



STEALTH CONFIRMS RECORD FINANCIAL PERFORMANCE IN FY23

Stealth Global Holdings Ltd (ASX: SGI) (the Company or Stealth) a leading wide-range provider of industrial supplies and solutions for every workplace, is pleased to announce it has finalised its year end process and confirms record results for the year ended 30 June 2023.

HIGHLIGHTS: ANOTHER YEAR OF RECORD GROWTH

- Total Revenue up 11.4% to \$111.0m.
- Continuing customer revenue up 17.8% after rationalisation of unprofitable contracts.
- EBITDA¹ up 32.5% to \$5.3m, EBITDA margin improved to 4.8%.
- Statutory Net Profit After Tax up 50% to \$0.9m.
- EPS up 51.7% to 0.91 cps, Return on Capital Employed increased to 9.9% (FY22 6.0%).
- Free cash flow generation up \$6.0m to \$5.6m.
- Net debt cut by 29.4%, to \$7.2m; (\$5.2m related to revolving working capital)
 - Net Debt/EBITDA ratio 1.4x (FY22 2.6x).
- Inventory as of June 30 was \$14.8m, 13.3% of annual sales, down from 14.2%.
- Significant funding capacity with \$7.7m cash, \$2.3m undrawn in working capital facility.
- Growth outlook remains positive: ongoing demand and improved scale driving earnings targets.
- Maiden dividend to be declared to shareholders based on period ending FY2024.

FINANCIAL SUMMARY	FY2023	FY2022 ²	Change v Prior
Revenue	\$111.0m	\$99.6m	11.4%
Gross Profit	\$32.6m	\$30.1m	8.3%
EBITDA ¹	\$5.3m	\$4.0m	32.5%
Earnings before Tax	\$1.3m	\$0.7m	85.7%
NPAT	\$0.9m	\$0.6m	50.0%
Basic earnings per share (EPS)	0.91	0.60	51.7%
CASH AND DEBT			
Free cash flow	\$5.6m	(\$0.4m)	\$6.0m
Cash and cash equivalents	\$7.7m	\$4.7m	63.8%
Inventories	\$14.8m	\$14.1m	5.0%
Net debt	\$7.2m	\$10.2m	(29.4%)
Net assets	\$16.1m	\$15.1m	6.6%
RATIO'S			
Price-Earnings Ratio (PE)	13.8x	16.7x	17.4%
Return on capital employed (%)	9.9%	6.0%	390 bps
EBITDA margin	4.8%	4.0%	20.0%
Inventory / Sales	13.3%	14.2%	90 bps
Net debt ratio / EBITDA	1.4x	2.6x	46.2%

¹ Earnings before interest, tax, depreciation and amortisation.

² Comparatives are from continuing operations.

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

PRINCIPAL OFFICE

Level 2/43 Cedric Street
Stirling, Western Australia 6021

CONTACT

Michael Arnold
Group Managing Director & CEO

John Boland
Group Chief Financial Officer

P: +61 86465 7800
E: investors@stealthgi.com
W: www.stealthgi.com

ABN: 25 615 518 020

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

Mike Arnold, Group Managing Director & CEO commented: “Stealth’s final audited results for FY2023 confirm another record year for the Company with strong growth in revenue, cash flow generation, reported earnings, and also earnings per share. We are now seeing the benefits of our strategic investment in building a stronger, larger, more relevant and diversified industrial supply business over the last three years.

“The positive earnings performance has also translated to a strengthened balance sheet with lower net debt and increased funding capacity for new growth initiatives. The Company has delivered annual compound growth rates of around 30%+ in revenue and earnings over the last three years, with an improving return on invested capital. This has demonstrated our ability to invest profitably in the business, and we are confident Stealth is very well placed for this growth momentum to continue.

“Stealth’s second half financial performance was stronger than the first half, and we see healthy ongoing demand in the Australian industrial consumables sector despite cost pressure being evident across the broader supply chain following the interest rate increases during the last 12 months. Stealth has responded to the rising inflationary pressures with a reviewed pricing strategy, which is anticipated to not only protect margins and earnings but has the potential to contribute to future profit growth.

“Stealth will continue to execute its growth strategy in a disciplined manner and is targeting ongoing growth in revenue and earnings in FY2024, along with the declaration of a maiden dividend to shareholders for the period ending 30 June 2024.”

PERFORMANCE OVERVIEW

Stealth delivered a record financial performance in FY23. **Revenue** of \$111.0m was up 11.4% from the \$99.6m contributed by continuing operations in FY22. This was achieved across business, geographical, trade and consumer markets and was after the Group exited unprofitable customer contracts during the year that reduced revenue by \$6.3m. At \$58.6m Group revenue in the second half was 11.8% greater than the first half.

FY23 **Gross Profit** was \$32.6m, up 8.3% from \$30.1m in FY22, with second half Gross Profit 14.5% higher than the first half. This uplift in Gross Profit reflected the Group’s actions focused on pricing reviews and initiatives to counter the impacts on rising inventory costs on customer margins, including fixed-price contract expirations. The improved operational performance was reflected in double digit growth over FY22 across three key metrics:

- › daily sales value up 14.9%, and daily gross profit value up 31.3%.
- › daily sales value per order up 17.4%, and daily gross profit value per order up 14.2%.
- › daily sales value per employee up 19.6%, and daily gross profit per employee up 36.7%.

OPERATIONAL KEY METRICS³

FULL YEAR 2023	% Growth v Prior Year
Sales per day	14.9%
Sales value per order	17.4%
Sales per employee	19.6%
Gross Profit per day	31.3%
Gross Profit per order	14.2%
Gross Profit per employee	36.7%

³ from distribution and retail operations, excluding buying group operations.

EBITDA¹ was \$5.3m, an increase of 32.5% year on year (FY22: \$4.0m, from continuing operations). EBITDA margin improved to 4.8% from 4.0%. Contributing to the improved margins was a 6.5% reduction in the Group’s expenses as a percentage of revenue (down to 24.5%). The Group’s strong performance in the second half saw it achieve an increased EBITDA margin of 5.2%.

The Group achieved a record Statutory **Profit After Tax** of \$0.9m (FY22 \$0.6m), an increase of 50.0%. The strong FY23 performance resulted in record Earnings per Share of 0.91 cents, up 51.7% (FY22: 0.60 cents).

Stealth’s successful growth performance has been driven by investment in e-commerce, and strong customer relationships as well as synergy benefits from the execution of the Company’s acquisition strategy. Unification investments have enhanced the organisation, driving volume growth, broadening product selection, enabling cross-selling and increasing customer value.

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CAGR (Compound Annual Growth Rate)	3-YEAR CAGR ⁴
Revenue	29.0%
Gross Profit	29.7%
EBITDA	34.6%
NPAT	38.1%

⁴ from continuing operations.

Stealth's positive earnings performance has also translated to a strengthened **balance sheet** with lower net debt and increased funding capacity for new growth initiatives.

The Group recorded **operating cash** inflow of \$6.8m, up \$5.9m on FY22. **Net cash outflow** related to investment excluding acquisitions was \$1.2m (FY22: \$1.3m excluding acquisitions), primarily on capital expenditure and investment in e-commerce and other intangible assets. This translated into **positive free cash flow** of \$5.6m (FY22: \$0.4m outflow) supporting net debt reduction and the Company's proposed dividend policy.

Net debt was reduced by 29.4% to \$7.2m. Approximately \$5.2m of this related to a revolving working capital facility, with the remainder related to corporate acquisitions completed over the last three years. The Group repaid \$1.6m of acquisition-debt in FY23 with C&L acquisition-debt (\$2.5m gross funding in FY21) to be completely repaid as of December 2023.

Cash on hand was up by \$3.0m to \$7.7m at 30 June 2023. The Group increased its capital management capacity through an additional \$3m of working capital finance facilities secured with CBA during FY23, bringing total facilities to \$19.1m as of 30 June 2023. Total unused funding facilities at 30 June 2023 amounted to \$4.1m, providing support for continued investment in organic growth and other strategic growth initiatives.

OUTLOOK

Stealth remains well positioned to continue delivering growth despite a global economic outlook that remains uncertain. The very nature of the large, fragmented and highly attractive MRO industry the Company operates in, the everyday workplace items it sells, the broad collection of industries the Group sells products into, underpinned by the depth and diversity of product range, customers and repeat business activity is expected to provide a steady flow of growth and opportunities over the coming years.

Activity in resources sector is strong, Stealth's branch store presence in Western Australia and Queensland means it is well-positioned to benefit. It can also support investment being made in roads, infrastructure, housing, building, construction, transportation and vehicle sales (repairs & 4wd fit out).

Further consolidation of operating banners in FY24 provides significant untapped revenue and cost synergies. Along with promising strategic opportunities, this is anticipated to result in outperformance in the wider industrial sector.

Capital investment will be directed at supply chain efficiency, rightsizing, channel growth, new services, merchandising, store network expansion, enhanced digital channels (including AI), and improvements to store and distribution centres.

The Company will hold an investor briefing and presentation on the FY2023 result on Thursday 7 September 2023 at 9.30am AWST. Shareholders can register for the briefing via the link below.

Registration Link: <https://attendee.gotowebinar.com/register/7664280375290638681>

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

For Further Enquiries:

Mike Arnold
Group Managing Director & CEO

Chris Wharton^{AM}
Chairman

John Boland
CFO and Company Secretary

Corporate Office: +61 (0) 8 6465 7800

ABOUT STEALTH GLOBAL HOLDINGS

Industrial Supplies and Solutions for Every Workplace

Stealth Global Holdings Limited (Stealth) 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 that extends across the whole supply chain to Customers of all types and sizes. Stealth's large distribution network provides multiple channels-to-market through three operating divisions: Distribution (B2B), Retail (B2C), and Wholesale (B2B2C).

Under Stealth's portfolio is five market facing operating brands:

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