Foster's Group Full Year Results
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Investor Briefing
Sydney

Edited Transcript
Question & Answer Session

Question: A question on the revenue initiatives you outlined. I am interested in the path towards guidance through FY07 and into FY08 given Jamie's comments that Rosemount will not make a huge contribution in FY07. Your guidance is for accelerating EPS growth in FY07. Should we also be thinking that the FY08 growth rate will be stronger than FY07 given the timing of benefits from revenue initiatives?

Trevor O'Hoy: We are not going to give specific guidance. We have indicated Group profit growth in FY07 will accelerate. I would refer you to slide 38 again because we believe we'll deliver on those metrics.

I think one thing that should be fully understood, which Jamie touched on, is that while we are rolling out innovation and new products, and Rosemount is staggered for all sorts of reasons, mainly logistic, we will not probably achieve category growth straight away. It will build and I would hope we will be moving towards category growth towards the end of this financial year. There's no way we will pick it up on day one but directionally we'll be moving towards category growth over the next year, it may take a little longer depending on innovation.

But look for us to be expanding revenue greater than volume and look for us expanding profit greater than revenue. Don't be disappointed if we don't quite get to category growth in wine for the whole of the 2007 financial year. You can't do that when brands are at different stages of development, but we intend to be moving towards category through 2007. Importantly look for fairly rapid margin expansion as well. Wine group pro forma profit margin expanded 370 basis points when you normalise for the hedge gains reported by Southcorp and Foster's and the one off items reported by Southcorp. We expect margins to continue to expand in the wine group, maybe not by that much.

Question: One follow up maybe for Pete on Clubs and Services. Can you indicate what the book value of that business is post the impairment charge you've taken, the timing of the divestment and the use of proceeds from asset sales that you are yet to receive.

Pete Scott: I think I'm going to shy a little bit away from book value of the assets. We are about to start a sale process and would obviously like to maximise value from the disposition so if you don't mind I will shy away from book value.

We expect that process to begin shortly. I think there's a chance that we can market these businesses with a range of interested parties potentially to a single buyer, which we'd like to do. I think we would also have to be prepared to entertain a series of transactions with multiple buyers if that turns out to be the case.

In terms of use of proceeds, since the Southcorp acquisition we have indicated a priority to use cash flow to reduce debt so that we could regain our pre Southcorp credit ratings by FY08. That continues to be the priority for the business. I think what you're seeing today is an indication that proceeds from divestments and, probably more importantly, operating cash flow are ahead of our expectations, that we feel comfortable with that profile, are prepared to say we have around $200 million of surplus and see the buy back as the right thing to do with it. We will continue to monitor that situation with regard to any proceeds from dispositions and importantly operating cash flow generation to make further decisions on any opportunities that might present themselves for either further debt pay down or return of funds to shareholders.

Question: On the innovation side of things I notice you mentioned in the release that sales growth in wine trade business picked up markedly in the fourth quarter. Can you give an indication of how depletions and off take ran relative to those sales just to make sure there's no loading going? Also you didn't talk a lot about innovation in terms of the US portfolio, things like Meridian and Founders Estate which have been struggling of late.

You did come up with some solutions for those brands a couple of years ago but nothing seems to have really changed. Also in terms of innovation in the above $10 US category.

Pete Scott: Well Jamie and I can split this one. I'll talk a little bit about Founders Estate and Meridian because it's been a topic of conversation for me for some time now as you are aware. I think it's interesting to note, particularly in the second half, that Meridian has now started to grow volume, revenue and brand contribution. Founders Estate in the second half continued to lose ground at however at lesser pace than was the case in the first half and in prior years. But importantly for both of these, we are seeing substantial growth in brand contribution so the brand economics are turning around quite substantially which certainly was a primary objective of the wine trade operation review. For both Founders Estate and Meridian brand contribution is increasing; we're starting to see some volume growth in Meridian but still waiting to see some volume growth in Founders Estate.

Jamie Odell: Founders, Meridian and Rosemount in US$8-10 price point has probably held us back in terms of revenue growth more than other brands but there's been a lot of success in the US. The US$6 Beringer California Collection has just taken off this year, the Beringer Pinot Grigio is now the number one Pinot Grigio in California. The work we are doing at the premium price points with Gabbiano, which is now the number, Chianti in the US, so there is a lot of good work going on.

In innovation in addition to the Lindemans Country of Origin, Yellow and Pink, you will also see some more work going on Wolf Blass and Beringer at the higher price points and finally Chateau St. Jean, the California range we've put in around $14 has been phenomenally successfully and that shows, I think, our capability to stretch bands at some of those higher price points. We continue to work on Founders and Meridian, we feel they've stabilised, there's profit expansion coming through but we'll continue to develop them.

Pete Scott: With regard to the quality of activity in the second half, you should know in the US that shipment and depletion activity is roughly comparable and days in trade are roughly comparable to where they were a year ago. So we feel pretty good about the current condition of the market in the US, which is where we typically look at depletion because of the three-tier system

Question: Just on the beer side too, the first half result you came out and made the statement that you expected over the medium term CUB's earnings would grow sort of 8-10% for the foreseeable future or medium term anyway. Do you still support that statement or has something changed on that?

Trevor O'Hoy: We are not providing guidance on CUB. You have seen the last CUB result. Going forward you will see three regional profit centres.

Question: That gave us an indication of what you could do on a full company wide basis by adding all the numbers up so you're backing away from being able to do that as well. How will we be able to see the Wine business in terms of the returns they are generating?

Trevor O'Hoy: We will monitor wine internally but you will not be seeing CUB results, it doesn't exist any more it's been fully integrated.

Question: So it is not reasonable to use the 8-10% target for CUB plus the wine target to generate a full company FY08 number.

Trevor O'Hoy: We are not providing guidance for the legacy businesses.

Question: A couple of questions if I may on the buy back. You're saying that you will generate sufficient cash to be below $3 billion net debt by the end of FY08 rather than FY09 yet you have generated a billion dollars worth of cash from asset sales in the meantime plus potentially what you get from the sale of the Clubs and Services. That would suggest that you should actually be at your net debt figure in '07 or very early in '08 which suggest that to keep your BBB plus rating you could increase your buyback quite substantially over the next 12 to 18 months, or is there some expenditure, some cash outflow that I'm missing in that calculation?

Pete Scott: I am certainly not expecting any inorganic cash disposition and I have given you some thoughts on capex for next year. I think we will continue to monitor our net debt position and as you know we are looking for return to BBB plus, we're at BBB flat right now. That will require some improvement in key metrics including our FFO to debt metric to achieve S&P requirements, which we think we can do by FY08 and to the extent that we believe that we are ahead of that schedule then we will give consideration for alternative uses for free cash. As we sit here right now we feel comfortable with the $200 million buy back. Obliviously as the year continues we'll continue to assess where we stand vis a vie a targeted S&P upgrade for Fiscal 08.

Question: Could you also give us an indication please on the dividend payout ratio with the cash flow being as strong as it is with your profit being as strong as it is. You indicated when you acquired Southcorp that you would reduce the payout ratio down to I think it was the 60 or 65% range?

Pete Scott: Yes we have been talking about mid 60's as our historic payout ratio. We have indicated a desire to get back to that sort of payout ratio. We are currently at 70% with this dividend, which is the upper end of the range that we would target which I think is also a recognition of the strong operational cash generation capability of the business and of what we have accomplished in this year and, importantly, the degree of confidence we have with the continuation of our ability to internally generate cash.

Question: And a final question for Jamie. You talked about marketing spend being about 9% of net sales revenue, can you give us a breakdown as to the trade versus what I'll call pure marketing and what you expect that to be over the next couple of years. In other words, I presume '06 is mainly price discounting support. What sort of mix are you looking at for FY07 and FY08.

Jamie Odell: We tend to talk about the 9% being above the line, below the line but not the short-term discounting. We do not segment it now because we think of integrated programs across the line and in some cases using new media as well. So it's not just a question of how much we spend on TV. We are comfortable with the 9% we spend on brand building and to some extent we are looking to concentrate that spend more and more on the big brands. I think Trevor said the top five wine brands represent about 65% of total wine trade earnings and we are clearly trying to build those brands and put emphasis behind these brands but you shouldn't confuse that with the discounting which is probably not in the same arena.

Question: Could I just ask about your wine inventory valuation at year-end. You're obviously comfortable with that, there hasn't been a write down. I just wonder if there are any risks with the NPD and brand investment going forward, the success of the Rosemount relaunch, for example, does it have implications for whatever stocks you have of old Rosemount at the moment.

Pete Scott: We have had a pretty concerted effort to manage the existing Rosemount packaged inventory to make sure that we had that under control before we released the new package. We are pretty conscious of the need to manage that. I don't feel a risk or a problem with regard to Rosemount inventories.

Jamie Odell: I think in the US, for example, we've been focusing on the diamond tier and that's the first tier that we are going to be putting into the new packaging. We continue to sell through the sub-tier which is clearly at a lower price point in the old flange shaped bottle before we move there. So we have markets that can cope with the stock.

Rick Scully: And it is a phased roll out.

Question: Congratulations on the very solid result. I guess it's in my New Jersey vernacular that was a good cash flow number so well done. In terms of that cash flow though, the guidance is for again a use of working capital in the wine business, 80% to 90% cash to EBITDA versus this year of 103%. When I'm projecting my cash flows going forward that signifies there could be maybe a $70 to $100 million swing with working capital going from a source to a pretty big use. Are you guys just being conservative or should I really consider that sort of swing in working capital, considering we're in over supply situation?

Pete Scott: I think it's fair to say that 103% cash conversion for a premium wine company is probably not a modelling assumption that I would recommend. We had the benefit of lower grape prices, increased outsourcing and some other elements of working capital management. It has been a focus of this company now for two or three years to improve cash flow and I think we've done pretty well at that. But it's a premium wine business, and there will be a use of cash for working capital going forward. We think that that number in the near term, just because of the same sort of dynamics I just talked about, will be in the 80% to 90% range and I would counsel the upper end of that range, frankly. Long-term, it's reasonable to think 70% to 80%, which has been our target before these last couple of years and that continues to be our target. We would certainly like, depending on growth rates obviously, to manage to the upper end of that range also. I think in the near term, it would be wrong for us to continue to assume that the wine business will generate cash from working capital. It will be a user of cash for working capital but, in the upper range of the conversion guidance we have given them.

Question: Okay, just continuing to delve into that cash number. Two questions - I guess looking at FY07 I think you made a reference to the significant items as being $40 million cash outlay next year, if you can confirm that, and whether there's any other particular use of cash of a one-off nature next year?

Pete Scott: We had significant item use of cash in FY06 of $47 million. Into FY07, low 40s, it's a comparable number. The only other thing that I must point out from a cash flow standpoint, I think you are aware of the announcement that we made with regard to the tax audit. That has been going on now for some period of time. We have not received an assessment for that tax so the guidance that we provided in our ASX released in May is still our best thinking there.

Question: Maybe a question for Jamie on US wine pricing. From what I can tell in the disclosure, and just correct my observations if they are not right, it seems like US revenue growth as expressed in Australian dollars in the June half was up close to 10% with volume growth of maybe 2%. As I said, I'm trying to piece that together from the disclosure. That would suggest very strong price growth. I'm just wondering if that's accurate and what's driving that.

Jamie Odell: I'm not close to those actual figures. I don't think there's enormous mix change in the second half to first half. I think in the US at the moment we're doing phenomenally well with Blush and the California Collection. So I'm not close enough to comment accurately on that figure but I don't expect a big shift in the mix.

Okay, great. Thanks.

Question: Three questions, one's on an accounting one, pretty small, and then two fairly broader questions. The part 4E note 2, it's very small but if you could explain it. The reversal of previous inventory right down of $9.2 million, what does that actually relate to.

Trevor O'Hoy: Let me look at it. Take that on notice.

[The wine business harmonised inventory costing in the 2006 year between the acquired Southcorp business and the existing wine operations. The financial impact of the costing charges were adjusted in the current period results, which increased the value of Australian inventory by $16.8 million and decreased American inventory by $12.8 million. The aggregate amount of these adjustments include a $9.2 million benefit from the reversal of previous inventory provisions which were created in 2005 to harmonise inventory costing methodology between the Australian and Californian operations of the former Beringer Blass business.]

Question: And the second one, the pro forma compared to the reported, why is depreciation and amortisation down about $20 million? Is that because of asset sales during the year or is it because you sold wineries? If you look at pro forma in wine trade FY05, compared to FY06 reported D&A is about $20 million lower.

Pete Scott: No doubt because of asset dispositions or assets identified for sale in which case we would cease depreciating.

Question: Assets identified for sale you cease depreciation even though you haven't sold them.

Pete Scott: If we have identified them as properties for sale we stop the depreciation on them

Question: The second question is for Trevor and Jamie. The KPI's Trevor, you said - you hit every KPI but the one KPI, I don't know if it was a KPI but one you didn't hit was sales growth. I mean you obviously drove costs very hard this year and you got them and you've taken them to P&L. I suppose the concern we've got going forward is how are you going to ignite sales growth because you are a consumer company and 1% to 2% sales growth is not really good enough, is it and changing a bottle here and there, I just don't know how that's going to spark sales growth to an acceptable level.

Trevor O'Hoy: I think I have given some sort of indication that clearly category growth is one of our objectives but we will not get category growth on day one after such a massive integration. We have turned our business upside down in this transformation - all the way from selling to the supply chain. And that was done for a reason, because we want to get the costs out. If we did not have the priority on the costs out, we would not have got them.

Question: I suppose, Trevor, though, looking at the wine acquisition, I mean what it showed today is that you've paid about 30 times EBIT for Southcorp based upon an EBIT of about 129. Now category growth for wine at the moment is 1% or 2%. You don't pay those sorts of multiples for category growth. Wine used to be 15% to 20% category growth. That's why you'd pay 20, 30 times multiples. I don't understand Foster's strategy if all you are going to be is category growth. Is category growth is going to be 2% or 3%.

Trevor O'Hoy: We have given a clear guide for what we are going for in wine and in the group. We have also said we were disappointed with the top line this year but we do understand most of the reasons for it and we will be addressing it. You are right we have to be running at category growth eventually otherwise we shouldn't be in it, but it doesn't' happen all at once. The number of levers in this company, the number of products, the number of regions, we're going to find not everything works at the same time. The beauty of what you see today is a business that is totally transformed across a portfolio of brand, a portfolio of products, and a portfolio of regions and any point in time one's not going to work and one's going to fly and that's what we're dealing with. We are managing a portfolio and we do the same with the P&L and the balance sheet. When it's appropriate and we can get costs out we'll go for it. If we can get cash flow we will get it and we will get revenue as well. But for everything to work in every accounting period that's a nonsense. It will not happen. You are just going do have to trust us. We have the strongest margin structure in wine, probably of any wine company going around, we are generating strong cash flows, in supply we are seriously under demand, and we have increasing flexibility.

Jamie Odell: I would just add to what Trevor said. I think the great thing about this model is that earnings growth is coming out of supply, acquisition synergies and top line growth. You need to recognise in the first 12 months with everyone changing jobs and customers, new brands and an immense amount of complexity, you don't think about one brand, Rosemount, which we've talked about at length. The brand was in worse shape than we thought. You take that out and we are growing around 4% or so which is close category. Certainly we would like to grow at a higher rate than category but the great thing about the model is we do not need to grow at those sorts of rates to deliver the earnings growth we are getting. A 40-million case wine company to grow 10% every year is 4 million cases which is bigger than just about every other wine company in the world. So we don't want to be in a position when we are relying solely volume growth to make the profit growth that we need and that's why we are confident. Consider the year we have been through, supply benefits coming through, the things we talked about Rosemount and the energy now in stable sales teams who know their customers and know their products it gives us a lot of confidence for the future.

Question: Jamie, one of the charts you put up on the innovation slide, it showed moving to PET bottles, moving to three litre bag in box, that's got to be a concern for future mix, doesn't it, in the wine industry because if customers are moving to PET bottles and getting away from 750ml bottles, isn't that going to cause a very serious mix shift?

Jamie Odell: I'm particularly very excited about those two initiatives. The first to be out there in 750ml PET which is actually sold at the same price point as glass. It's not sold at a lower price point. The advantages of that product is it's convenient, it's light, it's safe, it does not break and the Canadian Government wanted it for environmental benefits as well. There are a lot of benefits people are prepared to pay more for. The three-litre bag in box in the Nordics is not at a discount because again it's about convenience. That is not the case in all markets. In some markets like Australia, cask has been developed as a cheaper alternative and that is the way Australians think about cask. That is not the case in the Nordics. These innovations are not about driving value down, they are about convenience and new occasions to drive value up. If PET took off we would be absolutely delighted.

Question: Just a few questions, if I can. Firstly just trying to clarify one of the targets you've set down. You have talked about the ROCE reaching your WACC and I think those numbers were roughly $7 billion of capital and low double digit pre-tax WACC, can you just clarify the two elements to that?

Pete Scott: We have a wine capital employed number right now a little over $6.6 billion. It would be frankly our intent to keep the capital employed number below $7 billion, well below if we could, and the kind of conversation I had earlier about investment in working capital and capex and the degree to which it can get closer depreciation help to manage the capital base. But I would think about a sub $7 billion capital employed number in FY08 and you are correct, looking for low double digit pre-tax return on that capital employed for our wine business.

Question: Thanks. A question on the cost side. You laid out on the slide the various cost reduction programs, obviously the synergies and growth, etc. Just to understand, are they - so the costs that are flowing from them, are they incremental to the synergy number or some are wrapped up in it now, how do we get our head around that?

Pete Scott: Well the wine trade operational review benefits really are outside of the synergy numbers and we are starting to see the benefit of those in addition to synergy benefits as the EBIT margins continue to expand. I think frankly the ability for us to take apart Veraison and synergy benefits and that sort of thing is it becomes increasingly difficult. So I would tend not to try to differentiate between all of these projects. We are really talking about combination related benefits that would be $165 million in FY08 and I think for all intents and purposes that includes just about everything having to do with benefits associated with the combining Beringer and Southcorp other than the wide trade operational reviews which would have been realised had we combined with Southcorp or not.

Question: And just on that, I guess on the revenues side of the equation, two things. Firstly, Rosemount, can you tell us a little bit more about who the user of this brand will be? Are you trying to capture lapsed users, or is it a new demographic? What is the sort of the occasional classification? How do we get our head around how big this brand can be and I guess as part of that can you tell us how small it has become versus what it was a few years ago?

Jamie Odell: Well the numbers and are pretty visible. The fact is this brand was over traded so it was over pushed, particularly in the UK, and if you keep on pushing you are discounting price. The thing I said in the presentation about Rosemount it's quite unique because it's actually about style so it attracts more of the female user and I guess if I compare it to another brand in our portfolio that would be Yellow Glen, which we know very well. So it's skewed towards female demographic. The fruit style is important; this is not a complex wine or a difficult wine to understand. You don't have to study the wine, it's fruit driven, it's like a fruit bowl in your mouth from the first time you drink it. We went back to the original wine makers and found out what had gone wrong over the last couple of years. The wine moved away from this original style. From the 2006 vintage we developed the right wine styles and to some extent it's not serious, but it's stylish and it's premium and it's always been built on the packaging which just got out of date. The old flange bottle was copied and out of date so. We came up with something unique here which goes back to a simple timeless proposition.

Question: In terms of size what are your growth aspirations overall?

Jamie Odell: Well I think next year because of the phased roll outs, I'm not expecting significant growth but beyond that I would be hoping for growth, certainly double digit growth on the brand continually but we have realistic expectations. Not a 10 million-case brand but it would be nice to get it close towards a 5-million case brand. But to do that it has to be done by consumer build not by pushing it. You can push brands wherever you want but that's not sustainable business. Rick's looking after this brand, is that important to you.

Rick Scully: You ask the question who's going to drink this. The one thing I've discovered in my own new job is I think we're well ahead of the curve. First of all the company, when you think about how these companies have been put together and the brands are bolted together, one thing Jamie's team have put together over the last year and a half was identifying universally six customer categories, very specific and I think that's a real coup for the company and a coup for the industry because we have gone out of our way the last year to bring really top notch help over from Constellation, from the Diageo, from Gallo and when these young, bright people arrived they were amazed at this category identification and thought that we were really ahead of the pack as a wine company. It's something that you would have seen traditionally in the beer business, no problem. But because wines have been so local and regional in time, this universal category identification wasn't there and our guys have put that together. The other thing that I have been just hugely impressed with is the equity measurement system we have. We now have a global equity measurement system on our brands against the top 10 brands in all the markets where we work and we have a four summary category equity definition in comparison and once again the experts who came over from really successful companies that joined our team said gees, this is really great stuff, we don't have this. We have these but they are decentralised, they are regional. We've got everybody signed up on this thing right around the world. So I think we will do a much better job in the future than the former caretakers of these brands did. I think we've really got a handle on these global marks and I think it's going to get better.

Jamie Odell: Also just important we have to make this point. Rosemount is an important brand and we have put a lot of effort in to turn the brand around. But the success of the group doesn't hinge on the relaunch of Rosemount. Important to get that message.

Question: Just one other question on the new market stuff. You showed a slide that showed new product percentage contribution to the growth in US market, etc, just a question on the clarification of the definition. Sometimes you said brand, sometimes product. Are we talking brand, product, extensions, varietal changes and the like, where does that lie? Also does that imply that traditional competitive advantages delivered by brands are diminishing in lieu of distribution supply chain?

Jamie Odell: The first answer is no, it is product, not brand. So it's product it can be brand extensions from current brands. And secondly - there's no right or wrong answer. It is much easier to turn brands around in our experience than it is to get big new hit brands because the amount of time it takes to get distribution. So that's been a core capability for us. The brand, which has been the exception to the rule for us, is the Little Penguin, which is now growing at 27%. It really came from concept development so we plan to do both and Rick's got an innovation team now working on both of those pieces. Core brand development doesn't always mean extension. In the case of Rosemount you see we are taking 50 SKUs out of the range so it's about focus on a different proposition and some of it is complete new to world innovation.

Rick Scully: I will add to Jamie's answer. Last night when I was going through the deck I also keyed in on the innovation slide and this morning I made some notes. In this coming year there are nine new items, nine new brands, that's not nine new SKUs, there's probably 25 new SKUS going into the United States and the UK in seven different categories. This is on top of Rosemount. These are just coming out of the pipeline now. So yes, it is an insightful slide and it's one we have got to be aware of but there has been a lot of work done and it's coming out the end very shortly.

Question: Two quick questions. Firstly on wine Clubs and Services, Pete you mentioned that the European business performed poorly. Was it operating at a loss? Can you just provide a geographical break down? How big is Australia?

Pete Scott: You are asking for an EBIT split?

Question: Yes, just trying to understand the earnings of that business.

Pete Scott: Look, I'm not quite sure?

Question: Did Clubs and Services in Europe lose money in FY06?

Pete Scott: No it was marginal earner. Most of the $39 million we saw from Clubs and Services is Australia based. The European businesses were earners, the Services business as well as the Clubs businesses earned money but the Clubs business particularly the direct selling business earned considerably less than it earned the year before.

Question: Can I also ask, given I notice you are drinking Torquay, what the group's strategy is in non-alcoholic drinks and how you see premium beer growth with the retailers increasing number of control brands as well Coke's entry into that space with SAB. How you see the competitive position changing?

Trevor O'Hoy: Jamie, you might like to jump in. There are components of the non-alcohol portfolio that are core, particularly where you are selling premium waters with premium wines. So Perrier and things like that are core and so are some of the adult soft drinks that are going into licensed outlets but it's fair to say we don't have any aspirations in the route trade at this stage.

Jamie Odell: Can I just add that what is important to us is sustainable value that we can get from our portfolio. We are not a wholesaler, we are a brand owner and we are doing a lot of work right now on streaming the portfolio particularly in Australia. So we need to have products in there that give sustainable value. As Trevor said, the soft drink and non-alcohol business at this stage is not material to our business, however, for it to be material going forward it has to have sustainable value and we've got to do more work on that. The Australian multi-beverage business is built around a fabulous beer business, which makes up the majority of the profit and the value. We have to be rigorous about driving sustainable value from the multi-beverage portfolio. So there's a lot of work going on, on the portfolio. Some of that will end up with a simpler portfolio. Some of that will end up with a more targeted portfolio through brand streaming and at the same time I would ask you to recognise that we have to build the capability to manage complexity. The sales force was only restructured four months ago. I really see it as a 2-year program building capability to sell across the full portfolio. So if this isn't adding value in the long-term to us then it really doesn't have a place in the core portfolio and then the question comes - How do we have the capability to sell that? Do we need the capability to sell that? Where does it fit? So there's a lot of work going on right now about value, portfolio simplification and building capability and that's really my priority focus right now in the Australian business.

Question: Hi, guys, just a quick question following on what we were talking about before regarding customer categories. Can you outline where Rosemount fits, where Lindemans fits and what gives you the confidence there's not going to be cannibalisation between the two brands?

Jamie Odell: I'll take it up for a start. Lindemans is very much a pragmatist brand for people who are coming in and want reassurance of consistent good quality wine. Not everyone wants to spend half the dinner talking about the wine they actually want to do other things and Lindemans is a very simple proposition. Lindemans is a reliable wine, it's well priced, it's well branded and it fits right into dead centre of premium everyday use. Rosemount is more special occasion, more stylish and says something more about the user in their attraction to the brand. So there's clear differentiation between those two brands and our portfolio and indeed their priced slightly differently. Lindemans being slightly below Rosemount pricing.

Question: And quick second question. In terms of the model you've got running at the moment your supply through 06 being short of forecast sales how is the model going to change going through the cycle?

Jamie Odell: The Australian supply?

Question: In terms of Australian supply.

Pete Scott: We expect that Australian supply will be reasonably long for the next couple of years so the dynamic that exists right now we expect to continue to exist for the next couple of years. I think what's interesting from a wine standpoint though is that we're seeing different dynamics in other parts of world, particularly in the US in spite of a pretty big harvest in vintage '05 in the US, the market there continues to show some strength. So we feel we are in the midst of a fairly strong and strengthening market in the US and a market that will continue to be oversupplied in Australia and will be for the next couple of years.

Question: Thanks, guys.

Chris Knorr: I think we're going to have to call it a day there. So thanks very much everyone for your attendance and there will be a number of us around for a little while now if you have any follow up questions but thanks again.