

SE Wealth
HD **Seven ways for investors to boost their income**

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DIVIDEND DETECTIVE **Billionaire** Kerry Stokes's diversified industrials business, Seven Group Holdings, is struggling with the **mining** downturn that has hurt its Caterpillar distribution business, WesTrac.

The tough trading conditions have cut earnings and its share price, which has fallen from over \$9 last year to \$6.80.

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But the fall has created significant value and a solid dividend yield, and along with relatively stable earnings this year, we think that makes Seven Group a good option for income investors.

The slump in the price of commodities such as **coal** and **iron** hasn't just hurt miners; their belt-tightening has spread pain to the likes of WesTrac, which distributes Caterpillar in Australia but also **China**.

The slowdown in demand made a big dent in Seven Group's result last financial year. Revenue fell 35 per cent and net profit was down 46 per cent to \$261 **million**, with the **company** reporting very limited new demand for new equipment.

Seven Group also has exposure to the media industry through its **stake** in Seven West Media, which owns the Seven Network and print asset such as The West Australian newspaper.

But times are also tough in media land, with the internet challenging free-to-air television and newspapers; the advertising market is also subdued with low consumer confidence.

In this environment the Seven Network has continued to perform well and hold its position as the top-rating network.

Seven isn't standing still; it is restructuring its businesses and announced a share buyback to take advantage of its share-price fall. Its Coates business will benefit from stronger construction markets, and its \$1 **billion** investment portfolio also continues to perform well.

Seven is also looking to make further acquisitions to diversify, particularly in **oil** and gas, which it believes has strong potential.

The **company** paid a total dividend per share of 40c fully franked and that is likely to be repeated in the new financial year, which gives investors a strong 6.1 per cent dividend yield.

Seven says that trading conditions in the **mining** and industrial services sectors remain challenging with heavy cost-cutting, though over the longer term it expects demand to return to normal levels with ageing fleets replaced.

All up, it is forecasting a flat underlying EBIT in 2015, which would be a solid performance given such challenging conditions.

Trading at \$6.55, Seven Group's shares are well below our value of \$7.90 so it offers good value.

Seven Group is not without risk and it could be some time before we see an upturn in the resources and media sectors, but that value, its solid performance and healthy yields does make it attractive to dividend investors.

Darren Katz is head of distribution at Clime Asset Management. Seven Group Holdings Limited ASX Code: SVW Security price: \$6.55 Industry: Industrials Forecast distribution: 40c per share fully franked

CO tvaus : Seven Group Holdings Ltd.

IN i97411 : Broadcasting | i9741102 : Television Broadcasting | imed : Media/Entertainment

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