

ASX / MEDIA RELEASE

28 February 2020

Stealth Global reports strong revenue and underlying profit growth as it delivers against 2024 strategy

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth) an Australian multinational distribution group of everyday workplace consumable products and supply chain solutions, today publishes its half yearly financial report for the six months ended 31 December 2019.

Half Year 2020 Highlights:

- Revenue of \$39.67m, up 62% on pcp from \$24.52m
- Underlying¹ EBITDA of \$1.75m, up 205% on pcp from \$0.57m
- EBITDA of \$0.73m, up 106% on pcp from \$0.36m
- Net Profit before Tax of \$0.04m (\$0.23m in pcp) inclusive of transaction costs
- Strong growth performance in core Australian operations (78% of total group sales)
 - Sales increased 21% on pcp, operating profit margin (before corporate costs) increased considerably to 6.9% from 4.6% in the pcp
- Closing Cash Position was \$1.40m, with available liquidity of \$5.6m
- Net debt² as at 31 December 2019 was \$1.97m as a result of new business investments.
- New Business Investments:
 - BSA Brands (UK): ranging of Bisley Workwear product was set up in 64 distributor trade store outlets. We expect a strong return on investment in the medium to long term
 - Protect-A-Load³ brand was acquired for \$0.53m and has been earnings accretive
- Outlook:
 - Australian Operations: strong performance expected to continue for the H2 and beyond
 - International Operations:
 - Continued investment in building BSA Brands from its new entrant embryonic status to forming a strong market presence over the medium to long term
 - Anticipated sales and margin in Africa will decline in H2 as previously reported after a strategic review and shift to focus on higher margin category specific brand distribution
 - New Business Investment: selectively and actively evaluating transformational investment opportunities across organic, partnership and acquisitive programs that meet strict risk/return criteria delivering future benefit.

Combined Group Revenue for the period was up 62% on pcp to \$39.67m and Underlying EBITDA was up 205% on pcp to \$1.75m driven largely in Australia through organic growth in Western Australia and new national customers.

Other financial results in H1 include Investments of \$0.89m for Protect-A-Load acquisition and BSA Brands (UK), Inventory of \$7.88m increased by \$1.6m since 30 June as a result of growth related Investments in Australia and the UK, and Operating cash flow was (\$1.29m).

¹ Underlying excludes amortisation, transaction and growth related investments. See a reconciliation between statutory and underlying contained in the Directors Report within the interim financial report.

² Net debt excludes \$1.4m financial contribution to BSA Brands from the 50% JV partner

³ See ASX announcement 20 November 2019 Stealth Acquires Protect-A-Load Brand for details

**STEALTH GLOBAL
HOLDINGS LTD**
ABN: 25 615 518 020

ASX CODE: SGI

**AN AUSTRALIAN
MULTINATIONAL
DISTRIBUTION GROUP**

BOARD

Chris Wharton
Chairman

Michael Arnold
Group Managing Director

John Groppoli
Non-Executive Director

Karen Logan
Company Secretary

ISSUED CAPITAL

94.9 million Ordinary Shares

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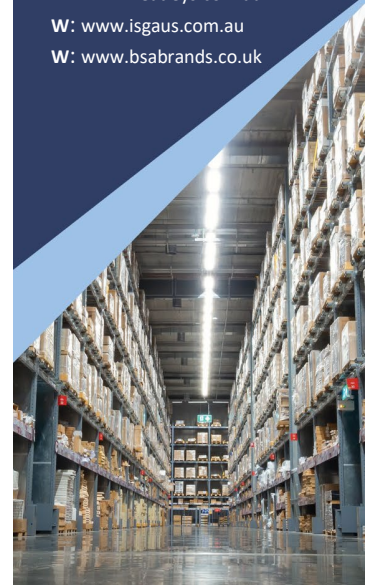
OPERATING BRANDS

- Heatleys Safety & Industrial
- Industrial Supply Group
- BSA Brands (UK)

W: www.heatleys.com.au

W: www.isgaus.com.au

W: www.bsabrands.co.uk



Financial Performance	1H20 Result	Comparison to pcp 31 Dec 2018
Underlying Result		
Revenue	\$39.67m	Up \$15.15m or 62%
EBITDA	\$1.75m	Up \$1.17m or 205%
Net Profit Before Tax	\$1.05m	Up \$0.60m or 132%
Statutory Result		
EBITDA	\$0.73m	Up \$0.38m or 106%
Net Profit Before Tax attributable to members	\$0.04m	Down \$0.20m

Commenting on today's results, Mike Arnold, Managing Director said: "We are pleased with our group revenue and underlying EBITDA growth in the first half of FY2020. Most encouraging is the strong performance of our Australian operations representing about 78% of our group sales.

"Operating Profit in our Australian operations on an annualised proforma basis has doubled since we acquired Heatleys 16 months ago. Correspondingly, revenue has increased by approximately \$15m or 15% on a year on year basis. We are winning market share in Western Australia and South Australia. This clearly shows the underlying strength of our business model and our motivation as we look to expand nationally."

"BSA Brands, our UK joint venture with Bisley Workwear, is progressing well. Bisley product is now ranged in 64 distributor trade store outlets. Given we only launched in May 2019 and the first wave of our winter and Hi-Vis stock landed in December, we are still really in the roll-out implementation phase. This investment is considered with a longer orientated view that will outperform in time as we aim to grab a good slice of the A\$1 billion addressable UK market over future years."

"We have continued to selectively consider and invest in growth orientated initiatives with a long-term value creating focus that delivers shareholder value and benefit. The decisions we are making today are based on setting the company up for future success and outperformance rather than simply looking at achieving quick results and lacking a clear point of difference in the market. We have a strong balance sheet and are well placed to continue to evaluate numerous organic opportunities but equally we will capitalise on an increasingly favourable market for acquisitions into FY2020 and beyond."

Business Area Highlights

Australia Segment

Heatleys is a broad-range supplier and distributor of everyday workplace consumable products and bespoke supply chain solutions with its primary footprint established in Western Australia and South Australia. Over the past 12 months the group's Australian operations have been consolidated into Heatleys. Sales growth of which 21% was achieved and the operating profit margin (before corporate costs) has doubled on an annual basis, increasing considerably to 6.9% of sales from 4.6%.

The business development drive has delivered new local and national customers and the proposed expansion of operations to the eastern seaboard is imminent in CY2020. Overall the results delivered by Heatleys have exceeded expectations.

The ISG business is a cooperative distribution group of Independent trade merchants with a combined trading volume of ~\$180m per annum. ISG was acquired in May 2019 and continues to perform to expectations. A new Executive appointment was recently made, with the mandate to lead the strategic growth program in CY2020 outlined at the Company's AGM in November. The program includes acquiring new members both domestically and internationally, along with the introduction of proprietary brand product sales across the member stores. This is a major step in releasing ISG's underlying potential.

UK and Africa Segment

BSA Brands (UK) is a wholesale distribution business specialising in workwear and safety wear, servicing the markets of UK and Africa with plans for Europe and other select international markets.

The establishment of this brand in a \$1billion UK addressable market requires careful execution. Medium to longer term, we expect a stronger return on the upfront investment.

An Australian Multinational Distribution Group

The upfront investment to take the Bisley Workwear brand from start-up in the UK market, build brand awareness, meet product compliance conditions and roll out the range into distributor trade store outlets is reflected in the expenses and profit impact in H1. This included investment in marketing, promotion, advertising, inventory and sales people.

The physical process of ranging Bisley Workwear in distributor trade stores commenced during H1. Bisley Workwear is now ranged in 64 UK distributor outlets and five locations in Africa. The first wave of winter and Hi-Vis product landed in the UK in December. Initial orders have begun at store level with re-stocking expected to flow in H2.

In December, BSA appointed two new sales people with deep UK market and industry experience to drive sales activity. Their focus is to range Bisley in more stores and collaborate with UK distributor, Troy Group to sell downstream to end-user customers. This activity will improve sales and profit contribution in CY2020 and beyond, subject to any supply line impact as a result of China's coronavirus outbreak.

In Africa, the pre-emptive move in October to restructure the Company's key contract with Capital Drilling from January 2020 due to declining margins, has commenced. The strategic shift in the overall service offering to Africa customers is focused on category specific brand distribution attracting higher margins. The model aligns in-country local distributors and end consumers to a single source supplier (Stealth group of companies). A team has taken responsibility to implement this strategy during calendar year 2020 linking Africa to supply chains in Australia, Asia, UK/Europe and North America.

New Business and Tender Opportunities

The organic growth pipeline is strong with a number of new business tenders submitted across the group worth approximately \$16m potentially due for award through H2. Of this, well over half of these opportunities are with existing customers and partnerships. We believe Stealth is well placed to secure large and medium size customer types as its geographic reach and supply chain capability is expanded over the medium term.

Delivering Our 2024 Group Strategy

Stealth is actively pursuing a number of strategic opportunities that are not yet sufficiently progressed to be announced. Strategic actions are being driven across six key growth pillars.

- 1) Continuing to build on our existing business and comprehensive products and services offer
- 2) Leveraging business combinations
- 3) Growing in our customer markets and penetrating industry sectors
- 4) Geographic expansion of our operating platform aimed to build on our existing capabilities
- 5) Develop our eCommerce & online platforms
- 6) Actively seek outside opportunities to grow via organic, partnership and acquisitive pathways

Outlook

Overall macro-economic conditions remain favourable even as trade concerns rise. The current effect of coronavirus may impact supply lines in the future, challenging conditions for all sectors. At this moment any impact is not fully known. We have been proactive by initiating contingency plans with major suppliers from multiple countries in which we source product from, to support our ongoing requirements. From Stealth's perspective, it holds significant inventory in distribution centres and trade outlets which helps minimise any possible fallout. At a Macro level, Stealth is also now somewhat insulated by having a diversified supplier group sourced from multiple countries and a customer base without key customer reliance. The requirement for Stealth's everyday essential consumables preserves a repeat continual cycle for the Company's goods and services.

Stealth is also actively seeking outside opportunities to grow its business that will complement and diversify its product and services portfolio, increase its earnings profile, geographic position, customer offering and strengthen supply chain capability.

This announcement was authorised to be given to the ASX by the Board of Directors of Stealth Global Holdings Ltd.

-ENDS-

Stealth Global Holdings is an Australian multinational distribution group providing everyday 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. The groups diversified product portfolio of distributed brands and proprietary brands are focused in 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. 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.

An Australian Multinational Distribution Group