

# ASX MEDIA RELEASE

Monday, 28 February 2022

ASX: SGI



**STEALTHGLOBAL**  
HOLDINGS LTD

## STEALTH REPORTS RECORD 2022 HALF YEAR PERFORMANCE

### Highlights

- ↑ **Group<sup>1</sup> Sales** 1H22 of \$46.5 million, **Up 53%** and a new record for Stealth
- ↑ **Gross Profit Margin** of 29.8%, **Up 2bps** from 27.7% 1H21
- ↑ **Underlying EBITDA** of \$1.73 million, **Up 243%** from \$0.50 million 1H21
- ↑ **Statutory EBITDA** of \$0.99 million **Up 5%** from \$0.95 million 1H21
- ↑ **Group<sup>1</sup> Net Profit After Tax** \$0.82 million, **Up** from \$0.16 million 1H21
- ↑ **Cash and Cash equivalents<sup>2</sup>** of \$4.3 million, **Up \$1.2 million** from \$3.1 million on 30 June 21
- ↑ **Targeted Strategic Investments**
  - Acquired Skipper Transport Parts in August 21 providing **\$18 million** in annual sales.
  - Agreement to acquire United Tools from March 22 that delivers **\$8 million** in annual sales.
  - Sale of BSA UK shareholding reduces debt **delivering cash of \$1.7 million** due March 22.
- ↑ **Growth outlook remains positive** with annual revenue run rate expected to **exceed \$100m** after United Tools acquisition closes, and continued progress on **2025 EBITDA margin target of 8%**.

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth) a leading industrial distribution group specialising in industrial maintenance, repairs, operations "MRO" & safety supplies and related solutions, is pleased to announce its half year results for the period ended 31 December 2021.

**Mike Arnold, Group Managing Director & CEO commented:** "The Stealth Group has delivered a strong performance in the first half of FY 2022, achieving record revenue in the 6 months and a significant uplift in margins and profits. The business continued to deliver market share gains despite a challenging COVID impacted year as we invested in both organic growth opportunities within the business, and also significantly advanced strategic investments in complementary businesses. These included Skipper Transport Parts in August 2021, and United Tools from March 2022, which will double the size of our branch and store network from 33 to 66 creating one of Australia's largest company owned operations and independent retailer combinations"

"While we remain mindful of external pressures including ongoing COVID risks, cost inflation and potential supply chain shortages, we are confident that we are well positioned for a rapidly changing environment. The Group has carried strong momentum into the second half of the financial year, and we are excited about the opportunities we see through our destination 2025 strategic roadmap focused on driving profitable market share growth and operational efficiencies."

Year ended 31 December (\$m)	1H22	1H21	Change
<b>Group results excluding growth investment significant item costs<sup>3</sup></b>			
Revenue	46.5	30.4	+53%
Gross Profit Margin %	29.8%	27.7%	8%
Underlying EBITDA <sup>4</sup>	1.7	0.5	246%
Net Profit After Tax	1.33	0.82	63%
<b>Group Results including growth investment significant item costs</b>			
EBITDA	1.0	0.9	5%
Net Profit After Tax	0.8	0.2	413%
Operating Cashflow	0.3	0.7	-62%
Cash and Undrawn facilities Available	4.4	4.2	3%
Net Debt <sup>5</sup>	9.7	4.2	129%
Net Assets	14.7	13.8	6%
Share Price (cents)	14.5	10.0	45%

### BOARD OF DIRECTORS

Chris Wharton<sup>AM</sup>  
Chairman

Michael Arnold  
Group Managing Director & CEO

John Groppoli  
Non-Executive Director

Simon Poidevin<sup>AM OAM</sup>  
Non-Executive Director

Jessamyn Lyons  
Company Secretary

### ISSUED CAPITAL

99.7 million Ordinary Shares

### PRINCIPAL OFFICE

Level 2/43 Cedric Street  
Stirling, Western Australia 6021

### CONTACT

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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](http://www.heatleys.com.au)
- > [www.ctoolcentre.com.au](http://www.ctoolcentre.com.au)
- > [www.skipperptp.com.au](http://www.skipperptp.com.au)
- > [www.isgaus.com.au](http://www.isgaus.com.au)
- > [www.unitedtools.com.au](http://www.unitedtools.com.au)

An Australian Multinational Distribution Group



ASX: SGI

<sup>1</sup>Group references both continuing and discontinuing operations.

<sup>2</sup>Cash and cash equivalents of \$4.3 million related to continuing operations.

<sup>3</sup>Further detail on growth investment significant item costs is set out on page 6 of the 4D report.

<sup>4</sup>Earnings before interest, tax, depreciation, amortisation and impairment excluding growth investment significant item costs related to acquisitions, and eCommerce technology platforms, and JobKeeper contribution.

<sup>5</sup>Net debt increased based on the acquisition of Skippers, capital investment, new finance leases and working capital.

## First Half Financial Year 2022 Result

### Revenue

Stealth achieved record consolidated revenue of \$46.5 million from combined continuing and discontinued operations, up \$16.1m (53%) on 1H21 and up \$7.1m (18%) on 2H21.

The Group's trading performance from continuing operations in 1H22 saw it achieve record half-year revenue of \$44.3m, up 54.7% on 1H21 and 16.4% on 2H21, which included the acquisition of C&L Tools (C&L) on 1 December 2020 and Skipper Transport Parts (STP) mid-August 2021.

Table 1

Results 2H21 from continuing operations	1H22	1H21	Variance %	2H2021	Variance %
Revenue (Group)	44.3	28.7	+54	38.1	+16
Revenue (Australia excl. Online)	40.0	26.8	+49	35.3	+13
Revenue (Online)	2.2	0.2	+1000	1.5	+46
Revenue (International)	2.1	1.7	+22	1.3	+61

**Sales in Australia, including Online, in the 1H22 increased by 56%** or \$15.2m on 1H21, with the same number of selling days in both periods.

**BSA Brands (UK)** a 50/50 joint venture with Bisley Workwear, delivered underling trading revenue of \$1.25 million and breakeven profit result for 1H22. These operations are now disclosed as discontinued operations in the first half reporting period after the sale of Stealth's investment in BSA Brands (UK). The agreement follows the sale of Bisley Workwear in December 2021 to New York-based Protective Industrial Product (PIP), a global PPE supplier backed by the private equity group Odyssey Investment Partners. PIP's focus is on expanding the Bisley brand globally.

**Sales into Africa** were \$0.89m generating minimal net profit contribution supporting the greater focus on Australia markets.

**Group online sales** increased by 1000% to \$2.2 million, representing 5.0% of Group sales and remain on track for ~\$5m annualised run-rate. Growth is aided by the investments made in digital channels (B2B and B2C) and online marketplaces over the past 18 months.

### Gross Profit Margin

Gross Profit margin achieved of 29.8%, up from 27.7% in 1H21 and marginally down on 30.0% in 2H21 because of product mix and slight change with supply chain costs. Gross Profit Margins have risen from 18.5% of revenue to 29.8% over the last three years (refer Table 2 below) driven by increased scale, operating leverage with better buying terms and concerted effort and focus on higher margin business.

### Earnings

Stealth achieved solid Underlying Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) and Net profit After Tax.

Underlying EBITDA was \$1.73 million up 243% on \$0.50 million for 1H21. Underlying EBITDA excludes investment and significant item costs of \$0.73 million in 1H22 related to acquisition transaction costs and eCommerce technology platforms.

Statutory EBITDA was \$0.99 million up 5% on \$0.95 million for 1H21 that included JobKeeper contribution of \$1.38 million. Excluding 1H21 JobKeeper, the business delivered 1H22 Statutory EBITDA of \$0.99 million up \$1.4 million on 1H21.

Group Net Profit After Tax was \$0.82 million, up from \$0.16 million 1H21 from combined continuing and discontinued operations.

### **Cash Flow and Balance Sheet**

Stealth's balance sheet continued to provide stability and growth funding capacity for the group.

Group Cash was \$5.19 million as of 31 December (including discontinued operations), up by \$2.08 million on 30 June 21. Cash and Cash equivalents (excluding discontinued operations) were \$4.3 million, up \$1.2 million from \$3.1 million on 30 June 21.

Net working capital from continuing operations was \$11.66 million, up from \$9.34 million on 30 June 21, reflecting the acquisition of Skipper Transport Parts (STP).

Net Debt was \$9.67 million as of 31 December, up by \$5.45 million on 30 June 21. The increase is a result of strategic investments made including \$3.93 million consideration on acquisition of STP in August 2021, \$0.9 million capital investment (including \$0.5 million relating to STP acquisition on warehousing and IT, and \$0.3 million eCommerce), \$0.2 million finance lease funding and \$0.4 million net working capital less acquisition funding repayments during the half year.

Stealth's sale of its investment in BSA Brands (UK) will realise \$1.7 million in cash in March 2022 strengthening Stealth's working capital position and reducing net debt.

### **Investments and Non-Recurring Costs**

Skipper Transport Parts acquisition transaction costs were \$0.42 million allocated as direct cost items and unusual 'one-off' cost items. Costs included due diligence, finance, professional fees and integration costs of distribution centre set-up and reconfiguration, store refurbishments, training, establishing, and migrating technology applications.

C&L Tool Centre acquisition transaction 'one-off' costs were \$0.28 million, related to vendor tenure payments that ended November 21.

The Group continues to advance its eCommerce digital platforms, including its Online e-store websites for business and retail customers in Australia. This has resulted in annualised sales increase of 250% and supported new large contract wins generating \$18 million of sales per annum at its peak in 18 months.

Ongoing investment in building an omni-channel model has enabled the Group to adapt to changing consumer buying habits, as providing multiple choices for customers to buy Stealth's products.

### **COVID-19**

The Company continues to successfully take proactive measures to ensure the long-term sustainability of the business and to protect the safety and wellbeing of its employees, customers, and the communities in which it operates.

COVID did not prevent the expansion of the Group network. Stealth has created one of the largest networks of industrial distributors combining company owned branches and independent retailer stores in Australia, and will continue to invest to grow market position and generate significant profit growth in future years.

### **Supply Chain**

External pressures including ongoing cost inflation and potential supply chain shortages remain a market wide issue and an area of focus for the company. Stealth is very confident that it is well positioned to maintain continuity in its supply lines.

Despite the solid trading achieved in the first half, there were some minor delays in the arrival of product from certain suppliers in the first half resulting in \$3.4 million of backorders at 31 December 2021. Due to the timing of periods, approximately \$0.91 million of profit has been deferred into the second half, further highlighting the underlying strength of the first half trading period.

### Subsequent Events since 31 December 2021

In January 2022, the Group announced that it would acquire United Tools Limited (UTL), one of Australia's largest buying and distribution co-operatives of independent retailers, subject to UTL shareholder approval which has now been granted. Completion is due mid-March 2022.

### Strategy and Outlook

#### Strategy

Stealth is an emerging industry key player in a large, fragmented, and attractive long-term end markets estimated to be \$40 billion.

Stealth's strategic priorities remain consistent with the Company's 2025 strategy 'UP25'. The key elements include build scale, develop omnichannel, enhance organic growth, ongoing transformation, margin expansion, cash generation and robust capital allocation.

Significant 'step change' progress on the execution of this strategy driving share and revenue growth in key markets was made in 1H22, setting foundations for the company's longer-term outperformance. Increased scale has been achieved through targeted strategic acquisitions including STP and UTL, and through organic growth including new customer contracts. These were outlined at the Group's AGM in November 2021 and are worth ~\$18m+ annually when they peak in around 18 months. These contracts begin between November 21 and March 22. The Company has continued to evolve from multichannel to omnichannel connecting thousands of products with customers of all types and sizes across every industry from a growing store and distribution network.

#### Outlook

Stealth is confident about the strength of the business and is encouraged by a positive trading outlook despite UK discontinued operations decreasing sales by \$2 million. Stealth's continuing businesses have had a positive start to the second half with the Group delivering 30% like-for-like sales growth and GP\$ up 24% in January and February trading so far.

The Company is maintaining the guidance provided in its ASX release on January 22, 2022 for an annual revenue run-rate in excess of \$100 million after the inclusion of the STP and UTL acquisitions.

This is supported by the recent strategic investments, new customer contracts and a generally positive economic outlook for Australia. The company does remain cautious about ongoing uncertainties around COVID-19 restrictions in some of our key markets and escalation of the Russia-Ukraine situation that may ease short-term growth and trading conditions. The Company will continue to update its annualised guidance during 2022, as appropriate.

Stealth also sees a clear path to grow revenue and improve profitability to the company's medium-term target of 8%+ EBITDA margin by 2025.

The Company will hold an investor briefing and presentation on the 1H 2022 result, including the recent acquisition of United Tools, on Thursday 10 March 2022 at 9.30am AWST. Shareholders can register for the briefing via the link below.

<https://attendee.gotowebinar.com/register/8706196273330260747>

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

#### For Further Enquiries:

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## 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 core operating brands are: Heatley's Safety & Industrial, C&L Tool Centre, Skipper Transport Parts, Industrial Supply Group and United Tools.

## 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.