SGH | Industrial Services, Media, Energy and Investments

**ASX Release**

17 August 2023

# SGH DELIVERS STRONG FY23 EARNINGS, FY24 GUIDANCE

Seven Group Holdings (SGH) (ASX:SVW)

- **Revenue[1] from continuing operations of $9,627m, up 20%**
- **EBITDA of $1,689m, up 15%**
- **EBIT of $1,187m, up 20%**
- **WesTrac EBIT of $500m, up 18%**
- **Coates EBIT of $300m, up 22%**
- **Boral EBIT of $232m, up 117%**
- **NPAT of $654m, up 18%**
- **Adjusted Net Debt/EBITDA (leverage) sub-2.3x, reduced 20%**
- **Operating cash flow of $1,570m, up 55%**
- **Final dividend of 23 cents per share, fully franked**

[1]All references to financial metrics are on an underlying basis unless stated otherwise.

Seven Group Holdings (SGH) today reported strong growth in its financial result for the year ended 30 June 2023 (FY23), achieved through outperformance from its industrial businesses, WesTrac, Coates and Boral.

Group trading revenue of $9.63b was up 20%, supported by customer activity in the resources, infrastructure, and construction sectors. EBIT of $1,187m was up 20%, reflecting sector demand, the quality of our businesses, and our people's disciplined execution of Group strategy.

Underlying NPAT of $654m was up 18%. Statutory NPAT of $604m was up 36%, predominantly impacted by a mark-to-market impairment of Seven West Media (SWM) interests. Underlying earnings per share (EPS) from continuing operations for the year was 180 cents, up 18%.

In line with our approach of stable and growing dividends over time, SGH has retained its final dividend at 23 cents per share, bringing the total dividends for FY23 to 46 cents per share fully franked.

**Ryan Stokes, MD and CEO said:**
*"SGH delivered a strong result for FY23, with EBIT growth of 20% to $1,187m. The result was led by the strong performance of our industrial businesses, with a combined growth of over 30%, and more than $1b in EBIT. The result reflects the market leading positions and core plus nature of WesTrac, Coates, and Boral. The Boral earnings growth of 117% shows clear progress towards our performance improvement objectives."*

*"Once again, our people demonstrated focus, agility, and discipline in their dedicated work to support our customers. I am proud of their efforts. From our leaders through to our front-line workforce, our businesses exemplify the Owner's Mindset value of SGH. Our commitment remains unwavering in providing our customers with the best service, solutions, products and offerings that contribute to their success."*

*"SGH demonstrated our strong cash flow capability in FY23, with $1.57b in operating cash supporting a 9% reduction in net debt, and 20% reduction in leverage to sub-2.3x, delivering our target of below 2.5x a year ahead of our commitment."*

*"Ensuring the safety of our people is our top priority, and I am pleased to report a 42% improvement in TRIFR to 6.0, and 27% improvement in LTIFR to 1.9, compared with this time last year."*

**Key Financials**

| Group Results ($m) | FY23 | FY22 | Change (%) |
|---|---|---|---|
| Group Revenue | $9,627 | $8,013 | 20% |
| Statutory NPAT | $604 | $444 | 36% |
| Underlying NPAT[1] | $654 | $554 | 18% |
| Underlying EPS | $1.80 | $1.52 | 18% |
| Final fully franked dividend per share | 23c | 23c | 0% |
| **Underlying continuing operations ($m)** | **FY23** | **FY22** | **Change (%)** |
| Group Revenue | $9,627 | $8,013 | 20% |
| Group EBITDA | $1,689 | $1,465 | 15% |
| WesTrac EBIT | $500 | $426 | 18% |
| Coates EBIT | $300 | $246 | 22% |
| Boral EBIT | $232 | $107 | 117% |
| Energy EBIT | $114 | $153 | -26% |
| Media EBIT | $61 | $80 | -23% |
| Other EBIT | -$20 | -$24 | -15% |
| **Group EBIT from continuing operations** | **$1,187** | **$987** | **20%** |

[1]Underlying, attributable to members

**WesTrac**

WesTrac delivered FY23 revenue of $4,905m, up 24%. Machine sales growth of 25% was supported by investment of our resources customers and strong construction activity. Product support growth of 23% was driven by the ageing mining fleet thematic, contributing to strong parts volume growth.

EBIT of $500m was up 18%, benefitting from stronger sales volumes and pricing. The disciplined investment in WesTrac's facilities (Guildford, Perth Airport Precinct, and parts automation) and processes (Palantir Foundry, Integrated Dealer Solution) is helping drive productivity to support the increased volume of activity. WesTrac's FY23 EBIT margin of 10.2% remains globally competitive for a Cat dealership and will benefit going forward from these investments in facilities and processes.

Skilled labour constraint remains a focus as activity continues to increase. WesTrac is addressing labour issues through the development of its internal pipeline, with over 450 apprentices enrolled in the WesTrac Institute, as well as targeted initiatives to increase domestic and international recruitment. WesTrac is well positioned to capture the increasing demand opportunity as labour availability increases.

Cash conversion of 117% and operating cashflow up 467%, reflect strong receipts from customers and a focus on increasing working capital velocity. Machines in transit remain elevated on demand-related supply chain constraints.

**Coates**

Coates revenue of $1,143m was up 13%, and EBIT of $300m was up 22% on equipment hire growth across all regions.

EBITDA and EBIT margins of 43.4% and 26.3% expanded 38bp and 188bp respectively, reflecting the ongoing push to increase operating leverage through network and process optimisation. This optimisation also saw operational metrics improve across the business, with time utilisation (TU) of 61.6% up 200bp.

Coates is actively supporting customers who are delivering the $1.2 trillion 5-year infrastructure and construction pipeline/opportunity, with the largest and most comprehensive hire fleet nationally, and tailored solutions offerings. It is also well placed to capitalise on the increasing renewables infrastructure pipeline.

The business continued to evolve its fleet in FY23 to meet these opportunities, growing the total fleet by $70m to $1.87b, and the Greener Choices fleet by to $20m to $132m, now 7% of the total fleet (OC).

Coates' solutions offerings (Engineering solutions, Industrial solutions and power & HVAC) continued its strong growth in FY23, with EBIT contribution of $43m, representing 14% of total earnings. Coates will continue to focus on expansion of the solutions business in FY24, along with increasing utilisation of fleet, operating leverage, and network optimisation to drive productivity and growth.

**Boral**
Boral (72.6% interest) delivered revenue growth of 17% to $3,461m, and EBIT growth of 117% to $232m. The result reflects strong underlying customer activity, supporting volume growth across all products, and pricing traction in all regions.

The improving operational performance and ongoing cost base rationalisation combined to deliver 215bp and 309bp expansion in EBITDA and EBIT margins respectively. Earnings growth and margin expansion highlight the ability of both the new management team and refined operating model to drive performance.

In FY24 Boral will focus on effectively capturing the ongoing infrastructure and construction opportunity, while continuing to optimise the cost base and improve customer service to drive long-term sustainable growth. In addition, Boral is looking to accelerate capital expenditure investment in key areas to support the optimisation of the operating performance.

**Energy**
Beach Energy (30% interest) continued to develop its strategically important gas resources over the year, with significant production uplift expected into both the East and West Coast gas markets in CY24.

FY23 Underlying NPAT declined 24% to $385m ($116m contribution to SGH EBIT) on lower production and margin compression. The result was below expectations, reflecting both externalities and execution challenges. Beach will focus on improving execution and restoring market confidence in FY24, supported by the appointment of experienced oil and gas executives, Bruce Clement (interim CEO) and Brett Woods (incoming CEO, February 2024).

Beach remains in a robust financial position, with gearing sub-5% and a strong free cash flow outlook. We remain confident in the outlook for the business and its inherent value as a core domestic supplier of transitional energy.

Construction of the Crux project (SGH 15.5%) continues, with first LNG cargo expected CY27.

**Media**
Seven West Media's (39.8% interest) FY23 NPAT contracted 27% to $146m ($57.9m contribution to SGH EBIT). The result reflected the softer advertising market experienced since the second quarter, partially offset by cost mitigation actions. Digital earnings were up 17% on an underlying basis to $139m, and now represent ~49% of total earnings.

SWM continue to focus on financial and cost discipline and have maintained ND/EBITDA (leverage) below 1x to preserve financial flexibility.

**Cash Flow and Capital Management**
Group operating cash flow of $1,570m was up 55%, facilitating a 9% reduction in net debt to $4,017m. Adjusted Net Debt to EBITDA (leverage) contracted 20% over the year, from 2.8x to sub-2.3x, well below the Group target of 2.5x. The leverage reduction was achieved 12 months ahead of the market-committed timeline, supported by earnings growth and substantial OCF increases at WesTrac (+467%), Coates (+9%) and Boral (+278%).

Group EBITDA cash conversion of 93% was up 48%, reflecting strength in customer receipts, as well as targeted initiatives to improve the call to cash process and reduce working capital.

As at June 30, 46% of the Group's drawn debt was at fixed rates, and the effective Group borrowing cost was 5.6%.

The disciplined execution of the Group's capital allocation model and capital management is reflected in ongoing relative outperformance, with total shareholder return exceeding the ASX100 by 212%, 58% and 202% over 1, 3 and 10 years, respectively.

**Outlook**
Seven Group Holdings is carrying strong earnings momentum and is looking to continue growth in FY24.

In Industrial Services, the ageing mining fleet thematic and bulk commodity production outlook underpins WesTrac's support opportunity, while their committed orderbook provides confidence in the capital sales outlook. The strong infrastructure and construction investment supports the customer activity outlook at Coates and Boral. The industrial services segment combined outlook is for high single to low double-digit EBIT growth, this is further reinforced with strong July-24 segment results.

Beach has a stable earnings outlook, with FY24 production guidance of 18 – 21mmboe. In Media, SWM will maintain focus on efficiencies and are targeting 40%+ total TV revenue share in FY24, with the Total TV market expected to stabilise in Q2 FY24.

The segment outlooks combine to support Group level guidance of **"high single-digit EBIT growth expected in FY24"**.

*This release has been authorised to be given to ASX by the Board of Seven Group Holdings Limited.*

*More detailed information regarding SGH's FY23 results can be found in SGH's FY23 Results Presentation and the FY23 Annual Report. The Company's Annual General Meeting will be held on 16 November 2023. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 27 September 2023.*

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**Seven Group Holdings Ltd SGH (ASX:SVW)** 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 is the sole authorised Caterpillar dealer in WA, NSW and ACT. WesTrac is one of Caterpillar's top dealers globally. SGH owns Coates, Australia's largest nationwide industrial and general equipment hire business. SGH also has a 72.6% shareholding in Boral (ASX:BLD), a leading construction materials group. In energy, SGH has a 30.02% shareholding in Beach Energy (ASX:BPT) and has interests in energy assets in Australia and the United States. In media, SGH has a 39.83% shareholding in Seven West Media (ASX:SWM), one of Australia's largest multiple platform media companies, including the Seven Network, 7plus and The West Australian.