Iluka Resources Limited (ASX:ILU)

Business Review Update Teleconference Transcript

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Speakers

Tom O'Leary, Managing Director and CEO

Doug Warden, Chief Financial Officer and Head of Strategy and Planning

Simon Hay, Head of Resource Development

Start of Transcript

Operator: Ladies and gentlemen, welcome to the Iluka Resources business review update teleconference. I must advise you that today's call is being recorded. There will be a question and answer session at the end of the call. I will now hand you over to your speaker today, Iluka's Managing Director, Mr Tom O'Leary. Please go ahead.

Tom O'Leary: Welcome to the call. I'm Tom O'Leary, thank you for joining. Before we begin though, I'll introduce my colleagues with me here in Perth. I have Doug Warden, Chief Financial Officer and Head of Strategy and Planning; Simon Hay, Head of Resource Development, Simon's been involved in the review of ore reserves; and Robert Porter, General Manager Investor Relations.

The reason for the call is to give you an opportunity to ask any questions you might have on the matters covered in this morning's release. But before I open it up to questions, I'll just make a few comments. I joined the Company on 5 September and since then a lot of my energy and that of the executive has been directed towards finalising the commercial and regulatory arrangements for the acquisition of Sierra Rutile and more recently, the early stages of its integration with Iluka.

But at the same time and against the backdrop of the acquisition, we've been active on several internal matters. Some of those matters have now reached a point where it's appropriate to update the market and I also wanted to update you generally on some aspects of the ongoing review of the business.

On my first day at Iluka, when I got the people of Iluka's support office in Perth together to introduce myself, I said that part of the context in which I was joining Iluka was the fact that the business had reported a loss at the half and that the Company had also generated negative free cash flow; and I regard it as important, that as a Company, we needed to do all we could to ensure we were sustainable and that improving the Company's resilience to periods of relatively lower commodity prices was a key part of that sustainability.

As an executive team, we began what we called the sustainable business review in October and by mid-December, we'd made the inevitably difficult decisions on people and most whose roles were redundant had left the organisation. The sustainable business review, though, is very much ongoing in the sense that we'll continue to pursue cost savings in procurement and elsewhere, well beyond the labour savings captured to date and we'll provide some further detail on that at the full year results. But we've also reviewed several other areas of the business.

The asset impairments announced today total $201 million pre-tax, $141 million after tax. These are all non-cash and largely relate, as you'll have read, to the Murray Basin. Again, on joining the Company, I spent a significant amount of time in September and October at Iluka's various sites within Australia, many of which are effectively rehabilitation sites now, while our key Jacinth-Ambrosia mine is idle.

I quite quickly got a sense that there was significant equipment around sites, particularly in the Murray Basin, which was carried on the balance sheet and had been idle for some time, awaiting potential deployment elsewhere. With the acquisition of Sierra Rutile and its long life assets, enabling us to prioritise the deposits we plan to exploit, there was a solid basis to reach the conclusion we did yesterday at the Board that it was appropriate to write down the Murray Basin and other assets described in the release.

As plans for the Balranald deposit have now shifted to the potential for underground mining only, much of the equipment in the Murray Basin is unlikely to be redeployed there and without an obvious alternate use, the Board believes it's appropriate to write them down.

The key assets remaining in the Murray Basin are our mineral separation plant in Hamilton, as well as the Balranald deposit itself. Hamilton will continue to run through 2017 and into 2018, processing heavy mineral concentrate held in Victoria, as well as from Jacinth-Ambrosia and, subject to Balranald being developed, from Balranald as well. You will see a short update on Balranald in the Quarterly Production Report. The essence of it is that there are favourable indications that further evaluation work is to be done in 2017 and I plan to provide you an update on Balranald, as well as on Cataby, at the time of the results in February.

You'll have seen that we've decided to change the policy on depreciation, such that going forward, even when equipment is idle, it will continue to be depreciated. Even though that might dampen reported earnings where a mine and associated equipment is being idle in circumstances where it will definitely come back online, such as with Jacinth-Ambrosia, as a Board, we believe the straight-line method will better serve the Company and its shareholders.

With respect to the rehabilitation provision, again, when I joined the company and visited the many sites around Australia where our rehabilitation works are ongoing, as well as visiting sites that Iluka is justifiably proud of having completely rehabilitated and returned to productive farmland, or revegetated bushland, it was quite obvious to me that the key liability on our balance sheet, the rehabilitation provision, was something I wanted to dig into.

In this review, we engaged external advisers to audit Iluka's rehabilitation and closure recording system, which is effectively a database tracking cost and schedule of all closure activities, to assess both whether our current estimates are reasonable, but also whether our spend each year is actually delivering the amount of rehabilitation progress on the ground that had been expected.

The good news is that the audit results in respect of the sites in Australia were pretty clean. The $4 million increase that related to Australia was an increase of about 1%, largely around increasing contingency. The disappointing news, obviously, was the increase in the US rehabilitation provision, particularly on the back of it having been increased substantially at the end of the 2015 financial year. The US provision has increased by $41 million.

As noted in the release, a lot of work has gone into the refinement of the rehabilitation estimates over the course of 2016, particularly in Virginia. But a key change from last year is that we are no longer contemplating resuming mining at Virginia or proceeding with the development of Hickory or Aurelian Springs. The US operations and projects are now closed, rather than merely idle.

So when we look at the work we need to do to rehabilitate the area, we're no longer relying on, for example, using the voids created though mining those deposits to assist in reducing the cost of rehabilitation. Prior to this refinement, we planned to fill voids created through operational mining activity, with waste products on sites being rehabilitated. This is an example of what would be expected to be an operating expense now being solely attributable to the remediation effort.

Turning to ore reserves, again, the acquisition of Sierra Rutile allows us to reassess which deposits to exploit and when and it's pretty evident that the Sierra Rutile deposits will be exploited in preference to the deposits we've reclassified today. That's why we bought it. As noted in the release, the deposits we reclassified as resources are not, and even prior to the Sierra Rutile acquisition were not, in our current 10-year mine plan. The reclassifications have no impact on any of our key projects like Jacinth-Ambrosia, Cataby or Tutunup South, nor do they have any impact on Sierra Rutile.

The full Ore Reserve and Mineral Resource statement, including for Sierra Rutile, will be issued with our annual report on 23 February.

Given the various matters set out in the release today and to help investors understand the impact, we've given an unaudited range of expected NPAT of a loss between $220 million and $230 million and for net debt as at 31 December of $506 million.

On the outlook, I know we've released a lot of materials overnight and you may not have had the opportunity to review our key physical and financial parameters document, but I wanted to draw your attention to a couple of points there and they are our guidance on Sierra Rutile cash costs and volumes for 2017. It's become likely as our budget and mine plan for 2017 pans out, that as a consequence of mine schedule changes at Sierra Rutile over the period prior to Iluka taking control, lower ore grade will be encountered this year. As a consequence, the 2017 financial year will be more challenging, both at volume and cost. We are addressing this issue through a revised mine plan and increased mine rate.

Our cash cost is guided in the document for 2017. We've now released a higher than the three-year average we expected when Iluka announced the acquisition of Sierra Rutile and the volumes we're now guiding for 2017 are lower than those we guided on acquisition as a three-year average. It seems confident, though, we can do the heavy lifting to get back on track this year, so I don't see the miss versus our acquisition case expectations as being a major concern. We remain confident of our three-year average guidance, albeit we're expecting Rutile's production to be at the lower end of that three-year average guidance on volumes.

We're in the business for the long haul and I'm confident that with the team in Sierra Leone, led by Rob Hattingh, we have the capability in place to make a success of the acquisition. I plan to give an update on the integration at the time of the full year results on 23 February.

In terms of outlook more generally, you will see the comments we've made on zircon. The key is that global inventories seem to be tight, with most zircon sand inventory held by us. Demand in the latter part of 2016 and into the first quarter has been encouraging. We've also advised customers of a US$50 a tonne price increase from 15 February 2017, so I'm hopeful we're now seeing the first signs of some recovery in volumes and prices.

On titanium feedstocks, pigments markets have clearly been tightening and as noted, we've increased prices for rutile for the first half and are contracting most of our rutile volumes for six months in light of market conditions.

So with that, Doug, Simon and I would be happy now to open up to questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question today, please press star followed by one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Once again, it's star/one if you wish to ask a question today.

Our first question today comes from the line of Paul Young from Deutsche Bank. Paul, please go ahead.

Paul Young: (Deutsche Bank, Analyst) Yes, morning gentlemen. First question is around Sierra Rutile and the production guidance, Tom, at Gangama. Just curious, can you give us a bit more information about the reasons for the lower production, or should I say flat production, versus 2016 and reduction in guidance? I mean Lanti is expanding, Gangama dry mine is expanding, so what has actually changed since you did that extensive due diligence at the operation to result in flat production? That's the first question, thanks.

Tom O'Leary: Yes, look as I've said and as we've put in the key physical parameters document, there have been some mine schedule changes that the former management of the operation had implemented in the period prior to us taking control. So as a consequence, in order to meet our production volumes we've guided this year, we're simply going to need to mine more tonnes to get the same amount of heavy mineral material. So that's significant increase in mining and processing is contributing to the additional cost.

Paul Young: (Deutsche Bank, Analyst) Right and so further to that, if you look at the thee-year outlook, you're guiding to the bottom end of the range now. It sounds as though in this case its grade related as opposed to throughput, so is this going to be your assessment now that you have to push the tonnes, as a result of potentially lower run of mine grade?

Tom O'Leary: Yes, I think that's certainly the case for this year. But as I've indicated, we believe that we can do the heavy lifting this year and really get us back on track with our acquisition case by the beginning of 2018.

Paul Young: (Deutsche Bank, Analyst) Okay.

Doug Warden: Paul, it's Doug here, just to add to that, I think you mentioned the Lanti and Gangama expansions.

Paul Young: (Deutsche Bank, Analyst) That's right.

Doug Warden: Obviously the previous management did an expansion in relation to Gangama in 2016. The additional expansions that we flagged in previous materials for Gangama and Lanti, they wouldn't effectively come into the production numbers until 2018.

Paul Young: (Deutsche Bank, Analyst) Right, even though Gangama….

Doug Warden: Oh sorry, back end of 2018 and into 2019.

Paul Young: (Deutsche Bank, Analyst) Okay. Gangama's still ramping up though, isn't it, Doug? Or has it hit nameplate, it's a dry mine?

Doug Warden: The expansion that they did has effectively hit nameplate, yes.

Paul Young: (Deutsche Bank, Analyst) Okay, that's great.

Doug Warden: But the issues relate to the grade that was mined during the second phase with the anti-trust due diligence versus what we expected from the due diligence.

Paul Young: (Deutsche Bank, Analyst) Okay, alright. Maybe moving on to pricing, I'll leave Sierra Rutile out, maybe moving on to pricing, just on zircon, so you're expecting a $50 a tonne increase for the zircon book in the June quarter. From what I can gather, concentrate prices haven't really moved too much and concentrate's still a good 15% to 20% of your book you're guiding too for 2017. So is the implication here or is the read through that premium zircon prices and standard zircon prices could be up more than $50 a tonne for the June quarter? Is that the way I'm reading it?

Doug Warden: Look Paul, I think that level of detail is just not something that we want to go into in this call. I think we've guided that we think the price will go up by $50 a tonne. We're expecting the results of that from our customer interactions in the coming months and the split between those products, I think, is not something that we'll go into at this stage.

Paul Young: (Deutsche Bank, Analyst) Okay. Alright, last question, just on synthetic rutile, it doesn't look like the price has really moved quarter-on-quarter for quite a while now or since you started SR 2. It seems as though your contracts are largely fixed price in nature, can you maybe talk us through, if the rutile price does increase, will you see any benefits through your SR pricing? Thanks.

Doug Warden: Yes, Paul, look I think whilst we haven't given the details of those SR contracts for commercial reasons, it's fair to say some of it is, well it's fixed price with escalation in it, some of it and other contracts are based off more what's happening in the current market. So it's a mixture of the two. As for what might be exposed to spot, there is still a meaningful percentage that's exposed to spot and those contracts are not extending into the medium term; they're sort of a 2017 and into 2018 issue.

Paul Young: (Deutsche Bank, Analyst) Okay, alright, thanks. I'll pass it on.

Operator: Our next question today comes from the line of Clarke Wilkins from Citi. Clarke, please go ahead.

Clarke Wilkins: (Citi, Analyst) Hi, Tom. Just going back to the Sierra Rutile, like it's sort of increasing costs, like it's a 35% to 50% increase in cost versus what the previous guidance was. To explain that by mine schedule changes seems to be a very large increase. So does that continue into next year? Like obviously the guidance is still going to be next year at the lower end of that range, but do you get back to that $75 million to $85 million in cash costs next year, or is that sort of 35% to 50% increase in cost ongoing?

Just the second side of it just was in regards to the US. Obviously there's no intention to now, by the sounds of it, mine in the US. Is that [unclear] vested now? Like, you rehab it, then is there any potential proceeds from just divesting that, the land, et cetera, in the US operations or the ex-operations there?

Tom O'Leary: Look, in terms of the US, in time obviously we'll look to divest that land, but it's someway down the track. So, yes, it's a closed site.

Doug Warden: Just on the costs Clarke, I'm not sure where you're getting that percentage where - in the commentary on page 4 of the parameters, we talk about US$87 million, which converts to AU$115 million.

Clarke Wilkins: (Citi, Analyst) Yes, okay.

Doug Warden: …versus a guidance of US$75 million to $85 million.

Clarke Wilkins: (Citi, Analyst) Okay. So that's - so the cost get back then in the range next year or is it just a one-off sort of impact this year?

Tom O'Leary: Look, I think we - as we've said, we would expect to be able to come back in line with our investment case in '18 and beyond.

Operator: Our next question today comes from the line of Hugh Stackpool from JP Morgan. Hugh, please go ahead.

Hugh Stackpool: (JP Morgan, Analyst) Hi, guys. Just in regards to rutile pricing, it looks like new contracts up 4% or up to 4%, so realised might be a bit different. I was just thinking, that kind of overwhelmed my expectations given how well the pigment market and kind of lead indicators have been going. Is that a factor of kind of incorporating Sierra Rutile and Iluka volumes in at the same time, like a bigger, I guess, amount to put into the market and/or is Sierra and Iluka Rutile at the same price?

Tom O'Leary: Look, it's not so much a Sierra Rutile impact. I think, you know, when we look at rutile pricing at the back end of 2015 and early '16, Iluka locked in rutile pricing for 2016, anticipating that there would be some weakness in rutile pricing. So the rutile pricing achieved by Iluka over the last 12 months was probably about a little better than some in the market. As we've said this year, when we look ahead we've put through a price increase, but we've looked to contract out four periods of six months only.

Hugh Stackpool: (JP Morgan, Analyst) Yeah. Okay. So maintain that flexibility if tightness continues. I suppose just in regards to the way you market, there have been some redundancies. I just - have the redundancies had an impact on the marketing division and does the company kind of still have that strategy to act as a - the swing producer and defend pricing with volumes?

Tom O'Leary: Yeah. Absolutely. There's been no change to the strategic settings around our marketing and we fully expect to be able to service our customers every bit as well as we have in the past.

Hugh Stackpool: (JP Morgan, Analyst) Okay. Then just one last question, maybe just on those redundancies, were they primarily in Iluka or did that [unclear] Sierra Rutile and just wondering if there's been any kind of key onsite management personnel from Sierra Rutile leave or change since the acquisition.

Tom O'Leary: No. No, there haven't. But - no, the - there was - the sustainable business review has really been focused on the support functions within the Iluka, excluding Sierra Rutile operations - well, not operations, but support functions here in Perth largely, so I think you'll see in the detail that some 90 roles redundant out of a - out of a support functions total of about 440.

Hugh Stackpool: (JP Morgan, Analyst) Okay. Cheers, guys.

Operator: Our next question today comes from the line of Paul McTaggart from Credit Suisse. Paul, please go ahead.

Paul McTaggart: (Credit Suisse, Analyst) Thank you. Hi, guys. I just want to follow up on the capex numbers that you provided in the guidance. So are we talking $260 million for '17 as guidance, $190 million of which is Australian and then SRL $70 million odd. Of the $190 million, and this assumes that Cataby's - gets committed during 2017 - of that 190, how much would relate to Cataby roughly?

Doug Warden: Look, Paul, we'll provide some further information in due course and probably at the full year results, but at this stage, that's not something that we've split out. But as we've said, I think, in the announcements, we'll provide further information on Cataby and Balranald and other capital at the full year.

Paul McTaggart: (Credit Suisse, Analyst) Okay. So this was a - this was a teaser by the sound of it.

Doug Warden: Yeah. Look, I'll just emphasise that, as we say, the Cataby remains still subject to a board decision.

Paul McTaggart: (Credit Suisse, Analyst) All right. Thanks. Thank you.

Operator: Our next question today comes from the line of Glyn Lawcock from UBS. Glen, please go ahead.

Glyn Lawcock: (UBS, Analyst) Good morning, Tom. Just a - three quick questions, if I could. Firstly, just following up actually any value selling it as a potential development? The second question, just wondering - I know you didn't answer Paul's question completely, but just when do you have to approve Cataby by to avoid a production hiatus of synthetic rutile? Just trying to think through that. When does it have to happen to avoid that? The final question is, watching your competitors over the last couple of weeks release their quarterly; they've all talked to a lift in rutile high-grade feedstock demand. Just wondering if you've seen similar across your businesses as well. I know you're going to be constrained, because you've only got so much inventory, but just wondering if you've seen similar events from your customers coming to you and saying, yeah, we're going to need more next year than last year. Thanks.

Tom O'Leary: Yes. Look, on the Cataby project, as Doug said, we're going to be updating on the process there in February. But we have feedstocks available here and we can extend the life of those feedstocks through importation of feedstocks from around the place, so there is a bit of flexibility on Cataby, but ultimately we'll - as I'll say, we'll update on that in the results in February. On rutile demand, I think we're probably said about as much as we want to in our guidance. I think there's clearly a tightening going on there and we will do our part in the market there. On US land though, I'll hand over to Doug.

Doug Warden: Yes. Look, Glyn, the sale of the US is something that's come up from time to time over many years. Obviously with the cessation of mining there in recent times, there is - there's obviously materials left, there's resources left there that someone might be prepared to pay something for or take off our hands. I guess as we think about those things, important to us is that that would ultimately bring new supply or could bring new supply if people were able to raise the money and approve a project within their organisation on perhaps different metrics to that which we might apply or different forecast to that which we might apply in relation to price. So we've seen that over the last five years with new supply coming along, people picking up projects that perhaps shouldn't have been developed. So, I guess, that's how I'd answer that. We're not falling over ourselves to put resources into the hands of others for nominal sums.

Glyn Lawcock: (UBS, Analyst) so you'd basically spend the $104 million to keep it out of the market, not in competitors' hands.

Doug Warden: Well, yes, and question whether what you would get for that, given those rehab liabilities. So sell it, yes, but what is someone prepared to take it off your hands for, given those rehab liabilities? So I'd suggest that it wouldn't be a positive number unless someone was not particularly commercial.

Glyn Lawcock: (UBS, Analyst) Alright, thanks very much.

Operator: Our next question today comes from the line of Craig Campbell from Northcape Capital. Craig, please go ahead.

Craig Campbell: (Northcape Capital, Analyst) Good morning, gentlemen and thanks for the update. Just with regard, the cost out that you've put through in today's release, given you've only been there for a short while, would you expect that there's further potential for cost-out over the next 12 to 18 months other than what you announced today? Just secondly, just looking at paint sales, that sort of thing, going in the US, it looks like they've really been shooting the lights out and just wondering how things are going in other regions of the world, like Europe, Asia, et cetera.

Tom O'Leary: Thanks, yes. Look, on the sustainable business review, we - as I've said in the release, I think, it's very much an ongoing process, because - well, for a couple of reasons. One, we do see an opportunity to take more cost out and the particular area there I think is around procurement and that's one that we're focusing on very heavily. Our - firstly with our major contractors, our - you know, our biggest ticket, areas of spend, but secondly at looking at the tail of spend and bring further discipline to that in a programmatic way. So, look, I think there is further opportunity. In terms of people though, I don't think one ever says that there's never going to be any further redundancies or whatever in an organisation, because you've really got to - we really need to focus on continuous improvement. But having said that, it's probably not been a focus in the recent past or the quite a long past on continuing to seek efficiencies in our support functions, so we've had to have a pretty dramatic change over the last period. So I'm not anticipating a further dramatic change in numbers of our support functions at Iluka. It's more that we'll continue to and forever, pursue continuous improvement and cost efficiencies where we can. In terms of the comment on paint sales, I'll just hand over to Doug.

Doug Warden: Yes, Craig, look, all I'd say on high grade CI2 and what we're seeing pull through from down the value chain is continued signs of tightness with customers bringing forward orders and we're seeing that into '17. As we've said, there's always been that question asked about the 4% increase. Some of that is a function of what we inherited from SRL and what was contracted prior to us taking control. But certainly the signs around paint and pigment in between that are positive and I would note also that the unfortunate event overnight with Huntsman's plant having a significant fire there, which could take out further supply there and further tighten the market. Fortunately, there were no injuries. I mean, Huntsman's a key customer of ours and we don't like to see these things happen, but in terms of the impact on supply, it could further tighten the pigment market, albeit it's a sulphate plant, but that will have flow on effects for overall pigment supply. So continued signs of tiredness and we'll wait to see how the next several months unfold for second half prices.

Craig Campbell: (Northcape Capital, Analyst) Yes. I suppose what I was trying to get out of you guys is that clearly the US have just been going great guns over the last 12 months, particularly the last six months and quarter, but are you seeing any positive trends like that in Europe, South-East Asia, anywhere else, or is the drive that we're seeing in these markets at the moment mostly driven by the US?

Tom O'Leary: Yes, look I think that's right, Craig. We don't sell, as you know, meaningful tonnes into China in terms of TI2 feedstocks being largely a sulphate market. Europe continues to muddle along, but, yes, most of the growth appears to be coming out of the US.

Craig Campbell: (Northcape Capital, Analyst) Okay, thanks.

Operator: Our next question today comes from the line of Rahul Anand from Morgan Stanley. Rahul, please go ahead.

Rahul Anand: (Morgan Stanley, Analyst) Hi Tom and thanks guys. A couple of quick ones from me. Firstly, on the zircon markets, I notice some comments related to low-levels of inventory in the system, barring of course Iluka itself. Just wanted to understand if there's any reference points available to the Company that you could perhaps share with us with relation to any finished ceramics inventories within China which would also help us determine how quickly that demand pull through comes through for zircon. That's the first one.

Tom O'Leary: Yes, look there really are - it's a very distributed market particularly in China. I think there are quotes of up to 2000 tile manufacturers so it's very difficult to get any sort of [inaudible] that one.

Rahul Anand: (Morgan Stanley, Analyst) No worries and - sorry?

Simon Hay: Yes, it's Simon here. I used to look after the zircon market in China and globally. One positive sign is our [millers] prior to Chinese New Year. We're still milling whereas they normally shut down significantly before Chinese New Year. So that would be one indicator that we see demand from the tile industry in China.

Rahul Anand: (Morgan Stanley, Analyst) Very interesting, thanks Simon. The second one that I had was just related to the business review. If we look at the 90 [inaudible] things like the redundancies and associated costs are about $7 million pre-tax. For this year, on a like-for-like basis, $20 million coming out of the non-cash component. I mean the payback on this is less than four months. I was just trying to understand where are the - are there other things besides the staffing here that's changing as well?

Doug Warden: Sorry, just repeat that last bit - besides the?

Rahul Anand: (Morgan Stanley, Analyst) Besides the staffing, are there other functions or departments changing significantly because $7 million seems to be the costs of redundancy but the savings are at $20 million just for '17?

Tom O'Leary: Yes, look it's not simply labour-saving to be clear. The activity associated with the labour effectively - with the activities that were happening that have been ceased, either exploration activities or activities like the [unclear] review - the activities contribute to that saving as well.

Rahul Anand: (Morgan Stanley, Analyst) Okay, that's clear.

Tom O'Leary: The cessation of those activities.

Doug Warden: I'd just guide you to the footnote on page 4 of the physical and financial parameters just to try and understand that other cash costs line item as well. So there is reference there to 2016 guided number of 190 versus 2017 at 120 and it might be difficult for people to reconcile how we're talking about $20 million on a like-for-like basis, but the footnote references $35 million for the Balranald trial that hit the P&L, as well as $14 million of transaction costs that are wrapped up in that 190. So once you strip them out you get back to 190 becomes 140 versus 120.

Rahul Anand: (Morgan Stanley, Analyst) Okay.

Doug Warden: So it's a little confusing I acknowledge but hopefully that footnote explains it.

Rahul Anand: (Morgan Stanley, Analyst) Okay. That's all from me.

Tom O'Leary: Okay. Well I think there are no further questions so thanks very much for joining us this morning. Have a good day.

Operator: Ladies and gentlemen that concludes our conference for today. We thank you all for your participation. You may now disconnect.

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