TRANSCRIPTION

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Operator: Thank you for standing by, and welcome to the Viva Energy Australia Full Year 2022 Results call. 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 phone, you'll need to press the * key followed by the number 1 on your telephone keypad. I would now like to hand the conference over to Mr. Scott Wyatt, Chief Executive Officer. Please go ahead.

Scott Wyatt: Good morning and thank you for joining us today to discuss Viva Energy's Full Year 2022 results. My name is Scott Wyatt, Chief Executive Officer of Viva Energy. Today I'm joined by Carolyn Pedic who recently joined Viva Energy in January as Chief Financial Officer, Jevan Bouzo, Chief Executive, Convenience and Mobility, and Lachlan Pfeiffer, Chief Business Development and Sustainability Officer.

I begin this morning by acknowledging the Traditional Owners of the lands on which we are collectively gathered for this call and pay my respects to their Elders past, present, and emerging.

As we announced near the end of last year, we've made several executive leadership changes to support our growth and transformation agenda, which is set out on slide 5. I'm delighted to welcome Carolyn as our new Chief Financial Officer. She has over 20 years experience in finance and risk management roles across energy and mining and is an excellent addition to our team. Jevan as you know well has been appointed Chief Executive of Convenience and Mobility. He has been an outstanding Chief Financial and Operating Officer and will bring a deep knowledge of our business markets and strategic agenda to this important new role driving our evolving Convenience and Mobility business.

As always, I'd like to begin with some comments on our safety and environmental performance which is set out in slide 6. Although we are seeing some continued improvements in personel safety performance, our injury frequency rate does remain elevated compared with historical levels and we're certainly focused on improving this further in 2023. High levels of construction maintenance and operational activity are a factor, with the majority of injuries consisting of slips, trips, and musculoskeletal injuries. In terms of process safety, loss of primary containment above 100 kilograms remains in line with prior years, with five classified as API Tier 1 and 2 incidents due to the quantity or rate of release. By way of example, one of these more significant incidents was the result of a road tanker being overfilled by a driver at our terminal in Cairns. Notwithstanding these headline results, we continue to invest in our integrity programmes, and we are seeing continued improvement in early identification of potential leaks. While there is always room for improvement, I remain pleased with the focus on safety across the whole company.

I turn to slide 7. Let me touch on some of the key highlights from 2022, which was clearly a remarkable year for Viva Energy. In the face of significant disruption to international energy markets, each of our three businesses performed extremely well. Retail and commercial both grew sales and earnings with EBITDA up 33% and 54% respectively. And refining turned in one of our best years ever, validating our decision to maintain refining capability despite the challenges of the last few years. Total group EBITDA was a record $1.1 billion. The company finished the year in net cash position of $291 million supporting a fully franked dividend of 27 cents per share. Carolyn will talk more about our financial performance shortly, but let me acknowledge the significant effort from everyone in Viva Energy to maintain reliable energy supply throughout these difficult times, and at the same time turning in such exceptional results and maintaining good progress on our strategic agenda.

On that point, I'm particularly excited about the potential for our retail business following the acquisition of Coles Express which was announced in September last year. The fast-moving convenience market presents considerable opportunities to grow our business, and we are looking forward to completing the transaction during the second quarter this year. At our Energy Hub in Geelong, we commenced construction of 19 million litres of diesel storage and took FID on our pilot hydrogen refuelling station, which we hope will be the first in a planned network along the east coast. We await state government approval before advancing our Gas Terminal Project and are well-advanced on preparing for upgrades to produce low sulphur petrol in 2025.

Fuel sales as set out on slide 8 are up 9% on the prior year at 14.3 billion litres and are now back to 96% of pre-pandemic levels. The commercial business grew sales by 9%, benefiting from the recovery in air travel, the return of the cruise industry, and strong demand from the wholesale and agricultural segments. Retail sales volumes increased by 7% led by the more regionally-focused dealer-owned and liberty convenience networks. Though Alliance Fuel sales continue to be affected by reduced mobility in our capital cities, sales were up 3% on 2021 and we saw some encouraging growth during December with a number of weeks, around 65 million litres.

Slide 9 sets out fuel sales performance by grade for Viva Energy and the market more generally. There's been a strong recovery in jet fuel demand during 2022, and diesel demand has remained strong with consistent growth reflecting the performance of the broader economy. Viva Energy has generally outperformed the market with the exception of aviation, which reflects our more cautious approach to contract renewals in the face of elevated premia and freight rates.

Our refining business has of course benefited from extremely strong regional and global refining margins as set out on slide 10. The main drivers have been the recovery in oil demand coupled with reduced refining capacity as a result of closures and delayed projects. Oil sanctions and demand recovery, particularly from China, continue to have a significant influence on the refining environment, particularly with respect to middle distillate cracks and crude Premia. We expect the year ahead to remain volatile but overall, constructive for refining.

Let me now introduce Carolyn Pedic who will talk in more detail about our financial performance.

Carolyn Pedic: Thanks, Scott, and good morning everyone. It certainly is a remarkable time to join the business and a pleasure to be able to share our results with you this morning.

Let's start on slide 12. 2022 was an exceptional year for the company across all parts of Viva Energy. As you can see, EBITDA is more than double what we achieved in 2021, and we have seen good improvements in both retail and commercial alongside the uplift in our refining business. Underlying free cash flow increased by $506 million and our balance sheet strengthens further to net cash at $291 million at the end of last year. Given this record performance and robust financial position, we are pleased to announce a final dividend of 13.30 cents per share, and this represents a 70% payout ratio which is at the top end of our range.

Now, our retail performance as set out on slide 13 is driven by a steady recovery in fuel sales and improved margins across all channels. This reflects an improved retail margin environment, purchasing and supply benefits, and tactical pricing strategies deployed across our markets. Our investment in marketing and brand sponsorship was increased in 2022 to support the expected improvements in mobility as markets opened up. Increased operating costs reflects the usual annual increase in rents and people-related costs, with some leases and operating expenses reflecting impacts of higher CPI. There are also a couple of small one-offs impacting the result which we called out in the first half. Overall EBITDA's up 33% on 2021 to $249.6 million.

On the commercial business as set out on slide 14. We also benefited from a general sales recovery during 2022 together with growth from new customers and improved margins from both contracted and uncontracted sales. Overall, EBITDA was up 54% to $335 million. This delivered commercial’s second consecutive year of growth since the peak of the pandemic and a record result. Short-term trading and supply chain benefits were about $10 million reflecting purchasing and supply agreements, which smoothed the impact of rising product premia experienced during 2022. And commercial also benefited from short-term spot opportunities which resulted from periods of tight supply in the market, with Viva Energy valued as a safe pair of hands at times of uncertain supply. The majority of these benefits are unlikely to repeat in 2023.

As Scott indicated earlier, refining benefited from a significant improvement in refining margins, up 10 US dollars per barrel over 2021 as you can see on slide 15. Higher energy and shipping costs provided some headwinds, and the unplanned outage from the cracking unit in August also impacted both margin and operating costs. So overall, relative to prior years, the refining performance was outstanding with higher margins and strong production contributing to an EBITDA of $518 million. Now, moving to slide 16, as set out here, we delivered a net cash flow of $194 million in 2022. Our underlying free cash flow before borrowings, dividends, and investments was $767 million. This excellent result reflects strong operating performance in each part of our business as well as diligent management of our exposures during a period of heightened volatility.

Now, turning to slide 17, we set out our capital expenditure in 2022 and guidance for this year in 2023. Last year, we invested $278 million across the business net of government contributions. This is in line with the lower guidance we put in the first half, with lower federal government contributions reflecting slight delays on project timing milestones. And in this year in 2023, we are guiding CapEx of between 405 million and $455 million net of government contributions. This includes 290 million to $310 million of investment in our core business, comprising upgrades and optimizations to our convenience and mobility business, improvements in our supply chains, and the major maintenance of our primary distillation and associated units in the second quarter. In addition, we're guiding to between 190 million and $210 million of investment in Energy Hub projects, which includes strategic storage and upgrades to produce low-sulphur petrol. Between 65 million and $75 million is expected from the federal government in support of these projects.

Now, moving to slide 18, this shows our balance sheet position. After starting 2022 at net debt of $95 million, we moved to net cash of almost $291 million at the end of the period. As you'll recall in the first half, we brought forward the assessment of refining earnings to reflect its extraordinary performance in that period. This formed a large part of the $213 million dividend that was paid in the second half. The final dividend announced today is at the top end of our policy to reflect an exceptional year and will see us pay out $206 million in the first half of 2023.

In addition, we expect to complete the acquisition of the Coles Express convenience retailing business in the second quarter. Now, as we highlighted in September, the net impact of the purchase is expected to be $143 million once working capital benefits and the settlement of a payable are taken into account. I'd say our robust balance sheet puts us in a strong position to fund these outlays along with our ambitious capital expenditure programme in 2023 and also our long-term strategic growth agenda. In addition, a reminder that $17 million of our on-market buyback remains active.

Now, moving to slide 19, I'll talk about our decision on the dividend in more detail. As we've said, we've announced today a final fully front dividend at 13.30 cents per share, and this represents a 70% payout ratio for the full year which is at the top end of our dividend policy range reflecting what's been an exceptional year across all parts of the business. And this equates to a second half payout ratio of 85%, taking the full year dividend to 27 cents per share. The total dividend will be payable to registered shareholders on a record date of the 8th of March 2023 with a payment date of the 24th of March 2023. So this year in '23, we intend to return to our policy of assessing dividends from our refining business at the end of the financial year, with our interim dividend only reflecting earnings from the retail fuels and marketing businesses.

On that note, I'd now like to hand back to Scott to cover our strategic update and outlook from slide 21.

Scott Wyatt: Thanks, Carolyn. Looking forward to this year, we expect trading conditions to remain generally supportive for each of our businesses, recognising that we are coming off a particularly strong year in 2022. We expect retail demand will remain robust despite the lasting effects from hybrid working and mobility changes. Once the acquisition of Coles Express is completed, we look forward to pursuing strategies to maximise the convenience opportunity, and we'll continue to close gaps in regional areas by further extending the liberty convenience network. In commercial, we expect a largely resilient domestic economy and continued demand for travel to be supportive of sales volumes. Though quality premier and freight remain elevated and we benefited from some one-off opportunities in 2022, we expect the diversity of our segments and contract arrangements to provide some internal earnings protection. We expect refining margins will remain elevated with the GRM in January averaging $17 a barrel, but volatile, driven by disruptions to global supply chains and the recovery in China.

As Carolyn mentioned, there is a major turnaround work in the first half that will reduce intake to around 37 million barrels for the year. Lastly, planning and development is well underway for several projects at the Geelong Energy Hub. The strategic diesel storage and ultra low-sulphur gasoline will comprise the bulk of our investment this year, but we hope to also begin construction on the green hydrogen refuelling station and are exploring co-processing opportunities to produce lower carbon fuels, which we believe can play an important role in the long-term energy transition. We continue to believe that our proposed gas terminal can play an important role in meeting the projected gas shortfall in Victoria and the broader southeast markets. We await regulatory approval and clarity on the implications from the recent gas market intervention before we can provide timing on a final investment decision. Overall, I expect Viva Energy to be well-placed to navigate any further period of uncertainty and volatility during 2023 and continue to pursue our strategic objectives.

Turning to our long-term strategy on slide 22, you can see how our transition and growth agenda has evolved since we shared it with the market at our investor day in 2021. Since then, we've delivered on a number of fronts. We have outperformed in our core businesses by leveraging our competitive strengths and have started developing lower carbon pathways for each of our three businesses. Retail will soon transition to a leading convenience in mobility business with the largest network in Australia under a single operator. We see potential to increase exposure to this fast-growing market and unlock synergies from integrating network and store development. This will put us in a good position to fully acquire the Liberty convenience business at the start of 2025.

Our commercial business provides a range of energy and industrial solutions. We expect our specialty businesses will comprise a larger part of earnings base going forward, and then we can scale this through targeted acquisitions such as what we achieved with the polymers business last year. We can add value and see synergies in areas that have sophisticated procurement processes, complex supply chains, and a diversity of customers. And thirdly, we seek to optimise the advantages of our refinery and infrastructure position. Beyond the Geelong Energy Hub, we have a privileged position in Australia to transport and supply both existing and lower carbon fuels through our extensive import storage and distribution network. Each of these three businesses have their own distinct pathways to unlock sustainable growth.

And on that note, let me please open for questions.

Operator: Thank you. If you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Your first question, it comes from Dale Koenders from Barrenjoey. Please go ahead.

Dale Koenders: Morning, guys. Just firstly on your CapEx guidance, I was wondering if you could provide a little bit more colour. How much of this is growth CapEx versus considered sustaining CapEx? And then for the growth CapEx portion, what earnings uplift is this delivering?

Scott Wyatt: Sure. I might kick off on that and I can enter Carolyn to give a bit more colour. But I think the important thing to note, because obviously next year... Well, this year is a higher capital year, and that's driven heavily by the projects that we have in Geelong and that's primarily the construction of strategic storage which is already underway. And we begin to obviously spend more heavily on the low-sulphur gasoline upgrade project this year as well. So that really drives the majority of the uplift.

Within the core business, we continue obviously to invest in integrity programmes and the normal base capital that you'd expect us to do. But as we acquire the Coles Express business and get full control over the retail network, we are at a much better place to start investing a bit more heavily in the retail business, particularly after the last two or three years which obviously has been constrained through the conditions that existed through the pandemic. I think that that will increasingly be a feature of our forward capital spend. And in terms of earnings uplift, it's consistent with the guidance we gave on the acquisition of the Coles Express business and our general desire to deliver an additional 50 million of non-traditional earnings as we go forward and extend our business into new areas.

I've probably covered everything you were going to add, Carolyn? But-

Carolyn Pedic: You pretty much have, actually.

Dale Koenders: How much of that $50 million uplift is delivered from this CapEx guidance?

Scott Wyatt: Well, I think the gap earnings uplift that we indicated was over a multi-year period and this capital is for this year is part of that multi-year programme, so it's not really relevant to break it down into a single year. You need to think about it over that timeframe.

Dale Koenders: Okay. I guess it's just very hard to understand the attraction of this CapEx versus returning more capital to shareholders and understanding what returns you're actually making on this money. So maybe-

Scott Wyatt: Well-

Dale Koenders: ... just on... Sorry. Go.

Scott Wyatt: No, you carry on.

Dale Koenders: I was just going to say then there may be on capital returns and the question of you're obviously undergeared on your balance sheet and setting a signal of further M&A. How should we think about minimum gearing that you're willing to carry through the company on an ongoing basis while you sit there waiting for the right acquisition rather than any acquisition?

Scott Wyatt: Yep.

Carolyn Pedic: Yeah. Look, I can take that one, Scott. We're still sticking with our stated target gearing ratio, and that's certainly what we're looking towards. I know that we're not anywhere near that at this point. I think you can probably... I guess your question was in the absence of M&A, you'll see that we've got a fairly substantive CapEx programme coming up and we'll be completing on Coles Express and paying out a higher dividend. So I wouldn't be expecting to be seeing us in this same net cash position going forward. But without commenting specifically on M&A, we still are targeting that gearing ratio going forward.

Dale Koenders: Okay. Thanks, guys.

Operator: Thank you. Your next question comes from Michael Simotas from Jefferies. Please go ahead.

Michael Simotas: Good morning, guys. The first one from me is on the aviation market. Your competitor had a bit to say about it yesterday and seems to be trying to pass through quality premia to customers. Are you seeing any let up in competitive intensity in that segment, and is there an opportunity to regain some of the share that you've lost as that does settle through?

Scott Wyatt: Yeah, I think... Thanks, Michael. Thanks for the question. I think now we've obviously been living throughout the course of last year for an elevated environment around premiers and freight. And we've certainly been active throughout last year in passing that on to both spot and contracted customers, not just in aviation but in all segments because it's a material cost uplift. And our success in doing that is reflected very much in the commercial results that we've released today for the year. So I think you can take from that they've been quite successful in that regard. It's not a new agenda for us. It's one that's been already in play, and we'll continue to work on that because obviously, as I said, it's an elevated environment and it's material costs that needs to be passed on.

It also reflects a little bit the share, the market share inject. We've seen a little bit of obviously in being more robust and critical of the contracts we take on and passing on those costs. It does mean that we have not necessarily renewed as much as we might already do, but we think that's the right balance to strike in this current environment.

Michael Simotas: Okay, thank you. And then just moving on to refining, a couple of quick ones there. OpEx per barrel was very high in the second half, and obviously the unplanned outage had an impact on that. Can you give us a sense of what underlying change in cost per barrel would've been across the period if not for the outage? And then just another one on the impact of the CDU turnaround this year, you've given us the volume impact. Historically, there hasn't been much of an impact on marginal cost, but we're in quite a different refining environment now so just want to make sure that that's still the case.

Scott Wyatt: Yeah, sure. Maybe I can just talk a little bit about the cost increases through which we drew out in slide 15, and maybe hand it to Carolyn to pick up any other points that need to be covered. But I think obviously in respective energy, we've lived through a pretty elevated environment through the middle of last year particularly. We have always had an approach to energy that carries a level of spot exposure to that, and that obviously drove the majority of that increase in energy costs.

The outage also drove and it drove some of that energy cost uplift as well because we consume more energy when we're not running the cracker, so there's a bit of the outage in that result also. Obviously with the intervention too in respect of our operating business, that is helping and we're obviously seeing a more restoration to more normal historical levels and respective energy as we commence this year. Obviously, we've still got to get through winter so there's still a risk that we see higher costs during the winter, but certainly the intervention will no doubt help to some extent. That's a bit of the flavour around energy.

Shipping is combination of there's an element of structural shipping that we have in terms of markets that we service regularly out of Geelong. There's markets that we select to service out of Geelong when the margin environment supports increased production and shipping right out of there. And then there was the impact of the outage within shipping as well because during the outage of the cracker, there was the need to obviously store residue that the cracker would normally process which resulted in apparent increased the margin cost. So it's a combination of those three things, and particularly elevated due to the higher freight rates that we've seen throughout last year and continue to see this year.

Now, there's an offset to that because those higher freight rates also support the refining margins so you can... And obviously, the motivation to export more production at Geelong is also driven by the refining margins. So there's a little bit of a correlation to the margin part of this waterfall as well, and it's a little bit variable in that context. What I'm trying to say is we can tolerate higher shipping costs when the margin environment is high, and it'll be lower when the margin environment is lower as well. So it's a bit variable. And our manufacturing cost's obviously impacted by the outage. We had to include additional costs to repair the cracker through the period of the outage and restore it. And there's a little bit of catch-up work that we've done there on some of our integrity programmes as well that has driven that.

So I think that hopefully that gives you a bit of a flavour, Michael, for the product. Actually, I was...

Michael Simotas: That's really helpful.

Scott Wyatt: I'll just pause, focus.

Michael Simotas: And then just on the CDU turnaround as well. Thanks.

Scott Wyatt: Yeah. Yes, CDU turnaround is primarily accrued intake impact, so that's why we call out the reduction in crude intake. That's probably the best way to think about it, that that's the major impact. And obviously the other impact is just the capital associated with that, the turnaround, which we also called out as well.

Michael Simotas: Great. Thank you.

Operator: Thank you. Your next question comes from Mark Samter from MST Marquee. Please go ahead.

Mark Samter: Yeah. Morning, guys. I might follow on from Michael's question a bit on that refining cost and try and push it towards a bit more of a definitive guidance. I guess if we look in absolute dollar terms FY '18 to FY '21, those costs were pretty stable. An annualised second half number's double what they were. I guess can you give us a feel for what underlying cost is versus that three or four years? And I guess a follow-on question, but if we are dealing with material hard costs, we're not that many years away from when you've got the option on extending the government support package which I know feels deeply relevant at the moment. But refining will do what refining does and certainly at the cost base through 2022, the government support wouldn't sustain profitability within the refinery. Can we talk about it in that context as well?

Scott Wyatt: Sure. I might hand over to Carolyn to give her an opportunity to talk to it, and I might come back on the last point around the government package.

Carolyn Pedic: Yeah. No worries. And thanks, Mark, for the question. And I think just a general comment, it's important that we don't bake these costs in going forward into '23. I know Scott talked about that in some detail. And Mark, you would, I guess referring to the cost base going forward and comparing it to '22. And without being too precise, you could probably take a rule of thumb and go halfway between the costs in FY '22 and '21, and that will give you a good view going forward as a rule of thumb, I'd say.

Mark Samter: Thank you.

Scott Wyatt: I think, Mark, probably it's good drawing up on the government package because there is the review point in the middle of this year that will be... Which was first shared out when we struck the deal, part of the process, government process to review the workings of the package. I think a number of things have moved on since then, have changed. And obviously, it's an opportunity to sit down with government and review those. Some of those might be in respect of just the structural costs of running the business, might be cost that potentially we incur going forward, touches the impact of the safeguard mechanism.

So there's a few things that we need to reassess, and I think it's actually quite timely and a good opportunity to do that with government in the middle of this year. But I think a lot of these, as Carolyn said, I think the most, we don't accept necessarily that all these costs that were changes that were set out in the bridge become structural. And I think as I discussed a bit earlier on, I think there's a number that are quite unique to the period and are almost variable in nature. So I don't think it'd be correct to just assume that that's just suddenly a structural cost imposed on this particular part of the business.

Mark Samter: Yeah. Cool, thanks. I might just follow up a quick question slightly following on from Dale's. I'll start the question with, there is still some of the buyback I think still left to do, but can we think about... I get the message that there's M&A out there and you can't control the timing of M&A, but unless you're buying a business that's half the size of your business with no earnings, which I strongly suspect you're not, you're still going to have balance sheet capacity left after that. I guess why wait? Because we have been waiting so long for M&A that hasn't really come ex Coles Express. Why wait for any other form of capital management to see how those drop out? And can we talk about what you think the preferred method of capital management is? Is their scope from all the buybacks do we think which might participate in those? When we do eventually get to the point where you buy back more stock?

Scott Wyatt: Carolyn why... I'll come back to it, but why don't you kick off?

Carolyn Pedic: Yep, I can absolutely kick off. And I guess I appreciate the comment on the M&A and acknowledgement of not being able to control the timing, and that's all true. And I think it's just important not to lose sight of the fact that we really do need to focus on value accretive M&A because I'm sure you'd all agree that the worst thing than value accretive M&A and waiting for it would be value destructive M&A. So we do remain focused on that. Appreciate that we've been saying that for some time, but that does remain an absolute focus. I guess in terms of capital returns over time, again without wanting to pre-empt what we'd be talking to the board about going forward, we still have a really good dividend policy in place which continues to make a lot of sense and enables us to pay out a strong dividend as we've shown in years of out performance. That remains at our hands. And as you said, I guess buybacks do have some particular challenges with us, so we'd need to be a bit careful around that.

Scott Wyatt: But I think Mark, we're alive to the fact we've got a strong balance sheet with a lot of firepower to execute on the strategy that we set out in 2021 to really fulfil on that, which obviously as to the recap was really building a fully integrated convenience business, extending our commercial in the business to really become a broader commercial industrial business, and obviously investing in some of the energy projects that are probably more known to people. That will require capital, and either directly in terms of investments we make or acquisitions. And so we're very aligned to that that we need to consider to act on that. Obviously, I think you and others would want us to be acting in a disciplined way and finding the right value of creative project opportunities, and that takes time. But we've made some early steps which have been important, and the acquisition of Coles Express is a good example. But we need to do more and we certainly are keen to get on with that mark soon.

Mark Samter: Oh, good then. Thank you.

Operator: Thank you. Your next question comes from Gordon Ramsay from RBC Capital Markets. Please go ahead.

Gordon Ramsay: Oh, thank you very much, and good retail fuels and marketing results. Just in that area, there's been previous comments about getting weekly fuel sales up to 65 to 70 megaliters a week after completion of the Coles Express transaction. You said today you had a number of weeks above 65. Can you give us a feel on what the timing might be for that?

Scott Wyatt: I think it's that... Thanks for the question. It's a great one for our new CEO of Convenience and Mobility.

Jevan Bouzo: Thanks, Scott.

Gordon Ramsay: Always hiding.

Jevan Bouzo: Thanks, Gordon, for your question. Look, I think we're pretty focused on trying to improve the share in that part of our business. I think we get a lot of new opportunity and levers once we're able to integrate the Coles Express business into our Viva retail organisation, and we'll have the opportunity to market and think about promotions, price positioning across both fuel and shop to really drive towards that target. And at the moment, we're targeting completion in the second quarter of the year so that the period ended 30 June as we've said in the release. And I think there's a little bit we can continue to do leading up to that point on price perception and our market share generally to see some improvement in the volume levels. I think we're tracking pretty well in line with market at the moment, and really looking for the opportunity to get hold of that business and start thinking about the cross promotion opportunity as we move towards that stated range later in the year.

So definitely something that I think is insights and something that we're focused on achieving in a sensible and balanced way through the course of the year.

Gordon Ramsay: Thanks, but no timing given. So even though you've had a number of weeks at 65, it could be a year away or two years away. Not going to, I don't know, tell.

Jevan Bouzo: I hope it's not. I hope it's not two years away. I think we've got a fair bit of work to do this year and I think we're certainly heading in the right direction. We'll be a little bit dependent on the way market tracks in terms of their return to mobility and people travelling around and increasing activity on roads, but we're starting to see a little bit more of that at the moment so I'm hopeful that we're heading in the right direction.

Gordon Ramsay: Okay, thank you. And just one other area, just on the refining side of the business, your competitors said they were holding off on the FID on the refinery upgrade because of concerns about government policy on aromatics. Is that an issue for Viva and the Geelong refinery?

Scott Wyatt: We're, like others, where we're certainly waiting to hear on the outcome of the review around any further changes to fuel specifications. And obviously the key one from a refining perspective is aromatics, so that's still in play with government. It's not holding us back on the upgrade to the low-sulphur petrol, that project as well in train. And there may be some work they'll be required to meet. If there are changes to further field specifications, there may well be more work that is required. But that at this point obviously is unknown so still waiting. It doesn't impact the main project.

Gordon Ramsay: Okay. Lastly, Scott, you made a comment about specialties being a larger part of the business going forward, and you mentioned a Viva polymer business. What could that include? What are specialties? Is it all petrochemicals or is it other products as well?

Scott Wyatt: Yeah. Let me just ask Lachlan to have a chat around the polymer's business and why we bought that and opportunities we see as to just give you a better flavour of the sorts of opportunities we're looking for within commercial.

Gordon Ramsay: Thank you.

Lachlan Pfeiffer: Yep, thanks for the question. Just to roll back a little bit to the polymers acquisition, that business has always been a facility that has been attached to the refinery and has been there for many, many years and took feedstock both from ourselves and Altona. And so Altona closing was a logical alignment between our business and it with regards to being effectively the dollar supplier of feedstock to that. I think what that does is obviously gives us a new arm to our commercial business and puts us in the polypropylene market and quite a strong position in that polypropylene market and exposes us to a whole new range of commercial customers in that segment.

It also opens up I guess some interesting opportunities on co-processing at Geelong. The circular economy and the recycling of plastics is obviously a very live issue in the community and with government at the moment. You might have seen we'd done previously a trial with regards to recycling of some effectively what is plastic pyrolysis oils through the refinery, and it's something we did 18 months ago and that was successful. And so it now opens up that opportunity considering we own that whole supply chain to look to those feed stocks and start to develop that processing capability at Geelong. And really starts to talk about what role the refinery can play in the longer term, as well as being what it will always be which is a significant asset from an energy security basis, particularly for the southeast Australian states, start to play a role in producing circular economy outcomes and lower carbon fuels over time.

Gordon Ramsay: Thank you.

Operator: Thank you. Your next question comes from Daniel Butcher from CLSA. Please go ahead.

Daniel Butcher: Oh. Hi, everyone. First one's just for Jevan. If we can get this Coles Express acquisition in the account, it's looks like there's a lot of room for margin improvements once we take the cross payment to leases and fuel margin with Coles Express and yourselves. I was just so curious if you can give us a rough guide as to what sort of margin contribution improvement you see over one, three, or five years? And maybe a rough indication how much CapEx will be required to work those shops over and make them perform better? Thanks.

Jevan Bouzo: Thanks, Dan. Yeah, it's good question. I think there's probably a couple of elements to that. It's a bit early to say how we've run those stores and how the margin performs. I think you rightly point out that Coles Express has been very much a value proposition over time, and a big part of our thesis and business case is to really grow and evolve that convenience offer. We know there's stores out in the market that perform extremely well in shop, and some of those are in our network and stores that are able to cover almost all of their costs from contribution from the convenience store. And I think there's a real focus and opportunity for us to continue to grow and develop that in our network.

We get the Coles business in a few months time as we've said. And so I think there's a bit of work to do post-completion on how that shapes up and how that looks over time. Whether there's a material margin opportunity there or not and how we decide to take that forward, I think I'll save until post-completion. And obviously you'll start to see those results come through our numbers. I'll refrain from giving you any guidance on that at the moment, but I think it does represent a good opportunity for us to reshape and evolve that and a pretty broad opportunity right across the network in that space.

Daniel Butcher: Okay. Well, maybe I can just try a slightly different angle. The number of stores in the network that you're acquiring - competitors are spending 500,000 to a million dollars on a shop renovation. Should we be taking those sorts of numbers and multiply by the number of stores to get the maximum amount of CapEx you might spend on refreshing those stores or would be a small proportion of that implied number?

Jevan Bouzo: Yeah, I think the network's performing pretty well at the moment. Returns are quite strong and so base case, when we talked about the earnings contribution of 45 to 70 million in the release late last year, that was excluding any synergy or future uplift, and that was really driven by folding the business in and continuing the good momentum that we've got at the moment. I certainly think there will be opportunities to invest and uplift the store network, but we'll look at those on a case by case basis. And they will be driven by an uplift in store sales profitability and contribution, and so will ultimately be self-funding in that regard.

But I take your point. A full refit of a store can cost up to a million dollars. At the same time, a light touch rebrand and a bit of a refresh can be significantly less. And over the past couple of years in conjunction with Coles, we've spent up to about $10 million already refreshing stores and improving some of the network, at least a couple of hundred sites or so, and have seen some meaningful sales uplift as a result. So certainly expect to continue that programme, and our CapEx guidance that you see incorporates an expectation of the Coles Express business coming in during the year and a small lift in retail CapEx to reflect that. But we will continue to keep you updated as we develop further plans in that space, and I do expect that there will be a lot of opportunity to improve the network performance, and some of that will come with investment.

Daniel Butcher: Okay, thanks. Maybe just one quick one on the energy import terminal. Any discussions and submissions to the government about your 2 cent's worth? Is there any possibility of the price cap long term not applying to import terminals, to have you as an extra source to supply outside the local production regime or is that not on the cards?

Lachlan Pfeiffer: So can I just... You just broke up a little bit. Was the question, is the price cap not going to apply to imports?

Daniel Butcher: Yeah. I'll guess the question is there any discussion with government as to that possibility at this stage in the draught?

Lachlan Pfeiffer: Yeah, it's something that is effectively on the first round of the legislation that we saw that wasn't exactly clear to be honest with regards to how imports were to be treated. And I think that's simply a factor because there isn't currently imports. It wasn't addressed in the initial phase of engagement on that. I think it's obviously an important question. We are in discussion and have made our own submissions with regards to government on it. Obviously, the way anything like that would need to be dealt with with imports would probably at least need to be different because the cost of production basis for reasonable pricing wouldn't make sense for international LNG quote. So I think it does need to be treated differently, and we're working through that with government.

Daniel Butcher: Okay, thank you. And maybe just one very quick one if I can just on slide 14, uncovered spot sales for the commercial business. Can you just explain what the dynamic is there and why you're making so much extra margin on spot sales? About 33 million?

Scott Wyatt: Yeah, sure. Within the commercial business is we have a wholesale business that sells to on spot basis to customers and resellers, if you like, of fuels. And that part of business performed particularly well last year, both in terms of sales but also in terms of earnings. And it's reflected a very tight market and difficulty for those customers to get reliable supply. And we were able to service that market and I guess combination of just our lower cost base and whether what we're able to extract from the market delivered that improve results.

Daniel Butcher: Would you expect that to be persistent in 2023 given current conditions, or is that something that might have them flow back?

Scott Wyatt: No, we call that out. We call that out as that was something that we'll claw back, we think, during the...

Daniel Butcher: Oh, sorry. Pardon. Missed that.

Scott Wyatt: Yeah. No, that’s ok. But during the course of this year, expect that to... Unless same conditions exist again this year and that's obviously uncertain, but that we feel that is probably more of a one-off.

Daniel Butcher: Okay, thanks. That's all for me. Thanks guys.

Scott Wyatt: Cheers.

Operator: Thank you. Your next question comes from Mark Wiseman from Macquarie Group. Please go ahead.

Mark Wiseman: Hi. Good day, Scott and team. Thanks for the update today, and well done on the dividend. Just two questions from me. Firstly on slide 13 in the retail business, quite impressive margin expansion, above what the AIP margins have done. I was just wondering if you can elaborate a little bit more on the procurement benefits and the tactical pricing. Are there any examples you can give or core strategies there that we should be thinking about that could repeat in 2023?

Jevan Bouzo: I can probably take that one, Mark. Thanks for the question. I think the AIP margins are generally helpful directionally. It's important to remember that those are a simple average across all market relative to terminal gate price. And so each player in the market will have their own actual cost base and obviously a weighted average based on the volume they sell across the network and across the markets in which they operate. I really think we've performed broadly in line with market. I think we've worked pretty hard to optimise our pricing from a tactical perspective across markets and within geographies. And the team work that pretty hard to try and drive both a volume and margin outcome that's balanced and sensible. So team continue to do that. There's probably no specific examples that are going to at this stage because it's obviously different by marketing can get a little bit detailed. But certainly trying to track that in a sensible way across all channels and optimise the volume and margin so that we can see some of the earnings uplifts that we're obviously targeting as we continue to see recovery at market.

Mark Wiseman: Okay, great. And just finally from me just on the Liberty transaction, I think you mentioned, Scott, that that would be, it sounded like early 2025 that you would be doing that buyout. It's a little hard to see from the equity accounting, but back of the envelope it looks like those stores are doing roughly half the profitability of the existing company controlled sites. I guess are you able to give any comments just on when those consolidated earnings come through and how we should contextualise that relative to the 50 million of EBITDA uplift?

Jevan Bouzo: I can probably talk to that as well, Mark, if you like. The comparison to our current company controlled network's a little bit difficult at the moment for two reasons. One, we obviously don't show the full integrated profitability of the Coles Express business yet. And two, Liberty convenience is carrying a higher overhead to support the new store rollout that it's been embarking on. And so if you think back to some previous presentations, we talked about their ambitions to get to as many as up to 150 sites leading up to that completion time or opportunity for us to buy the business out at the beginning of 2025. So there's certainly a level of cost in that business that would not necessarily carry forward if you were to fold those sites into the existing network and think about the expansion a little bit differently. That plays a little bit in their earnings performance that we equity account.

And as you're rightly point out at the moment, we only collect 50% of their npat which carries all that additional overhead. They're quite different sites and there's a mix of sites across the network, some metro but mostly regional, and some quite different large format sites that have a wider convenience offer that I think will benefit from folding into our broader network. And when you factor some of those, I think there's a number of sites in there that have quite impressive profitability and some that are more traditional. And once we fold those into the broader business without the overhead, I expect that they'll contribute a similar amount to the existing sites that we've got in the company-controlled business. But again, you won't necessarily see that through our earnings until 2025 post-buyout.

Mark Wiseman: Okay, that's great. Thank you.

Operator: Thank you. Your next question comes from David Errington from Bank of America. Please go ahead.

David Errington: Morning, Scott. Just probably following on to Jevan, I've been listening to all the answers on the retail Alliance sales and commenting on 58 million litres a week and you did 65 and obviously in weeks or bits and pieces of December. Covering Coles basically between 62 and 65 million litres a week is the barest minimum. It's the breakeven. It's probably even a bit higher now. I'm just trying to get my head around, you've got to get these up to around 70, 75. Is that now unachievable? And what is it? Is it recovery in market that you're claiming that you need, or is it actually recovery in the performance of the business because it's been held back by Coles? Can you give a bit of an overview there, Jevan? Because I'm trying to get my head around what is going to take this business to get back to where it should be. And that's really up to around that not 60, 65 because that's not even where you need to be to break even. You need to get it back to that 70 level.

So we don't want you setting low target too, Jevan, in your new job. I want you setting realistic ones. And I would've thought, Scott, you'd want him to do 70 to be barest minimum of acceptability here.

Scott Wyatt: Thanks, David. Thanks for the push. Yeah. No, I think we need to... I agree we want to get the business back up in the mid-60s. I think that's entirely achievable. I think beyond that, as I've said before, we'll really depend on where the retail market steadies out. As you can see in one of the slides in the pack is that we're the total market for gasoline at least is still down 10%. So that's a bit of recovery still to go there to get back to where we were pre-COVID when we set that ambition. I think your commentary on breakeven probably more reflects the model that we've got with Coles at the moment and their position. Obviously, that all changes when we fully integrate the business. So the breakeven cost of running the network is quite different under an integrated model. So we just probably need to think about it a bit differently.

But also, I think we also need to think about the returns on this part of the business and the context of convenience as well, which is obviously the part that we want to really invest in and grow further as well so that we're not completely dependent on restoring fuel sales with that network. The only other thing I would say before I hand over Jevan to respond on his targets, as you put it, is that since we have struggled over the last few years to add sites to the network, and in fact we've obviously taken sites out as we've ration optimised it, and so we've had to rely more heavily on the Liberty network to deliver the network growth and sales uplift in the retail segment. Now that, again, that dynamic will change once we take full control of the business in second quarter and will be much more and able to make our own decisions around network editions and so on, which will also help to deliver the growth that we had set out a few years ago when we made the transaction. So, make’s sense?

Jevan Bouzo: Yeah. Probably just-

David Errington: It does. Well, we don't want Jevan walking away though. I didn't like the change of the business model there, Scott. I think that was a bit of a soft one. I would've thought that yeah, I know it's integrated. But at the end of the day, this business should be generating 65, 70, 75 million litres a week given the brand the strength, the sites. And it looks like it's lost share over the last couple of years and it was basically going out and getting that share back again or that was where I was coming from.

Scott Wyatt: Yeah.

Jevan Bouzo: I think, David, and thanks, appreciate your feedback on the targets. I'll certainly work out to that. But no, I think you're right. I do think the business has potential to do more. I think we were growing share and regaining some ground. And I think through a period of quite challenging COVID impacts to mobility and travel, we've held share and we've weathered that pretty well and we've seen some decent retail results through that period. Now, as we start to see a little bit of return to activity, I think there's a real opportunity for us to recover.

At the same time, when we talk about the breakeven levels, it's worth pointing out that when we reflect on the time we did the reset back in 2019, Coles pointed to a breakeven level that was around that 62 to 65 million litres a week. And if you track some of the results that have been published today and in the past six months or so, that business has continued to perform well in shop. Sales revenue is up around 5% or so. Gross margin contribution's up a couple of percentage points. And when you track that through to the fact that they've been able to hold costs pretty flat, the actual shop contribution has improved such that I think that the breakeven level has reduced from that 62 to 65 million litres a week to somewhere in the 50, in the high 50s around where we are at the moment. And I think that does give us a little bit of opportunity to pick up a business that's in good shape and continue to grow it.

But what it says to me too is that the trajectory in shop and the potential for contribution for convenience to continue to grow and outperform is really strong. And that's certainly something that we've got to work towards as we get hold of the business in May and take it forward. But certainly haven't lost sight of the network performance on the fuel side. And like I mentioned earlier, I think we'll have a lot of opportunity to work both shop and fuel hand in hand to get the right mix of balance right over time.

David Errington: Yeah, it sounds very promising. Just swinging tax, Scott, if I can, the one pleasing or really pleasing other than the opportunity in retail, but the really pleasing part of this result is the commercial outcome. It seems as though you've been able to gain share there without giving away margin. And it's probably that slide on 14 is probably the best slide that you've ever presented other than that retail, refining here and there, but that is a magic slide. But what I really like about it here is new growth in businesses, market recovery, and gaining in margin. How have you been able to do that? Or is it how you been able to grow business without compromising margin? Because normally in this business, to gain new business you have to give away margin or at least your arbitrage, some customer takes it away from you. Can you give a bit of what's going on there? Because that looks a terrific outcome. This is, my view, the attraction of this result.

Scott Wyatt: Yeah. No, thanks. Thanks, David. I think I might bridge this just by saying a couple other things on retail. I think on your comment around share, we've actually held share in the Alliance throughout the last few years. So I think that's maybe not where we've ultimately wanted to be, but I think done pretty well to hold share within that channel and grow and share in other channels. Overall, retail is up on share through the last two or three years. And obviously, bridging into commercial is a bit the same story that we are doing well. But we're doing well in the areas that we're really targeting, which is more of the value-led segments. And we see a lot of... And a lot of that comes from our specialties businesses which are all obviously quite unique in different competitive sets. And I think we've forged very good reputation as supplier in many of those segments. And so that has really helped to pick up new business.

But even in aviation and traditional sequence like aviation resources and transport, I think we've focused on where our strengths are and where we can deliver a value for us and value for our customers in terms of locations and the areas in our markets where we have a particular strength. So I think rather than just chasing volume for volume's sake, we've been quite selective. And as I said earlier, we've been very good at managing our relationships with customers and dealing with the cost increases that we've seen as well, which is also reflected in the overall performance of commercial. I think it has been a wonderful year for commercial. It's been, I think, well deserved because a lot of the results you see this year are multi-year in preparing for. So I think it's the long work the team have done to really build very deep, close relationships with all our customers and potential customers as well.

David Errington: Yeah. Not withstanding the spot comment, it looks like it's sustainable going forward by the looks of it. Is that fair call?

Scott Wyatt: Yeah, I think a lot of it is, absolutely. Obviously, the volume recovery, volume growth from new customers is all sustainable going forward. And hopefully, positively new customers, there'll be additional earnings that come from that in the years ahead because obviously, there's facing before you see the full benefit. So yeah, it's a strong performance. The call-out would be the margin on spot sales is probably a bit of a one-off.

David Errington: Maybe, maybe not. You never know.

Scott Wyatt: But maybe not. You never know what's ahead this year, correct.

David Errington: You might keep it. Good luck, yeah. Thanks, Scott.

Scott Wyatt: Thanks. Thanks, David.

Operator: Thank you. Your next question comes from Joseph Wong from UBS. Please go ahead.

Joseph Wong: Hi, guys. Well done on a great result. Just a question. Well, two questions from me. The first one is just looking at the target you have for Liberty for 150 sites over the next two years, you've increased sites by two in the last 12 months. Should we be expecting most of the growth be in '24? Or how should you think about that growth over the next two years?

Scott Wyatt: Yeah, I think we have... When we set the 70 to 150 targets, we've obviously been through the pandemic. It's been difficult to add the network that we expected over the last couple of years, and so you can see that in the results for last year. We do have a pretty active pipeline though in the year ahead, next couple of years. So there is a lot. There'll be more, certainly a lot more coming through this year and next year. We may not get to the 150 by the end of 2024, the time that we've lost, but we'll get a lot closer than where we are at the moment. That's probably how to think about it.

Joseph Wong: Yeah, got it. And I guess a question for Carolyn, just as coming in as the CFO, the business will be having Coles Express come through, so the earnings should be more stable. Is the 1 to the 1 1/2 net debt EBITDA still appropriate for this business?

Carolyn Pedic: Yeah, look. That's what we are sticking to at this point. You always want to reassess depending on where we're at and any potential future growth opportunity. But at this point, it remains appropriate.

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

Operator: Thank you. Your next question comes from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Good morning. Oh, good afternoon, actually. And congrats on the result as well. Can I maybe ask a question about the gas import terminal? You may have said this before, but I guess I'm a bit new to the company. In addition to the mandatory code of conduct, is there other policy that you're waiting on to finish your FID? And I guess also is there any update on the project costs that you could share with us at this point?

Lachlan Pfeiffer: Yeah, thanks for the question. Maybe I'll give a general update. Where the project is at from a status perspective is we are still waiting for a regulatory approval from effectively the Victorian government from the EES process. So we're at the very back end of that. To be frank, we were expecting that towards the end of last year, but due to the Victorian government election and going into hold over there, it's pushed into this year. That's the critical phase at the moment that we're looking to get through ahead of them ramping up to FID after that. So there's no other regulatory pieces that need to fall into place save for that. And obviously, the changes to the gas market through the mandatory code have an impact on the commercials and the expected participants in the project.

Rob Koh: Okay, cool. Thank you. And then maybe can I ask a question about Viva polymers and the Bassell facility? So from memory, the output of that's about 130,000 tonnes of PP a year. Could you give us a sense of what the required feedstock is to get to that capacity or whatever the run rate is, and therefore a sense of what the circular opportunity might be?

Lachlan Pfeiffer: Right. The feedstock's obviously just the normal feedstock for the refinery. In terms of actual supply, that's dwarfed by what the refinery takes in. I think where your question's going a little bit is if we bring circular feed stocks and waste materials in, how does that then account to the polymer's production? And broadly, what you would do is identify the feedstock, if it comes into the refinery and you mass balance it through accreditation regimes such that it can be attributed to the polypropylene produced at the back end. In that regard, it's effectively one for one. So to the extent that you can bring in all circular feedstocks, you would mass balance it across to the polypropylene business. Now, that said, these are all relatively new technologies and it's starting small scale, so we're doing small-scale trials this year and there's a few pilot facilities that are up and running in Victoria. This will start small and then we'll look to grow it over the medium term.

Joseph Wong: Okay, great. Yeah, thanks. Sounds very sensible. Good luck with it.

Lachlan Pfeiffer: Thanks. Thanks.

Operator: Thank you. Your next question comes from Dale Koenders from Barrenjoey. Please go ahead.

Dale Koenders: Hi, guys. Just I guess following on from Erro, just your thoughts towards EVs. You've got two competitors who are running really hard on land grab, building a network and a focus on winning mixed fuel from fleet vehicles over the next couple of years. How are you thinking about an EV strategy when you need to effectively grow volume through retail to get the earnings on the Coles acquisition?

Lachlan Pfeiffer: Yep, I can maybe talk to that one. Just to pick up on a couple of things you said there, when you talk about land grab, obviously we've got a great asset base to start with, particularly now we get the forecourt and control of the network back from coles-

Dale Koenders: Or for grid. Sorry.

Lachlan Pfeiffer: A grid grab, yep. I can talk a bit to that as well. I think we've got a good network to look to roll it out. It does become easier for us to grow that EV offering when we take control of the forecourt back from Coles. Obviously, while they were running the sites, it was their day-to-day control of the sites. And so deploying EV infrastructure onto that network will become a lot easier as we take that back in the next couple of months. So I think there's an opportunity there to start to look to do more than we have so far. In terms of the, I think, reading through your question around the power grid grab, it is still relatively early in the market, and I don't think we're seeing criticality of being able to access the grid in order to deploy EV infrastructure.

I think what we look at is, and maybe as I said, reading the comment a little bit, what's important in that is if you have to upgrade the power connection to the site, that can add to the capital expense of rolling out EV infrastructure. And that's certainly true. So site selection is critical, but there are other ways to optimise that as well, including the type and size of charging infrastructure that you roll out, as well as solar optimization, potential batteries on site, and just our other power consumption at the site. We think that's all manageable and isn't at a level of first mover criticality that you are leading to there. Our focus will be very much about site selection to drive utilisation of any EV charging we roll out and to very much support the broader convenience offering. So right sizing it for the growth of the market and very much supporting the broader convenience strategy in generating a wider variety of income streams from those sites.

Dale Koenders: Okay. And then just finally on the comments on the safeguard mechanism, how you're thinking about the cost of carbon on the refinery and what actions you're taking.

Lachlan Pfeiffer: I can talk a little bit to that as well. Obviously, still in consultation with regard to that, but provided the government gets through the political challenges. But at the moment we're obviously expecting that to come in. We had already set our own voluntary emission intensity target for 2030. The safeguard is tighter as in is a higher target than what we had set. But on the back of that work we'd done, obviously the work to support it to look to energy efficiency and projects that will give some direct emissions reductions benefits at

Geelong. So we'll continue to progress those projects so that we are delivering that lower emission intensity outcome in any event.

We do also expect that the safeguard provided generally in the parameters that we've seen so far will lead us to be in the carbon credit market in the longer term. That's something we've already looked at quite a bit considering we produce, we offer to the market fully offset carbon fuels. And so we're well down the track in terms of our thinking of how to participate in that market and invest in projects. I think it becomes a management exercise going forward, but we think it's quite manageable.

Dale Koenders: Okay. Sounds like some good opportunities to invest in both going forward. Thanks.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Wyatt for closing remarks.

Scott Wyatt: Hi. Look, thank you everyone. Thank you all for joining us this morning and for your questions. As I mentioned at the beginning of the session, 2022 was really an outstanding year for the company with all three businesses performing extremely well. From the strong baseline, I do believe we're really well positioned for the year ahead and beyond in terms of our strategic priorities. I'm pretty excited about the projects and opportunities we are pursuing, and I think they'll put us in good stead for both the energy transition, energy security, and broader diversification of our business in the long term. Thank you again for all your support and have a great day.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]