SGH | Industrial Services, Media, Energy and Investments

23 February 2016

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

By electronic lodgment

Total Pages: 6 (including covering letter)

Dear Sir / Madam

HALF-YEAR MEDIA RELEASE

Please find attached Media Release for the financial half-year ended 31 December 2015.

Yours faithfully

Warren Coatsworth
Company Secretary

SGH interim financial results for the half-year ended 31 December 2015

- Seven Group Holdings ("SGH") reports net underlying profit of $111.6 million – down 6 per cent on the prior comparative period but ahead of guidance.
- WesTrac Australia trading revenue and EBIT materially in line with prior comparative period.
- SGH continues to generate strong operating cash flow of $201.9 million with underlying EBITDA cash conversion of 114 per cent.
- SGH maintains a strong balance sheet with significant undrawn facilities and the listed investment portfolio as a source of additional liquidity.
- SGH today announces plans to refresh its capacity to undertake a further on-market buy-back of up to 16.6 million shares inclusive of the three million shares remaining in the current program.
- SGH declares an unchanged fully-franked interim ordinary dividend of 20 cents per share.
- Statutory result includes significant items of $104.5 million after tax, primarily relating to an impairment of $182.2 million to the carrying value of the investment in Seven West Media ("SWM").

Financial Results ($m)	**Results for six months ended 31 December 2015**	**Results for six months ended 31 December 2014**	**% Change**
Trading revenue	1,368.6	1,397.8	(2%)
Underlying EBITDA	186.9	198.7	(6%)
Underlying EBIT	167.2	175.0	(4%)
Underlying profit before tax	123.6	141.5	(13%)
Underlying profit after tax	111.6	118.7	(6%)
Underlying EPS (cents)	34c	35c	(3%)
Statutory loss before tax	(31.5)	(113.3)	72%
Statutory profit after tax	7.1	69.2	(90%)
Statutory EPS (cents)	(2)c	18c	-
Underlying EBITDA cash conversion	114%	141%	(27%)
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: "This is a robust result for the first half reflecting the strength of the mining production cycle as customers consume parts and service to help deliver record production volumes. We are building strength into all of our businesses through the cycle as we continue to streamline our operations and drive working capital efficiency, while maintaining our market leadership and balance sheet flexibility".

"The declared dividend reflects our confidence in the Group's profitability and free cash flow generation".

Key Highlights

(23 February 2016) -- SGH reports a statutory net profit after tax ("NPAT") of $7.1 million for the half-year ended 31 December 2015. After adjustment for significant items, SGH reports underlying NPAT of $111.6 million, down 6 per cent on the prior comparative period.

SGH delivered underlying earnings before interest and tax ("EBIT") of $167.2 million, on total revenues of $1,368.6 million. Underlying earnings per share (excluding significant items) is $0.34. Statutory earnings per share is $(0.02).

The underlying result shows the benefit of actions taken in prior periods to preserve profitability, creating resilience in the Group's businesses during a period of volatile market conditions. SGH maintains its previous guidance that full year underlying EBIT will be down 10 per cent on FY15.

Significant Items

Significant items during the period primarily relate to an impairment of the carrying value of the investment in SWM of $182.2 million as a result of the prevailing share price as at 31 December 2015, partially offset by profits realised from the property portfolio of $37.2 million. On an after-tax basis, significant items represent a net book cost of $104.5 million.

No impairment of exploration and evaluation assets or producing and development assets was required during the period. This reflects the judicious acquisitions undertaken by the Group.

Balance Sheet

The Group has net assets of $2.5 billion and is supported by liquidity provided through the listed securities portfolio worth $641.7 million and approximately $950.7 million in available undrawn facilities as at 31 December 2015.

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 investments in Beach Energy Limited and Drillsearch Energy Limited which are reported as part of the Energy segment from 1 July 2015, reflecting the strategic rather than passive nature of these investments.

At 31 December 2015, the Group's net debt was approximately $1.4 billion, an increase of $64.5 million since 30 June 2015. The movement in net debt reflects the impact of the $70.1 million ordinary share buy-back, net investment expenditure of $49.8 million and capital expenditure of $50.5 million. Key items of capital expenditure included $26 million relating to production, development and exploration expenditure in the Energy segment and $25.8 million in WesTrac Australia, primarily relating to the S3 program.

The Group has maintained a comfortable debt position with a net debt to total assets ratio of 36 per cent. Approximately 64 per cent of the Group's debt is fixed and the average term of the Group's debt facilities at 31 December 2015 was 3.6 years. In February 2016, the Group extended the majority of its principal syndicated facility for a further year at the same margins. The average duration of the Group's debt facilities has increased to 4.0 years as a result. Furthermore, the signing of an incremental $40.0 million OEM facility demonstrates the confidence of capital markets in the Group's businesses through the cycle.

Capital Management

During the six month period, the Group bought back approximately 14.6 million shares at a total cost of $69.5 million. The Group has today announced that it will refresh its capacity to buy-back a maximum additional 16.6 million shares on-market, commencing 12 March 2016. This is consistent with the Group's ongoing capital management strategy to efficiently utilise available capital to enhance shareholder returns. The buy-back will be EPS accretive and funded out of existing cash reserves.

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 59 per cent of the underlying earnings per share and reflects the Group's objective to maintain the dividend over time.

Outlook

The Group will continue its focus on cost control, productivity improvements and working capital management to ensure that the operating businesses are resilient and well-positioned to compete aggressively in the current environment. The Group is focused on maximising free cash flow while enhancing shareholder return through capital management initiatives including the dividend and the share buy-back.

At this early stage of the second half, the Group has not revised its full year guidance and maintains its previous guidance that underlying EBIT for FY16 is estimated to be down 10 per cent on the prior year, subject to there being no further deterioration in market conditions.

Review of Businesses

WesTrac Australia

WesTrac Australia delivered underlying EBIT of $85.1 million on trading revenues of $1,067.2 million.

WesTrac grew its product sales 9 per cent against the prior comparative period. This was offset by a decline in product support revenue of 5 per cent with miners reducing critical inventory and deferring or bringing maintenance work in-house to combat falling commodity prices.

Mining and heavy construction unit sales remain depressed in WA although sales have been of higher value equipment. However, a strengthening of used equipment sales, particularly in mining, supports the whole-of-life value proposition provided by WesTrac as miners seek to optimise their fleet operating costs.

Underlying EBIT was down 2 per cent on the prior comparative period. Ongoing tight cost controls and headcount reductions have resulted in a materially unchanged EBIT margin for the period despite the adverse change in revenue mix.

WesTrac China

WesTrac China delivered underling EBIT of US$7.8 million against US$11.4 million in the prior comparative period. The decline was largely due to a 36 per cent reduction in product sales, which was consistent with the overall market, and reflects the protracted downturn in the property and mining sectors in China. The 14 per cent increase in product support revenue and the 75 per cent increase in used equipment sales demonstrate WesTrac China's ability to capitalise on new opportunities and the increasing maturity of the market.

The business generated operating cash flow of US$42.2 million on EBITDA of US$9.2 million with further improvement in working capital targeted. This is the result of disciplined contract management and working capital better matched to equipment delivery profiles.

Coates Hire

Coates Hire ("Coates") continues to be leading equipment supplier to market sectors that are undergoing transition. Revenue was down 9 per cent on the prior comparative period but 3 per cent up on the preceding six months reflecting market share gains. Coates delivered an underlying EBIT for the period of $52.5 million compared to $68.2 million in the prior comparative period.

Seven West Media

SWM is expanding its presence in media, driving its leadership in the creation of content and delivering that content anywhere, anytime to the biggest audiences. The company is expanding its presence beyond its digital broadcast channels across an array of platforms, including live-streaming of its broadcast channels to any connected device.

SWM delivered an underlying EBIT result of $205.4 million, down 9 per cent on the prior comparative period. SWM continues to lead the market in television advertising revenue share with a reported share of 38.5 per cent for the six months. Underlying NPAT was up 2 per cent for the period.

SWM has a strong balance sheet with net debt of $655.5 million and net debt to EBITDA ratio of 1.7x as at 31 December 2015.

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. From 1 July 2015, the segment also includes the Group's 20 per cent investments in Beach Energy Limited and Drillsearch Energy Limited. These investments were previously part of the Group's listed investment portfolio.

The Group's assets and investments on the East Coast of Australia are well-positioned to benefit from the expected shortage of gas in the medium to long-term. Despite the recent volatility in energy prices, east coast gas contract pricing has remained attractive, and the Group continues to assess commercialisation options for Longtom and Gemfish. In the Browse Basin, after a successful discovery with the Auriga well, the Group will continue to assess long-term development concepts for the Crux project. In the US, drilling activity at Bivins Ranch has been scaled back with a focus on capital preservation in the current environment.

EBIT from the Energy segment was $1.8 million as compared to $2.7 million in the prior comparative period.

Other investments

Investments and property delivered an underlying segment EBIT of $18.3 million, down $1.5 million on the prior comparative period, predominantly due to a reduction in dividends received from the listed portfolio. The property portfolio yielded gains of $37.2 million for the period which is reflected as a significant item. Of this, $23.4 million relates to the Kings Square development and the remainder is the proportionate share of profits realised on sale of a building held by an equity investment.

The portfolio delivered an annualised total return of (4.3) per cent against the 0.3 per cent return on S&P/ASX200 for the six months. The market value of the portfolio as at 31 December 2015 was $641.7 million. At 31 December 2015, unrealised gains of $192.2 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.