

02 OCTOBER 2019

RESTRUCTURE OF AFRICAN CONTRACT

Highlights

- Stealth has restructured its supply contract with its largest customer, Capital Drilling, due to declining margins with Capital. This follows a review of its customer base in Africa.
- From 1 January 2020, Stealth will supply consumable products only on a transactional basis.
- The contract restructure will not impact the previously stated expectation for revenues in FY2020 to exceed FY2019.
- Capital Drilling remains Stealth's second largest shareholder, and the contract restructure does not affect the voluntary escrow agreement (5,058,902 Shares).
- Stealth is performing well, maintaining good margins in Australia and the UK, and has undertaken the review of its customer base in Africa to address underperforming margins in the business segment.

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth) advises that it has restructured its supply contract with its largest customer, Capital Drilling, following a review conducted by Stealth of its customer base in Africa due to declining margins with Capital.

For the past 5 years, Stealth has held a supply chain services contract with one of its major shareholders, Capital Drilling, a provider of production and exploration drilling services throughout various countries in Africa. While Capital Drilling has been Stealth's largest single client by revenue, it only contributed single digit gross profit percentage returns which is a significant discount to all other Stealth customer types.

The parties have agreed to alter their current contract services arrangement by shifting to a transactional supply basis from January 1, 2020. Capital Drilling will purchase drilling and related products directly with the manufacturer, a task previously undertaken by Stealth. Stealth will supply its consumable products on a transactional basis generating higher margin contribution.

The annual revenue Stealth derives from Capital Drilling will consequently reduce to that of previous years. The Company continues to expect Group Revenue in FY2020 to exceed FY2019 as it continues to advance a number of strategic initiatives and drives towards its aim of \$200 million by 2024.

New Africa sales and distribution model

Stealth will now focus on the distribution of category specific brands and high profit generating contracts in this region. Through BSA Brands, its joint venture with Bisley Workwear, product is now held in four countries in Africa by distributors to serve local markets. Product will be replenished to distributors ex warehouses in the United Kingdom.

Stealth has established a business development team that is focussed on securing medium and large accounts on stronger margins in order to grow the business and to further reduce reliance on individual major customers.

Contract restructure consistent with Stealth's growth strategy

As stated in Stealth's recent ASX releases and the 2019 Annual Report and 4E, the past year has been one of significant transformation for the Company. Stealth's business model evolved considerably and the strategic initiatives undertaken have resulted in a stronger, scalable and more competitive portfolio of businesses. The Group's customer base has significantly expanded and industries sectors are more diversified following the acquisition of Heatleys and ISG, which added 2,500 customers to the Group's portfolio.

Outlook

Stealth's outlook for FY2020 remains unchanged. Our strategic initiatives are:

- Leverage group business combinations to strengthen Stealth's competitiveness and extend sales and service offerings to build the best Australian multinational distribution group in Stealth's markets.
- Focus on existing business units growing existing markets and business units where Stealth can leverage its position.
- Continue to develop customer markets and product offering ensure long-term repeat success in Stealth's markets with existing and new customers and developing more brand business partners.
- Expand the Company's operating platform to provide scaled benefits and improve efficiency & effectiveness of activities to serve customers and business partners.
- Expand Stealth's business portfolio with complementary acquisitions, build capabilities, diversity, market share and earnings profile.
- Complete the reset of the Company's Africa sales and services model.

ENDS

About Stealth Global Holdings

Stealth is an Australian multinational distribution group providing workplace consumable products and supply chain solutions to business customers. As a supplier and distributor, we offer a comprehensive assortment of products to support customers with purchasing options and solutions that are essential in the operation of their business.

Stealth's diversified product portfolio of distributed brands, proprietary brands and bespoke brands are focused on Safety, Industrial and Workplace product categories, sold to the Industrial, Trade and Retail customer markets.

The group serves approximately 3,000 customers, large and small, across a variety of industry sectors including resources, transportation, industrial, manufacturing, engineering, construction, contracting, trade retail, and general workplace environments.

Headquartered in Perth, the group operates in Australia, UK, Africa, Asia, Europe under three competitive brands, Heatleys Safety and Industrial, Industrial Supply Group, and BSA Brands (UK) a joint venture with Bisley Workwear.

For more information please contact

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

David Kiggins
Group CFO
P: +61 (0) 8 6465 7800

Steve Suleski
FTI Consulting
P: +61 (0) 8 9321 8533