ASX Release

14 August 2024

FY24 RESULTS ANNOUNCEMENT – SGH DELIVERS STRONG FY24 EARNINGS GROWTH ABOVE GUIDANCE

Seven Group Holdings (ASX:SVW)

- **Revenue of $10.6bn, up 10%**
- **EBITDA of $1,930m, up 14%**
- **EBIT of $1,419m, up 20%**
- **Industrial Services Businesses EBIT of $1,322m, up 28%**
- **WesTrac EBIT of $623m, up 25%**
- **Boral EBIT of $372m, up 61%**
- **Coates EBIT of $327m, up 9%**
- **NPAT of $850m, up 30%**
- **Adjusted Net Debt/EBITDA (leverage) 2.2x**
- **Operating cash flow of $1,311m, down 16%, reflecting working capital investment**
- **Final dividend of 30 cents per share fully franked, up 30%**
- **SGH guidance of "High single-digit EBIT growth in FY25"**

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

Seven Group Holdings (SGH) announces its financial results for the year ended 30 June 2024, demonstrating significant earnings growth and strategic progress. Revenue of $10.6 billion was up 10%, driven by growth in customer activity and demand, particularly at WesTrac. A continued focus on disciplined execution and cost control delivered 106bp EBIT margin expansion to 13.4%. This improved operating leverage amplified revenue growth in earnings, resulting in a 20% increase in SGH EBIT to $1.4 billion.

Regarding the FY24 result, Ryan Stokes, MD and CEO, said:

"We are very pleased to have delivered another strong result this year, with increasing operating leverage resulting in a 20% growth in SGH EBIT. Our Industrial Services businesses, which delivered 28% EBIT expansion underpinned SGH's results, with outstanding performance in FY24 from WesTrac and Boral."

"Over the last decade, SGH has delivered an 18% compound annual growth rate (CAGR) in EBIT, highlighting the quality and core-plus nature of our Industrial Services businesses, enhanced by operating discipline and financial agility."

"Increasing our ownership of Boral to 100% was a key strategic outcome for the year. With full ownership, we now have complete access to Boral's strong cash flow generation and quality assets, including the significant long-term value potential in the property assets. This provides SGH shareholders the full benefits of Boral's ongoing performance journey."

"Our investment in people, technology, and capacity through the year has positioned us to meet growing customer demand and underpins our positive outlook and FY25 EBIT growth guidance. We are also excited about investment opportunities within our existing portfolio to drive growth over the medium to long-term, including adjacencies at Boral in recycling and property."

Key Financials

SGH Results ($m)	FY24	FY23	Change (%)
SGH Revenue	$10,605	$9,627	10%
Statutory NPAT	$464	$604	-23%
Significant items impact	*$386*	*$53*	-
NPAT	$850	$654	30%
EPS	$2.31	$1.80	28%
Fully franked final dividend per share	30c	23c	30%
Underlying continuing operations ($m)	**FY24**	**FY23**	**Change (%)**
SGH Revenue	$10,605	$9,627	10%
SGH EBITDA	$1,930	$1,689	14%
WesTrac EBIT	$623	$500	25%
Boral EBIT	$372	$232	61%
Coates EBIT	$327	$300	9%
Industrial Services Segment EBIT	*$1,322*	*$1,032*	*28%*
Energy EBIT	$99	$114	-13%
Media EBIT	$25	$61	-58%
Corporate and other EBIT	-$26	-$20	31%
SGH EBIT from continuing operations	**$1,419**	**$1,187**	**20%**

Financial Results

NPAT of $850 million was up 30%, while statutory NPAT of $464 million was down 23%. The difference primarily relates to SGH's share of impairments on production assets at Beach Energy and a mark-to-market impairment of Seven West Media interests. Earnings per share (EPS) increased by 28% to $2.31.

Operating cash flow decreased by 16% to $1.3 billion. The decrease was predominantly due to a $537 million investment in inventory at WesTrac to support increased customer activity and growth in FY25. This inventory investment also impacted EBITDA cash conversion, which contracted by 25% to 68%.

A 30cps final dividend for FY24 was declared on 11 July 2024. This represents a 30% increase from the comparative period and brings the total dividends payable on ordinary shares for the year ended 30 June 2024 to 53 cents fully franked.

The dividends paid in FY24 contributed to a total shareholder return (TSR) of 56% for the year ended 30 June 2024, compared to 12% for the ASX100. SGH has consistently delivered top-decile TSR over the past decade, driven by our growth orientation which has enabled an 18% EBIT CAGR over the same period.

Safety

SGH achieved significant improvement in safety, with a 26% improvement in both Total Recordable Injury Frequency Rate (TRIFR) to 4.5, and Lost Time Injury Frequency Rate (LTIFR) to 1.4. Safety remains a top priority in FY25 as SGH pursues its Zero-Harm objective.

Boral Acquisition

The acquisition of 100% of Boral is strongly aligned with SGH's capital allocation principles. Boral is exposed to the core demand thematic of infrastructure and construction and is a market leader, with unique, hard-to-replicate assets that provide a sustainable competitive advantage.

The pace of Boral's performance journey, improvement in the earnings outlook, and moving to a net-cash position (excluding leases) influenced the timing of the acquisition. Full ownership of Boral allows SGH to access Boral's strong cash generation, which can be reinvested across SGH to enhance shareholder returns. It also enables more efficient decision-making, which will support the performance journey and pursuit of adjacent growth opportunities in recycling and property.

The acquisition demonstrates SGH's commitment to disciplined execution to drive shareholder value. SGH's all-in final cost to acquire Boral was $4.4 billion (post-capital return and cost associated with the exchangeable bond and swap), providing a solid platform for driving return on capital employed (ROCE).

The acquisition is a significant milestone in SGH's evolution towards becoming a leading Australian Industrial Services company, with WesTrac, Boral and Coates among the top industrial businesses in the country.

WesTrac

WesTrac achieved outstanding results in FY24, with revenue of $5.8 billion up 19%. The performance was driven by strong customer demand, particularly for support services across both the resources and construction sectors. WesTrac's FY24 success was recognised by Caterpillar, with WesTrac WA receiving the Gold award as the Number one Global Dealer for construction industry services growth.

Capital sales revenue increased by 12% to $1.9 billion, primarily driven by expansion activities and mid-cycle fleet replacement. Services revenue grew by 23% to $3.9 billion, underpinned by parts volume growth and a favourable shift in product mix toward larger components. The growth reflects heightened customer activity, an aging mining fleet, and improved labour availability.

WesTrac's focus on cost control and optimising operating capacity drove 51bp of EBIT margin expansion to 10.7%, resulting in FY24 EBIT growth of 25% to $623 million.

The significant growth in customer demand and activity required an investment of $537 million in working capital, predominantly in inventory. This investment strengthens confidence in WesTrac's outlook for FY25, with over 85% of this increased mining machine inventory pre-assigned to customers.

WesTrac expanded its full-time equivalent workforce by 4% in FY24 through targeted domestic and international recruitment initiatives. The business is also one of the largest private sector apprenticeship providers in the country, with over 400 apprentices enrolled in the WesTrac Institute. These initiatives underscore WesTrac's proactive response to ongoing skilled labour constraints and position the business for sustained growth.

Boral

Boral delivered strong earnings growth in FY24, highlighting rapid progress on its "Good to Great" performance journey. Non-residential customer activity was strong over the year, offsetting a moderating residential market and resulting in slightly reduced sales volumes.

Against this mixed market backdrop, Boral's improved go-to-market strategy and internal optimisation were critical to delivering significant earnings growth. Revenue of $3.6 billion was up 3%, with resilient volumes complemented by price discipline across all product lines.

Initiatives across the PEMAF framework to reduce costs and unlock operational efficiencies, along with price traction, led to a 376bp expansion in EBIT margin to 10.5%. This marks Boral's first full-year double-digit EBIT margin since FY19, which included property sales. The margin expansion combined with revenue growth to deliver 61% EBIT growth to $372 million, following 107% EBIT growth in FY23.

Boral has made significant progress on its performance turnaround to date. As a wholly-owned subsidiary of SGH, that journey is set to accelerate, supported by SGH's disciplined operating and capital allocation models.

In FY25, Boral will continue to focus on rationalising its cost base while targeting improvements in sales performance, price leadership, procurement practices, process standardisation, and transport to drive profitability and deliver quality services and products for our customers. The business will continue to invest in its upstream network to enhance capacity and quarry life, as well as in HME to drive operational efficiency.

Coates

Coates performed strongly in FY24, supported by resilient customer activity, operational improvement, and disciplined cost management. Revenue of $1.1 billion was marginally up (normalised for the sale of Coates Indonesia), as the infrastructure and construction sector continued to operate at close to capacity. Despite modest revenue growth, Coates achieved 9% EBIT growth to $327 million and 234bp of EBIT margin expansion to 28.6%.

Direct cost management and operational efficiency gains were pivotal to Coates' success in FY24. In addition to targeted non-operational cost-out, Coates continued to accelerate R&M and transport optimisation through its hub-and-spoke branch model rollout, driving efficiency and better customer service outcomes.

Time Utilisation of 60% was down 2%, impacted by growth in the hire fleet and a moderation in customer activity in the south, partially offset by R&M initiatives.

Coates remains supported by macro thematics, such as housing undersupply and the $1.7 trillion infrastructure and construction project pipeline. The business is investing in its hire fleet to capture this opportunity, with fleet growth of $83 million to $1.9 billion (OC), supported by traditional means and programmatic M&A. In FY25, Coates will focus on increasing its market share of this opportunity while leveraging the cost and efficiency gains of FY24 into continued earnings momentum.

Energy

Beach Energy’s (30%) FY24 production was down 7%, while revenue of $1.8 billion was up 9%, supported by 8% higher realised gas prices. FY24 NPAT declined by 11%, resulting in an 11% lower equity account EBIT contribution to SGH.

The business gained earnings and operating momentum in Q4 FY24, with quarter-on-quarter production and revenue increasing by 6% and 10%, respectively.

SGH welcomes the appointment of Brett Woods as Beach’s new CEO and will support him through the Group’s chair and Board representation to deliver an ongoing strategic refresh. Key targets include a 30% reduction in headcount (with 24% achieved as of 30 June) and a 30% improvement in field operating expenses to below $11 per barrel of oil equivalent by FY26.

At SGH Energy, construction of the Crux project (15.5%) is ongoing, with first LNG expected in 2027. SGH’s share of the project capital expenditure in FY24 was $147 million.

SGH Energy is also progressing commercial studies on the Longtom Gas asset in the Gippsland basin, which was independently certified in FY24 to hold over 80PJ of gas, connected to existing production infrastructure. SGH Energy has signed a Memorandum of Understanding (MoU) with Cooper Energy to explore development pathways for the asset.

Media

Seven West Media (40%) delivered FY24 revenue of $1.4 billion and NPAT of $78 million, down 5% and 46% respectively. The result was impacted by weakness in the Total Television advertising market which declined 8.2%, partially offset by a 1.7% revenue share gain to 40.2% for the year. Seven West Media consolidated its position as the number one total TV network in the country, with a 0.5% growth in linear audience, and a 39% increase in BVOD minutes.

At the end of FY24, Seven West Media commenced an organisational restructure, initiated a cost out program, and has introduced a new and redefined operating model to drive improved performance across Television, Digital and The West in FY25 and beyond.

The restructure comes with a refined purpose to build a better, digital media business that generates sustainable, consistent, and growing earnings and cash flow.

Seven West Media has maintained financial discipline over the year, with a modest increase in net debt to $301 million, and ND/EBITDA (leverage) of 1.6x, or ~1.3x excluding the impact of the ARN investment.

Capital Management

SGH completed two portfolio transactions during the year, with the sale of the Sykes business for $89 million and the sale of Coates Indonesia for $63 million. These transactions increase SGH's focus on its primary businesses and Australia, highlight SGH's ability for accretive capital recycling, and reinforce the commitment to portfolio simplification.

SGH completed a $410 million USPP at WesTrac in January 2024. The business also had existing lenders commit a $700 million bridge facility to support the Boral acquisition, which SGH has now refinanced by putting in place an Asian Term Loan tranche of the SFA, extending the size of the SFA, its duration, and increasing the number of participating banks.

As of 30 June 2024, 48% of the drawn debt of SGH was fixed at an average rate of 4.8%, with a remaining tenor of 6.3 years. The year-end effective borrowing cost was 5.7%, with a weighted average facility maturity of 4.1 years.

Following $597 million of additional debt taken on to execute the Boral transaction, SGH's adjusted Net Debt to EBITDA ratio ended the year at 2.2x, down 3%.

Dividends

In line with the stated objective of paying stable and growing dividends over time, SGH has declared a final, fully franked dividend of 30cps for FY24. This dividend is consistent with commitments made as part of the Boral transaction and represents a 30% increase from the comparative period. The total dividends payable for the year ended 30 June 2024 amount to 53cps fully franked.

Outlook

At WesTrac, strong demand for services, the FY24 working capital investment, and one of the strongest capital sales pipelines in a decade supports the growth outlook.

At Boral and Coates, the robust infrastructure and construction pipeline, and positive macro thematics support the customer activity outlook, with both businesses well-placed to leverage FY24 productivity gains into FY25 earnings growth.

At Beach, a refreshed strategy focused on operational efficiency, coupled with Waitsia-dependant production guidance of 17.5-21.5mmboe, supports a positive outlook.

The robust outlook for each of our core sector exposures, coupled with business-specific growth opportunities and our FY24 investment in working capital, supports providing earnings guidance of **"high single-digit EBIT growth expected in FY25."**

This release has been authorised to be given to ASX by the Board of Seven Group Holdings Limited.
More detailed information regarding SGH's FY24 results can be found in our FY24 Results Presentation and the FY24 Annual Report. The Company's Annual General Meeting will be held on 14 November 2024. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 25 September 2024.

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