# COMPANY ANNOUNCEMENT

GLOBE INTERNATIONAL LIMITED

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

**MELBOURNE, 24 February 2022**: 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 half-year year ended 31 December 2021. The Group reported solid sales growth for the half-year and strong profitability despite challenging operating conditions. The key business metrics for the half-year were as follows:

- Reported net sales for the half-year of $142.9 million were 15% higher than the prior comparative period (pcp).
- Earnings before interest and tax (EBIT) were $18.2 million, representing 12.7% of net sales. This was lower than the 16.8% return on sales that was achieved in pcp.
- Net profit after tax (NPAT) was $12.5 million, compared to $15.3 million reported in the pcp.
- Cash-flows used in operations were $12.7 million, driven by a change in business mix and inventory build.
- The fully franked interim dividend of 16 cents per ordinary share is 33% higher than the interim dividend paid in the 2021 financial year.

Matt Hill said, “The first half of this financial year has been a mixed bag. On the one hand, demand for our key brands held up well during Q1 and continued into Q2, with the exception of the hardgoods market which softened towards the end of the calendar year. On the other hand, profits were negatively impacted by surging logistics costs on top of significant shipping delays which resulted in cancelled orders. These unprecedented logistics conditions were most pronounced in the USA, where shipping costs during the peak Summer period were 5-10 times historical levels, and extended shipping windows of 8-12 weeks occurred. As a result of these conditions, there was a significant one-off build in inventories during the second quarter, which will be addressed in the next half-year. In addition to these factors, margins were also negatively impacted by inflationary pressures and a shift in sales mix. The fact that the business has been able to deliver a 12.7% EBIT return on net sales, despite the combined impact of these multiple factors, is reflective of the more diverse and robust business model that we now have.”

Net sales grew by 15% during the first half-year, driven by the Group’s four main brand pillars of FXD, Impala, Salty Crew and Globe. Together, these brands comprise all the Group’s core product categories of apparel, footwear, workwear and hardgoods. Regionally, North America continued to be the most significant contributor to the growth in sales, experiencing a 32% increase in sales on the back of the 141% growth in FY21. European sales also grew solidly by 24%, while the more established Australian business was relatively flat on the prior corresponding half-year with sales growth of just 1%.

The $18.2 million EBIT reported for the half-year generated a return of 12.7% on net sales, compared to 16.8% in the previous corresponding half-year. The reduction in profitability was greater than anticipated due to the excessive and sustained shipping delays and increase in freight costs during the half-year. Other factors that impacted profitability were sales mix and upward pressure on the cost base, both of which were largely anticipated. Steps have been taken to improve underlying margins in the second half of the 2022 financial year and beyond.

The Group’s reported cash position, net of working capital funding, was $10.3 million at 31 December 2021, compared to $36.1 million at the start of the half-year. Cash utilization was driven by a $19.0 million increase in working capital, tax payments and capital expenditure. The increase in working capital was driven by a $16.3 million increase in inventories over the half-year due to an increase in months stock on hand, part of which is due to excess inventory. The inventory excess was caused by extended shipping delays that resulted in a cancellation of sales orders and a softening in demand in the hardgoods market. Management have plans to work through this excess inventory in a sustainable and controlled manner over the coming months. Capital expenditure during the half year was $12.9 million, or $4.2 million net of related borrowings. This included the acquisition of a property close to the Australian headquarters which will provide additional warehouse space, as well as fit-out costs for the office and warehouse at the new North American headquarters.

Looking ahead, Matt Hill said. "In the second half of this financial year we will be working hard to address our underlying gross profit margin erosion by increasing wholesale and retail prices and negating the impact of higher freight costs. Meanwhile, we will embark on sales programs in some parts of our business to move through categories with excess stock. From a sales perspective, the downturn in the hardgoods market will have an impact on overall sales growth, although we expect other brands and categories to hold up well to largely fill that gap. Any more detailed outlooks are not possible to provide, other than to say we expect full-year sales to hold up fairly well compared to the 2021 financial year, while profits and profitability will be lower."

The Directors have determined that a fully franked final dividend of 16 cents per share will be paid to shareholders on 25 March 2022. This is 33% higher than the 12 cent 2021 interim dividend and represents an NPAT pay-out ratio of 53 percent.

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

*Investors, Media and Analysts:*
Jessica Moelands
Chief Financial Officer
+61 (3) 8534 9932
Jessica.m@globebrand.com

Globe International Limited
1 Fennell Street,
Port Melbourne, VIC, 3207