



STEALTH ANNOUNCES THE ACQUISITION OF A MARKET-LEADING WHOLESALE DISTRIBUTOR

Stealth Group Holdings, Ltd (ASX: SGI), (the Company or Stealth), a leading Australian distribution group, is pleased to release details of its acquisition of Force Technology International Pty Ltd (Force), a market-leading distributor of consumer mobile accessory products in Australia.

OVERVIEW & SUMMARY STRATEGIC RATIONALE

- **About Force:** A leading wholesale distributor and solutions provider in the large and growing \$2.2 billion mobile accessories market, selling its products through ~3,310 retail reseller store outlets across Australia. Approximately 48% of Force sales are generated from its own-label and private-label products.
- **Stealth to acquire 100% of the shares in Force** for approximately \$9.5 million with an additional outperformance incentive if specific profit targets are exceeded in FY26.
- **Transaction multiple** of <4.0x EV/EBITDA for FY23 and FY24F, before transaction costs.
- **Funding:** The acquisition is being funded by (a) the issue of new ordinary shares in the capital of Stealth and (b) the assumption by Stealth of the existing working capital finance facilities of Force held with the Commonwealth Bank.
- **Rationale:** Aligns with Stealth's focus on higher-margin, capital-light, cash-generative, and diversified product ranges featuring own-label, private-label and exclusive brands, and a nationwide distribution network.
- **Larger Business:** The combination creates a substantially larger, scalable distribution-focused business with an end-to-end customer acquisition and engagement platform to business, trade, and retail consumer markets.
- **Expansion of Distribution Network:** Significantly accelerates Stealth's reach to ~3,310 retail reseller store outlets across Australia.

KEY FINANCIALS

- **Force FY24F Revenue:** ~\$44.0 million, normalised EBITDA ~6%, before transaction costs.
- **Pro Forma FY24 Financials:** The combined Stealth and Force business projected revenue is ~\$159 million, and EBITDA of ~\$8.5 million, before transaction costs.
- **Earnings Per Share (EPS) Accretive:** ~43% pro forma FY24F before transaction costs, and ~26% in FY25F, excluding synergies and before new revenue contribution from charge-through sales.
- **Pro Forma FY24F Balance Sheet:** Remains strong with the transaction resulting in leverage of 1.3x (\$11.2 million net debt / FY24 pro forma EBITDA), reducing to 1.1x FY25 EBITDA, pre-synergies. Stealth will continue its focus on deleveraging through strong cash flow generation preserving sufficient headroom to support continued investment in organic growth initiatives.
- **Meaningful Synergies:** The expected cost synergies are ~\$1.2 million per annum, with full benefits by the second year after the acquisition, and new margin dollars of ~\$2.3 million from Force products through cross-selling and new brands, with full benefit by the second year.

BOARD OF DIRECTORS
Chris Wharton^{AM}
Chairman

Michael Arnold
Group Managing Director & CEO

John Groppoli
Non-Executive Director

Simon Poidevin
Non-Executive Director

John Boland
Company Secretary

ISSUED CAPITAL
100.95 million Ordinary Shares

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GROUP OPERATING BRANDS

- > Heatleys Safety & Industrial
- > C&L Tool Centre
- > Skipper Transport Parts
- > Industrial Supply Group
- > United Tools

WEBSITES

- > www.heatleys.com.au
- > www.cltoolcentre.com.au
- > www.skippertp.com.au
- > www.isgaus.com.au
- > www.unitedtools.com.au

DEAL SUMMARY

- **Effective Date:** 1 June 2024. Completion expected before 14 June 2024.
- **Purchase Price:** ~\$9.5 million for 100% of the shares of Force.
- **Funding:**
 - (a) New Securities:** The allotment of 14,444,903 new SGI shares at a price of \$0.2423 per share, equal to \$3.5 million.
 - (b) Financial Facilities:** The existing working capital finance facilities of Force held with the Commonwealth Bank amounting to approximately \$6.0 million on completion, will be assumed by Stealth as part of the consideration.
- **Outperformance Incentive:** A one-off outperformance incentive may be payable in cash to the vendors for the FY26 period if Force achieves an EBITDA exceeding \$2.5 million. The calculation for the outperformance payment is as follows:
 - Calculate the total EBITDA for FY26.
 - Subtract \$2.5 million from the total EBITDA.
 - Multiply the result by 4.
 - Multiply the resulting figure by 25% to determine the final payment amount.
- **Ownership at Completion:** The two Vendors will collectively own 12.52% of the total shares of the Company on issue.
- **Continued Leadership:** The CEO and senior management team of Force will continue in their roles within Force, supported by Stealth's corporate team.

Commenting on the Acquisition, Group Managing Director and CEO Mike Arnold said: *"This acquisition marks a significant milestone and an exciting new chapter for both Stealth and Force. By integrating Force, we are strategically positioned to leverage their extensive distribution network and customer base, whilst providing Force with new customer channels in business and trade. This move will accelerate our growth, introduce new products, importantly our own-label range, and enhance our market penetration. The synergies from this acquisition, combined with expanded customer channels and increased operational efficiencies, will drive significant value for Stealth, enhancing our competitive edge and delivering stronger returns for our shareholders."*

ABOUT FORCE TECHNOLOGY INTERNATIONAL PTY LTD

Force, with FY24F revenue of ~\$44.0 million, is a market-leading wholesale distributor and solutions provider in the large and growing mobile accessories market. Force has a proven track record of delivering innovative solutions that enhance the mobile experience for consumers. Its product range includes own-label, private-label, exclusive brand distribution, and brand distribution, and is distributed to some 3,310 retail stores in Australia.

Force has an established reputation for delivering high-quality products and solutions with a strong market presence, holding approximately 5% of the market in a \$1 billion wholesale market.

ACQUISITION RATIONALE

The acquisition of Force accelerates Stealth's wholesale, own-label/private-label product selection, and direct-to-consumer strategy. This acquisition is a significant milestone for Stealth, reinforcing its commitment to becoming Australia's leading market alternative to the majors.

It aligns with Stealth's strategic focus on higher-margin, capital-light, cash-generative, diversified, scalable, own-label and private-label product ranges, exclusive brands, and a nationwide distribution network. This positions the company to capitalise on meaningful synergy opportunities and enhanced market presence.

MARKET EXPANSION BENEFITS OF THE ACQUISITION

- **Own-label and Private-label:**

Force's strong expertise in own-label and private-label product development will enable Stealth to unlock significant growth opportunities by developing more of its own-label range to deliver a higher-margin business.

- **Market Expansion:**

Retail Stores: Stealth will introduce its products into Force's customer base to access the ~3,310 retail reseller stores, broadening its market footprint.

Business and Trade channels: With Stealth's ~8,000 accounts in Business and Trade, Force can significantly increase its market share in this new market.

- **Expanded Product Range:** Introducing new products across both companies' networks.

Exclusive Brand Distribution: New exclusive brand partnerships.

Own-Label Products: Merchandising of Force's own-label (EFM) products across Stealth's distribution network.

Private-Label Offerings: Expansion of private-label products in retail, business, and trade channels.

- **Synergy Opportunities:**

Operational Synergies: Combining operations delivers significant supply chain depth, cost savings, improved efficiency.

Sales and Marketing: Joint sales and marketing strategies to lift margins, enhance brand visibility, customer engagement.

- **Enhanced Customer Experience:**

Expanded Product Line: A broader range of products to meet diverse customer needs in high margin generating areas.

Improved Distribution Capabilities: Faster and more reliable product availability through enhanced logistics.

Solution-Driven Experience: Focus on providing more value and innovative solutions to customers.

OUTLOOK

FY25 Financials: The combined Stealth and Force business estimates FY24F revenue to be approximately \$159 million, with an EBITDA of around \$8.5 million, before transaction costs. From this baseline, expected growth areas in FY25 will be driven by (1) synergies, (2) new revenue contributions from customer channel expansion, and (3) new charge-through sales of approximately \$60 million annualised as previously announced in Stealth's ASX release on 16 February 2024 and at Stealth's AGM on 24 November 2023.

Based on the successful implementation of these initiatives, Stealth will surpass its long-term guidance of \$200 million in sales for FY25.

PRESENTATION BRIEFING ON THE FORCE TRANSACTION

The Company will host a presentation briefing this Thursday, June 6 beginning at 11:00 a.m. (AWST) / 1:00p.m. (AEST) to discuss the acquisition, the future strategy, and outlook. This briefing is being webcast and can be accessed, along with supporting slides, on the Stealth Group website at www.stealthgi.com and clicking on Investor Relations.

- ENDS -

For Further Enquiries:

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

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ABOUT STEALTH GROUP HOLDINGS

Stealth Group Holdings, Ltd, (ASX: SGI), (Stealth) is a leading Australian distributor, and a retailer, providing everyday products and solutions to Business, Trade and Retail customers. Headquartered in Perth, Western Australia, Stealth operates a large Australia-wide distribution network delivering its products through multiple customer channels of all types and sizes.

Stealth's portfolio consists of market facing operating brands:

- Heatleys Safety, Industrial & Automotive
- United Tools / C&L Tool Centre
- Industrial Supply Group
- Skipper Transport Parts