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2021 HALF YEAR RESULTS – PRESENTERS' NOTES

Seven Group Holdings Limited (ASX: SVW) attaches the speakers' notes for the FY21 Half Year Results Presentation.

This release has been authorised to be given to ASX by the Managing Director & CEO of Seven Group Holdings Limited.

Ends.

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Results Release – Half Year Ended 31 December 2020

Slide 1 – Ryan Stokes

Opening Slide

Good morning and welcome to the Seven Group Holdings results presentation for the half-year ended 31 December 2020.

I am Ryan Stokes, CEO and Managing Director. With me today is Richard Richards, Group CFO, who will present the financial results for the period.

Today, we report strong performance of our key operating businesses, the addition of Boral as an equity accounted investment, the transformation achieved by Seven West Media, and a 10 per cent increase in our dividend reflecting the confidence we have in our businesses.

We also announce a commitment for our current operating businesses to achieve net zero emissions by 2040.

Slide 3 – Ryan Stokes

Group Overview – People, Safety and Culture

Ensuring our 5,800 employees remain safe is our top priority. It is pleasing to see the ongoing positive impact of initiatives to drive safety culture and leadership. Over the past twelve months there has been continued improvement in our key safety metrics, with a 36 per cent reduction in both LTIFR and TRIFR.

Securing skilled labour remains a thematic in the current environment. We continue to invest in programs to build capability to address the tight skilled labour market, particularly in WA. We have also invested in facilities to increase our capacity to support the increased demand and deliver operational efficiencies.

The WesTrac Technology Training Centre in Collie, the first of its kind outside the US, was opened in August 2020 and is a major step for the future of the WA resources sector. More than 200 technicians and operators of autonomous vehicles will graduate from the Training Centre this year.

Coates has established the Coates Reconciliation Action Plan to build on our commitments to Indigenous Australians, providing opportunities for employment and engagement of indigenous businesses.

We recognise that an open and inclusive culture that values diversity supports our growth aspirations and are proud of the work our teams are doing to enhance employee engagement and support diversity initiatives across the Group.

Slide 4 – Ryan Stokes

Group Overview – ESG & Emissions Commitment

We are pleased to announce today our commitment to the reduction in greenhouse gas emissions. We commit that SGH and our current operating businesses, Coates and WesTrac, will achieve net zero greenhouse gas emissions by 2040. This decision results from a comprehensive review of our Environmental, Social and Governance arrangements, and is

part of a broader set of commitments we are making today to provide more transparency and accountability to investors and other stakeholders in this area.

We have continued with the Bushfire support and rebuild contribution, with \$4.6 million of the \$5 million contributed to communities affected by the devastating fires last year. Through this contribution we have provided facilities, equipment, and services to impacted communities.

Slide 5 – Ryan Stokes

Group Overview – Businesses and Markets

SGH is a leading operating investment group, with total assets of \$8 billion.

The Group has investments in exceptional businesses, with market leading positions. We own WesTrac, one of the world's leading Caterpillar dealers, and Coates Hire, the largest rental services company in Australia.

You will note that the addition of a new segment this half, building products and construction materials through the acquisition of a 20 per cent stake in Boral. We are excited to leverage the Group's exposure to the continuing infrastructure investment cycle.

Our investment in Energy, through Beach Energy and our assets in SGH Energy provide opportunities to create value through oil, domestic gas, and LNG exports; and Media, through our 40 per cent investment in Seven West Media, one of the leading media platforms, with audience reach covering the majority of the population.

Slide 6 – Ryan Stokes

Group Overview – Highlights

Our result for the half reflects the strong performance of our key operating businesses, driving the growth in Group trading revenue of 4 per cent. WesTrac and Coates both delivered underlying EBIT growth as they continue to benefit from exposure to accelerating mining production and government stimulus measures to generate building and infrastructure activity.

Industrial Services underlying EBIT was up 14 per cent, driven by the improved contribution and margins achieved by WesTrac and Coates, and also reflecting the equity accounting of Boral from the second quarter.

Underlying Operating cash flow improved to \$367 million during the half, reflecting both the strength of our businesses and our disciplined approach to managing costs, capital expenditure and working capital.

Group underlying EBIT was down 5 per cent to \$396 million. Beach earnings were impacted by lower A\$ realised oil prices, however an active first half saw Beach achieve key exploration and development milestones. Seven West Media's contribution to the Group result significantly improved on prior period as it successfully delivers on its transformation objectives.

The confidence we have in the outlook within our key sectors, coupled with our objective of maximising long-term sustainable returns to our stakeholders, has allowed us to increase the interim dividend by 10 per cent to 23 cents per share.

Slide 7 – Ryan Stokes

Key Financials

Underlying EBIT for the period of \$396 million was up 23 per cent on 2H FY20 and down 5 per cent on the pcp. Underlying net profit after tax was down 3 per cent to \$247 million. Underlying earnings per share was down 3 per cent to 73 cents.

Underlying EBITDA cash conversion of 70 per cent was an 11 per cent improvement on the prior comparative period.

On a statutory basis, the result includes \$115 million in favourable significant items, predominantly relating to impairment reversal in the carrying value of SWM. As a result, statutory EBIT of \$512 million was up 155 per cent and statutory net profit after tax was up 855 per cent to \$362 million.

I will now hand over to Richard to take you through the Group's financials for the half. Richard.

Slide 9 – Richard Richards

Profit and Loss

Thank you, Ryan and good morning.

Slide 9 provides both the statutory and underlying net profit after tax for the period.

I refer you to the 4D for the detailed statutory presentation.

The financial result for the half-year reflects the relative outperformance of our Industrial Services businesses and their strong customer value proposition which has set them apart in the current environment.

Group underlying EBIT of \$396 million was down 5 per cent on the prior period result, but up 23 per cent on the 2H FY20 result which was similarly COVID impacted.

Consolidated trading revenue of \$2.4 billion was up 4 per cent, an increase of \$95 million on the prior period. WesTrac in particular continues to benefit from growing customer demand for new fleet, new technology, as well as the continual demand for parts and service supporting an aging installed base. Coates Hire reported a 7 per cent decline with construction project delays continuing to impact the market.

Ryan will discuss each segment's specific financial result later in his presentation.

Results from equity accounted investees was down 22 per cent, reflecting the lower oil price impacting Beach, partially offset by improved contribution from SWM and equity accounting of Boral. Other income decreased by 68 per cent, principally relating to the \$14 million reduction in realised gains during the half-year referable to our private fund investments in China's media, entertainment and consumer sectors.

Expenses, excluding depreciation, amortisation and significant items, increased by 4 per cent to \$1.9 billion. Cost of goods sold increased by 6 per cent to \$1.3 billion while employee benefits expense increased by 7 per cent to \$420 million.

The Group's underlying effective tax rate decreased by 4 per cent to 21.4 per cent, reflecting the proportion of equity-accounted earnings and fully franked and exempted dividends in the overall Group result.

Slide 10 – Richard Richards

Significant Items

During the half-year, the Group incurred a net \$115 million in Significant Items, increasing the statutory net profit after tax from \$248 million to \$364 million.

Significant Items relating to the investment in Seven West include a \$12 million share of Seven West's significant items and \$104 million mark-to-market impairment reversal to the carrying value of our investment based on the share price at 31 December 2020.

Other Significant Items include \$0.5 million in one off costs, being our share of those transformation costs recognised by Boral relating to its portfolio review.

Slide 11 – Richard Richards

Earnings Summary

Slide 11 details the underlying EBIT result across each segment, providing a reconciliation to statutory EBIT after allocation of the significant items from Slide 10.

WesTrac was the clear driver of the Groups result, while Coates performed well to defend its underlying period on period EBIT having regard to the COVID impact on the first half.

The initial recognition of equity accounting for Boral from September reflects SGH obtaining 20 per cent shareholding and board representation. The equity accounting carrying value reflects the fair value at this date with the profit being reflected in OCI.

Slide 12 – Richard Richards

Cash Flow

Underlying operating cash flow was \$367 million, an increase of 14 per cent or \$45 million on prior comparative period. This is a pleasing result, showing the operational discipline across our businesses and focus on optimising our working capital levels. Underlying EBITDA cash conversion improved from 59 per cent to 70 per cent, reflecting the release of net working capital despite major fleet deliveries.

The strong operating cash flow has allowed us to reinvest in new fleet within Coates, which totalled \$69 million on a net basis. Other capital expenditure included \$13 million in WesTrac and \$2 million in Energy, mainly on the Crux pre-FID work plan. We also invested a further \$422 million during the period in Boral.

Cash flow from financing represented a \$258 million inflow, included a \$359 million increase in drawn debt, partially offset by \$29 million in repayment of lease liabilities and \$71 million in ordinary dividends paid during the period.

Net debt increased \$281 million to \$2.6 billion with the increase reflecting the level of investment during the period.

Slide 13 – Richard Richards

Balance Sheet

Group net assets of \$3.3 billion increased by 15 per cent from last year. This reflects the statutory net profit of \$364 million plus a positive net change in fair value of financial assets measured through other comprehensive income of \$146 million, reduced by \$71 million of ordinary dividend.

Trade and other receivables decreased by \$74 million, reflecting the strong sales result in WesTrac, particularly during the last quarter.

Inventories increased by \$33 million. This movements includes \$33 million invested by WesTrac in machine inventory and a further \$16 million invested in parts exchange inventory.

The value of investments increased by \$701 million, comprising the further investment in Boral of \$550 million including Fair Value movements as well as the impairment reversal of our investment in Seven West of \$104 million, along with the equity accounted share of profits for the period of \$99 million, partially offset by FX revaluation and dividends.

Property, plant and equipment decreased by \$16 million, mainly reflecting the reduced level of investment in Coates rental fleet net of depreciation.

The decrease in deferred income of \$48 million was also largely attributable to WesTrac, with major fleets being commissioned for BHP, Rio Tinto and MRL during the period.

Derivative financial instruments movement reflects the impact of higher FX rate on cross-currency IR swap valuation, with a similar offsetting movement in the A\$ value of US notes.

Increase of \$28 million in other assets includes an increase in machine prepayments to Caterpillar.

Slide 14 – Richard Richards

Liquidity Management

On 7 July, we completed a US\$300 million private placement in 7, 10 and 12 year tranches. The Group was well supported by both existing and new investors, delivering \$461 million of equivalent facilities.

We have also established other facilities of approximately \$475 million, including a US\$200 million note shelf facility and A\$275 million in securities lending facilities.

Furthermore, we have taken the opportunity to early amend and extend by three years the first tranche of our syndicated facility to September 2024 and increase the limit from \$400 million to \$558 million with the introduction of a new lender coupled with increase commitments from a number of existing lenders. The appetite for SGH credit highlights the confidence debt providers have in the core operating businesses and the Group strategy.

Our facilities now provide an average tenor of 3.9 years on a weighted basis while the drawn component of our debt has an average maturity of 4.5 years.

Strategically these refinancings collectively reduce SGH costs of debt and provide diversity of funding sources, whilst providing additional tenor and supporting our capacity for future growth.

Opportunities to refinance \$431 million OEM facility due July 2021 are currently under consideration.

Slide 15 – Richard Richards

Capital Management

The Group has benefited over time from a strong balance sheet underpinned by our solid operating businesses and their ability to generate free cash flow through the cycle. We often talk about our focus on operational discipline and cash flow focus, which has ultimately provided us with balance sheet flexibility, a strong credit profile, and ability to create long-term shareholder value.

The Group currently has \$3.9 billion in total facilities, drawn to \$2.8 billion and net debt of \$2.6 billion.

It is a core part of SGH's strategy to deploy capital where we believe we can capture value accretive returns for our shareholders. It was the strength of our capital structure that allowed us to deploy \$854 million into Boral during a time of significant markets dislocation.

The dislocation in Boral share price provided an opportunity to build a substantial interest. SGH now owns 20 per cent of Boral with an all-in weighted average cost of \$3.48.

The expected growth in infrastructure activity will support our growth aspirations for Boral and Coates, who are both expected to benefit from acceleration of projects due to the recently announced Federal Government infrastructure investments focused on shovel ready projects.

We are proud of the 19 per cent TSR we delivered to shareholders over the last three years, continuing to place us in the top quartile of the ASX100. On this note, the Group has increased its interim dividend by 10 per cent declaring a fully franked dividend of 23 cents per share. The decision reflects the strong cash flow generated by our businesses, the growth achieved in underlying earnings and the confidence in the outlook for the key businesses with a focus on growing dividends over time.

I will now hand you back to Ryan.

Slide 17 – Ryan Stokes

WesTrac – Highlights

Thank you, Richard.

WesTrac has continued to focus on providing customers with valued service and support, essential to help them achieve the most efficient production results. The strong result for the half reflects major projects including those of Rio Tinto and BHP moving into the commissioning phase. WesTrac's South Guildford workshops are currently building on average 10 large mining trucks and one large hydraulic excavator per month, reflecting a phenomenal level of activity.

This activity includes delivering fleet for other major projects including FMG and Newmont that are yet to ramp up. WesTrac has just been chosen by Northern Star for the KCGM fleet replacement and is focused on winning new opportunities including ultra-class trucks, with NSW coal customers which are currently tendering.

Complementing the increase in new equipment delivery is the continued trajectory of product support activity and growth. This reflects the strong parts and service demand of customers to support current production volumes.

Slide 18 – Ryan Stokes

WesTrac – Mining Machine Opportunity

With this slide we provide more context to the new machine opportunity for WesTrac that is continuing to build. While the increasing average age of the fleet in our territories is driving current demand for parts and services to support increased production. It also highlights the future opportunity for end of life replacement and for new fleets to support future expansion.

This is especially so in both WA and NSW for fleet replacement with the current generation class of mining truck. The CAT 240t 793F truck is the most productive truck in the Pilbara and we continue to see the size of this fleet increase. This is also enabling better efficiencies with component maintenance for our customers.

CAT's market leading technology in Autonomous Haulage, which has allowed our customers to achieve up to 30 per cent productivity gains, provides further opportunities for retrofits and an advantage in upcoming fleet tenders.

I want to call out the great work of our WesTrac leadership and all our people in how they have responded to support our customers. WesTrac was recently acknowledged by CAT as the leading construction industry services growth dealer, WA was #1 and NSW was # 2 in the world for growth of services sales for 2020 on 2019 which is a fantastic accomplishment for the team.

Slide 19 – Ryan Stokes

WesTrac – Financials

WesTrac delivered revenue growth of 8 per cent for the half, with product sales up 17 per cent and product support up 4 per cent. The continued growth in product support sales is a solid sales outcome and includes component rebuild revenue growth of 34 per cent in the half.

Improved sales volumes and margin expansion combined to deliver overall EBIT growth of 14 per cent for the half.

Investment in capacity expansion is continuing at South Guildford together with two additional sites in Perth to ensure we capture the growing customer demand.

Slide 20 – Ryan Stokes

Coates Hire

Coates has successfully navigated the headwinds from lockdowns and disruptions to our customers in certain locations and markets to deliver earnings growth. With a strong focus on cost and efficiency Coates has delivered margin expansion through the period. The restructure completed in 2H FY20 has helped set Coates up to benefit from the growing pipeline of planned projects to stimulate the economy.

The pipeline of infrastructure projects continues to expand to unprecedented levels. While there have been delays to commencement there is a substantial amount of activity and opportunity. We see that getting stronger and we welcome the Government's focus on acceleration in planning to get from shovel ready to shovel in use.

Coates is ready to respond to the acceleration, investing in specialist services in propping, shoring and dewatering, and has slowed the rate of disposals to ensure fleet is available to be deployed to assist our customers.

Slide 21 – Ryan Stokes

Coates Hire – Fleet Overview

We thought this additional information would provide better context to the Coates fleet.

Coates actively manage the age, type and location of fleet to ensure they have fleet ready to capture opportunities, including in targeted growth markets. Driving utilisation to maximise returns is a key focus of the Coates team and there is incremental operating leverage in the business to get utilisation back to optimum levels.

Fleet availability, measured by “green line”, continues to improve, with Coates targeting reducing turnaround times with more efficient repairs and maintenance and improved transport costs.

This period has also seen Coates flex down its capex, reflecting the changed market conditions and right sizing the fleet to maximise current and future utilisation. Coates continues to invest in digital to maintain market leadership in customer facing and internal processes.

Slide 22 – Ryan Stokes

Coates Hire – Financials

While overall Coates revenue was down 7 per cent, management responded with more dynamic cost adjustment to the market opportunity, enabling increased margins. This resulted in EBIT margin expansion and growth in EBIT by 1 per cent against 1H FY20 and 6 per cent against 2H FY20. The majority of this has been unlocking the existing operating leverage within the business and we hope to sustain this margin.

There was some impact on customer activity in East Coast metro markets, however regional areas performed well and WA activity levels continue to strengthen in both Mining and Industrial Services.

Net capex was \$69 million in the period with Capex in FY21 still expected to be \$130 million to \$150 million.

Coates' priorities are to continue driving sales effectiveness and securing revenue, continue enhancing operating leverage, optimising capital expenditure and technology investment, and to ensure we can meet the expected increase in infrastructure activity.

Slide 23 – Ryan Stokes

Boral – Highlights

The Group invested \$390 million in Boral during the half, bringing the total investment to \$854 million compared to current market value of \$1.25 billion. The Group's shareholding of 20 per cent and board representation allows us to support Boral through its transformation and portfolio optimisation process.

Our objectives are aligned with other shareholders in the company to maximise shareholder return, as the business seeks to reset, with a focus on competitive performance, improving returns, and delivering better operating leverage from its strong position.

The sale of Boral's interests in USG Boral and Meridian Brick are both expected to complete in FY21.

The outlook provided by Boral is cautious, given continued softness in construction in Australia, however, Boral is well placed to meet demand when activity picks up. There is substantial work required to deliver the \$300 million transformation targets that have been set and to see the company achieve its ROFE and EBIT margin targets that deliver on the potential for the business through the cycle.

Slide 24 – Ryan Stokes

Energy – Beach Investment

Beach achieved a solid production result of 13 Mmboe, slightly up on the prior corresponding half however behind target. Beach's revenue was down 22 per cent due to a lower average realised A\$ oil price, impacting the profit contribution for the period. The average realised gas price increased during the half, showing the robustness of East Coast gas demand and the strength of Beach's diversified portfolio.

Beach has taken FID with Mitsui on Waitsia Stage 2 in the Perth Basin. Focus is now moving to construction activities for the 250 TJ/day development, with the first LNG sales expected in late 2023.

Drilling success at Enterprise-1 in the Otway Basin, and acquisitions of Cooper Basin assets from Senex Energy, are further enhancing Beach's ability to meet the growing demand for East Coast gas. Beach will continue to re-invest in high-returning, long-life assets, targeting >37 Mmboe of production in FY25.

Slide 25 – Ryan Stokes

Energy – SGH Energy

SGH Energy is continuing to work towards FID for Crux with joint venture activities ramping up, which remains on track.

Progress is being made on infrastructure access arrangements for Longtom production. We are confident for the ongoing demand and pricing outlook for east coast gas.

Slide 26 – Ryan Stokes

Media – Highlights

Seven West has successfully delivered on its transformation initiatives with strong performance improvement in profit and balance sheet repair. The new content schedule has improved audience numbers and revenue share, particularly as advertising markets grew through the December quarter.

While overall revenue was down across the half, this was more than offset by year to date cost savings, resulting in 27 per cent EBIT growth. Net debt was reduced by 42 per cent to \$329 million. In February Seven West has repaid \$150 million in debt.

The leadership team continue to look at opportunities to drive operating efficiencies and there is revenue upside through improved revenue share targets and strength of early bookings.

A further step in Seven West's transformation journey is the long-term partnership with Google to provide news content to the Google Showcase product. Google recognises the value of quality and original news content and the strengths of Seven West's audiences.

The share price appreciation since June 30 has triggered the impairment reversal of \$104 million in the statutory result.

In our other media investments, income reduced to \$3 million, which is dependent on the realisation of fund investments.

Slide 27 – Ryan Stokes

Outlook

Now moving to our outlook.

The Group's operating businesses and investments are well-placed to capture the available opportunities in their respective markets. We have strengthened our balance sheet and increased our available funding capacity to invest in these opportunities.

Mining production and infrastructure activity are robust and growth is expected in these segments in FY21.

WesTrac is outperforming with strong results in WA and is on-track to deliver FY21 high single digit EBIT growth on FY20.

Coates is expected to deliver low single digit underlying EBIT growth against FY20, through its continued focus on costs and supporting shovel-ready projects coming on stream.

Through WesTrac, Coates and the Boral investment, we have a strong Industrial Services portfolio that is aligned to several positive long-term drivers of the economy, through mining production, infrastructure investment, and building and construction activity.

Beach will continue to be active through its development programs in the Otway and Perth Basins. The strengthening oil price presents some opportunity dependent on production results.

Seven West's transformation activities enables it to capitalise on the ad market recovery while pursuing the next phase of its strategy and growth.

Slide 28 – Ryan Stokes

Disclaimer

Finally, this is our standard disclaimer.

Thank you. We would be pleased to take your questions at this time.