

17 August 2023

Company Announcements Office  
Australian Securities Exchange Limited  
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### PRESENTERS' NOTES

Seven Group Holdings Limited (ASX: SVW) attaches the speakers' notes for the FY23 Full Year Results Investor Presentation.

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

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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.



**SGH FY23 Results Presentation  
Speaker Notes  
17 August 2023**

**Slide 1 – Ryan Stokes  
Opening Title Slide**

Good morning and welcome to the Seven Group Holdings full-year results presentation for the year ended 30 June 2023.

I'm Ryan Stokes, Managing Director and CEO, and joining me today is Richard Richards, Group CFO.

**Slide 2 – Ryan Stokes  
Group Overview – Who We Are**

SGH is a diversified holding Group, with market-leading businesses spanning industrial services, media and energy.

We employ close to 15,000 people across WesTrac, Coates, Boral, Beach Energy and Seven West Media, focusing our operations on the Australian market.

As a Group, we aim to deploy incremental capital in sectors with demand tailwinds, such as mining production, infrastructure & construction, and transitional energy. We focus on businesses with privileged assets and leadership positions.

This strategy has supported our performance over the past decade, and the delivery of another strong result in FY23.

**Slide 3 – Ryan Stokes  
Group Overview – FY23 Key Results**

Supported by outperformance of our Industrial Services businesses, the Group delivered revenue of \$9.63 billion, and EBIT of \$1.19 billion, both up 20 per cent year-on-year.

Underlying NPAT of \$654 million and EPS of 180 cents were both up 18 per cent.

Operating cashflow of \$1.57 billion was up 55 per cent and reflects our earnings growth as well as targeted efforts to increase the velocity of working capital.

**Slide 4 – Ryan Stokes  
Group Overview – Strategic Sector Exposures**

Looking at our strategic sector exposures, and the ongoing opportunity in each:

WesTrac is exposed to mining production through the volume of earth moved, rather than commodity prices. The outlook for our key bulk commodity exposures like iron ore and coal is strong through this decade. We also expect expanding mining production in lithium and other battery minerals.

Coates and Boral are primarily exposed to domestic infrastructure and construction investment, where over \$1.2 trillion is expected to be invested over the next five years, according to the latest Infrastructure Australia report.

Beach and SGH Energy focus on gas and its role as a transitional energy source. We expect supply constraints in key gas markets of the East and West Coasts, and Global LNG by 2026, as demand for gas to firm-up renewables generation increases through the energy transition.

**Slide 5 – Ryan Stokes**  
**Group Overview – Purpose, Objective and Values**

The Group's performance is supported by our Purpose, Objectives, and Values.

Our Purpose is to recognise and serve exceptional businesses, while delivering our strategic objective of maximising returns to stakeholders through long-term sustainable value creation.

These goals are supported by four SGH values: Respect, Owner's Mindset, Courage, and Agility.

Among these values, the Owner's Mindset stands out as seminal to the Group. The Owner's Mindset promotes accountability, and a focus on execution. It is deeply ingrained at all levels of the organisation, and a core component of our operating model.

**Slide 6 – Ryan Stokes**  
**Group Overview – Accountable, Scalable Operating Model**

We believe our operating model provides a number of advantages, one is the scalability of SGH. There are three key characteristics of the SGH operating model that combine to support our performance and make it inherently scalable.

1. Clear Group and BU delineation:

Each business unit has separate, fully functioning Board structures, holding them accountable to deliver. The model drives P&L accountability and ownership of the result.

2. Front-line focused workforce:

Decision-making is pushed towards the front-line where possible, avoiding top-heavy structures and promoting a lean, empowered workforce with accountability across all levels of the organisation.

3. Execution and long-term growth:

Integration of the Owner's Mindset into our operating model prioritises disciplined execution and delivery, emphasising results over excessive process. It also promotes a long-term investment horizon, with a focus on achieving superior sustainable growth.

**Slide 7 – Ryan Stokes**  
**Group Overview – Safety**

Keeping our people safe is our number one priority, and I'm pleased to report that during the period we have achieved a 42 per cent reduction in Group TRIFR, led by a 47 per cent improvement at Boral.

We have also seen a 27 per cent reduction in Group LTIFR, led by a 43 per cent improvement at Coates.

The progress in these metrics reflects not only our investment in safety-focused training, but also our engaged workforce and strong operating culture throughout our businesses.

## **Slide 8 – Ryan Stokes**

### **Group Overview - ESG**

The Group has made progress towards our ESG goals over the year.

Coates grew its Greener Choices fleet by 18 per cent in FY23, offering our customers more sustainable equipment hire solutions.

Both Coates and WesTrac continue to roll out solar to their branches, with solar equipped locations achieving up to 47 per cent energy self-sufficiency. We are also running EV pilots at some solar locations to maximise energy efficiency and economics.

The Boral Berrima Chlorine bypass is nearing completion, which will allow us to increase our alternative fuel usage from 18 per cent to 30 per cent displacing up to 29,000 tonnes of coal per year.

In terms of social progress, the WesTrac Institute is one of the largest non-government trainers of apprentices, with over 450 technicians enrolled. We are also seeing increasing female participation in the program, with a 35 per cent female intake in WA this year.

## **Slide 9 – Ryan Stokes**

### **Group Overview – Earnings Growth**

The Group delivered strong earnings growth in FY23, with EBIT of \$1,187 million, up 20 per cent.

The earnings growth was driven by our industrial services businesses, which together delivered over 30 per cent growth, led by a more than doubling of EBIT at Boral to \$232 million, highlighting their significant progress along the performance journey.

WesTrac delivered EBIT of \$500 million, up 18 per cent, on strong customer activity in both the resources and construction sectors.

Coates' EBIT of \$300 million, up 22 per cent as they continue to support customers to deliver the infrastructure and construction project pipeline.

Contributions from Energy and Media fell by 26 per cent and 23 per cent respectively.

The Group grew operating cashflow by 55 per cent, enabling a 9 per cent reduction in net debt. When combined with earnings growth, this delivered a reduction in Group leverage from 2.8 times to sub 2.3 times, below our target of 2.5x a year ahead of our market committed timeframe.

## **Slide 10 – Ryan Stokes**

### **Group Overview – Key Financials**

Key financial results include trading revenue of \$9.6 billion up 20 per cent, EBITDA of \$1.7 billion up 15 per cent, NPAT of \$654 million up 18 per cent and EPS of 180 cents up 18 per cent.

Statutory earnings were up 36 per cent at the EBIT and NPAT levels, with the higher growth vs underlying earnings reflecting positive year-on-year movement in significant items.

We have also declared a final fully franked dividend of 23 cents, in line with our approach and track record of more than 13 years of stable and growing dividends over time.

**Slide 12 – Ryan Stokes**  
**Industrial Services - WesTrac Highlights**

WesTrac continues to deliver above-trend sales growth, with total sales up 24 per cent in FY23.

The top-line growth was driven by machine sales, up 25 per cent on strong resources and infrastructure investment, and product support sales up 23 per cent on higher volumes and pricing.

WesTrac's customer activity was strong, with increasing bulk commodity exports and the ongoing delivery of the infrastructure and construction pipeline. These activity drivers are set to continue through FY24.

The support opportunity is expected to expand as our customers mining fleets remain busy and continue to age, requiring component and machine rebuilds. The business is also strategically positioned to capitalise on the increasing production of battery minerals and fleet electrification.

**Slide 13 – Ryan Stokes**  
**Industrial Services - WesTrac Financials**

WesTrac's revenue of \$4.9 billion was up 24 per cent for the year, benefitting from the strong level of customer activity. While there was slight margin compression to 10.2 per cent on product mix, the margin remains globally competitive for a Cat dealership, and resulted in EBIT growth of 18 per cent to \$500 million.

Operating cashflow of \$682 million was up 467 per cent reflecting the sales growth, and a 93 per cent increase in cash conversion to 117 per cent. The significant growth in both metrics follows our targeted efforts to increase the velocity of working capital.

WesTrac is positioning itself for the strong demand expected in FY24, through growing our skilled workforce. This was supported by an 8 per cent growth in FTE employees during the year, training of over 450 apprentices via the WesTrac Institute, and targeted domestic and international recruitment initiatives.

The business is also maintaining a strict focus on productivity and disciplined investment in facilities and systems to leverage our capacity and drive higher utilisation and efficiency. Combined, these initiatives put WesTrac in a strong position to capitalise on the growing opportunity set in FY24 and beyond.

**Slide 15 – Ryan Stokes**  
**Industrial Services - Coates Highlights**

Coates has maintained its operating momentum through the year, with equipment hire growth in all regions supported by our customer's delivery of the \$1.2 trillion infrastructure and construction pipeline.

Through supporting our customers with the best-in-class fleet solutions, and a disciplined focus on execution, the business is capitalising on this market activity, as well as the emerging renewables build-out opportunity.

The operational improvement in FY23 was significant, as Coates continues to drive operational leverage and performance. This was supported by solutions growth, the hub-and-spoke branch model roll-out, and improved pricing and utilisation.

Time Utilisation, or Asset Utilisation, was up 200bp to 61.6 per cent supported by improving R&M efficiency, driving lower redline which increases fleet availability, and improved location of fleet through the branch strategy.

The solutions business has continued its growth in FY23, as Coates expands its offerings and capabilities in Engineering, Industrial, and Power & HVAC solutions. With \$43 million of EBIT for the year, the solutions segment is now a material contributor to the Coates result.

**Slide 16 – Ryan Stokes**  
**Industrial Services - Coates Financials**

Coates revenue of \$1.1 billion was up 13 per cent on demand growth and pricing traction in all regions. Improving asset utilisation, network optimisation, and fleet management delivered increased operating leverage, with EBIT of \$300 million up 22 per cent.

The result demonstrates Coates' ongoing ability to deliver results and increasing yields, with EBITDA margin of 43.4 per cent up 38bp, EBIT margin of 26.3 per cent up 188bp, and ROCE of 16.8 per cent up 250bp.

Coates grew its hire fleet by \$70 million over the year to \$1.87 billion on an original cost basis, which was slightly lower than target due to supply chain constraints.

The fleet is expected to grow to \$1.95 billion in FY24, including over \$20 million of additional Greener Choices fleet, as Coates continues its disciplined investment to support growth.

**Slide 18 – Ryan Stokes**  
**Industrial Services - Boral Highlights**

Boral delivered significantly improved operational results in FY23, with volume growth of 7 per cent to 13 per cent across all product categories.

The volume growth was achieved while still delivering pricing growth of 6 per cent to 17 per cent across all products and traction in all regions. This demonstrated the stronger focus on disciplined execution.

The business continues to optimise its processes, assets, and organisational culture through the roll-out of its refined operating model, more akin to the Owner's Mindset.

In FY23 this included a continued push to variabilise cost structures, rationalise SG&A, improving the call-to-cash process, driving P&L accountability, customer service, and DIFOT.

Boral is still relatively early on this journey, and while there is more work to be done, the initiatives are creating positive changes that will support further performance improvement.

**Slide 19 – Ryan Stokes**  
**Industrial Services - Boral Financials**

Boral's financial result is a clear demonstration of the refreshed management team and operating model's ability to drive performance.

Trading revenue of \$3.5 billion was up 17 per cent on higher volumes and pricing traction.

EBITDA of \$454 million was up 40 per cent and EBIT of \$232 million was up 117 per cent, EBITDA margin of 13.1 per cent was up 215bp, and EBIT margin of 6.7 per cent was up 309bp.

The margin expansion was supported by the increasing focus on performance and disciplined execution, which we expect to continue into FY24.

These improvements also resulted in a significant lift in yield, with ROCE of 7.7 per cent, up 444bp year-on-year.

There is still significant work ahead to restore appropriate profitability to a business with Boral's privileged asset base.

As part of that work, we have identified an element of catch-up capex required over the next three years to position the business for medium to long-term growth and realise the full potential of one of Australia's great industrial businesses.

**Slide 21 – Ryan Stokes**  
**Energy – Beach and SGH Energy**

Beach Energy's underlying NPAT of \$385 million contracted 24 per cent in FY23, on lower production and slight margin compression.

While production was down 11 per cent year-on-year, it was up 12 per cent in Q4, led by a 51 per cent increase in the Otway basin, as the Thylacine North wells were brought online in May.

In WA, Waitsia construction is progressing, with the first LNG cargoes expected in CY24, and the development team is pursuing measures to optimise the delivery schedule.

I would like to thank Morne' for his work as both CEO and CFO of Beach over the past seven years, and welcome the appointment of Bruce Clement as interim CEO and Brett Woods as incoming CEO. Bruce and Brett bring extensive upstream oil and gas experience, which should enhance the organisation's focus on execution and delivery of its compelling pipeline of opportunities.

At SGH Energy, Crux construction is moving ahead, with the first LNG cargo expected in CY27.

We remain confident in the outlook for Beach and SGH Energy, with both businesses well positioned to deliver gas into tightening domestic and international markets, as demand for gas as a transitional energy source increases.

**Slide 23 – Ryan Stokes**  
**Media – Seven West Media**

Seven West Media's revenue of \$1.49 billion was down 3 per cent on a softer advertising market since the second quarter of FY23.

EBITDA of \$280 million and NPAT of \$146 million were down 18 per cent and 27 per cent respectively, on the revenue decline, coupled with slight increases in operating costs, partially offset by cost-out measures.

Though overall earnings contracted, Seven's digital growth continues, with digital EBITDA of \$139 million up 17 per cent. Seven West maintained financial discipline through challenging market conditions, bringing Net Debt down 3 per cent to \$249 million, keeping leverage below 1x to preserve financial flexibility.

SGH's other media interests recorded EBIT of \$3.3 million, predominantly on CMC distributions of \$3.1 million.

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

## **Slide 25 – Richard Richards Profit and Loss**

Thank you, Ryan and good morning.

The record Group financial result for the year against an inflationary macro environment, reflects the core plus nature of the Group's Industrial Services businesses.

Revenue of \$9.63 billion was up 20 per cent on the strength of the customer activity in the resources and infrastructure sectors that Ryan has outlined, coupled with strong pricing traction across the Group.

The revenue increase was offset, in part, by higher operating expenses, though a strict focus on cost discipline ensured margins were maintained, leading to a record underlying Group EBIT of \$1.19 billion, also up 20 per cent.

The Group's net finance expense was up 12 per cent to \$283 million, with higher interest rates on floating rate debt offsetting the 9 per cent reduction in net debt.

Underlying profit before tax of \$903 million was up 23 per cent, and underlying NPAT of \$703 million was up 22 per cent. The difference was attributable to a slightly higher effective tax rate of 22 per cent as the Group's share of pre-taxed, equity accounted earnings from Beach and SWM, and fully franked dividends from investments declined.

After subtracting \$56 million of significant items, statutory NPAT of \$647 million was up 6 per cent, with \$597 million of that NPAT attributable to members of the Group.

## **Slide 26 – Richard Richards Significant Items**

The impact of significant items on NPAT reduced by 28 per cent to \$56 million in FY23, with the majority of the movement associated with a \$90 million net reduction in Boral transformation costs, reflecting a wind-down in restructuring activities.

Other key significant items include:

- an impairment of \$76 million through a mark to market of the Groups investment in Seven West Media;
- \$12.9 million in fair value adjustments on the acquisition of Boral; and
- a \$4.8 million positive significant item related to the Group's 30 per cent share of Beach's release of a stamp duty provision referable to the Lattice acquisition.

A tax expense of \$8.6 million was also recognised relating to the abovementioned significant items.

## **Slide 27 – Richard Richards**

### **Business Unit Earnings from continuing operations**

This slide provides detail on the underlying EBIT results and year-on-year movement for each of our segments, along with a reconciliation to the statutory EBIT after the allocation of significant items.

WesTrac's \$75 million, or 18 per cent growth in EBIT was driven by the expansion of capital sales and support revenue, reflecting strong customer demand, pricing traction, and reduction in the impact of supply chain disruptions relative to the comparative year.

Coates EBIT expansion of \$54 million, or 22 per cent, reflects their ability to capture the ongoing delivery of the infrastructure and construction pipeline through their leading market share, along with significant growth of their specialised solutions offerings.

Coates EBIT margin was up 8 per cent or 188bp, to 26.3 per cent. They delivered this through the ongoing roll-out of their hub-and-spoke branch model, increasing R&M efficiency, improved transport and rehire recoveries, and POSA's, more than offsetting operating costs inflation in transport, R&M and overheads.

Boral's underlying EBIT uplift of \$125 million, or 117 per cent was significant, demonstrating the effectiveness of the ongoing structural, financial and operational changes.

While Boral saw material cost inflation in cartage, labour, energy and materials, this was more than offset by volume growth and pricing traction in all products, complimented by a 7 per cent reduction in overhead costs.

The contribution from the Energy segment was down \$39 million or 26 per cent with 9 per cent higher realised gas prices unable to offset an 11 per cent decline in production, coupled with margin compression associated with higher operating costs, and higher depreciation.

Media's contribution to Group EBIT fell \$18 million, or 23 percent, largely attributable to the 27 per cent contraction in Seven West Media's earnings on softer advertising revenue and higher operating expenses.

SWM's decline was partially offset by a \$3.3 million contribution from Other Media, benefitting from \$3.1 million of distributions received from our China Media PE investment.

## **Slide 28 – Richard Richards**

### **Cash Flow**

Underlying operating cashflow of \$1.57 billion was up 55 per cent, led by WesTrac Operating Cash growth of 467 per cent. The significant uplift in cash flow reflects both earnings growth, and targeted initiatives to increase the velocity of working capital across the business.

Coupled with strong customer receipts for the year, EBITDA cash conversion lifted from 63 per cent to 93 per cent as supply chain constraints and their impact on inventory requirements moderate.

Net investing outflow of \$529 million was down \$3.37 billion, with the difference reflecting one-off inflows from the Boral acquisition and sale of Boral discontinued operations in the prior year.

Other significant investing cashflows in the year include:

- \$223 million of fleet induction at Coates;
- \$204 million net expenditure at Boral, facilitating the development of its Geelong Clinker facility and Berrima Chlorine Bypass; and
- \$103 million of Production and Development expenditure at Crux.

Net financing cash outflows over the year of \$1.08 billion predominantly reflect the repayments of debt from free cash flow. The \$1.2 billion decline year-on-year reflects \$2.16 billion of payments by SGH for Boral shares as part of the acquisition in the prior year.

Closing net debt of \$4.0 billion, including Boral net debt of \$216 million, was down \$391 million, or 9 per cent. The net debt reduction resulted from the higher Operating Cash more than offsetting cash outflows for the three per cent creep at Boral, net capex spend including \$103 million of Crux development expenditure, and payment of Group dividends.

## **Slide 29 – Richard Richards Balance Sheet**

Slide 29 presents a concise overview of SGH's balance sheet.

The Group's net assets of \$4.62 billion increased by \$332 million over the year, primarily reflecting an increase in inventories and oil and gas assets, and a decrease in net debt, partially offset by higher deferred income and net tax liabilities.

The inventory increase of \$154 million to \$1.85 billion reflects increasing new machine and PEX levels at WesTrac, as well as increasing quarry stock levels at Boral to accommodate higher customer demand.

The increase in oil and gas assets largely reflects the Group's \$103 million investment at Crux over the year, as we continue to fund our 15.5 per cent share of project development costs.

The higher deferred income relates to payments in advance for new machines at WesTrac, while the increase in deferred tax liabilities reflects the realisation of FX losses on repayment of debt and temporary full expensing across the Group.

## **Slide 30 – Richard Richards Capital and Liquidity Management**

The Group's net debt to EBITDA, adjusting for \$115 million of positive mark-to-market on debt related derivatives, and \$66 million of cash collateral against swaps, reduced from 2.83 to 2.27 times over the year.

Pleasingly, the leverage reduction to below 2.5 times was achieved a year in advance of our market-committed timeline, facilitated by increased earnings, and a significant uplift in free cash flow from improving the velocity of working capital.

In terms of funding costs, the Group continues to benefit from access to investment grade funding rates, highlighting the support of our lenders and their confidence in SGH's capital structure.

As of 30 June, 46 per cent of the Group's debt was fixed at an average rate of 4.6 per cent, with a remaining tenor of 6.4 years.

The Group also has unutilised borrowing capacity of \$1.2 billion, including \$529 million of committed facilities; and the effective Group borrowing cost is approximately 5.6 per cent, with a weighted average facility maturity of 4.2 years.

Finally, the Group has declared the payment of its 27<sup>th</sup> consecutive stable or growing dividend, with an FY23 final dividend of 23cps, bringing total dividends for the year to 46cps fully franked.

I will now hand you back to Ryan.

**Slide 32 – Ryan Stokes**  
**Group Outlook – Guidance and Priorities**

Thank you, Richard.

The Group's Industrial Services segment is carrying strong operational and earnings momentum into FY24.

At WesTrac, our customers ageing mining fleet thematic, and bulk commodity outlook underpins the support related opportunity, and the committed order book gives us confidence in the capital sales outlook.

At Coates, the ongoing delivery of the infrastructure and construction pipeline, coupled with improving asset utilisation is expected to drive earnings growth.

At Boral, demand for construction materials, complemented by internal performance opportunities supports the positive growth outlook and the Boral EBIT guidance of \$270 million to \$300 million.

The operating strength and momentum of these businesses gives us confidence in high single to low double-digit earnings growth for Industrial Services, reinforced with a strong July 24 month result.

For Beach the earnings outlook remains stable, with FY24 production guidance of 18-21mmboe.

Seven West is targeting a +40% Total TV revenue share, maintaining focus on efficiency, and expect the Total TV market to stabilise in the second quarter of FY24.

As a result, the Group is providing earnings guidance of "high single-digit EBIT growth for FY24".

**Slide 34 – Ryan Stokes**

**Appendix and Disclaimer**

We have included our disclaimer and some background information on the Group in the Appendix.

At this point we would like to thank you for listening in to the presentation and take any questions you may have.

Thank you.