss before interest, income tax, depreciation and amortisation was \$4.7 million, including approximately \$4.25 million of “one-off” costs such as restructuring costs of \$1.35 million in our Dwindle Division and the impact of delayed shipments of product from Indonesia, estimated at \$1.5 million.

Trading conditions in the US and Australia were particularly difficult throughout the year and management is to be congratulated for constantly examining every aspect of our business in all markets so as to ensure that we were doing all within our power to meet and better these conditions.

Our CEO, Matt Hill will shortly describe in some detail the changes that have been instituted in the business seeking improvements at all levels, whether by paying close attention to costs, improving productivity or by adjustment to our portfolios of brands and product ranges.

Your board and management aim to improve our performance, but in doing so continue to operate within our means.

On behalf of the board I would like to extend our thanks to all of our employees for their continuing enthusiastic support in these difficult times. I particularly thank my fellow directors Stephen and Peter Hill and our CEO, Matt Hill for their support and continuing dedication to return Globe to dividend paying status.

I would now like to invite Matt Hill, our CEO who will address the meeting.

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

Thanks Paul and thanks everyone for joining us here today.

The 2013 financial year was a year in which tough economic conditions, restructure costs and some struggling sectors in our business detracted from an otherwise positive year of branded investments and revenue growth. Investments in new branded programs and key growth stories that pave the way for future years were understandably overshadowed by one-off costs and a subsequent loss for the financial year.

However, despite those obstacles, we persevered with our strategic plans for the business to introduce new brands, new products and diversification of our distribution channels. In addition, as a response to certain lagging business units, we cut costs significantly in certain areas to remove negative drag against our growth initiatives. By the end of 2013 growth was coming from all the key identified strategic areas and restructure plans were accounted for and well underway.

Throughout the year we achieved double digit growth in the Globe brand primarily driven by Globe apparel and skateboards. The Australian division grew as a result of new business such as our workwear brand FXD, and our 4Front streetwear unit featuring third party distributed brands such as Obey. Regionally our European division was the strongest in a tough market achieving 16% growth growing the Globe brand in all product categories. Combined, all of these growth areas, despite segments of the business with revenue decline delivered net positive revenue growth for the group. A solid achievement given the ongoing softness in our retail markets.

### **FY14 Branded Initiatives.**

With the 2013 financial year and related restructure behind us, in 2014 we are set with a robust platform for growth. Despite some ongoing sales challenges in footwear and core skateboards we have brands, product and distribution initiatives on good trajectory coming out of 2013 that are expected to further grow in 2014.

In Australia we have re-entered the streetwear market, with our 4Front division taking on long term licenses and distribution agreements for third party brands into the Australian and New Zealand markets. In 2014 we expect the Obey brand to continue to grow while new additions Stussy and Vision Streetwear have been well received into the market and are expected to be solid revenue contributors in the 2014 financial year. Furthermore, in Australia and New Zealand, workwear brand FXD continues to grow in the current financial year.

In North America our focus is on apparel growth via Globe apparel and our new forward fashion brand Chapter. Both brands are currently being seeded in a premium distribution channel across North America and are experiencing very encouraging sell through at retail.

European forward orders remain strong for the Globe brand and we look set for another year of growth in that region as well as in Asia where the Globe brand has been performing well in recent times.

With regard to the challenges we face with footwear and core skateboards we will continue to give these areas the utmost attention. While markets may be soft for these products they are integral to our heritage and consequently we remain as committed as ever to these sectors. For footwear we will invest in R&D, and sourcing resources to deliver improvement in footwear design and development and related sales-marketing implementation.

Despite contraction of core skateboard sales in the Dwindle brands in 2013 we remain an active player in the overall skateboard market. With Globe and Dusters lifestyle skateboards we have two top brands in the buoyant cruiser skateboard sector, and remain a leader in skateboard product development, manufacturing and sales.

## Outlook

Clearly, the rollover of the calendar into a new financial year does not miraculously improve trading conditions. The challenges of 2013 continue into the 2014 financial year with tough trading conditions at retail, specific challenges for boardsports retail and a softer than ideal footwear market. The recent instability of the Australian dollar foreign exchange rate is another variable impacting performance that makes planning the business and forecasting financial results more complex.

However, with our first quarter trade behind us our strategies are thus far playing out to our satisfaction. Trade remains challenging but our first quarter has been profitable. While some areas of the business that struggled in 2013 continue to contract, they are now operating from a lower cost base and delivering more positively to the bottom line. In addition, revenue growth is being achieved in targeted areas of the business.

At this stage, provided market conditions do not deteriorate, we are on track to deliver improved profitable performance in the 2014 financial year with moderate revenue growth continuing in constant currency terms. However, with fragility in the retail markets, and the recent volatility of the Australian dollar foreign exchange rate it is not possible for us to forecast with certainty the 2014 financial year at this stage.

## Conclusion

Over the past few years I've talked a lot about our plans to diversify the business in response to changes in our market. As such we are now selling to a wider range of market sectors and operating in broader distribution channels. Adapting and adjusting to market changes is nothing new for Globe International. Next year marks the 30 year anniversary of the company and one of the keys to our longevity, has been our ability to go through cycles of business, changing to the market while still remaining true to our heritage and origins in the boardsports sector. We have a history of diversifying and always looking for lucrative new market opportunities but never do so at the expense of the values and foundations on which the company was built. We're not afraid to make change and do so in well thought out, proactive ways always looking to the years ahead and where we feel the markets and youth culture are heading.

There was a lot to move through this past financial year. We had to navigate through downward market pressures in some areas, while remaining committed and finding ways to continue to invest in future branded growth programs we believed in. I'd like to thank the Board for their commitment and support for these endeavours and of course staff and management who do the heavy lifting getting all this achieved. On account of everyone's effort, and a crew of people who work well together, we are now set for improved financial performance in 2014 via a sound financial base, a continued commitment to heritage brands and a revamped brand and product platform for the years ahead.