



STEALTH REPORTS RECORD FIRST-HALF PERFORMANCE

AUSTRALIA, Perth – 28 February 2023: Stealth Global Holdings (ASX: SGI) (Company or Stealth) a leading Australian Industrial Distribution Company, today provides an update on the Company's performance for the FY2023 first-half period ending 31 December 2022.

Successful execution of strategic initiatives along with the positive supply and demand dynamics being experienced by the Company has driven strong first half sales, margin, and profit growth performance.

HIGHLIGHTS

Excellent first half performance delivered record financial results across all key metrics.

RESULTS TABLE COMPARATIVE TO SAME PERIOD IN 2022.

HALF-YEAR ENDED 31 DECEMBER	1H FY23	1H FY22 ²	Movement
Revenue	\$52.4m	\$44.3m	18%
Gross Profit	\$15.2m	\$13.2m	15%
Underlying EBITDA ¹	\$2.4m	\$1.7m	41%
Statutory EBITDA ¹	\$2.2m	\$1.0m	120%
Statutory NPAT	\$0.3m	(\$0.4m)	176%
Basic earnings per share (EPS)	0.31	-0.40	nm.
CASH AND DEBT	31 Dec 22	30 Jun 22	Movement
Cash and Cash equivalents	\$5.1m	\$4.7m	8%
Debt specific to acquisitions completed	\$6.6m	\$7.3m	(\$0.7m)
Revolving working capital facility (amount drawn)	\$3.4m	\$2.9m	0.5m
Net assets	\$15.4m	\$15.1m	2.3%
	1H FY23	1H FY22 ²	
Operating cash flows	\$1.8m	\$0.3m	604%
Net capital expenditure (PPE, intangible assets)	\$0.6m	\$1.1m	(47%)
Free cash flows	\$1.2m	(\$0.8m)	242%
Net debt ratio to underlying annualised EBITDA	2.1x	3.1x	32%

¹ Earnings before interest, tax, depreciation, amortisation and impairment. Underlying excludes unusual costs.

² Comparatives are from continuing operations.

In 1H23 there was 123 working days compared to 126 days in 1H22

1H FY23 RESULTS HIGHLIGHTS

Delivered record first half sales, margin, profit, compared to 1H FY22.

- Record group revenue of \$52.4 million, up 18.3% (1H FY22 \$44.3 million²)
- Record gross margin earnings of \$15.2 million, up 15.2% (1H FY22 \$13.2 million²)
- Record underlying EBITDA of \$2.4 million, up 41% (1H FY22 \$1.7 million²)
- Record statutory EBITDA of \$2.2 million, up 120% (1H FY22 \$1.0 million²)
- Record Net Profit After Tax of \$0.3 million, up 175% (1H FY22 loss of \$0.4 million²)
- Excellent performance in 1H delivering growth across all areas while facing higher inflation and lost time because of COVID where 16% of the workforce was away during November.
- Earnings per share of 0.31 cents, up from 0.02 cents at 1H FY22.

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
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
- > United Tools Group

WEBSITES

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

Improved cash generation and available liquidity

- Positive operating cashflow of \$1.8 million, up 604% (1H FY22 \$0.3 million)
- Cash and Cash equivalents of \$5.1 million, (1H FY22 \$4.3 million)
- Positive free cash flows of \$1.2 million, up 242% or \$2.0 million from negative (\$0.8 million) in 1H FY22.
- Acquisition debt repayments of \$0.8 million, reducing from \$3.7 million to \$2.9 million.
- Inventories as % of revenue reduced to 29% (1H FY22 32%) with no excess inventory, disposal or discounting made.

Strategic investments delivering positive outcomes.

- Strength and depth of portfolio from three (3) acquisitions completed over the past 18 months is starting to deliver merger and synergy benefits.
- Completed back-office mergers of United Tools with Industrial Supply Group and Skipper Transport Parts with Heatley's Safety & Industrial. A full merger will be completed prior to 30 June 2023.
- Securing multiple new customer contract wins and established 84 supplier arrangements for the Group.

	Movement over 12 months
Secured multiple new customer contract wins with large spend customers.	Diverse product lines and sources of revenue.
# Tier 1 supplier contracts centralised and reset group wide terms	+ 84 contracts
Daily transaction sales volume	+ 21%
Daily transaction gross profit volume	+ 18%
Average sales value per order in trading divisions	+ 7.8%
Average gross profit value per order in trading divisions	+ 5.4%
Average sales value per employee (FTE)	+ 15.4%
Average gross profit value per employee (FTE)	+ 12.3%
Benefits from mergers include a 7.4% reduction in total group headcount	- 7.4% reduction

Growth outlook remains very positive.

- >95 per cent of Stealth's products are non-discretionary, placing Stealth in a strong position to withstand an economic downturn and repeat demand for Stealth products.
- Well positioned for stronger second half performance supported by favourable demand outlook for industrial consumables.
- 2025 targets maintained. +\$200 million in revenue and +8% EBITDA margin.
- Continued recovery of cost inflation through pricing reset to benefit profit uplift over CY2023.
- Significant revenue and cost merger synergies remain available to be extracted in CY2023.

Inaugural Dividend payment proposed for FY2024.

- The Board proposes to declare an inaugural fully franked dividend to shareholders for the period ending FY2024.
- This is a huge milestone for Stealth, and we are very pleased to be able to reward our shareholders who have had faith and stuck with us over the journey since our IPO in October 2018.
- The final payment for the Company's acquisition fixed debt facility with Commonwealth Bank is 30 June 2024. The Company will continue to make quarterly installments of ~\$400,000 until 30 June 2024.
- The Company will release its Capital Management Framework (and dividend policy) at the AGM in November 2023, and represents a dividend payout ratio of between 30% and 40% of free cash flow applied to the full-year financial results, as contemplated within the Framework.

Mike Arnold, Group Managing Director & CEO commented: “The Stealth Group has maintained its positive momentum and delivered another strong financial and operational performance in the first half of FY2023. We delivered record first half sales and earnings resulting from an aggressive organic growth plan, and full period contributions from recent acquisitions.

“Importantly, the business delivered growth in a challenging economic environment that required strong management of cost inflation, a tight labour market in Australia, and lingering COVID-19 related global supply chain disruptions.

“A key focus in CY2023 is the delivery of synergies from Skippers Transport Parts and United Tools and complete integration with Stealth’s existing Heatley’s and ISG businesses. The success of our investments in all banners is driven by consolidation, offering more range, cross selling, and more customer value to drive significant growth.

“We now have ~70 company-owned or independent stores in our distribution network that together is well placed with good growth opportunities to deliver significant sales and earnings growth over the coming years.

Today, we have commenced optimising our product sourcing and procurement activity, establishing a primary wholesale business unit and bringing all tier 1 suppliers into one primary operating division rather than within our subsidiaries. The objective is to leverage scale, better buying power, bring efficiency into our supply chain and drive margin improvement.

“While cost and supply chain challenges are expected to continue in calendar year 2023, we expect trading conditions in the second half to remain favourable across all our network, particularly in Western Australia and Queensland underpinned by continuing strong mining, resources, and infrastructure sector activity. We recently rolled out a ‘pricing reset’ program across all customers which will deliver margin gain and we will continue to focus on delivery of synergies, cost management, and improved cash generation as we consolidate recent acquisitions and deliver on our growth strategy of building a stronger, larger, more relevant and diversified business holding an advantaged market position.”

“Looking forward, the business remains well placed with good growth opportunities and strategic initiatives that are delivering significant benefits. We are also accelerating targeted growth and value creation initiatives in areas that provide additional income sources across the supply chain upstream and downstream and market competitive advantage.

RESULTS OVERVIEW

Revenue

Stealth achieved record half-year revenue of \$52.4m, up \$8.1m (18%) on 1H FY22² and up \$23.7m (83%) on 1H FY21², as it continues to execute on its long-term growth strategy of building a stronger, larger, more relevant and diversified business holding an advantaged market position. Key drivers of revenue growth were positive demand conditions across all areas of the business, with strong conditions in Western Australia and Queensland as mining activity remained high.

The result also included full period contributions from strategic acquisitions completed in FY22 including Skipper Transport Parts (STP) on 15 August 2021, United Tools Pty Ltd on 1 March 2022 and United Tools Albany on 2 May 2022.

Earnings

The Group achieved gross profit for the half-year of \$15.2m, up 15% on 1H FY22² and 92% on 1H FY21² on the back of increased activity levels across the network. The Group achieved a gross profit margin of 29.0% in 1H FY23, broadly in line with 29.8% achieved for 1H FY22² and up 150bps on the 27.5% achieved in 1H FY21². This was achieved despite the challenging cost inflation environment, international supply chain high prices, shortages and disruptions. The worst of this is over and Stealth is well positioned to benefit from tailwinds in CY2023. More than 95 per cent of Stealth’s products are non-discretionary, placing Stealth in a strong position to withstand an economic downturn and pricing reset will benefit Stealth’s profitability.

Underlying Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA)¹ was \$2.4 million, up 41.2% on \$1.7 million reported for 1H FY22. Underlying EBITDA excludes investment and significant item costs of \$0.2m (\$0.7 million in 1H FY22) related to acquisition transaction costs and eCommerce technology platforms. Group Underlying EBITDA margin was 4.6%, up 21% on the 1H FY22 margin of 3.8% (from continuing operations).

Statutory Net Profit After Tax was a record \$0.3 million, up 176% on the reported loss of \$0.4 million (from continuing operations) in 1H FY22.

Cash Flow and Balance Sheet

Group Cash was \$5.1 million as of 31 December, up on \$4.7 million at 30 June 2022.

Operating cashflow was up strongly in the six-month period to \$1.8 million from \$0.3 million in 1H FY22, supporting capital expenditure of \$0.3 million, and investment in e-commerce platforms and other intangibles of \$0.3 million (1H FY22 \$0.8 million and \$0.3 million respectively).

Stealth's balance sheet remained solid with growth funding capacity for the Group. Net debt including revolving working capital facilities (excluding property lease liabilities) was \$10.0 million at 31 December 2022, down from \$10.5 million at 31 December 2021. The Company's Gearing Ratio decreased slightly to 39.5% at 31 December 2022 from 40.4% at 30 June 2022 and 41.6% as of 31 December 2021.

Of the \$10.0 million net debt, \$6.6 million relates to acquisitions (C&L Tool Centre in December 2020, Skipper Transport Parts in August 2021, United Tools Group in March 2022 and United Tools Albany in May 2022) Net debt at 30 June 2022 relating to acquisitions was \$7.3 million, a reduction in the 6 months of \$0.7 million.

\$2.9 million of the of the \$6.6 million is on a repayment schedule with Commonwealth Bank (CBA) at \$0.4 million per quarter. This will be fully repaid by 30 June 2024. The remaining \$3.7 million of the \$6.6 million net debt relates to post-acquisition support (capital investment, working capital and trading) via working capital facilities.

The remaining balance of \$3.4 million of the \$10.0 million net debt, relates to working capital requirements of the business as it maintains its high growth trajectory. The level of total net debt remains below the Company's target debt leverage ratio.

In November 2022, the Group further increased the available working capital facilities by \$3.0 million with CBA to support further expansion requirements.

Dividends - Inaugural payment proposed for FY2024.

The Board has determined to pay an inaugural dividend for the period of FY2024. The dividend payout ratio will be between 30% and 40% of free cash flow applied to the full-year financial results, as contemplated within the Company's Capital Management Framework (and dividend policy).

The payment of dividends is an important step in Stealth's history and rewarding shareholders for their investment in our Company. The timeline has been determined by the final payment date of the Company's acquisition fixed debt facility with Commonwealth Bank. This will be 30 June 2024. Until then, the Company will continue to make quarterly instalments of ~\$400,000 until 30 June 2024. Thereafter these funds will be used in support of future investment and dividend programs.

The Board proposes to declare a fully franked dividend to shareholders. The Company will provide more details at its AGM in November 2023.

STRATEGY AND OUTLOOK

Strategy

Stealth continues to focus on its longer term 2025 growth strategy, of building a stronger, larger, more relevant and diversified business holding an advantaged market position.

The Company will continue to increase its scale, expand the number of store locations in its distribution network through both a Company store and Independent partner store model, penetrate existing and new market channels, as well its breadth across geographical, customer, supplier brands and product ranges.

Of the Top 25 companies listed in the WA stock exchange index, Stealth is now serving 17 of these companies. 12 months ago, it was only 6. This demonstrates the strengths of the business model, further supported by more than 95% of all products sold by Stealth being non-discretionary items.

The Company's focus in CY2023 is on finalising the consolidation of acquisitions, extracting revenue and earnings synergies, and complete the pricing reset for margin improvement. Capital allocation will continue to be carefully managed, and internal investment will be placed in inventory, eCommerce, store and distribution centre upgrades.

Outlook

Trading has been very strong in the first two months of 2H FY23 (January and February). Group revenue is up 20.5% on 1H FY22 and Gross Profit earnings up 23.1% on 1H FY22.

Sales growth rates continue to be driven by robust underlying demand and inflation, with volume growth remaining broadly positive. Underlying demand for Stealth's products is expected to remain strong in 2H FY23, with an expected improvement in the adverse construction and building conditions to support volumes.

While supply chain challenges have improved, they continue to be a risk to watch in 2H FY23, as will freight, fuel, and labour costs. There continues to be uncertainty over the level of inflation going forward and how the impact of inflation and other cost of living increases may impact consumer behaviour in the business and retail sectors.

Reassuringly, approximately 36% of stealth's revenue is generated by end markets of mining, resources and infrastructure. These end markets remain strong with ongoing high demand for stealth's products and services. High growth is expected to continue from these end markets. In addition, Stealth is defensively positioned with a broad customer base with more than 8,000 business customers and 34,000 retail customers of all sizes across all end markets and DIY, providing a wide range of products that are necessary to their everyday workplace requirements.

Stealth continues to see a clear path to deliver on its longer term 2025 targets of +\$200m in annual revenue and +8% EBITDA.

Investor briefing

The Company will hold an investor briefing and 1H FY23 results presentation on Wednesday 8 March 2023 at 9.30am AWST. Shareholders can register for the briefing via the link below.

Stealth 1H Result Webinar Link:

<https://attendee.gotowebinar.com/register/1896754744304124250>

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

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ABOUT STEALTH GLOBAL HOLDINGS

Stealth Global Holdings Limited (ASX code: SGI) is a wide range distributor of industrial, safety, truck & automotive and workplace supplies and other related products and solutions. Headquartered in Perth, Western Australia, Stealth provides supplies and solutions for every workplace through its large distribution portfolio that extends across the end-to-end supply chain covering Business, Retail, Trade, and Specialist Wholesale. The core operating banners are: Heatley's Safety & Industrial, C&L Tool Centre, Skipper Transport Parts, Industrial Supply Group and United Tools.