

# Strawman Stock Pitch



**STEALTH**GLOBAL  
HOLDINGS LTD



**DrPete123**

**aka Pete Langford**

# Agenda

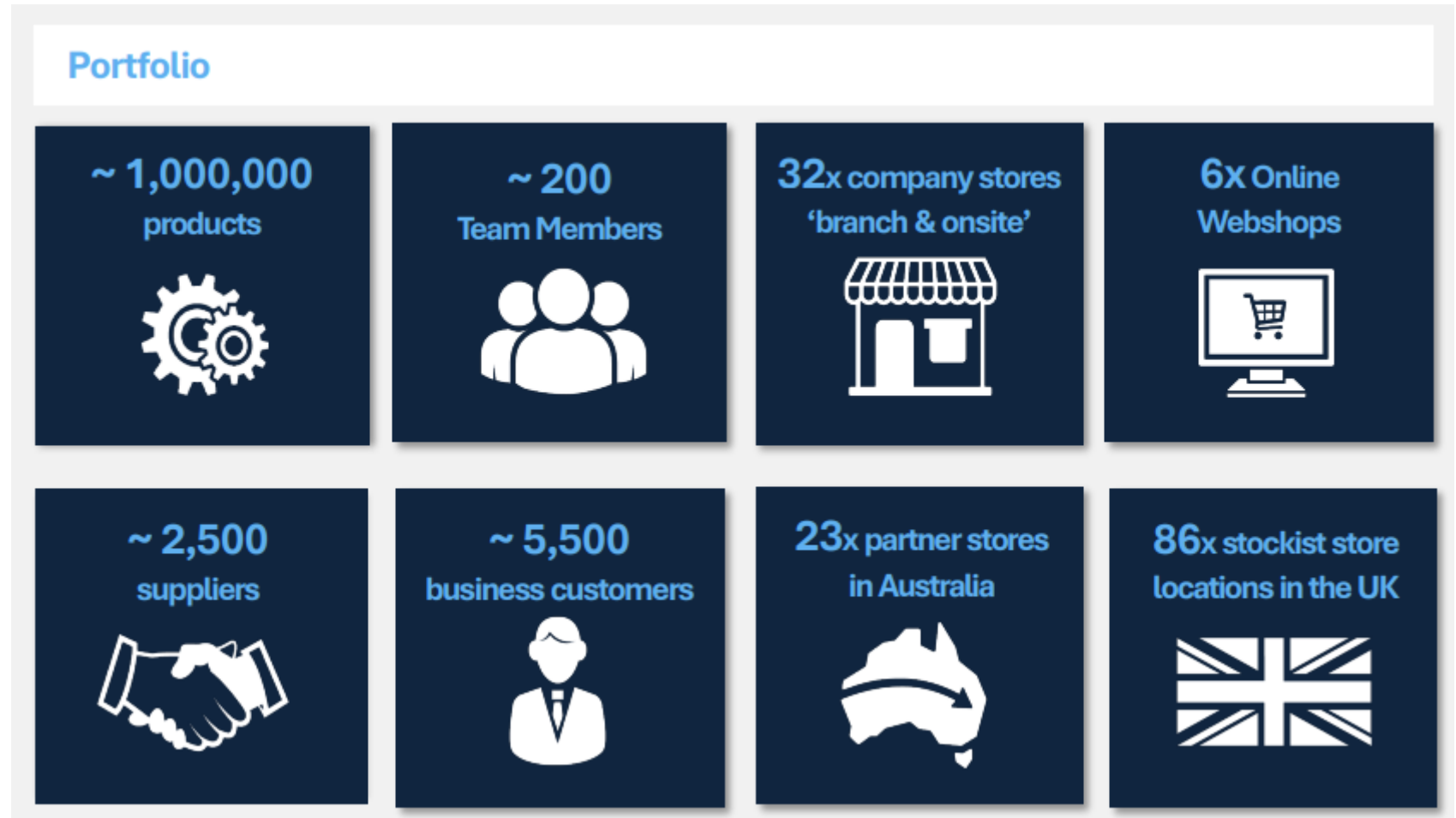
- **Company overview**
- **Financials**
- **Forecast**
- **Management & ownership**
- **Risks**
- **Base, bear and bull cases**

**Disclosure: I own SGI on Strawman and in real life**

# Company Overview

## Purpose:






- How they describe themselves:  
“Stealth is a broad-line distributor of industrial, maintenance, repair, operating (MRO), safety & workplace supplies”
- I think of them like a Bunnings for heavy industry



# Company Overview

## History & brands:

- Founded 2014, listed late 2018 as part of a growth-through-acquisition strategy

 <a href="http://www.heatleys.com.au">www.heatleys.com.au</a> Broad-line distributor of industrial, tooling, safety/ PPE, hardware, building, construction and workplace supplies. From October 2018	 <a href="http://www.bsabrands.co.uk">www.bsabrands.co.uk</a> Joint venture with Bisley Workwear. A specialist wholesale distributor of Workwear and Safetywear brands in the United Kingdom. From March 2019	 <a href="http://www.isgaus.com.au">www.isgaus.com.au</a> Independent member-based buying & distribution group with individual stores across Australia. From May 2019	 <a href="http://www.cltoolcentre.com.au">www.cltoolcentre.com.au</a> Broad-line distributor of industrial, tooling, safety/ PPE, hardware, building, construction and workplace supplies. From December 2020	 <a href="http://www.skippertp.com.au">www.skippertp.com.au</a> Broad-line distributor of Industrial, maintenance, repairs, operating 'MRO' with innovative consignment On-Site supply solutions and management. From 15 August 2021
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# FY21 Financials

## Pro-forma (incl recent acquisitions)

- \$95m revenue
- \$6m EBITDA & \$2m NPAT (excl acquisition costs & eCommerce build)
- Net debt \$4m
- Cash \$3m
- Market cap \$15m (as of 21/10/21)

TRADING PERFORMANCE	FY 2021	FY 2020	Movement \$	Movement %
<b>Group Revenue</b>	\$69.7m	\$68.1m	\$1.6m	2.5%
• Australia sales (including Online)	\$66.5m	\$56.6m	\$9.9m	17.5%
• BSA Brands	\$2.0m	\$1.1m	\$0.9m	81.8%
• Africa Sales	\$1.2m	\$10.4m	(\$9.2m)	(88.5%)
<b>Underlying EBITDA<sup>1</sup></b>	\$4.5m	\$3.2m	\$1.3m	41.2%
Underlying EBITDA <sup>1</sup> %	6.4%	4.7%	na	1.7%
Growth Investment Significant Items	\$1.4m	\$1.8m	(\$0.4m)	
Statutory EBITDA <sup>1</sup>	\$3.1m	\$1.4m	\$1.7m	120.7%
Net Profit After Tax excluding growth investment significant item costs	\$1.6m	\$1.2m	\$0.4m	40%
Net Profit After Tax Attributable to members	\$0.56m	\$0.10m	\$0.46m	482.4%

# Forecast

## From Stealth

- **10% organic growth to 2025**
- **Consolidate recent acquisitions but still looking for value adding acquisitions (past acquisitions have been 4-5x EBITDA)**
- **Market leader in highly fragmented \$2b addressable market in Australia**
- **EBITDA 6% of rev, growing to 8% in 2025**
- **Most of increase in EBITDA will go to NPAT**

## US comparison

- **WW Grainger (GWW): \$11.8b rev, EBITDA \$1.5b (13% of rev), net income \$0.9b**
  - Market cap \$22.4b (P/Sales 2, P/EBITDA 15, PE 25 vs SGI at P/Sales 0.16, P/EBITDA 2.5, PE 6)

# Management & Ownership

## CEO Mike Arnold

- Founder of Stealth in 2014
- 11% ownership
- Logistics & operations background
- Intelligent, balanced, task-focused, guarded, conservative capital management
- Improving investor relations
- Pay: \$517k total FY21, growing to around \$800k in FY22

## Others

- Directors own 4%, top 10 shareholders own 51%, top 25 own 70%

# Risks

## Liquidity

- Feels bit more like pre-IPO company with low volume of trades
- At time of writing, only 6 buyers and 4 sellers within +/-15% of share price

## Acquisition quality

- Although communicated value seems strong, time will tell if revenue, cash flows and synergies are delivered

## Others

- CEO leaving
- Global trade disruption will impact product supply
- Revenue may be cyclical with mining, construction, infrastructure booms and busts
- No reported measures of customer or employee engagement
- Structure of 5 brands complicated
- International ops delivering little rev



# Valuation

	Bear	Base	Bull
Revenue in 5 years (end FY26)	\$115m (FY22 rev \$95m, 5% pa growth, no acquisitions)	\$150m (FY22 rev \$100m, 8% pa growth, \$15m acquisitions)	\$200m (FY22 rev \$105m, 12% pa growth, \$35m acquisitions)
EBITDA margin in 5 years	6%	8%	10%
NPAT margin in 5 years	3%	5%	6%
NPAT in 5 years	\$3.5m	\$7.5m	\$12m
PE in 5 years	8	12	15
Market cap in 5 years	\$28m	\$90m	\$180m
Share price in 5 years (assuming 10% dilution)	\$0.25	\$0.81	\$1.62
Current value of share price (discounting 5 year forecast 10% pa)	\$0.17	\$0.56	\$1.10