



**GLOBE INTERNATIONAL LIMITED
ANNUAL GENERAL MEETING
THURSDAY, 25 OCTOBER 2018**

CEO'S ADDRESS TO SHAREHOLDERS

Hello Everyone,

Globe International made a strong step forward in the 2018 financial year with solid growth in group revenues, profits and dividends to shareholders. Meanwhile our strategic initiatives to diversify continued to pay off with impressive growth in new brands. We have a changed dynamic to our brand mix compared to five years ago, and this provides a platform for the future that facilitates evolving our brands and brand mix. This has been achieved without abandoning our heritage, and we have stayed true to our roots in skate surf and snow boardsports: A world that will always be critical to our company's values and identity. For almost thirty-five years we have successfully navigated the path of evolving the company and learning from new brands while staying true to our heritage. 2018 was another successful year walking this path.

Revenues for the financial year of \$147.7M were 5% up over the prior year and bounced back well after a reduction in revenue was experienced in the 2017 year due to the decline in skateboard hardgoods. Earnings before interest, tax, depreciation and amortization (EBITDA) grew by 57% to \$9.6M and net profit after tax (NPAT) grew by 66% to \$8.4M. These financial results were driven by key brand growth, tight control of costs, margin improvements, and a turnaround in profitability in North America. The profit results and a tight grip on working capital enabled dividends of 11 cents per share (partially franked) in relation to the 2018 year, which represents an increase of 37% over the prior year.

The improved performance was a direct outcome of strategies that had been implemented in the past few years. These strategies have seen Globe International diversify the company's brand portfolio, move into new distribution channels, and rationalize underperforming brands and regional businesses. New brands have been introduced and longer term heritage brands have been overhauled. All this has led to a fresh and dynamic brand and product mix and a vibrant creative energy in the business that is vital for a branded company to prosper and have longevity.

Branded highlights included the continuation of growth for FXD, our workwear brand, including the successful introduction of FXD boots. In addition, 2018 was the first full year of trade for the Salty Crew brand in North America under Globe operations. It was a successful first year with solid sales and profit growth in North America, and the brand was also effectively seeded in Australia and Europe, laying a foundation for the brand in those territories for future years. Furthermore, we saw the skateboard hardgoods division improve and return to profitability; a slow-down in the rate of decline in Globe sales revenue; and the successful introduction of our new women's rollerskate brand Impala.

The company has three major operating segments in Australia, North America, and Europe. In 2018 all three divisions delivered improved performance as compared to the prior financial year. Australia which has been the standout performer in the group for the past few years, posted 2% revenue growth and significantly improved profitability. Australia continues to be the division with the most diverse distribution and product mix in the business, and a model for the other two divisions to emulate over time.

After a year of restructuring in 2017, North America rebounded well with 11% growth in revenue and a \$2.8 M turnaround in profits after posting a loss in 2017. Most importantly, North America saw its apparel revenues grow, moving the division to be more equally spread between footwear, apparel and skateboard sales. There is more work to be done in North America to continually increase the scale and improve the profitability of the division, but 2018 was clearly a year that moved the North American division in the right direction.

Europe, which sustained significant declines in revenues in 2017, stabilised in 2018 with modest growth in revenues and profits. The European division has recently introduced new brands such as FXD, Salty Crew and Impala which will open up new distribution channels - we must grow these in the next few years to establish a division of greater diversity. This division's growth potential lies beyond being solely a boardsports' division which has been the case of the last decade, and must become a multiple channel apparel, footwear and hardgoods business akin to where Australia now sits, and North America is moving toward.

Over the last five years we have significantly improved shareholder wealth and been incrementally increasing returns to shareholders in the form of dividends. We have transformed the brand mix in the business and moved our product mix to a higher proportion of apparel so as not to be as reliant on footwear and skateboards. Finally, we have rationalized our cost base in underperforming brands and migrated those financial resources to brands with more lucrative long term potential for the company.

Financial Year 2019

For the full 2019 financial year, we expect to see increases in both revenues and profits, compared to the 2018 financial year. However, we expect the rate of profit growth to slow down, mainly due to the swift appreciation in recent months of the US dollar against both the Australian dollar and the Euro, which places downward pressure on margins for the group.

During the year we will continue to adapt and improve our traditional brands where they have underperformed, as well as aim to bring up the bottom line performance of our American and European divisions. There were very promising steps forward in those regions in 2018 but there is more that needs to be achieved in those regions to bring them up to an absolute performance the company requires. In addition, while continuing to invest in and leverage brands that are delivering financial performance today, we are also investing in new brands and initiatives. This sets us up with an ongoing cycle of both seeded and growth brands, with the goal to sustain the stable, solid results improvement we have seen from the company for several years now. We are as conscious today of this year's financial performance as we are of ensuring we are implementing branded investments to provide growth and prosperity for future years.

There are always challenges for any company in the specific markets they deal with or the macro economic conditions that prevail. However, over the past few years Globe International's strategies have enabled us to keep improving and moving forward despite various challenges. It's an exciting time for the company with the mix of relevant brands doing well in their respective diverse distribution channels as well new brands and programs in development. Furthermore we see the divisions outside of Australia returning to making positive contributions to the group meaning we have more cylinders firing across the business globally. As we go in to this next cycle of growth and brand evolution it is an exciting and creative time for the company that I personally find extremely energizing.

All of the branded momentum, operational improvements and strategic steps forward are a direct result of our staff and our board who provide hard work, commitment, consistency and support to push the company forward. In my role I'm always grateful for the functional and productive dynamic we have between staff, management and board; all pulling as a cohesive unit, in one direction, with the same positive attitude to our brands and company. I thank all of them for their ongoing contributions to the company and their insights and initiative to make the company better for all of us working here and shareholders alike.