SGH
Industrial Services, Media and Investments

27 August 2014

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

By Electronic Lodgment

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Dear Sir / Madam

YEAR END RESULTS PRESENTERS' NOTES

Please find attached Presenters' Notes for the Presentation of Results for the financial year ended 30 June 2014 made today at the Company's premises, 38-42 Pirrama Road, Pyrmont, NSW.

Yours faithfully

Warren Coatsworth
Company Secretary

Results Presentation – Year Ended 30 June 2014

Slide 1

Opening Slide – Don Voelte

<u>SGH Full Year Results – Results FY14</u>

Welcome.

Thank you for attending today's Seven Group Holdings Fiscal Year 2014 Final Results Presentation.

We appreciate your continuing interest in our Company.

I am Don Voelte, CEO and Managing Director. With me today are Richard Richards, CFO and Ryan Stokes, COO.

Slide 2 – Don Voelte

Disclaimer

Our standard disclaimer is on slide 2

Slide 3 – Don Voelte

Agenda

Our agenda today.

I will present an overview and give you our outlook for the near-term.

Richard Richards will then review our financials for FY2014.

Following Richard, Ryan Stokes will then review the performance and current status of our operating companies and investment and property portfolios.

I will then wrap up and also facilitate the Q&A.

Slide 4 – Don Voelte

Group Highlights

Our industrial services sector continues to be impacted by the mining downturn. As commodity prices remain under pressure, the miners are very focused on efficiency and doing more with less. There is very limited demand for new equipment at this time even though record coal and iron ore export volumes will have to support service, parts and ultimately lead to capital replacements. We have taken the measures to right-size our businesses to match industry performance. Although the financial pie is smaller at this point in time, our competitive slice of the pie has not diminished. In fact, in all of our businesses impacted by lower revenues, we are adamant <u>not</u> to lose market share.

Our investment in Media met with mixed results… television and digital up and print down. Seven West Media is concentrating on increasing the proportion of their strongest business lines on the segments based on growth vehicles provided by application of new technologies.

Ryan will talk further on our listed Investment and Property portfolios … they were very strong performers again this year.

And new this half, we made our first investments in our newest operating arm… Energy. More details about this exciting entry in a few minutes.

Richard will outline the specifics, but suffice it to say that we have significant funding firepower via surplus cash, undrawn facilities, and if need be, our listed portfolio to capitalise on opportunities as they present themselves.

All this allows us to declare an ordinary dividend for the half of 20 cents per share, fully franked. Therefore the total FY14 dividend is 40 cents per share, fully franked, representing a 54 per cent payout.

Slide 5 – Don Voelte

Key Financial Numbers

Some key financial numbers;

- As noted, the mining downturn is the biggest factor leading to a 35 per cent reduction in trading revenue, to just under $3.1 billion.
- Our underlying EBIT reduced by 40 per cent in line with our guidance of… low end of 30-40 per cent below prior year.
- This results in underlying earnings per share of $0.74.

On a statutory basis, our Net Profit after Tax is $263 million and earnings per share is $0.77. This is based on significant items totalling a net $9 million after tax.

Slide 6 – Don Voelte

Capital Management

- At Seven Group Holdings, we are committed to strong principles of Capital Management. While ensuring the proper working capital requirements of our operating businesses, we strive to execute an efficient capital structure at an appropriate level of gearing to pursue growth and investment opportunities.
- Complimenting that imperative, we aim to not only maintain, but to grow the dividend.
- And supporting our shareholders, we continue to buy-back our shares, and we anticipate another 6.4 million shares to be purchased during the coming months.
- Finally, we continue to diversify our earnings base. We advised that we had capacity to build a third operating arm, and we looked at health care, agriculture pick and shovel, water, etc… but we have settled in with Energy. We have a good start, and at the right price… more later in Ryan's presentation.

Slide 7 – Don Voelte

Transformation in Progress

We made major changes in our SGH businesses starting a little over a year ago.

- We have put in virtually an entire new team at SGH. We now have a finished team of six full-time executives: CEO, CFO, COO, Group Executive Resources, Group Executive Performance and a Chief Risk, Safety and Security Officer. Further we have five finance professionals reporting to the CFO. And, we have three part-time shared resources in functional roles.
- Hopefully, in a smooth and structured way, we have also put new management teams in place in WesTrac Australia, WesTrac China, Coates Hire and AllightSykes, in addition to the recent transition that took place in Seven West Media.
- We consider this phase of our transition complete. We are very happy with our current SGH team as well as our operating business teams.
- We are now repositioning our businesses for current market conditions. Our businesses were built for the boom period. Now, we are ensuring they are built for all conditions. Some call it repositioning, but I like to think of it as building sustainable companies – able to perform for customers and shareholders – in all economic conditions. We are well into this transformation. I am excited about what our folks are accomplishing.

Slide 8 – Don Voelte

Outlook

I need to remind our listeners of our Disclaimer Slide 2.

Your management team at SGH continue to see tough trading conditions in the industrial services and mining sector. We do not see a change in this outlook with the limited visibility we are currently experiencing. But we will keep the market informed.

We have cautiously entered the Energy sector. We are buying only at the right price. We like the US currency and oil based pricing diversity. Oil commodity pricing has been strong throughout the mineral and metal commodity price cycles and we expect that to continue.

Media is more of a mixed picture; up in television and digital, a continuing trend in newspapers and an improving trend in magazines.

Therefore, when you add up these different aspects, and then add in our Property and Investment portfolios, we are anticipating that underlying EBIT in fiscal year 2015 will be flat versus fiscal year 2014. We caution that we have a more limited visibility than we would have liked to have at this point.

Now I will turn it over to Richard Richards who will go through our financial results

Now over to Richard Richards

Slide 9 – Richard Richards

Consolidated Profit & Loss

Thanks Don and good afternoon.

Slide 9 outlines a summary of the consolidated profit and loss statement for FY14 and I refer you to the Financial Statements detailed within the Annual Report released today for the detailed statutory disclosures.

This result reflects the challenging conditions faced by the Group's industrial services businesses in Australia, as mining related capital sales and services contracted in response to continued cost cutting across the industry.

Consolidated revenue decreased by 33 per cent to $3.3 billion, principally driven by a $1.6 billion reduction in product sales in WesTrac Australia against prior year. Product support revenue, however, was only down 3 per cent due to deferral of non-critical maintenance and reduced fleet utilisation. This is best evidenced by the 10 per cent efficiency gains achieved by BHBP across their fleet of 800 trucks outlined in their Results presentation last week at page 9.

Expenses, excluding depreciation and amortisation similarly decreased by $1.4 billion or 33 per cent resulting in underlying EBITDA declining by 38 per cent to $423 million.

Underlying EBIT of $374 million was in line with the guidance provided, being 40 per cent down on the prior year.

On a statutory basis, the result was positively impacted by significant items after tax of $9 million coupled with a 34 per cent reduction in financing costs due to lower net debt and a reduced effective tax rate of 16 per cent.

This underlying effective tax rate of 16 per cent reflects the proportionate increase of fully-franked dividends on our pre-tax income for the year. I would also draw your attention to the qualitative tax disclosure contained in Note 7 to the Financial Statements.

Slide 10 – Richard Richards

Significant Items

Significant items reflect potentially non-recurrent items that arose during the year totalling $9.3m after tax. This represents a reversal of $123 million of the gains reported in the first-half principally driven by additional impairment of SGH's investment in Seven West Media of $170 million in the half and $42 million across the year.

Significant items for the year include SGH's gain on the sale of part of its listed portfolio (including a $15 million gain on sale of part of our stake in ABC together with $18 million gain being realised on other listed securities), mark to market of cash settled equity derivatives of $5 million, and our proportionate share of profit realised by Coates Hire on the sale of its UK operation reduced by $16 million of losses on restructuring, redundancies and asset impairments recognised by Coates. The stamp duty benefit reflects the reversal of previously incurred duty levered on the Australian EMP acquisition.

Significant items also include costs associated with the Group's restructuring activities which resulted in the reduction of approximately 1,400 FTE positions across our operating businesses during FY14 and onerous lease provisions on surplus property and the termination of a take or pay obligation on a jet used to service remote customers.

Net financing costs also benefited from the unwind of $9 million of deferred proceeds from the vividwireless sale coupled with guarantee fee received of $4 million referable to property transactions and loan establishment fees referable to Nexus totalling $7 million.

The tax benefit of $0.8 million within Significant Items does not align with the prevailing corporate tax rate of 30 per cent, due to the exempt tax treatment of both the ABC realised profit and Coates UK sale.

Further detail is provided at Note 4 at page 64 of our Financial Statements.

Slide 11 – Richard Richards

Earnings Summary

Slide 11 shows the breakdown of the Underlying EBIT outlined in Slide 10 and allocates these amounts across each operating segment providing the reconciliation back to Statutory EBIT.

Underlying EBIT for the period declined from $623 million in the prior year to $374 million in FY14, driven by a 54 per cent decrease in WesTrac Australia's result. Coates Hire also recorded a 45 per cent decline against prior year, reflecting lower fleet utilisation and margin compression.

Pleasingly, WesTrac China recorded an EBIT turnaround of $23 million, achieving EBIT of $21 million against the 2.5 million loss in the prior year reflecting the restructuring undertaken to right size this business for subdued operating conditions.

Media's contribution of $103 million, was 3 per cent down for the year. However after adjusting for the impact of the sale of Consolidated Media in the comparative, this segment was up 4 per cent.

The increase in other costs relates to transaction costs incurred on various acquisitions, increased corporate headcount, and the inclusion of STI and LTI provisions for FY14. It is also noted that, as highlighted at the half-year, the prior comparative year contained provision releases of approximately $3 million.

The segment note at page 62 of the Financial Report provides further detail including segment assets and liabilities.

Slide 12 – Richard Richards

Consolidated Balance Sheet

A summary consolidated balance sheet is detailed on slide 12.

The $123 million reduction in trade and other receivables is driven by the reduction in product sales which has also had the effect of increasing the Group DSO from 46 days to 55 days. Offsetting the reduction in trade receivables is the $97 million increase in collateral deposits, $60 million of which relates to Nexus.

Inventory levels have also reduced substantially from FY13 as a result of the slow-down in demand. Trade payables have also reduced as inventory levels have been managed down.

The increase in intangibles relates to the acquisition of EMP China of $93 million and the recognition of undeveloped oil and gas assets in Texas totalling $26 million offset by unfavourable FX movements against WesTrac China's distribution network of $9 million. Further detail is provided at Note 15 to our Financial Statements.

The $324 million increase in investments relates to the increase in the carrying value of the listed portfolio of $157 million, financing provided to Nexus of $129 million, SWM appreciation of $17 million and Coates Hire $22 million.

The reduction in net tax liabilities has arisen as a result of the $135 million of income tax paid during the year related substantially to the capital gain derived in FY13 paid in December 13 and the movement to monthly rather than quarterly income tax instalments during the year.

Deferred revenue has decreased by 33 per cent in line with the slowdown in demand for product sales in WesTrac

Our net debt has increased by $356 million primarily due to investments, dividends and tax paid during the year, however, we have driven reduced operating leverage in our equity accounted investments with Coates retiring $341 million and SWM retiring $271 million of gross debt both of who have refinanced during the year.

Slide 13 – Richard Richards

Consolidated Investment Listing

Turning to the consolidated investment listing on slide 13, we present the book carrying values of our major investment holdings at 30 June 2014 and the prior year comparative.

The value of our investments has increased by $325 million principally driven by bridge financing provided to Nexus Energy and our listed portfolio.

The carrying value of our interest in SWM, including the RCPS, increased by $17 million over the year.

Our equity accounted interest in Coates Hire increased by $22 million, with shareholders electing to reduce its leverage rather than distribute dividends. Further details referable to our equity accounted investments is provided at Note 11 to our Financial Statements.

Our other investments are made up of a $27 million equity accounted investment in power systems businesses and $30 million equity accounted investment in indirect property such as Flagship and Revy. It is noted that a further $43 million of direct property is reflected in property, plant and equipment at historical cost.

A $21 million return of capital received during the year from Flagship has been offset by new investments into the Chinese media sector

The explanatory notes below the table set out the different accounting treatments of each investment.

Slide 14 – Richard Richards

Balance Sheet Metrics

This slide highlights the credit strength of the Group's balance sheet with gearing currently being 26 per cent. This 6 per cent increase reflects the net investment undertaken during the year.

Interest coverage remains very strong at 5.9 times.

And whilst net debt to underlying EBITDA has increased due to combined effect of the lower underlying EBITDA and increased net debt owing to the investments made during the year, this is an effective mismatch with the increased debt being referable to investment EBITDA treated as significant.

Slide 15 – Richard Richards

Operating Cash Flow

On slide 15 we demonstrate the strong cash conversion that continues to be achieved by the Group.

Adjusting the operating cash for cash interest and taxes paid and restructuring costs, gives us an underlying operating cash of $451 million. This represents EBITDA cash conversion of 107 per cent for the period, as working capital has been released as trading conditions softened.

Slide 16 – Richard Richards

Total Cash Flow

Slide 16 highlights that the primary driver of the $356 million increase in net debt is due to the funding of a number of investments during the year totalling $387 million, the payment of dividends totalling $149 million and the share buyback of $44 million.

Key investment flows during the period included Nexus loans of $116 million, EMP China of $103 million, US Oil and Gas interest of $71 million and additions to the listed portfolio of $66 million.

Slide 17 – Richard Richards

Consolidated Debt Maturity Profile

Slide 17 is analysis of our debt maturity profile.

At 30 June 2014 we had $1.1 billion of undrawn borrowing lines and $128 million in available cash and $97 million in collateral deposits. As you can see from the chart, our weighted average drawn debt duration is 6.1 years with a spread of maturities reducing future refinancing risk.

Whilst the China facilities are reported as current, these facilities have historically been consistently renewed.

I would also reiterate that both Coates Hire and Seven West Media have recently refinanced their respective syndicated bank facilities, achieving extended tenor and improved pricing.

Slide 18 – Richard Richards

Debt Facilities

In addition to tenor, diversity of funding sources is critical to SGH's treasury risk management. SGH has maintained continued access to syndicated bank, capital markets and OEM financing across various jurisdictions.

This has provided SGH with $2.3 billion in total facilities with $1.1 billion currently being available to be drawn. This available capacity, when coupled with our current cash and listed investment portfolio, provides the Group with $2.1 billion of total available liquidity.

I will now pass to Ryan to provide more detail on the operating performance of the Group.

Slide 19 – SWM - Ryan Stokes

Seven West Media Overview

Thank you Richard. Good afternoon everyone, I'm Ryan Stokes COO of SGH, I'll be taking you though the operational overview of the Group.

We start with slide 19 and Seven West Media. This presentation follows the Seven West team so I don't plan to repeat or importantly contradict any statements they have made.

This year has seen record revenue and ratings for TV with 40.5 per cent revenue share in FY14. Seven West is a market leader across TV and the publishing sectors it operates within. Despite the fact it has been a challenging advertising environment SWM has focused on and delivered increasing share and leadership while driving cost efficiencies. There is increasing focus on integration of our media content and technologies that can take advantage of our audience reach.

It's a strong management team, led by Tim Worner, along with Kurt Burnett as CRO and the team, who are focused on building on our leading position. The team are laying the foundations for the future with content at the core of what SWM does.

Slide 20 – SWM - Ryan Stokes

Media Investments P&L

Slide 20 outlines our Media Investment P&L.

The contribution to SGH Group EBIT from Media was $103 million. The underlying profit contribution from Seven West Media ordinary equity is $74 million up 2 per cent on last year. In addition the RCPS instrument contributed $26 million for a combined contribution of $100 million from SWM related investments.

On a like-for-like basis, excluding CMH, the contribution from media has grown 4 per cent compared to last year.

Slide 21 – Ryan Stokes

SGH Investment Portfolio

Moving to slide 21. During the year our investment portfolio performed well, providing the Group with $42 million in dividend income. The period saw a $57 million increase in market value and a realised gain on sale of $33 million which is not included in the underlying result. Further investments were made during the period at a cost of $218 million.

At 30 June 2014, the portfolio had a market value of $916 million which included unrealised gains of $217 million. These gains do not form part of the Group's profit result and are included within our reserve balances and will be released to the P&L when the investments are sold.

Our listed investment portfolio provides SGH with an added source of liquidity and an ability to create shareholder value through selective investment opportunities. The portfolio represents a store of value. I would like to acknowledge Gavin Armstrong as Group Treasurer and the SGH Finance team for their contribution in supporting the portfolio activity.

Slide 22 – Ryan Stokes

SGH Property Portfolio

Slide 22, SGH Property Portfolio.

Construction is underway and on track with the four Kings Square sites, KS 1-4. We continue to work on the remaining three sites of Kings Square 5, 6 and 7, which we own outright, with the aim of maximising our return on these properties.

We are also actively progressing our TVW Dianella studio with Seven Perth to co-locate to the West Australian at the end of CY 2014 that will enable us to progress the redevelopment.

During the year, SGH received a $21 million return of capital from Flagship Property Holdings. In addition, a gain on the part sale of Flagship's interest in Australian Technology Park of $6 million, resulted in SGH including its share of the gain being $3m as a Significant Item in the period.

Slide 23 – Ryan Stokes

Investments and Property Result

Slide 23 Investment and Property P&L.

The contribution to segment EBIT was driven by dividends on the listed investment portfolio. The $33m of gains on sale of investments have been excluded from this result and treated as "Significant". We also recorded $4.1 million being our share of Flagship's profit during the period.

Slide 24 – Ryan Stokes

WesTrac Australia Overview

Moving to slide 24 and the WesTrac Australia Overview.

As foreshadowed last year and with our half year results, there has been a significant reduction in the demand for new machines in the mining sector. Mining customers have continued their cost and productivity focus. While Iron Ore remains robust there is pressure in the coal sector with all miners focused on bringing cost of production down in line with current resource prices.

With the customer focus on productivity our support business has been slightly negative over the period. This has required WesTrac to reduce the cost base and focus on the value proposition of our support offering.

Through the last 12 months WesTrac has undertaken a leadership transition. We are very pleased to have Jarvas Croome as CEO of WesTrac Australia and Greg Graham as Chief Executive of NSW. Both bring tremendous capability and experience to WesTrac and are supported by David Cooper as CFO.

The team are driving cost efficiency, along with improvements to our systems, processes, and culture. The focus on streamlining our cost base has required a reduction to our work force headcount to right size the business for the current market.

We expect as the age profile of the equipment fleets changes the support opportunity will increase. The investment in new parts facilities and operating systems will allow further improvements to customer service.

Slide 25 – Ryan Stokes

WesTrac Australia Results

Slide 25. WesTrac Australia delivered total trading revenue of $2.35 billion, down 42 per cent on the prior year. Due to the cost and productivity focus of our customers Product support revenue declined by 3 per cent during this period. Segment EBIT of $203 million was down 55 per cent.

The ~25 per cent headcount reduction reflects the right sizing of the cost base that I mentioned. This has been a substantial change from the prior year.

We will continue to focus on cost and capital efficiency to ensure we are best positioned for the market conditions. This remains a continual focus of SGH and of our WesTrac leadership team.

Slide 26 – Ryan Stokes

The S3 Program

Slide 26 profiles our S3 program, Standardisation, Simplification, and Scalability.

The Project is about process-led transformation for the group and is a critical part of transitioning WesTrac through systems and processes.

There are 2 stages, first transition the back office systems to help drive efficiency, and then the core operating platforms for the dealership. Where ever possible WesTrac is utilising standardised and off-the-shelf solutions for the project and working with other dealers around the world to drive the best outcome.

The S3 Program is led by James Scott who is the ED Performance at SGH and in charge of how we enhance our Systems and Processes. James is also chairing the dealer working group for CAT. This project is an example of the transformational steps WesTrac is embarking upon with a focus on driving cost benefits along with enabling us to offer better customer solutions.

Slide 27 – Ryan Stokes

WesTrac China Financials

Slide 27 highlights the result for WesTrac China.

Through the year WesTrac China's trading revenue was up 27 per cent to $616 million, driven by increased demand for engines aided by the expansion in offshore oil and gas. While the excavator industry for our territory declined for the year WesTrac China was able to grow market share and CAT finished the year as the market leader in Hydraulic Excavators.

As a result of the stronger performance during the year and restructure undertaken over the last 2 years, WesTrac China produced $21 million of EBIT – a $23 million turnaround on last year. While a pleasing result there is more work to be done to improve margins.

In May we also completed the Bucyrus/EMP acquisition for our provinces in China at a cost of $103 million. This will expand our mining product lines and opportunities in underground mining which accounts for 80 per cent of coal production in China.

Leadership transition is underway with Lawrence Luo commencing in July as COO and CEO elect to replace Martin Bryant. Martin has made a great contribution to WesTrac China over the last 8 years and while he will retire as CEO at the end of the year he will continue in a role with the group in China.

Slide 28 – Ryan Stokes

AllightSykes

Slide 28 provides an overview of AllightSykes.

It has been a challenging year for the business with the continued pressure in the mining, infrastructure and construction markets, particularly for our rental customers.

Through the year the team has focused on cost reduction and capital management. Major work has been undertaken to look at the lighting products and restructuring the manufacturing process. This has resulted in new technologies being implemented and significant cost out initiatives across the lighting business. We will continue to focus on advancing these activities across the lighting and Sykes pumps business.

AllightSykes remains market leader in lighting towers, pumps through Sykes, and power solutions in the key markets Perkins operates within and has a reach into key global markets. We continue to focus on improving the business.

Slide 29 – Ryan Stokes

Coates Hire

Slide 29, Coates Hire.

SGH has a 45 per cent economic interest in the Coates Hire Group, Australia's largest diversified equipment rental company.

SGH recognises Coates as an equity accounted investment. The business continued to be impacted by soft infrastructure and constructions markets which resulted in a 12 per cent decline in revenue and other income. Despite reducing headcount by 250 in FY14, EBIT reduced by 33 per cent to $188 million for the year. There is a detailed review of the operating model underway to look at how we can improve performance and margins.

In December, Coates Hire sold its UK operations realising $119 million with an NPAT benefit in excess of $26 million. Our share of this gain, $12 million, has been treated as a Significant Item. The proceeds of the sale was used to repay net debt which decreased by $291 million over the year to $1.33 billion.

Coates recently announced a leadership transition with Michael Byrne being appointed as CEO who will commence in mid October. The management team will continue to focus on revenue opportunities to increase market share and cost efficiencies in what remain challenging market conditions.

Slide 30 – Ryan Stokes

Energy Investments

Slide 30 provides an overview of our Energy Sector Investments.

As we highlighted at the half year results release, we have been looking for a new operating platform. We believe that we have taken some important steps to create this new SGH platform in the energy sector.

Our bid for Nexus Energy for an effective price of ~$191 million was accepted at the second creditors meeting on 11 August.

Nexus has a mix of operating and exploration assets that we believe provide a strategic energy platform for SGH. Longtom is the operating asset in the Gippsland Basin, it requires capital to drill the next series of wells under contract to Santos. Nexus also own15 per cent interest in the Crux gas development project located in the Browse Basin controlled by Shell, and there is the exploration field Echuca Shoals.

SGH acquired the debt and provided bridge financing to ensure Nexus could remain a going concern through the offer process and that bridge has ensured it could meet the operating requirements through the administration process. We look forward to the resolution of the situation.

Slide 31 – Ryan Stokes

Energy Trends

Slide 31 addresses some of the macro thematic points that support our interest in the energy sector.

We believe in the long term demands for global energy and the opportunity to take advantage of reserves in quality markets or within proximity to quality markets.

We categorise the thematic in two core themes that will underpin the domestic energy sector. The East Coast Australian gas market "tightening" and Australian gas reserves positioned for Floating LNG. In addition we believe there are quality well positioned energy assets that could provide opportunities for the group.

Within SGH we believe we have strong expertise and will continue to develop on our capabilities.

Slide 32 – Ryan Stokes

Bivins Ranch

Slide 32, Bivins Ranch. In June, we completed the acquisition of an 11.2 per cent working interest in the Bivins Ranch oil and gas acreage in Texas for AUD $71 million. This is a quality oil investment in a high quality market.

Apache Corporation is the operator of the acreage and the acquisition has an exciting mix of producing and development assets with 80 per cent of production being liquids. This is a great addition to our Energy interests and provides attractive cash flow and very promising opportunities.

That covers the operating overview and I will now pass you back to Don who will take you through the remainder of the presentation.

Slide 33 – Don Voelte

Key Takeaways

So there you have it.

We are transforming our businesses, by ensuring we have the right people, tools and technology to add to the world class capital assets each of our companies possess. And, safety and security are a must. Additionally, we are strengthening our processes, systems and controls. But most important, we are returning our absolute focus to our customers and the solutions they require.

Equally, we are focussing on our shareholders, through our strong capital management and deployment of surplus capital into our existing businesses as well as new growth opportunities.

Therefore, we are dealing with the challenges in our markets and taking advantage of opportunities that these markets are providing.

And, I should reiterate that we are anticipating that our collection of businesses and investments are projected to maintain a flat underlying EBIT in fiscal year 2015 versus fiscal year 2014 subject to no further deterioration in market conditions.

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