Whitehaven Coal H1 FY21 Financial Results Market Call - Transcript

Operator: Thank you for standing by and welcome to the Whitehaven Coal Half-Year Financial Results FY21 webcast. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question via the phones, you will need to press the star key, followed by the number one on your telephone keypad. If you wish to ask a question via the webcast, please enter your question into the ask-a-question box and click submit. If you experience any audio issues on the call, please dial back in using one of the alternate numbers on your calendar invite. Alternatively, you can press star zero and an operator will be able to assist.

I would now like to hand the conference over to Mr. Paul Flynn, managing director and chief executive officer. Please go ahead.

Paul Flynn: Good morning, everybody. And thanks everyone for taking the time to dial in or participate through the webcast for Whitehaven Coal's half-year results presentation for financial year 2021. Thanks very much, operator, for those instructions just in case we do have some technical nuances to deal with. Not that we're foreshadowing any, but as we know, when you're using a number of different platforms, there's always interesting intersections of these various technologies.

With me this morning, I've got Kevin, as you know, Kevin Ball, our CFO, who will assist with the presentation of financial results. We've got Ian Humphris, our EGM Operations here, ready, willing, and able to answer any questions from the ops side of things. And of course, of course, Sarah McNally is here, who heads our investor relations.

I'll just move over to the slides. So that's me manipulating this, so there's always a risk of doing that. It's not particularly responsive, but there we go. I'll bring us over to the disclosure statement. There's always a compliance obligation to do that. It does deal predominantly with our reserves and resources, but always important to highlight that. As usual, we'll go through the highlights and we'll deal with our markets. And we'll definitely have a discussion about guidance as we get to the back of the presentation.

For those who are less au fait with the company, I'll just give you a quick overview of Whitehaven and its customer base. We do, as you know, sell into the high-premium markets of Asia and our business is divided currently about 80/20 thermal-to-met, 20 being the met side of things. All our thermal coal is very high quality, low in impurities, as

typified by the Gunnedah Basin coals, as you know. Sold into nothing less than a HELE power station, and all our customers, jurisdictions and countries are holders of NDCs that underpin the Paris Accord. So, we certainly feel very much aligned to the emissions reductions efforts of our customers and those nations. Of course, the steel-making side of our business is about 20% at the moment. And there's also a boutique element of our premium products that we sell into the nickel smelting and other industrial activities, where we do actually receive met-coal-like pricing for those uses.

As I said, I'm sure we're going to have some discussion around markets more generally. There's so much going on in this space, be that infrastructure anomalies as far as NCIG, and we'll talk about that. Weather, whether it's localised issues or weather La Nina sort of patterns more generally. There's trade nuances going on. And obviously, COVID is an important factor, which is driving lots of change, and in a post-COVID period, I'm sure the Q and A session will turn to that. What does that look like? We're certainly seeing positive outcomes across the entire energy complex, which is good, and certainly coal, certainly experiencing a tight market and the beneficiary of a rising tide from an economic perspective across all of our customer jurisdictions.

These charts will be no surprise to you. I'm over on page seven, which is the forecast of seaborne thermal coal pricing. The market obviously is taking a dip and you can see the numbers here from CRU, I think a very good source of data. You can see from 2020 mapped out to 2025, just on the left-hand side here. And you look at the positives and negatives, but overall, during that period, we're certainly seeing growth. And as I mentioned to you just now, this year and our half-year results, and we'll get onto the actual granularity of the half year itself. But of course, I think everybody accepts that FY21 is going to be a tale of two very distinct and vastly different halves. This half that we're presenting today, clearly reflective of, you can see that trough in terms of pricing, just on the right-hand side of the chart in front of you. But the second half clearly is very different from that. And this forecast bears that out.

If we look at what was happening back in August, September, and the run rate from a coal price perspective and cash iteration perspective from our business is concerned, that is just poles apart from what we've been experiencing in succeeding months. And that has continued on in solid form through January and February and the outlook for the closure of this financial year, a world away from what we experienced in the first six months of this year. So, it definitely will be two different halves. Slightly bipolar, I think this financial year, if you break it into the one half to the other.

Over onto page eight, and this really is just about the benefits of our coal. I mean, we've got high CV coal with very low impurities, be that ash, sulphur, phosphorus. Lends itself almost exclusively to the use from a thermal side in HELE power stations, which is fantastic. It does underpin our customers' efforts to reduce their own emissions profiles and also air quality concerns that they may have in their jurisdictions. And it certainly drives demand for the premium products that we sell.

Now, the highlights of our results, I'll just go through quickly. Now, some of this is old news to you, obviously, because you've been through the quarterly process.

Our safety at 5.41 is off our best. We're certainly looking to reinvigorate our efforts to try and continue that improvement momentum. Solid result, no doubt, but still, we know we can do better and we should continue on with that push. Production, as we announced in the quarter, you know these numbers, 9.6 million tonnes in terms of managed ROM. The bits that are new, cost, of course, at $70, we've had a pretty solid effort to get our costs down. And I'm sure we'll go into that in the Q and A process, but $70 Aussie per tonne for the first six months is a pretty solid outcome. Earnings at $37m is less flattering. There's no doubt about that, with an average price of $80 Aussie during the period, vastly different from the previous corresponding period of $108. So, EBITDA, as you would all expect, is a lot lower than what we would like. But again, the second half of the year is going to see a transformation of that, as we're already seeing with the months that have passed. Liquidity, broadly stable at $411 million, in decent form there. And that's a combination of the cash we have on hand and the undrawn capacity of our facility.

Over to safety, as I say, 5.41, not our best. I think our best is about 4.3. So, we do need to recapture a little bit of momentum, but there are swings and roundabouts, as you can see, historically over time with the company. The downward trajectory as we've grown our company, certainly is the right direction and we want to continue to move that forward. So, that is all with a positive result, no doubt, compared to our industry peers and the average of our industry. And particularly with COVID as a backdrop as well. But again, effort needs to go into this to make sure we continue to drive our workforce into an ever safer environment.

These numbers, no surprise to you. The amalgam of the two quarters we've already published. You'll have received these numbers. In terms of Whitehaven's managed ROM coal production, 9.6. Our sales during the same period in aggregate was 10.5. Our own sales were about 9.5 if you look at that stripping out the purchased coal for that period. So, I won't dwell on this too much, given that you've seen these some time ago.

Our products are well-received in the marketplace. Demand at the moment, I'm sure we'll get to this in the Q and A process, is very solid, so we've not experienced during COVID at all, but for lockdowns in India, which were very temporary, underlying demand's been very strong. And our customer footprint here has been vibrant during this period. And in this new year, the market is very tight, and I'm sure that will be part of the Q and A when we get to that. But no problem at all in selling our coal. We'll talk about met, I'm sure, having seen the market improve considerably in a very short period of time. Not necessarily reflective yet in terms of the semi-soft side of our business, but I'm sure that will flow through in the months to come.

Maules Creek, as you know, again, across the production of stats has had a good period. So, 24% up at 5.2 million tonnes period-on-period. So, a good result there. Maules is responding nicely to a better mine plan and better executed. And our guidance remains the same at 11.8 and the range to 12.4, but good to see positive momentum there. And that continues on into this half of the year. And we feel we're in a much better position with Maules Creek, from all the things that would have been concerning a year ago in terms of weather, lack of water, manning, all those things behind us now. And the mine is performing in a very positive manner.

Narrabri, as we spoke about in the last quarter, has had a difficult time this last few months. It was navigating its way through some challenged geotechnical areas where faulted ground has delivered us lower productivity and increased the out-of-seam dilution that we've experienced so product quality has suffered during that period. And we are focused on just delivering the balance of this existing panel before we have a change-out scheduled for Q4 in this year. Our guidance range sits at 5.4 to 6, as we've previously revised.

Our Gunnedah ops doing quite well. We've highlighted here, obviously the now-discontinued part of those operations in terms of Rocglen and Sunnyside, so you can see the continuing piece of it. The period-on-period, 35% up, and like Maules Creek, the open-cuts continue to operate well. Our guidance at 3.8 to 4.1, the same as previous.

In terms of how the business looks to the future, there's a combination, as you all know, between brownfields and greenfields. Maules Creek has the capacity to grow further. Narrabri stage three is similarly positioned to do that. Life extension out to 2045. We have lodged the EIS. It's been on public exhibition. We've had little interest in that from the market other than positive sentiment from that public exhibition period. And we look forward to working with the government through the balance of the approvals process for that. It's likely that we'll end up referring that to the IPC. We'll do that willingly. I think

that's the right answer rather than trying to go through the alternate process, which does expose you to legal challenge. The IPC generally is a forum which will avoid merits appeal opportunities being utilised by people who are not particularly excited by coal mining. So, I think that's the better route for it.

On Vickery, as you know, we have received our state-based approvals and that's very positive. We are working with the government to deal with the litigation that the Federal Minister has received dealing with EPBC approval. And that will unfold in the coming months.

Winchester South published its reserves and resources, as you've noted. A billion tonnes in resources and 350 million tonnes in reserves. That was an important milestone for us to cross with that inaugural statement of the reserves.

So, I'll hand over the mouse and hand you over to Kevin.

Kevin Ball: Thanks, Paul. So, I think Paul's shown you some of these numbers to begin with. You can see the EBITDA at 37.2. We'll come and give you a waterfall chart in a moment that'll take you through that, but clearly COVID-19's half has effected price. And we'll get to that. You'd see the biggest impact there is the price. Costs down $6. We did go reasonably well there on cash generation from operations at $55m, as opposed to the EBITDA. And then net debt finished the period at $823m, up a touch, but really that's a function of coal sales that slipped from December to January and the final production issues there in the December quarter with Narrabri. I'll go into the net debt a little bit further on.

So, in here, you've got profit and loss. This is just a more detailed breakdown of the P&L. And if you really want a little bit more detail, I'd direct your attention to the actual financial statements themselves, which spell these out and break this out a little bit further, but you can see that the revenue line there is down about $180 million. And clearly that is price because our volume is up. Our operating expenses are up a touch, which is really a function of increased production. Coal purchases are down. We bought less coal this year, was about 1.4 million tonnes last year, as opposed to one this year, and the price that we were paying for it, not surprisingly, because our revenue line is down, the price for that is down.

You'll also see that rail, port, marketing and royalties are down, about $18 million, $19 million, and that predominantly, we've shipped a bit more coal, but it's largely to fixed costs. So, we've utilised our rail and port a lot better than the previous year or previous half year. And the royalties number, when you look at the detailed financials, you'll see that's down a touch. On the admin side, up, but I think you're going to

find that that's FX, as you saw the dollar rise to 72, I think on average, up from 68 in the previous period.

EBITDA margin on own coal sales at $5. Clearly compressed because of coal price, but improved because of decreased costs and the earnings per share at nine and a half cents. What you do see, we'll go through the depreciation and the interest expense in a little bit more detail for people. Because I think from the reports I've seen today, there's a little bit of a gap there. So, we'll just try and improve our explanation on that. Here's the bridge that I referred to earlier. And quite clearly, what you're seeing here is realised thermal prices half on half, $70 plays 55, and metallurgical down about $20, 94 plays 75, and the Aussie dollar's up from 68 to 72. But as Paul talked about, operationally, what we see is increased sales volumes. We carried a little more stock into the beginning of the year, but we've had a good run of production through this period has been relatively consistent and we've done better on costs. So, the $197 million impact of price change over that period has been mitigated by close to $66 million of improved operational performance over that period.

The other element there is really got to do with a decrease in the coal trading result from one period to the next. And clearly that is a function of really some coal pricing that was out of whack with normal trends, but our half-year EBITDA at 37 was a positive number. And that is a good start.

I did want to draw your attention. Between Ian, Ian and I are running this programme or the sponsors on this programme called STRIVE, which really is a two-year programme. If you look across it, we've got 46 projects. We're targeting about $50 million. We've started to implement initiatives in there that'll deliver about $20 million on an annualised basis. Now, clearly because that started in the middle of this year or at the beginning of this year, we won't get the full impact of that over this year. That's why you see 70 cents as a year one initiative, then 1.50 in year two, then in year three, when the full things are out there, it's $2 a tonne. But it's 46 different projects across underground and open-cut, mainly starting at Maules. And the buy-in from site, I'd say, is pretty good. All those initiatives were developed by people at site, with the help of an external consulting firm in Deloitte. And we're excited by the opportunities that that's going to bring us over this next year.

I did want to talk to you about the drivers of D&A and net interest expense. Clearly, we're up $22 million in depreciation over this period. We're also up a little bit in sales, but on a unit basis, we're up from about $17.20 to about $17.80. And across our mines, there are different depreciation rates. So, you'd understand that Maules Creek was acquired in 2012, and that came with an acquisition cost. The

actual depreciation cost out of Maules is around that $22 a tonne, whereas the other mines are about 13 or 14. So, as we bring more Maules Creek tonnes into the mix in years to come, that'll play a component here.

The other thing that you see coming in here is we've got major fleet rentals coming through, and that's costing us a little bit money there in the depreciation. On the net interest expense, what you see is 20 plus 30, the average balance of the drawn senior debt was about 300 in the first half of fiscal year 20, and the average balance in fiscal year 21 is about 620. So clearly, with the reduction in interest rates and the reduction in base rates from the government and an increased volume of debt outstanding that's driven an increase in there. You'd also find that there's a little bit of increased amortisation fees if you're going to note 4 of the financial statements, we refinanced the debt in 2020 in February, and with that comes the upfront fees we're amortising over the life of the facility. On the financing slide, no new news in this, we were $688 million drawn on the facility, leaving us $312 million undrawn together with a hundred million dollars in cash gives us $400 million in liquidity, but across the business, what we seek to construct is a variety of sources of capital.

ECA facility, which was the expansion of Tarrawonga, that took place towards the back end of fiscal year 20, that's about $60 million, and we've got leased equipment, which is a combination of IFRS16 leases for about 112 million and other leases there for about 195, that gets you your 307 the finance leases that are in there. And again, what you see from our banking community is about $450 million worth of guarantees which underpin operations used in port logistics and in rehabilitation and biodiversities. So we do have quite a large relationship with a number of finance providers and guarantee providers, but we also have a diversified source of capital.

In more detail for that slide, this is the details of the breakup of the drawn debt, and I don't think there's anything more I need to talk about that before. You'll see that the gearing ratio of 21% is up 20% and the liquidity is down because, of the slippage of coal from the December period out into the first of the second half. We have drafted a compliance certificate to go to the banks, we'll give that to the banks, and that will say that the covenant for ICR was above the unadjusted ratio.

So even though we went to the banks last year and sought relief, we weren't ultimately forced to rely upon that relief, which is a good sign that this is a strong business underneath it. And, the support of the banks tells us that we have the strong support of banks in that group.

Investing in capital expenditure, I think there's probably no news in

this. The total of this is about $55 million, we've revised the guidance and Paul we'll get to the capex guidance. So we've been very hard in this first half or been hard in this first half on spending money on projects and certainly Ian can attest to that, but we've been seeking to preserve capital in this first half because it was always going to be a tough half. Right, I'll hand back to Paul.

Paul Flynn: Now, just in terms of our guidance, broadly, just a confirmation of our previous guidance for you, these numbers you'll be well familiar with and unchanged from that, which has previously been advised to the market by a cost guidance, which is probably the new actual number you didn't have from the previous quarterly announcements doing well, 8 percent down period on period.

And so we're confident that with the full year, we will bring in a cost result consistent with the range that we've got here of 69 to 72. I'll add some commentary in to that just by saying, I think absent a little bit of disruption with NCIG and Narrabri, with it traversing a couple of faulted areas in the last quarter, we probably would have carried a bit more momentum into the second half, but we're certainly happy with the results as they come out to date, and we continue to look at a number of different ways as Kevin's outlined in project STRIVE to bring our cost base down even further. So just onto the capital slide, which Kevin's alluded to already, we have said previously that when half year, we turn into the second half of the year, we'll give some revised guidance on the capital. We're not spending money at the rate on capital that we had originally budgeted to at the beginning of the year for all the obvious reasons that we've discussed at various points.

And so broadly over the course of the year, we've certainly not spent as the half year point and we don't plan to be spending the full amount the second half. And generally about $20 to $25 million less than what we planned across the aggregate of our capital spend for the business.

So just onto our focus for the balance of the year, obviously safety environmental performance continues to be up there on highlights just as you would imagine. Safety, we do need to recapture that downward trajectory that we've been priding ourselves on in recent times. Environmental performance has been good, but that's never done that one either. You need to do scrutiny on our industry is ever increasing, and we need to rise to that challenge and ensure that that focus is as prominent as our safety. The operational side of thing's moving well, particularly in the open cuts. Narrabri has had a difficult quarter, but in this new quarter, it is certainly doing better, and our view is just to drive consistency of that outcome across the balance of the year and then in subsequent years as well. STRIVE is a good opportunity for us as Kevin outlined.

There's lots of interesting opportunities for us and so it will take some time to liberate the savings there that we think that are possible as you said there's a couple year programme, but again, this is a point of focus for us. We think there's low hanging fruit we can draw out in the second half and let's see what FY22 brings on this initiative as well.

Now, no surprises in the statement there about retiring debt, the balance sheets been stable. We are entering a period of better pricing, no doubt about cash generation currently and for the balance of the year we expect to be strong, and our first priority will be to retire debt. The Board obviously has looked at the dividend position and made the decision that we won't be paying an interim dividend in this year, that's no surprise to anyone given that our policy is 20% to 50% of NPAT, having booked a loss for the first half of year, we won't be paying that interim dividend, but the Board is focused on ensuring that when circumstances permit, that we will return to dividend paying status again as that's possible.

So with that, we'll close the presentation down, and we'll throw ourselves into the technological conundrum of trying to balance the dial-in and the webcast at the same time. I think just in terms of the mechanics of this, our operator will deal with the people who are dialled in and the questions are posed there, the normal process to put your questions into the queue and to the extent that there are questions coming through the webcast, I'll go through and read those questions just for the benefit of everybody on the phone, and then we'll attempt to answer those. We'll just switch from one to the other as the questions flow. So thanks for your patience in advance for using those two converging technologies and let's get into the Q and A.

Operator: Thank you. If you wish to ask a question on the phones, please press star one and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are using a speakerphone please pick up the handset to ask your question. For the webcast participants, to ask your question, please type your question into the ask question box and click submit. The first phone question comes from Rahul Anand from Morgan Stanley. Please go ahead.

Rahul Anand: Oh, hi Paul and Kevin. Thanks for the opportunity. Can I please start with the costs, like you said in your presentation? Perhaps the strong performance for the first half, any impacts here Kevin from inventory movements, and then for you Paul, given the second half is going to have better volumes, is it fair to say that, you could perform to the low end or even better than guidance as it stands?

Kevin Ball: Rahul, I think the real point about the first half was a pretty strong sales programme, I mean, that saw us use our port and rail much better. When NCIG lost its shiploader late in November, clearly we've lost something like 700,000 tonnes at the manage level, and that does have an impact on the cost of operations because we're expensing overheads in a period cost, and if we have more times to go through, then we have less costs. Now our estimate on that is that probably we would've printed a number with a six in front of it rather than a seven in front of it. But we're at the margin between say early seventies and probably mid to late sixties, I think would have been the outcome on that.

You probably also noticed Rahul, we had COVID-19 running through this year, but we haven't pulled anything out as being significant, I mean, it's probably costing us somewhere between $3 and $5 million in that half, but I wouldn't want to try and pull that out and try and improve numbers off the back of that, just leave it in the costs and go from there.

Second question from you was in the second half. Look clearly our second half we have better production coming out of opencuts, I think than in the first half. We're expecting on the bottom of that guidance with Narrabri to finish the block and get those tonnes out at this point, we're holding the guidance at 69 to 72 and we are focused on doing better than what we've got in the guidance.

So, let's work at delivering it rather than putting it there to begin with.

Paul Flynn I think there are a number of factors in the second half which are yet to play out. As Kevin said that the slippage and we've talked of that slippage from December into January, the team's doing a very good job in recovering that slippage. And this is slippage from NCIG I'm referring to. So, obviously we had lots of stock on the ground when that event occurred. And so with only one loader, then that stock is going to be able to manage its way onto a ship a little slower than what we would expect. So the slippage into the first month of this second half has been reduced in February and we think we'll be actually back to normal, that's why we've held our sales guidance where it is by the end of March.

And we are able to secure the surplus capacity at PWCS as when we require it, we're not predicting any issues there in terms of being able to procure the additional capacity that we need and there's plenty of people offering us capacity. In fact, interestingly at both ports. As the rectification work and assessments proceed for NCIG. So I think at this point, I think the $70 that we booked is very solid outcome given the backdrop, and, our challenge is to not just hold that, but see what we can do in the second half. But the range is... we've left the range

the way it is. If it gives us a little bit of room, but we're certainly expecting to continue the momentum into the second half with a strong, strong production outcome as you know, we are weighted to the second half but a very strong sales position through the balance of this financial year as well.

Rahul Anand: Okay. So just take a quick follow up then perhaps for Kevin, obviously working capital running around 80 million due to the stocks, et cetera, that you're going to draw down, what's the normalised level? And where do you think you can get to by the end of the fiscal?

Kevin Ball: Rahul, the question here is, in that working capital, there's a range of things which includes the debtors. We sell coal at a managed level and then distribute that back into joint venture partners and so we've got payables and receivables. My expectation is we'll be a lot closer on working capital management moving forward than we have been in the past and try to keep and hold those numbers that we've got there because in the past, the variability in free cash flow generation has largely been around working capital movements, which traditionally we haven't terribly focused on because it's been a week to week thing would be the way I say it. But importantly, it's caused people some questions around the difference between EBITDA and free cash flow. So with 5% rule, assume it stays roughly where it is, aside from running down call stocks. And we're working on that in the second half to generate strong cash flows.

Rahul Anand: Right? So the inventory drawdown will come through, but then the other items stay constant.

Kevin Ball: You should plan on that. Yeah.

Rahul Anand: Okay. Final question from me Kevin, I notice the renewal of the term met c coal contracts, so obviously flagging that the met coal markets are coming back, which is good. Any sort of takeaways through those contracts that you've done for FY 22, perhaps as to how we should think about it at the group level met coal sales, whether they arise from the typical or the last two years of around 20%, then perhaps go to around 30%?

Paul Flynn: Yeah. Well. I don't think we should be predicting a material change in that regard. We'd rather see $150, $160 manifest itself in better semi-soft pricing than the late 90s, a hundred dollars that we're seeing at the moment. The renewal of the customers, the signing of the sales that we've had both in Korea and India in particular, have been very positive and we've been desirous of pricing on the quarterly basis for other arrangements that are attractive to us rather than spot sales. So we haven't been chasing this.

We will be a little bit up in FY 22 over 21 coal wise, simply because we

took a break from Korea in this year, so the first half of this year, we took a break from sales there because it was largely spot based sales that they were looking for rather than, on a quarterly basis. And so we said, well, whilst we don't have an abundance of semi-soft lying around, we're not really willing to chase those spot sales, so with the mine producing a good level of volume at the moment, we feel more comfortable to enter that market, particularly if it's going to be on a quarterly basis. So you will see 22 lift up a little bit over 21.

Rahul Anand: Okay. That's helpful. I'll pass on.

Operator: Thank you. The next phone question comes from Sam Webb from Credit Suisse. Please go ahead.

Sam Webb: Thanks very much. First one, just a few moving parts, post period in. So I wonder if you could give us where your net debt stands of today, if possible. And then second question is just with regards to the dividend, I note your comments regarding retiring debt, but keeping the dividend policy unchanged. Do you need to see the balance sheet in a certain position before you start reconsidering dividends? Or is it as simple as your retained earnings and you return to that, that dividend policy. So just understanding how the Board was thinking about that? Thank you.

Paul Flynn: Yep. Well deal with the dividend first and then hand to you Kevin. Sam look, the Board is really only acknowledging that we've not made a profit in the first half, we're just operating within compliance with that policy. Of course when the flexibility was requested from our banking syndicate that came with some conditions for that relief, we didn't end up using the relief as you now know, and Kevin's spoken to, and we can expand on that. You still actually have some conditions on you, but we've left the door open. When we negotiated that with our banking syndicate, to the extent that things did rebound in a positive way, we would return back and have that conversation. We do want to put some more headroom in the balance sheets as we've stated repeatedly.

So that is definitely the first point to focus on. But secondly, I think the question let's assume we have a very strong second half, which I think we're all predicting and you can see that you've got a reasonable line of sight of that. That will be an open conversation when we get to the year end results.

Kevin Ball: And Sam, I think the question around net debt, the second half, I think is going to be a lot stronger. You can see that on the current gC Newc price, which is around $87 for February Aussie dollars strengthening a touch, so 77, 78, and probably US dollars weakening I think it's a better way of saying it. That's probably not going to go away, but it certainly over calendar of 2021, our expectations are that we'll focus

on retiring debt and that's really dollar for dollar on EV. Net debt today is roughly where it was at 31 December. The slippage from January or from December into January has slipped a little bit into February. We expect that to be fixed in, as Paul said, in the March quarter. And clearly we're expecting to see a lower net debt number by the time we come to 30 June. That is our focus at this point. That's why we've revised capital guidance down. That's why we're focused on moving tonnes that are coming out in the second half.

Paul Flynn: I think the other thing just to add to that, but it's probably deals with the previous question based on cost. We are not expecting and goes to this point of cash conversion in the second half. We're not expecting increased cost of working to be an issue from the NCIG issue in our second half. NCIG has insurance coverage to deal with that and we have coverage as well, obviously at a company level, which we don't think we need to rely on, because NCIG is appropriately positioned there, but we are not factoring in increased cost of working in our second half, in terms of what assumptions people are making for cash conversion in the second half of the year.

Kevin Ball: And Sam, if I can answer the question you haven't asked, which is really around NCIG and when it comes back, because no doubt someone is going to ask that question. That went down in November; by the end of December or by the 23rd of December, there was a meeting of directors there, and the management team had been able to gain access to the ship loader and determine what damage had been done. Early or long lead time items have been ordered for that, and expectation is that the coal loader will come back on stream in the fourth quarter of 2021. So, in the December quarter of 2021, they're shooting to do better than that, but that's probably a date you should keep in mind at the current moment. And as things evolve, there was a heavy-lift vessel turned up in Newcastle Harbour, which prompted a few questions from Newcastle media. That vessel is there to move the ship loader down to the maintenance bay, and then once that's moved to the maintenance bay and stabilised, then people will be able to get into the ship loader and confirm the initial findings and timing.

So we'll get better on that. I'd probably say, by the time we get the March quarter out, there'll be a bit more information coming out of NCIG at that point in time. But as I said, I think for everyone's modelling, you would be thinking, I'd think you'd be planning on that ship loader being back in production in the fourth quarter of calendar year 2021.

Sam Webb: Okay, got it. Good colour. Thank you very much.

Kevin Ball: You're welcome.

Operator:	Thank you. The next phone question comes from Lyndon Fagan from JP Morgan. Please go ahead.
Lyndon Fagan:	Thanks guys. Look, my question is on Narrabri stage three, I think the last guidance was 400 mil capex starting in FY22. I'm just wondering, is that still the case? And is there any scope to delay that project at all, given the state of the balance sheet?
Paul Flynn:	Yeah, thanks Lyndon. No change to our previous estimates on this, that number is staged over time. So it's not 400 goes out the door in one lick, as you would imagine. And that number, there are works that are going on there now, which will have benefits for Stage 3 as well, but there's been no revision to the previous guidance we've given you on Stage 3.
Lyndon Fagan:	And sorry, how many years is that 400 spread over, Paul please?
Paul Flynn:	I don't have that sitting right in front of me, Lyndon. I'll have to come back to you on that, but it's a couple of years, at least it's more like three, I think.
Lyndon Fagan:	Okay, great. And I'm just wondering if you can give a bit more colour on how Narrabri has been going this quarter. So we obviously got some surprised geological conditions last quarter-
Paul Flynn:	Yep.
Lyndon Fagan:	which were unexpected for the company. I'm just wondering if you can give us a bit of an update on how things have been going so far, given that we're almost two months into this year.
Paul Flynn:	Yep. Okay. Yeah. I'll just make some opening remarks and Ian, he can respond in more detail. Yeah, as we talked about in the quarter, we obviously encountered an unexpected mid-face fault, which was very, very unhelpful, particularly when you're... none of our previous work and all the various drilling and so on that we do in there; we do pepper these blocks pretty hard for the gassing purposes. It wasn't identified in there, but I mean, that's the first one of all those blocks we've ever encountered like that unexpectedly. And we just had to deal with it, it's much better obviously when you know there's a fault and you plan for it and you set the flight plans and you just deal with it. This was obviously something a little bit more disruptive than that, but the question is, can you assure yourself that the balance of the panel doesn't have anything further and your question is more about what's happened since that time we've been operating well, that's not to say longwall hasn't got a few scars for having navigated through quite a lot of stone in the last six months in particular. So there's a few maintenance issues that arise as a result of wear and

tear, but broadly, we're proceeding well, because we've got a few tonnes to catch up in this, in this balance of this financial year, which we're... our guidance is reflective of that task.

Ian Humphris: I think, look, I think Paul has given a pretty good summary there and we ran everyone through where we got to at the end of sort of H1 we knew in recently that we had in our mapping sort of one significant geological structure. And we progressed through that and we are currently grading back down into the scene to progress. So on that basis, we're still, the plan has us getting through to finish this block in this financial year and beginning into our longwall move.

And as Paul touched on, I mean, there was some legacy issues. We experienced on that equipment damage as a consequence of that mining of the faults that we had in, in H1, but the various things that we've either had to do or need to do have been factored into the plan as we've got scheduled.

Paul Flynn: Yeah. Lyndon, I think the other thing there, the follow up question was generally been how do you feel about 10? And of course we're taking extra measures to ensure that we don't have any other little surprises in panel 10, before we move on into the Southern domain. The call to step around the fault in 10, those things are not easy things to make, but when you've got two faults in conversion, one, so down throw one up thrust, it was a simpler answer just to move around it. It does have, the obviously, the benefit of not wearing the machinery out as hard as we have been doing by driving through continues forward across six, seven and eight, nine, and product quality benefits, obviously as well. We've had a few questions in the past quarters, just about those low CV sales that we've been having a higher proportion than normal of that's largely been dilution caused by driving through that faulted ground. So the step around we'll obviously limit our exposure to that outer seam dilution as well.

Lyndon Fagan: Thanks. And, and that's good colour. And just to circle back on the Southern domain, is there any scope to defer that by a small period of time?

Paul Flynn: Well, when I refer to the Southern domain, I just mean getting to panel 203, and we're very keen to get back into that as you know, Lyndon, because that, the Southern panels, obviously in shallow ground, good coal quality, low gas, high production rates and low costs. So...

Lyndon Fagan: Talking stage three, the big capex,

Paul Flynn: Yeah, well stage three, that stage three capex will have, will occur over several years. And we'll have to refer you back to the presentation that we... it's on our website, but I'll go back and find out when we send it out to you; but the capex will be spread over three

years. We've obviously got panels three, four, and five, 203 before we need to be into, what's currently an exploration licence and we'll be stage three as we've submitted to the government.

So you've got a multi-year period over which that capital will be expended. And we'll clearly be in terrain that we know and love as being shallow and highly productive and generally much cheaper than our current cost rate today.

Ian Humphris: And Lyndon, I mean, there are obviously some critical path activities that have to occur for stage three and I'll take for example, ventilation shafts. So there's a necessary amount of work and prep work done to get that in, get contractors in sink the shaft, et cetera. So some of those commitments will commence next year. And as Paul said, it'll be a staged process depending on critical path activities.

Lyndon Fagan: Alright, thanks a lot guys.

Operator: Thank you, the next question comes from Paul Young from Goldman Sachs. Please go ahead.

Paul Young: Morning, Paul, Kevin, Sarah, and team, maybe question for Kevin on the balance sheet, Kevin, you've been asked about balance sheet management metrics over the years, considering I guess the one half, $2 billion potential capital spend going forward. I'm just curious about again, how you think about net debt in general and the strength of the balance sheet before we commit to spend, which I understand are dependent on permits, but you didn't do gearing for the half, but you would, you'll now be do gearing at current spot prices. So I know you give us balance sheet metrics on leverage ratios and gearing, but do you have a net debt number in mind? And it's an iterative process with coal prices, et cetera, but a net debt target that you'd like to get to before you commit to growth.

Kevin Ball: Thanks, Paul. I think that's a really good question. I think through the first half we had no intentions or we had no plans to degear through the first half we wanted to get through the first half, because that was going to be a very difficult period with coal prices where they were, and little, we had expectations that prices would improve. And that was certainly all the information we had in front of us. But really you wanted to see that turn up before you, you banked it. And I think that was probably the market's expectation as well on net debt across the business. You know, we've got the ECA facility, if I deal with them pretty straightforward that ECA facility is seven years to eight years fully amortising…that will come off at, around at about the rate of eight to $10 million a year and are really not in the business of trying to accelerate that. The drawn debt I think we'll look to retire that drawn debt, probably back down about the 400 level, and maybe a little bit lower.

I think that's going to be a function when we go around and think about this capital, it's largely a function of what do we think the capital spend is going to be? Where has the sell down taken place? And what, does that mean our programme will work is looking forward? And I think we'll err on the side of caution, because at the moment you look at the markets or, or I think we look at the markets and say, whilst they're good projects, you'd want to be a little bit cautious in how we go about using a balance sheet, given what we've seen come out of the blue in 2020.

Paul Flynn: And of course, we'll, we'll never try and do both of them at the same time.

Kevin Ball: No, no, no, not a cat’s hope in hell we're doing both at the same time.

Paul Young: I understand, but Kevin are you say the senior debt facility, which is 630, I draw, and you'd like to get that down to 400 so effectively, is that correct? Which means 300 drop, which means you want to get your net debt down to the sort of 500, 600 mark before you consider growth.

Kevin Ball: And in that, over that time, you're going to see us retiring some of those leases, right? Because again, they're fully amortising over a period of time. So it's probably, you're going to see some of that; the leasing come down by probably another a 100 to 150, and you're going to see the drawing facility come down by that 200 and 288. So I think you're probably talking about 300 to 400 off the debt before we start kicking the tyres on projects.

Paul Young: Yeah. Okay. So in that case, we're talking a 500 million give or take sort of number?

Paul Flynn: In aggregate.

Kevin Young: In aggregate yeah.

Paul Young: That's good enough. That's good enough.

Kevin Ball: I think all we're trying to be....I think as one of those slides used to say, we balance a, we have a prudent approach to debt and, and we'll continue to do that, Paul.

Paul Young: Okay, great. Next question is on the growth projects and particularly Vickery and Maules Creek, Narrabri domain south, or phase three, I think that spends FY24, FY25. So that's a few years outside, but more near term, you got the decision on Vickery and Maules Creek and phase three. I just want to expand on the comments you made about Vickery and approvals. You said about the legal case against the fed government is unfolding over the coming months? Can you just maybe expand on that? And then secondly, Maules Creek here, can

you remind us on the approvals, which you haven't submitted, is this amendment, it doesn't need to go through IPC? So that approval process should be short, and to the point where, you know, that's a higher returning project in Vickery, that could you actually, we'd be in a position where you actually pull the trigger on potentially on that project before Vickery?

Paul Flynn: Yep, thanks Paul. There's a few questions there. Yeah look, as you say stage 3 is out a little while, the 16 million tonnes potential that, that we certainly have not submitted that. And we closely align that to the rollout of AHS that's as from a capital intensity perspective, we definitely see that as being positive, in the ranking of opportunities for us. And Vickery, the current situation with the Vickery legal matters is that in the first week that the hearing is scheduled for the first week of March and we have joined the proceedings. It's not against us obviously, but we have joined the proceedings just to make sure that we're, we stay close to the government and their efforts, in defending their process of the approvals process. I think that the government sees this as being a claim, which doesn't have strong merit from a legal perspective.

And so we're not there necessarily to help them fight; that we're there to help them deal with the less, you know, the more colourful aspects of the submission, which go to the future of coal. And so that's our role in, in being joined to that process. But I think the government knows that they have a robust EPBC process that you don't need to overlay some other construct of a duty of care on top of the duty of care that already sits within the existing EPBC process. So double counting from a duty of care perspective is not something they look into embed, not just in Vickery, but every other project that goes for the EPBC process either. So we're aligned in our desire to push this thing away and get it resolved as quickly as possible. What the Vickery question we said, we won't be obviously, attempting to take FID to the Board in this financial year, and that remains the same.

And as we've talked about before, we want to continue to bring some capacity into the balance sheet before we get too excited about by doing that. But, if you look at the outlook, there's no doubt that our markets are improving, economies generally as trying to re-enliven themselves, so governments are working hard there to try and do that. And I think that's going to position us quite uniquely in an environment where there's stimulus running around hard, the energy complex more generally will benefit from that and coal will certainly be part of that as well. So that is very positive and will be a better backdrop for the consideration of when to bring on Vickery and an open questions obviously at the time will be, what's the status of Winchester South as well?

Paul Young: Okay thanks, Paul. Just sort of last comment about Maules Creek, phase 3, it's a low capital intensity projects, so in theory, you can do both these projects at the same time, or you prefer not to?

Paul Flynn: Yeah. Look, I think Maules Creek, or we just call Maules Creek MC16 is what we call it; just to save any confusion with stage three at Narrabri, that's independent of all of that. As I say, it's low capital intensity; doesn't need to be seen as mutually exclusive to any of the other things we're doing around the place. It is in our mind, very much related to the success of AHS. And so the focus from our perspective is ensuring that the AHS continues to move forward in a pace that aligns with our timing to ramp up Maules Creek; you can see Maules Creek is doing well. And so we're, the run rate is in the second half where you'll see that it's approximating the approved limit in the second half. And so we don't want to be just staying at that rate once it's achieved; we want to continue to move on, but as I said, it is closely aligned to the rollout pace of AHS.

Right. Thanks, Paul. Thanks, Kevin. I'll pass it on.

Operator: Thank you. The next phone question comes from Peter O'Connor from Shaw and Partners. Please go ahead.

Peter O'Connor: Paul, Kevin, Ian, good morning. Two questions, but just for clarification is the last two questions. For Kevin on the balance sheet and just doing it rough back-of-the-envelope, it current spot price and currency using your cost guidance, and D&A, et cetera, and capex spend over the next 12 months, EBITDA would be 500, 600 million? So in terms of the cash you would produce to retire debt and get your balance sheet back in that $200 to $400 million order…That's something which is not years away, it's potentially during calendar year '20 on that scenario. Is that a fair read?

Kevin Ball: I think you're talking about calendar year '21.

Peter O'Connor: Correct.

Kevin Ball: I think, what we give you is really a pretty good guidance as to sales volumes, pretty good guidance as to cost, they are transparent in how cashflow comes through the business. So, you run your models, my expectation is, we'll deliver through 2021, calendar year 2021 and into calendar year 2022 with the same prices. So, I don't see this as a multi-year exercise, is probably your answer there. Paul.

Paul Flynn: Yep.

Peter O'Connor: Great, agreed. And Paul, to get a clarification on the last question, the Vickery process is it binary? And if it's binary, had positive outcome, greatly go ahead, whenever you choose to, but if it's binary negative, does your four million tonne current approval stand?

Paul Flynn: I'm sorry, I thought you were thinking about FID being a binary outcome. I don't think that's what we, we don't lose. If in the event that we have an unfavourable outcome in this litigation, we don't lose the four and a half million tonnes, that's retained. And so we just want to get past this thing and move on and be able to make a decision on the timing in the ordinary course of business. It's just a nuisance at the moment. We've seen this before, we've just got to put our heads down and work our way through this with government.

Peter O'Connor: My question was, Kevin, on capex, you've dialled back first half, and you've dialled back the second half of this FY21. Based on that your view of deleveraging? The mains at Narrabri look to have zero capex in the second half. Is that because with the new plan, you don't have to spend any more on the mains or are you deferring that to FY22? Okay. Thanks.

Operator: Thank you, once again, for the phone parties to register a question, please press star one on your phone. The next phone question comes from Glyn Lawcock from UBS. Please go ahead.

Glyn Lawcock: Oh, hi Paul. Good morning. Just the interest cover ratio, so I fully understand. So you didn't use the covenant waiver and obviously with prices where they are, if we take the trailing 12 months of June 30, you would satisfy your original ICR. So technically you could pay a dividend, I know the board's got to take everything into account, but from a technical perspective, the waiver is now behind you. Assuming prices stay where they are.

Paul Flynn: Well, I'll try answer that, Glyn, that's a good question. So when we organise the relief, it covered two tests. So December and June, 12 months looking back, tested this December, and then a further test 12 months looking backwards at June 21. The dividend would obviously come out after that period. Technically there's an argument that you could do that anyway, but with all due respect to our very supportive banking syndicate, I don't think we'd be so bold as to try and do that for a final dividend, even though it's not subject to a test.

So what we said to them, acknowledging that is that look when it gets to that point, and let's assume that we've got a vibrant second half of cash generation, what its looks like we're about to encounter. We'll have a conversation with you about that question of dividends so that we have, we've already foreshadowed that with them. They understand the market dynamics and the cash generation of the business, as well as you can see. I'm assuming that they will expect us to circle back to them after the wrap of the financial year and have that discussion.

Kevin Ball: No, you're absolutely right, Paul and Glyn, that is a good question because there's a fair few call producers out there who have been

operating under these amendments and waivers and have had to use them. I think we are one of those companies that having sought and received support from banks, we don't take it for granted. We will circle back and talk to them. That's the right thing to do. Early feedback, when we started talk about with some of the leads in this banking syndicate, about the likely outcome for the ICR test for the 31 December, they were positive on that. My expectation is we'll just act like mature corporate citizens and close that conversation out with them in a respectful way.

Glyn Lawcock: Okay. The next one is just, obviously the back half is really going to be driven by price. You know, first and foremost prices have recovered quickly. I might've missed it. But when you look at the met coal price, you receive, you generally got a decent premium to the spot price with the spot price moving so fast, where is the contract price sitting for the quarter? Is it sitting below or above now? And so, how should I think about your realisation versus the spot indices at the moment? Is it still like history has shown?

Paul Flynn: It's still the same but as you know, Glyn, there's always a lag, both that works for you in certain environments and works against you. You know, when it moves quickly, as you've just seen, and that we've all noted, then you do have a lag in catching up to, what you would say your historical realisation should be relative to the index. In this environment, we will definitely have a bit of that. Now you can't move $50 on the top line and with its related impact on semi-soft, the next quarterly settlement. And think that you're going to get that straight away as your blended outcome for the period you've just reported.

The thermal coal moves in a similar fashion as well. Because as you know, in the case of the Korean tonnes, we saw in the Korean tonnes up their annual contracts. If the price moves very quickly ahead, as it has people look at that historically and say, well, why didn't you get the realised for the average gC Newc for the period? Well, some of these tonnes have actually been signed up six months prior on average in that example, I've just used. There will be a lag Glyn but there's nothing that we can see here that changes the historical relationships that you would have mapped out previously. And what we table on a quarterly basis.

Glyn Lawcock: We shouldn't be too surprised if the March quarter does show a discount realised because of the lag and sorry, what is the quarterly contract for the met for the March quarter? Has it been settled?

Paul Flynn: I don't know that number off the top of my head. I mean, the price today is 90, I think it's 99, so as I say, we're not driven by the spot prices as you know. And so to the extent that someone wants to sign up on the quarterly, we will, and we've done that in a mix of sales with, with Indian and Korean customers in recent times.

Glyn Lawcock: Okay. Just the final question. So you've got a party that's trying to challenge the process for Vickery with the federal government. Just two weeks ago, I've seen the process, the same process rule against the Dendrobium expansion at Illawarra. And now the New South Wales Government is talking about introducing legislation to overturn their own process that they put in place through the IPC, which is meant to be independent. So that's a tough question, but how does this position Vickery, I mean, when it doesn't go the government's way they say our process is flawed, let's throw it out. It's gone your way and the government's happy, so the process works. Does this complicate matters for coal mines in the state? The process doesn't seem to want to hold, could Dendrobium really make life difficult for you?

Paul Flynn: It's sort of at a level it's a very serious question and at a level, it sounds like a trick question. Of course, it makes things more complex than what we would like it to be. The IPC hasn't been without its critics in the past, as you know, and it got restructured as a result of Vickery taking far too long to proceed its way through that thing. Now in its restructured format, Vickery popped out the other side and everybody's been pleased. And by the way, so have a number of other coal submissions through that. So it's not just about Dendrobium and Vickery as your two data points here. I think Dendrobium, I think you've got to look at that in the context of it as a separate standalone proposition. I don't think we should be inferring too much from it as it relates to Vickery.

The IPC is part of our process going forward, unless someone tells us otherwise. So if we need to say for instance, submit a major variation, say for instance, in this case a stage three, what risks are there for stage three at Narrabri for the IPC? I don't see a lot at all. I mean that's a well understood mine, it's just a life extension. It's a mine, doesn't create a lot of fanfare. It creates a lot of jobs and values for the region and you know, and it's well managed. And so I don't see any issues there navigating our way through the IPC as a result of that. I think Dendrobium and the coal fields in the Southern area, that's just a different context and I think that we should look at that as a discreet issue. Project-based rather than being some endemic issue with the construct of the IPC, as it currently is configured,

Glyn Lawcock: But I guess that's the issue, isn't it. Paul, one's going to challenge the IPC process for Dendrobium. And if the project is overturned and allowed to go ahead, because they heard the IPC process isn't valid. Doesn't that then put that risk, is that what people are now arguing against Vickery is it's the process. Doesn't matter about the mine, it's the process. If we end up the processes overturned, it just makes a mockery, doesn't it of the entire IPC process. If it doesn't go one person's way, we keep challenging it.

Paul Flynn: Sure, but Vickery doesn't have any process issues with the IPC just to be clear. It doesn't. Vickery's current dilemma is actually with the federal government and the EPBC approval process. Now the federal government, in March, of their own process and must defend it. They are minded to do that and vexatious claims against projects, inventing new duties of care that didn't exist previously. I think the government will deal with that in an orderly fashion, we're unfortunately on the tail end of that. That is a completely separate jurisdiction, different claim than what has happened in the case of Dendrobium.

Glyn Lawcock: Okay. That's great. Thanks, Paul. I appreciate it.

Kevin Ball: Do you want me to read that one? Sarah?

Sarah: Yeah, that would be great.

Kevin Ball: Okay. So Mathew Hodge from Morning Star, his question is, it seems possible some of the BHPs' coal assets would come up for sale. Would those potentially be of interest, either thermal coal in New South Wales or met coal in Queensland? Or do you feel like with Vickery and Winchester South, you have sufficient internal growth options? Just on Vickery and Winchester, obviously coal prices have improved. What do you need to see to be comfortable to push the button on those projects? And is there some debt level you'd like to get to first? Or is it more a function of the market conditions or both? I'm probably going to leave Paul the answer the first part. I think Mathew, we have answered that with question from Paul Young. The second part you've already dealt with, I'd leave Paul to answer it from my perspective.

I think the slide in there that talks about Brownfields and Greenfields growth options, there are plenty of those in the business and they are good projects and they'll come to light and come to production in due course over the decade 2020, Paul.

Paul Flynn: Look Matt, that's a good question. Look, we don't generally speculate on these things. We just have a holding brief on, looking at opportunities. I think as we said, we just got to be clear on, what's going to add value to your business when you're assessing these things. We look at all things by the way, it's got to be consistent with strategy and it's got to be superior to the opportunities as you've rightly mentioned that we already have in our portfolio. And so our view is we've got a lot on our plates.

Let's not get distracted by other stuff that's just floating around just because it's for sale doesn't mean we should be engaging with it. As everybody will start talking about this more and more as other companies offer different assets for sale, but even the Itochu position at Maules Creek that we spoke about earlier, that's of interest to us

given it's an asset we know very well. Those are the higher order opportunities for us to consider from a corporate activity perspective, rather than indulging other processes that may or may not be running.

And I'll just add the quarterly semi-soft price hasn't settled, just to follow up Glyn's question earlier, and that's the quarterly benchmark price. Based on the current numbers it'd be about a mid-eighties number, I think is what we're seeing. Clearly if that's the case, if you're just looking at a ratio perspective, we're still minded to be selling, our Mauls Creek thermal, which is the primary one that switches between the two different product streams with its premium into thermal market.

Paul Flynn: Thanks, Operator.

Operator: Thank you once again for the phone parties, if you wish to register a question, please press star one on your phone. We have a follow-up question from Peter O'Connor from Shaw and Partners. Please go ahead.

Peter O'Connor: Kevin, you've got to think down the track beyond the pathway that you talked about to deliver, which is years more than several years, and you're looking at your project pipeline and putting the construct of your capital allocation over that. Where does the buyback sit at the current share price in that view of the world?

Paul Flynn: I love the question about buy backs. I remember a question when the share price was $5.70 and various analysts would keep trying to convince me that was a good idea. I think the challenge with buy backs Peter is that's variably, when you want to do them, the capacity isn't there. And invariably, when you can do them, prices kind of isn’t align with it. In my way of thinking about these things in that capital allocation framework, when we get to look at these projects, that will be one of the things that we consider. Is there any alternatives for the capital in terms of buying the stock back or just putting it into the ground makes things worse? Let's look at that in the years to come as they come along.

Operator: Thank you. At this time, Mr. Flynn we're showing no further questions.

Paul Flynn: Thank you. We'll hand that back to you then operator.

Operator: Thank you, that does conclude our conference for today. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]