

30 AUGUST 2019

STEALTH DELIVERS GROWTH AND STRATEGIC VALUE IN FY19

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth), is pleased to report its preliminary financial results for FY19. Stealth is a business-to-business international distributor of a broad-range of safety, industrial, healthcare and workplace consumable products and provider of supply chain solutions, with a particular focus on industrial, trade and consumer retail customer markets.

Highlights in Financial Year 2019

- Proforma³ Group Revenue of \$74.6 million, (\$66.1 million pcp) up 13%, in line with management guidance range ¹ of \$73 to \$76 million.
- Proforma³ underlying EBIT² of \$2.4 million before unusual cost items⁴ and IPO transaction costs
- Statutory Group Revenue of \$63.1 million.
- Statutory underlying EBIT² of \$1.9 million before unusual cost items⁴.
- Unusual cost items⁴ totalling \$0.8 million.
- Statutory³ NPAT⁵ attributable to the members was \$0.5 million, up 205%.
- Proforma³ NPAT attributable to the members was \$0.84 million.
- Proforma Gross Profit Margin in Australian operations up from 29.0% in 2018 to 29.3% in 2019.
- Net cash position of \$0.4 million.
- \$7 million of working capital finance facilities are available to support organic growth and other strategic endeavours.
- Listed on ASX and completed the strategic acquisition of Heatleys Safety & Industrial both on 2 October 2018.
- Established a joint venture with Bisley Workwear in the United Kingdom (UK), BSA Brands in March 2019.
- Completed the acquisition of Industrial Supply Group (ISG) in Australia in May 2019.

Reference guide to the above

These results are based on the accounts which are in the process of being audited

¹ Guidance range noted in ASX Announcement 17 April 2019.

² EBIT is a non-IFRS term, defined here as Earnings Before Interest and Tax attributable to the owners of the company after adding back the pre-tax loss of the non-controlling interest.

³ Proforma and prior comparative period (pcp) figures assumes Stealth and Heatleys combined for the full 12 months; Statutory is 12 months Stealth, 9 months Heatleys. Heatleys acquisition was completed on 27 September 2018.

⁴ Unusual cost items relates to joint venture establishment and marketing, acquisition evaluations and professional services including private to public transition.

⁵ By entering into the BSA Brands joint venture with Bisley Workwear, Stealth reduced its prospectus revenue forecast by \$2.8m as stated in the 21 March 19 and 17 April 19 announcements, resulting in a gross profit margin reduction of \$0.90m.

Strategic events

FY19 was the most transformative year in Stealth's corporate history. It included a \$12.5 million capital raising and listing on the ASX, the acquisition of Heatleys Safety & Industrial in October 2018 which more than doubled the company's sales, the establishment of BSA Brands in the UK in March 2019 and the acquisition of ISG in May 2019.

These strategic milestones have resulted in a stronger, scalable and more competitive portfolio of businesses.

Stealth established new capability in Western Australia and South Australia through the Heatleys acquisition adding annual sales of \$44 million, 104 staff, five trade branch locations, a 4,000sqm Distribution Centre and circa. 2,500 customers.

The group materially changed its UK and African strategy by investing in a 50/50 joint venture with Bisley Workwear, Australia's market leading workwear group and entering into an exclusive arrangement with Troy UK, providing access to some 420 trade stores across the UK.

Online sales successfully commenced, following a soft launch on the Amazon UK platform.

Through the ISG acquisition, Stealth added an Australia-wide distribution footprint, comprising 27 independent member trade stores. This allows the group to expand and bid for national contracts and benefit from the group's much-improved combined trading volume and strengthening its overall buying power and capacity to showcase and advance our proprietary product range.

Result

Stealth incurred costs as a result of these investments in FY19. The full benefits of which will start to flow in FY20 and beyond. Consequently, the Company restated its FY19 prospectus forecasts in April 2019 to pro-forma revenue in the range of \$73 million to \$76 million, and proforma EBIT in the range of \$1.8 million to \$2.0 million.

Proforma total group sales for the 12 months ending June 2019 rose 13% to \$74.6 million, in line with Stealth's April guidance. The strong year-on-year growth in an otherwise challenging economic environment was primarily driven by the Company's successful push to win more large and medium sized customers in Australia.

Underlying proforma EBIT for the full 12 months of FY19 was \$2.4 million (before investment related transaction costs, joint venture establishment and marketing costs and other unusual items). This was in line with Stealth's April guidance and was complemented by a successful integration of the Australian operations of Stealth and Heatleys.

The strength of the underlying business in Australia continues to gain pace, with efficiency gains from 554 customers transitioning to online ordering during the year.

Gross Profit Margin in the Australian business, where approximately 70% of total sales are currently generated, improved from 29.0% to 29.3% reflecting the successful integration of the Heatley's acquisition during the period. Stealth's cost of doing business remained relatively steady during this financial year.

The BSA Brands (UK) joint venture with Bisley Workwear commenced operations in March 2019 and contributed \$1.36 million in sales. As a result of costs associated with the establishment and set up program, BSA contributed a small after tax loss of \$0.135 million after deducting the 50% non-controlling interest.

Reconciliation table – Full year trading: Actual set against April 2019 restated guidance

- a full reconciliation to Prospectus forecasts is set out in the 4E section 'Commentary on the results for the year ended 30 June 2019'

Group Full Year Financial Results	Proforma ⁴ full 12 months			Statutory ⁴ full year reporting		
	FY19 Actual	FY19 April19 restated	FY19 Prospectus	FY19 Actual	FY19 April19 restated	FY19 Prospectus
	\$'000	\$'000	\$'000	\$,000	\$,000	\$,000

REVENUE RECONCILIATION

Revenue Prospectus	76,690			65,089		
Deferred sales programs as a result of entering into BSA Brands (UK) JV	(2,800)			(2,800)		
Total Revenue	74,578	73,000	73,890	63,059	61,400	62,289

EBIT RECONCILIATION

EBIT ¹ as per Prospectus	3,411			2,837		
Less: Margin reduction arising from deferred JV sales ²	(900)			(900)		
Underlying Operating EBIT¹	2,418	2,418	2,511	1,937	1,937	1,937
Less: unusual expense items ³	(800)	(618)		(800)	(618)	
EBIT ¹ (before IPO transaction costs \$0.22m)	1,618	1,800		1,137	1,319	

¹ Operating EBIT is a non-IFRS term, defined here as Earnings Before Interest and Tax attributable to the owners of the company after adding back the pre-tax loss of the non-controlling interest.

² By entering into the BSA Brands joint venture with Bisley Workwear, Stealth reduced its prospectus revenue forecast by \$2.8m as stated in the 21 March 19 and 17 April 19 ASX announcements, resulting in a gross profit margin reduction of \$0.90m.

³ Unusual expense items related to joint venture establishment, launch and marketing costs, acquisition evaluations and professional services including private to public transition.

⁴ Proforma figures assume Stealth and Heatleys combined for the full 12 months; Statutory figures is 12 months Stealth and 9 months of Heatleys. Heatleys acquisition was completed on 2 October 2018.

Managing Director Mike Arnold said: "It has been a busy and most transformative first year from a private to public listed company. Importantly, the significance of our strategic accomplishments and the solid sales and earnings growth achieved from our underlying continuing business has set a more diversified and competitive business portfolio as we head into 2020".

"Looking forward, our aim is to grow annual Group revenue to over \$200 million at an EBITDA margin of 8% plus by 2024 through a combined organic, partnership and acquisitive pathway.

To help achieve this, we have recently invested in making two key senior appointments within our executive team to improve our core capabilities and to effectively manage growth. David Kiggins has been appointed Group Chief Financial Officer and Phil Podgorski Chief Development Officer.

Our focus now is on continuing expansion in Australia, resetting our product offering in Africa for higher margin business and co-investing in the UK with Bisley Workwear to continue store rollout programs and, importantly, build brand awareness in this new market through marketing, promotion and innovation campaigns in FY20.

We are cautiously optimistic on the back of positive growth in the Australian and UK markets, as well as global and regional conditions that in our view are likely to remain favourable for our business. Our focus is to continue to deliver on our strategy and expand our products and services in customer markets."

Outlook

The group has an emerging diversified product portfolio of distributed brands, proprietary brands and bespoke brands sold through industrial, trade and consumer retail customer markets. The strategy is to accelerate growth and increase market share via organic, partnership and acquisitive pathways building a diversified but integrated distribution portfolio.

The company continues to advance a number of strategic initiatives and expects revenue in FY2020 to exceed FY2019 revenue as it drives forward to its aim of \$200m by 2024. The Australian and UK business units are expected to deliver solid organic sales growth in excess of 10%. Sales to customers operating in Africa may decline due to the Company resetting its product and service offering in this region, placing a greater focus on inorganic strategies in the higher margin Australian and UK marketplaces, and winning higher margin business in Africa.

Stealth will continue to actively focus on existing business units, while developing its customer markets and product offerings, to win more large and medium sized customers, invest in technology, while continuing to leverage scale and buying power. The Company will identify and evaluate suitable acquisitions that are complimentary to continue to strengthen the groups competitive position creating a point of difference in the marketplace.

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About Stealth Global Holdings

Stealth Global (ASX:SGI) is a successful business-to-business international distributor of a broad-range of safety, industrial, healthcare and workplace consumable products and provider of supply chain solutions with a particular focus on industrial, trade and consumer retail customer markets. Headquartered in Perth, Western Australia, the group operates in Australia, Africa, UK, Europe and Asia. Stealth is organised by geographical markets servicing customers through multiple sales and distribution channels. Customers operate in and across diversified industries, though principally in the resources, construction, engineering, manufacturing, oil & gas, infrastructure, transportation, industrial and trade retail sectors.

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