SGH | Industrial Services, Media, Energy and Investments

21 February 2017

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

By electronic lodgment

Total Pages: 5 (including covering letter)

Dear Sir / Madam

HALF-YEAR MEDIA RELEASE

Please find attached Media Release for the financial half-year ended 31 December 2016.

Yours faithfully

Warren Coatsworth
Company Secretary

WesTrac SGH | Energy

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SGH | Industrial Services, Media, Energy and Investments

SGH interim financial results for the half-year ended 31 December 2016

- Seven Group Holdings ("SGH") reports net underlying EBIT of $175.8 million – up 5 per cent on the prior comparative period.
- WesTrac Australia product support revenue up 10 per cent on the prior comparative period.
- Coates Hire and WesTrac China record strong earnings improvements.
- SGH maintains a strong balance sheet with significant undrawn facilities and the listed investment portfolio as a source of additional liquidity.
- SGH declares an unchanged fully-franked interim ordinary dividend of 20 cents per share.
- Statutory result includes significant items of $145.0 million after tax, primarily relating to an impairment of $139.6 million to the carrying value of the investment in Seven West Media ("SWM").
- Anticipated momentum into the second half supports the upgrade to full year guidance that underlying EBIT will be 5 to 10 per cent up on the previous year.

Financial Results ($m)	**Results for six months ended 31 December 2016**	**Results for six months ended 31 December 2015**	**% Change**
Trading revenue	1,302.7	1,368.6	(5%)
Underlying EBITDA	191.8	186.9	3%
Underlying EBIT	175.8	167.2	5%
Underlying profit before tax	133.1	123.6	8%
Underlying profit after tax	104.0	111.6	(7%)
Underlying EPS (cents)	32c	34c	(6%)
Statutory loss before tax	(15.3)	(31.5)	51%
Statutory loss after tax	(41.0)	7.1	-
Statutory EPS (cents)	(19)c	(2)c	-
Underlying EBITDA cash conversion	48%	114%	-
Interim fully-franked dividend per ordinary share (cents)	20c	20c	-

Note: 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 reconciliation between statutory reported and underlying results.

Commenting on the results, Ryan Stokes, Managing Director and CEO of SGH, said: “The results reflect the strong underlying performance of the group. The mining production cycle is supporting parts and component demand growth as customers continue to focus on costs and push productivity targets. We are particularly pleased with the performance of our Coates Hire and China businesses which have benefitted from increased infrastructure demand.”

“We anticipate continued momentum from our WesTrac businesses into the second-half, which supports our upgrade to full year guidance that underlying EBIT will be 5 to 10 per cent up on the previous year.”

Key Highlights

(21 February 2017) -- SGH reports underlying earnings before interest and tax (“EBIT”) of $175.8 million up 5 per cent for the period, on total revenues of $1,302.7 million. Underlying earnings per share (excluding significant items) is $0.32.

The underlying result reflects the impact of the mining production boom with increased maintenance demand as miners defer replacement capital expenditure. SGH upgrades its previous guidance that full year underlying EBIT will be up 5 to 10 per cent on FY16.

SGH delivered a statutory net profit after tax (“NPAT”) of $(41.0) million for the half-year ended 31 December 2016. After adjustment for significant items, SGH reports underlying NPAT of $104.0 million, down 7 per cent on the prior comparative period. Statutory earnings per share is $(0.19).

Significant Items

Significant items during the period primarily relate to an impairment of the carrying value of the investment in SWM of $139.6 million as a result of the prevailing share price as at 31 December 2016 in addition to the proportionate share of SWM’s impairment of its investment in Yahoo7 totalling $31.0 million, partially offset by profits realised from the property portfolio of $18.8 million. On an after-tax basis, significant items represent a net book cost of $145.0 million with no tax benefits recognised on these two SWM significant items.

Balance Sheet

The Group has net assets of $2.5 billion and is supported by liquidity provided through the listed securities portfolio worth $543 million and approximately $924 million in available undrawn facilities as at 31 December 2016.

The Group has seen a decline in the market value of its listed portfolio given the volatility in equity markets over the period. The listed portfolio excludes the investment in Beach Energy Limited (“Beach”) which is reported as part of the Energy segment.

At 31 December 2016, the Group’s net debt was approximately $1.4 billion, an increase of $21.0 million since 30 June 2016. The movement in net debt reflects the FX impact of $19.3m on foreign denominated debt due to the depreciation the currency against the US dollar.

The Group has maintained a comfortable debt position with a gearing ratio of 36 per cent. Approximately 58 per cent of the Group’s debt is fixed and the average term of the Group’s debt facilities at 31 December 2016 was 3.7 years.

Dividend

An interim fully-franked dividend of 20 cents per ordinary share has been declared, unchanged from the prior comparative period. This represents a payout ratio of 62 per cent of the underlying earnings per share and reflects the Group's objective to maintain the dividend over time.

Outlook

Higher production volumes and commodity prices, buoyed by strong infrastructure project activity in China and the eastern states of Australia provide an improved market for the Group's industrial services businesses, which when combined with the continued focus on cost control provides positive momentum for the second half.

On this basis, the Group has upgraded its full year guidance indicating that FY17 is estimated to be up 5 to 10 per cent on the prior year.

Review of Businesses

WesTrac Australia

WesTrac Australia delivered underlying EBIT of $75.1 million on trading revenues of $1,026.3 million.

WesTrac grew its product support sales 10 per cent against the prior comparative period driven by a strong parts sales performance. Service sales did not perform as strongly with a number of customers choosing to in source certain maintenance activities and continue their push on productivity and costs. The ageing profile of the fleets and recent strength of both iron ore and coal continues to support our activity in this space.

This was offset by a decline in product sales revenue of 32 per cent with declines in higher margin mining equipment sales only partially offset by growth in lower margin construction equipment.

Underlying EBIT was down 12 per cent on the prior comparative period with the EBIT margin declining to 7.3 per cent for the period given the 4 per cent reduction in total trading revenue.

WesTrac China

WesTrac China delivered underling EBIT of US$13.4 million against US$7.8 million in the prior comparative period. The improvement was largely due to change in sales mix and continued focus on cost control. Although overall trading revenue was down 3 per cent for the period, product sales was materially unchanged but with a greater proportion of higher margin excavator sales as a result of improved infrastructure demand. Working capital expanded with greater investment in new equipment inventory to support the increased demand expected over the post Chinese New Year selling season.

Coates Hire

Coates Hire which has benefitted from disciplined cost management performed strongly over the prior comparative period. Revenue was up 3 per cent on the prior comparative period despite continued weakness in the WA market with strong infrastructure demand in NSW and Victoria. Coates Hire delivered an underlying EBIT for the period of $74.1 million, up 40 per cent on the prior comparative period.

Seven West Media

SWM continues to expand its leadership in the creation of content and delivering that content anywhere, anytime to the biggest audiences, recording its 21st consecutive rating half-year leadership position.

SWM delivered an underlying EBIT result of $148.5 million, down 28 per cent on the prior comparative period. SWM continues to lead the market in television advertising ratings and revenue share. Underlying NPAT was down 32 per cent for the period.

SWM has a strong balance sheet with net debt of $681.2 million and net debt to EBITDA ratio of 2.2x as at 31 December 2016.

Energy

The Energy segment includes the Group's investments in Longtom and Gemfish in the Gippsland Basin, Crux and Echuca Shoals in the Browse Basin and Bivins Ranch in the US. The segment also includes the Group's 22.9 per cent equity accounted investment in Beach.

Segment EBIT increased to $17.2 million from $1.8 million as a result of the inclusion of $18.5 million share of associate NPAT relating to the Beach investment.

The Group's Energy assets and investments are well-positioned to benefit from the improved market conditions as evidenced by the recovery in oil and gas prices. The Longtom field is ready for production pending access to processing facilities, having successfully completed its offshore inspection and testing campaign. Beach produced a record half-year production volume and concurrently reduced its field operating costs. Production guidance has been increased for FY17 to 10.3 to 10.7 mmboe.

Other investments

Investments and property delivered an underlying segment EBIT of $19.0 million, up $0.7 million on the prior comparative period.

The property portfolio yielded gains of $19 million for the period which is reflected as a significant item relating to the proportionate share of profits realised on sale of a building held by an equity accounted investment.

The portfolio which has performed strongly over the long term, delivered an annualised total return of (5.5) per cent against the 11.4 per cent return on S&P/ASX200 for the six months. The market value of the portfolio as at 31 December 2016 was $542.8 million. At 31 December 2016, unrealised gains of $146 million relating to the investment portfolio are currently recognised in equity.

Note:
Included in this presentation is data prepared by the management of SGH 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.