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Seven Group Holdings (“SGH”) announces proposal to convert TELYS4

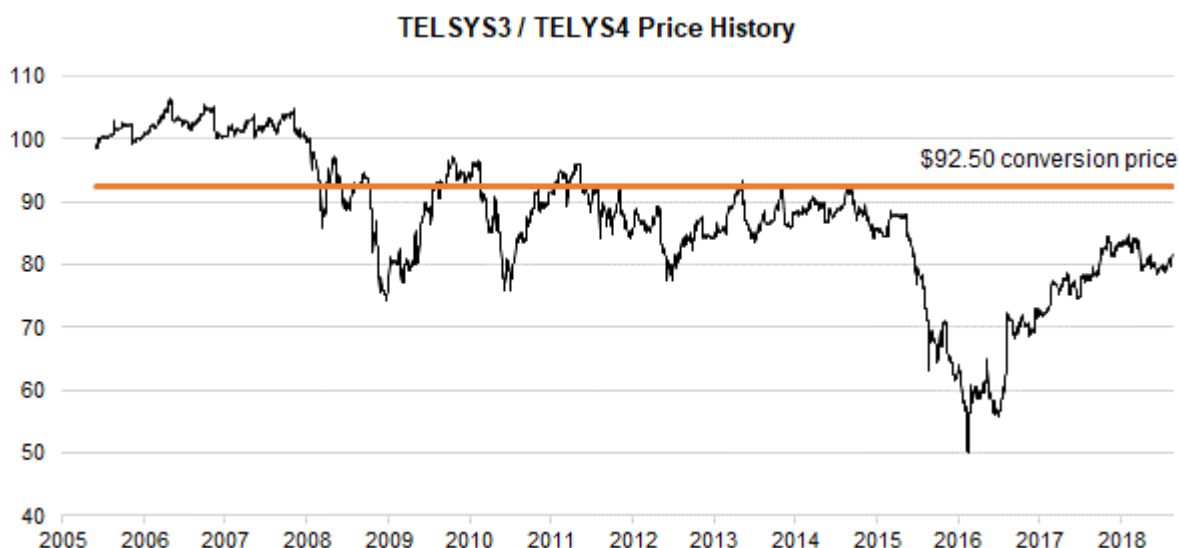
- SGH has launched an offer for TELYS4 shareholders to convert at a premium their TELYS4 into ordinary shares, which if approved, will unify SGH’s capital structure, increasing its free float, market capitalisation and index weighting
- TELYS4 holders are being offered a number of value accretive options including converting to ordinary shares or receiving a partial cash exit opportunity at an 8.5 per cent premium to market value
- The Independent Expert, KPMG, has determined that the proposal is in the best interests of TELYS4 holders

Today, reflecting the continued evolution of its capital structure, SGH is inviting TELYS4 holders to consider and vote on a proposal for the conversion of their TELYS4 into ordinary shares of SGH.

The Conversion Proposal gives TELYS4 holders the opportunity to receive 4.60645 ordinary shares for each TELYS4. If the vote is passed, it will also give them the option of selling up to 50 per cent of the TELYS4 for cash, at a price of at least \$88.00 per TELYS4. This conversion ratio represents a 15 per cent premium to the current trading price and the proposal also enables them to receive cash for up to 50 per cent of their TELYS4 at a minimum price which is an 8.5 per cent premium to the current trading price of the TELYS4¹.

Should TELYS4 holders support the proposed amendments, the conversion will be EPS accretive for ordinary shareholders and increase the free float by up to five per cent, increasing SGH’s index weighting on critical ASX and potentially MSCI indexes. As such, we believe that unifying the capital structure further enhances the investability of SGH in a similar manner to that which was achieved by the \$385 million institutional and retail share placement.

SGH has been approached by a number of TELYS4 shareholders who have sought to understand why the TELYS4 holders have not enjoyed the share price rally experienced by the ordinary shares. Given the nature of the TELYS4, as a perpetual non-cumulative share with limited rights, the market post GFC has not applied the same valuation principles to securities like the TELYS4. As a result, the TELYS4 and the former TELYS3 have traded well below their face value since 15 January 2008.



¹ Based on the closing price of TELYS4 on 21 August 2018.

The SGH Board has considered a range of alternatives available to SGH having regard to the interests of the TELYS4 holders, ordinary shareholders, SGH's financial position, SGH's rights under the terms of the TELYS4 and SGH's capital structure. Based on this assessment, they concluded that the Conversion Proposal represented the most suitable option available. This has been affirmed by an independent expert.

Since March 2018, the TELYS4 have traded down by as much as eight per cent. This coincided with public statements "A Fairer Tax System: Ending cash refunds for excess imputation" which outlined potential tax reform impacting the refundability of excess imputation credits. The proposed reform, if enacted, would prevent future cash refunds for excess imputation credits for individuals and superannuation funds. Under their proposal, imputation credits would only be a non-refundable tax offset and cash refunds would not arise if imputation credits exceed tax liabilities. Such a policy change, if enacted, would impact a significant number of TELYS4 shareholders. This has adversely affected TELYS4 and other similar securities across the market.

To facilitate TELYS4 holders consideration of the Conversion Proposal, KPMG has been appointed as an Independent Expert and has expressed its opinion that the Conversion Proposal is in the best interest of TELYS4 holders. Their full report is available in the Explanatory Memorandum that will soon be dispatched to TELYS4 holders. A copy of the Report is also available on the SGH website at www.sevengroup.com.au.

The choices available to TELYS4 holders are:

Choices available if the vote passes

If the Resolution to approve the Conversion Proposal is passed, TELYS4 holders will have the option of electing to participate in either:

- Full Conversion by having their TELYS4 converted into ordinary shares; or
- the Partial Cash Exit Opportunity by having 50 per cent of their TELYS4 converted into ordinary shares with the option of selling the balance for cash for a minimum price of at least \$88.00.

If, following approval of the Resolution, TELYS4 holders elect the Partial Cash Exit Opportunity, they also have the option of either:

- selling the balance of their TELYS4 on the market using the broker appointed by SGH; or
- selling all, or a specified portion, of their TELYS4 on the market using their own broker.

Choices open if the Resolution does not pass

Should TELYS4 holders vote to support the conversion, they will also have the option to elect to convert their TELYS4 into ordinary shares even if the vote is not passed. If they opt for this, on conversion, they will receive 4.60645 ordinary shares for each TELYS4 they hold.

ASX waiver

ASX has granted SGH a waiver from ASX Listing Rule 7.33 in relation to this proposal. The waiver allows SGH to purchase the TELYS4 as part of the on market buy-back on 28 September 2018 at \$88 per TELYS4, even if that price is greater than 5 per cent above the average market price over the 5 days preceding 28 September 2018 where sales in TELYS4 were recorded.

ASX granted the waiver on the following conditions:

- SGH does not purchase the TELYS4 at a price higher than the committed buy-back price of \$88 as detailed in the Explanatory Memorandum in the event that the 5 per cent threshold permitted by listing rule 7.33 does not permit SGH to purchase the TELYS4 up to the total committed buy-back price under the buy-back.
- the details of the waiver are immediately released to the market with this announcement.

Commenting on the TELYS4 Conversion Proposal, Ryan Stokes, Managing Director and Chief Executive Officer of SGH said:

"SGH will continue to focus on creating shareholder value through disciplined capital management. Today we have announced a proposal to unify the capital structure of SGH by seeking the TELYS4 shareholders' consent to convert their holding into ordinary shares at a 15 per cent premium to the current market price but a discount to face value. We believe the proposal represents an equitable allocation of the potential benefits between both the TELYS4 and ordinary shareholders."

Media contacts: Jim Kelly +61 412 549 083 / Lauren Thompson +61 438 954 729

Seven Group Holdings Limited is a leading Australian diversified operating and investment group with market leading businesses and investments in industrial services, media and energy. In industrial services, WesTrac Group is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory. WesTrac is one of Caterpillar's top dealers globally (by sales value). SGH also owns Coates Hire, Australia's largest equipment hire business; and AllightSykes, a supplier of lighting towers, generators and pumps. The Group also has a 26 per cent shareholding in Beach Energy and has interests in oil and gas projects in Australia and the United States. In media, SGH has a 41 per cent shareholding in Seven West Media, Australia's largest multiple platform media company, including the Seven Network, The West and Pacific.

Note: Included in this release is data prepared by the management of Seven Group Holdings and other associated entities and investments. This data is included for information purposes only and has not been subject to the same level of review by the company as the statutory accounts and so is merely provided for indicative purposes. The company and its employees do not warrant the data and disclaim any liability flowing from the use of this data by any party.