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Stealth and Bisley establish UK Joint Venture and sign Foundation customer agreements

Highlights:

- Stealth and Bisley Workwear have entered into a new joint venture arrangement in the United Kingdom (UK) to launch the highly regarded Bisley workwear product range into the UK, West Africa and European markets.
- The JV establishes an integrated 'manufacture to customer' supply distribution model and introduction of a cotton-based product unique to the UK workwear market.
- An exclusive distribution agreement has been signed with a large UK-based group as the joint venture's UK cornerstone customer. Troy UK and United Tooling Solutions (UTS) will distribute Bisley Workwear as its master workwear brand across all its sales channels.
 - Troy is the UK's largest independent buying group of industrial supplies with 300 members, 400+ trade retail outlets, and annual revenue of GBP155m. The combined annual trading volume of members represents GBP1.1 billion.
 - UTS is a broad range supplier and distributor of industrial and safety products. It currently owns and operates eight trade store branches across southern UK, and operates a successful online channel via Amazon UK, holding a tier 1 status ranking.
- Stealth's contribution to the JV will be the transfer of its existing African Bisley customers and UK domestic sales programs into the new joint venture, which is likely to reduce Stealth's prospectus revenue forecast for FY 2019 by ~\$2.8m. Stealth expects a positive return on this investment in the form of additional revenue growth in FY2020 and beyond.
- The JV provides Stealth with a risk managed entry into a potentially lucrative new market.

Stealth Global Holdings Ltd (ASX: SGI) ('the Company' or 'Stealth'), an international supplier and distributor of workplace consumable products has reached a milestone agreement with Bisley Workwear ('Bisley') to launch the highly regarded Bisley range of products in the United Kingdom and West Africa via a new 50/50 joint venture company, BSA Brands (UK) Limited ('BSA Brands').

Bisley is the market leader in specialist branded Workwear apparel in Australia, and Stealth has been selling Bisley Workwear into Africa since 2015 and in Australia via its Heatleys business for over 10 years.

Underpinning the new joint venture in the UK domestic market is the signing of a cornerstone customer distribution agreement with a large multi-channel supply and distribution group combining a network reach of more than 420 trade store outlets, sales reps, call centres, online ordering both through its own platform and via a Tier 1 level rating with the single Online channel Amazon platform.

Growth in the West Africa marketplace will be enabled by the appointment of three local distributors to supply the resources (land and marine), infrastructure, transportation and construction industry sectors in this region. Further appointments will be made in the future.

New Joint Venture Company - BSA Brands (UK) Limited

BSA Brands is a 50/50 joint venture between Stealth Global Holdings and Australia's No1 workwear brand, Bisley Workwear. The combination of capabilities brings together a unique and competitive proposition with direct access to Bisley factory manufacturing, product development and design innovation specific for the UK, Europe and West Africa markets whilst leveraging off the existing presence that Bisley has in the Australian marketplace and the sales, marketing and distribution platform that Stealth has built in Africa.

BSA Brands will operate as a wholesale distribution business providing a comprehensive range of Workwear, Safety wear, Protective wear and Personal Protective Equipment (PPE). The business will initially market Bisley Workwear in the UK and West African markets, launching in May 2019. It is intended that other leading Australian recognised product brands will be introduced into the joint venture over time under exclusive distribution rights.

Sales will be driven through distributors, resellers, trade retail outlets and online, including through the Amazon platform (said to currently have some 53 million subscribers on its UK platform).

BSA Brands will invest around \$1.5million over the next two years to build sales, brand awareness and increase market share. Stealth will transfer its existing African Bisley customers and revenue into the joint venture where they can be better serviced from a closer distribution proximity

Addressable market in the UK

Stealth research suggests the identified addressable market for workwear in UK in 2018 was approximately GBP 562million and growing on average at 5.5% per annum.

The competitive landscape is fragmented. This presents an attractive growth opportunity for Stealth and Bisley, who over the past 12 months have together been exploring a UK domestic offer as a wholesale distributor, and undertaking detailed market research on taking the Bisley Workwear range into the UK, Africa and ultimately the European markets.

Identified opportunities in various industry sectors include General Trade, Manufacturing, Automotive, Aerospace, Transportation, Construction, Electronics, Rail, Oil & Gas. Medical and Pharmaceuticals. In West Africa focus is on Mining, Mining Services, Oil & Gas, Construction and Infrastructure.

UK cornerstone customer group – Troy UK and United Tooling Solutions ‘UTS’

Established in 1986, Troy is a privately held group of industrial engineering supplies businesses in the UK. Troy is the UK's largest independent industrial buying group with over 400 member trade retail outlets in the UK, and a comprehensive online presence. Troy recently received recognition for a Top 75 fastest growing companies based on sales turnover over the last four years in South West region of the UK. Revenue has grown by ~85% since 2016.

The Troy and UTS group consists of three principal areas of business operation;

- **Troy Buying Group** – An industrial buying group with 300 members operating more than 400 trade outlets, that generate a combined revenue of in excess of GBP1.1b
- **United Tooling Solutions** – is an industrial supplies distributor holding 8 company trade branch outlets directly owned by the same major Troy shareholder.
- **Toolshop Direct** – operates under UTS, focused on online distribution specialising in industrial product and tooling sales with Tier 1 status ranking via the Amazon platform.

Sales and distribution of Bisley Workwear will be driven through both UTS and Troy's trade retail outlets, and via UTS on the Amazon platform through the group's online division *Toolshop Direct*. The arrangement with this group provides BSA Brands with an immediate UK national platform to introduce and grow the Bisley Workwear brand throughout the full UK market from commencement.

Troy also holds 20% ownership of a major European industrial buying group with 1,500 members and over 3,300 trade outlets throughout UK and Europe with a combined trading volume of EUR16 billion – BSA Brands will seek an opportunity to further expand into Europe in the medium term through this group.

A Significant Long Term Growth Opportunity for Stealth

Stealth's expansion into the UK through BSA Brands is consistent with the strategy outlined at the Company's AGM to create a competitive vertically integrated business model comprising (1) Sales & Distribution, (2) Wholesale Distribution, (3) Industrial Buying Group and (4) Online Distribution. BSA Brands and the distribution agreement with the Troy/UTS Group establishes critical capabilities across all of these strategic areas and provide Stealth with a risk managed entry into a potentially lucrative new market.

As a part of its agreement with Bisley to establish BSA Brands, Stealth will migrate a number of its existing Bisley Workwear customers in Africa and new UK domestic sales programs into the new Joint Venture, which is likely to reduce Stealth's prospectus revenue forecast in this area for FY 2019 by ~\$2.8m. Stealth expects a positive return on this investment in the form of additional growth in FY2020 and beyond.

Stealth Managing Director Mike Arnold said: "This is such a significant milestone for Stealth". No other Australian Company of our type has been able to achieve this breakthrough in the market.

The BSA Brands Joint Venture presents a tremendous and unique new growth initiative for Stealth and Bisley. We have developed a strong working relationship over the past five years and have been looking at ways to build upon this.

“The UK market has significant scale with a competitive landscape that is very fragmented, and our combined strengths in distribution and a quality workwear range provides a compelling customer and market offer. We have been carefully researching the market over the past 12 months including the market uncertainty created by Brexit. We believe a Joint Venture arrangement better manages the market entry risk and margin potential, by leveraging the combined strengths and capabilities of Stealth and Bisley from manufacture to delivery.

“The market opportunity in the UK supports our investment in BSA Brands. We expect this investment including vending customers into the Joint Venture to deliver significant longer term returns for Stealth in 2020 and beyond. “Vending existing customers into the BSA Brands JV will push out some revenue plans from FY2019 into FY2020, most importantly though, it will outgrow our original revenue plans in the period FY2020 and beyond”.

Bisley Workwear owner David Gazal said: “As one of Australia’s fastest growing Workwear brands, Bisley prides itself as a company with old fashioned values: We value integrity, so we do what we say we’re going to do, on time and on budget. Bisley partners with brands that share these values and business integrity.

“Having worked with Stealth for a number of years, we feel Stealth is the ideal partner with a similar business philosophy to expand into the very large UK and West Africa markets.

“We have witnessed Stealth’s expansion over recent years, particularly in the international arena. We like the emphasis it places on customer service delivery and it has established a footprint to enable the Bisley range to enter these new geographies as part of our international expansion strategy.

“Importantly, the collective strength of both businesses, through our JV, gives us control of the supply chain from the point of manufacture to the end customer.”

More About Bisley Workwear

Bisley is the market leader in specialist branded Workwear apparel in Australia. Long regarded as one of Australasia’s most trustworthy, solid and honest brands, Bisley Workwear has been shaping the Australian Workwear clothing industry for nearly 60 years.

Australian owned and operated, Bisley offers a comprehensive range of Workwear, Safetywear and Protectivewear for both men and women. It is synonymous for quality, exceptional service and value for money. It partners with the biggest and best independent testing laboratories using the latest innovative technology to develop their garments. Bisley maintains the highest quality and levels of compliance of their Workwear, Safetywear and Protectivewear for men and women.

Ends

About Stealth Global

Founded in 2014, Stealth Global (ASX:SGL) 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.

For more information please visit **Stealth Global Holdings website** www.stealthgi.com or email investors@stealthgi.com or contact

Mike Arnold
Group Managing Director
P: +61 (0) 8 6465 7800

Karen Logan
Company Secretary
P: +61 (0) 8 6465 7800

Cameron Morse
FTI Consulting
P: +61 (0) 8 9321 8533