

21 February 2018

Company Announcements Office
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By electronic lodgment

Total Pages: 4 (including covering letter)

Dear Sir / Madam

HALF-YEAR MEDIA RELEASE

Please find attached Media Release for the financial half-year ended 31 December 2017.

Yours faithfully



Warren Coatsworth
Company Secretary

21 February 2018

Seven Group Holdings (“SGH”) delivers strong FY18 interim results

- Underlying earnings before interest and tax (“EBIT”) of \$223.5 million, up 42 per cent on prior comparative period (“pcp”) and ahead of previous guidance.
- Underlying EBIT up 23 per cent on a pro-forma basis adjusting for the changes in ownership interest in Coates Hire and Beach Energy.
- Underlying earnings per share (“EPS”) up 81 per cent reflecting strong operational performance and capital management.
- Result reflects the strength of the industrial services businesses with demand from the mining production and infrastructure activity.
- Interim dividend increased by 5 per cent to 21 cents per share reflecting confidence in the outlook for our industrial services operating businesses and energy investments.
- Upgrade FY18 underlying EBIT guidance to be 15 per cent above pro-forma FY17 EBIT on a continuing operations basis.

Financial results (\$m)	Results for six months ended 31 December 2017	Results for six months ended 30 December 2016	% change
<u>Continuing operations:</u>			
Trading revenue	1,397.2	1,063.4	31%
Underlying EBITDA	267.8	172.1	56%
Underlying EBIT	223.5	157.9	42%
Underlying profit before tax	176.2	116.8	51%
Underlying profit after tax	159.8	88.3	81%
Underlying EPS (\$)	0.49	0.27	81%
<u>Continuing and discontinued operations:</u>			
Statutory profit after tax	168.6	(41.0)	-
Statutory EPS (\$)	0.52	(0.19)	-
Interim fully-franked dividend per ordinary share (cps)	21c	20c	5%

Note: The table above reflects the results of continuing and discontinued operations to aid comparison with 1H FY17. Underlying results exclude significant items and are used internally by management to assess the performance of the Group. Refer to the SGH Appendix 4D for the reconciliation between statutory and underlying results.

Commenting on the results, Ryan Stokes, Managing Director and Chief Executive Officer of SGH said:

“The continued strength of the mining production cycle with greater utilisation of fleets has supported parts growth and component demand at WesTrac. Coates Hire remains well positioned to benefit from the strong East Coast infrastructure demand and our increased stake in Beach Energy provides the Group with increased exposure to East Coast gas demand.

The strategic acquisition of the remaining 53.3 per cent of Coates Hire, funded through the sale of WesTrac China and the equity placement has strengthened the balance sheet; positioning the Group to benefit from favourable end markets and related cash flows.

Our disciplined capital management and relentless focus on cash and expenses is continuing to deliver results for our shareholders.

We anticipate continued momentum from our WesTrac and Coates businesses into the second-half, which supports our upgrade to full year guidance that FY18 underlying EBIT from continuing operations will now be 15 per cent up on FY17 on a pro-forma basis.”

WesTrac



SGH | Energy

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Seven Group Holdings (ASX: SVW) has today reported a 42 per cent increase in underlying EBIT from continuing operations to \$223.5 million, driven by strong performances from its industrial services businesses, WesTrac and Coates Hire. Significant M&A activity for the period included the sale of WesTrac China; acquisition of 100 per cent of Coates Hire; support of Beach Energy via equity contribution as part of the Lattice Energy acquisition and the successful equity raise by SGH. This has continued to position and focus the Group toward favourable end market segments.

The result, which exceeds previous guidance, reflects the core demand of the mining production cycle and strong activity in East Coast infrastructure, as well as the impact of the acquisition of the remaining 53.3 per cent of Coates Hire and the increased stake in Beach Energy. The result is a 23 per cent increase on a pro-forma basis, adjusting for the increased ownership interest in Coates Hire and Beach.

Underlying NPAT of \$159.8 million represents an 81 per cent increase on the prior comparative period. Underlying EPS at \$0.49 was also up 81 per cent in the period. The statutory NPAT result of \$168.6 million also reflects the impact of \$10.4 million profit from discontinued operations.

The Group benefitted from an increase in revenues while maintaining its focus on margins resulting in a 5 per cent increase in the interim dividend to 21 cents per share.

Operating Result

During the period, WesTrac Australia captured the opportunity from the ongoing mining production cycle recording a 16 per cent revenue growth supported by a 10 per cent increase in product support revenue and enhanced by a 36 per cent growth in product sales. There are continued early signs of fleet replacement occurring in the second half of the financial year with extended factory lead times starting to emerge. EBIT grew 35 per cent in the half with the EBIT margin improving to 8.5 per cent from 7.3 per cent in the prior comparative period reflecting the benefit of the increased revenue and the sustained focus on cost control.

Coates Hire continued to benefit from the buoyant East Coast infrastructure market to increase its fleet utilisation by 2.4 per cent to 57.3 per cent in the period. A sustained focus on price realisation, turnaround time and fleet deployment has contributed to increased margins.

In energy, SGH will benefit from Beach Energy's transformational acquisition of Lattice Energy which has doubled Beach Energy's 2P reserves, provided long term contracted gas cashflows and synergy opportunities.

Seven West Media share of NPAT grew 7 per cent in the period as a result of cost out initiatives and licence fee reductions despite a decline in advertising revenue share. The media segment result was supported by a \$11.2 million distribution from an unlisted offshore media fund during the period.

Significant Items

Significant items recorded during the period largely offset each other and included:

- SGH's impairment of its investment in SWM (\$91.3 million);
- the recycling of the foreign currency translation reserve following the sale of WesTrac China (\$79.9 million)

Balance Sheet

Net debt increased by \$711.9 million to \$2,020.0 million at the end of the period mainly as a result of the following transactions:

- acquisition of remaining 53.3 per cent in Coates Hire (\$487 million, net of cash);
- acquisition of Coates Hire debt (\$1,034 million);
- increased investment in Beach Energy (\$117 million)

Offset by:

- net proceeds from capital raising (\$385 million)
- net proceeds from the sale of WesTrac China (\$535 million)

The Group has cash and available undrawn debt facilities totalling \$770 million and the value of the listed investment portfolio provides it with significant liquidity. The Group is well positioned to benefit from the strong free cash flow generated from its industrial service businesses and favourable financing opportunities are available to the Group given the market sentiment and the strength of its banking relationships which will facilitate the refinancing of the remaining Coates Hire legacy debt facility.

Dividend Increased

An interim ordinary dividend of 21 cents per share fully-franked has been declared, up 5 per cent on the prior comparative period.

Outlook

At WesTrac, the strong product performance is expected to continue with early signs of a resurgence in new and used equipment demand as the fleet renewal cycle commences. Coates Hire is expected to continue its growth trajectory aided by a sustained focus on fleet optimisation. Seven West Media is expected to benefit from cost reduction initiatives enabling its full year EBIT guidance to be maintained. Beach Energy is expected to benefit from the strengthened oil price coupled with new production from the acquisition of Lattice Energy.

Taking the above factors into account, the Group has upgraded its previous guidance for FY18 underlying EBIT from continuing operations to now be up 15 per cent above pro-forma FY17 EBIT.

Underlying EBIT \$m	FY17 Actual	Adjustments	FY17 Pro-forma	1H FY17 Pro-forma	2H FY17 Pro-forma	1H FY18 Actual	1H FY18 vs 1H FY17
WesTrac	164.3	-	164.3	75.1	89.2	101.1	35%
AllightSykes	(3.1)	-	(3.1)	(1.5)	(1.6)	1.4	-
Coates Hire ¹	24.7	75.0	99.7	33.0	66.7	40.5	23%
Energy ^{2,3}	25.7	4.7	30.4	20.7	9.7	21.6	4%
Media Investments ⁴	69.7	-	69.7	39.3	30.5	51.9	32%
Other Investments	36.7	-	36.7	19.0	17.7	18.1	-5%
Other	(20.8)	-	(20.8)	(3.7)	(17.1)	(11.1)	-
Group EBIT - continuing operations	297.2	79.7	376.9	181.9	195.1	223.5	23%

1. Pro-forma adjustment for Coates Hire reflects equity accounting from July 2016 to October 2016 and consolidation from November 2016 to June 2017 inclusive
2. Pro-forma adjustment for Beach Energy reflects increase in ownership interest to 25.6 per cent, no adjustment is made for the impact of earnings from the Lattice Energy acquisition
3. Lattice Energy earnings accrued by Beach Energy since 1 July 2017 are reflected in adjustments to the final purchase price
4. 1H FY18 EBIT from Media Investments includes \$10.8 million from other media investments

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Seven Group Holdings Limited is a leading Australian diversified operating and investment group with market leading businesses and investments in industrial services, media and energy. In industrial services, WesTrac Group is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory in Australia. WesTrac is one of Caterpillar's top dealers globally (by sales value). SGH also owns Coates Hire, Australia's largest equipment hire business, and AllightSykes, a supplier of lighting towers, generators and pumps. In media, SGH has a 41 per cent shareholding in Seven West Media, Australia's largest multiple platform media company, including the Seven Network, The West, Pacific and Yahoo7. The Group also has a 26 per cent shareholding in Beach Energy and has interests in oil and gas projects in Australia and the United States.

Note:

Included in this release is data prepared by the management of Seven Group Holdings and other associated entities and investments. This data is included for information purposes only and has not been subject to the same level of review by the company as the statutory accounts and so is merely provided for indicative purposes. The company and its employees do not warrant the data and disclaim any liability flowing from the use of this data by any party. Any forward looking statements are subject to the disclaimer provided in the 'Basis of preparation of slides' within the Company's H1 FY18 Results Presentation released on the ASX on 21 February 2018.