Proposed combination – NewMed Energy & Capricorn

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Transcript

Simon Thomson: Welcome to this presentation of a proposed combination of NewMed and Capricorn to make a Middle East and North African energy champion. I'm Simon Thomson, Chief Executive of Capricorn, and with me are Yossi Abu, CEO of NewMed and James Smith, CFO of Capricorn. You already know James, so let me introduce Yossi with a few words. Yossi is a former advisor to the Minister of Finance in Israel. He joined Delek Drilling, now NewMed, in 2009 and he became CEO in 2011. And his success and experience are evidenced by the fact that he led NewMed through each of the world class Leviathan and Tamar developments. So, as in the usual way, we've got a presentation to run through with you. We'd be happy to take questions at the end. It is being webcast, so please do state your name before asking a question.

Looking at the transaction itself, first of all, the proposed combination, in our view, offers a compelling value proposition for Capricorn shareholders with a distribution of all available net cash by way of a dividend, a 46% premium to the theoretical ex-dividend share price, and continued exposure to an exciting MENA growth story. And that is why we are recommending it and withdrawing our recommendation of the Tullow transaction. So, what are we recommending? Well, the proposed combination will create a Middle East and North African energy champion. Looking at this slide from left to right, the company will be one of the largest upstream energy independents listed in London, with a greater than 90% gas weighted portfolio, positioned as a pivotal player in meeting regional energy demand.

Financial flexibility is assured through a combination of an ultra-long reserve life, contracted, secure and visible cash flows, and ongoing balance sheet strength. The company offers shareholders significant near-term growth, with a doubling of production by 2030 from within the existing portfolio, leaving it well placed for additional supply into European markets. Regular shareholder returns will be offered through a planned annual dividend of greater than 30% of annual free cash flow, continuing each company's track record of disciplined capital allocation and returns. And with scope one and two emissions at the lower end of its global peer group, an absolute focus on safe and responsible operations and a clear pathway to an overall 2040 net-zero target, the company can play a leading role in the decarbonisation of the region.

With that, I will hand over to Yossi.

Yossi Abu: Thank you very much. Thank you, Simon. So I'm excited to be here today with you and go to a little bit more detail on what we are creating here. Basically, the combined entity will be a leading independent gas producer focusing in the Middle East and North Africa. The combined reserve is expected to be around 11.8 TCF net 2P, 2C reserve. It's equivalent to 2 billion barrels of oil. We're talking about 700 million SCF a day of production, in terms of the 2021 result, and with a visible growth story. When we are looking on what we are bringing already to the table, we're bringing ultra-long life cash flow, mainly based on Leviathan project, which has a very clear long GSPA with a high take of pay level, and the flow prices, which I will touch later. On top of that, that bring us to a place, that if we look only on 2023 to 2027, we're expecting more than $3 billion free cash flow in the company.

On top of that, there's a very visible, tangible growth story within the asset. So organic growth, mainly with the second phase of Leviathan and the development of the Aphrodite gas field that can bring us to double the production in this decade. All of that led to a very prudent capital allocation, very strong and balanced debt to equity, and a very clear free cash flow dividend that's based on the free cash flow. 30% of the free cash flow pre-growth capex will be targeted and allocated as a dividend. Looking on what we already did in ESG in the region, basically we decarbonised the region by introducing natural gas from Tamar and Leviathan fields to Israel, Jordan and Egypt. This has already significantly reduced the CO2 emissions, but this is not enough. We are looking forward, and as Simon stated, we are undertaking to be net zero by 2040 and to continue the decarbonisation of the region, alongside with a very safe operation that both companies are valued and targeted.

So, we really bring a premium list corporate governance with a very vast experience of the management. As stated, the combined management already developed Tamar and Leviathan multibillion dollar project giant fields, alongside vast experience and knowhow in exploration globally. Now, talking about MENA, how it look like. So, the base is basically the gas reserves that we already have and producing in Israel. We have Leviathan producing 1.2 BCF a day to the region, Israel, Jordan and Egypt nearby. We have existing operation in Egypt, which Capricorn brings to the table, very clear and robust production. And on top of that, the growth story around. So, the Aphrodite gas field in Cyprus that we can tie back to existing infrastructure in Egypt, second phase of Leviathan that we'll discuss in length, and in Egypt, we are expecting more appraisal and development wells to be tied into existing development and to enhance the production there.

On top of it, we are seeing a very unique opportunity in Mauritania, North Africa. NewMed is in a process to receive a licence in Morocco. And we are seeing synergies between the Mauritania asset and our Moroccan license. So, that brings us to a place, which the focus right now for us is Leviathan. What is Leviathan? Leviathan is a world class reservoir, around 23 TCF of gas reserve, out of this, 2P reserves of 13.4 TCF. But the quality of the reservoir is very unique. We have a high permeability, each well of Leviathan can produce around 400 million SCF a day. Sweet and lean gas that obviously helps from ESG perspective, but as well paves the way to a very low and attractive opex of 80 cents per MCF, which is equivalent to four dollar barrels of oil a day.

All of those together with high connectivity led to a very low well count, a very clear opex and capex for many, many years to come. We're talking about production over 30, 40 and more years, very unique proposition. So, the bottom line: longer reserve life with a very high operating margins that we are bringing as potential investment to you. Looking forward, one of the things that it's unique in our activity in Leviathan, as I mentioned, we have long term GSPAs. All of them have very clear floor prices which protect us from commodity risk. So, if we are looking on the Brent curve, when we hit $60 Brent, around $60 Brent, we're getting into ultimate floor price. So below that, we are not exposed to the commodity risk, and thus we are enjoying a downside protection, but as well, enjoying the upside exposure of Brent related. And this is very unique, and this is go with us in all our agreement on a long term basis. This is why we can come with a very clear and certain cash flow, many, many years to come.

So, today at Leviathan, we are producing 1.2 BCF a day. We have four wells tied to a fixed platform near the Israeli shore. Leviathan is located a hundred kilometer offshore. And we are supplying gas to the Israeli grid, to the Israeli customer, to the Jordanian customers, and as well, to an Egyptian customer. But we have a very meaningful and tangible growth potential in Leviathan that our target is to be exposed to the LNG market through that growth potential.

The idea is to add another 900 million SCF a day, 9 BCM capacity, almost double the capacity of Leviathan and get into either or one of the LNG plants in Egypt. They're currently working under-capacity. Or building our own floating LNG offshore Israel, nearby the Leviathan platform. We are running on both of them in parallel, and our target is to run pre-feed for the concept that we select doing 2023 in order to reach the market much before the end of the decade. This is not the only growth story that we are bringing to the table. Phase 1B of Leviathan is a very meaningful one, and tangible and existing, but as well, the development of the four and a half TCF gas field, Aphrodite, offshore Cyprus, is a real, very focus, and we're keen to develop it as fast as possible. Our target is to try and tie in Aphrodite to existing infrastructure in Egypt. In that way, we optimise infrastructure. We're obviously much better from ESG perspective.

Lowering our footprint and as well we reach the market with those highly valued hydrocarbons as soon as possible. So, we as well here we are targeting to do a prefeed and the concept select during 2023 for Aphrodite in order to reach the market as soon as possible in this decade and much before the end of the decade. So practically both of them bring us to a place that we can double the capacity and double the production that we already have in the combined company. Very nice assets that we are bringing to the table as part of this combined company is the producing asset in Egypt, Western desert. What we are seeing there is a producing asset weighted to gas that, within additional appraisal, development wells, and as well exploration wells, we can enhance production and it's fast to market rapid payback, very high IRR, and this is one of the, I would say, crown jewels that Capricorn actually bringing to the table.

So looking forward on the potential production, as you can see we have a very stable long term production coming from phase 1A of Leviathan, the light blue at the base. On top of it we have the beautiful Egyptian operation and then we can see Egypt 2C in grey and the additional Leviathan phase 1B and Aphrodite in light blue and the lighter blue. So the bottom line - we can see that we can grow up from existing around 120m barrels of oil equivalent daily production to around 220m boe by the end of the decade and beforehand. And this is the real growth story, that we are bringing to the table in this entity.

I think one of the unique opportunities that we are seeing is the following one. As you can see in this chart, around two thirds of the missing gas supply from Russia to the European Union is seeking right now LNG or alternative gas supply. And we think that Leviathan phase two and Aphrodite is extremely well positioned to take part in this mission. And as you know, Israel, Egypt and the European Union signed June 2022, just recently, an MOU to allow a regulatory framework that will help us to push forward those activities, those investments in order to bring natural gas to the European Union as soon as practical and take part of the supply to Europe. So basically with that said I will ask James Smith, the CFO of Capricorn to take the lead and talk about the financial aspect of the combined entity. Thank you.

James Smith: Thank you Yossi and good morning everyone. So on the next few slides I'll run through the financial profile and strategy for the combined group. Then I'll talk a little bit about environmental, social and governance issues. And finally touch on the combination transaction process itself. So as you've heard, the combined group has an extremely robust and long life cash flow profile. A 35-year reserves life from 2P reserves of around 6.5 TCF equivalent of which a very high percentage is 1P given the reservoir quality. And then a further net 5TCF of contingent resource to be delivered through incremental growth projects.

A high portion of the gas sales are underwritten by long term take or pay contracts with export volumes benefiting from both floor price mechanisms and upside exposure to Brent Linkage, as Yossi just outlined. In the last quarter, the blended average gas sales price from Leviathan by NewMed was about $6.5/mmbtu. So with significant exports from Leviathan to the Egyptian domestic market, there are synergies with Capricorn's existing business in that country and clearly longer term the business is obviously positioned to benefit from exports to European and global markets via LNG. In terms of production cost, a cost to the combined business there will be low at around 80 cents/mcf or in BOE terms, that's four and a half dollars a barrel of all equivalent. And there are very low levels of maintenance capex required to sustain production.

So free cash flow on that basis prior to financing costs and incremental growth capex is expected to average around about $600 million a year over the next five years and to be sustainable at those levels into the longer term from those growth projects. In terms of the capital structure, the combined group balance sheet position, we'll see gross debt of $2.4 billion and an average cost of that debt of 6.2% and that's overwhelmingly from fixed coupons with maturities out to 2030 on those double B minus rated bonds. In terms of gearing on a proforma mid-year 2022 basis, that's 38% net debt to enterprise value. And it's also important to stress that that group debt is all structured on asset level, both the Leviathan bonds and the Egyptian RBL bank facilities, which gives us significant flexibility at a group level.

So on that proforma basis with that cost of debt, that would be an annual interest expense of around about $150 million, obviously with a potential to delever over time from that strong cashflow base. So that gives free cash flow post financing of about $450 million a year on average. And that's clearly a strong, resilient cash flow base that supports a material dividend policy and we're targeting a dividend payout ratio of at least 30% of those cash flow levels. Excess cash after that baseline dividend level is expected to be sufficient to deliver the capacity for those growth projects in Leviathan and Aphrodite within the portfolio already that Yossi's outlined, as well as to consider further expansion steps in the region. But we'll be making those investment decisions, always balanced against the opportunity to increase the dividend payout ratio and/or accelerate the pace of balance sheet deleveraging.

I wanted to touch again on energy transition and emissions, which both Simon and Yossi have talked about, and really to emphasise that this is a business with extremely competitive metrics in order to attract capital in markets that are obviously increasingly focused on these issues. As you can see on the chart here, NewMed's history in bringing on stream to gas fields in Israel, two giant gas fields in Israel has made a significant contribution to reducing emissions per capita by nearly 40% over the last 10 years, despite the significant population in demand growth in country, this has been achieved principally by replacement of coal fire power generation by gas. And it's a trend that we expect to continue as Israel seeks to phase out coal fired generation completely in the next few years. And it's also a trend to which NewMed's gas exports have contributed in Jordan and Egypt.

And then longer term, as Yossi's outlined, the role of LNG exports to Europe can play in delivering low carbon energy security in the broader region, is clearly relevant to a current geopolitical priority. At an operational level, the combined group will have market leading emissions intensity levels of around about 11 kg per BOE. That's about half the peer group average, projected to reduce over time, and with a commitment to net zero scope one and two emissions by 2040. That pathway to net zero will be achieved in line with both companies existing strategies of eliminating routine gas flaring by 2030, continuously working on decarbonisation of upstream operations, exploring potential carbon capture opportunities, and then also by building a diversified portfolio of the highest quality carbon offset assets.

Ultimately, the strategy will also be to reduce the group's carbon intensity by looking at opportunities to develop into new sources of energy. And on this front, NewMed has entered into an MOU with Enlight, one of the largest renewables players in the region, to work together on solar, wind, energy storage and other renewables opportunities across the MENA region, including those markets to which NewMed is already an energy supplier. Importantly, and finally on this topic, we're also committed to the highest standards of transparency and disclosure. Both Capricorn and NewMed already assess their overall impact against the relevant UN sustainable development goals. And the combined group will continue Capricorn's adherence to TCFD, SASB and GRI standards of reporting on energy transition and climate change impact. And for us, a key part of that reporting will be continuing to measure the resilience of the combined portfolio against the economic scenarios linked to energy transition pathways such as the IEA sustainable development and net zero emission scenarios.

Touching briefly next on the governance framework that supports this overall strategy. As you'll have seen from the announcement this morning, the combined board will comprise 10 directors. That's five independent directors of which two will come from the current Capricorn board. Two shareholder appointees nominated by the Delek group, which is the main shareholder in NewMed, and two executive directors being Yossi and me as CEO and CFO. And then the board will be chaired by Simon with the intention that he will see the board and combined company through a transitional period and then a search for an independent chair will commence after that integration period.

The board will obviously continue to have the independently chaired usual committees of nomination, audit and remuneration as well as the recently formed sustainability committee. And then, given the size of the shareholding in the combined company of the Delek group, there will be a relationship agreement in place which is on market standard terms and will be disclosed. But importantly, that includes a 12-month lockup period, provisions for the independence of the board and it also determines that Delek will be below 50% shareholding on completion and subject to the usual takeover code restrictions on shareholders between 30% and 50% for UK listed companies.

So finally, just briefly on the transaction process itself, as you've heard, the transaction will be effected by way of a pre-com completion dividend to Capricorn shareholders of $620 million. Immediately following that, Capricorn will complete an all-share acquisition of NewMed at an exchange ratio of 2.34 Capricorn new shares per NewMed partnership unit, and that results in an overall ownership split of approximately 10.3% for Capricorn investors and 89.7% for NewMed investors in the combined entity. On the UK side that constitutes a reverse takeover and will therefore be subject to a Capricorn majority shareholder vote and approval by the FCA of a prospectus on the combined group. And based on our discussions with the FCA to date, we expect that the combined group will continue to be listed on the premium segment of the LSE main market and continue to qualify for indexation. On the NewMed side in Israel the proposed transaction will be subject to votes by the unitholders and also the approval of an Israeli court scheme of arrangement, which is expected to be the final step prior to completion.

The combined group, as we've said, will have a secondary listing on the Tel Aviv Stock Exchange, and we're anticipating and targeting completion of all of that in Q1 of next year.

So on that note, I'll hand back to Yossi.

Yossi Abu: Thank you very much, James. So bottom line: we're really bringing to the table here a leading gas producer focusing in Middle East and North Africa, with the vast experience and existing track record. Based on our existing asset, we are expecting ultra-long-life cash flow; on top of it, a clear, tangible growth story with our asset base. And this is the story that we are very excited and looking forward to work with you and to work and deliver and continue to deliver as we did up until now. Now, any question that you have, please to the operator and we'll try to answer any question.

Call Operator: Ladies and gentlemen, to ask a question over the audio, please signal by pressing Star 1 on your telephone keypad. And we will take our first question from Matthew Smith from Bank of America. Please go ahead.

Matthew Smith: Hi there. I hope you can hear me, and thanks very much for the presentation. Just a couple of quick questions from me, if I could. First, to focus on Leviathan and the concepts for phase 1B? And I appreciate this is an ongoing discussion and you're still looking to reach Pre-FEED next year, but could you tell me how you weigh up the FLNG concept, versus, I guess, pipeline routes to existing export capacity in Egypt? Could you perhaps go through the pros and cons, and if you are able to, touch upon what option you think perhaps is greater in likelihood at this stage? And I wanted to just touch upon... I was under the impression that there was opposition to FLNG close to the coast of Israel, and perhaps you could pick up on that. That'd be interesting.

And then the second question, if I may, would be around the upsides that you see to the assets in the Western Desert. Clearly, with the merger, you obviously see great value here. So I'm just trying to understand how that competes for capital and what upside you see there. Is it via exploration? Is it via improved fiscal terms? Is it via improved gas price potential? If you could run through those, that'd be interesting. Thanks.

Yossi Abu: Thank you very much. So we'll take the first question. We'll start with FLNG. I think that we are seeing a great support from the Israeli government toward the floating LNG. Part of it is obviously, as you saw, MOU that has been signed with the European Union, and we are seeing support in a way that on a daily basis we engage to make sure that any barrier to build and to operate FLNG we will solve together in advance. We are extremely keen to be exposed to the LNG, and one of the main considerations is when you have your own floating LNG, you control your destiny and you have a very clear way forward to the LNG market, rather than, on a long-term basis, dependent on the regional demand.

So for us, I think that we are keen as partnership together with Chevron, which is the operator of Leviathan. We are working together and I would say that the FLNG is right now our first priority. We obviously do not rule out any option from the table, obviously you have nearby existing LNG facilities working under capacity, and if we have a set of agreements that will secure the LNG on a long-term basis this is a very viable option, and I think this is the two alternatives that we are pushing.

We are targeting to choose the concept by Q1 2023 and immediately get into Pre-FEED. So, we are rushing together as partnership to that approach. We did a lot of work over the floating LNG, because we started to analyse that in 2013, '14 and I think that I never see the stars align to go toward this activity. Then today we are seeing more and more floaters coming to the market and operating in a very efficient way, and that builds our confidence in that solution. You want me to take the question about...

Simon Thomson: Sure. I mean, why not talk about your interest in Egypt and I can add in after?

Yossi Abu: So as you probably know, we are a main supplier of natural gas to the Egyptian market, and through that, we learn and analyse the market deeply, and I think one of the crown jewels that we are seeing in that market is the operation of Capricorn together with a local partner in the Western Desert. The nice thing of that is basically the potential to add on to their existing production, appraisal, development wells and potentially exploration wells that, from the way that you start to drill up until it's in production, is a rapid development, very fast paybacks and high IRRs. This is a significant upside that we are seeing within the Egyptian assets.

Simon Thomson: Yeah, just to add, I mean as Yossi said, we see upside in Egypt, specifically around the near-field and in-field well developments bringing that resource to play. We've, as we know, increased the number of rigs. After some delay, we're up to five rigs running, and beyond that, there's an exploration programme that's exciting. You mentioned change of terms. Obviously, that is something for an ongoing dialogue with the government. You've seen the benefits of that in other concessions, and obviously, that's something we're looking at as well.

Matthew Smith: No, well, thanks. Appreciate all the colour, and congrats on the deal and happy to pass it over.

Simon Thomson: Thank you.

Call Operator: Our next question is coming from Rachel Fletcher from Morgan Stanley.

Rachel Fletcher: Hi there, and thanks for taking my questions. I just wanted to ask a quick question on the potential synergies that you see here, and then also what this merger brings that Capricorn and NewMed wouldn't have been able to achieve as individual companies. Thanks.

Simon Thomson: I'll let Yossi comment, but I think that the synergies are related to the fact, as Yossi said, that NewMed is already a significant supplier into Egypt. I think the minister has been very clear about this in Egypt in terms of developing the regional energy play. I think the combination, therefore, is extremely well positioned to be able to support that regional development, both from the point of view of gas and liquids development in Egypt satisfying domestic demand and additional gas importation from Israel, and then beyond that, the greater regional picture to be met by further Leviathan and Aphrodite phases. So that's where we see the logical strategic synergy in terms of this proposed combination.

Yossi Abu: Maybe just to build on what Simon said, in the end, what we are seeing in the synergy is, first, the operational skills. We are non-op in our activity, although we have a very strong geology team and subsurface team, with eight discoveries out of nine wells in the region, out of them Tamar, Leviathan, Aphrodite, Karish, Tanin. Really the activity in the region started within our activity, NewMed Energy. And our access to licences to the understanding of the region, together with the Capricorn geology team, together with the Capricorn operating skills, are bringing here real value to the table that we want, to let's call it, to leverage immediately, because we have the ability to access more activities in the region and in the wider region, and I'm sure that you will see it soon.

Rachel Fletcher: Very clear. Thank you.

Call Operator: We will now take our next question from Chris Wheaton from Stifel. Please go ahead.

Chris Wheaton: Thanks, guys. A few questions from me, if I may. At the risk of slightly repeating what Rachel asked, can I have another go at asking: what is it you two businesses can do together that neither of you can do separately? If I look at slide 15 on the presentation, you've got impressive growth trajectory out to the end of the decade. That would have happened anyway for NewMed, despite Capricorn coming into the group. So I'm unclear as to whether Capricorn can help accelerate that position. I understand there might be overlap in Egypt, if you get to the point of being able to supply gas into Egypt for gasification into LNG, but I'm unclear as to where the benefit of that would lie if you've got supply in country as well as supply from out of country. That's my first question, and I want to come onto a couple of financial ones as well, please.

Yossi Abu: Yep. So I think it's quite clear. Basically, when we're looking on those developments: second phase of Leviathan, Aphrodite development is high-capital demand, and once we are premium market listed, we have a better access to the capital, we have a wider world of investors and we have much wider analyst coverage. So definitely we are seeing here an opportunity to enlarge our access to capital. As I mentioned before, we're also enjoying the operating skills that Capricorn and the wonderful Capricorn team bringing to the table, which help us to better identify the way to development, reduced cost, do that in a better, efficient way. I think this is a clear synergy that the combined company brings to the table. That existing skills obviously helped to expedite the process. A lot of things that currently we are doing, outsourcing, we assume that we'll do in-house within the skills that Capricorn bring to the table.

Simon Thomson: Chris, I mean, I would just add I wouldn't underestimate the importance of combining a position in both Israel and Egypt from the point of view of that regional energy development. It is seen as important at a political level as well.

Chris Wheaton: Thank you. That's great. Thank you. Thank you very much. Let me move on to some financial questions, if I may. A couple for James. The $620 million of dividend payment that you are pledging, at what point is the cash pile going to be dividended out? Is that including, for example, the assumption of 2021 earnout for North Sea included in that $620 million or would that be excluding that amount?

James Smith: I'm sorry Chris, I'm not sure I understand the question. I mean, the pre-completion dividend of $620 million is a fixed amount and it will happen immediately prior to completion of the equity combination. Your question in connection with the 2021 UK payment, could you just repeat that?

Chris Wheaton: It's fine. I'll take that offline rather than make the point now. Can I just then come back to the point on growth capex and free cash flow? You mentioned, James, getting to a mass of around $450 million of free cash flow pre-distribution, a commitment to pay out 30% of free cash flow dividend. That gives you $300 million a year of free cash flow. That strikes me, given the growth plans you've outlined on slide 15 and talking about, say it’s $1bn on not just Aphrodite, but potentially with floating LNG on top, $300 million a year of growth capex doesn't sound enough for the business. I wonder if you perhaps talk through those parameters because it seems strange to pay out that much dividend but have quite a substantial amount of growth capex planned for the next decade or so.

James Smith: Well look, I think clearly we would look at the right capital structure for funding those growth programmes and clearly, if you look at the scale of them, there is the potential for further debt capacity to support those. I would say also when you look at LNG, well, NewMed has looked at different structural ways of financing the midstream element and so on. That, in terms of funding the equity components of that growth and having capacity to do more and indeed the flexibility particularly in higher commodity price environments to increase that dividend level as well, is absolutely what we see. I don't know, Yossi, if you want to add to that?

Yossi Abu: To build on really what James said, the way that we build our current Leviathan bond is basically we have few bullets that it's a fixed interest rate bond. The idea is that we can roll over a new bond facility when each bullet come to maturity. That capability and that flexibility when you look on the capabilities that we can basically add on to the facility in the next two, three years, it's just additional $700 million more or less within the current bond facility as we have one which is due soon.

Practically what we are seeing here is the free cash flow and additional capacity within the current bond structure. Obviously once you take investment decision over Aphrodite, then you can top-up a senior debt over that for Aphrodite, which relates to the development of Aphrodite. Looking on the FLNG, the idea is that it will be isolated from the upstream. We will have some kind of a toll road owned by the same Leviathan owners, but will have separate financing totally related to the toll road of the floating LNG. We quite well designed the structure of the debt to allow us to target and to be realistic about 30% and more from the free cash flow, pre-growth capex in parallel to investment in growth.

Chris Wheaton: Brilliant. That's a very helpful answer. Thank you very much indeed. Can I have one last question, if I may please? That's the implications of the tax partnership and collapsing that because it's interesting one of your conditions precedent is favourable tax rulings. I wondered if you could discuss the risks about those, please.

Yossi Abu: Basically we are seeking a tax ruling from the Israeli government on the basis of no gain, no loss so what we are seeking. We obviously started the discussion with the government. It is a very simple tax ruling that the bottom line saying we will not take anything that you own, but we don't want to punish any investor by doing that transaction. That's our target. We're in ongoing discussion with the tax authority, and obviously, we'll not do anything without getting a very clear ruling on how we are going to be treated from tax perspective.

Chris Wheaton: That's great. Brilliant. Thank you very much indeed.

Simon Thomson: Thank you.

Call Operator: Our next question is coming from Mark Wilson from Jefferies. Please go ahead.

Mark Wilson: Thank you. Good morning, gentlemen. I think this deal makes much more strategic sense frankly than one we've seen before, but my question for NewMed would be there's been a lot of talk about the FLNG side of things here. If you wanted to go down the route of a new export pipeline towards Egypt, does this deal help that potential investment case? Just to confirm, do you have any assets in Egypt already outside of the EMG pipeline stake? Thank you.

Yossi Abu: I think that the deal has obviously strengthened the relationship and the synergies between the activities in Israel and Egypt. From that perspective, it's quite clear. I don't think that the deal will change the commercial view over the best alternative to second phase of Leviathan. We'll choose, obviously together, the combined company the best way to develop it with obviously the ultimate way to bring the value to shareholders. I don't think that the deal will influence which route. Obviously, it's strengthened the relationship between those countries, Israel and Egypt and our assets.

Simon Thomson: The other question was assets in Egypt and that impact.

Yossi Abu: As you know, we are very close with the Egyptian government, working closely as a main supply of natural gas. We are excited to come and invest and to continue the operation in Egypt and the strategic relationship.

Mark Wilson: Thank you very much. Then just to check, and I think this would be for Simon, I guess we can assume there's no more alternative transactions out there and are there any break fees applicable in this deal should any unexpected issues come up? Thank you.

Simon Thomson: No break fees.

Mark Wilson: All right. Thank you, gentlemen.

Simon Thomson: Look, I think that's it. Obviously, we're very excited to be presenting a significantly gas-weighted company of scale and sustainability with significant near-term growth, financial flexibility, and offering regular shareholder returns. We look forward to reporting progress towards completion and obviously very happy to answer any questions subsequent to this meeting. Thanks very much for your time.