

Company: Woodside Petroleum Ltd
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Start of Transcript

Operator: Thank you for standing by, and welcome to the Woodside Petroleum Ltd teleconference. All participants are in a listen-only mode. There'll be a presentation, followed by a question and answer session. If you wish to ask a question, you will need to press the star key, followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr Richard Goyder, Chairman. Please go ahead.

Richard Goyder: Well, thank you and good morning, everyone. As mentioned, Richard Goyder, and I'm here with CEO and Managing Director, Peter Coleman. You will have seen this morning's ASX announcement of Peter's intention to retire in 2021, after a decade at the helm of Woodside, having joined as CEO in 2011. Peter's been an outstanding CEO. He's contributed significantly to creating the resilient and well-positioned organisation at Woodside we have today.

The Board has commenced the search for Peter's successor. We're looking both internally and externally to find the right candidate who will maintain the momentum on our growth portfolio, but importantly, continue Peter's record of operational excellence. 2021 will be a really important year for Woodside as we head towards the targeted FID for Scarborough and continue execution of Sangomar, among other activities. So, I'll hand over to Peter to say a few brief words before we open up to questions and answers from both of us. So, Peter.

Peter Coleman: Thank you, Richard. Look, it's the right time for me and for the company to make this transition. I'll be on deck as CEO while the search goes on for a successor. I just want to say it's been a great privilege to lead this great company. Today's announcements really sets us up for an orderly leadership transition and you would expect nothing less from Woodside. With that, I'd like to open up the call to questions and answers.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up your handset to ask your question. Your first question comes from James Byrne from Citi. Please go ahead.

James Byrne: (Citigroup, Analyst) Good morning, Richard and Peter. Peter, I just want to say congratulations on your time at Woodside. I've just looked it up, ten years is double the average tenure of a listed company CEO in Australia. So, well done. My question, Peter, is just trying to understand whether the timing of the retirement at all is contingent on FID for Scarborough and Pluto Train 2 or are they mutually exclusive?

Peter Coleman: Well, firstly, James, thanks. Thank you for your kind comments. No, they're kind of mutually exclusive. I think the reality is a CEO search process typically takes the better part of six months or so. I have been looking at retirement in 2021 for a number of months now. Nothing's ever perfect, so as we looked at some of the delays that were put upon us through COVID and some of the OPEC pricing disputes. But we've taken advantage of that time and we're working on enhancing the value at Pluto Train 2 and Scarborough. We'll continue forward with that.

I think the key, James, is, the key decisions for us, particularly around the commercial aspects of it and then also working with our contractors, will be completed in the first half of next year. So, that will fit readily under my watch. Then the rest of it will simply be what the transition looks like and what the Board ultimately decides with respect to whether the new CEO needs to be in place for that decision or not.

But at this point, there's been no discussion around tying the two together at all. But as you know, we updated our strategy just last month. We've been clear on that. There's nothing that's changed in the strategy. So, no, the timing, if they coincide, then that's wonderful, but if they don't, then they're certainly not tied together.

James Byrne: (Citigroup, Analyst) Righto, okay. Thanks for that. Richard, I have a couple of questions for you, just to try and get inside your head a little bit about how you're thinking about the transition and what Woodside could look like in the future. As you and the Board go through the process of looking at CEO candidates, I'm wondering, is it important for that CEO to be aligned with the current strategy as it exists today, particularly around Scarborough and Pluto expansion, or would there be consideration at all for somebody that might have a view on the balance sheet being utilised in other ways?

Because if I think about Woodside very academically, of having in that a liquidity that it does and high-margin base business, like that's an incredible platform to be able to invest. So, if you had a candidate that thought that utilising that could be done in a better way, would you entertain that at all?

Richard Goyder: Sorry, James, I wouldn't recommend trying to get inside my head, but let me give you some thoughts. Firstly, there will be some non-negotiables with an incoming CEO and a focus on safety and a focus on operational excellence, which are two of the very important values Peter has instilled over the last 10 years will continue to be a strong focus. Obviously, we think Scarborough's a world-class project, the Board will make decisions on that and we have made decisions on that. As Peter outlined, they'll continue to be made in the months ahead and targeting FID second half 2021.

But CEOs - I remember when Rob Scott took over from me at Wesfarmers, James, I said I'd been a long-serving CEO as well. CEOs will bring their own focus and their own energy. A new CEO will bring his or her own focus and energies into the company. But there's a momentum, there's a plan. So, we're looking for an excellent person to take over from Peter. But the work that we're doing will continue and Peter will be very, very focused on that in 2021. So, I think always the Board and the CEO are looking at value for all stakeholders and particularly for shareholders in decisions that are made.

James Byrne: (Citigroup, Analyst) Got it. Okay. The last question I have then is just in the last couple of days we've seen Exxon be targeted by activist investors and I'm going to grossly oversimplify this, but effectively arguing that they should be allocating capital towards clean energy.

Now, Woodside, at the strategy day last month, allocated part of that presentation to saying that continuing to invest in a hydrocarbon business was valid. But I'm just thinking if I fast forward to the strategy day that may or may not happen in 2022, are we still going to have the same narrative from the company around investing in a pure hydrocarbon business? Or is there in any way that a new CEO might change the direction of the company in that vein?

Richard Goyder: I reckon, James, on that, I think, Peter, to his great credit, has been an absolute leader in Australia, in terms of public advocacy for appropriate policies around emissions and climate change. And I think he and the team have set Woodside up well. But we are a hydrocarbon company. We're good at it. We continue to believe that LNG is part of the transition to lower emissions.

But we've also invested significantly in technology and continue to look at new opportunities. So, I don't see any difference in that. I mean, we get that there are some activists out there would prefer that all hydrocarbon production ceased tomorrow. And that's fine if everyone wants to sit in the dark and the cold. But yeah, we think Woodside has a very, very valid business proposition for decades ahead.

James Byrne: (Citigroup, Analyst) Great, perfect. That's all from me. Thanks again and congratulations, Peter.

Peter Coleman: Thanks James.

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

Mark Samter: (MST Marquee, Analyst) Yes, morning, gents. I don't ever know whether congratulations is the right word, Peter, but I definitely wish you the best in the future and look forward to catching up and sharing a glass with you when you have the time. I think this question's probably for Richard. It's slightly along the lines of James's second question, but you've obviously got the balance sheet capacity at the moment. But relatively, when you look at investment cycles on oil and gas companies, capital gets tied up and it's just some might argue more capital than you currently have could get tied up in Scarborough if that happened. And obviously there's a public process going on at the North West Shelf.

Do you think the change in the guard provides an opportunity to think about the reset of the strategy, because otherwise, then, realistically certainly Scarborough plays out and arguably something happens in the North West Shelf, strategically the incoming CEO's hands are pretty tied behind their backs for the next five years of the strategy, I'd argue?

Richard Goyder: Yes, Mark, I reckon Peter and Sherry and the team articulated pretty well the strategy at the investor briefing day a month or so ago, a few weeks ago. We all know and COVID tells us that the world is not predictable. But I think that articulation is one that allows us to proceed on some pretty important projects for the future of the company, in a way that maintains balance sheet strength and capacity. So, that's our path forward. Obviously, if and when circumstances change, you look at those things. But that's been a very clear focus of the Board, to ensure we've got maintained balance sheet capacity and flexibility, while executing on our key projects.

Mark Samter: (MST Marquee, Analyst) So, I guess, just to drill down, I don't think I'd been misrepresenting a lot of your shareholders that say they're a bit confused by exactly what the strategy and how it plays out at the moment. I mean, some of that's uncertainty with how the North West Shelf plays out obviously, which isn't exactly entirely in your control. But your expectation is that the next CEO takes over after the full path has been set and set sail on, or do you think there is a chance that the new CEO gets to influence that direction?

Richard Goyder: Well, clearly a CEO influences direction, Mark, as has been evident over the last 10 years with Peter. But, yeah, our focus and Peter's focus frankly into 2021, will be executing on Sangomar, progressing on Scarborough and there'll be a whole lot of other things that we'll look at. But our focus is pretty clear. I think that was clear at the briefing day as well.

Mark Samter: (MST Marquee, Analyst) Okay. Thanks, Richard.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Saul Kavonic from Credit Suisse. Please go ahead.

Saul Kavonic: (Credit Suisse, Analyst) Thanks, gents. Again, congratulations, Peter, on quite an innings over the last decade. Still looking forward to what you can deliver before you leave next year. A couple of quick questions, if I may. I guess, my first question is I just want to be clear here, is the new CEO, when he comes in, is he expected, or she expected to take the FID decision themselves? Or is it possible that we see a Scarborough FID before the new CEO takes their seat?

Richard Goyder: So, it's Richard. I mean at the moment we're targeting FID the second half. There's decisions being made on Scarborough now, have been for a while, as Peter outlined earlier in his response to James. There's more that will occur early next year. So I mean we'll keep you updated on that. It'll depend on the timing around the search. But at

this stage you'd expect if we live within that time arrangement it'll probably be a new CEO at the time of FID. But it's not - that's not certain.

Yeah, I'm not - just logistically Saul if you think about – it – the circumstances are very different if it's an internal appointment, versus an external appointment. You just work that through in your head around notice periods and the like. So and that's why we're not definitive on Peter's timing, we're just saying second half. We're saying second half on FID on Scarborough. So time will tell. But we'll see how that all unfolds next year.

Saul Kavonic: (Credit Suisse, Analyst) Understood, thanks. Richard, I could also ask, beyond obviously the key technical competencies mentioned, could you outline what is it specifically you might be looking for in a new CEO? In particular can you address are you looking for an Australian over someone who is not Australian? Are you looking for particular focus or background in commercial and M&A or operations? Give us an idea of your thinking around those elements.

Richard Goyder: Yeah, I mean it's hard - a hard question to answer simply Saul because typically in these things you - with the Board you work through what personal attributes and professional qualifications you expect she or he to have. That person then looks like, with apologies to anyone, Jesus Christ, and then you work back from that. So I mean we'll want someone who can deliver value for all our stakeholders, which has always been the focus of Woodside.

Saul Kavonic: (Credit Suisse, Analyst) Okay, thanks. One quick last one, if I might. Peter, have you given any thought into what you want to do after Woodside? If so, any chance you can share any of that?

Peter Coleman: No, not really Saul. I've kind of opened up for the universe and see where that goes. I mean there would be a couple of good things. One is, you won't have to ask me at IBDs anymore when I'm retiring. So I'll save you a question. I'm not sure who won the sweep at work, so I'm sure you'll let me know.

But secondly, there's lots of opportunities out there both in the conventional oil and gas world, and then also in what we call the new energies world. I'd just say, I'm proud of where Woodside is on our use of technology. Richard alluded to the fact that we've been looking long and hard at some of these new energies. At this point we've decided that the investment case for them is not compelling. That's the basis for our investor briefing strategy that says, hydrocarbons is what we do well and we're going to be doing hydrocarbons, focusing on LNG, for a long period of time until the investment case for some of these other things starts to show that it's robust.

So I think there's a number of areas for me to look at, but it's way too early. My focus at the moment is on Woodside, and Woodside solely. That's what it needs to be. We've got a lot on our plate over the next, over the coming months. I just want to make sure that we go - maintain the momentum that we've now got.

Saul Kavonic: (Credit Suisse, Analyst) Fantastic, thank you gents.

Richard Goyder: Thanks Saul.

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

Daniel Butcher: (CLSA, Analyst) Hi everyone, and Peter, congratulations on getting ready to start a new chapter in your life. Maybe just a slight different angle on a question that's already been asked, just for Richard really. Just curious, I mean beyond the current crop of projects, like Scarborough and so forth, will you be looking for a new CEO that's got international experience to maybe once you pass that current crop to branch out offshore again? A bit like you tried earlier in the teen years and that's okay. Will international experience and M&A be a high priority?

Richard Goyder: Thanks Daniel. I think Peter's been able to traverse everything from influencing domestic policy to working with our Indigenous partners to focusing on safety and excellence in production. And also dealing with customers and contractors and partners internationally. This role is a pretty complex role and there's a very strong commercial element to it all. So the focus will be on, as I said, delivering for our stakeholders. That's all our stakeholders, that's our shareholders, but also our customers, our suppliers, and clearly the employees in the company, and the communities in which we operate.

We do have, I think there's a really good canvas for an incoming CEO at Woodside at the moment. That we're well set up, as we've talked earlier, the balance sheet is good, there's very exciting projects, and there's exciting opportunities ahead. So I wouldn't at this stage be saying there's any particular focus about offshore or onshore. It's what's in front of us now, we deliver best on that.

Daniel Butcher: (CLSA, Analyst) Okay, thanks. Maybe a quick one for Peter. Barossa signed a, we've definitely seen the 1.5 million tonne JKM-linked deal yesterday. I'm just curious how the marketing effort is going with Scarborough? Would you do JKM-based deals exclusively, or do they have to be oil-linked, or something else?

Peter Coleman: Look, it's a good question Daniel and it - I was actually pleased to see that yesterday because it validates some of the answers I gave during IBD around some of our marketing strategies. Then also the fact that Woodside carries spot in our portfolio, around 20%-plus.

So we looked at it, that's simply a JKM-linked contract, so it's basically a spot contract for 10 years to a single buyer. That's the first time we've seen that. We don't need to do that. I mean we might if we thought that add value. But we have shipping capability that others don't have. So for us we'd have to look it at and see if we thought selling to a single buyer versus selling to the market created additional value for us.

But with respect to the market, I think it's just a good indicator that the market is becoming deeper and liquid, and companies are now more willing to put that into their portfolio, into their investment portfolio. We've seen the supermajors doing it already, and now to start to see the independents do it I think is a positive trend. It's one that we signalled during IBD.

Now for Scarborough, clearly Scarborough is a much larger project. So we would like to have a lot more of Scarborough linked to Brent traditionally. So I think as you look at the mix of Scarborough, it will probably follow our more traditional mix of Brent linkage versus JKM linkage. Rather than stepping out and going 100% for JKM. I don't see a scenario at the moment, Daniel, where we would be comfortable in just going 100% JKM on a project the size of Scarborough with those volumes.

Daniel Butcher: (CLSA, Analyst) Okay, thanks, that's helpful. Well, maybe one little final one, it's not that material. But just curious, it's also a very impressive result with your Amazon Web Services seismic processing. I mean seeing what CGG and CGS do in that basically the horsepower they need to process seismic and how long it normally takes. So that's a pretty impressive result. Do you think it will bring down your cost of exploration much?

Peter Coleman: Well, I think what it's really targeting is the time that it takes to make a decision. So we've been mapping the time for decisions in exploration over the last decade. Whilst the computing complexity, or horsepower, has gone up an order of magnitude, so has the amount of data being gathered. But the actual time for that data to be processed and interpreted hasn't changed at all.

So we see this as a real value creation opportunity where you can bring time to decisions down from literally years or months, down to hours and days. We've targeted - we've charged the team with doing this a couple of years ago, our ultimate objective is to have real time interpretation off the back of a boat. The systems don't allow that yet. But clearly what we've been able to do with Amazon Web Services is show that once those systems are connected, that you can

literally get something that takes a supercomputer, which we have here at Woodside, many, many days to process down literally to a couple of hours. That's tremendous I think. So that will come down. But for us at the moment, to be quite frank with you, it's more around the time to decision. So and moving that so that we can make informed decisions much faster, and make sure then that we can bring projects to fruition much faster.

Daniel Butcher: (CLSA, Analyst) All right, now I thought that was very impressive. Thanks for that, I'll leave it there.

Peter Coleman: Thank you.

Richard Goyder: Thanks.

Operator: Thank you. Your next question comes from Mark Busuttill from JP Morgan. Please go ahead.

Mark Busuttill: (JP Morgan, Analyst) Good afternoon everybody, just a couple of things. Firstly an easy one, we've talked on some previous questions about the impact, or lack thereof, that this would have on Scarborough and Browse's development in the North West Shelf. But what about some of the other corporate activity that you're doing, whether it's the completion of the purchase of the stakes in Senegal, the asset sell-downs you're thinking of doing through the course of next year. Are we to read in this that everything is on track and going to be completed ahead of the appointment of the new CEO? Or could that be put on hold?

Richard Goyder: Thanks Mark. No, we'd certainly not put it on hold. First, Peter has indicated, he is - he will be actively engaged as CEO until the day he walks out, which will be some time at the second half of next year. And these are very important things for Woodside to execute on in the coming months.

Mark Busuttill: (JP Morgan, Analyst) Okay. Just my other question, and apologies if this is going to come across as slightly obnoxious. But in 2018, and this is two-and-a-half years ago, at the time of the equity raising when you raised money there were some question marks about raising money ahead of the sanctioned projects. You assured us that that money would be spent on the development of Scarborough and Browse.

Questioned at the time, Peter said that he would see, he had no intention of retiring, and sort of seeing it through to the end of - or to the commencement of those projects. What sort of change - and I know that a lot has changed, and it has been almost three years - but what sort of change to bring the retirement possibly forward from when - from those assurances that were provided in 2018?

Richard Goyder: I think - I'll kick off Mark, but Peter might want to add to it. I mean I think all that says is that the future is unpredictable in many ways. I know, I had conversations with investors back then in terms of what was Peter's tenure, and what we expected. The COVID-19 really has changed a lot. We've pushed, appropriately I think pushed projects to the right. Thank goodness we went into 2020 with the balance sheet that we've got. Because I tell you, it's a vastly different scenario where you've got that going into the challenging year we've had than if not - and as outlined in the briefing day, we think there's appropriate capacity to execute on the projects we've got.

But in terms of timeframe, that timeframe has slipped out and you can ask Peter but Peter's come to a view that 10 years is about the right sort of term for a CEO and it is the right time now to advise me and the Board that we'll need to put succession in place in 2021. So I think that's the reality.

Peter Coleman: Yes, Mark, it's not an obnoxious question. I think it's a really good one. What's changed and what's changed in our view. As we looked at - the beginning of 2020, we got within literally a couple of months of going to FID on Scarborough. Then we made a decision that we were not going to rush. We were going to make sure that the pricing environment was right for us to move forward and we would then look for other ways to create value. We've done that

through increasing the offshore capacity and we're now talking to the contractors about what opportunities there are to reduce costs even further.

So we - you kind of look at that and then you say, well if I stayed and took Scarborough to FID, really, then there's an expectation and a commitment on - that I need to make that I need to stay at least 12, 18 months post that FID decision to ensure that the project gets up and running and shareholders feel comfortable that I'm not just simply checking a box to go to FID and then leaving them high and dry.

So there's a personal commitment there that I've got to look at and say well, it's not can I get through next year and get to FID, it's can I then do another year and another year and so forth. I think realistically, then that's starting to get out the back end of the timeframe that I've consistently answered Saul's questions with, which is 10 to 12 years in my view, in this sector, is a pretty good run for a CEO.

Much more than that and I think you run the risk of not only individually going stale but also your organisation runs the risk of potential successors not being able to get the opportunities that they need. New ideas not being brought to the table and so forth. So I think there's just a number of things that just says this is the right time.

Then if we go back to the equity raise and Richard mentioned it, aren't we glad we did it? We raised that at about \$32.00, \$34.00. Aren't we glad we raised it then and not now? At \$23.00. So from that point of view is yes, we raised it then. We raised it for a reason and that was to protect our credit rating.

We knew we had advice from the ratings agencies that on the announcement of the Scarborough acquisition that we would be downgraded. We are I believe, the only ones in our sector that have not been downgraded in any significant way. So as others have said, we've maintained the focus on the balance sheet.

Now, sometimes that's been difficult for the equity owners and we understand that but the reality is, without maintaining that strength of balance sheet, then we do not have a strong platform to be able to invest in our growth projects. So the two are a chicken and egg for us. So we've been very comfortable with that.

Then just simply on a personal side, I've had some people in my family pass away this year. It's made me focus on what's important for me and it's just time.

Mark Busuttill: (JP Morgan, Analyst) Yes, okay. Thank you, then. Congratulations, Peter and wishing you all the best.

Richard Goyder: Thanks, Mark.

Operator: Thank you. That does conclude our question time at this stage. I will now hand back to Richard for closing remarks.

Richard Goyder: Thanks. Thanks everyone for joining us. Appreciate your interest in Woodside and we look forward to your ongoing engagement with you in the times ahead. 2021 will be challenging. Hopefully in a different way to 2020 and from a personal point of view - and I know Peter will join me in wishing you all the best for the holiday season. I hope you get a break and as I say, look forward to engaging next year.

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

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