

ASX MEDIA RELEASE

Wednesday, 12 January 2022

ASX: SGI



STEALTHGLOBAL
HOLDINGS LTD

STEALTH TO ACQUIRE UNITED TOOLS LIMITED AND PROVIDES TRADING UPDATE

- Strategic and highly synergistic transaction creates a leading industrial Maintenance Repair Operations (MRO) supplies group
- Store network to double, from 33 to 66
- Significantly enhances scale, buying power and strengthens market position to accelerate organic growth, market and margin expansion opportunities
- Cost of transaction to Stealth is \$24,000 for 100% of United Tools shares and \$1.25 million marketing subsidy over two years
- Assets to transfer to Stealth includes ~\$1.22 million net cash
- \$24 million+ annual revenue growth synergies expected over 3-years at a target EBITDA +10%
- Business combination collective buying power potential identified at ~\$200 million, supporting new opportunity to deepen supplier engagement, market relevance, and sales growth.

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth) a leading distribution group of Industrial MRO supplies and other related products and solutions, is expanding its Australian retail footprint, buying power, and market position, through the acquisition of all the shares in United Tools Limited (“UTL”) for \$24,000 cash plus a deferred market subsidy of \$1.25 million over two years.

United Tools is one of Australia’s largest buying & distribution co-operatives of independent retailers, selling tools, industrial and trade related products to business and retail customers. Stealth subsidiary, C&L Tool Centre, is a licensee member of United Tools.

Details of the transaction are:

- UTL FY21 revenue \$8.0 million, EBITDA \$0.3 million
- Purchase Price:
 - \$24,000 for 100% of the Shares in United Tools
 - UTL (under Stealth’s ownership) will pay to its members excluding Stealth subsidiary C&L Tools, a marketing subsidy of \$1.25 million over two years, 50% payable in March 2023 and the balance in March 2024.
- Assets to be transferred to Stealth on completion includes ~\$1.22 million net cash
- Completion expected 1 March 2022 and is subject to UTL shareholder approval
- Expected to be accretive to adjusted earnings in the first year after closing

The strategic addition of UTL to Stealth will significantly boost Stealth’s position as a premier distributor in the Australian industrial MRO supplies marketplace. Stealth’s physical store network will more than double from 33 to 66 across Australia, with six online marketplaces, making it one of the largest distribution networks of company-owned and independent retail combinations in Australia.

Mike Arnold, Stealth Group Managing Director & CEO commented: “The rationale for this acquisition and merger with UTL is compelling. It complements Stealth’s existing business and delivers strong outcomes to our shareholders and stakeholders with our enhanced attractive business model.”

BOARD OF DIRECTORS
Chris Wharton^{AM}
Chairman

Michael Arnold
Group Managing Director & CEO

John Groppoli
Non-Executive Director

Simon Poidevin^{AM OAM}
Non-Executive Director

Jessamyn Lyons
Company Secretary

ISSUED CAPITAL
99.7 million Ordinary Shares

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GROUP OPERATING BRANDS

- > Heatleys Safety & Industrial
- > C&L Tool Centre
- > Skipper Transport Parts
- > Industrial Supply Group
- > BSA Brands (UK)

WEBSITES

- > www.heatleys.com.au
- > www.ctoolcentre.com.au
- > www.skippertp.com.au
- > www.isgaus.com.au
- > www.bsabrands.co.uk

ASX: SGI

An Australian Multinational Distribution Group



“United Tools is highly synergistic, with a robust product offering and value-added service capabilities, an extensive MRO-specific distribution store network throughout Australia and an experienced salesforce that enhances the strong team Stealth has in place. Combined, it significantly enhances our scale, market position and further strengthens our buying power to accelerate profitable growth.”

“Stealth continues to develop as a business and further enhance its value-added proposition to customers. This includes better experiences through wider ranges, best prices, national distribution footprint, robust eCommerce channels, deeper supplier relationships and unmatched service.”

“Preferred suppliers will significantly benefit as we plan to consolidate arrangements held by UTL and all Stealth subsidiaries into a new master buying & wholesale distribution business unit. This initiative will drive deeper commercial engagement, brand reach and create more value by leveraging group wide buying power potential identified to be more than \$200 million.”

“The MRO segment is large, fragmented and highly valued by Stealth in an estimated ~\$40 billion marketplace as reported by the company at its AGM held 29 November 2021. This provides potential for significant shareholder value creation over the longer term. I’m looking forward to helping maximise each company’s growth potential so they can be the best in their market.”

The transaction is expected to close on 1 March 2022 and is subject to UTL shareholder approval.

Stealth’s National Store Network to double in Australia

Location	UTL stores	Stealth Group stores	Combined stores
Total	33 physical stores 2 Online Marketplaces	33 physical stores 4 Online Marketplaces	66 physical stores; and 6 Online Marketplaces
Western Australia	4	10	14
Queensland	7	5	12
New South Wales	8	5	13
Victoria	11	5	16
Northern territory	3	1	4
South Australia	0	5	5
ACT	0	1	1
Tasmania	0	1	1
Online Marketplaces	2	4	6

Trading update

Stealth is pleased to provide a preliminary trading update of revenue achieved ahead of releasing its final reviewed results for 1H FY2022 in late February 2022.

- Provisional sales figures indicate Stealth achieved record growth in the half-year with 1H22 sales of ~\$46.5 million, up 53% on 1H21 and 18.5% on 2H21.

For context, Stealth reported group revenue of \$69.7 million (including \$3.0 million revenue from UK operations) and underlying EBITDA of \$4.5 million in FY2021.

Given the most recent sales growth and the acquisition of United Tools, Stealth expects annual revenue from its Australian operations to reach more than \$100 million when a full year of United Tools operations is incorporated into Stealth’s financial results, and before the full extent of revenue growth synergies are realised.

Stealth is targeting an underlying EBITDA margin target of ~6%, before significant item costs relating to acquisitions and the full integration of United Tools and Skippers Transport Parts. The company remains committed to achieving its target of > 8% EBITDA in FY2025.

An address and a presentation will be given by Group Managing Director & CEO Mike Arnold, on this acquisition, the Group’s strategy, and outlook, followed by questions on Tuesday 8 February 2022.

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For Further Enquiries:

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-ENDS-

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

About Stealth Global Holdings

Stealth Global Holdings Limited (ASX code: SGI) is a broad-line business-to-business (B2B) and business-to-consumer (B2C) distributor of industrial, maintenance, repair, operating 'MRO', safety & workplace supplies and other related products and services. Headquartered in Perth, Western Australia, it provides supplies and solutions for every industry through its portfolio of distribution businesses that extends across the end-to-end supply chain covering Business, Trade, Retail, Service & Specialist Wholesale. The five subsidiary brands are: Heatleys Safety & Industrial, C&L Tool Centre, Skipper Transport Parts, Industrial Supply Group and BSA Brands (UK) a joint venture with Bisley Workwear.

About United Tools

United Tools is headquartered in Melbourne and ranks as one of Australia's largest leading buying & distribution co-operatives of independent retailers that sell tools, industrial and trade related products to business and retail customers. Its store network consists of 35 locations across Australia operating under multiple banners, including the United Tools brand and various independently owned brands. All stores are locally owned and operated and focused on the sale and service of an extensive range of big-name brand industrial and trade related products.