Q3 2018 Boral Ltd Property Earnings and Trading Update Call - Final

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OPERATOR: Ladies and gentlemen, thank you for standing by, and welcome to BoralASX (inaudible) 3 Property and Earnings follow-up call. (Operator Instructions) (inaudible) today, Tuesday, the 1st of May 2018. I would now like to hand the conference over to (inaudible) today, Mr. Mike Kane, the CEO and Managing Director. Thank you. Please go ahead.

MICHAEL KANE, CEO, MD & DIRECTOR, BORAL LIMITED: Thank you for joining the call. Unfortunately, the line is not as good as we would like, there's a little echo, but we will try to work through it. I have Ros Ng and David Mariner joining me today, although we are all in different locations. Iâ€™m currently in Florida having spent the last few weeks touring operations in California and Florida. David is in Atlanta and Ros is in Sydney, but she'll be flying out this afternoon to join us for U.S. management session later this week. I will ask Ros and David to join the conversation at the appropriate time, and at the end of our comments, we will answer any outstanding questions.

Last week, we announced the completion of a property transaction that will see this year's contribution from Property keeping the order of $55 million to $65 million. A significant lift from our previous guidance, which was for Property to contribute earnings towards the lower end of the historic range of $8 to $46 million. The sale of the Prospect property was completed ahead of our earlier expectation, and we are very pleased with its contribution of $56 million in this year's earnings.

I know some of you discount property as a one-off, but despite the lumpiness of earnings from our property group, this is an ongoing and important contributor to Boral's earnings.

As previously discussed, we will be releasing more detail about our current property pipeline at our Boral Australia site visit on 16 May. Coinciding with the completion of this property transaction was our internal review of quarterly results and our subsequent re-forecasting of full year earnings.

While the intention of our trading update was to provide transparency around some key issues impacting our March quarter and to provide an update on how we now see our full year earnings for Boral Australia and Boral America playing out, we recognize some of you may have additional questions. While this is not a full results announcement and briefing, we'll try to provide further clarity and respond to any outstanding questions where we can.

So turning to the trading update. Clearly, we needed to revise our full year guidance for Boral Australia to incorporate the higher property earnings. Including property, we are expecting earnings to be 10% to 20% higher year-over-year in financial year '18. We provided that range to incorporate both EBIT and EBITDA. This emphatically means EBITDA will increase to the lower end of that range, while EBIT should be at the higher end.

Many of you have observed the favorable weather conditions experienced in Sydney and Melbourne, which indeed has been good for business. In New South Wales, however, we did have some of our strong performance offset by the impacts of a one-off unscheduled kiln outage at Berrima, which saw us lose 8 days of production from late February into early March.

The kiln outage was the result of a small piece of bearing shaft dislodging and scoring the shaft and bearing, which then caused high temperatures due to consequent loss of lubricant. This failure was not something that we predicted through condition monitoring, and we were fortunate to have captured it quickly, avoiding catastrophic failure of the bearing assembly. The Berrima outage resulted in unbudgeted repair cost, unrecovered fixed cost and higher cost to bring cement by road from Victoria as well as imported clinker into Port Kembla, which was then transported to Maldon for milling. Not ideal from a cost perspective, but we were able to maintain volumes. Some of you have estimated a $4 million or $5 million impact on the Berrima outage, we estimate slightly less than that. Given the focus of the very dry conditions in New South Wales and Victoria, it was also prudent to highlight that our March quarter earnings were impacted by much wetter conditions in Queensland during the period. We had 5 more rain-affected days than average in SEC. So we effectively lost a week of activity comparing with our expectations and incurred higher costs associated with that.

We have been asked why the benefits of dry weather in New South Wales and Victoria did not more than offset the wet weather in Southeast Queensland. In New South Wales, we were impacted by the Berrima outage. But yes, New South Wales has been benefiting from good weather conditions as we continue to experience significant strength in infrastructure work, coupled with some moderation in multi-res activity, as we expected.

Let me give you some more color around Queensland and Victoria, which may help you reconcile why an extra wet day in Queensland is not offset by an extra dry day in Victoria when it comes to Boral's earnings. For Boral, Queensland delivers around 24% of our Australian revenue and asphalt underpins a lot of Queensland's earnings because it's an asphalt state. In fact 1.5 of Boral's asphalt earnings nationally are from Queensland. And asphalt and rain do not mix well. So when it rains in Queensland, we feel the impact. For Boral, Queensland is a larger contributor than Victoria. Around 15% to 20% of additional revenue comes from Victoria. And importantly, in Victoria, we have landfill royalties, which is a large contributor and generally unaffected by weather.

So taking these things into account, a wet weather impacted day has a far greater impact in our earnings if it's in Queensland than if it's in Victoria. And conversely, an extra dry day in Victoria is not as helpful as an extra dry day in Queensland.

We also flagged that WA has been performing below our expectations. We had expected to see activity pick up in WA, but we haven't as yet. Housing market remains depressed, and we have seen some delay in major project work, in which we have several projects. With the 3 key issues that we have called out as contributing to missing our internal targets in the March quarter, if we had to put them in order of size, it would be the Queensland weather, WA performance gap, then the Berrima outage.

Let me make some additional comments about Boral Australia. Underlying demand is strong, pricing is improving. We are seeing strengthening infrastructure volumes. Previously flagged headwinds of higher electricity and gas cost are impacting, multi-residential work is moderating slowly and some of the margin pressures we saw in Victoria in the first half are persisting, while improvement programs are progressing well. As we look to the full year, we are working to claw back the March quarter short falls in Australia in the June quarter. If we can't claw it all back, we will see a second half result slightly below last year, bearing in mind, of course, that we had an outstanding June quarter last year.

Turning now to the trading update for Boral North America, which focuses on some short-term issues impacting the business. I want to stress that there are no concerns [with] the fundamentals of the North America business. Synergy delivery is progressing well and on target and will exceed the targets. We are very pleased with successful integration of the 2 businesses. We remain highly confident about what the business can and will deliver. As you know, the March quarter takes in winter in North America, when construction activity is very slow. We usually see the spring bounce coming through by the end of March. And last year, it came early in March after a mild winter. This year, we have seen a harsh winter, much colder and it snowed more than it usually does. The winter extended well into March and even April in many parts. There was significant rain in Texas region and up through the mid-west, particularly in February. This slowed construction activity and as a result, volumes for the March quarter were below our expectations. I am pleased to say that though we have seen an expected stronger end to April with better weather, pent-up demand and a strong order book remind us that we are now into the spring building season. Florida has been looking good for a while, and now other states are joining in. I will ask David to comment further on this shortly.

In the announcement we also referred to 2 of the operational issues raised in the first half. We have not found any new operational issues nor are they tracking worse than expected, but we have reminded people that there have been impacts in the March quarter as we expected. At the half year, I said that I expected to see the majority of the operating issues resolved during the second half and that's still the case. Importantly, no new plant performance hurdles have been identified beyond those previously reported. Our network of plants and assets is enviable and in good working order. With better weather, demand will continue to rise and with it, earnings. I personally been to the key plants that has been the subject of our concern in the February announcement. I can assure you that we've shown substantial progress in each of those plants, they're all in different stages of recovery, but they are all recovering and we expect them to recover on the timeline we outlined in February. We did say that the Oceanside metal roofing plant in California will take time to be resolved and it's the most complex problem we're solving. And that remains true. It will impact through the second half and we expect to see continued improvement in operating efficiencies over time, and it's happening right now. I was at the Oceanside plant last week, and I was encouraged by the progress being made. We think the plant has improved significantly. With lean manufacturing being introduced, production volumes and OEE have substantially improved, but there is room for more improvement. The commissioning of the new stone plant at Greencastle, Pennsylvania was broadly completed in April, but up until March, we had continued costs associated with running the old plant while the new plant was being commissioned.

In last week's announcement, we did not raise the other operational issues that we cited in the first half, including the upgrading of the Lake Wales roof tile plant (inaudible) a few weeks ago, and the new line in the Kleer trim plant and the integration issues at Okeechobee, which are also visited, because they are all largely resolved as we expected.

Finally, in the announcement we commented on the closure of the Texas power utilities impacting during the period in our fly ash business. We said we have experienced higher costs associated with repositioning fly ash supply to customers as a result of the closure of 3 of the 4 plant closures. We called this a short-term impact because eventually we will recover the higher costs through price, but this will take time. We reported 8% per annum average price increases in fly ash in the first half, and we have gone out with a similar 8% to 10% increase in the current periods. We are confident of recovering the higher costs, but it won't happen overnight. It's also fair to say that the costs incurred in the March quarter were higher than we expected. But we will effectively rebalance the supply and demand in and around Texas; it will just take some time. And to give you an idea, the unexpected cost, in February, all we knew was that we had outages that we were faced with immediately in the Texas market and we spent all efforts to make sure that we brought fly ash into those markets. A lot of the fly ash we brought were products that would have gone into landfills, but we, in effect, used up that inventory in order to shift it from the core surrounding [place] into the Texas market. At the time, we knew there would be a penalty in margin speed as we engulf in doing that but that quantity of that we didn't have a full handle on. But the March quarter shows what that number is and that number continued into the fourth quarter. Our pricing activity, our building of storage, our ability to use mobile storage as well as fixed storage should help alleviate some of these costs as time goes on. And we're confident that we can work ourselves through this. But the first 2 things for us is to make sure that our customers continue to get their supply from us. Because not all the fly ash generating facilities in Texas went off-line, just these 3. And therefore, there was excess fly ash still on the market, but we didn't have it. And therefore, we had to get it and bring it in.

Okay, (inaudible) were accelerating our [core] activity for fixed and mobile as well as our reclamation planning. In some markets, we dramatically decreased the landfilling of good ash and will soon be operational in Pennsylvania with our initial reclamation project with further progress to follow. We have about 5 potential candidate sites [of] landfill reclamation that we are progressing. We will provide a further update on our full year results announcement on this total ash program. For the March quarter we had not put numbers around the impacts of weather, fly ash repositioning and the improved operational issues, but we have factored them into the full year guidance provided. Previously, we indicated that we expected a substantial skew in the second half and we have now said we expect an earnings lift in the second half of around 10% to 25%, compared with first half results. Again, mathematically, that means the EBITDA increase should be at the lower end of that range and EBIT at the higher end.

This is probably a good point for me to ask David to add his comments. David?

DAVID MARINER, PRESIDENT & CEO OF BORAL NORTH AMERICA, BORAL LIMITED: Thanks, Mike. Let me comment on a few points and try to address the questions we have been receiving. Probably best to continue with fly ash first up. As Mike said, we have now seen 3 of the 4 utility closures in Texas, which is impacting us in the second half. The fourth closure is expected to happen around June or July of this year. We still have 8 utilities we source from in Texas, several additional sources in neighboring states, plus we have several fly ash terminals within the region. Texas is a large fly ash state with considerable volumes being landfilled. In total, the four utilities in Texas contribute a combined volume of around 400,000 to 500,000 tons of fly ash sold each year out of our total sales of roughly 7.5 million tons. Reducing fly -- fly ash by 400,000 tons or 500,000 tons may sound like a lot, but there is still a considerable volume of fly ash being landfilled in Texas and in neighboring regions, which we are shifting to cover the plant closures. The combined headwaters in Boral's fly ash business means we are very well placed to maintain our sales as we have a broader network to call on. We are continuing to supply our customers by bringing volumes from further afield. But this, of course, adds costs and the complexity of repositioning supply arrangements was made a little more challenging in the March quarter because of a temporary outage at one utility plant in the region. Temporary shuts happen from time to time. It's the nature of the business. So it's these variables we need to accommodate and react to as we reconfigure supply arrangements. We are calling the impact of the Texas closures a short-term impact because we are confident that margins will fully recover over time as prices strengthen and the higher cost base is recovered. We currently have solid 8 to 10% price increases in the market, but Texas is a competitive market where as I said, there is still a lot of ash going into landfill. So we need to be patient about recovering costs.

We are not intending to forfeit share. We prefer to instead wear some softer margins in the short term. To fully recover margins, it may take us a few rounds of price increases, but we are continuing to move in the right direction. More broadly across fly ash, weather impacts aside, the business remains an exciting and strong growth story. Our strategy to free up supply of fly ash through network optimization, additional storage capacity and ultimately, landfill reclamation is progressing well. We will give you an update around this in August at results and in September at our U.S. site visit.

So now let me comment on the weather impacts in the March quarter. We have been asked why Boral is citing weather as an issue, while home builders appear to be unaffected, enjoying good growth in the March quarter. This is a good question and let me try to interpret things. It first depends on the markets you are playing in. For example, we have enjoyed great conditions in Florida and California has been good too. So these regions have generally been performing well for us through most of the winter. To varying degrees, we have seen some other building products and materials players refer to March volumes being impacted by a later spring start, while the home builders have enjoyed good results, apparently unaffected by weather. Apart from geographic differences, we believe the answer lies in the fact that for the home builders this is typically a period where orders are taken, deposits paid and preparations made to start building as the weather allows. In places like Florida, they have been building and we have been supplying them, but in weather-affected states, the order book has been building, however, it has not translated into construction where we participate. For materials suppliers like Boral, we don't get paid until the product goes out the door or the job is done. Clearly though, the strength of the work that the builders are reporting is a very good sign for us. There is a lot of pent-up demand and we are now starting to enjoy it.

The follow-on question to this is given the strong pent-up demand, does that mean the June quarter will be ahead of our expectations as the margin moves to complete the backlog. That's possible, I guess, but we aren't factoring that in. We expect that the current constraints around labor as well as transportation will mean that the work in the pipeline will be carried out with orderly growth rates built in. The main construction season was simply delayed and with constraints around trades and installers, we think activity will simply be pushed out further.

My final comments are to reiterate what Mike has said about the operational issues flagged in the first half. We are pleased with the progress being made. Many of the issues have now been resolved, the upgrades at the Lake Wales roofing plants and the Kleer trim plants are now complete. The Greencastle stone plant has fully transitioned to its new location, and is in its final commissioning phase with all progressing well. The problems at the Okeechobee roofing operations in Florida have largely been resolved, although this is another operation where I expect to see continued improvement over time. And similarly, improvements have been made to the Magnolia Windows operation in Georgia, which will be fully tested as the market grows in the upcoming June quarter. We have not identified any new operational issues across the network and as Mike said, we are very pleased with how integration and synergy delivery is progressing. The safety performance of the headwaters businesses has been substantially improved, so we are now seeing a consistent strong safety culture across the business.

Mike, back to you.

MICHAEL KANE: Thanks, David. Ros, do you have something you would like to add before we get to the unanswered questions, perhaps a comment or 2 on tax guidance that we have provided. Ros?

YUEN LING NG, CFO, BORAL LIMITED: Yes, thanks, Mike. Given the high contribution from property this year, which will have a small capital gains tax associated with it, we have lowered our financial year 2018 tax guidance from 22% to 24% to now being 19% to 22%. It will then revert back to around 21% to 23% as we had previously guided for financial year 2019. And again, let me just also remind everyone that the revised earnings guidance for both Boral Australia and Boral North America is intended to apply to both EBIT and EBITDA for those divisions. So as Mike had said earlier, this mathematically means EBITDA is expected to be towards the lower end of the ranges and EBIT at the higher end. We apologize if we have caused some confusion about that.

In terms of depreciation and amortization for Boral North America and Boral Australia, broadly speaking you can double the first half of D&A for each division, although there may be some small adjustments as we finalize the purchase price adjustment for North America. And Boral Australia is likely to see a small lift in depreciation following the recent quarry upgrade investments and some additional accelerated depreciations associated with the Waurn Ponds cement facility following the planned closure when the new Geelong facility is built, but these adjustments will not be material changes in the first half. Thanks, Mike.

MICHAEL KANE: Okay, thanks, Ros. That's what we wanted to cover, so Kylie, can we see if we have questions on the line?

KYLIE FITZGERALD, DIRECTOR OF GROUP COMMUNICATIONS & IR, BORAL LIMITED: Yes, Mike, we have. We have about 7 question queued. So operator, can we now go to the question space?

Questions and Answers

OPERATOR: (Operator Instructions) Your first question comes from the line of Andrew Scott from Morgan Stanley.

ANDREW GEOFFREY SCOTT, EXECUTIVE DIRECTOR, MORGAN STANLEY, RESEARCH DIVISION: Michael Kane, I just wanted to focus on Australia to start with and thank you for this. I just wanted to focus on Australia to start with. Thank you for [greater] one-offs, but the underlying performance does seem softer against what does seem a very supported backdrop with the infrastructure work coming through and still very strong residential work. Just trying to understand how that looks in terms of top line versus margin? Are you expecting margins will improve this period? And the second part of that question is can you talk to us on what we can read either from the October price increases and what are seeing from the April 1 price increase this year, please?

MICHAEL KANE: So, it's going to be an interesting call to see how much margin improvement we will get. I think we will see some nominal improvement. Ros, do you have a closer view on that?

YUEN LING NG: Yes, thanks, Mike. As we noted in February with our results announcement, if you look at the Australian division, we did report an improvement in our EBITDA margin if we exclude property. So we reported 16.3% versus [the prior cost curve] 16.9%. Then depending on, obviously, we have line of sight the March quarter, we do have some of those one-off issues as we pointed out and we do expect to claw that back in the June quarter if we see favorable weather conditions. So I think if you overlay those comments for the full year, excluding property, our aim is obviously, to hold the EBITDA margin at the level that we can.

MICHAEL KANE: When you look at -- part of the challenges in this period-over-period comparison is the fourth quarter last year was unbelievably stellar quarter. It didn't rain one day in June. It was an extraordinary backdrop and a tough quarter to compare yourself against. But what we're trying to do is hold onto that 16.3 and hopefully slightly better, but we're hampered by the issue that we've described in the second half so far.

ANDREW GEOFFREY SCOTT: And the April price increases, Mike, do you expect they'll offset cost inflation?

MICHAEL KANE: I don't think they'll completely offset cost inflation but our cost reduction activities will balance that out.

OPERATOR: Your next question comes from the line of Simon Thackray from CLSA.

SIMON THACKRAY, RESEARCH ANALYST, CLSA LIMITED, RESEARCH DIVISION: Just following on from Andrew there in terms of Australia. I got your point about Victoria not being able to offset Queensland; that was very clear. But it doesn't really explain to me New South Wales, which has been on fire and really fighting perfect construction conditions. Why isn't New South Wales picking up the slack?

MICHAEL KANE: Well, I think New South Wales is picking up all the slack it can but the other regions aren't carrying their weight. If you just look at New South Wales alone, they are an improvement over prior year, there's no question. It's just not enough. And why is that? We had very strong performance last year out of New South Wales. New South Wales may be the one region that is performing as close to their peak performance of all the regions. They're still not there. We've also had a shift -- we've been doing a lot of the highway work in the outer regions up by Sydney in the prior year. Most of that work has wrapped up and all of our infrastructure work tends to be around the CBD and as there's a slight variation in margin around that, the additional buying the compact. So I'd say New South Wales as a region is outperforming its prior performance, but not substantially, and it probably was the most affected by the cement issues in Berrima.

SIMON THACKRAY: And with that, also, with the amount of work that's happening around tunneling and infrastructure, Mike, the amount of spoil that's coming out of these tunnels that we're seeing going across the roads, what's that done to, one, your recycling business that is effectively competing against that spoil; and two, had it had any impact more broadly on the aggregate's business? Because it's so much material that these infrastructure plans, the CPDs and the land leases that are wanting to move. Has that had any impact in New South Wales?

MICHAEL KANE: No question it's had an impact. So what it does in the quarry operations, to speak more broadly, is a lot of the lesser value aggregate that we would normally sell into the regular market has no home because those spoils are taking that home away. They're basically being given away. And so it is impacting our ability to be more efficient in the quarry.

Not tragically, but it's not helpful and when we get through this period, we will be glad to see that we're done. We'll get back to normal processing and we will have a big backlog of spoils in our own quarry. That's number 1. Number 2, it's not so much our recycling business as I'll report that, that's a pretty small part of what we do. And one advantage we've gotten out a lot of these spoils is when we are on project, we have a lot of quarry space that needs to be filled up so we're getting some free fill ourselves. In effect, we're coming off many new projects to help us sort of get ahead of ourselves in filling back and the reclamation activity that we have to do in the older parts of our quarry. So there is some slight benefit.

SIMON THACKRAY: Okay. And if I could just change gears and go to the U.S. and maybe ask David. Mike you kindly prioritized the EBIT impacts in Australia from Queensland where the 3 WA to Berrima in that order? Could we get some priority of the EBIT impacts in the U.S., David? And secondly, I'm still a bit confused on the guidance for the second half with a reasonably modest lift second half on first half given how strong the synergies were in H1 and obviously, annualizing those in the second half and you reiterating that you're going to exceed the synergy targets this year? So can you just help us out with the priority of impacts?

MICHAEL KANE: David, why don't you start and I'll finish.

DAVID MARINER: Sure. So on the priority impact, weather across all the businesses occurred because we are national across all of them, I would say if I were to put them in order, our light building products, which is in the Northeast and Midwest, took the biggest brunt. Second would be Stone. Third would be Fly Ash because Fly Ash is a national play and then roofing would come down after that. Rock is small so its impact from a quantum perspective isn't that great. So that's kind of how I would triangulate the impact of the quarter. And then as Mike said earlier, the Fly Ash pieces, we look on just outlook to outlook or outlook versus outlook, the Fly Ash will obviously impact the fourth quarter along the way. And we have anticipated broadly that we are now in the spring. I'm looking out and the sun is shining still and I think the second half of April, it's finally turned a corner and now we are into the spring season.

SIMON THACKRAY: And then the guidance?

MICHAEL KANE: Just another comment on it, Simon. As I've particularly gone around California and especially the Florida market right now, our order book is full. We are backlogged with demand for tile. We are running these tile plants full out and improving the OEE week after week. But we were kind of caught in a situation where we had an upgrade and the problem [shoulder] that needed some serious work. We got that work done. The teams I've worked with over concrete plant and we are humming. So the strongest -- right now, our roofing division is getting the strongest play because of the southern tier impacted the best -- the strength of the spring build started 2 months ago almost. It's now kicked in. As I was up in New York and Boston, visiting with investors, there was still snow coming down in Chicago, Boston and New York as recently as 2 weeks ago. And so I probably explained to investors that the -- it wasn't the severity of the storm as much as the coldness that lingered delayed kick off for the spring how-to market and the spring building season. And whether it was concrete for infrastructure in some part of Pennsylvania or Ohio or Washington where we supply fly ash across the nation or whether it was building projects for housing, the building season in the spring got us, I think, compared to last year, almost 6 weeks away and that flowed through in the March quarter results. We're beyond that now. We're into the fourth quarter, we're looking to claw back some of it and in our plants we're not impaired now. We have room to improve still a handful of plants in our total network and we're working on it. We've got the teams working on it but we're well beyond where we were 6 months ago. The things that we outlined in February results were very concerning and we had teams of people working on it. Now we can safely say that we know the answers to our problems, we're working towards them. It does take a little time to get these plants fine-tuned and to get some new equipment installed, but we're doing it and we are seeing the results.

SIMON THACKRAY: Okay, so that's absolutely more bullish probably than the guidance that you've given for the June quarter, I would have to say. And just finally, on the USG, the results coming out of USG were probably not that inspiring, but you've made -- there's no reference to that in any of your outlook or commentary. Would you like to make any reference to that?

MICHAEL KANE: So we looked at the USG results and where we are aware that it come out versus where they're going to come out in the 6-month results. I think we're fairly close. Ros, do you want to comment on that?

I think that we might be marginally -- slightly better than what they were talking about. But, so can you explain the difference, Ros?

YUEN LING NG: Sure. When we came out in February 2018, the outlook that we provided, we expected profits to grow at mid-single-digit rate during 2018. Obviously, we had some one-off challenges in the first half then at least we commented that China was doing well, Korea and Australia a whole lot better. Obviously, with the March quarter, it's a typical March quarter. Obviously, we had that visibility for USG reporting. March quarter is always a difficult quarter because as we know, January in Australia is a lot of vacation time as well as the Chinese New Year and the holidays around Asia that typically take place in January and February. And those don't come in sight in terms of the earnings in the March quarter. I think in the scheme of things, we still expect our share or the profit of the USG Boral to still grow around that mid-single-digit rate. I think USG commented on low- to mid-single-digit rate. But I think in the scheme of the total dollars, we're still [wishing] that for the range, low- to mid-single-digit growth. Obviously, June quarter is a much stronger quarter compared to the March quarter for the joint venture.

OPERATOR: Your next question comes from the line of Peter Steyn from Macquarie.

PETER STEYN, ANALYST, MACQUARIE RESEARCH: Mike and Ros, just a couple of quick ones. On Australia, could you comment on costs in cement in the [U. K.]? In particular, you mentioned that the New South Wales was most affected by Berrima. I take that to be a logistics cost imposition as opposed to a supply problem. But can you then just take us through what you're seeing in terms of clinker feet costs? How quickly do think electricity and the energy prices more generally could come off for you? Just give us a view on the costs there.

MICHAEL KANE: Sure, I think we provided about a $20 million impact from electricity costs, as I recall. It could have been electricity and gas, but it probably was electricity. So it's higher than in any recent years. There's no question it's been an impact. But we have cost management program as Brian described to offset that. When I look at the Berrima, Berrima is the plant that essentially supplies New South Wales and when we were caught with that flat-out great day, we had to scramble, put cement on trucks from Victoria, quick bring in clinker into Fort Campbell, put it on trucks. It couldn't be -- it's going to hit the ground. And so all that [benchwork] cost has an impact. But there were also costs associated with repairing the plant, and this is not a small piece of equipment that went out. And there was a lot of work and overtime. And so, you put it all together, it wasn't the largest cost impact for the period as we outlined in the hierarchy, it's 3 or 4 down on the list. But I think we dodged a bullet there because had we not caught that bearing when we did, we could have had a catastrophic failure. So it could have been worse than it was.

PETER STEYN: Could you comment on clinker, Mike?

MICHAEL KANE: What about clinker?

PETER STEYN: Imported clinker prices on those ...

MICHAEL KANE: Ros, jump in and help me. But I still think we are getting very attractive imported clinker pricing and I'm not aware of any significant movement in transport costs coming out of Asia. So I think import parity is still fairly attractive, but Ros, do you have an update on that?

YUEN LING NG: You are commenting about the specific clinker cost associated with the -- where we had the kiln site here. So obviously, our Engine 2 (inaudible) asked specifically asked about the cost of the clinker during the time when Berrima was down. Obviously, that was at a higher cost because we had to go out and -- rather, ship from Sunstate, that (inaudible) there. And of course, that was already included in the cost [excellent] that we provided earlier. In terms of the broader question of clinker, imported clinker, obviously, this is from the period of time that gets renegotiated. We do say that there will be a slight increase in clinker prices, but it's not -- but it's still very attractive in terms of importing from Asia.

PETER STEYN: Okay, very good. And then just -- you made some comments about the logistic cost in fly ash in the U.S. being above your expectations. Could you comment on the rest of the business where there's any fundamental deviation from what your expectations were ex weather?

MICHAEL KANE: No. No. The rest of the business is performing -- we're still in a situation in the U.S. where we need to get more sources of ash and more ash because we are selling everything we have our hands on. So it's this long-term project of being able to get access to ash across the entire network, is an imperative in our business. Thereâ€™s nothing else fundamentally going on and when the 3 plants went out in Texas, we were relying on the 1 plant in a neighboring state, Louisiana, to pick up the slack. And then that one had a mechanical failure. So we had to get that there by -- at the same time a fourth plant went out that we were going to rely on to bring near ash across the border.

And so that still happens from time to time. Our experience over the years working with the utilities is we may be the last person they advise when they get ready to take a boiler down. They do not make their maintenance decisions based on our needs but on the needs of the facility. And we understand that. But it's a challenge at time to time to coordinate this. And the coordination efforts we now go through this network is quite robust but we are very positive that we can bring some supply chain management to the table here and make this a much more sophisticated operation. But I think as we look at the situation in Texas from a different perspective, we had in effect a catastrophic closure of 3 and ultimately 4 plants in our large network in Texas and we did not disappoint a customer for lack of fly ash. We were able to find ash in our systems to get it to them. We have learned how costly that exercise is and we are working feverishly to figure out how to cost reduce that exercise going forward. And that's what our planning and our exercises around storage and reclamation are going to be all about. So I think the first challenge we were faced with as the network manager, we responded perfectly for customer needs and exposed the challenge, the embedded cost are on that network as we're moving fly ash at a distance. But we think that all of that leads to map rules in the structure of the outline of our system to create this North American network.

PETER STEYN: Perfect, Mike. That's just a very good segue into my last question around fly ash prices. I think David mentioned that it's going to take a few rounds to get the prices to the level where you've restored margins. Customer willingness to pay up is obviously reasonable with 8% to 10% increase being realized year-on-year. But can you comment so what is how many rounds mean and how long does that take for us to see a restoration of your margin to previous levels and what customer willingness to actually pay that and what would the factor be to drive it in that direction for you?

MICHAEL KANE: So it's clear to me that we have seen a disconnect completely between fly ash pricing and cement pricing. And 8% to 10% in 2 rounds, so we had 8% last year and we're going to get closer to 10% this year. Frankly, this is a historic movement and frankly for fly ash. We think this will continue, and we think that more and more of the customer base has gotten to the point where they not only would like the fly ash, it's much more -- it's more than a cost average drive. It's a necessarily ingredient for a lot of the work that they do. And so we think that the price of fly ash advertised price today is way too low for the value that we deliver to the ash itself. We are cognizant of the fact that the markets are going to take a massive disruptive leap in prices. So we are bringing in along, but we're going to bring it along fairly aggressively. How many of the (inaudible) adapting we'll get at these high levels? I think you can look at this as a pricing exercise that will moderate over time. It will be much more aggressive in the front end and I think that's where we are right now. We're at the front end. At $35 to $10 or $35 a ton depending where you are in the country, you've got a long way to go (inaudible) $20 a ton to pour the cement. So between now and like $60, $70 a ton, we've got a lot of room to make some significant price increases and then it will moderate. It will moderate but hopefully we will have found more attractive sources closer to the demand with net embedded transportation cost so that as we have to moderate price increases and normalize them, we will have a much better cost base.

OPERATOR: Your next question comes from the line of Brook Campbell-Crawford of JPMorgan.

BROOK CAMPBELL-CRAWFORD, ANALYST, JP MORGAN CHASE & CO, RESEARCH DIVISION: Mike and Ros and David, I just had a question around prices in the U.S. business shaped by the fly ash that are like building products and bricks. What are you seeing there? Are you able to realize price increases more than offset inflation on the cost base and even higher transport cost that we are hearing are happening in the U.S.?

MICHAEL KANE: Well, it's a business-by-business answer to that because it's not all the products are managed so for example, a lot of our would-be pickups are low, flat. So we are not bearing the eventual costs; they are. Another case is we're shipping, and we're shipping greater distances so we're bearing the [same flow] costs. We are getting price increases anywhere from 3% to 10% across all our products and I haven't even worked out the math, but we are solidly mid-single-digit price increases across the U.S. I'm very comfortable about our ability to get price in the U.S. market, because demand is picking up and the markets are getting stronger. Bricks is the most challenged product in the portfolio because in the meantime the demand is increasing in terms of housing, propensity for brick wall share is continuing to decline because there's an offsetting factor going on there that makes it frankly challenging in some markets with prices in bricks. They will hit the lower end of that range. So while we've gone out with some very strong prices and we think that we've got a solid low single-digit number coming out of bricks and in some markets make the high (inaudible) than we would like. But still, many markets in bricks, there is too much capacity chasing a smaller market. But bricks is a one-off issue and really not the portfolio product for the future. The rest of the portfolio has seen moderate to strong pricing and we think that would continue for several years.

BROOK CAMPBELL-CRAWFORD: And just another question again on fly ash. Just still a bit unclear around your expectation as for margins in fly ash in the second half of 2018 and I am assuming margins you expect them to decline, but are you able to provide any kind of guidance around the magnitude of the margin erosion that you're expecting in fly ash in June half?

MICHAEL KANE: I think we can expect to see some margin erosion, we've talked about that. But that will be balanced against our ability to extract price in the overall market. I wouldn't want to call it quite yet, but we clearly had an impact as we responded to the Texas issues. We can't discount the weather impact in the second half. The weather impact hurt the fly ash the most. I think that's what David, when he tried to rank that who was impacted the most, I think he did say fly ash was impacted the most. And so that third quarter impact will be a factor in the second half, there's no question. And am I worried that we've got a structural issue here with problems in the business in terms of margin erosion over the last year? Absolutely not. This is one-off stuff. And I think if you guys get the discount of property sales as one-off, then we should [go down further] taxes one-off as well. Because this is not something that will linger, and we expect fly ash -- it's just our 2-margin leader in the business, it will continue to be our 2-margin leader, and I think it will only improve as time goes on.

BROOK CAMPBELL-CRAWFORD: Just 1 more if I could. On the Australian business, just looking over the last couple of years, a pretty significant amount of CapEx has gone into upgrading the operations, the quarry in particular. Just can't understand if you benefited from that significant growth CapEx yet or are you expecting that to be ahead of us?

MICHAEL KANE: As I looked across the key capital cities where we replanted the major quarries, we clearly must be ahead in New South Wales with the Peppertree Quarry because we did not plan on building in the housing and infrastructure in New South Wales when we built that quarry. And so we are running that pretty full out and have been for quite a while and we got there well ahead of the schedule in the CapEx. So we are ahead of ourselves in New South Wales. In Victoria, I think that we are on track, we got the new quarries, new park up and running and the old one closed down. But it's still too early to do a postmortem on the result because the new quarry has been going into operation for a matter of months. In Brisbane, we have only seen the last year a resurgence SEC market and that project is just winding down so too early to make a call there. The new plant in Orange Grove in Perth was delayed and won't be operational, the new quarry, until next financial year so that's again too early to make that call. But these were generational investments that used to be made and there are 30- to 40-year investments that will stand the test of time. We had the reserve because in many cases decades ago, we made the land purchases and we were able to replant these quarries when the equipment basically wore out. In the case of New South Wales, where the source material ran out and we had to replant our entire site. So these were, in effect, stating business exercises that had to be done. I have to say that the timing of these quarries we invested in over the last 6, 7 years, has been, in retrospect, brilliant. Not that 10 years ago, we frankly had a clear view to what was going to happen and how it would affect infrastructure, but sometimes timing is everything, and I will take luck any time I can get it. I think we made these investing at this perfect time to take full advantage of what is going to be another 7 years of infrastructure running Australian and all these quarries will be fully utilized in that exercise.

OPERATOR: Next question comes from the line of Peter Wilson from CrÃ©dit Suisse.

PETER WILSON, ASSOCIATE, CRÃ©DIT SUISSE AG, RESEARCH DIVISION: Just a couple of quick ones. For the North America business, I guess one of the difficulties in interpreting these is you never actually gave explicit quantitative guidance for the first half results. So I don't necessarily have anything to compare it to. I was hoping you could maybe actually give us an idea the quantum of the depth in terms of your expectations.

MICHAEL KANE: Ros, you want to start? And I will pick up again.

YUEN LING NG: Sure, Mike. Yes, I was just -- I was actually trying to talk into your earlier question but apparently the line wasn't open. But before just now answering that question, just want to add to some of the comments that Mike made about pricing, and David might want to add on as well. But part of what Mike said about the pricing in the U.S. in addition want to also flag that obviously for our stone business, we have talked about obviously, we had some challenges in some of the synergies during that period where we have lost some share. So obviously, the U.S. management team as mentioned as saying it's conscious of regaining that share, so it is little bit balancing of getting the share, and obviously, getting the price realization. So just want to add that on to Mike's comment. And the other one where in roofing, I think to Mike's -- add to Mike's comments as well, is that obviously there has been some consolidation from the builders (inaudible), so obviously, that does have a bit of pressure on kind of the pricing (inaudible) at concrete businesses. So again, just to -- the team is working through to make sure that we optimized the shared -- maintaining our shares as well as gaining those pricing outcomes. And the other comment I was going to add about the quarries, which just to be clear, Mike had a really good summary of that upgrade to where we're at. So obviously, apart from Peppertree, the benefits from the quarry upgrade keep passing the process ones being commissioned. Obviously, we haven't had the full benefit of the commission of the new [shade]. And that will flow through in FY '19 and beyond and similar through Orange Grove. So benefits around better throughput rates and labor rates in year with (inaudible) each to come still. So then to the next question was around -- I think you said that we can give any specific guidance in terms of the -- in terms of second half, coupon of America earnings in our February results announcements, was that the question?

PETER WILSON: That's correct. So what you said, I guess, was that would significantly higher. I'm just wondering what your definition of that was.

YUEN LING NG: Compared to -- yes. I think either that substantially skewed (inaudible). That can be quite a wide interpretation as what that substantially skewed in. Obviously, when we provide the guidance in February, we had just really seen (inaudible) January results and January being a month that is significantly impacted by just winter in the U.S. So we do have as a narrower percentage of guidance that we have given now more ratably. So if we talk about substantially skewed, you can work out some of the examples, whether you use 30% improvement into EBIT on the second half to third half and what we're driving to. The view now is that on top of the range, we're talking about 25%. So even if you need to talk about 10% of being the percentage looking at if we were looking at 30% and now it's 20% for EBIT, we are talking about 10%, so we were talking about AUD 10 million would be simplicity the math. So that's probably -- should range if you would use just 30% to 20%. I am not sure if that answers of your question but.

PETER WILSON: I'll be happy to put another way. How much would it cost much than expectations?

YUEN LING NG: Well, I think, as both Mike and David have talked through in terms of the impact of a much colder winter and a lot more rain in Texas in each of the mid- to Midwest and into northeast combined with fly ash repositioning. I think if you look at just that example I gave, you can safely stick with 30% more in the second half and now we are guiding if you tax 20% of commission in the middle of the guidance of the [sequels] up to the 25%, we're only talking about AUD 10 million, so USD 7.5 million. And we talked about the hurricane to give you an idea. I mean the 2 hurricanes that happened in August and September last year, we record about a USD 10 million impact. So a lot of that difference in AUD 10 million, a lot of that would have been the weather as well as the fly ash repositioning. But sort of around that slide using that example of 20%, 30% would not be ...

PETER WILSON: Okay, that does help, Ros. And just (inaudible) do this. When we look at the operational issues and exclude the fly ash, would you characterize most of those issues as a temporarily higher cost that will ultimately revert or is it, I guess, a rebasing of the cost? And if it is the former, what is the timeline you expect in terms of the recovery there?

YUEN LING NG: Yes, I think again, so I think to answer that you go back to that slide, I think, in our results announcement, Slide 13, where we called out some of the specific plants' issues that we had encountered in the first half. I think in Mike's address and David's address, a lot of those issues have been resolved. So some of them were commissioning issues and really weren't the plant operational issues as we talked to the commissioning of the brand-new stone plant, which is at Greencastle, our brand-new line in Kleer. Those 2 and also upgrading our Lake Wales routine capacity and [spend] negative profile. Those 3 really are going to be an improvement going forward for both capacity as well as cost structure. So once we work through this issue, we should see an improvement. In terms of the others, whether it's the Okeechobee plant or whether it's the metal -- stone-coated metal, again, once we have addressed those issues and we have seen improvements as Mike mentioned, again, that will be an improvement in FY '19 year. So in that third half, we called out that if we combined all those plant commissioning issues and operational issues, we were talking about USD 7 million impact to the first half.

DAVID MARINER: We anticipate to be through all of the issues with the exception of the Oceanside metal plant by the end of the year. That's our goal. It's probably still a little bit more work in terms of fine-tuning things, but our goal and our expectations are we will be out of the woods by the end of the year.

MICHAEL KANE: So to come closer on your question, these are temporary issues with solutions that we've had. The last one takes a little longer, this metals plant issue. It's simply a matter of reconfiguring the manufacturing process so more severely impeding that process than has to do with the other plant.

OPERATOR: Your next question comes from the line of Keith Chau of Evans & Partners.

KEITH CHAU, SENIOR RESEARCH ANALYST, EVANS & PARTNERS PTY. LTD., RESEARCH DIVISION: So the first question from the Australian business. So Michael, I just want to reflect on a few of your comments. Firstly just around concrete prices, not enough to offset cost increases, but you'll obviously get the benefit of elevated volumes in New South Wales, difficult to compromised areas. And I guess a telltale sign of those 2 dynamics that we revert back to more normal seasonality within that old Australian business experiment. Do you think that necessarily signals that concrete earnings are at peak cycle in it going forward? Might as well either rely on growth in asphalt to delay the cost of the infrastructure projects or near-perfect weather conditions?

MICHAEL KANE: Well, you never -- my view on price is the ultimate justification of price increases in a mature market set is offset price. And we're seeing -- and what we rationalize is internally is that the purpose of price is to offset cost. Our cost reduction programs are designed to expand our margins. Now nothing ever works so perfectly as that and sometimes you get more, sometimes you get less. We are doing well with our pricing, but because of the volume of this work is tied up in these large infrastructure projects, it's a little more difficult to tease it out, but as we look at it, we think we'll continue to get price increases, not the least for which is that we are seeing diesel costs more pronounced, electricity cost and natural gas cost pushing upwards and they're going have to be offset. So I'm not sure we get to keep a lot of that, but I'm hoping that our continued performance in terms of optimizing our operations and cost management will give us the opportunity to expand our margins.

KEITH CHAU: But then Michael, on the volume front, I just want to go back on that and reflect on concrete, are we near peak volumes for the business? Because it doesn't sound like there's much more capacity for particularly New South Wales to deliver high volumes to the market for concrete. Now, granted, I think Victoria is clean from this topic potentially for little more growth, but on a net basis, are we seeing positive increase on concrete volumes?

MICHAEL KANE: It depends upon the kind of volume that will be added. So the most of the volume that we think is going to come at us going forward will require portable plants and then it's not a matter of using up our fixed plant network, which is totally activated right now, but the question then becomes is do we have enough material? And in the long run, we have enough materials, we have enough aggregates, we have enough ability to get our hands on cement and we have enough asphalt and the crews to do that. But it's not an easy task to get in the challenge that we have. When you look at the work coming upon us, I think there's room to expand the New South Wales' capacity to take more volume. Clearly, Queensland, Victoria and Western Australia could all take a lot of volume.

YUEN LING NG: I want to just add to that, Mike, Keith that your question about demand for concrete. Obviously, demand for concrete, a large driver of concrete is also housing, whether it's single-family housing or multi-residential housing. As we've singled that, we know that we are at the very peakish end of housing and in particular for multi-dwelling. So even if you look at corporate demand overall for Australia going out, I think with the infrastructure which become the concrete component from that as well as looking at if you form a view that housing will revert back to more underlying demand of around 175,000, therefore, currently around 220,000 or 225,000, we do see that demand for concrete in Australia is at a very high levels as an industry and obviously, as housing drop off, paving other major infrastructure announcements that might consume concrete, then we do expect that this is kind of at the high level for all of Australian in terms of concrete demand. So what's good for us is that obviously, we have talked about that we have a very good share position on the East Coast of Queensland, New South Wales and Victoria, where we have seen some very good growth in terms of residential and nonresidential and infrastructural. And obviously, these are urgent states in terms of -- from an earnings perspective. So other than no additional infrastructure volumes coming out or increasing in nonresidential growth, I would say that the industry is pretty much at the peak at the moment.

MICHAEL KANE: And I think one of the things you can also add, another way to look at that is that when housing moderates down, that will free up the path (inaudible) fixed network for more infrastructure. So I think it can stay up at these high levels for quite some time.

KEITH CHAU: And then just a single one on Australia around the current pricing dynamic. I know the first half like-for-like price increases were 1 to 10 versus the B2B not sustaining a couple of price increases being implemented in the prior April and October period. Just wondering what we're seeing with 3 months down the track over the last year's results, just wondering what you're seeing in terms of like-for-like price increases for the second half of fiscal '18.

MICHAEL KANE: Ros, do you want to answer that?

YUEN LING NG: Yes. So just to comment on that. Obviously, in the first half, we talked about like-to-like even around 1% to 2% of the local concrete is what we talked about. We talked about for the first half that we were also looking at making sure that we regained some of the volumes, in particular increase the CapEx in Queensland and in metro Melbourne. So the price realization probably wasn't as great as expected, but we did want to make sure that we secured our volumes. So going forward, obviously we do have price analysis in April coming out, a little bit early for those, but we're still tracking around that sort of 1% to 2% like-for-like pricing improvement across -- obviously, across our region it's seeing the same continuing vein. They are still seeing very good pricing outcome in metro Sydney and improvement in both Melbourne and improvement in Southeast Queensland and obviously, still very challenging in Perth and outside the city, obviously, still very challenging in regional areas in Queensland and New South Wales. So nothing has potentially changed since our comment on pricing in February but we do have the price increases going out and hopefully that some of that will benefit us in the June quarter.

KEITH CHAU: And maybe one for either Michael or David just around the operational issues within the April business currently. I know it was asked this question before, but given the correction in synergy delivery moving completely there for next couple of years, confident are you Mike given a few more months down the track that there are no other significant issues that will materialize? I know you might get a few minor issues as you integrate businesses given the size, but what process have been undertaken generally to provide you with a degree of comfort that no other major issues will come up?

MICHAEL KANE: So all the issues we talked about were performance issues at a manufacturing plant and moving across every asset in this portfolio from head to toe, there are no surprises out there. There are no varying debt spend issues that are going to bubble up and float on us, but most of these divisions are in excellent shape, both new plants are in excellent shape. We had to do some housekeeping and we've had to put some guards and we've seen the opportunity for upgrade, but normally those are still seeing the ability to grow volumes and share and so, no. There are no things are going to jump up and bite us in the ass coming out of the networks in North America this week did across all (inaudible). And we're running these operations and we understand them. It's not a business, with the exception of windows and -- windows, I guess, is the only one that we didn't understand going into this deal. And so frankly, no surprises coming forward and we don't expect any.

KEITH CHAU: Just on the fly ash business, it seems as though at least in the near-term, the goal will be to maintain the [stellar] margin rather than the percentage margin. And I will take your point, Mike, just around finding effective sources closest to demand to the average supply of the market. Just wondering if there was any progression with respect to what the investment dynamic returns are for either recommission and/or storage and whether that synergy margin will actually below us in the future.

(technical difficulty)

Kickoff associated with the supplier network that implicitly has more storage and reclamation cost embedded within it?

MICHAEL KANE: We expect -- we're not going to disclose our margin buildup in reclamation at this stage for competitive reasons. But I am going to tell you that my full expectations is that these exercises will be able to preserve and perhaps enhance our market attainment, and that's [infuriated]. You have to understand that we're talking about cash that's already been disposed of as we said. And it's a liability on the books. We're offering the possibility of removing that liability to come and providing some additional stream; however, not as significant for them in the scheme of things, but a stream of earnings from garbage previously disposed and a long-term solution to an environmental problem that they're all very cognizant about.

KEITH CHAU: Again, and David, just around fly ash supply in the U.S. Are you aware of any other coal fire plants that you obtained flyers from that are at risk of closing? I know there are few incidents in the market at the moment where coal fire generation continues to come offline. I'm just wondering if there's anything that you're seeing at the moment that is pointing to further reduction in fly ash supplies through your current network?

DAVID MARINER: The only one I note, the only comment I would make on that is in Florida, we had a small utility that will close down during 2018. And we offset that by actually entering into a contract in Florida. So it mitigated it and will actually probably help a little bit because the volume, I think, we'll be able to capture a little bit more. But no other broad brushstroke -- other large closures that we are aware of.

KEITH CHAU: And just one last quick one for Ros. Ros, just wondering if you would be able to help us with cash generation within the second half and maybe an easier way to ask that question by the end the period just in very broad terms.

YUEN LING NG: Yes, sure. So with the -- I guess some of the drivers of cash flow we have already talked through with the EBITDA expectations for the full year. Obviously, closure with the property sale that was just announced, that's going to be very beneficial for cash flow generation from that perspective. In terms of another driver of cash flow is obviously capital expenditure. We did provide at February that the range of 425 to 475, and we expect us to be in the lower range of that. So I think that would still get -- our expectation is still in that lower range. And the other large cash item is some of the integration costs that we did in March when we announced the acquisition. We talked about overall USD 100 million for integration for an inception turnabout with cash, some of that flowing through in the first half. We still expect a component of that will flow through in second half, but not all of it will be spent in this year, but some of it will flow through to FY '19 year. So I think all in all, I think when you add all those pieces up together, we're still obviously -- we didn't anticipate it being paid out for the first half. So I think when you add all the pieces together, I think the expectations that will be able to maintain our net debt after all obviously, with both I just, we talked about the capital and the integration as well as the dividends, we expect limited to be around that $2.3 billion or $2.4 billion.

OPERATOR: Your next question comes from the line of Lee Power from Deutsche Bank.

LEE POWER, ASSOCIATE ANALYST, DEUTSCHE BANK AG, RESEARCH DIVISION: So my line just broke up a little bit just in your response to getting the margin back in U.S. fly ash business. Did you say 3 to 4 percentage points of real price change to get it back or 3% to 4% annual price increases?

MICHAEL KANE: I don't recall anyone at 3% to 4% price increases. Nor are we talking about 3% to 4% but I'm happy ...

LEE POWER: So what was it?

MICHAEL KANE: (inaudible) Let me recount. We had an 8% price increase last year. We think we're going to get between 8% to 10% this year. And we haven't made any comments on what might happen in the second half of the calendar year when there is a possibility to go out of debt. But those intentions haven't been made. But -- does that answer your question? Or am I out?

LEE POWER: Technically not. I mean, how long do you think it's going to take to get price margins back to where they were in this (inaudible)?

MICHAEL KANE: If we can get 8% to 10% price increases across our entire network and we're only being impacted in the Texas market by those closures and we're working on that, it shouldn't take that long to get it through. Now we are in the business that's going to see soft closures from time to time. That's just the nature of the beast. And it's going to see permanent closures on a serial basis over the next 30 years. And so we have to be ready and prepared for those to adjust for them. Part of the issue is to close the delta between the prices of fly ash and Portland Cement as rapidly as we can. And the other issue is to get our hands on more ash for more creative solutions like not putting it into landfills to begin with and removing it from landfills that are proximate to market demand. So it's complicated. We will go into this in much more detail as year-end results -- is that right, Todd? Is it year-end or is it in Brisbane? When we are going to do fly ash update for September?

YUEN LING NG: Well, actually, we're year end in August, then we will have the more detailed update in September at the site visits in the U.S.

MICHAEL KANE: So we're going to go to a utility in the U.S. as a temporary [pull] on the ground yield to take it through some of the issues there as well.

LEE POWER: Okay. Just following off of that. You mentioned the closures and shutdowns of power (inaudible). How much on the foresight? What's the lead time as you notice that you're getting them in terms of the shutdowns? I know David mentioned the small coal fire utility that you could plan for mitigate. I mean, how much time do you usually get in terms of (inaudible).

MICHAEL KANE: It varies. It varies. As the industry was kind of surprised with how quickly the 4 plants were announced in Texas. We don't think that's typical. We don't think that's going to repeat itself year-over-year, but this is an industry that if you look at -- you got to look at the industry how it describe itself and the industry trade associations forecast out 25-plus percent of the market for energy in the U.S. and to provide the coal fire power plant 30 years from now. If that's the case, this is going to be a slow exit over time. And I would argue this just picking a number out of the air that 50 years from now, there won't be a lot of coal fire power plants in the U.S. So in the meantime, this is an extraordinary opportunity for us.

OPERATOR: Your next question comes from the line of [Alex Wallace] from (inaudible).

UNIDENTIFIED PARTICIPANT: I'll apologize in advance for asking this question on an operational update call, but given the coincidental timing there may be no better opportunity. Just noting the controversies surrounding the board members at the moment acknowledging this 6-year posting in your audit and risk committee. I'm wondering how and when the board plans on addressing Catherine Brenner's tenure, please.

MICHAEL KANE: The Chairman has made a statement in this regard and as far as I've heard, that's the only statement that the board was making at this time.

UNIDENTIFIED PARTICIPANT: Okay. Just on the operational side of things, I am wondering if you could comment from a broad perspective across the business just any potential impact from rising aluminum prices at the moment?

MICHAEL KANE: Rising what?

UNIDENTIFIED PARTICIPANT: Aluminum prices.

MICHAEL KANE: David, you could comment, but -- we are the largest consumer of steel in the U.S. but I think it's small portion of our material requirement is aluminum. What do you think, David?

DAVID MARINER: I would say the only aluminum we probably consume, I know is in the windows business. We make a small portion of windows, 10% to 15% of our volume might be in that, with that, the rest being vinyl. It's minor.

MICHAEL KANE: It's not a material issue for us.

OPERATOR: (Operator Instructions) There are no further questions at this time. I would now like to hand the conference back to today's presenters. Please continue.

MICHAEL KANE: Well, thank you very much for those who've hung on this long on the call. I realized there is a lot of detail, and there's a lot of complexity in the portfolio. It's a much more complex portfolio today that it's ever been. But we also think if the portfolio does great both in value for us in the long run. So thanks for hanging in there and I think we've learned something, that God forbid we would have to do this again. We should probably have a call on this, but we announced this because there was just a host of questions that obviously need to be answered the best we can. Hopefully, we tried to do that tonight. Thank you very much.

OPERATOR: Thank you, ladies and gentlemen. That does conclude our conference for today. Thank you for participating. You may all disconnect.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

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