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## Stealth Global reports strong revenue and profit growth in half year 2019

### Half Year 2019 Result Highlights

- Proforma\* Revenue of \$36.0m, up 13% on pcp and consistent with prospectus forecast
- Proforma EBIT of \$1.0m, up 8% on pcp
- Statutory Revenue of \$24.5m (\$11.7m in pcp) with only a three month Heatleys contribution
- Statutory Net Profit before Tax of \$0.232m (\$0.030m in pcp) inclusive of IPO costs
- Proforma Gross Profit margin in Australian operations increased to 29.4% from 28.8% in pcp
- Total operating costs (excluding IPO transaction costs) as a percentage of sales were 110 basis points lower than management budgets following Heatley's acquisition
- A strong performance is expected for the 2H of FY19 supported by new customer gains, and Stealth expects to continue advancing its competitive business models as outlined at the AGM

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth), an international supplier and distributor of workplace consumable products, has reported strong revenue and earnings growth for the six month period ended 31 December 2018, driven by a combination of new customer growth, tight operating cost control, and initial synergies in Western Australia from the integration of Heatleys.

Group Half Year Financial Results	Statutory		Proforma*		Proforma* Change
	HY ended 31-Dec-18	HY ended 31-Dec-17	HY ended 31-Dec-18	HY ended 31-Dec-17	
	\$m	\$m	\$m	\$m	
Sales	24.5	11.7	36.0	32.0	13.0%
EBITDA	0.4	0.1	1.1	1.0	8%
EBIT	0.3	0.0	1.0	0.9	8%
NPAT	0.2	0.0	0.6	0.6	6.3%
IPO costs*	0.2	0.1	N/A	N/A	N/A

\*Proforma excludes IPO costs and combines Stealth and Heatleys for the current and prior periods for comparison

Proforma combined Group Revenue for the period was up 13% to \$36.0m and Proforma EBIT was up 8% to \$1.0m. These results were slightly ahead of internal budgets for the half-year and consistent with

### An International Supply & Distribution Group

prospectus forecast for FY19. Statutory revenue for the six month period, including only a three month contribution from Heatleys (acquired on 27 September 2018) was \$24.5m, whilst Statutory Net Profit after Tax was \$160,796, inclusive of IPO costs.

Stealth's Australian operations represent its largest operating segment and delivered Proforma sales growth of 18% on the previous corresponding period (pcp). As reported in the Company's trading update (ASX announcement on 7 February 2019), operations in Western Australia contributed significantly to the strong sales performance, benefiting from improved market conditions in the resources sector and the acquisition of new customers. Higher commodity prices and increased infrastructure activity supported higher demand for Maintenance, Repair & Operations (MRO) supplies and Industrial and Safety consumables, offsetting a more subdued environment in construction and housing.

Presently, the Company's United Kingdom (UK) operations predominantly service customers active in the resources sector in Africa. Pro forma sales from UK operations increased by 132% over the pcp. While the increase is off a low base, it represents a very encouraging start and has not been significantly impacted by the in-country Brexit uncertainty given its demand drivers outside of Europe.

Operations in Africa have previously primarily serviced Stealth's largest client and shareholder, Capital Drilling. Proforma sales from the African operations were down 4% compared to the pcp. Stealth has a strong and long-standing relationship with Capital Drilling, and while the contract continues to underpin the Company's operations in the region, it also allowed for the expansion and support of new customers in Africa. Stealth has an increasingly large and diversified customer base of circa 3,000 that provide a solid foundation for Group revenue and earnings in the future.

The increase in the scale of Stealth's operations has resulted in an improved overall cost position for the Group relative to sales. IPO and Corporate costs, including ASX-related costs, were \$0.41m more than the pcp, when Stealth operated in an unlisted environment. However, Proforma Gross Profit margin in Australian operations increased to 29.4% from 28.8% in the pcp, reflecting the initial benefit of synergies following the Heatleys acquisition. Total Group operating costs (excluding IPO costs) as a percentage of sales were 110 basis points lower than management budgets following the Heatleys acquisition.

Operating cash outflow for the period was \$549,338 largely as a result of slower payments of customer receivables and timing of supplier payables due to the festive period. Stealth had cash of \$2.6m as at 31 December 2018 and drawn upon \$1.9m of its borrowing facilities. This coupled with available undrawn capacity in the Group's borrowing facilities of \$5.6m, provides significant capacity to fund future growth.

**Managing Director Mike Arnold said:** "Stealth has delivered a strong debut result as an ASX-listed company, especially considering we only had a three month contribution from the transformative Heatleys acquisition and incurred one-off listing costs. On a Proforma basis, both combined Group Revenue and EBIT growth outperformed our much larger peers in the industry, and we are already seeing benefits flow from the integration of Heatleys with gross margins improving. This clearly shows the underlying strength of our business model.

“Overall macro-economic conditions remain favourable for continued growth performance with increased activity in the resources and infrastructure sectors offsetting some more challenging conditions in construction and housing. Longer term, sentiment across key markets and sectors in which Stealth operates remains encouraging and management has increased confidence for growth in 2020 and 2021.

“In addition to organic growth Stealth is actively seeking further acquisition and strategic partnership opportunities aligned with our strategic criteria.”

## **Integration of Heatleys**

Stealth acquired Heatleys on 27 September 2018. The combination of Stealth and Heatleys is highly complementary and builds upon the Group’s position as a successful international supply and distribution business, delivering a competitive strength that positions Stealth as the only Australian group of its type operating across the five major geographical markets in the country. Stealth provides a wide range of safety, industrial, healthcare and workplace consumable products to business customers across a variety of industry sectors.

Stealth commenced the integration of Heatleys in October shortly after listing on the ASX where it implemented identified synergies and is set to capitalise on the growth opportunities in the future. Integration included the transfer of 68 customers from Stealth into the Heatleys operations and the completion of an initial round of supplier consolidation.

The business integration was successfully completed before 31 December 2018 and this has been reflected in improving cost metrics as a percentage of sales, and the stronger gross margin performance in Australian operations. Further rationalisation and improvement in commercial arrangements with key suppliers will continue in the second half of 2019.

## **Outlook**

The outlook for the second half remains positive with a generally supportive macro-economic environment for customer demand, a strong pipeline of new customer prospects, and a full contribution from Heatleys. The Group expects to generate a strong revenue and EBIT performance for the second half of FY19 supported by new customer gains and expansion, subject only to unforeseen circumstances arising. All business units have incremental sales projects for delivery in H2 FY19 and a clear focus is on winning medium and large customers.

Stealth has a clear path to building shareholder value and leveraging competitive advantage, and remains committed and focussed on its strategy across all four competitive business models and developing its value proposition across key markets of Australia, UK, Africa, Europe and South East Asia. Stealth has a strong balance sheet, well established criteria for growth and strategic positioning, and is actively seeking further acquisition opportunities that are aligned with this strategy.

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## About Stealth Global Holdings

Founded in 2014, Stealth Global (ASX:SGI) is a successful international supply and distribution group providing a wide-range of **safety, industrial, workplace and healthcare consumable products** and **supply chain solutions** to business customers. Headquartered in Perth, Western Australia, the group operates in Australia, Africa, UK, Europe and Asia.

Stealth customers operate in and across diversified industries, though principally in the resources, construction, engineering, manufacturing, oil & gas, infrastructure, transportation, industrial services, general trade & industry sectors. Stealth is organised by geographical markets servicing customers through multiple sales and distribution channels. These include; sales representatives, branch offices, internal sales account managers, customer service centres, service partners, distributors, catalogues and online.

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