

AGL Energy Limited
Full-year Results 2018 webcast transcript
Thursday 9 August 2018

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James Hall: Good morning everyone. This is James Hall, AGL's General Manager of Capital Markets speaking. Thank you for joining us for this webcast. Our managing director and CEO, Andy Vesey, will shortly provide an overview of our results and an update on our key business issues. Our CFO, Brett Redman, will then provide a more detailed review of the results. Andy will close with the market update and outlook as usual.

We'll then take questions via the web chat and the phone. You'll need to press zero then one on your phone to queue for a question and zero then two to cancel, so zero then one to queue for a question.

I'll now hand over to Andy.

Andy Vesey: Thank you, James, and good morning everyone. I am pleased to present AGL's results for the financial year ending 30th June 2018. I have the AGL executive team with me and we look forward to taking your questions at the end of my remarks.

The results were strong, but I want to say up front that in the current environment we recognise the importance of continuing to invest in new energy supply to improve affordability for our customers in the long term and continuing to support vulnerable customers in the here and now. I will come to you with detail on the topics shortly. First, we continue to achieve positive outcomes and safety and inclusion consistent with our values.

In safety the total injury frequency rate is down to 1.2 per million hours worked for employees and 4.7 for contractors. This reflects continued emphasis on our safety culture and eliminating unsafe behaviours and condition. This includes general safety walk, specific technical interactions focusing on high-risk work and reporting on hazards and near-misses. In inclusiveness, we have already exceeded our 2019 financial year objective of having women represent 40% of the senior leadership pipeline by two percentage points. We are now focused on getting to 50%, our target for the 2022 financial year.

Now, turning to the highlights of our financial results and some other key announcements we are making today. It was another year of strong financial performance – the 28% increase in underlying profit to \$1.023 billion was in the upper half of our guidance range. Return on equity of 13% is up 2.8 percentage points. The result has enabled the Board to increase dividends for the year by 29% to 117 cents per share, including the 63 cents final dividend announced today. This continued strong performance reflects an increase in prices in the broader wholesale electricity market, which has mostly been a result of the abrupt closure of non-AGL power stations such as Hazelwood in 2017 and Northern in 2016, and higher input costs for coal and gas.

As a result of the multi-billion-dollar investments AGL has undertaken over recent years and the hard work of our 4,000 employees throughout Australia, we have been able to generate strong shareholder returns during this period. But make no mistake: we recognise that, in an environment of higher wholesale energy prices, many customers are facing higher energy bills. We know this is of concern and we are focused on taking the appropriate steps. It is why we are spending more than any other company building new electricity generation projects: because more supply will drive down prices. We now have a mix of energy projects under development representing more than \$2 billion of investment by AGL and our partners to deliver more efficient and lower emissions plan throughout the national electricity market.

Lower wholesale prices – promised on the national energy guarantee – and the outlook for lower network costs all indicate lower retail prices. This is good for customers and means we need to continue to be an agile competitor, so we have also announced today that we will be targeting a return to 2017 financial year operating cost levels by financial year 2021, beginning with a targeted \$120 million reduction in the 2019 financial year. This is essential as we look to optimise our business operations for the new competitive reality.

The resilience of our generation portfolio came to the fore in the period, providing outputs consistent with prior years despite operating challenges associated with unplanned outages at key plants, which is typical of an aging fleet. We're also announcing today a package of affordability measures building on our pre-existing programmes to support vulnerable and standing offer customers, including \$50 million of debt relief and an extension of our loyalty offer for customers on standing offers to all states.

Finally, we are providing guidance today for underlying profit after tax of \$970 million–\$1.07 billion in the 2019 financial year. At the midpoint, this is flat to 2018. This guidance reflects slow momentum in wholesale markets and increasing competitive pressures in customer markets, offset by the benefits of the first year of our business optimisation programme.

Turning to the next slide, I will provide an update on strategy. Since 2015 we have been on a journey of transformation in response to two clear imperatives: to prosper in a carbon-constrained future and build customer advocacy. Our commitment to this journey remains unchanged and our actions in recent years have laid a foundation for the next track in AGL's development. This includes our original key objectives of leading from mass to personalised retailing; from operating large assets to orchestrating both large and small assets; and from high emissions to lower emissions technology. It also includes the objective of not just leading in our existing markets, but also growing into new ones, including exploring adjacent products and services within Australia. However, given the scale and pace of the transformation underway in the energy sector and the time it will take to implement stable policy settings, we are moving with considered and disciplined pace.

Our response has been to focus on longer-term strategic objectives with a set of six strategic priorities for the coming 36 months. They are: to attract, retain and serve customers as efficiently as possible; to operate, maintain and renew our energy supply portfolio at lowest practical cost; to ensure key systems and platforms are fit for purpose and scalable for growth; to develop disruptive capabilities to respond to emerging customer needs; to identify and act on opportunities to invest in new areas of profitable growth; and to support energy policy discussions to shape sustainable long-

term outcomes. Key to that last point is the successful and bipartisan adoption of the national energy guarantee, which we strongly support and which can provide the certainty that is required to stimulate continued investment in our sector.

I will now talk about some key issues in more detail, starting with the competitive landscape. The slide shows four key data points that reflect what's going on in the market and how that's effecting AGL. Starting from the top-left, churn across the market is up 24%, but AGL's churn of 19% reflects an increase in spread, now five percentage points to the rest of the market. A key reason for this is success in retaining customers, who are engaging at unprecedented levels. As shown in the middle, total acquisitions and retentions during the year was \$2.2 million, which is up 25% on the prior year. While this level of activity brought higher costs, it is evidence of the competitive market in which customers are seeking out the best plan for them and often finding it at AGL.

Our customer numbers, shown on the right, are essentially flat despite the increased competition and government intervention in Queensland and South Australia that effected our customer numbers in those states. In the key states of Victoria and New South Wales we gained a combined 27,000 customers in the period.

The next slide looks at digital adoption more closely. We have now completed the first two years of our customer experience transformation programme. In addition to the productivity benefits, which I will cover shortly, it is encouraging to see cost avoidance benefits as well, as reflected in a higher proportion of acquisitions and retentions coming via internal digital channels, as opposed to more costly broker channels. The chart on the left shows unique customer interactions and touchpoints with digital customers having almost double since we began the customer experience transformation journey in the 2017 financial year. Every customer who chooses to interact using digital instead of the analogue channel long-term leads to lower cost for AGL and ease of interaction for our customers.

The number of customers who have digital ID with AGL – that is, an online, mobile identity through which they can interact and transact – is now at about 1.1 million, up 33% year on year. And 1.8 million of our customer accounts have now moved to digital billing – that's more than 50% of total accounts – up from just 20% at the end of the 2016 financial year before we started the transformation programme. Digital sales are now up to 10% of all sales. So, to summarise the last two slides, customers are responding to the benefits of digital transformation, are strongly engaged and increasingly are seeking out the best deal.

On the next slide I will talk about what we are doing for the customers who are on standing offers or who may be vulnerable in an environment of higher energy bills. While falling wholesale prices and high levels of engagement lead to a market that will deliver better outcomes for the majority of customers over time, we recognise the immediate responsibility to the vulnerable, especially in the context of this strong result. The package we are announcing today is targeted at the vulnerable and standing offer customers who need help to address higher energy bills.

The package has four key elements. One, a \$50 million debt relief package for customers on our Staying Connected hardship program, which forgives debt aged more than 12 months and offers dollar-for-dollar matching on all other debt repayments for those customers. In addition, we are expanding our affordability fund to offer a new energy literacy programme for hardship customers.

The second and third items relate to standing offer customers who are generally not in hardship, but for other reasons have decided not to engage with the market and may not be aware that better plans are available to them at lower rates. The loyalty discount we have given to all standing offer electricity customers in Victoria and South Australia who have been AGL customers for more than two years will be extended to New South Wales and Queensland effective 1st September. We have already almost halved standing offer customers from 23% to 12% of our customers over the past five years as a result of proactive outreach programmes, as shown in the chart on the right. In addition, we are launching a new right plan review for all standing offer customers in all states, meaning that at least once a year they will get expert advice so they can choose the right plan for them.

The fourth element of today's package is AGL Small Business Assist, a dedicated energy advice/efficiency programme and financial counselling services for small business customers. These measures build on progress we have taken over the years as part of our focus on fairness, simplicity and transparency, including the successful launch of AGL Essentials, our simple, fixed, low-rate digital-led product, and AGL Prepaid.

The innovations we have rolled out through the customer experience transformation programme have also resulted in benefits to our customers. For example, we have now received more than 400,000 self-service meter reads, driving a 39% reduction in specialty reads requested by customers, increasing customer satisfaction and reducing cost.

On the next slide I will turn to performance of our generation assets. The AGL generation fleet received an immense amount of attention during the year as a result of publicity around our commitment to close the Liddell Power Station when it reaches the end of its technical life in 2022. We understand the concern around affordability and reliability in energy and we are progressing our replacement plan, which includes a mix of technologies including upgrading existing coal-fired power at our Bayswater plant, new gas-fired power and renewables, and potentially batteries and pumped hydro.

The AGL portfolio is already diverse, which offsets the availability issues that are more common as assets age. During the 2018 financial year there were unplanned outages which impacted Loy Yang in the first quarter and Macquarie in the fourth quarter, constraining our availability at times when we would otherwise have been running hotter. We commissioned independent third-party reviews of the Loy Yang, Macquarie and Torrens sites over the course of the year which confirmed their condition and operating performance was consistent with their age and service profile. Nonetheless, we have made organisational changes to improve upon our outage management performance and delivery of future capital investment. In all cases, we are committed to continuing investments in our plants to ensure they operate safely and reliably as they age – and, in the case of Liddell and Torrens, manage them responsibly and safely as they approach the end of their life.

Notwithstanding these challenges, the equivalent availability factor of AGL's key plants remains above the average for the national electricity market in the year, and our total generation output of just over 43 terawatt hours was flat year on year, reflecting the resilience of our portfolio. Coal still makes up the vast majority of that portfolio and we remain committed to the responsible operation of that coal fleet consistent with the objective of achieving an earlier transition to lower emissions technology.

On the next slide I will talk about the investments we are making in new generation. The total investment underway in projects in Australia by AGL and its partners is more than \$2 billion, creating more than 1,000 construction jobs. The Coopers Gap and Silvertown wind farm projects being developed under the Powering Australian Renewables Fund are well-progressed, already supplying the grid and will contribute positively to earnings during the 2019 financial year.

Construction of the Barker Inlet power station in South Australia is progressing well. We have begun the approvals process for the Newcastle gas-fired power station which is part of the first stage of the plan we published to respond to concerns about Liddell's closure. Also as part of that plan, works to upgrade the Bayswater power station will occur progressively between now and the 2022 financial year.

As announced in June we have hit key milestones in relation to the signing of certain supply contracts and the ordering of long lead time items for the Crib Point LNG import jetty in Victoria.

We continue to assess the other projects we've presented to AEMO and the government as part of the latter stages of the New South Wales generation plan and we are actively assessing pump hydro opportunities throughout the NEM.

We have also signed an agreement during the year with Maoneng to off-take 300 megawatts of solar capacity. No other company is doing more to deliver the single biggest driver of reducing and maintaining sustainable prices over the long term. That is investing in new supply. And we are doing all the above on economics that satisfy our historic [inaudible].

I will close my opening remarks by providing more detail on our plans for business optimisation.

Total operating costs were up \$205 million in the 2018 financial year. This was \$50 million less than we had initially forecast, reflecting the work we undertook in the year to recover some market activity cost increases in customer markets, which made up \$93 million of the total cost increase. Notwithstanding the link between higher revenue and higher activity we are determined to take further actions to bring total operating costs back down, consistent with our desire to be able to compete successfully in a rapidly evolving environment.

The plan we are announcing today is to target a total \$120 million reduction in operating costs this financial year and by the 2021 financial year to get back to the 2017 level. This program includes process improvements across AGL including further savings from the customer experience transformation program and the PT3 enterprise resource planning system upgrade. Further savings will come from reduced channel cost, brand spend and resource optimisation in customer markets capturing the benefits of our EBA modernisation at Loy Yang, implementation of a broader process improvement program at our sites and broad IT automation and other reorganisation benefits across AGL.

I will now hand over to Brett for the more detailed financial discussion.

Brett Redman: Thanks Andy and good morning everyone. I'll begin as usual with a quick summary of the profit result.

The large uptick in statutory profit reflected a post tax gain on the fair value of financial instruments of \$562 million compared to the \$263 million loss in the 2017 financial year. This primarily reflected the lower current year forward electricity curve. As always, we suggest ignoring these fair value movements and focusing on the underlying profit as a better measure of performance.

Underlying profit after tax of \$1,023 million was up 28%. This was a record result and as Andy said, it was the outcome of multi-billion-dollar investments undertaken by AGL over recent years and the hard work of our 4,000 employees throughout Australia, enabling us to benefit from higher wholesale energy prices.

Although prices are beginning to settle as Andy has set out we continue to address the impact they have had on vulnerable and disengaged customers and we continue to take actions to address affordability and reduce standing offers.

We are also well into the next phase of investment. The \$2 billion plus of new generation we are developing is setting us up strongly for the future, just as we are benefiting today from past investments. The 2018 result also reflected a strong uptick in cash flow as margin call impacts that reduced the prior year's result reversed, enabling an 81% increase in cash flow from operations before interest and tax to \$2,461 million.

The dividend increases to 29% to \$1.17 per share for FY18 also reflects our 75% payout ratio.

Return on equity of 13% up 2.8 percentage points is consistent with profit growth.

On the next slide I will look at the components of underlying profit growth more closely.

The total year-on-year increase in underlying profit was \$221 million. As guided, strong gains in wholesale markets in both electricity and gas were offset by lower eco market earnings, the impact of market activity costs compressing margin in customer markets and higher depreciation in Group operations as a result of recent planned investment.

I'll now briefly walk through volume and margin on a portfolio basis for both electricity and gas.

This slide shows how consistently we make what we sell in electricity. Flat energy generation of 43.1 terawatt hours reflected availability constraints and prevented us from clearing more volume. But nonetheless as the largest private operator in the national electricity market, we held our total production levels.

You can see from this chart that consumer sales demand is basically flat with weather impacts negligible and a minor impact from customer mix affecting average residential consumption.

The business customer segment is low margin and comprises of large commercial and industrial customers which along with spot sales acts as a means of clearing loads at times of higher generation. As disclosed in the half year result, lower sales in this segment reflected the non-recurrence of two large customers from the prior period. There is increased commercial load from our existing customer base in wholesale.

The next slide looks at electricity margin. The strong increase in the electricity margin in the period reflected the recent high wholesale prices manifesting in the prices charged to our own customer portfolios and the market as a whole. The reduction in consumer margin reflected the impact of market activity.

The eco markets reduction is consistent with our guidance for higher compliance costs in the year and the sourcing of a higher proportion of renewable energy certificates on the market. Eco markets has historically been a volatile margin line. Indeed we expect a significant increase this financial year as the past projects increase their output.

The decline in Group operations is mostly due to depreciation reflecting increased investment in the fleet and shortened depreciation schedules at Liddell and Torrens consistent with their relatively short remaining life spans. In addition, the prior year included a one-off benefit from the sales of the Nyngan and Broken Hill solar plants to PARF.

Now let's move to gas. Gas volumes were lower consistent with the interim result. This reflected the roll-off of large contracts in business and in wholesale as we had previously disclosed. Our management of the gas portfolio reflects the lack of availability of new supply contracts in a high priced market environment as we can see on the next slide on gas portfolio margin.

As the slide shows the increase in market prices more than offset the lower volumes in wholesale as well as the volume reduction in business and the impact of higher costs in consumer.

I'll now turn to cash flow. This slide shows how the benefit to working capital from unwinding margin call impacts alongside strong earnings drove the strong cash flow result and the cash conversion rate of 111% up from 74%. Even without the margin call benefit, cash conversion is up to 103% from 97% in 2017.

The net cash position of the Group is very healthy. Although we did not continue to buy back during the 2018 financial year we increased capital expenditure, repaid \$504 million of debt and continued to increase dividends and still improved our net change in cash by more than \$400 million year on year.

The next slide covers capital expenditure in more detail and I should note this slide shows the accruals basis used for budgeting as opposed to the cash basis on the previous slide. The two key points I would like to emphasise are that the increase in total CapEx in 2018 was less than originally anticipated because of the timing of the construction of the Barker Inlet power station in South Australia, the bulk of which we will now accrue this year. And that we are expecting sustaining CapEx to be about flat year on year in 2019, but to decline into 2020.

You may note that sustaining CapEx here is greater than was shown at the December investor day. That is because of ongoing investment in existing natural gas assets being reclassified as sustaining CapEx and the expansion of the Silver Springs gas facility being removed as a standalone item as the economics of a major planned expansion are currently looking less favourable.

The other amounts detailed here mostly refer to the major investment programs we have underway. We currently anticipate a reduction in total CapEx next year as we come to the end of the two-year customer experience transformation investment and for a slight increase in 2021 as work begins on

the Newcastle power station. It's also worth noting that the potential amount previously included Crib Point has now been reduced to reflect the AGL capital commitment component only given much of it will now be undertaken on a lease financing basis if it goes ahead.

This slide details current investment programs consistent with the format we've used in recent results and investor days. The list of projects shown here includes programs to which we've committed over the past two financial years as well as those we have said publicly that we are considering. Those in dark blue which are either underway or have been approved by the Board are well known.

I would like to highlight the reference on this slide to new product or market entry which is consistent with the wording of our strategic objective of not just leading in our existing markets but also looking for new ones into which to grow. This includes adjacent products and services within Australia if opportunities arise and which we believe we can broaden and deepen AGL's ability to create value for a customer base that is increasingly digitally connected.

You will note the geographic expansion has been de-emphasised here. We maintain a watching brief on that topic, but as we stated at the investor day we have not found opportunities that meet our strategic objectives, risk profile and valuation parameters.

The one geographic expansion to which we remain committed of course is Western Australia. At present we have 21,000 customers in retail gas in line with our initial business plan and we have had great success with building brand awareness. However, given that the market has many new entrants and the opening up of the electricity market to full competition does not appear to be on the short-term horizon we will be rational in the pursuit of further customer growth and now expect a slower uptake of new customers balanced by a much lower than planned cost of entry.

I will finish by summarising our progress relative to the capital allocation principles we set out at the investor day.

The first of these is to maintain balance sheet strength consistent with our credit rating. Clearly, we are in robust shape in this regard with gearing at 21% as at 30 June 2018 and with ample headroom coming in, in FY19. Our focus remains on identifying growth opportunities and we have considerable funding flexibility in this regard. On the horizon is the option to redeem our hybrid in June 2019. Should we exercise that right, we note we are in a position to do so using current liquidity reserves if we don't find new growth opportunities in the interim.

The second capital allocation principle relates to our dividend policy which we continue to maintain.

Third is the agile capital concept reflected in divestments of non-core assets and the use of the lease based structures for major projects such as the PARF developments and Crib Point.

Fourth is our threshold hurdle rates which continue to ensure all of our projects that we are undertaking as part of our capital investment plans are incrementally positive to shareholder value.

The fifth principle is to return excess cash to shareholders. Strong dividend growth notwithstanding, we did not undertake additional capital management in FY18. Buybacks may resume in FY19 in the

absence of more certainty on executing growth opportunities at scale. We envisage providing an update no later than the first half results.

Before I hand back to Andy, a final note on our financial statements. This year we have adopted three new accounting standards relating to revenue, financial instruments and leases respectively. As we have broadly completed all the work on the current and future impacts of these accounting changes, we have factored the adoption into our budgeting process referenced in the accounts. This means the forecasts for FY19 and beyond as well our guidance statements are in accordance with the new standards, albeit none of the changes have any impacts on those forecasts. Now back to Andy.

Andy Vesey: Thanks Brett. I will start my closing remarks with some observations on the forward curve.

Without questions the reduction in wholesale electricity prices that we have witnessed over the past 12 months will translate to a lower electricity margin for AGL. However, the scale of the fall in electricity prices relative to the underlying fuel costs as well as the low liquidity in the forward market implies that the curve may be slightly oversold.

The chart on the left of this slide shows the New South Wales forward electricity price outlook through to 2021 relative to the outlook for the two most important fuel inputs, black coal and gas. The difference reflects the role that new renewables build as the lower marginal cost source of new generation is playing in driving down prices.

However as shown in the dark blue line at the top of the chart, cumulative new renewable generation over that three-year period based on the clean energy regulated assessment of probable building [inaudible] relatively immaterial to total generation. And there is widely reported it may take many years for network infrastructure to catch up with the planned development of renewables project. None of this is to say that the trajectory of wholesale prices is incorrect will that removal predominantly will not bring down prices. However, it does highlight that the rate of declining the wholesale curve in the short-term maybe overstated and that the reduction to a sustainable price range for renewables firmed with gas and storage maybe somewhat more gradual than the backwardation of the curve implies.

Indeed recent upward movements in the curve suggests that maybe the case and the value placed on the dispatchable capacity may still be true excluding out the additional level of investment needed. The Asia portfolio is well positioned to meet an array of future scenarios including those that may arise under the National Energy Guarantee once it's adopted. Our strategy in investing in our key coal-fired assets of Bayswater and Loy Yang building out our renewables portfolio through POP and PPAs and developing flexible faster our gas backup by gas import and storage is strongly supported by our scenario planning.

Let's now look at specific implications of the lower wholesale electricity price to our portfolio margin. The slide shows the breakdown of our contracted electricity sales in the 2018 financial year and some qualitative commentary pertained to the speed with which investors to expect customer pricing to reflect lower market prices. In the consumer segment, shown in light blue and including small business, pricing changes occur annually by state. Following fuel prices, we are providing lead

for these customers first. And indeed in a modest way, they are already doing so with reductions in price in New South Wales, Queensland and South Australia effective in July.

Intensifying competition and stress to address affordability challenges will also continue to have an impact on the margin outlook in this segment, at least for the rest of this financial year. For business customers, by which we mean large commercial and industrial units, contracts typical last two to three years, meaning the benefit of fall in prices may not be felt. But also that the full assessment of the proceedings rise in price may not yet had been felt at all in some cases.

Regardless, many customers in this segment tend to be reluctant to commit to the longer-term contracts that would underwrite additional new supply investment by generation company, and which would put further downward pressure on prices. Finally, there is a wholesale segment in which we have a small number of long-term contracts. And usually the long-term pricing structure is built in and relate to the cost input.

This has the effect of leading market from this sector's much less exposed to short-term price volatility. Of course, there is a hedging over way on top of the entire portfolio, which can have a material impact on margin year-to-year and which is designed ultimately to smooth the exposure to price volatility over time.

I will briefly comment on the market outlook in gas as recent supply forecast have been variable. The chart on the left highlights the range of key public provisions for gas supply in Victoria over the past two years. Cumulatively this uncertainty announced to more than 200 petajoules over the five years from 2018 to 2023 and amount more than AGL's entire 2018 financial year gas sales volume.

The requirement to mitigate the supplier risk on behalf of our customer illustrates the logic of our gas supply strategy. We have not committed more than \$100 million to Crib Point, most of which will take the form of lease payment as the project overhead and will redefine investment decision later this year. Consistent with AGL's investment in key storage infrastructure, the focus is to deliver liquidity, capacity and long-term supply to the market. The project would also create significant optionality for AGL's gas portfolio.

Before I close, I would like to address briefly some key policy issues as outcomes on this topic are critical to certainty in our sector. The two most important issues are the National Energy Guarantee and the ACCC report into retail electricity pricing. AGL supports the NEG, as it will provide certainly in relation to energy and climate policy. Policy certainty is key to encouraging further investments in generation supply, which will place downward pressure on electricity prices and ultimately benefit customers.

On the ACCC report, we acknowledge the critical concerns of customers that have been identified and we are actively seeking to address the report's recommendation. The report is comprehensive, and we agree with many of its recommendations, in particular in respect to the lack of transparency and comparability of energy offers faced by consumers.

Industry-wide action is required to address this topic. However, AGL does not believe consumer price re-regulation is the right approach to managing energy prices, given the negative impacts the competition and to investment. On all fronts, we are engaging actively to address concerns with the ACCC, federal and state governments and other regulatory bodies.

I will close by summarising our outlook statement. The 2019 financial year range for underlying profit after tax of \$970 million to \$1,070 million reflects a broadly flat outcome at its midpoint compared with 2018. We expect wholesale markets earnings will mean to peak this year as electricity market prices begin to decline. And we expect Eco Markets to deliver an improved result compared with the 2018 financial year as PARF projects increase their production.

At the same time, market activity, intense competition, and affordability actions will continue to create margin pressure in customer market. The first stage of our business optimisation programme will mitigate these impacts as well as other cost pressures across the company. As always, the guidance is subject to normal trading condition. Thank you. We will now take your questions.

James Hall: Thanks, Andy, and good morning again, everyone. The first question on the line is from James Byrne at Citi. James, good morning. Please go ahead.

James Byrne: Firstly, I just wanted to ask about the cost out. You're essentially guiding to about \$200 million over the next few years. I wanted to ask about how much you thought that would benefit shareholders as opposed to consumers, because I see some of that cost out is actually cyclical and there is probably an argument to say that the structural cost out reductions are partially compared away as your competitors also reduce that cost base?

Andy Vesey: James, this is Andy. I didn't hear the beginning. But I think your question was how much of this cost out gets completed away. I think it's a question of the result. The fact of the matter is \$120 million is the OpEx. It drives for the question of being able to put ourselves in a position to provide better outcomes for our customers. But the fact is if you look at where our forecast is that gives you the answer. We're using that to offset a lot of that pressure, which otherwise would go directly to the bottom line.

So in essence, the cost out is looking to support that level of earnings going forward. But fundamentally when we call the business re-optimisation is that we believe that the level of competitive intensity we're seeing in the markets now will continue. We over time had developed a cost structure to support a different level of activity and that's just not sustainable. One of the major drivers in terms of responding to that increased competitive pressures and dealing with that key objective is one of our strategic elements which is to attract, retain, and serve customer as efficiently as possible is driven by that customer experience transformation.

And if you look back to the presentation when you take something and you look at the number of accounts that we billed online, 50%. That's an indication that this should be driving out over time a lot of fixed cost which otherwise would have to be used to serve that. If you look at digital interactions and you look at the volume of digital interactions versus the volumes of coal, one of the most intensive periods we have customer engagement in the market. It also shows cost avoidance. So I think at the end of the day, typically there is always going to be an allocation of value between customers and shareholders. But in the first instance, this \$120 million cost out is what's supporting the earnings guidance that we're giving.

James Byrne: Yeah, okay. If I can ask about retail markets, with customer numbers only having marginally declined, it appears you're protecting market share over margins. Does that imply that

you think retail gross margins are going to improve over the next few years, or is there a risk that that's structurally lower?

Andy Vesey: Well, I'm going to – as I see Melissa Reynolds, who is heading our customer markets looking very intense to want to talk to that, I'm going to just hand it over to her.

Melissa Reynolds: Hi James. Thanks for the question. Look, I think the point that you made about protecting market share, the expensive margins. I mean, we're taking a very, very disciplined approach to protecting our customer base. We're very, very disciplined in our pricing and whilst pricing affects annually, we price every day with respect to customers who are contacting us. And we're very, very selective with respect to focusing on customers that have got longer term value for us.

If you have a look at the customer numbers, you'll see that they're shifted around in different states which I think reflects the discipline that we're putting into pricing and the disciplined approach to our customer segmentation.

James Byrne: Got it. So, if we just cast our minds back to the strategy, I think Brett had mentioned that the Liddell replacement plan wouldn't replace the earnings from the Liddell closure. You've obviously got that cost out to help but with wholesale prices having peaked and the retail environment looking pretty tough, procurement costs potentially increasing, should we be thinking about the earnings profile out to '22 being pretty moderate in terms of growth which would therefore suggest that buybacks are in fact necessary?

Brett Redman: So, James, I think you've stitched together a number of things there. I'm not sure I'd agree with the full logic chain. A couple of comments – in terms of forward-looking statements, the guidance today clearly shows a somewhat flat outlook for the new financial year. Beyond that, we've started to signal, I think, what is evidenced that wholesale prices for electricity are moderating into the future. There is sort of a debate there about the pacing of moderation and the time it takes to flush through customer contracts. But that moderation is there in forward pricing in the futures market. If that emerges, that creates downward pressure on electricity margin just as over the last three or four years. We've seen upward pressure in a rising wholesale price environment.

Beyond that, we're probably not making sort of further definitive statements in a forward-looking sense about where earnings are heading. On this particular topic of capital management and buyback, we've been careful in our wording today to acknowledge that we do get a lot of questions on that topic. We continue to review growth opportunities. Our intent is to come back no later than the half-year results in February and provide an update on where we may be heading with things like buyback but subject to where we think we are with the growth discussions that we're looking at.

James Byrne: Okay, great. Thanks very much.

James Hall: Thanks, James, for your questions. The next question is from Simon Chan at BAML. Good morning, Simon.

Simon Chan: Good day, James, and thanks for taking my question. The first one just relates to fuel cost. I notice in the electricity portfolio disclosure there, it increased a fair bit. I think about 20, 23%

so close \$23 per megawatt hour this year. Just wondering, how should we think about that going forward?

Andy Vesey: Costs relate to the taking off more market-based coals within the portfolio that is linked to Newcastle spot price. Obviously, when we buy incremental coal, we're always making that trade off between the coal we're procuring extra and the forward price to make sure that we maintain good margins on those coal procurements. The other side of that is coal cost through the Wilpinjong coal contract. Those have escalations linked to cost within that mine. So, they're a factor we play in and we made those costs carefully.

And the final component which is probably the obvious one for the Torrens Island Power Station, gas is a lot more expensive than it used to be. So, gas costs are going through Torrens being the main one but also the Somerton site as well so that impacts the fuel costs. And those underlying reflect high wholesale prices, are reflecting some of the input costs going into the power stations that are pushing prices up.

Simon Chan: It's very clear, thanks. Yeah, yeah, I figured. Just back on the buyback, I think, Brett, you were saying you'll make a decision no later than FY19 results depending on growth decisions. But your CAPEX slide there on slide 21 is pretty clear what your CAPEX is going to be for this year and next year, etc. Just wondering what trigger point are we waiting for between now and in six months' time when you'll make the announcement. Like is there a specific project that you haven't spoken about that you're waiting for the yay or nay?

Brett Redman: Yeah. So, Simon, just to again pick our words carefully because I know this is a topic of great interest for shareholders. What we've said is we'll provide an update no later than the February results. So, we're working our way through. We sort of laid out our principles of capital allocation. I think it was on slide 23 in the pack. We continue to work our way through reviewing our growth options.

And so what you see in the CAPEX outlook projects that had been approved by the Board, clearly, there are other growth opportunities that we continue to assess. We laid them out in the previous slide, slide 22, where we're thinking about different things – margin, capital outlook. All that needs to be taken into account in order to arrive, if you like, at the bottom of the capital waterfall that we lay out in our capital principle slide and then provide an update in February as to where our thinking has been at on share buyback.

Simon Chan: So, would it be safe for me to assume that that CAPEX slide on slide 21 that there's risk to the upside on those numbers rather than down side?

Brett Redman: Yeah. If you view it through the lens that, you know, sustaining, for the sustaining CAPEX, I would say no. No, that's a valid outlook where we think it should be taken into account. For the growth projects that we also include on that slide, it only includes approved growth projects. So, there's one or two there I could point where they're sort of halfway through being approved. But otherwise, if we go on to do other new growth projects which are obviously additive to earnings, that has the potential to add to that slide if we found new opportunities to profitably grow, you know, consistent with our investment discipline.

Simon Chan: That's very clear. Thanks, Brett. That's all I got.

James Hall: Thank you, Simon. Next question is from Rob Koh at Morgan Stanley. Good morning, Rob.

Speaker: Good morning, everybody. Thank you for taking my questions. My first question is for the retail team. I'm just wondering if you're able to tell us how much of the margin is made out of conditional discounts.

Melissa Reynolds: So, I have it if the margin is made out of conditional discounts?

Speaker: Yeah. And by that, I mean say you're offering a conditional discount and the customer doesn't pay on time and so that falls into your gross margin. So, just wondering if you can put a rough number on that.

Melissa Reynolds: I can't give you a rough number on it but what I will tell you is about 75% of customers pay on time.

Speaker: 75% pay on time, okay. Thank you. Next question is about the 50 mil debt relief programme. Should we be thinking that that is effectively 50 mil of the bottom line or is that more an opportunity cost in a sense that it's an investment in customer margin in the future or something like that?

Melissa Reynolds: Rob, it's not 50 off the bottom line. If you look at page 12, the business optimisation programme, it shows that there's about a \$30 million impact in FY19. And part of that represents the fact that some of that harder debts are aged which is more than 12 months already had some provisions behind it.

Speaker: Yeah, okay, that's – thanks for pointing me to the right reference there. I was struggling to find it before the call. Okay, next question, I guess it's for Brett. With the hybrid coming up, did I understand you correctly to say that if you choose to refinance than then you could just refinance that out of senior debt?

Brett Redman: Look, yes, that's right. So, we don't make any definitive call about what we're doing. It's just signalling that we've got the flex in our debt facility to comfortably roll that or comfortably refinance it, sorry, if that was the decision that we made at that time, again, subject to whatever might happen with growth.

James Hall: And Rob, its James. If you look at the pack on – in the supplementary itself on slide 51, you can see the debt maturity profile there and if you look at the shape and size of some of those blocks, you could see what the existing untapped debt capacity is and the implication that that would have if, as Brett said, we chose to use existing facilities.

Speaker: Yeah, yeah, got it. Okay, that's cool. So, I guess we'll have to think about how much net interest cost saving that could be depending on which way you go. Next question – and this I guess might be for the wholesale team – so, you've talked about the amount of new entrants coming in. Do you have a feel for how many megawatts or gigawatts is coming in under corporate PPAs which is presumably not AGL deals?

Richard Wrightson: It's actually hard to see that detail, Rob, just because we see the projects and those have been included in that build out

wholesale [inaudible] outlook, we actually don't know how those are. Though I think we are seeing some reasonable price announcements, but actually breaking down to the total gigawatt and gigawatt hours of those lights can be quite difficult. Also, you remember a lot of the smaller stuff goes behind the meter, so to that extent you have solar installs behind commercial factories.

I would pass common generally across the market there is a high level of activity in this area than we've seen for a long time, which is not a real great surprise. High market prices trigger investments and that's what we've seen, so we've seen some of these players go there. What we're not simply seeing yet, which goes to the question about a NEG, is some of the larger commercial and industrial customers, and industrial customers in general, how they're going to underwrite power station bills for reliability. We know a lot of them are looking very closely at this, but we haven't seen the trigger being pulled yet on those.

Speaker: Okay, all right. Well I guess the NEG modelling included and assumed 7.8 gigawatts, and not many of them were corporate PPAs, so if I added a few extra corporate PPA type of deals, should we be thinking somewhere like nine gigawatts of total new entrants? Is that a stupid number, Richard?

Richard Wrightson: I would say probably difficult for the PPAs, we'll push out some of the earlier modelling from the NEG, so it's balanced. But it's trying to fork us for what is happening in this market in lieu of legislation hasn't got there yet. So we are seeing an uptake definitely in renewal of investments, and that will put down pressure on prices. Those numbers are big numbers.

Speaker: Yeah, okay, thank you for that feedback. Last question, and perhaps a little bit left-field, I suppose. So you've mentioned that you support the NEG, now if the NEG comes in, then all generators will have some kind of allocation right for their cover intensity. AGL has a number of PPAs with renewable plans. Under the terms of those PPAs, does AGL have the rights to allocate the intensity from those renewable plans?

Richard Wrightson: I think down to the details of the regulation, can I take a note of this, Rob, and come back to you.

Speaker: Yeah, sure, thank you very much. That's it for me.

James Hall: Thank you, Rob. The next question is Pete Wilson from Credit Suisse. Hi Pete.

Speaker: Hi James, thank you. Maybe just a little boring one to start with, could you just maybe help me pick apart the guidance a little bit? So slide 19, so you- [inaudible] just essentially going into flat impact, and you look at the components of that, so hotel markets earnings are due to increase, eco-markets will increase, you got 120 million of cost shares. Is that effectively implying a huge drop in consumer markets EBITDA?

Brett Redman: I think there's a level of detail that we probably don't want to drill into. We try to sort of lay out sort of the big drivers that are going on. I think customer markets will certainly see some pressure in there, so it's probably more likely to be down rather than up in the coming 12

months. Wholesale earnings are a little bit mixed and the drop we're starting to see, although it's peaking there, and we've talked about eco-markets being the stronger performer as the PARF project is coming in. So probably I'm unlikely to drill too much into the other components into detail, but you will see some pressure toward the retail in next year as well, given the competitive landscape.

Speaker: Because there is an announcement that customer markets, they regionally made just over 200 million but this year, like it would seem to imply that that's going to make hardly anything next year. Because if you've got two positives and then 120 million in cost-outs or breaks cost-outs.

Brett Redman: I think how we want to see is the margin- so the extra discount that's been going on in the market. We talked a lot about the half-year result, that your initial impact would be like in customer markets in the first half with higher opex as we're dealing with much greater call centre traffic. In the second half it starts to manifest the impact on margin with some of the discount in- that we've had to give for a variety of reasons previously talked about. Coming into the new year, we start to signal that and some of it's in customer markets, that opex is being pulled back, so we're starting to moderate the opex there as we focus on getting a better platform for our operating cost going forward.

But again, some of those discounts that have been giving away in the market, whether it's doing loyalty discount, whether it's saving the times, whether it's just responding to the competitive environment, I think you'll see the discounting that's been happening continuing to feed through in the retail numbers in the coming year.

Speaker: Okay, fair enough. And then maybe just a few questions on retail. From slide nine, you've got a lot of measures announced there. When the ACCC put out their report and I think they forecast or they estimated the impact with their measure, 40 to \$50 per customer thereabouts, I'm not sure how those numbers sit with you, but I'm wondering if you could kind of maybe elaborate on if you look at the ACCC recommendations, your estimate of what financial impact they may have, how did that compare to the aggregate impact of all these voluntary measures that you're already taking?

Melissa Reynolds: Hi there, it's Melissa, I'll answer that. First of all, as Andy had pointed out, we do support a number of the findings in the ACCC report. We don't necessarily agree with all of the recommendations, particularly as they relate to retail. But if I think about the key themes that have come out of the ACCC report, as they impact customer markets, there's probably a couple of key themes.

One is around the transparency and how we compare and contrast their offers. How we are facing into customers on standing offers, and what we're doing in terms of vulnerable customers and hardship. And on each of those things we've been very proactive, we've been advocating for transparency and compare the rates. We've advertised our own office on our website in dollars per month and quarter. And in terms of standing offers, this is part of the reason why we have been chiselling away at this, because we recognise that those customers who are not engaging in the market has been drawn out by the ACCC are warranting better offers, and that's why we've announced the extension of our loyalty program to those customers.

So I think the impact in customer markets for AGL is we're pretty well-placed, we don't support a re-regulation of pricing, but on all of the key thematic, we've been very proactive, and I think we're very well-placed in terms of the findings that have come out of that report.

Speaker: Okay. Melissa, can I ask you, how does this right plan review work? I mean, you're going to sit down annually with all your standing offer customers? So, I mean, what plan will you actually recommend to them, I mean, will you recommend the market offer and is that still the main within the next 12 months when effectively all of your standing offer customers will be moved on to some kind of market offer?

Melissa Reynolds: So we've been proactively- all of our standing offer customers who have been with us now for two years are already accessing a benefit in terms of loyalty discounts and that's part of what we've announced today. We know how hard it is for these customers to engage with us and so our commitment is to be proactive in communicating with our customers and inviting them to engage with us in a different offer. And that will be specific to every individual customer. So, you know, in terms of what product that we'll be recommending, it really does depend on each customer.

Speaker: Okay. I mean, you do still have 12% of customers on a standing offer, surely you can't sit down and actually recommend to those still on a standing offer.

Brett Redman: Yeah, I think just to add to the answer there. You recall last year we wrote to all of our standing offer customers and said 'Get in touch, we'd like to talk to you about can we put you on a better offer?' There is an element of, we reaching out to customers, but customers equally need to engage with us as well. I mean, we can't go round to people's places, I guess, one by one, and sort of door-stopping and say 'Can we move you to a different price?'

So there's already been those customers that are interested are already responding to the letters that we're writing to them. We're going to continue to contact them and sort of say 'If you want to look at a different plan, it's there,' and then they ring up, we talk about, on the day, whatever the best-looking plans look like. But this is now moving into more of business-as-usual for us rather than we're signalling a sudden big step-up in activity where you start to forecast a major shift in the way that we're pricing.

Speaker: Okay, fair enough, that makes sense. That's all for me, thanks for taking the questions.

James Hall: Thanks Pete. Next question is Ian Miles from Macquarie. Hi Ian.

Speaker: Hey guys. Just [inaudible], if we look at those customers [inaudible] issues on slide 12, that \$30 million, can you clarify is that like a one-off cost that you're just writing effectively off \$30 million of bad debt? And then you'll get effects on the savings in subsequent years?

Melissa Reynolds: No, it's a one-off cost because the cancellation of the debt for more than 12 months applies to those customers who are on our existing hardship Staying Connected program. The dollar matching takes us up until the end of December this year and it's not a repeated debt relief package.

Speaker: Okay, that's great. On the relief operations strategy, can you clarify how much is the Loy Yang transition, and maybe – pardon my ignorance – what that actually is? And how much is from the non-recurrence of divested assets?

Brett Redman: Sorry, it's not a good line – could you repeat the question?

Speaker: Can you – the Loy Yang A transaction, how much of it – or transition – how much of the cost saves on page 12 is associated with that, and how much is associated with the non-recurrence of divested assets? And actually, what is the transition?

Andy Vesey: So, the transition, Ian, is the EBA, that as you know was a very high-profile, publicised renegotiation of that. So, that is that. And the split roughly going forward between that and the divested assets broadly speaking in group operations is about 50:50.

Speaker: Okay. Finally, just – if we go back to consumer and we look at the first half/second half split, consumer had an EBIT of 139 in the first half and 36 in the second. Now, there's not been huge levels of seasonality there. Why should we be looking at sort of the June half as the new base for consumer, acknowledged that you will obviously improve your op costs going forward, being the primary improver of that business?

Melissa Reynolds: It's Melissa here. Thanks for the question, I'll take that one. I don't think the half-on-half is representative of a normalized year and we think about how to run our business in an annual cycle not in a half-on-half. There were a few things that did creep into the second half with respect to saving costs, but also if you have a look at the gross margin difference year on year – sorry, half-on-half, you'll see that there's a difference there and that's been partly because of the eco costs and compliance costs that are on a different timing cycle to when we price for our customers.

Speaker: Okay. And one final question: given the forward curves remain stubbornly in backwardation, is there any shift in the portfolio to move away from more of the business C&I for two to three years, to actually shift it in towards the spot or the far more near-term markets, either synthetically or physically?

Richard Wrightson: You mean – it is Richard here – you mean from our sales or from the market in general?

Speaker: No, from your sales – shorten the duration of your sales portfolio.

Richard Wrightson: We try and not give away too much about how we contract the portfolio if I can here, but we actively look at those curves. Liquidity in those markets is very, very limited. We – if you go out past the current year actually any major sales volumes are limited. We do have to manage our risk within the portfolio so we are looking at how we transact in sales volume and we try and encourage liquidity with our own trading activities. The forward drop 2019–2020 is still about \$20 a megawatt hour, which does reflect a fair degree of lack of liquidity, and that's why we're just concerned that might be a little bit overstated in where we think it could possibly go. But there is downward pressure in those markets, so we do balance risk in that portfolio.

We do look at contracting term with the Commercial & Industrial customers. They're looking for certainty and we try and offer that through. I think the liquidity in the forward markets is still subject to the outcome of the net discussions because it's still not 100% clear, when you go out beyond 2020, what you're actually buying in that forward market, and that's – if you go to the ASX and looking at their opening volumes that's very much reflected there.

Speaker: Yeah. Okay, that's great, thanks.

James Hall: Thanks Ian. We've now got a question from Joseph Wong at UBS. Are you there, Joseph?

Joseph Wong: Yes. Thanks, guys. Just a question I guess going back to the guidance. What I wanted to understand – so if I look at the [inaudible] guidance, because it's broadly flat in line – or with this year, if I strip out the \$120 million you're effectively pointing towards potential downgrade, what I wanted to understand is how much is related to wholesale pricing and how much is related to customer churn and increasing competition in the sector?

Brett Redman: So, Joseph, it's Brett here. Look, again, probably a degree of detail that we're not going into. But you know, in a broad sense we're starting to signal that wholesale earnings are peaking into next year. We're also saying that it's somewhat being offset by the optimization that we're doing, cost optimization. And the other thing happening in detail there is some pressure in the retail space that continues to come through in our numbers. But in a business with very large flows going on, it's more of a balance story from this year into next year with some devil in the detail.

Joseph Wong: Yeah. And I guess a second question, just regarding the hurdle rate, just wanted to confirm if it's changed from I think it was 12% IRR back in 2016, if that's been reduced and do you have any guidance on that?

Andy Vesey: In thinking about the hurdle rate the same discipline applies across, and what underlies the review that we've done is really to look at the underlying lack. We've maintained the same margins – it's about 300 basis points over the weighted average cost of capital, so that really has been the same. The only other change we've made is recognizing – and if you look to the growth slide, which talks about different classes of investments – that the more traditional, more historic hurdle rate would apply in the memory investments, but when we start to look into other markets, whether those are adjacent to, using different products or new technology, the fact is that the underlying lack may actually increase because it's not typically represented by the average basket of investments we've made.

So, broadly saying there haven't been any fundamental changes in our approach to the hurdle rate other than doing an annual review of the weighted average cost of capital, and when we look at the weighted average cost of capital for each representative type of investment. So, that's what I can tell you.

Joseph Wong: Okay. And then just one final question from me. It's just regarding the LNG import terminal. Just wanted to understand how the economics might have changed, given there's plans now for potentially up to four LNG import terminals. Are plans for that coming through, has that affected your view on Crib Point?

Andy Vesey: I'll let Richard have it, but I want to say that when we first talked about Crib Point, we were very lonely. So, there's some level of validation in terms of the strategy that it's become such an interesting and crowded field, but I'm going to turn this one right to Richard.

Richard Wrightson: Thanks for the question, Joseph. We did look very closely at the kind of constancy of Crib Point. We are fairly comfortable with the economics of our project and also our project with competing projects also getting built on the east coast, and that really stands to – if you look to the mid-20s, the fall off gas available on the east coast of Australia and New South Wales which will impact Australia, the market will be incredibly tight and will need new supplying, and this facility brings up new supplying. We – at the moment we are projecting, just for our sort of residential loads, something in the region of a 40–50 petajoules requirement that can be brought in through this facility. We have still more buying to do. So, from an AGL perspective, what we're looking in the gas markets for is for our larger – the larger portion of our book is greater competition, greater liquidity, greater clarity on prices, to which we think our project will do. But there is no reason why the other projects couldn't provide that as well, so we are supporting other projects as well as our own.

Joseph Wong: Okay, thanks. That's all from me.

James Hall: A last question now from Sonali Paul at Reuters. Good morning Sonali, please go ahead.

Sonali Paul: Good morning, Andy. I just wanted to find out, what impact will it have on your business if the NEG does not go through as proposed? And on the other side of the coin, if the NEG doesn't go through, what impact would you expect that to have on the wholesale market?

Andy Vesey: Yeah, again, as Brett would say, there are a lot of layers to that question, but let me just [inaudible]. One, I don't talk specifically about the impact it'll have on us because it broadly will have an impact in the whole sector. The fundamental issue that we have and the reason why we support the NEG is we need a policy of certainty so people can go forward in that. The biggest risk to our industry really is the inability to get prices down and therefore we invite what might be considered to be intervention by government, not a terribly attractive outcome, because the level of pricing and its trajectory up is not sustainable.

So, we have to get back to a reasonable normal, and the fact is that the market, which is the main general market, has been signalling this quite consistently. It's our view that the investments haven't flowed because the fact is that we do not have the policy guidance we need so people can fundamentally assess risk and return and make investments. If you went back to the conversation we had on the slide that showed the backwardation, in the slide one of the things that we sort of reflect there is that there is not very much liquidity going forward so [inaudible] because you don't know what you're doing in those years.

So, from our view, the reason why we've been out very early on supporting the NEG is because we believe that some level of policy certainty and guidance is essential so that we can continue to invest. For us specifically, beyond the \$2 billion or over \$2 billion we are currently driving – and actually it's I think one of the most significant investments to actually bring down prices in the future – is that if we had the NEG then we would look into further additions in our New South Wales Generation & Replacement Plan, because it would let us know what the rules are and how we can go

forward with that next quantum which we talked about, which is another 500-megawatt gas plant in South Wales. It will also give us clarity as we look for other investment such as the pumped hydro projects that we're across.

So I think the positive would be if we get the NEG then we get much more sense about the future investment and what the stabilizing and moderating prices should be for the long-term. Without the NEG, you will probably see a continuation of the stagnation in terms of investment and the fact that prices will remain high, which I think, if you take a very near-term and isolated view, you could say, 'Well, that would be good for us.' But the fundamental issue is that high prices which should be [inaudible] investment, if that's not changed then it's not good for this industry, it's not good for shareholders, it's not good for customers. So that's why we've been supportive and we'll continue to do so and are hopeful that there will be a positive outcome tomorrow.

Sonali Paul: Okay, thanks.

James Hall: There are no further questions. Thank you, Sonali. Andy, everyone, thanks.

Andy Vesey: Okay, well thank you. Thank you all.