

Question and Answer

Unknown Analyst

You spoke at the Investor Day about new investment platforms. We may talk about those today. Have you sort of eliminated a lot of those ideas? We focused on the ones you talked about.

Marko Bogoievski

CEO & Director

Well, I mean, we're almost boringly repetitive now about retirement and renewables, right? Those are the focus. The reality is it actually really helps -- now that we've got Australia and New Zealand retirement, we've got some jurisdictional diversification, right? And we've also got different industry structures. And as that happens, New Zealand I think's a better exponent of the retirement service model than Australia. That would be our view, and we like the fact there's fragmentation in Australia. So the bias would be probably to deploy capital in that market -- in the Aussie market. Renewables, as you know, probably a bit of [ph] any one in this room, very much you need to think about the jurisdiction you're operating in and the rules you're operating under. And we've got quite a lot of exposure to 2 markets, New Zealand and Australia. They're not necessarily correlated, as Tony Abbott demonstrated. But you sort of -- jurisdictional diversification is one thing we think about in that sector if we were to get more into it. But clearly, we've got this big, active pipeline right in front of us sitting in Australia, an environment we're quite comfortable with. We haven't ruled out other platforms. In fact, I would like another platform at least of that significance in another sector. But right now, if you think about execution, focus is quite important.

Unknown Analyst

And just next question on Trustpower in terms of just that last comment you made. It sounded like you might be trying to accelerate the -- some of the new wind programs there or wind farms. One of my thesis is, is the delay of the projects and waiting till all the factors were right is one of the reasons Snowtown was so successful. The market at the moment over there is sort of -- the opportunities for value, perhaps a little bit constrained. I mean, you're not going to be pushing them too hard to do something within a sort of reporting time line, are you?

Marko Bogoievski

CEO & Director

No, and we've never operated that way, anyway. I mean, Snowtown, we showed sort of unbelievable patience actually. And you're dead right. You're waiting for not just the regulatory environment, but FX rates to strike the right position as well, right, on those big capital projects. So there's none of that. I mean, acceleration could be just acquiring more development options or could be making sure you're investing the right amount of capital and people into getting development consents. So what we don't want is to end up with the right conditions for deployment or the PPA counterparties willing to do something, but us not having completed a development consent or not having the right set of state [ph] options for that retailer. So we're not going to let them off the hook for that. But there's no pressure around hitting any particular time table other than that.

Unknown Analyst

Last question then, Western Australia. You used to talk about market changes there. Obviously, Trustpower sort of took a stake in development opportunity there as well. Can you just sort of explain what you see happening in that market?

Marko Bogoievski

CEO & Director

I don't know. I mean, it's gone from being a market that had an integrated, state-owned generator and retail to 2 state-owned but separate generator and retailers to now, again, talking about creating

2 integrated but separate generators and retailers. So -- and they've actually come full circle. What I do know is that we're getting quite a lot of encouragement as one of the few independent generators in that market to continue our presence. So what the regulators and I guess politicians in that market don't want to see is conditions get to the point where private market just doesn't want to play at all. And so we're definitely sitting around waiting for that. There's still -- deregulation in the commercial small enterprise market, as you know. So we're still active in acquiring customers in that space. But it's actually [indiscernible], fair point.

Andrew Rupert Pelham Harvey-Green

Forsyth Barr Group Ltd., Research Division

My first question is around Trustpower as well and just given they've got the King Country acquisition going through and their balance sheet getting reasonably full, I guess, reasonably stretched in terms of available capital. Can you give us some thoughts on what your current thinking is around how you might actually fund the Australian wind developments, also the structures you might be putting in place?

Marko Bogoevski

CEO & Director

I mean, I -- Andrew, I mean, the -- I think we're conscious of the fact Trustpower's a business that can take on some leverage. But yes, we want to target low levels of gearing in the long term, so I'd accept that point. It has a few choices. I think -- just talking conceptually now, one choice is you've got very supportive shareholders, right? So -- but I can say that our preference is not to put new equity into that existing Trustpower vehicle. I'm not sure that's the most efficient way to fund and build a development pipeline in Australia. So that's sort of one, if you like, one starting point. That's pretty firm. On the other hand, I guess you've got pretty simple opportunity to recycle and use, say, the proceeds of sale of existing assets, not necessarily existing wind assets in Australia, but existing assets in the Trustpower portfolio and use that equity in the next development, which is actually fine. I think the issues are that that's quite a, I'd say, it's pedestrian approach to deploying what is quite an attractive opportunity. With the window that's sort of closing, right, if you actually believe, there's a 2020 time frame to get those megawatts built. And then there's everything in the middle, and the stuff in the middle is are there other vehicles that could be created that would be better positioned to take on that new equity? Or are there other investors that want to get involved? I mean, all that stuff, I think, conceptually is available. But in reality, we're actually more focused on sort of the pragmatic ends. What's the first thing that needs to be done? Can we fund it? And I think sometimes, you just got to take the opportunity in front of you. So King Country was available. It was well priced. I guess they ended up effectively being quite a nice bilateral type discussion, that sort of flavor and we'll deal with the funding of the long-term portfolio when we get to that.

Andrew Rupert Pelham Harvey-Green

Forsyth Barr Group Ltd., Research Division

And my second question is just around sort of dividend that we've got. Good step up in dividends again this time and sort of guiding to a good step up in FY '16. Looking forward in terms of, I guess, redeploy capital and we've just sold Z, which is a fairly high cash yield and asset. Is it fair to say we're looking at sort of more cash-yielding assets? I think in the renewable space, you can sort of tick [ph] that box, but the retirement space probably isn't such as high cash yielding. And how you sort of think about maintaining your dividend going forward?

Marko Bogoevski

CEO & Director

I might let Philippa have a go at this question this question. But generally speaking, we operate within portfolio credit metrics and liquidity parameters. So I'm certainly not thinking us stepping outside of those parameters. But do you want to...

Phillippa Harford

Chief Financial Officer

Yes, and assuming just the way it is, I suppose what we look to do is have a good view of the forecast underlying earnings of our current continuing operations, putting aside any portfolio changes. And on that basis, we seek to get a view of where we see that dividend portfolio moving. Clearly, we have to keep an open mind to that, however, if we do have portfolio changes and having a look at what the profile -- the cash profile of those investments are, whether they're greenfield, brownfield versus fully operational assets. But at the moment, our focus is very much on our existing portfolio and the underlying earnings growth of that portfolio.

Marko Bogoievski

CEO & Director

Any more questions in the room? Doesn't look like it. Can I -- operator, can I take questions on the phone, please?

Operator

[Operator Instructions] And your first question comes from the line of Grant Swanepoel from Craigs Investment Partners.

Grant Swanepoel

Craigs Investment Partners Limited, Research Division

My first question is just a quick one to Marko. You mentioned upfront but still confusing, that you thought that investors didn't quite get the inherent risk in downstream oil and gas. Is this an indictment on current share prices that Z's trading at? Second question, in terms of your FY '16 guidance, what are your assumptions around revaluation gains considering it's 17 of the 32 from your retirement operations from revals in the first half? Third question, just a link on to Andrew's question. At your Investor Day at the start of the year, Morrison & Co was talking about the yield play probably playing its way out sometime this year. Does that not force you to consider getting rid of Snowtown 2, particularly with just 9 years left of PPA against it? And what would your thoughts be around what to drive the correct time to sell that? And then final question, in terms of your commentary on Trustpower's ability to sell assets. Other than wind assets, what are the assets you're referring to? And I would've thought that all of Trustpower's New Zealand operations are integral to their success.

Marko Bogoievski

CEO & Director

Okay. Grant, thank you. I think you had your full allocation of questions, by the way. Just on the indictment on the Z sales price, so just to be clear, I was talking about the risk when we bought the thing, right, not the risk inherent in the ComCom process [ph]. Our view, by the way, is that the ComCom process will still end up being a positive one for Z, so there's no suggestion that we're anything but thinking that. The point I was making is that the operating leverage in that business is what actually has generated the handsome outperformance. Operating leverage works both ways, right? So if you got billions of liters and you're getting margins going the wrong way or events happening in an industry structure that taken a different direction, you could have got very different result. So there's nothing more, nothing less in that. It's one of those industries, I think, that requires careful attention to every single dollar where points of a cent of a margin on 2 billion liters actually really matter. So that was the point on that. On the retirement revals, I think we do make some pretty basic assumptions in the forecast. But did you want to quickly talk on that one?

Phillippa Harford

Chief Financial Officer

Yes, I think it's just at the moment, obviously we've had the Metlifecare result as at 30 June 2015, which had a direct flow into our reported result for the period. And we will have a forecast position or assumed position regarding revaluations. I don't think there's anything overly scientific to that. As a group, we look [ph] to get results or updates on that forecast position as we move towards the full year. And certainly, if there's a change to those forecast positions, we'll flow that through and update our guidance accordingly.

Marko Bogoievski*CEO & Director*

On your third question, Grant, about timing of sale of Snowtown and amount [ph], I thought I'd address that a little bit with clearly, sale of Snowtown is related to the way we're thinking about executing the development pipeline, and that's probably the most obvious thing to exit. I wasn't intending to load any more messages other than say conceptually, Trustpower has the option of selling assets to recycle equity. It doesn't necessarily have to be a wind asset for a wind asset. In terms of timing, I mean, you're right. I mean, the closer you get to the expiry of a PPA outcome, you would've thought the less attractive is going to be to a yield investor or a smaller field of buck [ph] investors might turn up for it. We still think those assets will end up getting recontracted in a different form. That will be our base case scenario today. So in terms of optionality, I don't feel like that option is going to expire tomorrow. Even though our long-term view would be that you have to be cautious around the yield environment. I mean, that's just as applicable for a Wellington Airport, I would say, as it is for a timing of sale of Snowtown 2. The last one was I think you asked about -- what was the last question -- was around are there TPW assets? Again, we haven't got -- the most obvious saleable asset, if you like, is contracted wind assets in the Australian market.

Operator

And we have no further questions on the phone at this time.

Marko Bogoievski*CEO & Director*

All right. As there's no other questions in the room, I think I'll wrap things up. Appreciate the attention this morning and the attendance. As I said, there's a few MCo people and there's Wellington Airport chief executive here and the Snapper chief executive happy to talk to you about other parts of our business. So with that, and everyone on the line, thank you.