15 September 2023

Analyst
Joseph House 613 9235 1624
Associate analyst
Baxter Kirk 613 9235 1625

Authorisation
Jonathan Snape 613 9235 1601

Seven Group Holdings (SVW)

Capital allocation done right

Recommendation
Buy (Initiation)
Price
$29.05
Target (12 months)
$33.00 (Initiation)

GICS Sector

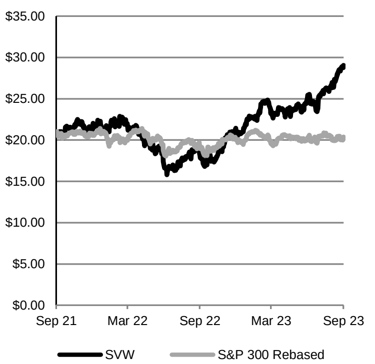
Commercial Services and Suppliers

Expected Return	
Capital growth	**13.6%**
Dividend yield	**1.7%**
Total expected return	**15.3%**
Company Data & Ratios	
Enterprise value	**$15,563m**
Market cap	**$10,562m**
Issued capital	**364m**
Free float	**42.7%**
Avg. daily val. (52wk)	**$12.6m**
12 month price range	**$16.21-29.26**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	26.45	24.41	19.05
Absolute (%)	9.8	19.0	52.5
Rel market (%)	9.9	16.9	48.5

Absolute Price



SOURCE: IRESS

A leading Australian diversified investment Group

Seven Group Holdings (SVW) is a leading Australian diversified operating and investment Group with market leading businesses and investments in Industrial Services, Energy and Media sectors. These businesses and investments include: (1) WesTrac (100% interest), the sole authorised Caterpillar dealer in WA, NSW and ACT; (2) Coates (100%), the largest provider of equipment solutions in Australia, with leading market share among top-tier customers; (3) Boral (~72%; BLD; not rated), Australia's largest, integrated construction materials supplier; (4) Beach Energy (30%; BPT; Buy, TP$2.00/sh), a mid-tier energy exploration and production company; and (5) Seven West Media (~40%; SWM; not rated), one of Australia's largest multi-platform media companies, including Seven Network, 7plus and The West Australian.

Leading indicators support FY24 EBIT growth outlook

SVW's FY24 EBIT growth guidance for its Industrial Services businesses of "high single to low double-digit" is achievable given: (1) robust Australian OEM order backlogs, providing good visibility on new equipment sales for WesTrac; (2) expected growth in iron ore production volumes in WA, driving greater aftermarket opportunities for WesTrac; and (3) YoY growth in the value of engineering construction work commenced and yet to be done of 33% and 37%, respectively, suggest increased demand for equipment hire services (Coates) and construction materials (BLD).

Investment thesis: Buy; TP$33.00/sh

SVW's businesses and investments are market leaders in their respective industries, with scale, brand and industry expertise underpinning commercial advantages that are hard to replicate by competitors. We are positive on the near-term outlook for mining production, engineering construction and transitional energy markets; critical minerals mining, renewable project construction and expected domestic and international gas supply shortfalls represent longer-term tailwinds. SVW's approach to capital allocation, access to low-cost capital and use of leverage position it well to address organic and inorganic opportunities and maximise ROCE.

Earnings Forecast

Year ending 30 June	2023a	2024e	2025e	2026e
Sales ($m)	9,627	10,435	10,747	11,242
EBITDA ($m)	1,689	1,838	2,041	2,151
NPAT (reported) ($m)	647	825	990	1,077
NPAT (adjusted) ($m)	703	825	990	1,077
EPS (adjusted) (¢ps)	180.0	208.6	252.8	275.6
EPS growth (%)	3.9%	15.9%	21.2%	9.0%
PER (x)	18.4x	15.9x	13.1x	12.0x
FCF Yield (%)	5.5%	7.0%	6.7%	7.4%
EV/EBITDA (x)	10.1x	9.3x	8.4x	8.0x
Dividend (¢ps)	46.0	50.0	50.0	50.0
Yield (%)	1.6%	1.7%	1.7%	1.7%
Franking (%)	100%	100%	100%	100%
ROE (%)	16%	17%	17%	16%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

Investment thesis & recommendation

Investment thesis: Buy; TP$33.00/sh

We initiate coverage of SVW with a Buy recommendation, noting the following drivers:

SVW management have a proven track-record of disciplined execution and capital allocation, delivering growth in the long-term, and backed by an operating model based on values including Owner’s Mindset. This value promotes the idea that capital should be allocated with the same level of responsibility as if it belonged to the decision-maker themselves, encouraging the efficient use of resources to underpin shareholder value.

Operating privileged assets: WesTrac, Coates and BLD operate with commercial advantages that are hard to replicate by competitors. These commercial advantages include scale, industry expertise, brand, and market position. WesTrac is the sole distributor of new CAT equipment in WA, NSW and the ACT. Coates is the largest provider of equipment solutions in Australia, with leading market share among top-tier customers. BLD is Australia’s largest, integrated construction materials supplier. BLD’s strategic and unrivalled rail-connected supply network in NSW embeds an inherent cost-competitive advantage into its east coast supply network.

Supportive short term macro drivers: Overall, demand drivers for SVW’s Industrial Services businesses (WesTrac, Coates and BLD) are positive in the short-term. For WesTrac, OEM equipment order backlogs provide good visibility on new equipment sales in FY24, while aftermarket opportunities are expected to be bolstered by growth in mining activity across iron ore and critical mineral sectors. Labour recruitment and retention will be key for Product Support revenue growth. For Coates and BLD, YoY growth in the value of engineering construction work commenced and yet to be done of 33% and 37%, respectively, suggest increased demand for equipment hire services and construction materials. While residential housing approvals have been weak CY23TD, expected government policy reform to drive incentives for new residential property development is encouraging and may support near-term demand growth for construction material supplies.

Market themes that support longer-term growth include: For WesTrac, Product Support opportunities are expected to grow with an expanding and aging machine population in WA and NSW. These opportunities include greater consumption of parts, increased repair and maintenance requirements and growing rebuilding demand. WesTrac are well positioned to benefit from an increase in battery metals mining, and fleet electrification and automation. Similarly, Coates should benefit from increased critical mineral mining project development and the significant renewables project development pipeline, estimated at over $2 trillion over the next 10 years. East Coast concrete demand growth is forecast to remain steady, with long-run growth expected to be over 2% per year.

EBIT margin expansion potential: We hold an upside risk bias to EBIT margins as (1) WesTrac’s product mix shifts towards higher margin aftermarket sales; (2) Coates expands its higher margin Engineering and Industrial Solution service offerings and implements further initiatives targeting network optimisation, streamlined repair and maintenance and efficient transportation services; and (3) BLD continues to implement its renewed operating model, driving cost-out and improving financial, commercial and operational rigour.

Prudent approach to capital management: SVW applies a disciplined approach to capital allocation across its portfolio investments while remaining agile to respond to inorganic opportunities when they arise. Leverage is a key pillar of SVW’s funding structure, driving a lower cost of capital (cost of debt being lower than cost of equity), and supporting Return on Capital Employed (ROCE). SVW’s net leverage of ~2.3x at 30 June 2023 positions the company well to address organic and inorganic opportunities.

Valuation & methodology

Discounted cash flow of SVW's core assets

Our SVW valuation is based on discounted cash flow models of the company's core industrial assets and allowances for other assets and corporate costs. Other assets comprise a 30% interest in BPT, valued using Bell Potter Securities' latest published equity valuation, a 40% interest in SWM, valued using sector comparable valuation multiples, and the wholly owned SGH Energy business, with a Crux project valuation considered only. We also make allowances for SVW-level corporate costs. A nominal WACC of 9.3% and terminal growth rate of 3.0% have been applied to our asset DCF models. Table 1 outlines our SVW sum of the parts valuation.

We initiate coverage of SVW with a Buy recommendation and a Target Price of $33.00/sh.

Table 1 - SVW sum of the parts valuation

Diluted shares on issue		**365m**
12-month valuation		
	$m	**$/sh**
Westrac (100% ownership)	6,657	18.22
Coates (100% ownership)	3,305	9.05
Boral (72% ownership)	4,146	11.35
Other assets (Beach Energy 30%; Seven West Media 40%; and SGH Energy 100%)	2,466	6.75
Corporate costs	-324	-0.89
Enterprise valuation	**16,251**	**44.49**
SVW net debt (incl. leases; less Boral NCI)	4,307	11.79
Equity valuation	**11,944**	**32.70**
Current share price		29.05
Upside to current share price (%)		13%

SOURCE: BELL POTTER SECURITIES ESTIMATES

WESTRAC MODEL ASSUMPTIONS

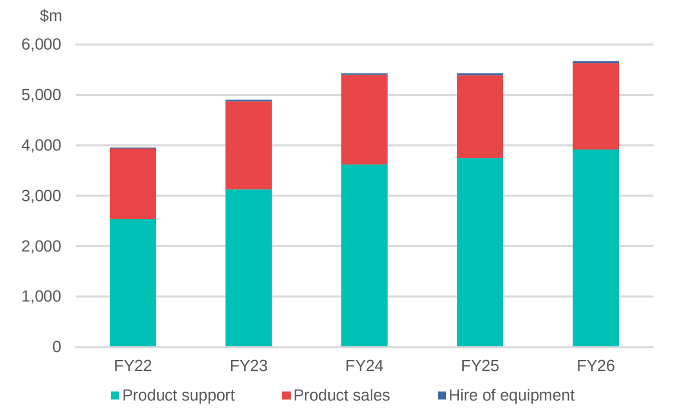
We forecast revenue CAGR of 4.9% over FY23-26, driven mostly by Product Support revenue growth. This revenue growth outlook is underpinned by: (1) a strong short-term orderbook for new mining and construction equipment; (2) a growing and ageing mining and construction machine population, driving increased aftermarket sales opportunities; and (3) increased mining activity and equipment utilisation supported by a healthy pipeline of greenfield and brownfield bulk and critical mineral mining projects expected to be commissioned in the short-to-medium term. Our longer-term revenue growth assumptions reflect increased demand for new mining and construction equipment and aftermarket services. Factors driving this long-term thesis include: greater production of critical minerals in Western Australia and NSW; greater uptake of fleet electrification and automation; and the build-out of renewable energy infrastructure across Western Australia and NSW. We expect, limited labour availability, particularly diesel fitters, will constrain near-term Product Support revenue growth in a strong market.

We estimate EBIT CAGR of 7.0% over FY23-26, with EBIT margin expansion to 10.8%, up from 10.2% in FY23. Favourable revenue mix movements towards higher-margin Product Support revenues will be a key driver for this earnings growth. Our terminal EBIT margin assumption is ~10.8%.

Capital expenditure assumptions are similar to recent historical levels at ~1.1% of revenue per year.

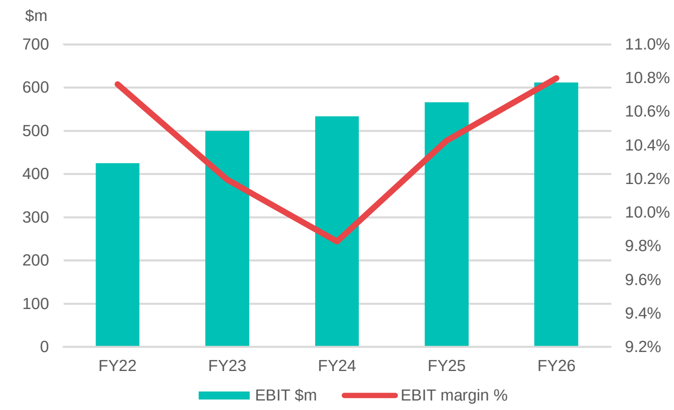
The Figures below illustrate our WesTrac revenue and EBIT forecasts.

Figure 1 - WesTrac revenue mix



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 2 - WesTrac underlying EBIT & margin



SOURCE: BELL POTTER SECURITIES ESTIMATES

COATES MODEL ASSUMPTIONS

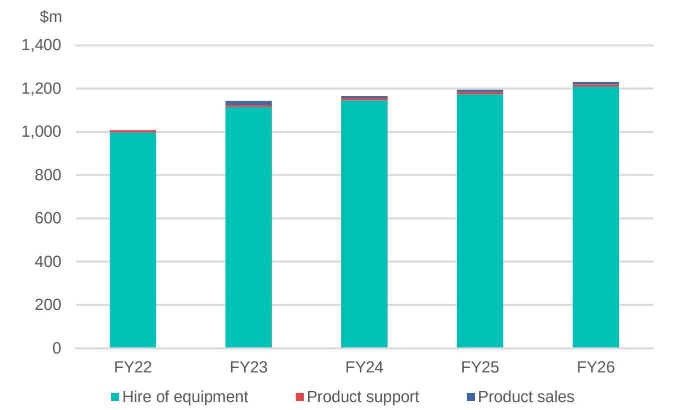
We forecast revenue CAGR of 2.5% over FY23-26, driven by revenue growth from Coates' Engineering and Industrial Solutions service offerings. This growth outlook is supported by: (1) a $1.2 trillion 5-year infrastructure and construction pipeline; (2) expanding development activity from East Coast renewable energy projects; and (3) demand for Engineering and Industrial Solution service offerings, particularly from Top and Mid-tier customer market segments.

We estimate EBIT CAGR of 3.4% over FY23-26, with EBIT margin of 27.0% expected in FY26, broadly consistent with FY23. We believe there are opportunities for Coates to further expand its EBIT margin beyond our terminal margin assumption of 27.0%. These opportunities include network optimisation as Coates completes its Hub and Spoke operating model transition. Further improvements in Repair & Maintenance workflows should also drive margin expansion.

Capital expenditure assumptions are similar to recent historical levels at 17-20% of revenue per year, and are reflective of net fleet additions.

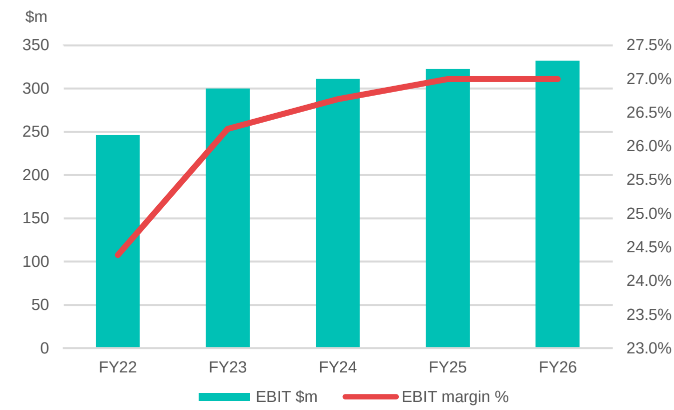
The Figures below illustrate our Coates revenue and EBIT forecasts.

Figure 3 - Coates revenue mix



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 4 - Coates underlying EBIT & margin



SOURCE: BELL POTTER SECURITIES ESTIMATES

BORAL MODEL ASSUMPTIONS

We forecast revenue CAGR of 6.6% over FY23-26, reflecting growth in construction material volume and price realisation. Long-term annual revenue growth is expected to be ~2-3%, consistent with the long term historical concrete demand annual growth rate.

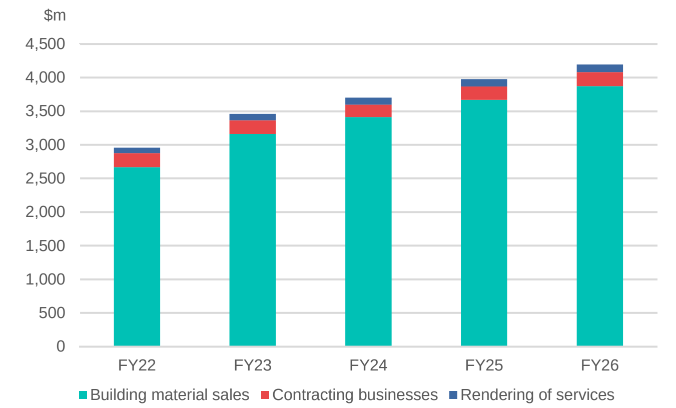
We estimate EBIT CAGR of 13.2% over FY23-26, with EBIT margin expansion to 8.0% in FY26, up from 6.7% in FY23. EBIT growth over the medium term is predicated on normalising labour markets (improving availability of truck drivers and lowering cartage costs) and energy prices, and cost optimisation through implementation of a more simplified and standardised operating model. We estimate FY24 EBIT of $285m, the mid-point of BLD's $270-300m underlying EBIT guidance published in August 2023.

We expect capital expenditures to be roughly 6.5% of revenue per year, and broadly in line with PP&E depreciation each year.

We have also included a valuation allowance for BLD's surplus property portfolio of $1.0b, consistent with the Independent Expert Report published by Grant Samuel in June 2021.

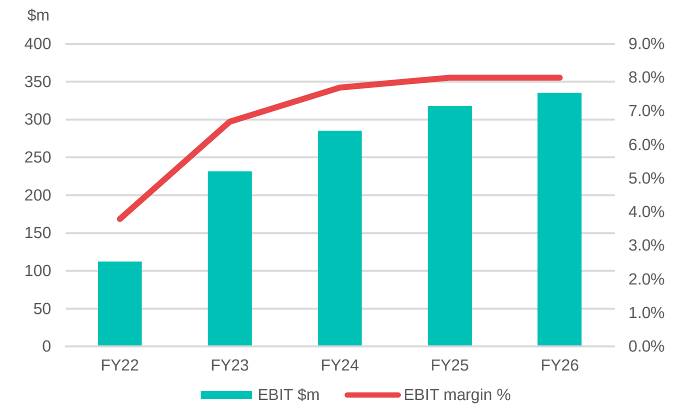
The Figures below illustrate our BLD revenue and EBIT forecasts.

Figure 5 - BLD revenue mix



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 6 - BLD underlying EBIT & margin



SOURCE: BELL POTTER SECURITIES ESTIMATES

Other valuation considerations

- **Beach Energy (30% ownership):** Applied Bell Potter Securities' 12-month equity valuation per share of $2.00 on SVW's 30% ownership of BPT. We last published on BPT on 14 August (FY23 financial result update) - FY23: Waitsia Stage 2 clarity provided.
- **Seven West Media (40% ownership):** Applied an ASX-listed media peer comparable valuation average to derive a SWM entity valuation. A 30% discount was applied to this comp valuation to account for SWM's weaker EBITDA growth relative to the sector average.
- **SGH Energy (100%):** Comprises Crux project (SGH Energy 15.5% interest) valuation only. Project valuation was derived using comparable ASX-listed energy peer valuation, with a 10% risk discount applied to account for development risk as the project undergoes construction (expected to complete in 2027).
- **SVW corporate costs:** A corporate cost valuation allowance (deduction) for overheads not accounted for in our asset DCF models. Corporate overheads are valued in perpetuity using our 9.3% WACC assumption.

Valuation cross-check

Table 2 outlines our valuation cross-check against WesTrac, Coates and BLD's respective sector peers. We have compared our WesTrac valuation against comparable OEM, dealers and maintenance providers, Coates valuation with United Rentals (NYSE:URI; market leader of equipment hire services in North America) and BLD valuation with ASX-listed Construction Materials peers.

Table 2 - Valuation cross-check: BPe vs comps

WesTrac	**FY24**
EV $m	6,657
EBITDA $m	626
EV / EBITDA x	10.6x
OEM, dealer & maintenaince providers EV / EBITDA average x	8.8x
Premium / (discount) to sector average	**21%**
Coates	
EV $m	3,305
EBITDA $m	515
EV / EBITDA x	6.4x
United Rentals EV / EBITDA x	6.2x
Premium / (discount) to sector average	**3%**
Boral	
EV $m (gross valuation)	5,698
EBITDA (100% interest) $m	531
EV / EBITDA x	10.7x
Construction / building materials EV / EBITDA sector average x	9.3x
Premium / (discount) to sector average	**15%**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Notes:

WesTrac's 21% valuation premium to the sector is appropriate given WesTrac's market leading position as the exclusive dealer of CAT mining and construction equipment in Western Australia and NSW, and provider of genuine OEM aftermarket services to mining and construction customers. WesTrac is one of the largest CAT dealers in the world, servicing regions (Western Australia and NSW) known for robust mining and construction activity. Brand and association with CAT, a global leader in mobile equipment innovation, is a competitive advantage from a marketing and technology standpoint.

Our Coates valuation is broadly in line with United Rental's market valuation. We believe this comparison is fair considering both companies are market leaders in in their respective geographies, service similar clientele and have broadly consistent profitability margins.

Our BLD valuation is ahead of comparable peer valuation. We believe this valuation premium is justified given BLD's scale and brand and market leading position, with a vertically integrated operating model and competitive advantage resulting from its strategic and unrivalled rail-connected supply network in NSW.

Corporate strategy & capital management

Owner's mindset drives corporate strategy & operating model

INVESTMENT PHILOSOPHY: RESPECT; OWNER'S MINDSET; COURAGE; & AGILITY

SVW's investment strategy is governed by a values-based philosophy: Owner's Mindset; Courage; Respect; and Agility.

Owner's Mindset: Promotes the idea that capital should be allocated with the same level of responsibility and scrutiny as if it belonged to the decision-maker themselves, encouraging the efficient use of resources to drive shareholder value. Owner's Mindset also promotes accountability through Group and Business Unit (BU) delineation, and a front-line focussed workforce with a strong emphasis on execution.

Courage: Empower and trust workforce to recognise and pursue opportunities and to strive to fundamentally improve the way business is done.

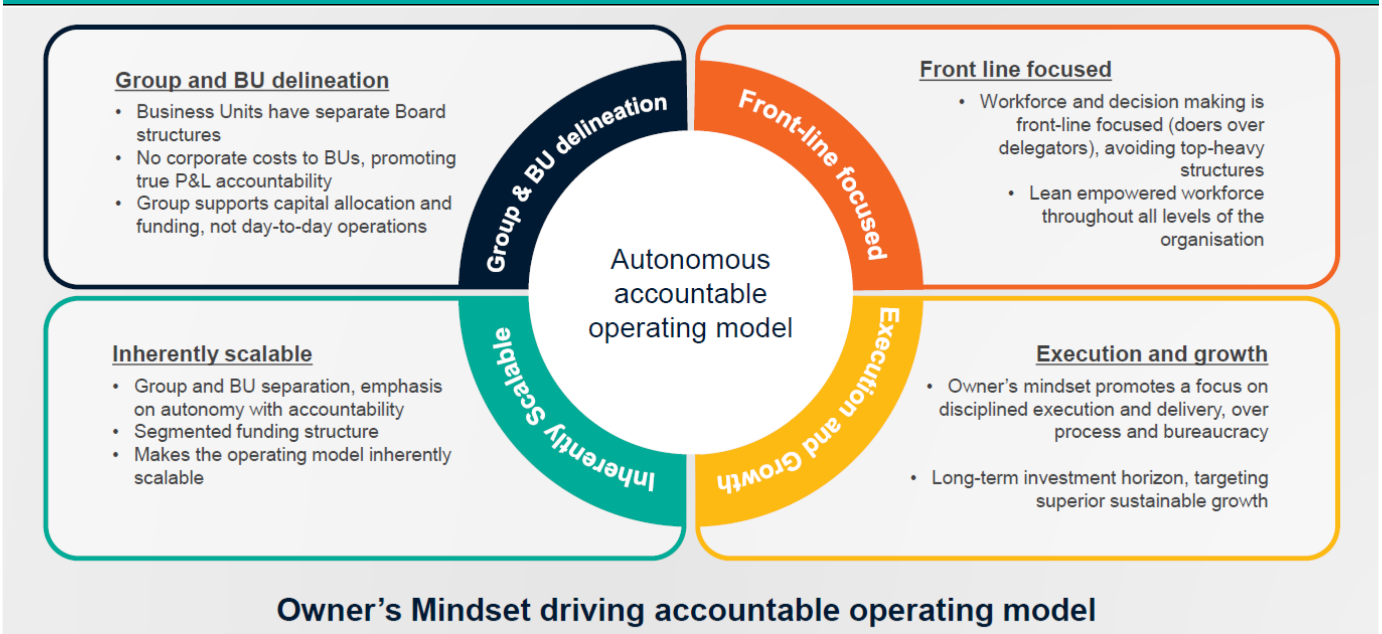
Respect: Foster an inclusive culture, embrace diversity and collaborate constructively with all shareholders to drive returns.

Agility: Overcome challenges when they arise, evolve the business and portfolio businesses, and take an opportunistic approach to sector and geography.

SVW's Owner's Mindset operating model promotes autonomy and accountability, with decision making and day-to-day operations delineated to each business unit's Board and management teams. Importantly, SVW does not charge overheads down to its subsidiaries, ensuring BU CEOs have full control of their income statements. Similarly, SVW does not support shared service centres across their businesses, again ensuring that each BU controls their respective cost base: an example of accountability and responsibility.

The Figure below outlines SVW's operating model.

Figure 7 - SVW's operating model



SOURCE: COMPANY DATA

INVESTMENT STRATEGY OVERVIEW

SVW's track record of earnings growth (10% GAGR over the last decade) has been influenced by the execution of the abovementioned framework in managing investments in privileged assets that have limited fixed price contract exposure. These investments are exposed to strong, long-term sectoral themes including mining production (Westrac and Coates), infrastructure and construction (Coates and Boral) and the transitional energy (Beach Energy and SGH Energy).

Three key strategic traits of SVW's investment strategy include:

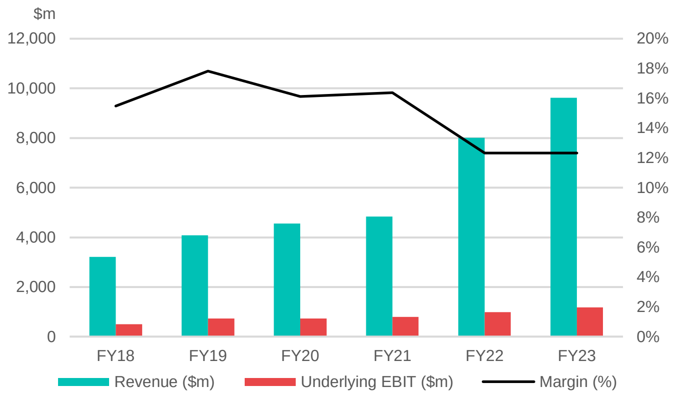
Owning privileged assets: Assets that are difficult to replicate due to barriers to entry including commercial advantages, competitive advantages, significant operational scale and industry expertise.

- **WesTrac (100% interest):** The sole authorised Caterpillar (NYSE:CAT, not rated) dealer to mining and construction markets in Western Australia, New South Wales and the Australian Capital Territory, and provider of aftermarket support services. A rising and aging CAT installed base supports recurring aftermarket opportunities. Historically, these aftermarket opportunities have been valued at 4 to 5 times the original cost of the equipment used in the Resources industry. CAT and CAT-WesTrac initiatives in battery-powered equipment development and automation provide WesTrac with unrivalled access to cutting-edge technology, driving productivity enhancements for customers and as well as supporting their decarbonisation commitments. BHP Group (not rated), Rio Tinto (RIO) and Newmont (NYSE:NEM) are working closely with CAT on battery truck trailing.
- **Coates (100% interest):** Owns a leading equipment hire fleet with significant market-share across top-tier, mid-tier and trades market segments. Coates' service offerings target customer needs throughout the project lifecycle. Major construction contractors adopting a more asset-light operating model has resulted in greater equipment hire penetration for the top-tier market segment in recent years.
- **Boral (72% interest, BLD, not rated):** BLD benefits from owning one of three domestic cement manufacturing plants in Australia and quarries proximal to demand centres. BLD's vertically integrated operating network and rail systems (in NSW) cannot be easily replicated, providing a commercial and cost advantage over competitors.
- **Beach Energy (30% interest, BPT, Buy, TP$2.00/sh):** One of the largest suppliers of domestic gas on the East Coast of Australia and will become Australia's newest LNG supplier from mid-CY24 through its Waitsia Stage 2 expansion in WA. BPT is positioned to benefit from an increasing profile of uncontracted gas supply (specifically in the Victorian Otway) and repricing of Gas Supply Agreements in a forecast supply-tight East Coast gas market.
- **Seven West Media (40% interest, SWM, not rated):** Market leading media reach across Australia: ~20m (91%) of Australians over 14 years of age every month. Seven West Media operates Australia's leading Broadcaster Video on Demand (BVOD) platform, 7plus.

Limited fixed price contract exposure: Limiting impacts of inflation and liquidated damages through the avoidance of long-term fixed price contracts.

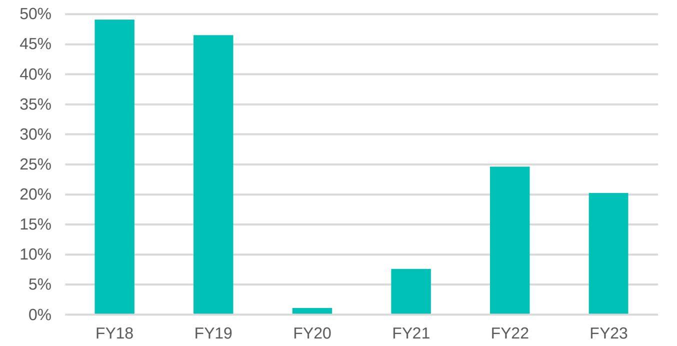
Proven track record of earnings growth: SVW have grown underlying EBIT every year since at least FY18, driven by equipment and service volume growth and active management of cost inflation (in recent years) via effective cost and pricing discipline. SVW has shown an ability to manage inflationary cost pressures since late FY21 through out-of-cycle price increases across its privileged asset base where market position prohibits any significant market share loss.

Figure 8 - Group revenue, underlying EBIT & margin



SOURCE: COMPANY DATA

Figure 9 - YoY growth in Group underlying EBIT



SOURCE: COMPANY DATA

Capital management framework & diversified funding approach

CAPITAL MANAGEMENT FRAMEWORK

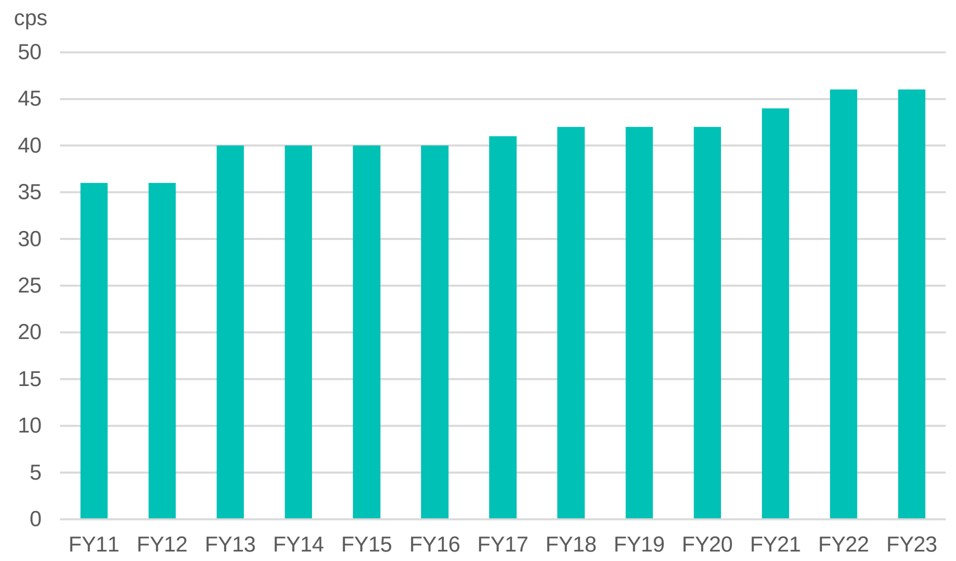
SVW seek to deliver a balanced capital management framework, enabling long-term investment portfolio value accretion and steady dividend growth. SVW applies a disciplined approach to capital allocation across its portfolio investments while remaining agile to respond to inorganic opportunities. Leverage is a key pillar of SVW's funding structure, driving a lower cost of capital (cost of debt being lower than cost of equity), and supporting Return on Capital Employed (ROCE). Risks of this levered strategy are partly mitigated by the company's highly cash flow generative portfolio businesses and approach to derivative hedging (via interest rate swaps and options to manage FX exchange risk).

SVW management have demonstrated an ability to effectively use leverage to finance M&A opportunities, with those investments supporting rapid de-leveraging soon after acquisition. For example, SVW was critical in supporting the $1.4b Lattice Energy acquisition by BPT, utilising $1.2b of debt that was repaid within 18 months.

STEADY DIVIDEND GROWTH

SVW have not formally disclosed a target payout metric on underlying earnings. Figure below outlines the Group's historical FY dividend payments (per share) to shareholders, including its predecessor company Seven Network Limited (SNL).

Figure 10 - Historical FY dividend per share



SOURCE: COMPANY DATA

DIVERSIFIED FUNDING MIX; RAPID DE-LEVERAGING

SVW's financing model is characterised:

- By an ambition to de-lever: 2.3x leverage ratio achieved at 30 June 2023 (includes equity swap cash), 12 months ahead of its committed timeline to market and down from 2.7x at 31 December 2022.
- Match long duration investments with long dated debt.
- Maintain a segmented funding structure to enable the purchase and sale of businesses with debt in-situ and without break fees incurred.
- Foster relationships with key lenders to underpin future investments at favourable pricing.
- To leverage strong and consistent cash flows and value of listed investments to take on further debt when opportunities arise.

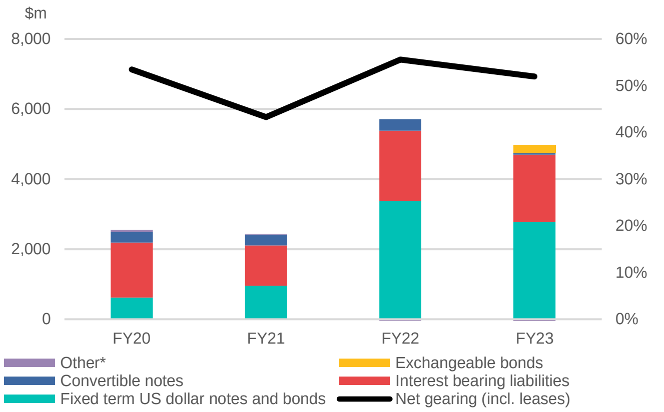
The table below outlines SVW's capital structure, available liquidity, net gearing and net leverage in recent historical reporting periods.

Table 3 - Capital structure, available liquidity, net gearing & net leverage

Net debt		**FY20**	**FY21**	**FY22**	**FY23**
Cash	$m	120	161	1,255	877
Total debt (excl. leases)	$m	2,555	2,432	5,663	4,893
Net debt (excl. leases)	**$m**	**2,435**	**2,272**	**4,408**	**4,017**
Leases	$m	864	835	964	985
Net debt (incl. leases)	**$m**	**3,299**	**3,107**	**5,372**	**5,001**
Liquidity					
Undrawn debt facilities	$m	452	1,775	1,081	1,226
Available liquidity	**$m**	**572**	**1,936**	**2,336**	**2,103**
Net gearing & net leverage					
Net gearing (excl. leases)	%	45.9%	35.8%	50.7%	46.5%
Net leverage (excl. leases)	x	2.4x	2.2x	3.0x	2.4x
Net gearing (incl. leases)	**%**	**53.5%**	**43.3%**	**55.6%**	**52.0%**
Net leverage (incl. leases)	**x**	**3.3x**	**3.0x**	**3.7x**	**3.0x**

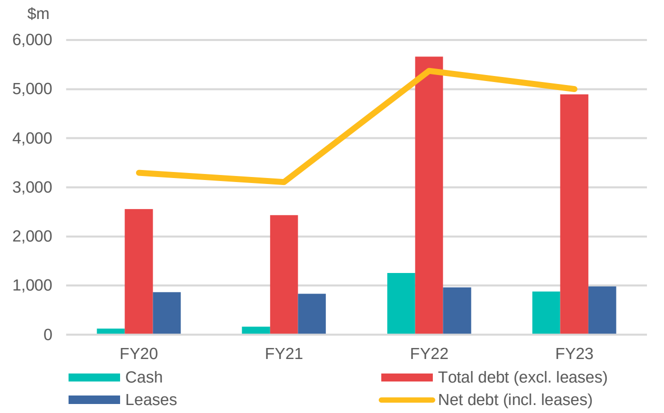
SOURCE: COMPANY DATA

Figure 11 - Debt mix & net gearing



SOURCE: COMPANY REPORTS
NOTE: *OTHER INCLUDES CAPITALISED BORROWING COSTS AND FV ADJUSTMENTS RELATING TO CROSS CURRENCY SWAPS

Figure 12 - Capital structure



SOURCE: COMPANY REPORTS

Table 4 - Debt mix & weighted average interest rate

Interest bearing financial instruments		FY20	FY21	FY22	FY23
Interest bearing liabilities	$m	1,570	1,148	2,007	1,933
Exchangeable bonds	$m	0	0	0	221
Convertible notes	$m	304	313	323	44
Fixed term US dollar notes and bonds	$m	617	957	3,380	2,771
Other*	$m	63	14	-47	-76
Total	**$m**	**2,555**	**2,432**	**5,663**	**4,893**
% of debt fixed / hedged	%	44%	53%	49%	46%
Weighted average interest rate	%	3.4%	3.9%	4.0%	5.6%
Weighted average maturity on drawn debt	years	2.8	3.4	4.6	4.6

SOURCE: COMPANY DATA
NOTES: * INCLUDES CAPITALISED BORROWING COSTS AND FV ADJUSTMENTS RELATING TO CROSS CURRENCY SWAPS

Interest bearing liabilities: Comprises equity swaps, short-term working capital facilities, a revolving syndicated loan facility, a long-term OEM Inventory Rental Assistance Program facility and subsidiary bank debt.

- **Equity settled swaps:** At 30 June 2023, SVW held equity-settled swaps in BLD of $365.5m. The swaps mature in October 2023.
- **Syndicated loan facility:** Comprises 3 tranches (A, B and C). Tranche A has a $558.0m limit and matures September 2024, Tranche B has a $1,030.0m limit and matures September 2027, and Tranche C has a $280.0m limit and matures April 2027.

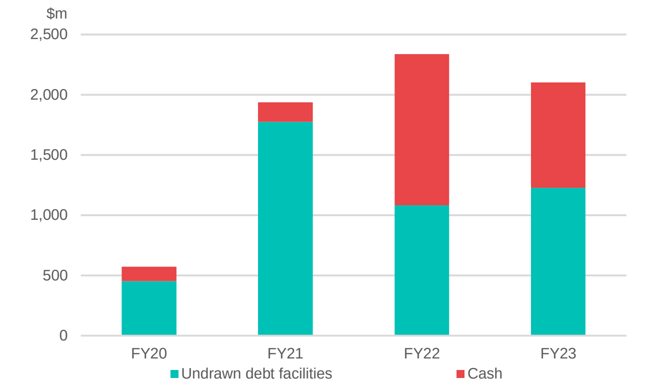
Convertible notes & exchangeable bonds: In October 2022, SVW completed a $250.0m exchangeable notes transaction (maturing October 2027), marketed to offshore and local institutional investors. Funds raised were partly used to finance the concurrent repurchase of SGH's outstanding convertible notes due in October 2025 ($114.2m), with surplus funds raised used to repay existing bank debt. The exchangeable notes were priced at a fixed 4.625% coupon rate and are exchangeable into fully paid ordinary shares of BLD at an initial exchange rate of $3.77 per BLD share.

On 3 January 2023, convertible note holders exercised early redemption options resulting in a further $189.4m of notes being repurchased and cancelled. The convertible notes were issued by the company in 2018 and have a conversion price of $24.00 per SVW ordinary share.

Fixed term US dollar notes and bonds: Comprises unsecured Private Placement notes issued in Australian and US dollars and US 144A notes issued in US dollars; cross currency interest rate swaps and US dollar reserve hedging. Maturities of issued notes range from 2023 to 2041. Interest is payable in half yearly arrears.

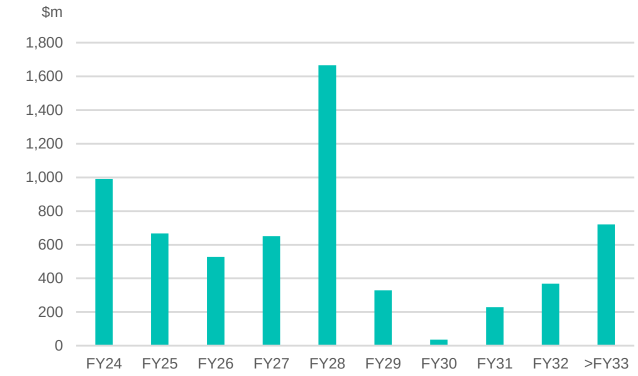
In July 2022, BLD repaid US$300.0m of its US Senior Notes (maturing May 2028). In October 2022, BLD fully repaid the Tranche 1 balance of its US Senior Notes - 144A of US$126.9m.

Figure 13 - Available liquidity: cash & undrawn debt facilities



SOURCE: COMPANY REPORTS

Figure 14 - Debt maturity profile



SOURCE: COMPANY REPORTS

SVW's debt maturity profile is generally well spread across the next 10 years, except for FY28 when maturities are due for the $1,030.0m Tranche B syndicated facility (held at SVW corporate level), A$113.1m WesTrac Series A US$ Private Placement Notes and the balance of BLD's Series B US$ 144A notes (~A$302m).

Portfolio snapshot

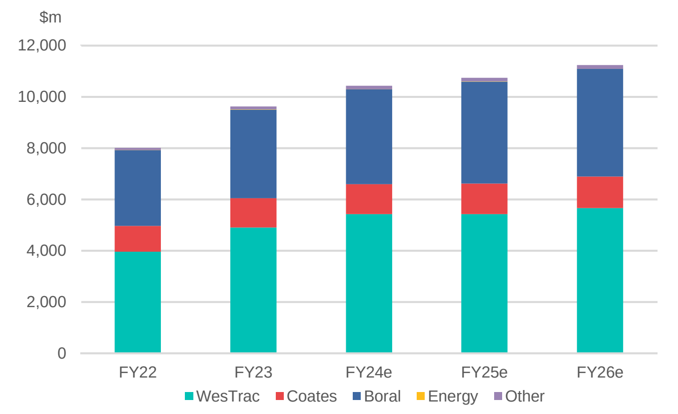
Below we provide a snapshot of SVW's investment portfolio and FY24 outlook.

Table 5 - FY24 underlying EBIT guidance: Industrial Services businesses & Group

FY24 guidance	FY23 Actual	FY24 SVW / BLD outlook	FY24 BPe
Industrial Services uEBIT	$1,032m	High single to low double-digit growth*	9% YoY growth to $1,130m
Boral uEBIT	$232m	$270-300m^	$285m
WesTrac & Coates businesses	$800m		$845m
Group uEBIT	**$1,187m**	**High single-digit EBIT growth**	**8% YoY growth to $1,285m**

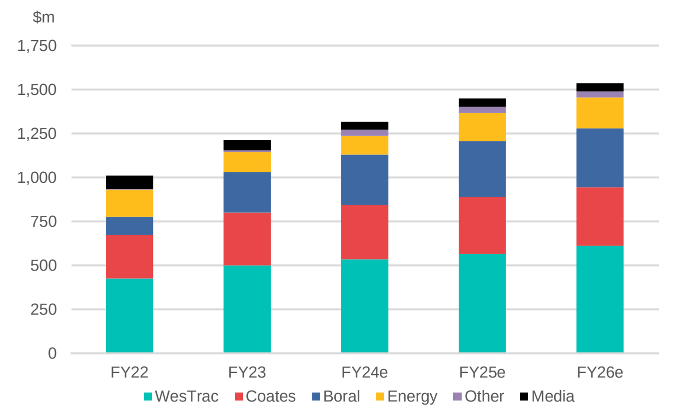
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES
NOTES: *SVW GUIDANCE; & ^BLD GUIDANCE

Figure 15 - SVW revenue mix (BLD 100%)



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 16 - SVW uEBIT mix (BLD 100%; excl. SVW corp. costs)



SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 6 - SVW portfolio investment summary

Company name (interest)	Industry	Description
WesTrac (100%)	Mining, mining contractors, construction and infrastructure	• Operates in WA, NSW and ACT; • ~4,500 employees; and • Operating in Australia since 1923
Coates (100%)	Engineering construction and industrial solutions	• Australia's largest industrial and general equipment hire company; • ~2,200 employees; and • Operating in Australia since 1885
Boral (72%)	Construction materials	• Australia's largest construction materials supplier; • ~4,700 employees; and • Operating in Australia since 1946
Beach Energy (30%) / SGH Energy (100%)	Australian domestic gas and LNG	• A mid-cap E&P energy supplier; • ~800 (Beach) employees; and • Operating in Australia since 1960
Seven West Media (40%)	Diversified media	• A leading diversified media company in Australia; • ~2,400 employees; and • Operating in Australia since 1956

SOURCE: COMPANY DATA

WesTrac

Sole authorised Caterpillar dealer in WA, NSW & the ACT

WesTrac has been the sole authorised dealer of Caterpillar (NYSE: CAT) mining and construction equipment in Western Australia since 1990 and New South Wales since 2004. WesTrac is recognised as one of the top 3 largest global mining dealers, having supplied 23,000 currently active mining and construction units in WA and 24,500 units in NSW.

The CAT dealer model is mutually beneficial. WesTrac is uniquely positioned to leverage its long-term customer relationships and regional understanding of aftermarket support services to deliver parts sales, equipment rebuilds, component remanufacturing and proactive maintenance services to customers. From CAT's end, it specialises in the manufacturing and distribution of equipment and parts, backed by a world-leading brand, as well as delivering innovative solutions to mining and construction sectors. The dealer model aligns both companies' growth ambitions. The dealer model ensures CAT and WesTrac are aligned on commercial aspirations.

Key commodity & trend exposures

MINING & CONSTRUCTION ACTIVITY ARE KEY GROWTH DRIVERS

WesTrac's growth is directly linked to mining production (and construction) activity. Mining activity can be characterised as mineral production growth, material movement and equipment utilisation, with growth in these variables a positive outcome for WesTrac. Rising machine population and equipment utilisation enhance WesTrac's aftermarket opportunities through the need for greater proactive maintenance, repair and component remanufacturing services, machine parts consumption and equipment rebuild activity.

Mineral production growth: Delivery of incremental greenfield and brownfield projects across iron ore, bauxite, thermal coal, gold, lithium and nickel commodities should result in increased material movement, and therefore, increased demand for new mining equipment. The positive momentum in critical mineral Resources definition and project development in Australia across lithium, nickel and copper commodities is considered a precursor for medium to long term growth in critical mineral production growth.

Material movement: Similar to the drivers mentioned above for mineral production growth. In addition, rising strip ratios, as surface mines become increasingly deeper, mean greater stripping activities are required to move overburden. Again, these activities may require further mining equipment operating capacity to move greater volumes of overburden.

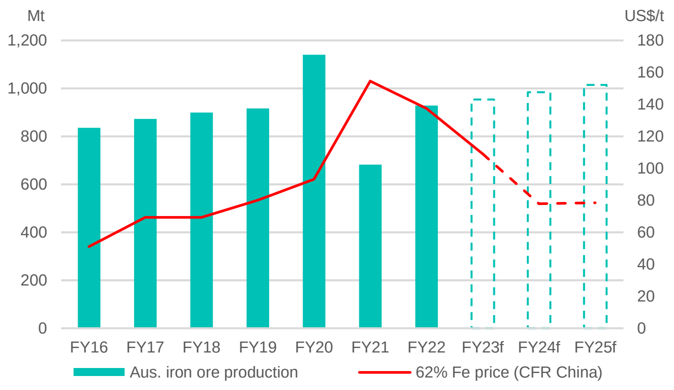
Equipment utilisation: Greater use of existing machinery stock should increase equipment wear, and therefore, proactive and reactive maintenance requirements.

TIER-1 AUSTRALIAN MINING CHARACTERTISTICS; ROBUST OUTLOOK

Australia is considered a Tier-1 mining jurisdiction, with many factors supporting ongoing investment in new and existing mining developments. Firstly, Australia is home to many low-cost producers, particularly in the iron ore mining industry, providing some certainty of minimum mining activity in commodity down-cycles. Western Australia is well placed to supply critical minerals as demand lifts, particularly lithium-bearing minerals given it hosts some of the world's largest hard rock deposits. Australia is a dominant seaborne exporter of thermal coal, supplying the energy needs of many Asian countries; NSW supplies high calorific value coal with low levels of impurities, an attractive alternative to lower quality coal products. Finally, Australian mining producers and developers are embracing the uptake of battery-electric and autonomous mining vehicles to meet decarbonisation and productivity improvement targets. Importantly, WA has the largest population of

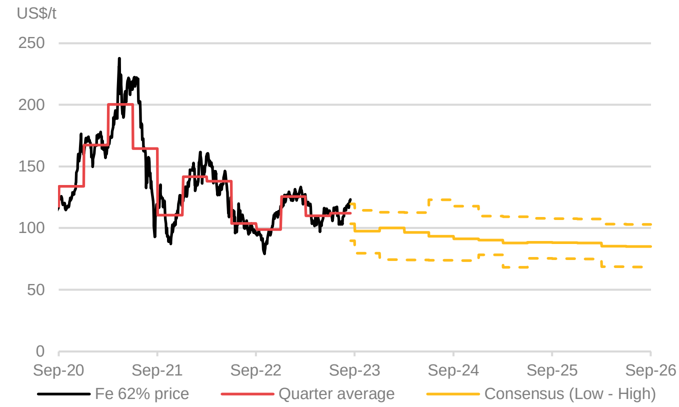
Autonomous Haulage Systems (AHS) of any country. These Resources sector features and outlook should support WesTrac in the medium to long-term.

Figure 17 - Historical & expected Australian iron ore production



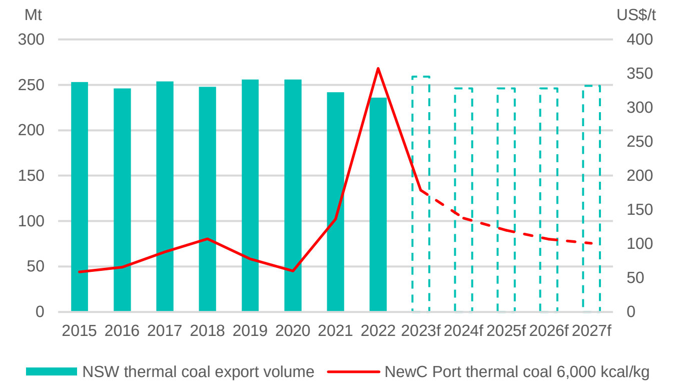
SOURCE: RESOURCES AND ENERGY QUARTERLY - DEPARTMENT OF INDUSTRY, SCIENCE AND RESOURCES; FASTMARKETS; & CONSENSUS ECONOMICS

Figure 18 - Historical & expected iron ore price



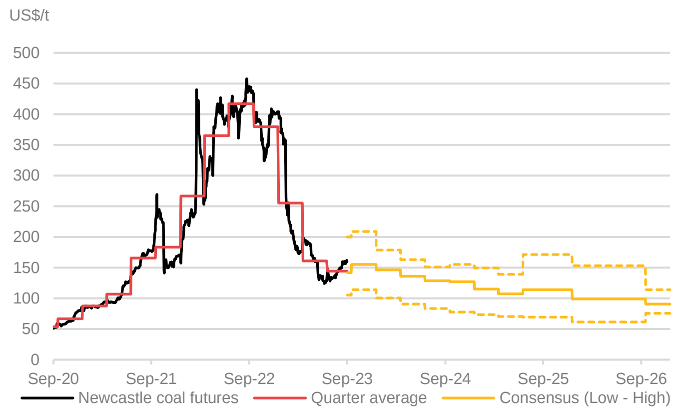
SOURCE: FASTMARKES & CONSENSUS ECONOMICS

Figure 19 - Historical & expected NSW black coal production



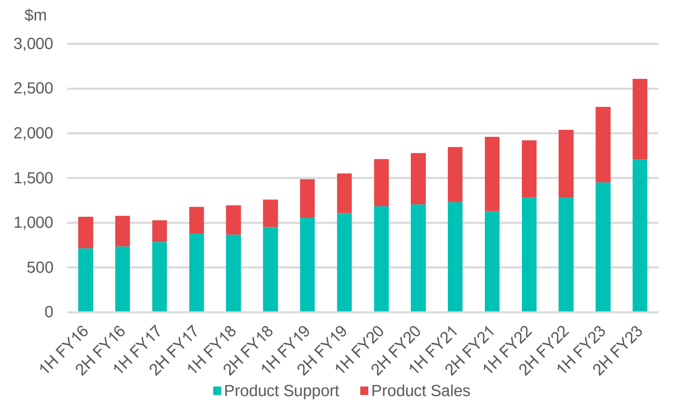
SOURCE: SVW INVESTOR PRESENTATION REFRENCING OCE & BIS OXFORD ECONOMICS; BLOOMBERG & CONSENSUS ECONOMICS
NOTE: EXPORT VOLUME DATA IS A REPRESENTATION OF A CHART IN A SVW PRESENTATION

Figure 20 - Historical & expected thermal coal price



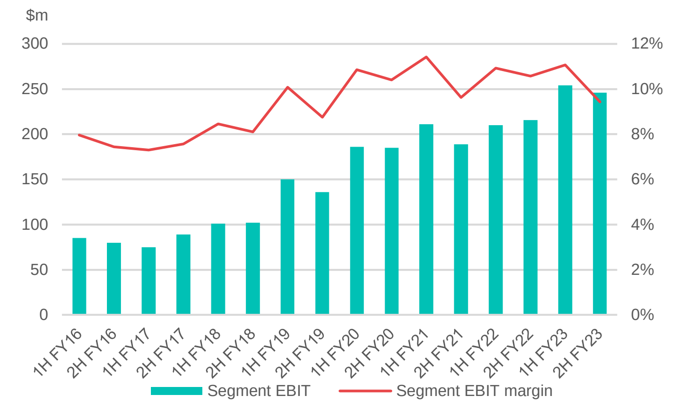
SOURCE: BLOOMBERG & CONSENSUS ECONOMICS

Figure 21 - Revenue split: Product Support & Product Sales



SOURCE: COMPANY REPORTS

Figure 22 - Underlying EBIT & margin



SOURCE: COMPANY REPORTS

OPPORTUNITIES & TRENDS IN PRODUCT SUPPORT SERVICES

As previously mentioned, WesTrac has benefited from a rising population of mining machinery and high fleet utilisation. The rise in mining equipment population is partly driven by decisions made by miners to extend the life of their fleet through rebuilding strategies when equipment reach the end of their initial useful life. SVW estimates rebuilds cost 50-70% of the purchase price for new equipment replacements, thus providing a cheaper alternative to miners who are looking to optimise their capital budgets. Equipment rebuilds also enable miners to postpone major capital investment decisions until certain iterations of technologies (battery-electric equipment or autonomous systems) become available. Aging fleets consume a greater volume of parts to maintain productivity levels, another positive for WesTrac.

In WA, average mining equipment age has risen from ~8.6 years in mid-2016 to current levels of ~11.0 years. In NSW, average mining equipment age has risen from 9.0 years to ~12.0 years over the same time. These trends have influenced robust growth in WesTrac's annual Product Support revenues to $3,125m in FY23, up from $1,537m in FY15.

Inventory management: Large degree of automation

WesTrac's dealer agreement with CAT ensures it has timely access to new equipment and parts inventory, reinforcing its ability to meet fast-changing customer demand and marketing opportunities. The companies are aligned in growing their Parts and Services solutions: CAT aims to double its Parts and Services revenues to US$28b by 2026; and WesTrac is targeting market share gains in aftermarket product and service offerings.

To deliver this ambition, WesTrac has streamlined its parts handling processes and logistics networks to ensure customers have timely access to machine parts. CAT's global supply network, parts homogeneity (across industry verticals) and real-time fleet monitoring system are features of this streamlined parts management process.

Further, WesTrac's warehouses are equipped with automated Goods-to-Person and storage technologies that yield quicker and more productive parts movement at lower cost. In WA, a significant proportion of all parts are picked via automated retrieval systems. Similar systems were installed at WesTrac's AutoStore in Tomago NSW, which were completed in FY23. The installation expanded the parts picking mezzanine area by 30%, to meet expected demand growth over the next 5 years, while also reducing warehouse FTE requirements through picking efficiencies.

Ahead of the game: Electrification & automation leader

In collaboration with CAT, WesTrac implements CAT-led product innovations across customer fleets, enabling electrification from use of battery-powered mobile equipment, productivity enhancements from use of autonomous machines, and fleet monitoring – tracking productivity, health, safety and automation – via Cat® MineStar™ solutions.

Electrification: CAT is focused on offering whole-of-mine site solutions, including battery-powered fleet sales and ancillary energy infrastructure management, and supplementary maintenance. CAT and WesTrac are working with major miners to deliver next generation battery-powered haulage trucks in Australia (CAT 793 for example).

Automation: Offerings include various levels of automation. CAT's autonomous technology in mining applications has been developed and refined over 25 years, and reportedly delivers ~30% improvement in productivity. CAT autonomous vehicles are currently deployed by 14 customers and across 25 sites, with over 5b ROM tonnes moved safely. In addition, 200km of autonomous driving has been recorded, 2 times the experience in autonomous operations of any car manufacturer. Autonomous vehicles are used at oil sands, iron ore, copper, gold, coal and lithium projects.

Coates

A leading provider of equipment solutions

Coates (formerly known as Coates Hire) is Australia's largest provider of equipment solutions, providing services beyond equipment hire, including Engineering Services, Industrial Services and Power and HVAC Services (Heating, Ventilation and Air Conditioning). Coates is leveraged to rising expenditures across engineering and construction, mining and resources, commercial and manufacturing, residential and non-residential and industrial services markets. Coates' scale can be characterised by its significant equipment fleet, valued at $1.87b (original cost), availability of over 1m pieces of equipment over 23 categories and ~130 types, and 150 branches nationwide.

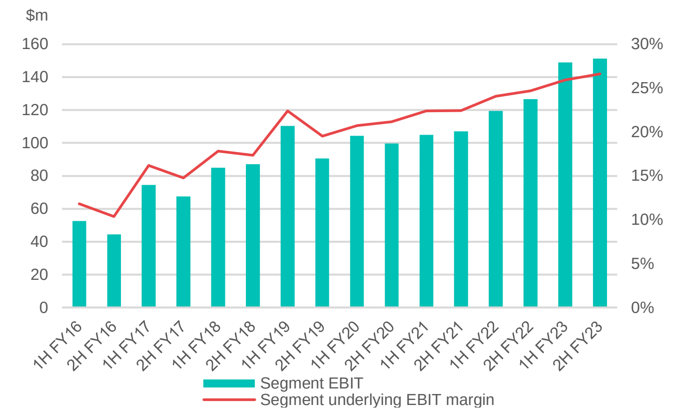
Revenue & earnings growth breakdown

Figures 23 and 24 outline Coates historical revenues, underlying EBIT and margins. Notably, Coates management have materially grown underlying earnings (and margin) since FY16.

Figure 23 - Historical revenue

SOURCE: COMPANY REPORTS

Figure 24 - Underlying EBIT & margin



SOURCE: COMPANY REPORTS

KEY MARKET EXPOSURES & REVENUE DRIVERS

Coates' delivers equipment solutions to a diversified customer base across engineering and construction (~31% of hire revenue), mining and resources (~13%), commercial and manufacturing (~10%), non-residential (~11%), industrial services (~8%), residential (~10%) and other (~17%) markets.

Coates' customer activity outlook is supported by the $1.2 trillion 5-year infrastructure and construction pipeline (reported by Deloitte Access Economics, Infrastructure Australia) and +$2 trillion 10-year renewables pipeline (reported by Net Zero Australia 2023 Report – University of Melbourne, University of QLD, Princeton University).

Though half yearly revenues have been maintained between $400-500m for most reporting periods since FY16, 1H and 2H FY23 revenues were reported at $575m and $568m, respectively. FY23 revenue was driven by strong demand growth and pricing traction in all operating regions and strong demand for Engineering and Industrial solution offerings. Coates reported a 200bp increase in fleet Time Utilisation (TU) to 61.6% in FY23, with improvements recorded across all regions.

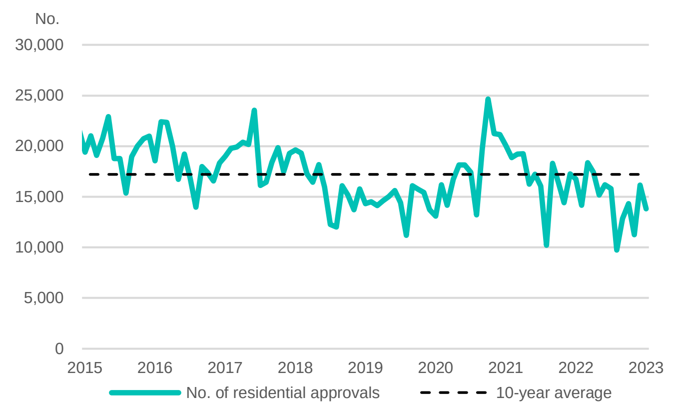
We note the following revenue drivers:

Growth in total construction activity: Construction activity growth is expected across engineering construction, mining and energy, non-residential and residential over the next five years. Investment in transport-related and power infrastructure (renewable energy projects and transmission networks) are notable sources of construction activity growth that should support demand for Coates' services. We note the following macro factors likely to influence short to medium term infrastructure activity:

- The 10-year $120b Infrastructure Investment Program. Currently under a 90-day review, the Program aims to support land transport infrastructure.
- A 2-year $2b Social Housing Accelerator to address a shortage of social housing.
- In the engineering construction industry, work commenced and work yet to be done have been on the rise since 2021. We expect growth in work yet to be done value is largely due to labour availability constraints given reported tightness in Australian labour markets and cost inflation.
- OEM mining equipment orders are at multi-year highs, suggesting current robust mining activity is likely to continue.
- Residential building job approvals have trended lower since March 2021, however have recovered from January 2023 lows. Residential building job approvals are a leading indicator for residential work to be done.
- Non-Residential building job approvals have trended lower since December 2022, however remain at the average level for the 29 month period since the onset of COVID-19.

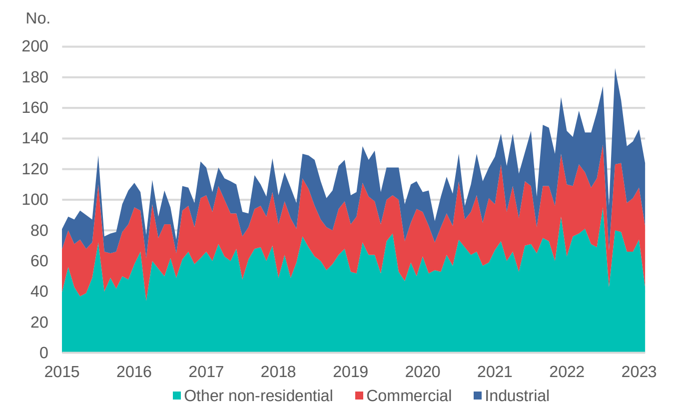
All of the above factors are increasingly being delivered by contractors who have transitioned to an asset-light operating model, placing greater reliance on providers of equipment rental services to support contractor project delivery.

Figure 25 - Monthly residential job approvals



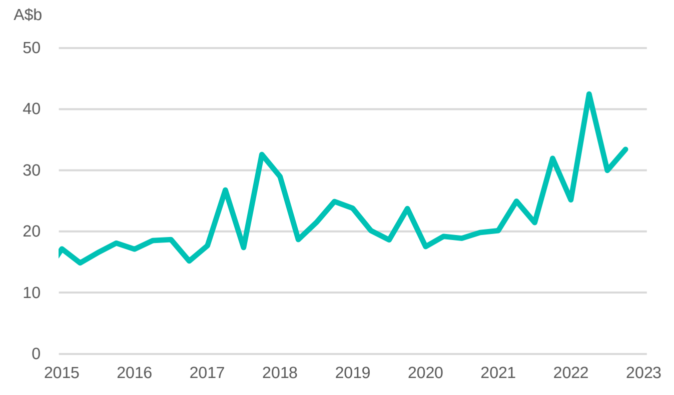
SOURCE: ABS

Figure 26 - Monthly non-residential job approvals above $5m



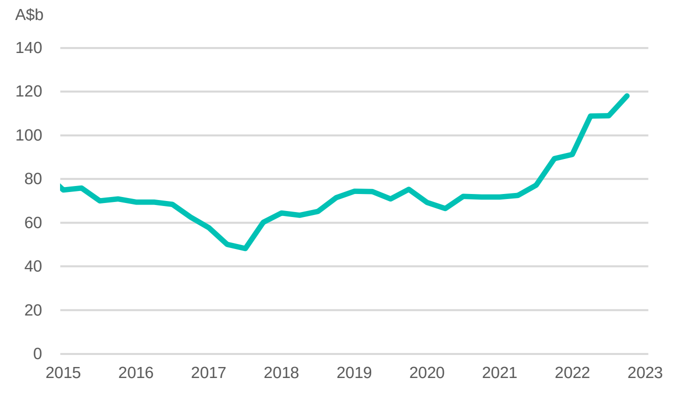
SOURCE: ABS

Figure 27 - Engineering construction activity: Work commenced



SOURCE: ABS

Figure 28 - Engineering construction activity: Work yet to be done

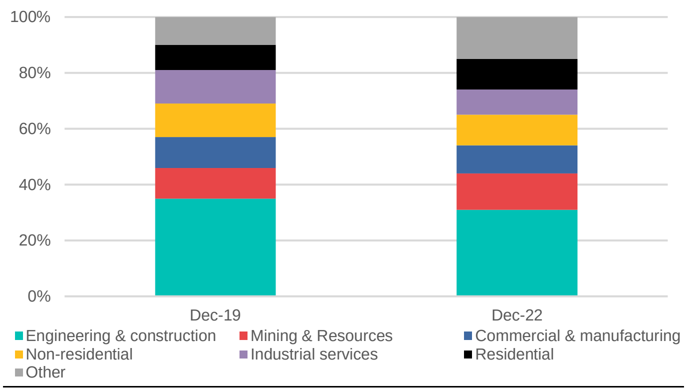


SOURCE: ABS

Market penetration: Targeting increased market penetration among Mid-tier and Trades customers. Currently, Coates' share of these rental markets is 20.5% and 17.3%, respectively. Coates' market share across Top-tier customers (the largest rental market at ~$2.8b) is 26.9%. A national partnership with Bunnings is an initiative aimed at penetrating the Trades market. Figure 29 outlines Coates' diversified Hire revenue mix. Coates are applying the following approaches with its customers:

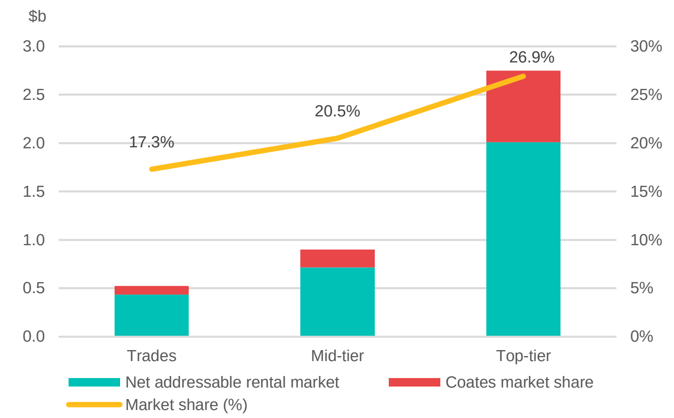
- Top-tier: Focus on expanding end-to-end Solutions offering.
- Mid-tier: Focus on expanding end-to-end Solutions offering through digital processes.
- Trades: Expand customer reach through Bunnings partnership.

Figure 29 - Hire revenue mix by sector



SOURCE: COMPANY REPORTS

Figure 30 - Coates FY23 market share & addressable market



SOURCE: COMPANY REPORTS
NOTE: THIS CHART IS A REPRESENTATION OF A CHART IN SVW'S FY23 RESULT PRESENATION

Expansion of lateral service offerings: Extending into adjacent markets. Revenue growth in recent reporting periods has been tied to growth in engineering, industrial, power and HVAC and training services.

- **Engineering Services:** Provides engineering, design and installation solutions for shoring, propping, traffic, water and wastewater management.
- **Industrial Services:** On premise solutions and shutdown support to optimise and ensure continuity of production.

- **Power and HVAC:** On-site power generation, storage and distribution solutions and HVAC equipment support.
- **Training:** Specialist training in varying construction activities, including at site and equipment use safety.

Price realisation: Implementing timely price increases to capture the true value of service offerings.

Fleet management: Applying forward-looking capital management driven by customer data analysis and understanding of customer needs to invest in growth and maintenance of fleet. This investment may mean altering equipment composition to target new or expanding markets, as well as maintaining a desired fleet service life. Coates' long-standing relationship with OEMs and scaled purchases improves whole-of-life ownership costs.

Digitalisation: Implementation of innovative digital platforms (SiteIQ – real-time asset management system) enhances product offerings, and online customer service channels (Hire Now) to streamline the customer ordering process and equipment delivery.

EARNINGS GROWTH & MARGIN EXPANSION

Coates has grown its annual underlying EBIT to $300m in FY23, 209% higher than FY16, implying a CAGR of 17.5%; underlying EBIT margin grew from 11.1% to 26.3% over the same time period. This increase in underlying earnings comes despite annual revenue growth of 31% since FY16, highlighting a more streamlined operating model over the past 7 years that has delivered cost-out and better unit economics.

Operating leverage: Margin expansion driven by Coates' operating cost structure as the business scales; unit economics are improved as fixed operating and D&A expenses are applied over greater volume.

Scaling Solutions services: Higher margin and less capital-intensive opportunities that are likely to favourably influence Group earnings margin going forward.

Price realisation: As stated above.

Improving utilisation: Time utilisation has improved to 61.6% in FY23, up from 59.6% in FY22 and 55.5% in FY21, challenging management's perceived operating limit of 60.0% and approaching global benchmark levels of ~63%. Initiatives are in place to maintain time utilisation above 60.0%. These initiatives include:

- **Project Equipped (branch rationalisation):** Implementing a hub and spoke network model to improve equipment availability and minimise cost duplication.
- **Repair and maintenance management:** Improve efficiency of repair and maintenance activities to boost equipment availability and lower costs.
- **Property and logistics optimisation:** Optimising site location, with necessary consolidation or upgrades to property size and templates (Specialist / Combination Hubs and Spokes) based on customer fleet requirements. In addition, optimisation of equipment logistic capabilities will target enhanced hire fleet utilisation and lower movement costs. For example, the roll-out of Coates' Transport Management System (TMS) in metro and regional areas, aims to maximise movement volume of equipment with fewer trucks and at more efficient routes to customers.

Fleet monitoring: Measured by key KPIs: financials; time utilisation; and capital return. Regular assessment of financial metrics can quickly identify underperforming assets.

Boral

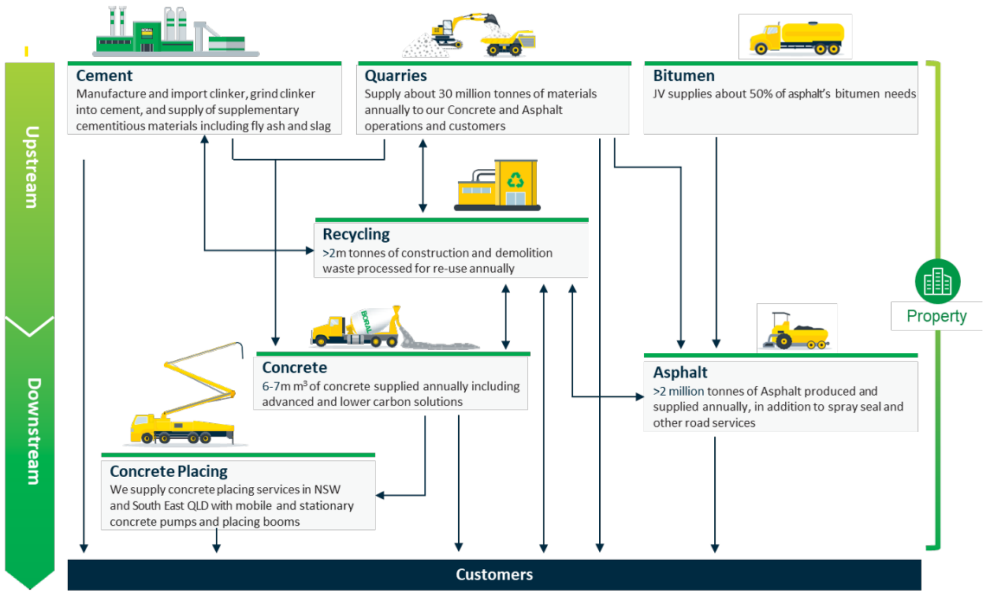
A dominant east coast construction materials supplier

Boral (BLD, not rated) is a vertically integrated construction materials supplier, with a significant customer base in east coast Australian markets. BLD's operating model has been simplified following divestment of its North American businesses and Australian Building Products operations in 2020-2021 and is focussing on optimising and expanding its Australian construction materials business. This simplified, vertically integrated network involves operating upstream quarry, cement and bitumen assets, and downstream bitumen and concrete production and placing businesses. BLD also operates construction and demolition (C&D) recycling sites across the east coast of Australia, processing over 2.2Mtpa of material for re-use in construction. BLD produces a wide variety of cement and concrete blends (including lower carbon alternatives) and asphalt.

Breaking down BLD's vertically integrated network

BLD's operations can be split into upstream and downstream businesses. Managing an integrated supply chain of construction material allows BLD to have greater security of key input materials, retain margin across the network and improve capital efficiency.

Figure 31 - BLD vertically integrated network



SOURCE: COMPANY DATA

Upstream assets: BLD supplies ~30Mtpa of quarry materials (including limestone, aggregates and sand) to its own cement and asphalt operations and customers. Cement operations involve manufacturing and importation of clinker, clinker grinding into cement and supply of fly ash and slag supplementary cementitious materials. Lastly, BLD's 50% owned Bitumen Importers Australia joint venture (Downer holds remaining interest, DOW, not rated) supplies ~50% of BLD's bitumen needs for asphalt and technical material production. In aggregate, these upstream operations supply >90% of downstream raw material requirements.

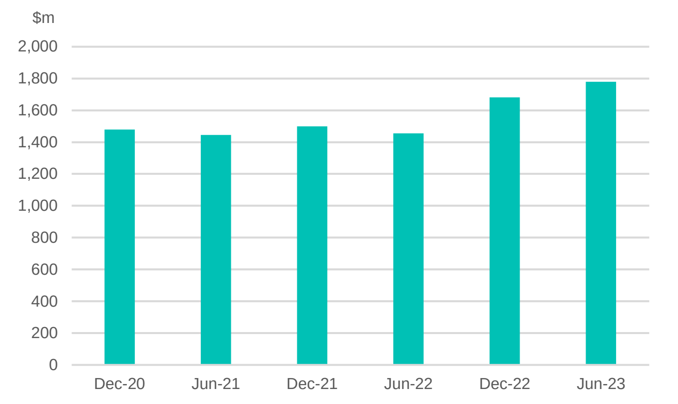
Downstream assets: Includes close-to-customer concrete batching and asphalt production sites and a concrete placing business. BLD supplies 6-7 million m^3 of concrete per year, including advanced and lower carbon products, and 2mtpa of asphalt and technical materials.

Recycling: A growing network of C&D recycling sites that deliver re-usable materials in quarry, concrete and asphalt mixes.

Revenue & earnings margin growth

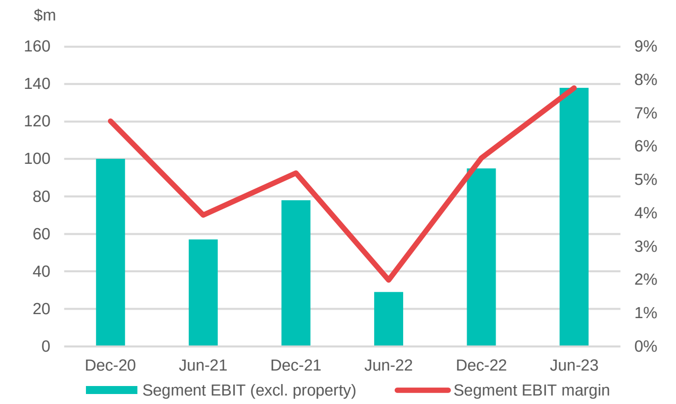
Figures 32 and 33 outline BLD's historical revenues, underlying EBIT and margins.

Figure 32 - Historical revenue (from continuing operations)



SOURCE: COMPANY REPORTS

Figure 33 - Underlying EBIT & margin



SOURCE: COMPANY REPORTS

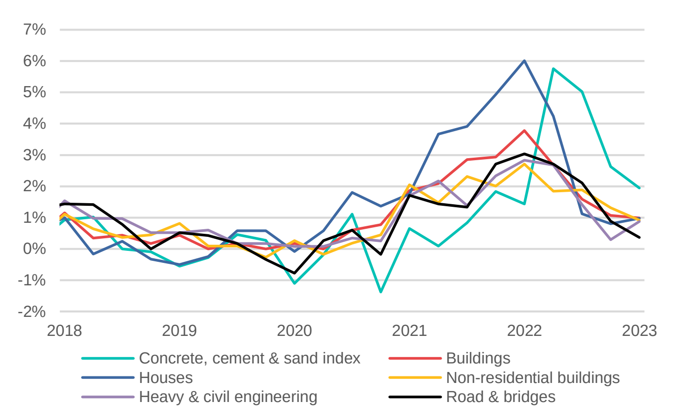
REVENUE DRIVERS: PRICE REALISATION & VOLUME FOCUS

Price realisation: National product prices are escalated annually in October. Alternatively, out-of-cycle price rises, like those implemented during January / February 2022, were aimed at offsetting rapid increases in the cost base (eg. rising energy prices). BLD expects price realisation to improve as lower fixed-priced contracts mature. There are competitive factors at the regional level that influence conversion of price escalation (reporting price rises to customers) to price traction (customers accepting prices rises).

Sales volume growth: Subject to customer activity (similar drivers to Coates) and investment in production capacity growth.

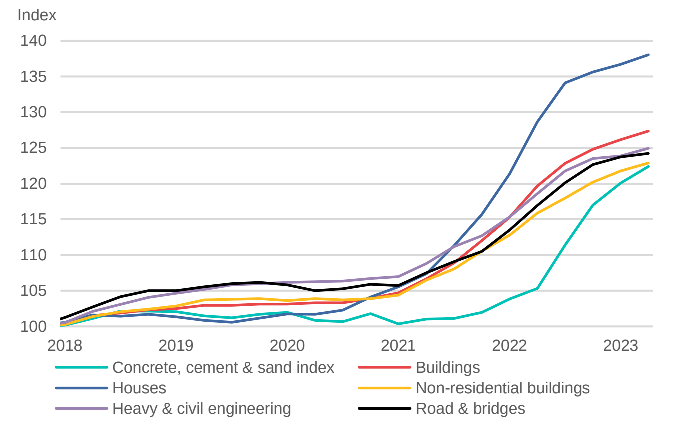
Producer Price Index (PPI) read-through on expected price realisation: Figures 34 and 35 outline quarterly concrete, cement and sand index movements and construction project price inflation. Price escalation of concrete, cement and sand seem to lag construction project price inflation by 1-2 quarters.

Figure 34 - Quarterly construction input vs output PPI inflation



SOURCE: ABS

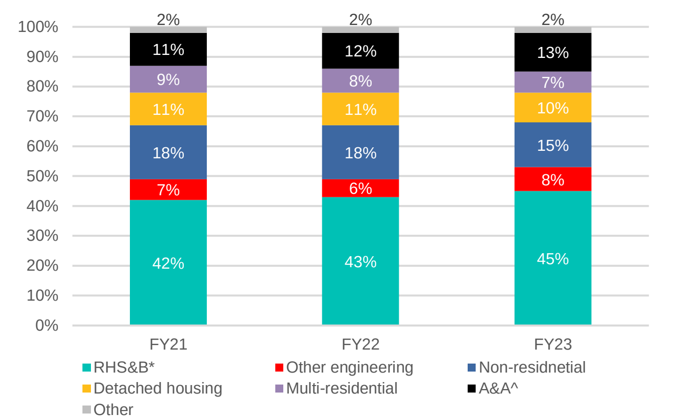
Figure 35 - Construction input vs output PPI inflation (index)



SOURCE: ABS

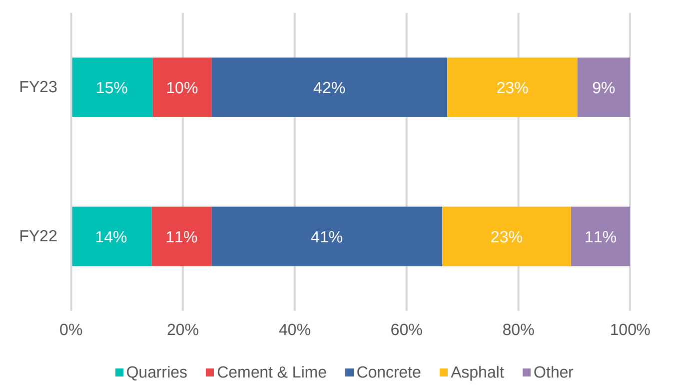
Construction activity exposure: As outlined in Figure 36, BLD has a significant exposure to construction activity relating to roads, highways, subdivisions and bridges.

Figure 36 - Revenue mix by construction activity type



SOURCE: COMPANY DATA
NOTE: * ROADS, HIGHWAYS, SUBDIVISIONS AND BRIDGES; ^ ALTERATIONS AND ADDITIONS

Figure 37 - Revenue mix by product category



SOURCE: COMPANY DATA

EARNINGS DRIVERS: COST DISCIPLINE IS KEY

Cost discipline is a key focus for earnings margin expansion in light of significant input cost inflation and recent adverse weather events. We note the following primary costs:

Energy: Volatility in prices of coal, gas, electricity and diesel and liquid fuels have negatively impacted earnings in prior reporting periods. These energy inputs are used to power equipment at quarries, cement kilns and mills, asphalt production facilities and construction material transportation (cartage) to customer sites. Changes in the Newcastle thermal coal price index (east coast export coal price index) provides some indication of energy cost movement (direction and quantum). Hedging of coal contracts may soften / worsen expected cost outcomes.

Cartage: Limited availability of driver / trucks and competition from outside industries has put upward pressure on cartage costs.

Repairs & maintenance: Contractor shortages and equipment parts price inflation have impacted earnings in recent reporting periods.

Raw materials: Inflation in material costs, driven by labour availability and energy inputs at quarries. To a lesser extent, price renegotiations of international clinker supply also add to material cost pressures.

Adverse weather events: Resulted in extended delays at customer sites, impacts to operating efficiencies and additional operating and repair costs.

Overhead review: Targeting reduction of workforce to save $35m annually. BLD reported a 7% reduction in overhead expenses in FY23.

Greater use of alternative fuels: Greater uptake of more economical alternative fuels at the Berrima kiln is expected by FY26 (to 60%, up from 18% currently).

Cost advantage from owned rail transport system in NSW: The company's material movement rail systems in NSW connect core quarries, kiln and terminal point assets to deliver cost savings. This system provides BLD with an unrivalled competitive advantage.

Commitment to lowering of emissions & a circular economy

BLD is committed to lowering its carbon emissions generation across its network, supplying greater volumes of lower carbon concrete products, and implementing circular practices for waste management and usage to limit consumption of its virgin quarry material.

The Safeguard Mechanism reform (commenced 1 July 2023) applies to BLD, with adherence to baseline emissions per year required. The company is currently on track to satisfy required baseline emissions reduction per year through to FY29. BLD completed construction of the Berrima chlorine bypass in mid-CY23 and expects to ramp up alternative fuel consumption to 60% by FY26. The recognition of cement recarbonation, a process by which calcium hydroxide in concrete reacts with carbon dioxide from air to form calcium carbonate (limestone), is being considered for net process emission calculations as part of the safeguard mechanism legislation. If allowed, BLD's net emission profile will fall materially. BLD is also targeting greater use of renewable energy from FY25. BLD's Scope 1 and 2 emissions reduction target is 12-14% by FY25, using FY19 as the base year.

Surplus property: End-of-life property repurposing

BLD owns a portfolio of 30 surplus properties with land size of ~3,800ha and are valued at >$1.0b (present value - based on an independent expert report by Grant Samuel dated June 2021). The strategy for this segment of BLD's operating model applies a lifecycle approach to remediating and rectifying non-operational quarry assets, repurposing them to support dwelling and parkland development under multi-decade development agreements with property developers. Currently, >$400m of property value has been contracted, with a further >$600m uncontracted. BLD expect ~$10mpa EBIT in FY25-27 from its Donnybrook property (25km south east of Melbourne's CBD), before ramping up from FY29-37.

Beach Energy (BPT)

Diversified conventional energy portfolio

Beach Energy (BPT; Buy; 2.00/sh) is an energy exploration and production company focussed on offshore and onshore conventional oil and gas projects located in Western Australia, South Australia and Victoria as well as New Zealand. BPT's largest operations are its oil and gas developments in the Cooper Basin, which include operations in the Western Flank and under the Cooper Basin JV with Santos Limited. In FY23, BPT's share of total output from these developments were 3.8MMboe and 6.6MMboe, respectively, while total production was 19.5MMboe. BPT also has various early-stage exploration interests across its portfolio which it could leverage existing pipeline and onshore gas processing infrastructure.

The table below outlines BPT's FY24 guidance parameters and our FY24 forecasts.

Table 7 - FY24 guidance & Bell Potter estimates

	FY23 actual	FY24 guidance	FY24 BP est
Production (MMboe)	19.5mmboe	18.0-21.0mmboe	20.3mmboe
Capital expenditure ($m)	$1,100m	$850-1,000m	$953m
Unit field operating cost ($/boe)	$14.6/boe	Not provided	$14.78/boe
One-off expense items ($m)		Up to $65m	$65m

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Production growth strategy & capital management framework

The foundation of BPT's corporate strategy is based on 4 key pillars:

Growing gas and LNG: Delivery of near-term production growth from two key production assets, the Victorian Otway (over mid-2023 to mid-2024) and the Perth Basin (targeting mid-2024). Incremental Perth Basin gas supply will be converted into LNG via the North West Shelf (NWS), exposing the company to a new energy product revenue stream.

Growing strong FCF: Establishing a diversified production base, supplying energy products into local and international markets, with a growing FCF profile.

Investing in future growth: Longer dated focus on production growth via exploration in the Perth Basin, ongoing drilling at Cooper Basin fields and progressing the next round of drilling targets at the Victorian Otway to boost well inventory that will be tied-in to the Otway Gas Plant.

Gas-supported transition: BPT is targeting 35% emissions intensity reduction by 2030 and aspires to be net zero by 2050. Development of large-scale Carbon Capture & Storage projects at Moomba and the Otway basin and execution of other emissions abatement and new energy initiatives should support these decarbonisation ambitions.

PRODUCTION GROWTH COMING FROM THE PERTH & VICTORIAN OTWAY BASINS

BPT's growth projects include the Waitsia Stage 2 development, an expansion of upstream gas production capacity from ~23TJ/day to ~270TJ/day, and gas production capacity growth at the Victorian Otway towards plant capacity of 205TJ/day (up from ~61TJ/day in FY23), reflecting connection of several wells drilled in the 2021-22 drilling program. Production from the newly connected Thylacine North 1 and 2 development wells commenced in mid-May 2023; production commencement from the Thylacine West 1 and 2 wells is expected in 1H FY25. First production from the Enterprise well is targeted for 2H FY24.

CAPITAL MANAGEMENT FRAMEWORK: NEW DIVIDEND POLICY

BPT announced a new capital framework at its 1H FY23 financial result update in February 2023, targeting conservative net gearing of 15% and franked dividends of 40-50% of pre-growth FCF. At 30 June 2023, BPT had ~$594m in franking credits. The new framework comes ahead of a step-change in BPT's FCF generation profile as multi-year capital expenditure programs at Waitsia and the Victorian Otway end and energy supplies ramp up.

Operations snapshot: Mostly East Coast gas production

Table 8 - BPT project summaries

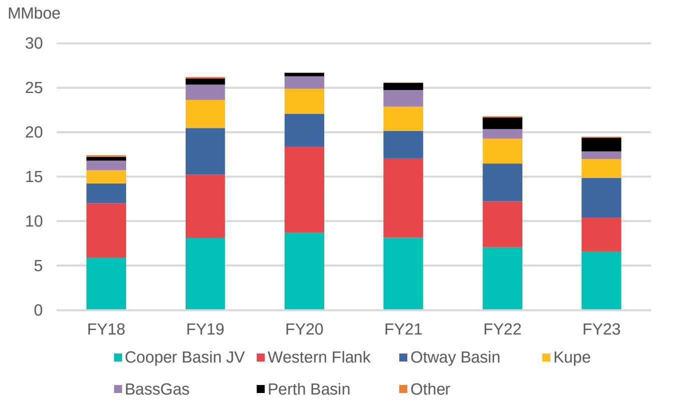
Basin	Cooper Basin		Perth Basin		Otway Basin		Bass Basin	Taranaki Basin
Project	**Cooper Basin Joint Venture**	**Western Flank Oil & Gas**	**Waitsia**	**Beharra Springs**	**Victorian Otway**	**South Australian Otway**	**BassGas**	**Kupe**
Project type	Conventional	Conventional	Conventional	Conventional	Conventional	Conventional	Conventional	Conventional
BPT equity	30-40%	50-100%	50%	50%	60%	70-100% (PEL494 BPT 70%, COE 30%)	88.75 (BassGas); and 90.25% (Trefoil)	50%
2P Reserve (net to BPT)	63MMboe	19MMboe	87MMboe		63MMboe		4MMboe	19MMboe
Annual production (net to BPT; FY22)	6.6MMboe pa 72% gas 15% oil 13% LPG and condensate	3.8MMboe pa 73% oil 19% gas 8% LPG and condensate	1.5MMboe pa 100% gas		4.5MMboe 85% gas 15% LPG and condensate		0.9MMboe 80% gas 8% LPG 15% condensate	2.1MMboe pa 74% gas 16% LPG 10% condensate
Market	East coast gas Lattice Energy GSAs; Liquids marketed by SACB JV; Ethane supply agreement with Qenos	Oil Gas sold through GSAs to east coast domestic gas customers	West coast gas & NWS LNG GSA with Alinta Energy BP Singapore Pte Limited	West coast gas GSA with Alinta Energy	East coast gas Lattice GSA; Toyota GSA; GSA with AGL Energy	East coast gas Undisclosed GSAs	East coast gas GSA with Alinta Energy; BassGas LPG Supply Agreement with Origin Energy	New Zealand Gas and LPG markets
Project infrastructure	Moomba Gas Plant & Port Bonython	Middleton gas processing facility and connecting flowlines	Xyris gas processing facility	Beharra Springs Deep gas processing facility	Otway Gas Plant	Katnook gas processing facility	Lang Lang Gas Plant	Kupe production station

SOURCE: COMPANY DATA

Production composition

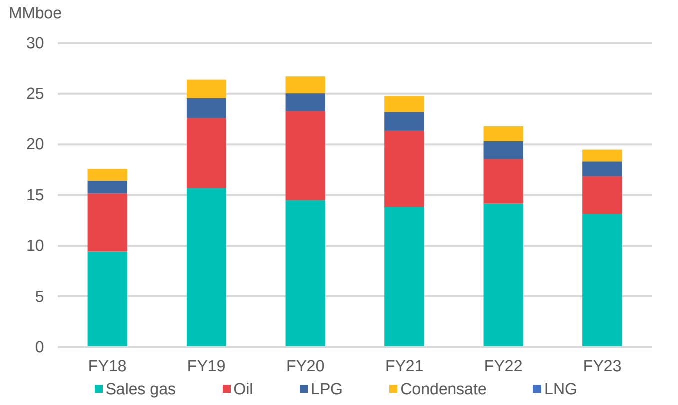
BPT's net production in FY23 was 19.5MMboe, split 67% gas, 19% oil and 14% other (LPG and condensate). BPT will commence production of LNG through the NWS (under a toll treatment agreement) once development of its Waitsia Stage 2 project is complete. The charts below outline the composition of BPT's historical annual production by asset and product.

Figure 38 - Annual production by asset



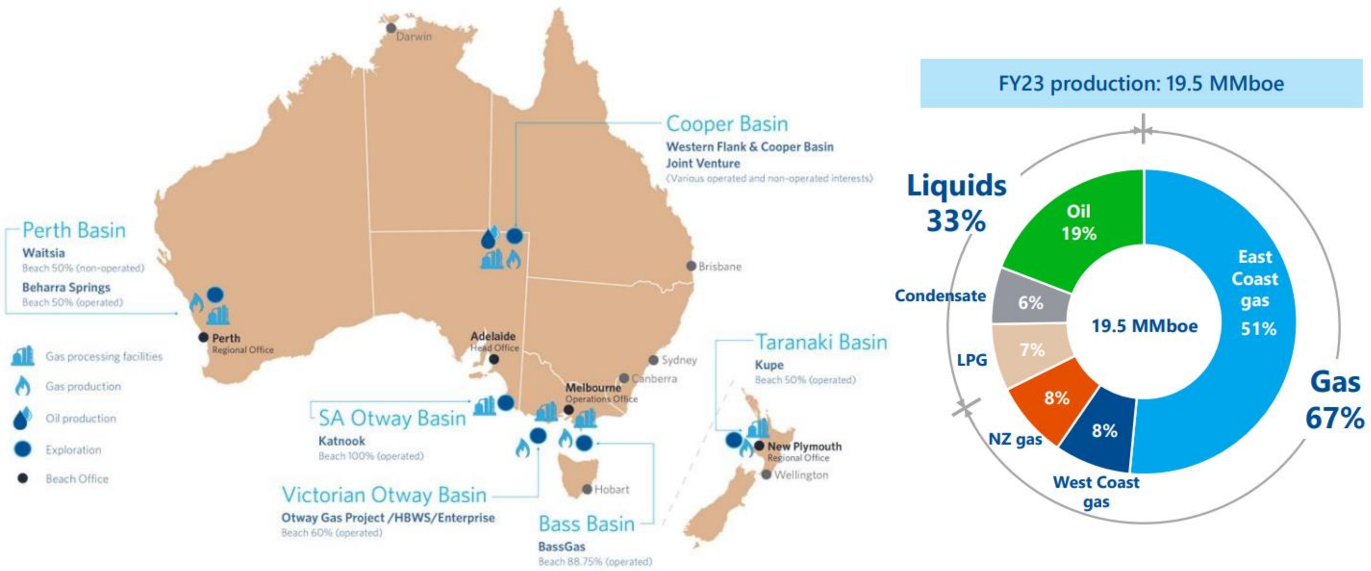
SOURCE: BPT QUARTERLY REPORTS

Figure 39 - Annual production by product



SOURCE: BPT QUARTERLY REPORTS

Figure 40 - BPT production hubs



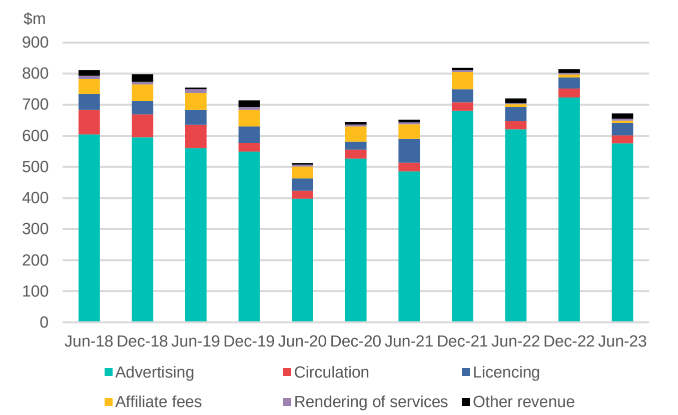
SOURCE: FY23 FINANCIAL RESULT PRESENTATION

Seven West Media (SWM)

One of Australia's most watched TV networks

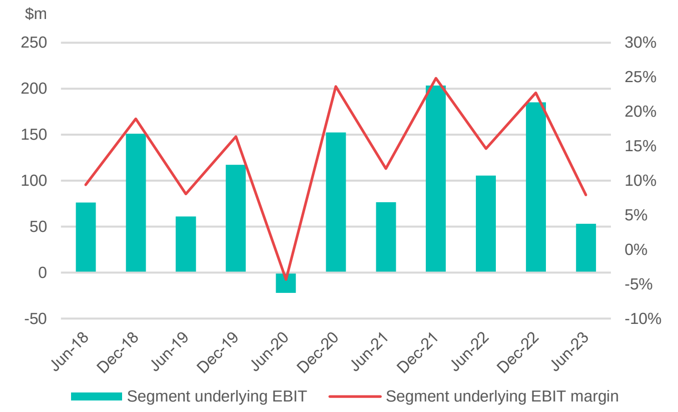
Seven West Media (SWM, not rated) is a leading diversified media company in Australia, reaching 91% (20m) of Australians over 14 years of age every month. SWM's media assets include its national television broadcasting capabilities, 7plus Broadcast Video On Demand (BVOD) platform and news outlets including The Western Australian and The Sunday Times. SWM expanded its regional television broadcasting coverage through the acquisition of Prime Media Group (formerly listed on the ASX) in late 2021. During FY23, SWM signed key sport and entertainment content deals with the Australian Football League (AFL) from September 2024 to 2031 and Cricket Australia from the 2024-25 season to the 2030-31 season.

Figure 41 - Historical revenue mix



SOURCE: COMPANY REPORTS

Figure 42 - Underlying EBIT & margin



SOURCE: COMPANY REPORTS

REVENUE BREAKDOWN: ADVERTISING IS KEY

Advertising has been the largest source of Group revenues since at least FY18, typically ranging 74-89% of total revenues. These revenues are generated through selling airtime for Television Advertising (including the 7plus BVOD platform) and selling newspaper space for Newspapers Advertising (The West Australian and The Sunday Times). Retail, automotive and insurance companies are among the largest sources of revenue in the Total TV (including BVOD) advertising market.

DIGITAL TRANSFORMATION A KEY GROWTH DRIVER FOR EARNINGS

SWM reported digital revenue of $179m in FY23, consistent with FY22, and EBIT of $134m, also consistent with FY22. Digital earnings now make up ~60% of Group EBIT. The growth in user uptake of 7plus is a key driver for this performance, with the platform extending SWM's reach in the Total TV market at a lower cost per reach point (typically 21% less than Linear TV). 7plus was Australia's top rated BVOD platform in 2021 and 2022.

SWM is targeting user growth for its 7plus platform (measured in minutes watched). The following new content agreements are expected to increase SWM's BVOD market share:

AFL (6 September 2022): AFL rights extension to 2031, covering linear broadcasting of AFL games on Channel 7 and 7mate and digital rights for 7plus coverage. As a result, SWM will pay 14% more for rights in 2025 (than 2024), with indexation over the contract term representing a 3.6% compounding annual growth rate.

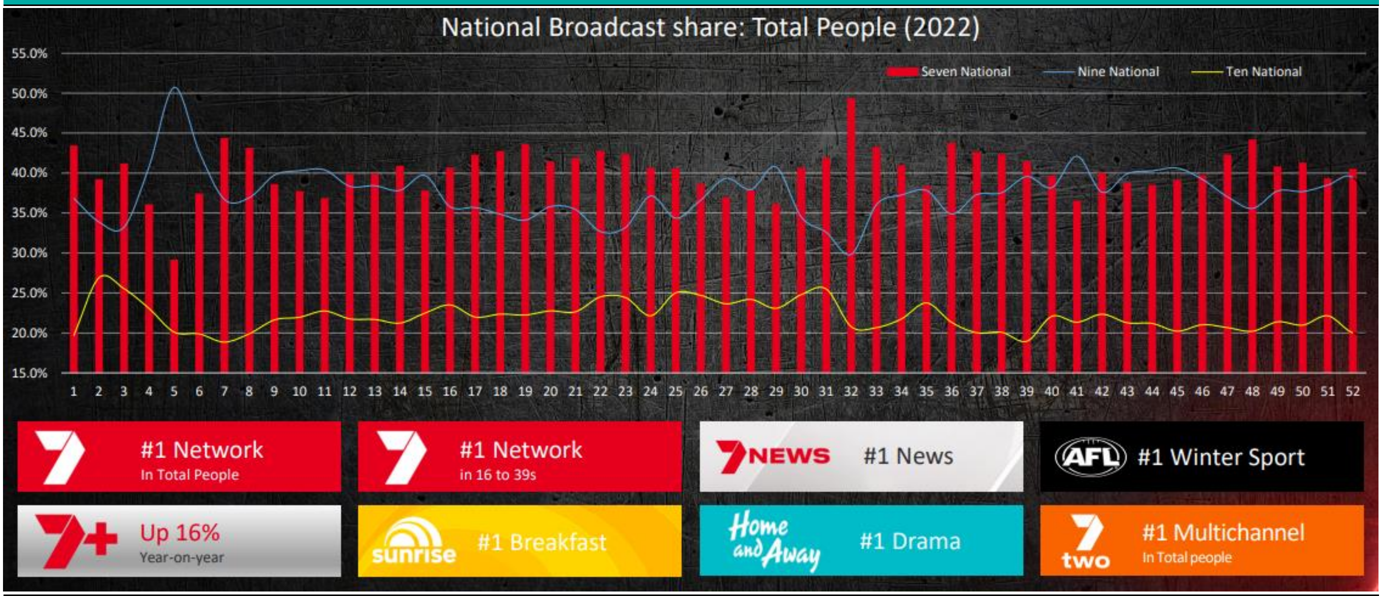
NBCUniversal (25 October 2022): A long-term agreement with NBCUniversal, with media content broadcasting on a new linear free-to-air and live-streamed channel, 7Bravo. SWM expect this content deal will generate thousands of hours of content to the Seven Network and 7plus, supporting new revenue opportunities. The content deal will have a cost base of ~$45-50m for the first 12 months post launch, with escalation thereafter based on content availability. SWM expects the deal to deliver double-digit EBITDA contribution per year, subject to advertising market conditions.

Cricket Australia (3 January 2023): Extension of media rights from the 2024-25 season to the 2030-31 season covering linear broadcast on the Seven Network and digital rights relating to 7plus broadcasting. From 2024, SWM will pay $65m in cricket media rights fees per year, with 2% escalation annually.

COMPETITIVE LANDSCAPE: SWM MAINTAINS #1 NETWORK RATINGS POSITION

The Figure below outlines TV broadcasting market share between Seven National, Nine National and Ten National for each week in 2022. The Seven Network has secured a leading position in several important aspects of TV broadcasting.

Figure 43 - Television broadcasting competition in 2022



SOURCE: COMPANY DATA

Appendix 1: Company timeline

The formative events which have resulted in SVW's current asset portfolio were:

- The sale of Seven Media Group to West Australian Newspapers to create SWM.
- The acquisition of Coates Hire from The Carlyle Group (Carlyle, private);
- The acquisition of Bucyrus in WA, ACT and NSW and sale of WesTrac China;
- The acquisition of a 30.0% interest in BPT; and
- Acquisition of BLD shares for a total 72.6% interest, followed by a 1% sell-down in August 2023.

SVW LISTED ON THE ASX

30 April 2010: SVW shares began trading on the ASX as a result of the merger between Seven Network Limited and WesTrac Group. Upon listing on the ASX, the merged company held 100% of WesTrac Group, 22% of Consolidated Media Holdings (CMH), 23% of West Australian Newspaper Holdings and 66% of National Hire Limited (now Coates). Kerry Stokes, who was the chair of both companies, described the merged company as a leading Australian diversified operating and investment group.

SEVEN MEDIA GROUP SOLD TO WAN TO CREATE SEVEN WEST MEDIA

21 April 2011: SVW sold Seven Media Group to West Australian Newspapers (WAN) to create a new diversified media business, Seven West Media (SWM, not rated).

- Post the sale, SVW became the largest shareholder of SWM with a 29.6% stake in its ordinary shares and $250m in its convertible preference shares.
- According to Kerry Stokes, the then chair of both SGH and SWM, the transaction capitalised on the combined scope of the two media entities, creating a stronger presence in the increasingly fragmented Australian media market.

SVW ACQUIRES 100% OF NATIONAL HIRE GROUP

6 December 2011: After multiple revisions to the cash offer price, SVW acquired all minority shares in National Hire Group for $3.75 per share, taking its interest in the company from 66.2% to 100%. National Hire Group owned AllightSykes as well as 46% of Coates Group.

WESTRAC ANNOUNCED ACQUISITION OF BUCYRUS IN WA, ACT & NSW

12 April 2012: WesTrac agreed to acquire from Caterpillar (NYSE: CAT), the distribution and support business formerly operated by Bucyrus in WA, ACT and NSW.

- The transaction was valued at approximately USD$400m and was funded by SVW through a 5-year debt facility.
- The acquisition by WesTrac came after CAT acquired Bucyrus International, Inc in July 2011 and rebranded its product line of surface and underground mining equipment to CAT.

VIVIDWIRELESS SOLD TO OPTUS

19 June 2012: Optus Mobile Pty Ltd (Optus, private) acquired 100% of vividwireless Group (VGL) to SVW for $230m.

VGL owned and operated two wireless broadband businesses. The customer base, spectrum licences and VGL' 4G network were included in the transaction.

VW SOLD CMH INVESTMENT TO NEWS LIMITED

20 June 2012: News Corporation (NWS, not rated), then named News Limited, announced proposal to acquire 100% of Consolidated Media Holdings (CMH) of which SVW held 25.3% of the listed shares. CMH owned 50% of Fox Sports, and 25% of Foxtel.

2 August 2012: ACCC decided not to oppose NWS proposed acquisition of CMH.

11 October 2012: ACCC opposed the proposed acquisition of the remaining 74.7% of CMH shares by SVW. As a result of the ACCC's decision, SVW announced that it intended to vote in favour of NWS proposal.

21 November 2012: SVW sold its interest in CMH to NWS as part of a scheme of arrangement for $491m.

WESTRAC ANNOUNCED ACQUISITION OF BUCYRUS CHINA

10 December 2013: WesTrac China announced acquisition of Caterpillar Global Mining's (formerly known as Bucyrus International) distribution and support business in Provinces where WesTrac operates in North-Eastern China. The transaction was valued at ~US$130m and financed through a new 5 year debt facility.

ORDINARY SHARE BUYBACK ANNOUNCED

11 December 2013: SVW announced a 12 month on-market share buy-back of up to 11.9m SVW shares representing approximately 3.9% of total ordinary shares.

10 December 2014: Buyback was completed with all 11.9m of the intended shares bought.

SVW ACQUIRED NEXUS ENERGY

31 March 2014: SVW signed a merger implementation agreement to acquire all outstanding shares of Nexus Energy (NXS).

- NXS's key assets consisted of the producing Longtom Gas Project (NXS 100%), in Victoria's Gippsland basin; the Crux development licence (Shell 82%; NXS 15%) in WA's Browse Basin; and the Echuca Shoals gas exploration concession (NXS 100%) also in the Browse Basin.
- The offer to NXS shareholders was 2c per share, totalling $27m.
- In addition, SVW provided a bridge facility to ensure the company would continue operating as a going concern, including an up to $40m bridge-loan facility.

11 June 2014: Shareholders voted against the proposed scheme of arrangement.

12 June 2014: Partners at McGrathNicol were appointed as Voluntary Administrators to NXS.

24 December 2014: The Supreme Court of NSW approved SVW acquiring NXS through a Deed of Company Arrangement (DOCA).

- SVW paid $174m to compromise NXS's debts, a further $62m was paid to settle the acquisition under the terms of the DOCA and acquired all NXS shares for no consideration. This was the first contested 444GA process in Australia where equity was effectively compromised for zero consideration.

SVW SECURED 13.8% OF BPT SHARES

2 February 2015: SVW CEO Don Voelte reasoned that BPT was well managed and has strong assets that are well placed for increasing future energy demand.

ORDINARY SHARE BUYBACK ANNOUNCED

11 December 2013: SVW announced a 12 month on-market share buy-back of up to 17.7m SVW shares representing approximately 6.0% of total ordinary shares.

11 March 2016: Buyback period ends with 14.7m of the intended shares bought.

RYAN STOKES APPOINTED AS CEO

13 April 2015: As a result of Don Voelte announcing his retirement, the then Chief Operating Officer, Ryan Stokes was appointed as CEO. Effective 31 August 2015.

SVW INCREASED BPT AND DLS STAKE

19 May 2015: SVW built stake of 19.9% in Drillsearch Energy (DLS) and increased stake in BPT to 19.9%.

1 March 2016: BPT and DLS merged on an all-scrip basis.

SVW SOLD WESTRAC CHINA

22 August 2017: SVW agreed to sell WesTrac China to Lei Shing Hong Machinery Limited (LSHM, private) for a total consideration of $540m.

SVW's rationale for the sale was to reallocate the capital raised from the sale into other opportunities in Australia.

SVW ACQUIRED REMAINING 53.3% OF COATES HIRE

20 September 2017: SVW acquired Coates Hire from The Carlyle Group for a purchase consideration of $517m.

The acquisition was funded via existing debt facilities and available cash, including the proceeds from the sale of WesTrac China.

SVW RAISED $392M THROUGH AN EQUITY RAISING

20 September 2017: SVW announced a $375m placement of ordinary shares at $11.20/sh to institutions and sophisticated investors and a SPP to raise up to an additional $25m. The equity raising was undertaken to increase free float, provide capacity to support future portfolio enhancements and reduce leverage.

23 October 2017: SPP was completed with $17m raised at $11.20/sh.

BPT ACQUIRED LATTICE ENERGY

31 January 2018: BPT acquired 100% of Lattice Energy for $1.6b.

SVW ISSUED $350M CONVERTIBLE BOND ISSUE

6 March 2018: SVW issued $350m 7-year convertible bonds (maturing March 2025). The proceeds from the issue were used to repay $1.2b of Coates Hire legacy debt facilities and provided greater diversification and tenor to the Group's funding base.

The bonds had a maximum coupon of 2.2% and are convertible into ordinary shares at an effective ordinary share price of $24. The bonds were listed on the Singapore Exchange.

SHAREHOLDER APPROVAL RECEIVED TO CONVERT TELYS4 INTO SHARES

24 September 2018: TELYS4 holders approved SVW proposal to convert the TELYS4 preference shares into ordinary shares at a discount to their prevailing terms.

- TELYS4 were perpetual non-cumulative shares with limited rights.
- The proposal gave TELYS4 holders the opportunity to receive ~4.6 ordinary shares at an implied conversion value of $102.95 per (given an SVW share price of $22.35/sh) TELYS4. The value of the conversion was $496m.
- The conversion helped unify SVW's capital structure and increased the free float of SVW shares.

SVW BUILT 10% INITIAL STAKE IN BORAL

2 June 2020: SVW bought the majority of the 111.0m shares on-market in late May 2020 and acquired a further economic interest in 11.5m shares through an equity swap transaction, which brought its interest to 10%.

9 April 2021: SVW continued buying shares in BLD on-market bringing its stake to 23%.

SVW RAISED $533M FROM EQUITY RAISING

20 April 2021: SVW completed a $500m fully underwritten institutional placement, issuing approximately 22.2m fully paid ordinary shares at a 4% discount to the prevailing share price of $23.43 on 16 April 2021. The placement was significantly oversubscribed.

The raising was done to reduce SVW's net debt from $2.6b to $2.1b and to restore SVW's ability to support portfolio growth opportunities following the $1.1b Boral investment.

20 May 2021: SVW completed a SPP which raised $33.1m. The SPP initially intended to raise $50m.

SVW INCREASED STAKE IN BPT TO 30.0%

3 May 2021: SVW entered an equity swap transaction to buy BPT shares bringing its voting power to 30.0%.

SVW INCREASED STAKE IN BLD TO 72.6%

10 May 2021: SVW announced a $6.50 cash per share off-market takeover offer for the remaining 76.8% of BLD shares the company did not already own.

BLD formed a committee of its directors, excluding Ryan Stokes, which recommended shareholders reject the $8b offer.

25 June 2021: SVW established an acceptance facility which enabled BLD shareholders to indicate their intention to accept the offer without being obliged to do so until the First Conditional Increase.

- The First Conditional Increase occurred once acceptances reached 29.5% or more and increased the cash per share to $7.30.
- The Second Conditional Increase occurred once acceptances reached 34.5% or more and increased the cash per share to $7.40.

15 July 2021: SVW extended takeoever offer period, with aggregate voting power at 49.32% of BLD shares. Acceptances continued to be received by SVW even though the board recommended against the offer.

29 July 2021: Takeover offer period ended with SVW's voting power increased to 69.6%.

A $6.2b bridge facility enabled the acquisition of BLD shares which was supported by relationship banks.

11 October 2022: BLD stake increased to 72.6% through an equity swap transaction.

SVW LAUNCHED $250M EXCHANGEABLE NOTES OFFER

7 October 2022: SVW launched a fully underwritten offering of $250m senior exchangeable notes due September 2027.

The notes have a fixed coupon of 4.6% pa and are exchangeable into fully paid ordinary shares of BLD. The offer was significantly oversubscribed.

SVW SOLD 1% (11.1M SHARES) BLD SHARES ON-MARKET

SVW completed the sale of a 1% (11.1m share) stake in BLD via an aftermarket block trade at $4.90/sh. SVW acquired 3% of BLD in October 2022 at $2.90/sh, increasing its interest to 72.6%. SVW currently has 71.6% interest in BLD. The transaction demonstrated SVW's disciplined approach to its ongoing investment in Australia's leading construction materials business. There is no change to SGH's strategy or commitment to BLD and the delivery of its performance journey.

Appendix 2: Board & management

Table 9 - Board of Directors

Name	Position	Appointed to current position
Terry James Davis	Chairman	November 2021
Ryan Kerry Stokes	Managing Director & CEO	August 2015
Rachel Argaman (Herman) OAM	Director	February 2022
Annabelle Chaplain AM	Director	November 2015
Katherine Leigh Farrar	Director	February 2019
Christopher John Mackay	Director	June 2010
David Ian McEvoy	Director	May 2015
The Hon. Warwick Leslie Smith AO	Director	September 2014
Richard Anders Uechtritz	Director	June 2010

SOURCE: COMPANY ANNUAL REPORTS

Board of Directors & executive team

Terry James Davis – Chairman (Independent)

Member of the Independent & Related Party Committee and member of the Remuneration & Nomination Committee.

Group Managing Director, Coca-Cola Amatil Limited from November 2001 to March 2014.

Director of St. George Bank Limited from December 2004 to December 2008.

Over fifteen years' experience in the global wine industry including Managing Director of Beringer Blass (the wine division of Foster's Group Limited) and Managing Director of Cellarmaster Wines Group between 1987 and 1997.

Council Member of the University of New South Wales Council from June 2006 to June 2014.

Ryan Kerry Stokes AO – Managing Director & CEO (Non-independent)

Mr Ryan Stokes AO is Managing Director & Chief Executive Officer of Seven Group Holdings (SGH) and has been an Executive Director of the Company since February 2010. He was previously Chief Operating Officer of SGH from August 2012 until June 2015.

Mr Stokes is Chairman of WesTrac, Chairman of Coates, Director of Beach Energy since July 2016, Director of Seven West Media since August 2012. Mr Stokes is Chairman of Boral and a Director since September 2020.

Mr Stokes was appointed Chairman of the National Gallery of Australia in July 2018. He is also a member of the IOC Olympic Education Commission. Mr Stokes was Chairman of the National Library of Australia from 2012 to 2018. He was a member of the Prime Ministerial Advisory Council on Veterans' Mental Health established from 2014 to 2019.

Mr Stokes holds a BCom from Curtin University and is a Fellow of the Australian Institute of Management (FAIM). Mr Stokes was appointed an Officer in the General Division of the Order of Australia in the Queen's Birthday honours announced on 8 June 2020.

Rachel Argaman (Herman) OAM – Director (Independent)

Member of the Remuneration & Nomination Committee.

Ms Argaman brings a wealth of operational experience and proven leadership skills and capability across a number of sectors. Ms Argaman has been the Chief Executive Officer of Opal HealthCare, Australia's largest private residential aged care provider, since August 2018. Prior to this she held executive roles at TFE Hotels, as Chief Executive Officer for 11 years, Charter Training Group and Imperial Car Rental.

As the Chief Executive Officer of Opal Healthcare, Ms Argaman has worked to create a customer and purpose led organisational culture that focuses on the delivery of strong social and commercial outcomes to enable the provision of the infrastructure to support Australia's aging population live well. She has also led the business through its response to the COVID-19 pandemic and the Royal Commission into Aged Care, Quality and Safety.

Ms Argaman holds a Bachelor of Arts (Hons) and MBA in Services Industries Management from the University of the Witwatersrand.

Annabelle Chaplain AM - Director (Independent)

Chair of the Audit & Risk Committee; member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee.

Ms Chaplain brings to Seven Group Holdings extensive experience in financial services and mining, engineering and infrastructure services.

Ms Chaplain is the Chairman of Canstar Pty Ltd, MFF Capital Investments Ltd since August 2019 and a Non-Executive Director of Super Retail Group Ltd since March 2020. Previously she was Chairman of Queensland Airports Ltd and a Non-Executive Director of a number of companies including Downer Group Ltd, Coal and Allied Industries and Credible Labs Inc. In the public sector she has previously served as a member of the Board of Taxation and as a Director of EFIC, Australia's export credit agency.

Since April 2017, Ms Chaplain has served as a Director of the Australian Ballet and was also the Chair of St Margaret's Anglican Girls School Council from 2011-2014 and the inaugural chair of the St Margaret's Foundation and Non-Executive Director, The Australian Youth Orchestra, 2007-2011.

Ms Chaplain is a Fellow of the Australian Institute of Company Directors. She holds an MBA from the University of Melbourne, a BA majoring in Economics and Mandarin from Griffith University and a diploma from the Securities Institute of Australia.

In 2016, she was awarded an honorary doctorate by Griffith University in recognition of her service to banking and finance and the community. Ms Chaplain was appointed a Member in the General Division of the Order of Australia in the Australia Day honours announced on 26 January 2020.

Katherine Leigh Farrar – Director (Independent)

Chair of the Remuneration & Nomination Committee, member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Kate Farrar was appointed as Brighter Super's Chief Executive Officer in April 2018. Ms Farrar led the growth of Brighter Super's predecessor fund from $10B to now over $30B, through the merger of LGIAsuper and Energy Super and the acquisition of Suncorp Super in FY21.

Ms Farrar remains responsible for delivering exceptional experiences and outcomes to all of Brighter Super's member, through change and transformation that builds on Brighter Super's proud heritage.

Ms Farrar has 35 years' experience in leadership roles across the finance and energy sectors. Her previous roles include Managing Director of QEnergy, Chief Operating Officer at Ergon Energy Retail, and senior positions at Morgans Stockbroking, Barclays de Zoete Wedd, and Suncorp Investment Management. Prior to joining LGIAsuper, she was a Junior Partner (equivalent) at McKinsey & Company.

Ms Farrar has a Bachelor of Music (Honours) Degree and a Masters degree in Econometrics and Finance. She is also a graduate of INSEAD's Advanced Management Programme.

Christopher John Mackay – Director (Independent)

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Managing Director of MFF Capital Investments Limited since 1 October 2013.

Former Chairman of Magellan Financial Group Limited. Mr Mackay co-founded Magellan after retiring as Chairman of the investment bank UBS Australasia in 2006, having previously been its Chief Executive Officer.

Considerable experience in business management, capital allocation, risk management and investment. A former investment banker and corporate and banking lawyer, with broad experience in the financial and corporate sectors over many years.

A Director of Consolidated Media Holdings Limited from March 2006 until November 2012, when the company was taken over by News Corporation.

Mr Mackay was a member of the Federal Treasurer's Financial Sector Advisory Council and the Business Council of Australia, and a Director of the International Banks & Securities Association.

David Ian McEvoy – Director (Independent)

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Mr McEvoy has been engaged in the upstream oil and gas industry for over 40 years, in a variety of technical, senior executive and non-executive director roles. He was employed for almost 34 years with ExxonMobil concluding his executive career as Vice President, Business Development, ExxonMobil Exploration Company.

Mr McEvoy graduated from the University of New South Wales with a degree in Science and a graduate diploma in Applied Geophysics.

Mr McEvoy is a former Non-Executive Director of AWE Limited (2006 – 2018), Woodside Petroleum Limited (September 2005 to May 2017), Acer Energy (formerly Innamincka Petroleum Limited) and Po Valley Energy Ltd.

The Hon. Warwick Leslie Smith AO – Director (Non-independent)

Member of the Audit & Risk Committee and member of the Remuneration & Nomination Committee.

Mr Smith has been Chairman of Advisory Board Australian Capital Equity since November 2006. Mr Smith also holds the position of Chairman at Ord Minnett, Wollar Solar Finance and Aqualand Group. Mr Smith is also a Director of Jemena Energy; Hive & Wellness (Capilano) and Marinus Link.

He has served as Chairman of the Australia-China Council for over eight years and was the Founding Chair of the National Foundation of Australia-China Relations. He is Chairman of the Global Engagement Committee of the Business Council of Australia of which he is a member.

Mr Smith is a former Senior Managing Director of the Australia New Zealand Banking Group Limited (ANZ), of which he was also Chairman of New South Wales & Australia Capital Territory Chairman ANZ Thailand, Chairman and Director, ANZ Greater China and immediate past Chair of the National Museum of Australia,

Formerly Executive Director with Macquarie Bank, Director of Estia Health Limited, Chairman of E*TRADE Ltd and the Australian Sports Commission. He was a Federal Government Minister with a parliamentary career spanning 15 years. He was also Australia's first Telecommunications Ombudsman.

Mr Smith has also received a Centenary Medal and was twice awarded the Order of Australia.

Richard Anders Uechtritz – Director (Independent)

Member of the Remuneration & Nomination Committee and Chairman of the Independent & Related Party Committee.

Chief Executive Officer and Director of JB Hi-Fi Limited from June 2000 to May 2010. Mr Uechtritz has been a director of JB Hi-Fi since May 2011.

Over thirty years' experience in retailing.

Co-founder of Rabbit Photo and Smith's Kodak Express.

Director of Kodak (Australasia) Proprietary Limited from July 1998 to July 2000.

Richard Richards – CFO

Mr Richard Richards has been Chief Financial Officer of SGH since October 2013. He is a Director of WesTrac and SGH Energy and is a Director and Chair of the Audit and Risk Committee of Coates. He is a Director of Beach Energy and Boral and is a member of the Beach Energy and Boral Audit and Risk Committees.

Mr Richards joined SGH from the diverse industrial group, Downer EDI, where he was Deputy Chief Financial Officer responsible for group finance across the company for three years. Prior to joining Downer EDI, Mr Richards was CFO for the Family Operations of LFG, the private investment and philanthropic vehicle of the Lowy Family for two years. Prior to that, Richard held senior finance roles at Qantas for over 10 years.

Mr Richards is a Director and the Chair of Audit and Risk Management Committee of KU – established in 1895 as the Kindergarten Union of New South Wales, KU is one of the most respected childcare providers in Australia. He is also a member of the Marcia Burgess Foundation Committee.

James Goth – COO

Mr James Goth joined SGH in March 2020 as Chief Operating Officer for the Group, working across the portfolio of businesses within SGH. He is a Director of WesTrac, Coates, and SGH Energy.

As COO of SGH, Mr Goth's focus is on driving the operational and financial performance of the businesses across the SGH portfolio, driving the development and delivery of key strategic initiatives and sustainability, as well as supporting Group-level relationships with key partners and customers.

Prior to joining SGH, Mr Goth was the Chief Executive Officer of Woolworths Petrol. Earlier roles include Chief Strategy Officer at Woolworths Group and Director of Corporate Development at Woolworths Group, Director of Quantium, and Managing Director at the Boston Consulting Group, where he led both the Sydney office and the Australian consumer practice.

SOURCE: COMPANY WEBSITE AND ANNUAL REPORT

Appendix 3: Capital structure

Capital structure

Table 10 - Capital structure	
Cash $m	877
Debt $m	4,893
Operating lease liabilities $m	985
Net debt (incl. leases) $m	**5,001**
Issued shares m	364
Share price $	29.05
Market cap $m	10,562
Net debt $m	5,001
EV (undiluted) $m	**15,563**
Options / rights m	2
Issued shares (diluted) m	365
Market cap (diluted) m	**10,612**
Net debt $m	5,001
EV (diluted) $m	**15,613**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Major shareholders

Table 11 - Substantial & Director holdings		
Management holdings	**m**	
Terry James Davis	0.10	0.0%
Ryan Kerry Stokes AO	0.54	0.1%
Rachel Helen Argaman (Herman) OAM	0.01	0.0%
Sally Annabelle Chaplain AM	0.04	0.0%
Katherine Leigh Farrar	0.02	0.0%
Christopher John Mackay	0.01	0.0%
David Ian McEvoy	0.03	0.0%
The Hon. Warwick Leslie Smith AO	0.05	0.0%
Richard Anders Uechtritz	0.34	0.1%
Sub-total	**1.1**	**0.3%**
Cornerstone investors		
Kerry Stokes & related parties	207.3	57.0%
Australian Super Pty Limited	19.19	5.3%
Sub-total	**226.5**	**62.3%**
Other	155.1	42.7%
Total	**363.5**	**100.0%**
Free float	**155.1**	**42.7%**

SOURCE: COMPANY REPORTS

Seven Group Holdings (SVW)

Company description

Seven Group Holdings (SVW) is a leading Australian diversified operating and investment Group with market leading businesses and investments in Industrial Services, Energy and Media sectors. These businesses and investments include: (1) WesTrac (100% interest), the sole authorised Caterpillar dealer in WA, NSW and ACT; (2) Coates (100%), the largest provider of equipment solutions in Australia, with leading market share among top-tier customers; (3) Boral (~72%; BLD; not rated), Australia's largest, integrated construction materials supplier; (4) Beach Energy (30%; BPT; Buy, TP$2.00/sh), a mid-tier energy exploration and production company; and (5) Seven West Media (~40%; SWM; not rated), one of Australia's largest multi-platform media companies, including Seven Network, 7plus and The West Australian.

Investment thesis: Buy; TP$33.00/sh

SVW's businesses and investments are market leaders in their respective industries, with scale, brand and industry expertise underpinning commercial advantages that are hard to replicate by competitors. We are positive on the near-term outlook for mining production, engineering construction and transitional energy markets; critical minerals mining, renewable project construction and expected domestic and international gas supply shortfalls represent longer-term tailwinds. SVW's approach to capital allocation, access to low-cost capital and use of leverage position it well to address organic and inorganic opportunities and maximise ROCE.

Valuation methodology

Our SVW valuation is based on discounted cash flow models of the company's core industrial assets and allowances for other assets and corporate costs. Other assets comprise a 30% interest in BPT, valued using Bell Potter Securities' latest published equity valuation, a 40% interest in SWM, valued using sector comparable valuation multiples, and the wholly owned SGH Energy business, with a Crux project valuation considered only. We also make allowances for SVW-level corporate costs. A nominal WACC of 9.3% and terminal growth rate of 3.0% have been applied to our asset DCF models. Table 1 outlines our SVW sum of the parts valuation.

Investment risks

Risks include, but are not limited to, for SVW are:

Australian mining activity: WesTrac is exposed to mining production of major Australian miners. Weakening production can negatively impact WesTrac revenues.

Slowdown in Asian markets: Asian markets, particularly China, are traditional importers of Australian mining products. A slowdown in Asian economic activity can negatively impact exports from Australian mining producers therefore slowing the sale and hire of equipment from WesTrac and Coates, respectively.

Australian construction activity: A slowdown in construction activity in Australia in the residential, non-residential and commercial segments can result in decreased demand for Boral's products and Coates' services.

Australian infrastructure policy: WesTrac, Boral and Coates are exposed to changes in infrastructure activity. A softening of Commonwealth Government infrastructure spending could be impact demand for product and services offered by these businesses.

Labour shortages & wage pressures: A continuation of skilled labour shortages across the Australian mining and construction sectors could impact WesTrac, Boral and Coates' ability to satisfy customer requirements and result in higher labour costs.

Commodity price and exchange rate fluctuations: The future earnings and valuation of SVW's energy assets are subject to fluctuations in underlying commodity energy prices and foreign currency exchange rates. Boral and Coates are impacted by fluctuations in oil prices that impact transport and energy costs.

Geopolitical risk: Increased political tensions between Australia and other foreign Governments could negatively impact export volumes for WesTrac's customers or SVW's energy assets, resulting in lower revenues for SVW.

Funding and capital management risks. Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.

CAT-WesTrac dealer model: WesTrac's brand, supply chain and growth strategy are intertwined with CAT's business. A termination of WesTrac's dealer agreement could result in adverse financial consequences for SVW, though this scenario is highly unlikely.

Investment risk: SVW's financial performance is driven by recognising suitable investment opportunities. Failures in identifying and successfully implementing investment/divestment opportunities will impact negatively on SVW's share price.

TV viewer fragmentation and declines in newspaper readership: The media industry has seen TV viewership fragment and newspaper readership decline in recent years. Continuation in these trends would adversely impact advertising revenue for Seven West Media.

Equity market risk: SVW has listed investments that are subject to price and liquidity risks.

Competition risk: SVW's Industrial Services businesses operate in competitive markets. An escalation in competition or new entrants to the market may result in lower rates, margins and / or market share, negatively impacting SVW's financial performance.

Operational risks: SVW's businesses operate in in a variety of different environments and locations, some of which are harsh and remote, exposing the company to a range of operational risks (e.g. isolation and weather events).

Seven Group Holdings

as at 15 September 2023

Recommendation	Buy
Price	$29.05
Target (12 months)	$33.00

Table 12 - Financial summary

Date		15/09/23
Price	$/sh	29.05
Target price	$/sh	33.00

Bell Potter Securities
Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)
Baxter Kirk (bkirk@bellpotter.com.au, +61 3 9235 1625)

PROFIT AND LOSS

Year ending 30 June	Unit	2022a	2023a	2024e	2025e	2026e
Revenue	**$m**	**8,013**	**9,627**	**10,435**	**10,747**	**11,242**
Other income	$m	59	39	38	38	38
Expenses	$m	(6,861)	(8,172)	(8,775)	(8,974)	(9,373)
Equity share of accounted investee profits	$m	253	195	140	230	244
Underlying EBITDA	**$m**	**1,465**	**1,689**	**1,838**	**2,041**	**2,151**
Depreciation & amortisation	$m	(478)	(502)	(554)	(591)	(616)
Underlying EBIT	**$m**	**987**	**1,187**	**1,285**	**1,451**	**1,535**
Net interest expense	$m	(254)	(283)	(266)	(246)	(223)
Underlying profit before tax	**$m**	**734**	**903**	**1,019**	**1,205**	**1,313**
Tax expense	$m	(156)	(200)	(193)	(214)	(235)
Underlying NPAT	**$m**	**686**	**703**	**825**	**990**	**1,077**
Adjustments (post-tax)	$m	(79)	(56)	-	-	-
Reported NPAT	**$m**	**607**	**647**	**825**	**990**	**1,077**
Non-controlling interest	$m	49	50	68	72	76
Reported NPAT attributable to owners	**$m**	**558**	**597**	**758**	**918**	**1,001**
Non-controlling interest (underlying)	$m	57	49	68	72	76
Underlying NPAT attributable to owners	**$m**	**629**	**654**	**758**	**918**	**1,001**

CASH FLOW STATEMENT

Year ending 30 June	Unit	2022a	2023a	2024e	2025e	2026e
OPERATING CASH FLOW						
Receipts from customers	$m	9,738	10,664	10,370	10,697	11,172
Payments to suppliers and employees	$m	(8,753)	(9,142)	(8,654)	(8,944)	(9,323)
Tax paid	$m	(196)	(84)	(193)	(214)	(235)
Net interest	$m	(251)	(258)	(250)	(227)	(204)
Other	$m	(25)	14	66	84	87
Operating cash flow	**$m**	**512**	**1,194**	**1,338**	**1,396**	**1,497**
INVESTING CASH FLOW						
Capital expenditures	$m	(637)	(602)	(541)	(576)	(601)
Acquisition of non-controlling interests	$m	(2,160)	-	-	-	-
Payments for investment in associates	$m	(1,218)	(45)	-	-	-
Disposal of assets	$m	28	38	54	-	-
Other	$m	4,665	80	(10)	(10)	(10)
Investing cash flow	**$m**	**678**	**(529)**	**(496)**	**(586)**	**(611)**
Free cash flow	***$m***	***1,191***	***665***	***841***	***810***	***886***
FINANCING CASH FLOW						
Proceeds from share issues (net)	$m	-	-	-	-	-
Debt proceeds / (repayments)	$m	1,257	(813)	-	-	-
Dividends paid	$m	(167)	(167)	(182)	(182)	(182)
Other	$m	(1,210)	(99)	(81)	(81)	(81)
Financing cash flow	**$m**	**(120)**	**(1,079)**	**(263)**	**(263)**	**(263)**
Change in cash	**$m**	**1,070**	**(414)**	**578**	**546**	**623**

BALANCE SHEET

Year ending 30 June	Unit	2022a	2023a	2024e	2025e	2026e
ASSETS						
Cash	$m	1,255	877	1,455	2,001	2,624
Receivables	$m	1,499	1,629	1,695	1,744	1,815
Inventories	$m	1,348	1,501	1,501	1,501	1,501
Capital assets	$m	3,790	3,974	4,070	4,160	4,244
Intangibles	$m	2,229	2,222	2,223	2,223	2,223
Other assets	$m	3,473	3,427	3,500	3,649	3,814
Total assets	**$m**	**13,593**	**13,630**	**14,443**	**15,279**	**16,222**
LIABILITIES						
Payables	$m	1,007	1,125	1,245	1,274	1,324
Borrowings	$m	5,663	4,893	4,893	4,893	4,893
Provisions	$m	591	572	582	589	596
Leases	$m	964	985	965	945	925
Other liabilities	$m	1,084	1,440	1,446	1,458	1,470
Total liabilities	**$m**	**9,310**	**9,015**	**9,131**	**9,159**	**9,208**
NET ASSETS						
Share capital	$m	3,411	3,375	3,375	3,375	3,375
Reserves	$m	(1,496)	(1,527)	(1,527)	(1,527)	(1,527)
Retained earnings	$m	1,635	2,062	2,638	3,374	4,194
Attributable equity to company share holders	**$m**	**3,550**	**3,910**	**4,487**	**5,223**	**6,043**
Non-controlling interests	$m	734	705	826	896	971
SHAREHOLDER EQUITY	**$m**	**4,284**	**4,615**	**5,312**	**6,119**	**7,014**
Weighted average shares	m	363	363	363	363	363

FINANCIAL RATIOS

Year ending 30 June	Unit	2022a	2023a	2024e	2025e	2026e
VALUATION						
EPS (adjusted)	c/sh	173.2	180.0	208.6	252.8	275.6
EPS growth	%	18.7%	3.9%	15.9%	21.2%	9.0%
PER	x	19.1x	18.3x	15.8x	13.1x	12.0x
DPS	c/sh	46.0	46.0	50.0	50.0	50.0
Franking	%	100%	100%	100%	100%	100%
Yield	%	1.6%	1.6%	1.7%	1.7%	1.7%
FCF/share	c/sh	327.7	183.0	231.6	222.8	243.9
FCF yield	%	9.9%	5.5%	7.0%	6.7%	7.4%
EV/EBITDA	x	11.7x	10.1x	9.3x	8.4x	7.9x
NTA	$/sh	5.66	6.59	8.51	10.73	13.19
P/NTA	x	5.8x	5.0x	3.9x	3.1x	2.5x
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	5,372	5,001	4,403	3,836	3,194
Net debt / Equity	%	125.4%	108.4%	82.9%	62.7%	45.5%
Net debt / Net debt + Equity	%	55.6%	52.0%	45.3%	38.5%	31.3%
Net debt / EBITDA	x	3.7x	3.0x	2.4x	1.9x	1.5x
EBITDA /net interest expense	x	5.8x	6.0x	6.9x	8.3x	9.7x
PROFITABILITY RATIOS						
EBITDA margin	%	18.3%	17.5%	17.6%	19.0%	19.1%
EBIT margin	%	12.3%	12.3%	12.3%	13.5%	13.7%
Return on assets	%	6.1%	5.2%	5.9%	6.7%	6.8%
Return on equity	%	16.4%	15.8%	16.6%	17.3%	16.4%
Return on capital employed	%	9.4%	10.7%	10.9%	11.5%	11.4%
Return on invested capital	%	7.4%	7.2%	8.6%	10.1%	10.7%

HALF YEARLY ASSUMPTIONS

Year ending 30 June	Unit	1H 2022a	1H 2023a	1H 2024e	1H 2025e	1H 2026e
Revenue	**$m**	**3,956**	**4,607**	**5,138**	**5,295**	**5,570**
Other income	$m	25	20	19	19	19
Expenses	$m	(3,359)	(3,899)	(4,328)	(4,422)	(4,644)
Equity share of accounted investee profits	$m	127	114	74	118	121
Underlying EBITDA	**$m**	**749**	**842**	**903**	**1,010**	**1,066**
Depreciation & amortisation	$m	(238)	(247)	(270)	(293)	(305)
Underlying EBIT	**$m**	**511**	**595**	**633**	**717**	**761**
Net interest expense	$m	(128)	(128)	(136)	(127)	(116)
Underlying profit before tax	**$m**	**383**	**466**	**497**	**590**	**645**
Tax expense	$m	(81)	(105)	(93)	(104)	(115)
Underlying NPAT	**$m**	**302**	**361**	**404**	**486**	**530**
Adjustments (post-tax)	$m	788	(12)	-	-	-
Reported NPAT	**$m**	**1,091**	**349**	**404**	**486**	**530**
Non-controlling interest	$m	7	30	34	36	38
Reported NPAT attributable to owners	**$m**	**1,084**	**320**	**370**	**450**	**492**
Non-controlling interest (underlying)	$m	11	21	34	36	38
Underlying NPAT attributable to owners	**$m**	**291**	**341**	**370**	**450**	**492**

INDUSTRIAL SERVICES SEGMENT ASSUMPTIONS

Year ending 30 June	Unit	2022a	2023a	2024e	2025e	2026e
WesTrac						
Revenue	$m	3,955	4,905	5,432	5,430	5,667
Underlying EBIT	$m	426	500	534	566	612
Underlying EBIT margin	%	10.8%	10.2%	9.8%	10.4%	10.8%
Coates						
Revenue	$m	1,009	1,143	1,165	1,194	1,230
Underlying EBIT	$m	246	300	311	322	332
Underlying EBIT margin	%	24.4%	26.3%	26.7%	27.0%	27.0%
Boral (100%)						
Revenue	$m	2,956	3,461	3,702	3,977	4,193
Underlying EBIT	$m	112	232	285	318	335
Underlying EBIT margin	%	3.8%	6.7%	7.7%	8.0%	8.0%

VALUATION

Diluted shares on issue		**365m**
12-month valuation		
	$m	**$/sh**
Westrac (100% ownership)	6,657	18.22
Coates (100% ownership)	3,305	9.05
Boral (72% ownership)	4,146	11.35
Other assets (Beach Energy 30%; Seven West Media 40%; and SGH Energy 100%)	2,466	6.75
Enterprise valuation	**16,251**	**44.49**
SVW net debt (incl. leases; less Boral NCI)	4,307	11.79
Equity valuation	**11,944**	**32.70**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
James Williamson	Resources	613 9235 1692	jwilliamson
Associates			
Connor Eldridge	Associate Analyst	612 8224 2893	celdridge
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
Ritesh Varma	Associate Analyst	613 9235 1658	rvarma

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Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1601, 16/F
Prosperity Tower, 39 Queens Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929