

# SGH | Industrial Services, Media, Energy and Investments

RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2016

Presentation on 21 February 2017

A g i l i t y   M e e t i n g   C h a n g e

## Basis of preparation of slides

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- ▶ Period-on-period changes that are greater than 100%, less than (100)% or change between positive and negative are omitted for presentation purposes.

## Non-IFRS Financial Information

- ▶ SGH results comply with International Financial Reporting Standards (“IFRS”). The underlying segment performance is presented in Note 2 to the financial statements for the period and excludes Significant Items comprising impairment of equity accounted investees, investments and non-current assets, fair value movement of derivatives, net gains on sale of investments and equity accounted investees, restructuring and redundancy costs, share of results from equity accounted investees attributable to Significant Items, loss on sale of investments and derivative financial instruments, acquisition transaction costs, significant items in other income, remeasurement of tax exposures and unusual tax expense impacts. Significant Items are detailed in Note 3 to the financial statements and Slide 9 of this presentation.
- ▶ This presentation also includes certain non-IFRS measures including Underlying Net Profit After Tax (excluding Significant Items), total revenue and other income, Segment EBIT margin and Segment EBITDA margin. These measures are used internally by management to assess the performance of the business, make decisions on the allocation of resources and assess operational management. Non-IFRS measures have not been subject to audit or review.

# Group Overview | Our Businesses



Industrial Services	SGH Ownership	Business Description	Strategic Position
WesTrac Australia	100%	CAT dealer in WA and NSW/ACT	#1 equipment solution company in WA and NSW/ACT
WesTrac China	100%	CAT dealer in five provinces in China	One of the leading equipment solutions companies in NE China
Coates Hire	47%	Industrial and general equipment hire	Largest equipment hire company in Australia
AllightSykes	100%	Industrial lighting, pumps, generators	Leading OEM and distributor of lighting towers and pump solutions for mining and construction

Media	SGH Ownership	Business Description	Strategic Position
Seven West Media	41%	Diversified media	Australia's largest diversified media audience company
- Seven Network		- Broadcast	#1 television network in ratings and revenue in Australia
- The West		- Publishing	#1 media publishing company in WA
- Pacific Magazines		- Digital	#1 Australian owned magazine publisher
- Yahoo7 / Other			One of the largest digital platforms for desktop and mobile

Energy	SGH Ownership	Business Description	Strategic Position
SGH Energy	100%	Diversified oil and gas	Leveraged to growing East Coast gas demand
Beach Energy	23%	Diversified oil and gas	Australia's largest onshore oil producer with a major gas business

Investments	SGH Ownership	Business Description	Strategic Position
Listed Portfolio	100%	Listed investments	Store of value and additional return for the Group
Property Portfolio	100%	Direct and indirect property	Proven ability to create value through realisation of property assets

## Safety focus

- ▶ An important benchmark for the success of our businesses and leadership team
- ▶ LTIFR and TRIFR are down across WesTrac and Coates Hire
  - Driving our safety culture with initiatives such as the Take 5 Program to push accountability and effective leadership at all levels
  - Other initiatives such as wellness activities and preventative physiotherapy are helping to avoid recurring injuries and reducing lost time when injuries do occur
  - Injury trends being managed through improved systems and data capture
- ▶ We want to ensure that everyone goes home safely, every day

LTIFR	Dec-16	Jun-16	TRIFR	Dec-16	Jun-16
WesTrac WA	1.6	1.6	WesTrac WA	12.8	14.6
WesTrac NSW	0.0	0.0	WesTrac NSW	4.8	13.1
WesTrac China	2.2	3.3	Coates Hire*	22.4	32.2
AllightSykes	7.9	6.9			
Coates Hire*	2.1	4.0			

Lost time injury frequency rate (LTIFR) = number of lost time injuries per million hours worked; \*Coates figure includes contractors

Total recordable injury frequency rate (TRIFR) = number of recordable injuries per million hours worked; \*Coates figure includes contractors

## Cultural values

- ▶ Deep knowledge of our sectors
- ▶ Investing in people
- ▶ Entrepreneurial approach
- ▶ Data backed decisions
- ▶ Lean approach within our businesses
- ▶ Focus on value creation
- ▶ Customer focus



## Result consistent with AGM guidance

- ▶ Underlying EBIT of \$176m is 5% ahead of pcp
- ▶ Mining production cycle continues to drive customer maintenance activity
- ▶ Momentum building through infrastructure demand and recovery in commodity and energy prices
- ▶ Statutory net loss of \$41m taking into account SWM non-cash impairment and significant items of \$166m

## Product support growth in WesTrac Australia

- ▶ Product support sales up 10% on pcp boosted by strong parts growth of 14%
- ▶ Market share gains realised by WesTrac in addition to strong customer demand for parts linked to higher production volumes
- ▶ Service sales growth of 2% subdued by discontinuation of NSW truck body business

## Positive trend for Coates Hire and WesTrac China

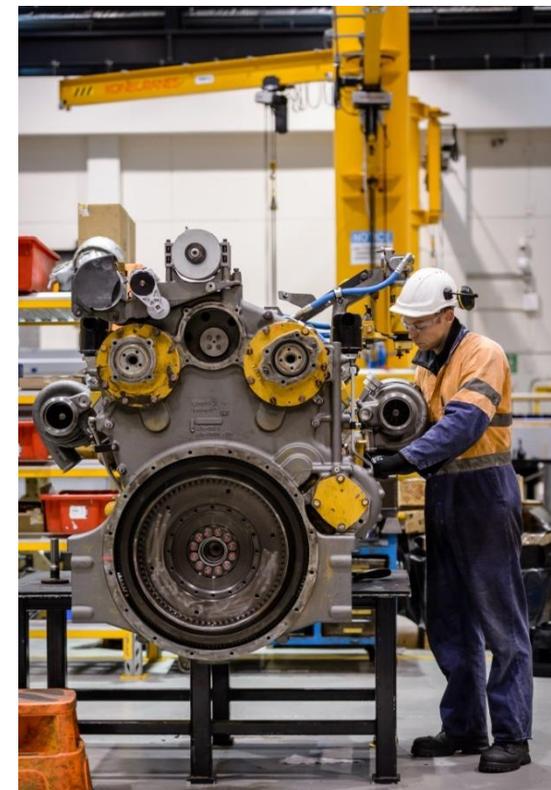
- ▶ Coates Hire share of NPAT up \$10m, driven by strong East Coast infrastructure demand
- ▶ WesTrac China EBIT up \$8m or 83% with focus on margin improvement and cost discipline

## Balance sheet strength and flexibility

- ▶ Cash and undrawn facilities of \$1.2bn and listed investment portfolio value of \$543m
- ▶ Drawn debt has an average maturity in excess of five years and funding sources are diversified across the Group

## Capital management decisions are enhancing shareholder return

- ▶ 20cps interim ordinary dividend declared, fully franked – 62% underlying payout ratio and 6.0% gross yield based on current share price
- ▶ No further buy-back activity in the period but capacity retained to undertake capital management initiatives in future periods



## Key themes for SGH

- ▶ Our industrial businesses are operating in markets that provide attractive long-term fundamentals when looking through the cycle
- ▶ We have managed our businesses prudently, re-setting the cost base where appropriate, and are now poised to benefit from the commodity price recovery, increased customer activity and ageing fleet profile

## Commodity production cycle

- ▶ Iron ore export volume up 8% and price up 42% in 1H FY17 and thermal coal export volume up 7% and price up 51% in 1H FY17
- ▶ Many of our customers are producing at the lowest unit costs in the world
- ▶ Improved conditions provide opportunity for customers to service fleet having extended maintenance intervals in prior years

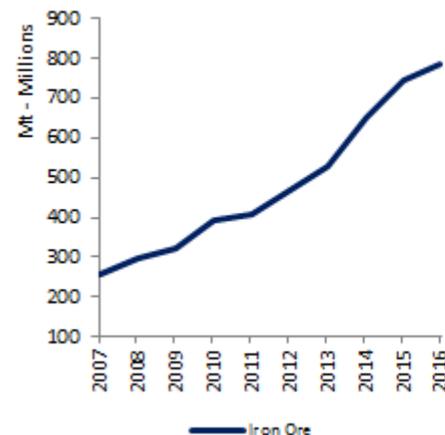
## Infrastructure investment cycle

- ▶ Economy has transitioned from the mining investment boom to a government-led infrastructure boom supported by resource exports
- ▶ NSW and Victoria are continuing to benefit from major new projects with peak spending to occur to 2018 / 2019

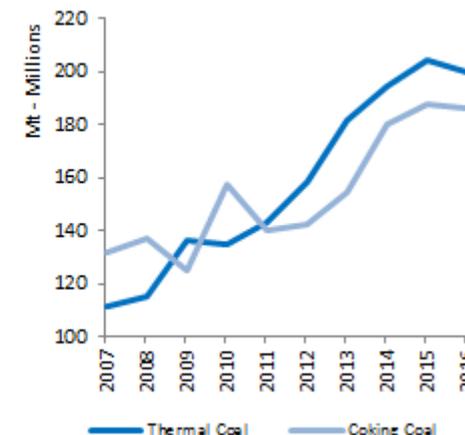
## East coast gas market

- ▶ Demand trend is evident through rising wholesale prices at key gas hubs
- ▶ Limited volumes of uncontracted gas available today
- ▶ Beach Energy and Longtom are leveraged to the east coast market

Iron Ore Export Volume Per Year

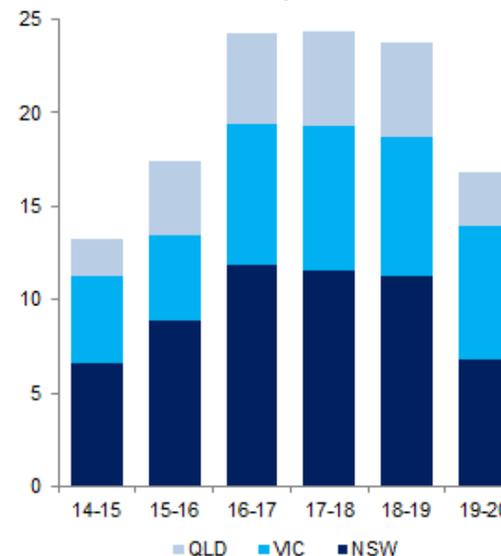


Coal Export Volumes Per Year



Source: Australian Bureau of Statistics, Bloomberg

Infrastructure Expenditure Forecast



Major projects include:

### NSW

- ▶ WestConnex
- ▶ NorthConnex
- ▶ Sydney Metro

### Victoria

- ▶ Melbourne Metro Tunnel
- ▶ Western Distributor Project
- ▶ Murray Basin Rail Project
- ▶ Level Crossing Removal

### Queensland

- ▶ Sunshine Motorway expansion
- ▶ Gateway Upgrade North
- ▶ Mackay Ring Road
- ▶ Warrego Highway Upgrade

Source: NSW FY16-17 Budget, Victorian FY16-17 Budget, 2016 Queensland Infrastructure Plan

# Group Overview | Key Financials

## Underlying Results

	1H FY17	1H FY16	% Change
Trading revenue	\$ 1,302.7 m	\$ 1,368.6 m	-5%
Earnings before interest and tax (excluding Significant Items) <sup>1</sup>	\$ 175.8 m	\$ 167.2 m	5%
Underlying net profit after tax (excluding Significant Items) <sup>1</sup>	\$ 104.0 m	\$ 111.6 m	-7%
Underlying earnings per share (excluding Significant Items) <sup>1</sup>	32 cents	34 cents	-6%
Underlying EBITDA cash conversion (excluding Significant Items) <sup>1,2</sup>	48%	114%	-66%

## Statutory Results

	1H FY17	1H FY16	% Change
Trading revenue	\$ 1,302.7 m	\$ 1,368.6 m	-5%
Earnings before interest and tax	\$ 22.7 m	\$ 12.1 m	88%
Reported net profit/(loss) after tax for the period	\$ (41.0) m	\$ 7.1 m	-
Statutory earnings per share (ordinary shares)	(19) cents	(2) cents	-
Interim fully franked ordinary dividend (payable April 2017)	20 cents	20 cents	-

Notes:

1. Refer to slide 9 for listing of Significant Items
2. Refer to slide 11 for detail of EBITDA cash flow conversion

# Financials | Profit and Loss

\$m	1H FY17	1H FY16	Change %
Revenue	1,302.7	1,368.6	-5%
Other income	32.7	48.3	-32%
Share of results from equity accounted investees	69.2	59.3	17%
<b>Total revenue and other income</b>	<b>1,404.6</b>	<b>1,476.2</b>	<b>-5%</b>
Expenses (excl. depreciation, amortisation and interest)	(1,212.8)	(1,289.3)	-6%
<b>Underlying EBITDA</b>	<b>191.8</b>	<b>186.9</b>	<b>3%</b>
Depreciation and amortisation	(16.0)	(19.7)	-19%
<b>Underlying EBIT</b>	<b>175.8</b>	<b>167.2</b>	<b>5%</b>
Net finance costs	(42.7)	(43.6)	-2%
<b>Underlying net profit before tax</b>	<b>133.1</b>	<b>123.6</b>	<b>8%</b>
Underlying tax expense	(29.1)	(12.0)	143%
<b>Underlying NPAT</b>	<b>104.0</b>	<b>111.6</b>	<b>-7%</b>
Significant Items (incl. tax impact)	(145.0)	(104.5)	-
<b>Statutory NPAT</b>	<b>(41.0)</b>	<b>7.1</b>	<b>-</b>
<b>Profit attributable to shareholders of SGH</b>	<b>(41.8)</b>	<b>6.5</b>	<b>-</b>

Notes:

1. Refer to the Appendix 4D for the detailed statutory results
2. Significant items are further summarised on slide 9

## Financials | Significant Items

\$m	1H FY17	1H FY16
Impairment – SWM equity	(139.6)	(182.2)
Gain / (Loss) on sale of investments and MtM on derivatives	(1.2)	2.3
Restructuring, redundancy, transaction and other costs	(4.7)	(2.6)
Share of equity accounted investees' Significant Items	(9.9)	18.1
Other items	2.3	9.3
<b>Significant Items – EBIT</b>	<b>(153.1)</b>	<b>(155.1)</b>
Net finance income	4.7	-
<b>Significant Items – PBT</b>	<b>(148.4)</b>	<b>(155.1)</b>
Tax impact of above	44.5	50.6
Share of SWM impairment and significant items – no tax expense	(44.9)	-
Other tax items	3.8	-
<b>Significant Items – NPAT</b>	<b>(145.0)</b>	<b>(104.5)</b>
<b>Statutory NPAT</b>	<b>(41.0)</b>	<b>7.1</b>
<b>NPAT excluding Significant Items</b>	<b>104.0</b>	<b>111.6</b>

# Financials | Earnings Summary

\$m	Total Group	WesTrac Aus	WesTrac China	Allight Sykes	Coates Hire	Media Invest.	Energy	Other Invest.	Other
Revenue	1,302.7	1,026.3	239.3	33.3	-	-	2.3	1.5	-
Statutory EBIT	22.7	69.9	18.8	(2.1)	6.7	(133.5)	27.3	36.7	(1.1)
<b>Add unfavourable Significant Items</b>									
Restructuring, redundancy and other costs	4.7	3.9	-	0.6	-	-	0.2	-	-
Loss on sale of investments	2.5	-	-	-	-	-	-	2.5	-
Impairment - SWM equity	139.6	-	-	-	-	139.6	-	-	-
Share of associate significant items	39.0	-	-	-	5.9	33.1	-	-	-
Mark-to-market on derivatives	3.3	1.3	-	-	-	-	-	2.0	-
<b>Subtract favourable Significant Items</b>									
Gain on sale of investments	(0.5)	-	-	-	-	-	-	(0.5)	-
Share of associate significant items	(29.1)	-	-	-	-	-	(10.3)	(18.8)	-
Mark-to-market on derivatives	(4.1)	-	(0.9)	-	-	-	-	(2.7)	(0.5)
Other items	(2.3)	-	-	-	-	-	-	(0.2)	(2.1)
<b>Underlying EBIT – 1H FY17</b>	<b>175.8</b>	<b>75.1</b>	<b>17.9</b>	<b>(1.5)</b>	<b>12.6</b>	<b>39.2</b>	<b>17.2</b>	<b>19.0</b>	<b>(3.7)</b>
<b>Underlying EBIT – 1H FY16</b>	<b>167.2</b>	<b>85.1</b>	<b>9.8</b>	<b>(0.5)</b>	<b>2.5</b>	<b>60.4</b>	<b>1.8</b>	<b>18.3</b>	<b>(10.2)</b>

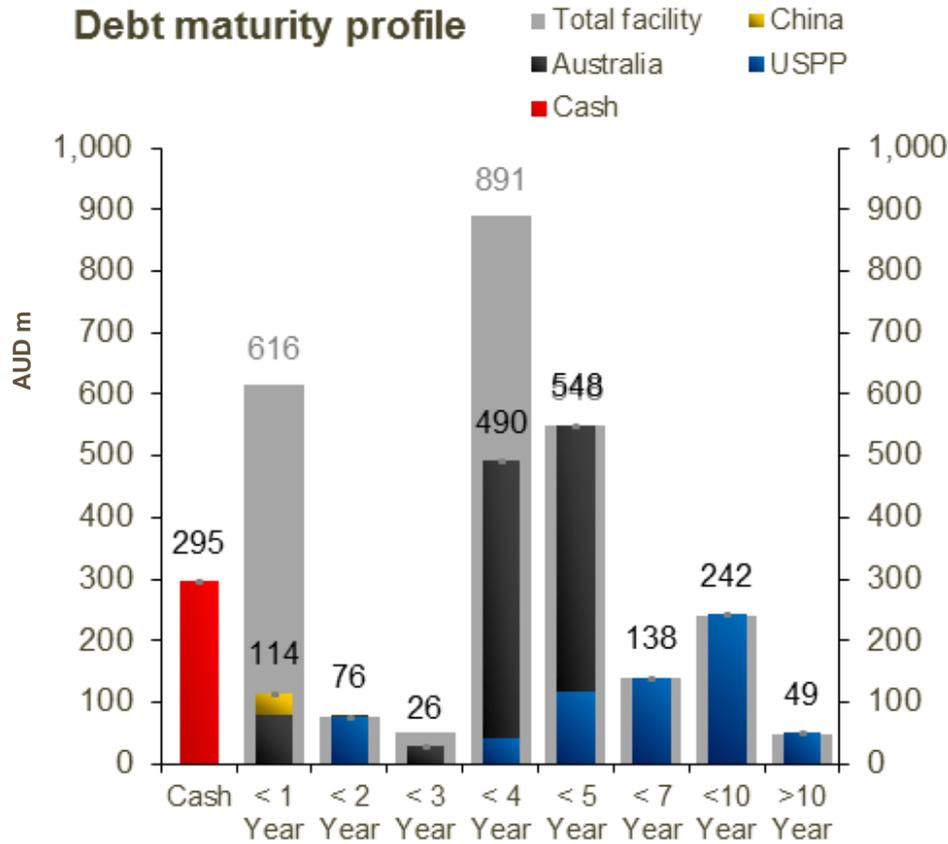
\$m	1H FY17	1H FY16
Underlying EBIT	175.8	167.2
Add: depreciation and amortisation	16.0	19.6
<b>Underlying EBITDA</b>	<b>191.8</b>	<b>186.8</b>
<b>Operating cash flow</b>	<b>57.7</b>	<b>201.9</b>
Add: interest and other costs of finance paid	42.2	38.7
Net income taxes paid / (refunded)	10.7	(1.0)
Add back: restructuring costs	4.7	2.5
Less: other cash Significant Items	(22.6)	(28.3)
<b>Underlying operating cash flow</b>	<b>92.8</b>	<b>213.8</b>
<b>Underlying EBITDA cash conversion</b>	<b>48%</b>	<b>114%</b>
Operating cash flow	57.6	201.9
Investing cash flow	9.4	(100.3)
Financing cash flow	(143.6)	(102.9)
Net decrease in cash and cash equivalents	<b>(76.6)</b>	<b>(1.3)</b>
<b>Cash and cash equivalents at end of period</b>	<b>294.9</b>	<b>305.0</b>
Opening net debt	1,367.5	1,344.6
Movement in net debt	21.0	64.5
<b>Closing net debt</b>	<b>1,388.5</b>	<b>1,409.1</b>

- ▶ Lower underlying EBITDA cash conversion of 48% predominantly impacted by:
  - \$40m increase in inventory mainly in WesTrac Australia \$25m (parts) and WesTrac China \$20m (equipment) offset by AllightSykes \$5m reduction
  - \$19m increase in machine prepayments in WesTrac Australia
  - \$20m increase in share of associate profit in excess of related dividends
- ▶ Investment cash flow includes
  - \$17m capex (\$11m WesTrac Australia)
  - \$7m in other investments and derivatives
 Offset by:
  - \$33m net sales from listed portfolio
- ▶ Financing cash flow includes:
  - \$69m in dividends paid
  - \$75m net repayment of borrowings

# Financials | Balance Sheet

\$m	As at 31 Dec 16	As at 30 Jun 16	Change %
Trade and other receivables	547.2	542.7	1%
Inventories	853.6	824.8	3%
Investments	1,774.6	1,972.6	-10%
Property, plant and equipment	164.9	172.0	-4%
Oil and natural gas assets	440.2	432.5	2%
Intangible assets	701.7	694.9	1%
Other assets	46.1	28.9	60%
Trade and other payables	(409.8)	(373.4)	10%
Provisions	(149.8)	(149.9)	0%
Net tax assets / (liabilities)	(27.4)	(29.9)	-8%
Deferred income	(183.3)	(241.4)	-24%
Derivative financial instruments	104.3	160.9	-35%
Net debt	(1,388.5)	(1,367.5)	2%
<b>Total shareholders equity</b>	<b>2,473.8</b>	<b>2,667.2</b>	<b>-7%</b>

- ▶ Decline in investments mainly due to unfavourable mark-to-market movement of the investment in SWM and the listed investment portfolio
- ▶ Increase in other assets relates to inventory paid in advance in WesTrac Australia
- ▶ Movements in deferred income relate to long term maintenance contracts (\$36m) and decreases in customer slot fees (\$26m)



- ▶ At 31 December 2016, the Group had \$924m of available undrawn borrowing facilities in addition to \$295m of cash
- ▶ Current “<1 year” debt includes a number of uncommitted offshore bank and short-term OEM facilities that are regularly rolled over for further terms and are categorised as current due to their short dated nature
- ▶ US\$75m (A\$109m) USPP tranche repaid during the period
- ▶ Facilities have a weighted average tenor of 3.7 years
- ▶ Drawn debt has an average tenor of 5.1 years
- ▶ Fixed debt proportion of 58%

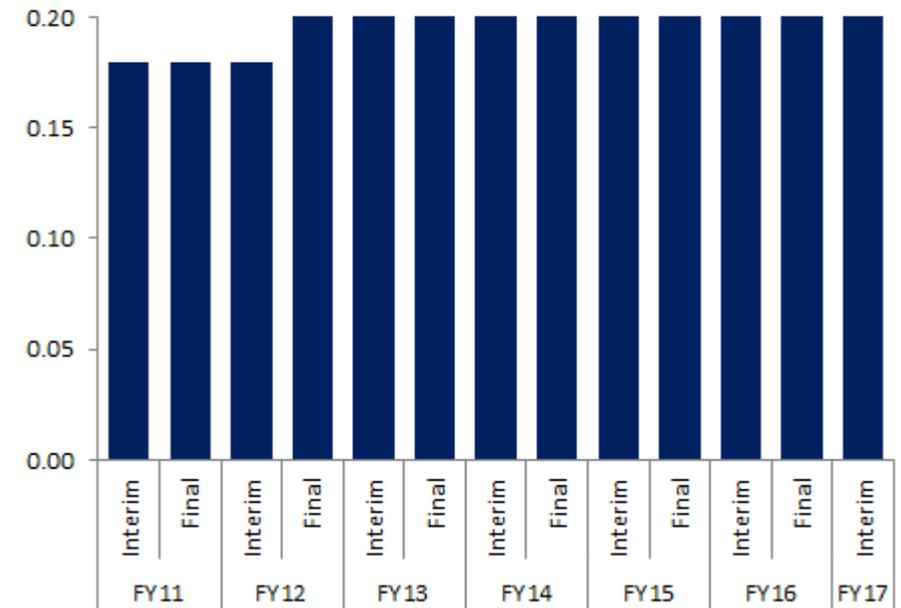
## Dividend unchanged

- ▶ Ordinary interim dividend maintained at 20c per share fully franked reflecting the Group's confidence in underlying free cash generation
- ▶ Attractive yield on both ordinary shares and TELYS4 shares
  - 62% underlying payout ratio and 6.0% annualised gross yield based on closing price on 22 February
  - Compares to S&P / ASX 200 Industrials gross yield of 4.5%
- ▶ Consistent delivery of dividends paid to shareholders over an extended period of time underlines our commitment to creating shareholder value

## Buy-back

- ▶ No ordinary or TELYS4 shares have been bought back in FY17 reflecting a disciplined approach to capital management
- ▶ The Group is willing to take advantage of future market dislocations to enhance shareholder value
- ▶ Ordinary share buy-back capacity refreshed and extended for 12 months

Ordinary Dividend Per Share History



# WesTrac Australia



Autonomous 793F mining trucks have delivered productivity gains to FMG

## Value proposition

- ▶ WesTrac enables a reduction in equipment lifecycle costs, thereby minimising investment in new equipment while maximising production
- ▶ Advancements we have made in parts logistics and velocity are allowing rapid and accurate delivery to customers
- ▶ We are investing in new technology such as autonomous trucks to deliver efficiency gains to customers

## Maintenance opportunities

- ▶ Iron ore export volume growth of 8% in 1H FY17 and improved commodity prices underline the large parts and service opportunity
- ▶ Focus is capture of parts opportunities flowing from ageing customer fleets and becoming more integrated with customer processes
- ▶ Competition for support work remains strong with customers continuing to in-source; but margin remains steady given change in sales mix to higher margin workshop service sales

Cat Equipment Utilisation	WA	NSW	Total
Machine population	18,421	18,790	37,211
Mining population	4,616	1,553	6,169
Utilised mining population	3,515	1,312	4,827
% mining utilisation	76.1%	84.5%	78.2%

## Equipment Average Age (Years)

Machine population	13.2	12.5	12.8
Mining population	8.9	9.1	9.0
Utilised mining population	8.0	8.4	8.1
Idle mining population	11.7	13.0	11.9

Source: Westrac PTOS Report - Dec 2016

## Customer 1

- ▶ WesTrac's on-site maintenance team at a major iron ore mine has helped the customer to improve truck utilisation, reduce downtime and reduce fuel consumption:
  - In-pit servicing eliminates transit time to workshop
  - Time needed for regular maintenance checks significantly reduced
- ▶ WesTrac has also assisted with detailed analysis of component performance leading to improved operational and maintenance processes:
  - Optimising engine life through detailed strip down assessments
  - Global benchmarking to identify trends in wear and component life
  - Engine life increased by 20%
  - Radiator life increased by 50%

## Customer 2

- ▶ WesTrac has enabled the deployment of CAT autonomous haulage technology on a commercial scale for a major mining customer
- ▶ Integration of AHS has seen a 20% productivity gain compared to regular fleet
- ▶ Customer has acknowledged AHS as a contributing factor to a significant reduction in C1 production costs during FY16



Source: The West Australian



Source: The West Australian

## Product support revenue up 10% on pcp

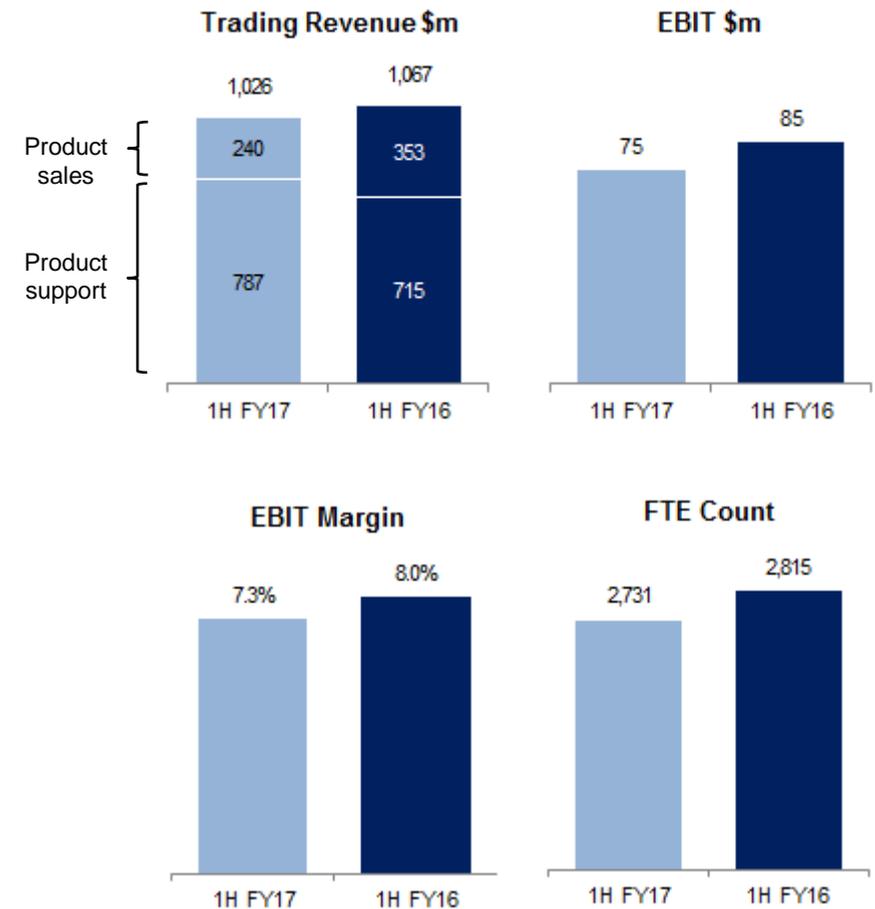
- ▶ Driven by strong parts sales growth of 14% given increased maintenance activity by customers
- ▶ NSW impacted by discontinued truck body business and ongoing trend of customers in-sourcing their service activities
- ▶ Growth seen in value of parts and service with Top 10 customers reflecting greater level of integration with customer supply chain
- ▶ Renewed focus to grow service revenue

## Trading revenue and EBIT lower

- ▶ Overall trading revenue decline of 4% and EBIT decline of 11% on pcp
- ▶ Impacted by product sales down 32% on pcp or down 17% when excluding impact of Roy Hill project in the prior half
- ▶ Product sales margin decline caused by reduction in higher margin mining equipment and increase in lower margin construction equipment
- ▶ Competition to maintain mining market share also impacted margins
- ▶ Delivering performance improvement in NSW remains a key focus to realise market opportunities

## Sustained focus on cost control

- ▶ Headcount reduction of 102 FTE over the past six months has delivered annualised cost savings of \$11m



Note: Segment EBIT margin is calculated as Segment EBIT divided by trading revenue

# WesTrac China



CAT generators provide backup power for a range of uses in the energy sector and data centres

## Positive momentum continues in China

- ▶ Robust industrial activity in China seen through recent economic indicators
  - Coal production up 12% in past six months
  - Building construction starts up 8% in past year
  - Steel production within 5% of all time high set in early 2016
- ▶ Seeing hydraulic excavator (HEX) market growth on higher infrastructure spending – first time for market growth in five years

## Improved market share and sales mix

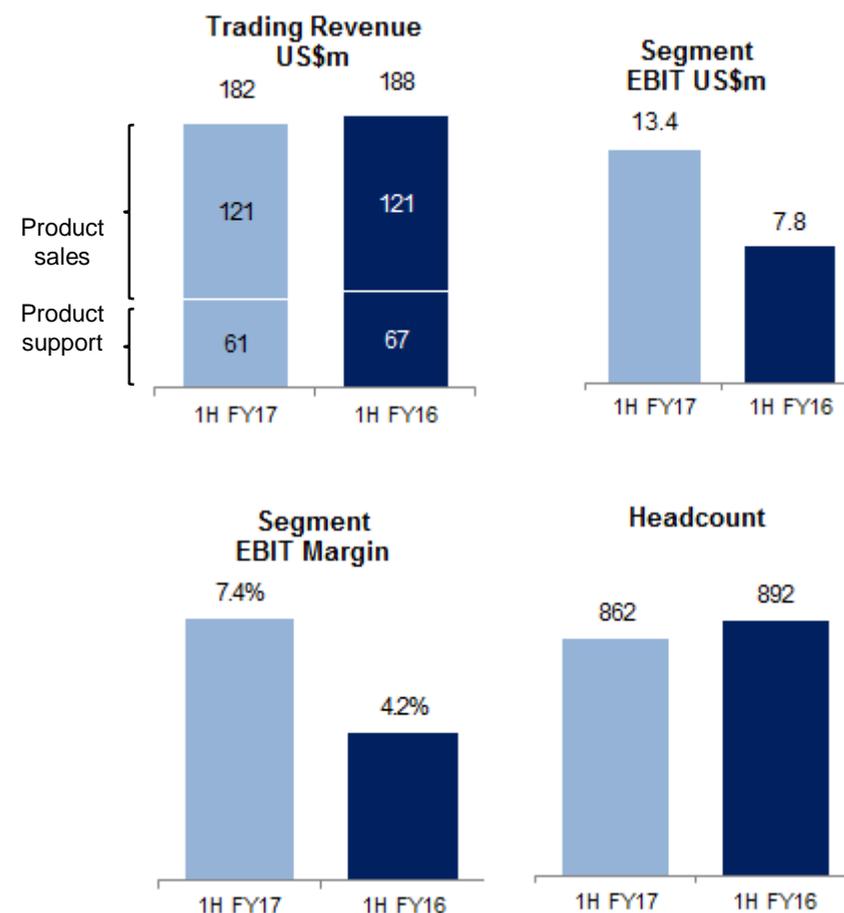
- ▶ Gains achieved in market share and return on sales as reflected by order of 170 units in the period by a major customer; #1 market share ranking in HEX within our territory
- ▶ Product sales flat against pcp with growth in higher margin HEX offset by decline in lower margin engine sales
- ▶ Product support down 8% on pcp impacted by deferred parts purchases by a major mining customer

## EBIT growth through margin and cost improvements

- ▶ EBIT of US\$13.4m up 72% on pcp with margin improving to 7.4%
- ▶ Change in sales mix towards higher margin equipment during period
- ▶ FTE headcount reduced by 3% and employee costs down US\$3m on pcp

## Investment in working capital

- ▶ Growth in debtors due to large contract deployments and general liquidity constraints in the market
- ▶ Rise in new equipment inventory to support growing excavator demand



Note: Segment EBIT margin is calculated as Segment EBIT divided by trading revenue

# Coates Hire



Coates Hire is a leading supplier of equipment to the infrastructure sector

### Strong performance driven by East Coast infrastructure

- ▶ NSW and VIC businesses continue to benefit from infrastructure and construction activity, offsetting weaker trading conditions in WA and QLD
- ▶ Coates has delivered on its strategy of improving price realisation:
  - Relocation of fleet from the west coast to the east coast and
  - Price recovery activities
- ▶ Cautiously optimistic on the infrastructure pipeline

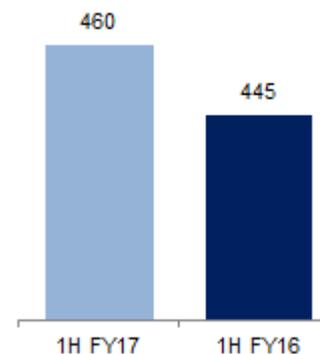
### Disciplined operational management

- ▶ Continued refinement of cost structure:
  - Rationalisation of branch network
  - Headcount reductions of ~290 FTE compared to pcp
- ▶ Time utilisation has improved by ~5.6% over past 12 months

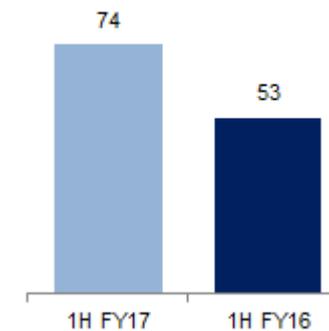
### Disciplined balance sheet management

- ▶ Net debt has reduced by \$100m since December 2015
- ▶ Senior debt facility matures in September 2019
- ▶ Disciplined cash flow management provides certainty and stability to undertake future business initiatives and growth strategies

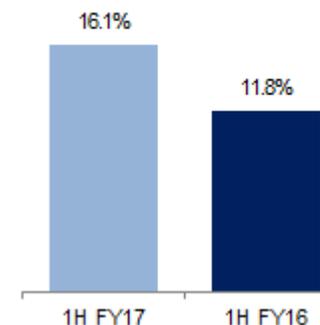
Trading Revenue \$m



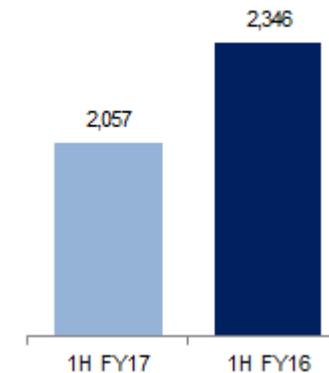
EBIT \$m



EBIT Margin



FTE Count



Notes:

1. Coates Hire is an equity accounted investment and not consolidated by SGH
2. SGH's economic interest in Coates Hire is 46.5% based on diluted interest after considering vesting conditions for options issued under the Management Equity Plan

# Media



Seven West Media creates world class content and delivers it to the widest multi-platform audience in Australia

## Leadership in TV and growth in new revenue streams

- ▶ Ranked #1 for 21 consecutive half year ratings periods
- ▶ Ranked #1 in revenue and ratings share
- ▶ Global footprint in program sales and third party productions is growing
- ▶ Initiatives such as Think TV are demonstrating the value of FTA TV for building customer brands and influencing outcomes

## Full year guidance maintained

- ▶ Revenue and other income up 1% on pcp
- ▶ Underlying EBIT of \$149m down 28%
- ▶ Operating costs up 10% mainly due to Olympic Games coverage; underlying costs down 4% on pcp, excluding major events and third party productions
- ▶ Operating cash conversion of 102% and operating cashflow of \$175m
- ▶ SGH has recognised a \$140m impairment referable to the decline in market value of the investment in SWM during the period and \$33m referable to SGH's share of SWM's impairment of Yahoo!7

## Outlook for FY17

- ▶ TV advertising market to be down low single digits while publishing advertising market trends to continue
- ▶ Program sales and third party production to deliver over 25% growth
- ▶ Group operating costs down including AFL (excluding Olympics and third party commissions)
- ▶ AGM guidance maintained: FY17 EBIT to be down approximately 20% YoY

\$m	1H FY17	1H FY16	Change
SWM share of associate NPAT	38.5	57.5	-33%
Other investment income	0.7	2.9	-76%
<b>Segment EBIT Contribution</b>	<b>39.2</b>	<b>60.4</b>	<b>-35%</b>

## 2016 RATINGS SCORECARD

#1 SHOW ON TELEVISION	>	
#1 DRAMA EVENT	>	
#1 DRAMA	>	
#1 NEWS	>	
#1 QUIZ SHOW	>	
#1 SPORTS EVENT	>	
#1 AT BREAKFAST	>	
#1 ON MORNINGS	>	

## Creating and exporting world class media content

- ▶ SWM leveraging strength of brands and content to establish leadership in new markets
- ▶ Largest production company in Australia with increased program sales in UK and US
- ▶ MKR's global footprint expanding – UK,NZ, Germany and US.
- ▶ 7Productions, 7Wonder and 7Beyond now producing over 800 hours of scripted, factual, kids and reality programming every year
- ▶ Platform7 launched to focus on short form video content

## Growing audience through digital pathway

- ▶ Utilising cross platform audiences to maximise outcomes for advertisers
- ▶ #1 live streaming broadcaster and #1 commercial catch-up service
- ▶ 100% owned digital revenue across SWM increased 200% in 1H17
- ▶ Live stream adoption growing strongly with 7Live streams up 207%; 7Tennis up 44%; Melbourne Cup up 18%
- ▶ OzTAM VPM now measuring Catch-up TV VPM + Live streaming accounting for 1% - 2% of all Total Video consumption

## Evolving operating model

- ▶ Leveraging technology to driver greater efficiencies
- ▶ Cost per hour of local programming down 22% YoY
- ▶ Completed first phase of Sunday Times and PerthNow acquisition
- ▶ Ongoing refinement of print cost base with 20% headcount in Pacific portfolio



# Energy



SGH's investment in Beach Energy has benefited from an improving oil price and tightening East Coast gas market

## Improving market dynamics

- ▶ Oil and gas prices improved during the six months to 31 December:
  - Brent crude up 14% to US\$57/bbl, WTI crude up 11% to US\$54/bbl
  - Victorian wholesale gas price averaged A\$7.67/GJ during period
  - Japan LNG import price up 38% to US\$8/MMBtu
  - Henry Hub gas price up 23% to US\$3.72/MMBtu

## Beach Energy contribution to Group EBIT

- ▶ Beach is the leading mid-cap oil and gas explorer and producer in Australia
- ▶ Largest onshore producer of oil in Australia, lowest cost operator in the Cooper Basin and poised for future growth in production and reserves
- ▶ \$18.5m share of associate NPAT recorded by SGH
- ▶ Result driven by Beach's record half year production volume and reduction in field operating costs
- ▶ FY17 production guidance raised to 10.3-10.7mboe from 9.7-10.3mboe
- ▶ Drilling program expanded but FY17 capex guidance revised down to \$170-\$185m reflecting cost savings
- ▶ Financial capacity enhanced through free cash flow generation resulting in \$660m in cash and undrawn debt facilities
- ▶ SGH representation on Beach Board with focus on continued discipline on field operating costs, corporate costs and capital management

## Longtom ready for production

- ▶ Offshore inspection and testing campaign successfully completed in January; electrical fault rectified with power / communication confirmed
- ▶ 20 PJ of gas in LT3 and LT4 wells available for production restart subject to availability of third party system and gas processing agreement
- ▶ Potential for first gas from LT5 well in 12-18 months; further upside provided by Gemfish prospect
- ▶ Continuing to work through commercialisation options; 80 PJ in uncontracted gas available in a tightening East Coast gas market

\$m	1H FY17	1H FY16
Revenue	2.3	3.8
Other income	-	3.8
Share of Beach Energy NPAT	18.5	-
Expenses (excl. interest and corporate)	(2.8)	(4.1)
<b>Segment EBITDA</b>	<b>18.0</b>	<b>3.5</b>
Depreciation and amortisation	(0.8)	(1.7)
<b>Segment EBIT</b>	<b>17.2</b>	<b>1.8</b>

## Investments



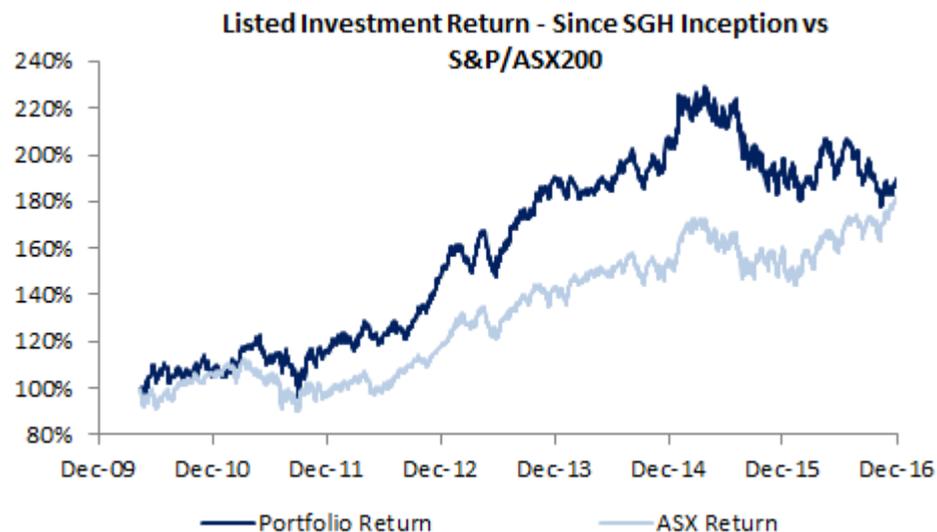
Former Channel 7 studio in Dianella / Perth now being redeveloped as “Seven Hills”

## Property portfolio impacted by soft WA market

- ▶ Stage 1 of Seven Hills (Dianella) continues with 28 lots sold to date
- ▶ Sale of additional REVY buildings in Pyrmont completed in 1H FY17 with approximately \$19m share of profit recognised within Significant Items

## Listed portfolio provides a store of value

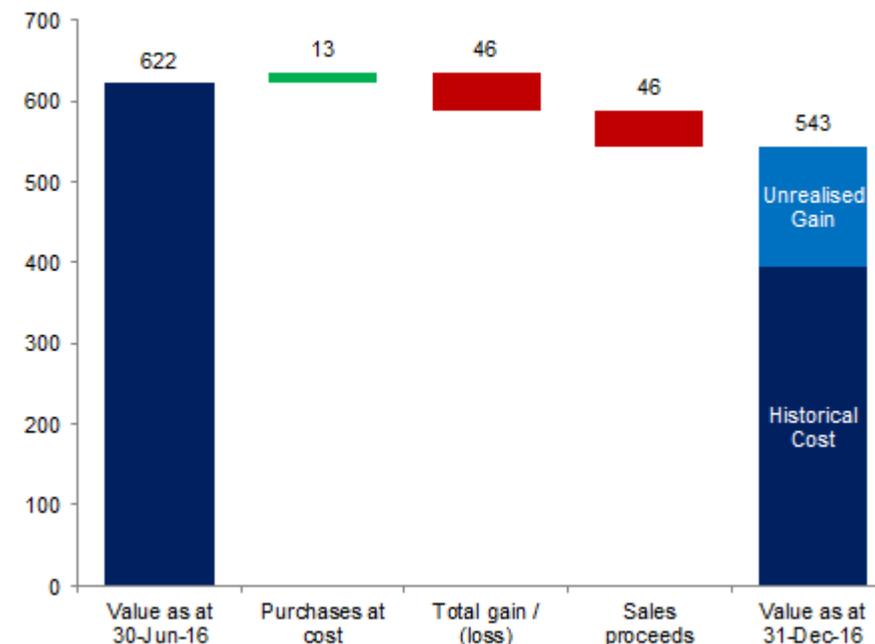
- ▶ Portfolio characterised by high liquidity and high yielding holdings
- ▶ Cumulative unrealised gain of \$146m deferred to reserves
- ▶ \$46m mark-to-market loss during 1H
- ▶ (5.5%) pre-tax 1H FY17 total return versus 11.4% for S&P / ASX 200
- ▶ Dividend yield on portfolio of 7.5% (gross annualised basis)



\$m	1H FY17	1H FY16
Revenue	1.5	-
Other income	19.2	19.3
Associate NPAT share	0.2	0.2
<b>Total revenue and other income</b>	<b>20.9</b>	<b>19.5</b>
<b>Segment EBITDA</b>	<b>19.1</b>	<b>18.4</b>
<b>Segment EBIT</b>	<b>19.0</b>	<b>18.3</b>

Note: results exclude net gains on sale of investments, subsidiaries and property

## Movement in SGH Investment Portfolio



### Strong balance sheet; Operating cash flow to improve in H2

Cash flow together with prudent balance sheet management continue to be a core focus for FY17 with operating cash flow improvements anticipated after working capital investments made in H1

### Coates Hire and WesTrac China providing upside

We are pleased with the improved performance and prospects of Coates Hire and WesTrac China with further upside expected from growing infrastructure demand

### Beach Energy profiting from higher production and price

We are expecting another strong half from Beach given its improved full year production guidance of 10.3 to 10.7 Mmboe and its continued focus on operational efficiencies

### WesTrac Australia to capture maintenance opportunities

Our focus is to ensure that strong parts performance is matched with delivery of enhanced service solutions to a market benefiting from higher production volumes and commodity prices

**Based on momentum continuing in our industrial services businesses through higher resource production volumes, commodity prices and infrastructure spend, we have raised full year guidance:**

**FY17 underlying EBIT for the Group is expected to be 5-10% above FY16**

**SGH** | Industrial Services, Media,  
Energy and Investments

**WesTrac**



**SGH** | Energy