

20 September 2017

MARKET ANNOUNCEMENT

Seven Group Holdings Limited (“SGH”) announces acquisition of the remaining 53.3 per cent of Coates Group Holdings Pty Ltd (“Coates Hire”)

Key highlights

- SGH moves to 100 per cent ownership of Coates Hire through the acquisition of securities representing the remaining 53.3 per cent interest from an affiliate of Carlyle Asia Partners II, a fund managed by The Carlyle Group (“**Carlyle**”) and minority owners (the “**acquisition**”).
- Purchase consideration for these securities is \$517 million. Coates Hire’s existing cash and debt (representing net debt including derivatives as at 30 June 2017 of \$1,039 million) will remain in place.
- The acquisition results in a 15 per cent accretion to FY17 underlying EPS¹, 91 per cent increase in free cash flow per share on an FY17 basis², and will increase pro-forma FY17 EBITDA from \$328 million to \$611 million and pro-forma EBIT from \$297 million to \$415 million³.
- Full ownership of Coates Hire will enhance SGH’s portfolio as the company expands its Industrial Services division with the addition of an operating business.
- The acquisition will be funded via existing debt facilities and available cash, including the proceeds from the sale of WesTrac China (expected in October) as previously announced will be in excess of \$500 million.

Transaction overview

Seven Group Holdings Limited (ASX: SVW) has today announced that it has entered into a binding agreement to acquire the remaining 53.3 per cent of securities in Coates Hire that it does not already own from Carlyle and other minority owners.

The acquisition of Coates Hire continues SGH’s focus on becoming the leading operator of industrial services businesses in Australia and driving efficient capital allocation across the portfolio.

The acquisition provides SGH with increased exposure to the Australian and East Coast infrastructure sector, with Coates Hire well-positioned to benefit from the increased number of projects and the resultant demand for construction equipment and heavy machinery.

¹ Based on underlying EPS for the 12 months to 30 June 2017 from continuing operations and assuming completion of the Coates Hire acquisition and sale of WesTrac China. Coates Hire financials based on disclosures as per the 2017 SGH Annual Report

² FCF is defined as underlying operating cash flow, less net capex, divided by the weighted average number of shares on issue

³ SGH FY17 reported EBITDA and EBIT is based on equity accounted share of associate net profit in relation to Coates Hire’s contribution. SGH FY17 pro forma EBITDA and EBIT is based on consolidation of Coates Hire’s EBIT contribution

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The Coates Hire business is led by a strong and experienced management team, with a number of business improvement initiatives in place and already delivering results.

Full ownership of Coates Hire will enhance SGH's portfolio with increased exposure to industrial services. The purchase price represents an implied EV / FY17 EBITDA multiple of approximately 6.5 times⁴. Coates Hire has experienced a strong start to the FY18 financial year with July and August tracking ahead of both the prior corresponding period (by more than 15 per cent) and year to date budget, driven by operational performance.

Managing Director & CEO of SGH, Ryan Stokes said:

"We are pleased to reach agreement with Carlyle to acquire the shares in Coates Hire we don't already own.

"We have had a long history with the Coates Hire business and believe with the visible market opportunity associated with East Coast infrastructure activity, along with the current performance of the business and management team, the company is extremely well positioned to create value for all shareholders.

"The move to full ownership of Coates Hire will enhance SGH's position as a leading operator of industrial services businesses, with a strong macroeconomic environment and a positive outlook providing the potential for significant opportunities to be realised."

The transaction is subject to satisfactory waivers being obtained from Coates Hire's existing lending syndicate.

About Coates Hire

Coates Hire is a leading equipment hire company, with a #1 position in Australia and over 200 branches nationwide. Coates Hire provides a wide range of products including earthmoving and access equipment to a broad range of end markets.

Coates Hire is strongly leveraged to growth from East Coast infrastructure and construction markets, whilst investment in data, digitisation and technology will also be a key driver of Coates Hire's customer satisfaction and business efficiency going forward.

Originally established in 1885 as a small engineering company based in Melbourne, Coates Hire is now one of the most recognised names in the equipment hire industry. The current consortium comprising SGH, Carlyle and other minority owners acquired Coates Hire in 2008.

In the 12 months to June 2017, Coates Hire has generated total revenue and other income of \$918 million and underlying EBITDA of \$308 million.

⁴ Based on Coates Hire EBITDA for the 12 months to June 2017. Implied enterprise value includes Coates Hire net debt at 30 June 2017 of approximately A\$1,039 million

Additional details

Further details of the acquisition and strategic rationale are set out in the Investor Presentation which is available on the ASX.

Credit Suisse acted as financial adviser to SGH, while Herbert Smith Freehills acted as legal adviser.

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Seven Group Holdings Limited 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 Group is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory in Australia. WesTrac Group is one of Caterpillar's top five dealers globally (by sales value). SGH also owns AllightSykes, a supplier of lighting towers, generators and pumps, and, as a result of the acquisition, SGH will also own 100 per cent of Coates Hire, Australia's leading equipment hire business. In media, SGH has a 41 per cent shareholding in Seven West Media, Australia's largest multiple platform media company, including the Seven Network, The West, The Sunday Times, Pacific and Yahoo7. The Group also has a 23 per cent shareholding in Beach Energy and has interests in oil and gas projects in Australia and the United States.

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