# COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020



**MELBOURNE, 20 August 2020**: Globe International Limited (the Group), designer, producer and distributor in the board sports, street fashion, outdoor and work-wear markets, today announced its results for the financial year ended 30 June 2020. The Group reported stable profitability and a significant improvement in cash holdings over the financial year, despite revenue decline and the impact that the COVID-19 pandemic had on the business during the final quarter. The key business metrics for the full financial year were as follows:

- Reported net sales for the financial year of $151.6 million were 5% lower than the prior comparative period (pcp).
- Earnings before interest and tax (EBIT) were $7.3 million, compared to $8.0 million in the pcp. Profitability was consistent with the prior year at around 5% of net sales.
- Net profit after tax (NPAT) of $6.1 million for the financial year was $2.1 million lower than the $8.2 million reported in the pcp. The reduction in NPAT was mainly due to an increase in the effective tax rate for accounting purposes. The underlying effective tax rate was stable.
- Cash-flows generated from operations were $23.2 million, driven by a significant reduction in working capital over the financial year, particularly in the fourth quarter.
- Dividends, paid or determined, in relation to the 2020 financial year were 11 cents per share.

Net sales for the year of $151.6 million were lower than the previous year by 5% largely as a result of the sale of the Dwindle brands early in the financial year. The Group's continuing strategic growth brands FXD, Impala, Salty Crew and Globe skateboards all recorded sales growth compared to the prior comparative period, in line with the strategy following the sale of the Dwindle brands. Revenues for the year were largely maintained despite the mass shut-down of the Group's retail customer base due to COVID-19 restrictions in place across the world for certain periods throughout Q4. The Group was able to maintain reasonable sales through this period due to the momentum behind its brands, as well as its global spread, its diverse category mix and growth in its online sales.

Gross profit margins were lower than the pcp by 0.3 percentage points. The significant downward pressure from the introduction of US tariffs early in the year and the strengthening US dollar throughout the year, were largely off-set over the financial year due to sourcing adjustments, wholesale price increases and growth in direct to consumer online sales. There were a number of one-off items that had a significant impact on profit for the year – with both positive and negative impacts on EBIT. However, the net impact of all of these items was not significant. Thus, the reported EBIT is a good representation of the underlying operating profitability for the year.

The Group's net cash position at 30 June 2020 was $26.0 million, which was $18.2 million higher than the same time last year. This increase in net cash reserves was driven by the $23.2 million in cash generated from operations during the year, which resulted from a $14.0 million reduction in working capital and prudent financial management through the fourth quarter COVID-19 global shutdown. The reduction in working capital was due to a combination of factors that were part of the plan for FY20, as well as certain COVID-19 factors. It is expected that working capital levels will increase throughout FY21 as this position normalizes. These cash reserves at 30 June 2020 placed the company in a stable position to meet its financial obligations in the coming year.

A brief overview of performance by region is included below:

- The Australian division continued to be the key contributor to Group sales and profitability. However its share of the total business sales and profit fell during the year as a result of modest revenue decline; one off costs; and improvement in the sales and profitability of the Group's operating segments outside of Australia. The decline in Australian revenues was driven by its licensed Streetwear division, which was hardest-hit by COVID-19.
- North America was impacted by the sale of the Dwindle brands early in the financial year. This resulted in reported segment revenues declining by 13% for the year, while EBIT increased by $2.8million. The division's key continuing brands, including Salty Crew, Impala and Globe skateboards all recorded sales growth in North America for the financial year.
- The European division results for the year were mixed. While reported segment revenues grew by 8% primarily from growth in newer brands in the region, the earnings were lower. The decline in profits was due to the extra costs to grow these brands in their earlier stages of development and a decline in gross profit margins, mainly due to the stronger USD.

Chief Executive Officer Matt Hill said, “We started out this financial year with some very clear objectives. These objectives included completing the strategic brand overhaul to reduce the number of smaller brands in our global operations. We achieved this through divestment of the Dwindle skate brands, and refocusing this energy towards Globe branded skate hardgoods, which achieved solid growth in this financial year. For our remaining brands, the goal was to achieve sales growth outside of Australia, which was achieved with sales growth in both North America and Europe with continuing brands. We planned to significantly improve our cash from operations through the reduction in our working capital balances, and we did. It’s gratifying that we have been able to deliver on these objectives and maintain financial stability, despite the global COVID-19 pandemic obstacles.”

Impacts of the COVID-19 pandemic

The Group’s performance for the financial year, while impacted, held up adequately during the COVID-19 pandemic which mainly impacted the fourth quarter. There were a number of negative impacts on the business as a result of lockdowns which resulted in restrictions on the supply chain, operations, wholesale customers and end consumers. However, partially off-setting these negative impacts, there were also a number of positive factors that affected profitability. This included savings from short-term salary reductions, including at the executive level; discretionary and renegotiated cost savings; government stimulus received (including JobKeeper in Australia); rent relief from landlords; and sales growth in certain categories that continued to sell well online throughout Q4. And, while this sales momentum continued into the beginning of the FY21 financial year, the fact remains that there is an element of uncertainty in the world today due to the ongoing impact of the pandemic.

Matt Hill said, “Globe International has fared reasonably well throughout this period, due to the commitment of our people and the strength of our brands. As we look forward, we are optimistic about the potential growth for our brands. The sales momentum from FY20 has so far continued into FY21, however we remain cautious about what may lay ahead. The health and well-being of our team remains our number one priority, and we continue to manage our business with this in mind, while reacting to the fluid changes in the individual global markets in which we operate. While our brands continue to perform well, further COVID-19 related business changes and macro-economic factors will almost certainly have an impact on our business over the next 12 months, the extent of which is not possible to currently predict.”

The Directors have determined that an unfranked final dividend of 6 cents per share will be paid to shareholders on 18 September 2020, which takes the full year dividends to 11 cents. The dividend has been set at a conservative level to ensure that the company maintains a solid financial position so that it can continue to meet its obligations and preserve shareholder value, despite the uncertainties that lay ahead due to the on-going pandemic.

**Authorised for release by the Board of Globe International Limited.**

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