Event Transcript

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This document should be read in conjunction with ASX announcements 'Woodside announces A$2.5 billion equity raising' and 'Woodside Entitlement Offer Investor Pack' released to ASX on 14 January 2018.

Start of Transcript

Operator: Thank you Mr Coleman. We'll now move to the second part of today's session, focussed on Woodside's Entitlement Offer.

Peter Coleman: Okay. Well again, thanks again for re-joining me or staying on the line. Before I begin, I would ask you again to read that important notice of disclaimer laid out on slide 3. I also need to add again and just remind us, that due to legal restrictions, people located in the US are not able to participate in the briefing call. So if you are from the US or representing somebody from the United States, can you please drop off the call now.

Okay, moving beyond the legal. What I really want to do now is to take the opportunity to discuss Woodside moving the majority own position in Scarborough by purchasing an additional 50% in Scarborough for just over $0.4 billion and our planned Aussie Dollar $2.5 billion equity raising. The equity raising will support the acquisition of the additional Scarborough resources. It provides all the short and medium term expected equity funding requirements for Scarborough, SNE-Phase 1 and Browse through to a final investment decision and, very importantly, maintains a prudent financial position for Woodside.

If we start on slide 4, I'll give you an overview of what we've announced today. In a nutshell, we are unlocking shareholder value. It's as simple and as complex as that. Owning 75% of Scarborough's gas and sharing ownership of the entire resource with one joint venture partner delivers greater alignment, certainty and control for the project. On completion, Woodside will own a significant portion of the gas and of the infrastructure where it will be processed.

Our world-class infrastructure on the Burrup means that we can develop the opportunity quickly and efficiently and the Pluto liquefaction facility was designed to allow sufficient brownfield development facilitating expanded production, as we're expecting here with Scarborough. Acquiring additional Scarborough volumes materially strengthens the project's economics, materially reduces development risk and accelerates [delivery of] Scarborough gas through Pluto.

In parallel with progressing Scarborough equity funding allows us to progress value accretive options at SNE-Phase 1 and of course Browse through to final investment decision. This is set in the context of increasing demand for LNG and lower development costs at this point in the cycle. Slide 5 shows you the extent of the external market opportunity that supports the plan. A global LNG supply gap is emerging from early 2020's amid robust demand growth from Asia and low investment in new supply.

This creates an opportunity to develop the most competitive projects in time to meet that demand. Coupled with increasing demand, Woodside is in the unique position of being able to offer innovative marketing arrangements to customers and we have the flexibility to take FID at around a minimum of 50% term contracted, rather than the historical levels of around 80%. If I move on to slide 6, I'd like to discuss why we're doing this now and of course there are three reasons. First, it delivers value creating opportunities for Scarborough, SNE-Phase 1 and Browse by accelerating their development and giving certainty.

Secondly, the acquisition and equity raising gives greater certainty of Scarborough's development by creating greater alignment and control over a low cost, high value opportunity and third, we're maintaining prudent financial management and preparing our balance sheet for growth expenditure. This acquisition and equity raising also progresses our strategy over three horizons to deliver superior shareholder returns. Let's move on to slide 7 and I'll discuss in more detail our proposed increased interest in Scarborough.

We have agreed to acquire ExxonMobil's 50% interest in WA-1-R containing the 7.3 Tcf Scarborough gas field for an initial consideration of US$444 million and a contingent payment of $300 million at a positive FID. I should note that this is subject to customary pre-emption and approvals processes. This will give Woodside greater alignment, control and certainty between our offshore and onshore ownership, which you see on slide 8. Our offshore equity increases to 75% complementing our 90% equity in the onshore facilities, which supports low cost expansion at a facility designed to allow efficient brownfield development.

On slide 9 you can see how we plan to maximise existing infrastructure by developing new supply that we expect will be materially value accretive. Here we've outlined our conceptual plan for making the Burrup Hub a reality. Slide 10 shows you how we can develop Scarborough through Pluto. Six million tonnes per annum from Scarborough from 2025 will be processed via [base case] 3.3 million tonne per annum, brownfield second train at Pluto. We'll also very significantly extend the length of our production profile with Pluto. The Pluto-North West Shelf Interconnector provides additional optionality. With a 4.5 million tonne per annum capacity we could look at accelerating some Pluto production from around 2021 via North West Shelf facilities.

Further, the North West Shelf Interconnector provides an opportunity to optimise the capacity of Pluto Train 2. When I say that the Interconnector provides optionality, I want to be clear that we can and will progress Scarborough through Pluto without the North West Shelf. You will see on slide 11 the different options that we have to sequence production. From 2025 our intention is to process eight million tonnes per annum through the Pluto facilities. What will all of this cost us? It's on slide 12. You will see our cost estimates for this development and the appropriate notes on the side.

We estimate Woodside's share of capex to be about between $7 billion to $8 billion. Our cost of supply is globally competitive at $7 per mmbtu and upstream development costs are under $5 per boe. As I said earlier, this equity raising supports SNE-Phase 1 and Browse to FID. So let me give you some more details on these developments. The SNE-Phase 1 development concept is shown on slide 13. Oil will be produced via a standalone FPSO and associated subsea infrastructure, with production capacity of around 100,000 barrels per day total project.

Woodside's share is expected to be about 70 million barrels of total production for Phase 1. Current capex estimates are around $19 per barrel and we're targeting further cost reductions in the order of 15% to 25% before FID. We're also progressing Browse to the North West Shelf, as you can see on slide 14. Here we're planning for two gas FPSOs connected to the North Rankin Complex via a 900 kilometre pipeline. Gas will then be processed through existing infrastructure at the Karratha Gas Plant.

Production capacity will be 10 million tonnes per annum of LNG, 1.4 million tonnes per annum of domestic gas and 50,000 barrels per day of condensate. Capex to RFSU or first start up is forecast to be around $15 billion total project, making Woodside's share about $4.6 billion and of course, the phasing on the project is for the first FPSO to start up approximately one year before the second FPSO. The Browse joint venture is aligned on the Browse to North West Shelf concept.

The upstream resource is well matched at a downstream infrastructure with [emerging] capacity at the Karratha Gas Plant and to put that into context, Browse gas is best treated through the North West Shelf and Scarborough gas is best treated through Pluto from a processing point of view on the gas. Commercial negotiations between the Browse and North West Shelf joint ventures are ongoing and of course the project is targeting starting concept definition in the second half of this year and being FID ready in 2021.

If I can turn to slide 15, I'd like to discuss how financing maintains our prudent financial position, which of course, assist our developments. After acquiring Scarborough, Woodside is raising an additional $1.5 billion of equity which decreases net debt to around $3.2 billion and increases liquidity to $4.5 billion. Gearing moves towards the lower end of our gearing range, with our December 2017 gearing of 25%, is within our targeted range of 10% to 30% and of course, as a result of the equity raising pro forma December 2017 gearing reduces to 15%, providing strength and flexibility as we move into the next phase of project development and increased capital expenditure.

On slide 16 you'll see the key terms of the Entitlement Offer. You can see the terms of this fully underwritten Entitlement Offer and I encourage investors to consider them in detail. Approximately 94 million new shares will be issued, equal to 10% of our post-offer issued capital. I won't spend too much time on slide 17. But here you can see the proposed timeline of the Entitlement Offer. The Institutional Entitlement Offer opens today and closes tomorrow, Thursday 15 February. The Institutional Shortfall Bookbuild will open tomorrow and close on Friday.

So in conclusion, we have a huge market opportunity that we're well placed to capitalise on. There is great expected LNG market demand growth and now we have a project that we're confident will go to FID in 2020, and can be built at a lower point in the investment cycle and which can produce in 2025 to deliver value to Woodside and its shareholders. Furthermore, the Entitlement Offer provides the short and medium term expected equity funding requirements for Scarborough, SNE-Phase 1 and Browse to target FID and maintains a prudent financial position, whatever the commodity cycle deals up for us, at least within normal target ranges.

As you can see on slide 18, this unlocks significant equity volumes and again I want to thank you for taking the time to listen. With that, I'm going to turn over to the operator, who will take your questions.

Operator: Thank you. Ladies and gentlemen, we'll now begin the question and answer session. If you would like to ask a question please press star 1 on your telephone and wait for your name to be announced. If you need to cancel that request please press the pound or hash key. Our first question will come from Mark Busuttil from JP Morgan. Please go ahead.

Mark Busuttil: (JP Morgan, Analyst) Hi everyone. I actually registered my question for the first part, so I'm going to see if I can ask one from the first part and one from the second part. In terms of the second part of the conference call, in the past you've talked about acquisition policy being sort of sub-$1 billion bolt-on acquisitions. I guess you could maybe argue that what you've done today fits within that.

But can you maybe provide an update going forward, are you still targeting further acquisitions or is this the end of it, particularly considering the raising that you're doing is so much larger than the acquisition cost? I'll sort of circle back with a second question afterwards.

Peter Coleman: Yeah, look it's a good question Mark. Look, I would say our boots are full for a while, we'll be opportunistic obviously. So I'm never going to pass up anything that is extremely value accretive. I think the Scarborough equity is a good example of that.

We said we'd be looking to build around existing infrastructure so we had faster market opportunity. Unlocking additional equity at Scarborough does that. It is in that sub-$1 billion range as you quite rightly point out. As we look forward there's not too many of these on the market at the moment. The market's actually tightened up quite a lot over the last six to 12 months. So my expectation is that these types of assets are not going to come up very often.

So I don't have anything in the crosshairs at the moment and certainly the money that we've put aside for the equity raising is not targeted to allow Woodside to go after acquisitions.

Mark Busuttil: (JP Morgan, Analyst) Okay. Then as I said, this should have been directed to the first part of the conference call, but there was an article that came out a couple of days ago about KOGAS taking the North West Shelf into arbitration over a mid-term contract. Can you make any comments about that?

Peter Coleman: I can now that it's become public and clearly somebody in Korea has broken confidentiality. Let me get the facts out there. Firstly, the North West Shelf took KOGAS to arbitration, not the other way around. Second, this is a contract that has expired and it was an old legacy contract that was at actually very low slopes.

Thirdly, the North West Shelf view is that KOGAS owes the North West Shelf money, not the other way around. So some of the speculation out there has unfortunately missed the mark with respect to why the North West Shelf felt compelled to go and do this. We also need to support other buyers who have dealt with us in an open and transparent way and have closed out these negotiations at slopes that are at historical levels.

So this is an old contract that was just a handful of cargoes, I think about eight cargoes per year over a couple of years. Woodside's equity in that is only one-sixth. Of course what we're trying to do is just close out this negotiation.

Mark Busuttil: (JP Morgan, Analyst) Excellent, thank you.

Peter Coleman: Thanks Mark.

Operator: Your next question comes from Mark Samter from Credit Suisse. Please go ahead.

Mark Samter: (Credit Suisse, Analyst) Yeah, morning guys. Actually I couldn't get on the first call either so I might start with a really quick question on the more related to the first part, but it probably ties into the second. There was another year of zero organic reserve replacement. I think the three year average is 5% or something like that. It appears as a footnote saying, your head of exploration is departing Woodside in two weeks' time. Shall we see exploration being de-prioritised in the business going forward, or we shouldn't interpret that?

Peter Coleman: I think we're happy with where exploration is at the moment Mark. We've really built the quality of the resource base for us. So as you look at run-rate on exploration we're quite comfortable with where we are. It will change over kind of a three year average depending on when we have commitments.

This year we're front-end loaded with some quite large oil prospects that we're targeting off West Africa. So we're oil biased at the beginning of the year, and of course Myanmar we're de-risking this year. We were chasing different play types last year. Some of them were stratigraphic. This year they're all structural plays that we're chasing so very much de-risked that program. Of course we've got Ferrand that we'll drill in Australia here in the next couple of months.

So no, I wouldn't read anything into that other than, as you know, exploration portfolios take many years to fill. When - and to be honest with you, during my tenure it's taken about half of it to work off what was existing when I came in through the commitments and a long lead time on exploration.

So as we've said to market, really the next couple of years are going to tell for us as to whether our exploration strategy has worked or not. But as you can see it's a part of our growth. But equally a number of market commentators and investors have asked us, is this a good time to be buying in the market versus exploring? I'd suggest to you today's announcement on Scarborough indicates that, no, we think buying is a good time.

With respect to Phil leaving, it was a natural time for Phil to leave. His contract expires this year and so we've taken the opportunity to promote some of our emerging talent in the organisation. As you can see also with Sherry Duhe's appointment we're populating my lead team with the people that are going to lead Woodside through the next two horizons of our growth.

So please don't read anything into that. We've got nothing but the highest of admiration for the work that Phil Loader has done for us.

Mark Samter: (Credit Suisse, Analyst) Good. Now I might - this could be one of my long-winded questions. I'm going to try and tie it all into one around this transaction. I mean it looks like your guidance for Browse CapEx seems to have gone down 20% or 30% versus you last gave it to us, but we'll take the new guidance as gospel. We'll ignore the fact that probably BHP don't come along for the ride on Scarborough.

By your current guidance you're going to be spending around US$15 billion on two growth assets simultaneously on your timeline, that's 75% of your market cap. The business has got a 5% ROIC-ish at the moment. You said yourself on the first part of the call that LNG contracts are getting shorter and you're probably not going to be able to get the same quantum underwritten. So you're asking equity investors to take on more risk around these projects.

Yeah, how should we think? I think you did say to us a year ago that we shouldn't be expecting big lumpy Capex projects for Woodside anymore. We're kind of looking at two now simultaneously. How should we think about that risk you're asking equity holders to take on in the few years if it goes to plan?

Peter Coleman: Well, I think that there's two ways to look at that. Firstly, today's equity raising is to de-risk some of that initial capital as we go out there. The future capital though is you've got to kind of step back and say, well, one is what are we spending on? Then what is the risk of what we're spending it on?

So we're spending it on assets that are adjacent to our existing infrastructure. So as you know, Mark, one thing we've de-risked is basically the LNG plant part of it, which has been where a lot of the Capex over-runs have been of recent times. So if you put it in the simplest of terms, these are basically long pipelines connected to an offshore facility - whether it's a gas FPSO. The gas FPSOs for Browse are well within the range of size and complexity of vessel. So we're not building the first serial number on the side of the gas FPSO.

Then of course the offshore treating facilities for Scarborough are quite simple because it'll be just simply a moored semi-submersible platform with quite minimal treating facilities on board. So we look at these and say, these are well within our window of do ability, or our ability to execute within schedule and budget.

When it comes to managing capital of course we're just going to have to look at this as we come up to each final investment decision and then decide how we manage the capital through. It's going to depend on pricing between now and then, what we think our contracts look like, and then what's the appropriate risk profile for us to take on.

So look I would say it's great to have opportunity. It's a good problem to have in front of us, and it's one that we'll put a lot of thought into over the next few years. I would say we reflect and learn from others and from our own decisions, both historic and as we start to look at these future ones. We're very mindful of that. So I fully understand where those questions might be coming from.

But what I would also say is, it's front of mind for us. Today is just one example of us trying to de-risk that.

Mark Samter: (Credit Suisse, Analyst) Look, can we touch on - because you referred to these two, you removed the risk of the downstream. Capex it's much more about the upstream. Maybe I'm just bad at my job, but I'm certainly surprised to see Slide 11 talk about Pluto going down to two million tonnes a year deferring higher unit cost backfill gas, that maybe I suspect not many people in the market were modelling there.

I mean has there been a change in view on the Pluto reserve to see that decline?

Peter Coleman: No, there's not. So simply what it does is it coincides with some options that we have around the existing Pluto contracts. So we have options and they are Woodside options as to whether we extend those contracts out past that period. So it's basically a put option we have. So it would be us exercising that put option, and then choosing not to develop the greater Pluto reserves, or what we call 404P at this point.

What that means for you on a unit boe basis is all up costs for Scarborough including acquisition, offshore and onshore, are around $9 - just under $10 per boe. All up cost for 404P development at this point without other infrastructure there are around $20 per boe. So it's a far more cost-effective development for us to push out 404P reserves.

But no, I wouldn't read anything into Pluto at this point, other than it's us getting access to a lower cost resource and bringing that to market earlier.

Mark Samter: (Credit Suisse, Analyst) I might just, can I sneak in one final question if that's all right? Just going back to the investor day at the Horizon I operating cashflow and free cashflow chart where you basically said that you could keep gearing at 25% and fund everything you want to do.

On that basis why raise the extra US$1.5 billion on top. I mean you could have fully underwritten today's dividend and that would have covered the [DRP] then. But why raise incremental capital before we know you have it to spend on, when gearing is supposed to be at a comfortable range?

Peter Coleman: Well, there's three things as you know to get major projects away, particularly in the LNG world. The first one of those is to ensure that you've got a world-class resource with - of adequate size. That's what we have now in Scarborough.

Second one of course is to have market, and clearly the market is opening and we're confident that the market will be there for us at appropriate pricing. Then the third one is you've got to get your funding in place. Many of these projects globally struggle because buyers sit there and say, your shareholders haven't backed you get, you don't have your funding in place. How do we know if we go and commit to your project that you'll actually do it?

These aren't free passes as you know. Once you get somebody comes in, signs an MOU with you and so forth, or a heads of agreement, it takes a lot of effort and it's a commitment particularly with Asian buyers. Because they're then committing to you.

So these are not trivial decisions, and so Woodside has taken the decision today to de-risk that and to take away this overhang that may be there in the stock over the next couple of years that says, well, these guys are going to have to raise capital at some point.

So the good news about progressing projects on a timeline that you commit to is that then people start to talk about the capital. So you've got an option as to how you pull the band-aid off. You can either do it slowly or you can do it fast. We've done it fast today, and what we're doing here is providing shareholders with a full, open and transparent view of what our capital requirements over the next two years. I think that's a compelling argument to be quite frank with you.

At the same time we're giving shareholders an opportunity to participate in the fairest way through a PAITREO [*pro rata accelerated institutional tradeable retail entitlement offer*]. They'll get an option at a one for nine rights offer, and at a 10.3% discount. There's a number of things in there that we've thought through. But it's all about providing certainty for shareholders around the investment that they've made in Woodside.

Mark Samter: (Credit Suisse, Analyst) Just where, actually because I think there actually is a footnote in the presentation that says an affirmative Browse FID prior to 2023 may require additional earlier equity funding, you're certainly not wanting at this stage to say you feel you can fully fund this organically at the moment assuming both happen?

Peter Coleman: On Browse, I'm not ready to say that Mark, because it's really going to depend on pricing. It's going to depend on the commodity prices at the time.

Mark Samter: (Credit Suisse, Analyst) Yes, so sorry just going back, equity holders can't sit here today and say they fully understand the capital position requirement, because we don't know have more - your buyers may feel happier about this raising, but equity holders can't sit here today and say there's no more raises coming?

Peter Coleman: No, but I didn't' say that and the offer doesn't say that. It's very clear there'll be another decision of Browse FID. What it does give them certainty around is the mid zone around Scarborough and Senegal and what it does give them certainty around is price perturbations that may be in the marketplace. You can imagine we've tested this against a couple of price outcomes for us. It says look, we can execute this business plan and they've got certainty that we can execute this business plan, at 75% equity in Scarborough. Again we don't want to overhang where we have to go and sell equity in the market on a project. It's about the worst thing you can do. We don't want uncertainty out there as to when we may need to raise equity. What this does is it gives us plenty of air space now, between the next decision and shareholders as I said have an opportunity to support that through the equity raising.

Mark Samter: (Credit Suisse, Analyst) Brilliant, thank you.

Peter Coleman: Thanks Mark.

Operator: Our next question comes from Nick Burns from UBS, please go ahead.

Nick Burns: (UBS, Analyst) Thank you very much, Peter just a question relating to the cost for Scarborough to Pluto. Just trying to ascertain your certainty or confidence interval on those costs, are you moving immediately into FEED, are these pre-FEED costs? In your view, is there any further requirement to appraise the Scarborough resource ahead of FID?

Peter Coleman: Let me address the last one first Nick, no, we don't see any need to appraise the Scarborough resource. There's 12 wells in the field development plan. We believe we need, I think 5 in the first and then 7 subsequent to that. You'll see again we'll just phase the wells as we need to drill them over time. With respect to the costing, it's a class 0 estimate, which means it's got a 25% contingency built in to it already. What I can tell you is we've already been out seeking expressions of interest for the onshore train component of that. We have reasonable costing estimates for the onshore train already. But the offshore is still at a class 0 or with 25% contingency. Then I put some CEO contingency on top of that Nick. There's a little bit, because I don't want to disappoint you.

Nick Burns: (UBS, Analyst) Right, and the terms of FEED, formal FEED entry, when would that happen?

Peter Coleman: Probably next year, so we're targeting formal FEED next year. What we've got to do is work with BHP through a couple of things. Firstly over the next 30 days BHP has certain rights under the Scarborough joint venture, with respect to transition of operatorship and then also they have a pre-emption right. We've indicated in the offering that if BHP choose to pre-empt then Woodside will also pre-empt. That means we could end up with a 50% equity in Scarborough. But we'll leave that up to BHP, they need time to consider this, together with operatorship. But we're confident that Woodside will become operator, just given the fact that we have the onshore infrastructure. There is a concept select decision for the second half of this year, and that concept select decision, will inform us as to what the train size will be, whether it's 2 million tonnes or 3.3 million tonnes. Over that process, we'll then firm up when we go in to FEED, but at this point, we're expecting FEED next year.

Nick Burns: (UBS, Analyst) Okay that's great. Just in terms of BHP, have you had any preliminary discussions with them about your concept of Scarborough to Pluto? I mean that obviously requires them to either take equity in Train 1 or potentially toll some of their gas through Train 1. I'm just wondering whether you've had any conversations with them around that, and also just the other two equity participants in Pluto. Obviously this plan has implications for them, prioritising Scarborough gas over [what] you say is a higher cost Pluto backfill gas. But just in terms of it, have you had conversations with them around that?

Peter Coleman: Under the confidentiality requirements of the SPA, we really weren't able to engage with BHP until last, or actually this morning as we notified them. With respect to the joint venture though, the joint venture has already looked at both North West Shelf and Pluto as options, for taking the gas through. That's' what we're going to have to work with BHP on over the next few weeks, is to give them all of the details of what we've put together. I can't say today that BHP has seen all the details or shared in all the details of what you're seeing today. What I can say though, is I think it's a compelling opportunity for the Scarborough joint venture to get certainty in their development. Particularly in the timing of the development. Both Scarborough and Browse are competing for spare capacity that will arise at North West Shelf. Whoever comes second in that will be disappointed and will be potentially delayed anywhere between 8-10 years in their development time. What this does today is it opens that up and as you heard in the previous call, moves from an 'either/or' conversation, to an 'and' conversation. It also means some of the other non-aligned joint venture partners in North West Shelf, will have confidence now that their projects potentially have a space in North West Shelf in the future as well. All of those things line up, and as I said in the beginning, the North West Shelf gas or gas processing, is better aligned to Browse gas, and Pluto facility is better aligned for Scarborough gas. We'll talk to BHP more about it over the next few weeks. With respect to our partners Tokyo Gas and Kansai Electric, we will be talking to them about offering them participation in the upstream part of Scarborough. We would like their participation, we like their alignments through the plant. But it's not necessary to move forward. We have commercial arrangements in the plant that we can move forward by ourselves if we so choose.

Nick Burns: (UBS, Analyst) That's great.

Peter Coleman: Equally BHP can participate in that train if they so choose. The corporate structure of the plant is that you can have different ownership in each train.

Nick Burns: (UBS, Analyst) That's clear, thanks Peter.

Peter Coleman: Thanks Nick.

Operator: Our next question comes from Dale Koenders from Citi Group, please go ahead.

Dale Koenders: (Citi Group, Analyst) Good morning, I'd just like to dive a bit more in to Samter's questions about the footnote on affirmative Browse FID. How should we be interpreting it, if it comes in line with your timing at 2021, there's an equity raising, but you're saying that anything past 2023 is okay. Are you sort of steering us towards de-prioritising Browse in the list for North West Shelf, but maybe someone else gets the gas in first?

Peter Coleman: No not really Dale, what it's saying is that Browse is probably a 2026 sort of start up now, and as you heard me mention, it'll be one gas FPSO Year 1 and then quickly followed by the second one in Year 2. At the moment no, we've got the foot down hard on Browse. Having said that, the interconnector provides us a huge amount of optionality, so the interconnector at the moment will go into FEED this year and will be ready for use by 2021. The interconnector will be able to take off at the upstream part of the Pluto plant, and so anybody wishing to utilise the spare capacity in the Pluto flow line to shore, we'll be able to tie in there and actually go across the North West Shelf, or we'll be able to direct Pluto gas across to the North West Shelf. The concern that we had that there's this growing ullage window, at North West Shelf and you're going to have unutilised capacity for a long period of time. We believe we've ameliorated some of that through the installation of a 4.5 million tonne per annum interconnector, which is actually going to be bidirectional. Then as you know, there's some other third party gas out there, that we would like to get in, and is actually best placed coming in through the Pluto facilities. That's how all of that dynamic is going to work out. But it doesn't de-prioritise Browse for us at all, it's an optimiser and it's a value enhancement opportunity that we haven't built in to the economics.

Dale Koenders: (Citi Group, Analyst) Then in terms of the capacity that exists on the balance sheet, I note your comments earlier saying you're full for M&A at the moment, but wouldn't pass up any opportunities that are attractive. Your comment also indicated your balance sheet's at its limits developing these projects?

Peter Coleman: I think it's fair to say that at some point without an equity raising, our rating would have come under pressure. What we're doing, we've always said, is you go in to a major capital spend period, we wanted to run our gearing down, and at 24%, 25%, absent some unexpected price peaks for long periods of time, was going to be difficult for us to run our gearing down without any equity. We've obviously got different options on the way that we run equity, or raise equity. One of those being I know near and dear to some of you, which is the DRP. We chose this was - we just made a judgment choice, we felt this was the best way. There's plusses and minuses on DRPs, but this gives certainty and so that's what we were trying to do Dale, was a preponderance here to really move towards having a prudent financial plan in front of us, and providing certainty to shareholders, both present and those and going forward.

Dale Koenders: (Citi Group, Analyst) Okay, and then I guess also building on Samter's questions, the Pluto production coming down at 2 million tonnes post 2025. In your EIS initially for Pluto there was a second phase platform with compression, there's going to be a multibillion dollar development. Is that also then being delayed along with that WA-404-P gas? Really what are those long term requirements for later life compression, which is perhaps not in those numbers you've published in your slides?

Peter Coleman: No, we've really cut out a lot of that Capex, so there will be some later life compressions, but we won't need a separate platform for it. It will be a much smaller facility and also we'll do subsea separation for some of the water that we had. We've got a lot of optimising in that mix of late life part of Pluto, already built in to our plans. That decision doesn't affect it, it just means that we can push it out a little bit in time. But you're' not going to see a big Capex hump that were there in the original development plans for Pluto.

Dale Koenders: (Citi Group, Analyst) Okay, very good, thanks guys, maybe next Valentine's day buy roses, cheers.

Peter Coleman: Thanks Dale, my wife has noted I'm not in Perth.

Operator: Our final question comes from John Hirjee from Deutsche Bank. Please go ahead.

John Hirjee: (Deutsche Bank, Analyst) Oh good morning everyone again. Peter a question on the equity you've taken in Scarborough. I recall when you first joined Woodside, you highlighted that at 90% equity, you wouldn't have necessarily developed Pluto at that level of equity. I'm wondering whether you think 75% is optimal for you guys, or do you think that there's a more optimal equity position for you at Scarborough?

Peter Coleman: Look, it's a good question John and I do remember saying that. I think the key for us at the moment is (1) Woodside is a different Woodside to what it was back in 2007. In those days, we only had basically one revenue stream to fund development, and so that comment around 90% equity basically meant North West Shelf alone was funding development.

We now have three major revenue streams coming through, being North West Shelf, Pluto and Wheatstone, so our risk portfolio has changed significantly.

Equally, the amount of capital that we have at risk here is much different, compared to what our market cap or our balance sheet capacity is. So, that's another factor for us.

I would expect over time we will - some of the equity will sell down, probably - more likely as we get alignment with buyers coming in. So, it will be in those sorts of chunks, just small amounts, but don't expect that soon, because maximum value is when you take uncertainty out of these things. We certainly don't need to sell down to buyers at this point. That's probably a little way away.

There are others who are clearly interested in doing strategic relationships with us around the Carnarvon Basin, so we'll just see how some of those negotiations may play out. It's not built into our base numbers at all at this point. Again, I wanted the equity raising to be able to cover that so that we weren't under any pressure to sell down any asset, and investors could really understand what they were buying into through the equity raising.

John Hirjee: (Deutsche Bank, Analyst) Okay, thank you. The question in terms of the marketing of the gas, it looks like you'll be marketing Scarborough Gas alongside Browse Gas. I'm just wondering how you're going to manage the inherent conflicts there, and how you think buyers will play it off against each other, if you know what I mean.

Peter Coleman: Well, I'm not conflicted, because it will be sold on an equity basis, although we're obviously - the Scarborough joint venture, that's something we'll need to discuss with our partner about. Certainly, the Browse partners will sell their own gas.

No, I don't see any conflict at all. What you're seeing is LNG moving more and more towards what we would call a typical commodity, and the commodities business as you know, it's just simply lowest cost to market is the winner in these things. So, that's where the differentiation is. So, no I don't see any conflict. As you know, Browse, the other partners in Browse, will take it into their portfolios. I'm comfortable - very comfortable that that's what they'll do. So, Woodside will be out there marketing. I actually really like the idea that I'll be out there with two projects of this size and quality, marketing into a market that clearly needs the gas. So, it's a good - it's a great spot for us to be. No, there won't be any conflict at all.

John Hirjee: (Deutsche Bank, Analyst) All right Peter, well good luck and I hope everything goes well.

Peter Coleman: Thanks John.

I think that's the end of the questions. Again everybody, thanks tremendously for your interest today. I know we'll be talking more with you over the next coming days and weeks about this. I hope you've - you'll find the presentation pack today informative, and will give you the sort of information that you need to make the very important decisions that you have in front of you over the next few days and weeks.

Again, thanks again for your support for Woodside. Again, I just reiterate, we are committed to the plan that we put in front of you last year about the three investment horizons that we have. This again is another tremendous step in the progress towards that, and the creation of a Burrup Hub. We are de-risking our capital. We're going to make sure we're mindful of that. We also understand our commitments to maintaining our profitability and our returns to shareholders.

So, with all that, as I say, thanks for your interest today. I look forward to your continuing support, and I look forward to catching up with you and talking to you more about these very exciting opportunities that we have.

Back to the operator.

Operator: Thank you. Ladies and Gentlemen, that does conclude our conference for today. Thank you so very much for your attendance. You may all disconnect.

End of Transcript

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