ASX Release

11 February 2025

SGH DELIVERS STRONG FIRST-HALF EARNINGS GROWTH

SGH Ltd (ASX:SGH)

- **Revenue of $5.5bn, up 2%**
- **EBITDA of $1,098m, up 8%**
- **EBIT of $843m, up 10%**
- **Industrial Services Businesses EBIT of $766m, up 10%**
- **WesTrac EBIT of $352m, up 5%**
- **Boral EBIT of $259m, up 29%**
- **Operating cash flow of $821m, up 15%**
- **Adjusted Net Debt/EBITDA (leverage) of 2.2x, reduced from 2.3x peak post-Boral**
- **EPS of $1.24 up 4%, or 5% normalising for the shares issued to acquire Boral**
- **Interim dividend of 30 cents per share fully franked, up 30%**
- **SGH guidance of "High single-digit EBIT growth in FY25" maintained**

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

SGH announces its financial results for the six months ended 31 December 2024, achieving full ownership of Boral, and significant earnings growth in variable market conditions. Revenue of $5.5 billion was up 2%, driven by strong capital sales and service activity at WesTrac, partially offset by marginally lower revenue at Boral and Coates. EBIT of $843 million was up 10%, reflecting earnings growth at Boral, Beach and WesTrac, delivered through disciplined execution and an ongoing focus on cost control. Underlying NPAT of $508 million was up 7%.

Regarding the HY25 result, Ryan Stokes, MD and CEO, said:

"We are pleased to deliver a strong half-year earnings result with EBIT growth of 10%. The result was driven by our disciplined focus on customer service, execution and operating leverage, ultimately delivering overall revenue, margin and earnings growth in the period."

"SGH completed the acquisition of Boral early in the half, and I am particularly pleased with their continued progress on the performance journey to achieve mid-teen EBIT margins. We remain excited about the opportunities we have long identified for further improvement at Boral. We also welcomed a significant number of former Boral shareholders to continue participating in long term-value creation as SGH shareholders.

"SGH increased the interim dividend by 30% to 30 cents for the half, consistent with our approach to deliver a stable and growing dividend over time. This approach contributed to our 25% total shareholder return (TSR) for the half.

"We continue to see solid customer demand across our core sector exposures of Industrials and Energy. The outlook for these sectors, along with our strong HY25 result, gives us confidence in our full-year earnings guidance of high single-digit EBIT growth for FY25.

"Together with the leaders of our exceptional businesses, our owner's mindset underpins the productivity and performance improvement that enabled this strong result. I am also grateful for the efforts of the wider SGH team and their commitment to serving our customers and delivering outcomes."

Key Financials

Results ($m)	HY25	HY24	Change (%)
Revenue	$5,513	$5,386	2%
EBITDA	$1,098	$1,017	8%
EBIT	$843	$764	10%
Underlying NPAT	$508	$474	7%
Significant Items Impact	$18	-$250	107%
Statutory NPAT	$526	$225	134%
Underlying EPS	$1.24	$1.19	4%
Fully franked dividend per share	30c	23c	30%
Divisional EBIT ($m)	**HY25**	**HY24**	**Change (%)**
WesTrac EBIT	$352	$334	5%
Boral EBIT	$259	$201	29%
Coates EBIT[1]	$156	$160	(2)%
Industrial Services Segment EBIT	$766	$695	10%
Energy EBIT	$70	$50	39%
Media EBIT	$23	$28	(18)%

[1]Adjusted for the sale of Coates Indonesia in the prior period.

Financial Results

HY25 revenue of $5.5 billion was up 2%, reflecting 8% stronger revenue at WesTrac, partially offset by 2% and 4% lower revenue at Boral and Coates, respectively. EBITDA of $1.1 billion grew 8%, while EBIT of $843 million was up 10% for the half, led by 29% growth at Boral.

EBIT margin expanded to 15.3%, highlighting SGH's focus on disciplined execution and operating leverage to support growth.

NPAT of $508 million was up 7%, reflecting higher interest and tax expenses, while statutory NPAT of $526 million was up 134%, with significantly lower impairment impacts than the comparator period. Underlying Earnings per share (EPS) of $1.24 was up 4%, or 5% normalising for the impact of shares issued over the period to complete the Boral transaction.

Operating cash flow of $821 million was up 15%, reflecting a 5% increase in EBITDA Cash Conversion to 75%. The increase was driven by WesTrac, where lower inventory investment relative to the comparator period led to a 39% (absolute) improvement in cash conversion to 67%.

SGH has declared a fully-franked, 30cps interim dividend for the half, representing a 30% increase from the comparative period. The dividends paid in HY25 contributed to a total shareholder return (TSR) of 25% for the half.

Safety and Sustainability

SGH continues to improve its safety performance, with a 12% improvement in Total Recordable Injury Frequency Rate (TRIFR) to 3.9, and a 9% improvement in Lost Time Injury Frequency Rate (LTIFR) to 1.1. SGH also achieved a reduction in Actual and Potential Serious Harm Incidents of 30% and 28%, respectively, reflecting the benefits of targeted injury prevention campaigns. Safety remains a top priority in FY25 as SGH pursues its Zero-Harm objective.

SGH continues to contribute to the circular economy through the extensive engine rebuild programme at WesTrac, inherently circular equipment hire at Coates, and construction and demolition waste recycling at Boral.

Additional sustainability highlights over the half include the completion of the Boral Berrima Chlorine Bypass, increasing the facility's year to date alternative fuel usage capability to 45%, and Beach's completion of the Moomba CCS project, which is successfully injecting over 3,000t of CO_2 per day.

Corporate Activity

SGH completed the full acquisition of Boral on 4 July 2024, for an all-in final cost (for 100%) of $4.4 billion, providing a solid platform for driving return on capital employed (ROCE). The transaction demonstrates SGH's disciplined application of our capital allocation model, further focusing the business towards the Australian industrial sector. The transaction also increased the retail component of the SGH register, with over 40,000 new investors welcomed to SGH.

SGH also implemented a change in name, website URL and ASX ticker code on 14 November 2024, as per the following table.

Item Changed	New	Previous
Company Name	SGH Ltd	Seven Group Holdings Limited
Website URL	www.sghl.com.au	www.sevengroup.com.au
ASX Listing Code	ASX:SGH	ASX:SVW

WesTrac

WesTrac HY25 revenue of $3.2 billion was up 8%, driven by growth in both capital sales and services. Capital sales of $1.2 billion were up 13%, as fleet investment continues to support a strong order book. Services revenue of $2.0 billion was up 5%, reflecting strong demand from the growing and ageing installed base, partially offset by a low single-digit parts price decrease effective 1 July 2024.

WesTrac EBIT margin of 11.1% was marginally down compared to the previous period, with component growth only partially offsetting the parts price reduction. The HY25 EBIT of $352 million was up 5%, reflecting strong underlying customer demand and operating discipline.

Operating cash flows of $259 million were up 146% for the half, with EBITDA cash conversion lifting from 28% to 67%. Working capital was 7% higher than the comparator period, largely driven by an increase in pre-paid machines in transit. The sales and working capital position reflects persistently strong customer demand and gives us confidence in the outlook for the remainder of FY25.

WesTrac remains focused on driving operating leverage, and the expansion of its skilled workforce to service strong customer activity, with FTE headcount up 2% for the period to 4,700.

Boral

Boral achieved significant earnings growth and efficiency gains in its first financial result as a wholly-owned SGH business unit.

Revenue of $1.8 billion was marginally down for the half, with lower sales volumes in residential construction and roading, partially offset by pricing traction. Against these varying market conditions, Boral's cost control, internal optimisation, and go-to-market agility were instrumental in delivering significant margin expansion and earnings growth.

EBIT margin expanded to 14.3%, driven by pricing traction and cost rationalisation, reflected in an 8% decrease in SG&A costs. This margin expansion drove a 29% increase in EBIT to $259 million.

Boral continued to make strong progress on the "Good to Great" performance journey over the half. Notably, the focus on improving the customer value proposition saw concrete DIFOT (Delivery In Full On Time) lift to 83%. Boral also initiated an investment programme to refresh its HME (Heavy Mobile Equipment) fleet, which is expected to drive production and cost efficiencies.

While HY25 market conditions were variable, the broader macroeconomic environment is supportive, with a robust infrastructure investment outlook, and a positive residential outlook supported by the National Housing Accord targets.

In FY25, Boral remains focused on enhancing customer service, maintaining cost control, price leadership, and increasing agility in its go-to-market approach.

Coates

Coates delivered a robust HY25 financial result in varying market conditions. Revenue of $546 million contracted 4% when normalised for the sale of Coates Indonesia, with resilient activity in the East, West and North, partially offsetting a moderation in activity in Victoria.

Coates' focus on pricing discipline, non-operational cost-out, and R&M efficiency initiatives saw it deliver EBIT margin expansion to a record 28.6%. The strong margin result helped to mitigate the revenue impact on EBIT, which fell 2% to $156 million normalised for the sale of Coates Indonesia.

Time utilisation (TU) of 59.2% was slightly below the performance benchmark of 60%, largely driven by lower asset utilisation in the South. Coates will continue to dynamically reposition fleet to better match customer demand as it works towards restoring TU above 60%.

Repair and maintenance costs as a percentage of sales improved to 17.3%, supported by the continued rollout of the Hub-and-Spoke branch model and its associated centralisation and specialisation benefits.

Despite the first half contraction in activity in the South, the outlook for Coates remains strong, highlighted by the $1.8 trillion 7-year infrastructure and construction investment outlook. Nearer-term, transport and utilities infrastructure spending are expected to grow by 11% and 4%, respectively in FY25, and the efficiency gains Coates has achieved positions it well to capture this expected market opportunity.

Energy

Beach (30% ownership) delivered 15% growth in production for the half to 10.2mmboe. The production result was largely driven by the connection of new offshore wells and production optimisation initiatives, which coupled with favourable pricing, drove revenue expansion of 5%.

Beach continues to deliver efficiencies driven by the recent organisational refresh. In HY25, these included the completion of a 30% reduction in headcount, and a ~20% reduction in field operating cost per barrel of oil equivalent to $12.5/boe. These efficiency gains helped Beach to deliver 37% NPAT growth for the period.

At SGH Energy, development of the Crux LNG backfill project (15.5% project interest) is progressing, with Phase-1 of development wells drilled on schedule. SGH's share of project development investment for the half was $128 million, with investment in FY25 expected to total ~$250 million. Project construction is progressing to schedule, with first gas expected in CY27.

SGH Energy also continues to progress commercial studies on the Longtom Gas asset in the Gippsland basin, with the intention to bring gas to the East Coast market.

Media

Seven West Media's (40% ownership) HY25 revenue of $727 million was down 6%. The lower revenue was driven by a 5.4% lower total TV advertising market, partially offset by increasing advertising revenue share, up 0.5 share points to 41.5%. The HY25 NPAT of $37 million was down 41%. HY25 costs were down 2%, with full-year costs expected to be $20-30 million lower than FY24. The cost-out result reflects a renewed focus on performance and accountability.

Improving market conditions, increased third quarter advertising bookings, and efficiency gains are expected to support modest year on year earnings growth in H2 FY25.

SGH realised $8 million from CMC in HY25, bringing the last-reported Money on Invested Capital (MOIC) of Fund 1 to 2.5x.

Capital Management

SGH remains focused on cash flow performance and deleveraging to position the company for future growth opportunities.

In July 2024, SGH fully repaid the $700 million Boral acquisition facility utilising proceeds from a six-year $600 million Asian Term Loan. SGH also extended two SFA tranches in February 2025, totalling $1,310 million, now maturing in 2030 and 2032. These initiatives diversify the funding base, whilst the level of support from existing and new lenders reflects SGH's strong balance sheet and credit metrics.

Following the SFA refinancing, the average tenor of SGH's debt facilities has extended to 4.9 years, with no material corporate bank facility maturities until FY29. Fixed rate debt now represents 65 per cent of SGH's borrowings, supported by a two-year, $600 million interest rate swap entered in September at 3.6%. SGH's fixed rate debt has an average remaining tenor of 5.0 years and average fixed rate of 4.8 per cent.

As of 31 December 2024, adjusted net debt stood at $4,384 million, with an adjusted Net Debt to EBITDA ratio (leverage) of 2.18x. SGH is targeting a reduction in year-end leverage to 2.0x to support financial flexibility and growth.

Outlook

At WesTrac, underlying growth in services activity, coupled with a strong capital sales pipeline supports the earnings outlook.

At Boral, volume is expected to remain under pressure in FY25, while cost discipline, operating efficiencies, and improved customer service support the outlook.

At Coates, South trading conditions remain challenging, while infrastructure activity in other regions, ongoing cost-out, and the fleet profile support the outlook.

At Beach, the strong first-half production supports the narrowed FY25 guidance of 18.5 to 20.5 mmboe.

The 10% earnings growth delivered in HY25, coupled with a positive outlook for SGH's core sector exposures has increased confidence in the full year guidance of "**high single-digit EBIT growth expected in FY25.**"

This release has been authorised to be given to ASX by the Board of SGH Ltd. More detailed information regarding SGH's HY25 results can be found in the Appendix 4D & HY25 Results Presentation.

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