

Tuesday 14 April 2015

Suncorp CEO Succession Transcript from conference call

Start of Transcript

Operator: Welcome to the Suncorp Group teleconference. Speakers today are Chairman Ziggy Switkowski, Group CEO Patrick Snowball and incoming Group CEO Michael Cameron. Each will provide a brief statement followed by questions.

Please go ahead Dr Ziggy Switkowski.

Ziggy Switkowski: Thank you and good morning everybody. Thanks for joining us on this teleconference at short notice. I previously indicated that the Board of Suncorp had been planning for the succession of Patrick Snowball to the position of the Group CEO and as you have seen from our announcements this morning, we have confirmed that a decision has been made and that Michael Cameron will succeed Patrick Snowball later this year around about October of 2015.

Many of you have followed us over the years and I think will agree that Suncorp's transformation under Patrick Snowball has been very impressive. Today our diverse financial services business places us in a strong market position. We've got good prospects. We expect to continue to provide attractive and sustainable returns for our shareholders. That's not of course to say that we haven't been challenged and that everything has played out perfectly, but we are meeting those challenges and proving that this is a valuable business with plenty to offer.

Patrick, as he will I think reaffirm, is committed to seeing through the financial year and into October this year and to deliver our results and to deliver upon the promises and the milestones that he has shared with you and many in the market thus far. He has also committed to ensuring that Michael starts as the Group CEO on a strong footing - he's certainly left a platform, a very strong platform upon which Michael can build further. There will be other opportunities but this is one where I can thank Patrick for his unwavering determination and all that he's done to steer this complicated business in the right direction and to make as much progress as has been achieved under his tenure.

I've had the pleasure to work with Michael Cameron over the past few years in a Board capacity. He's been on the Board of Suncorp now for three years in addition to running GPT for the past six years. We've noted his ability to drive change and his disciplined capital management approach and I think these are going to be major qualities in his leadership of this organisation. Michael will serve out a notice period with GPT which will be up to six months and then will take over the CEO, Group

CEO position at Suncorp. He will continue in his position as a non-executive director of the Suncorp Board, albeit will step down from some of his responsibilities on the remuneration committee.

I look forward, as does the whole Board, which has enthusiastically endorsed his appointment too - we all look forward to working with Michael through Suncorp's next phase of growth. We are convinced this is the right appointment at the right time and in making our announcement today, we wanted to provide confidence to the market and to the public that Suncorp continues to be in safe hands and is well placed to continue delivering for its customers and its shareholders.

Let me now hand over to our Group CEO, Patrick Snowball and invite him to say a few words.

Patrick Snowball: Ziggy, thank you very much and good morning. Let me start by saying that I'm absolutely delighted with the Board's decision and look forward to working with Michael to ensure a smooth transition for the business, and of course all its stakeholders. I also want to assure you that I remain fully committed to seeing through the financial year and delivering these results to the market.

Over the past six years we've transformed this company. We've reduced complexity, exited non-core activities and implemented industry leading systems, making us more efficient, agile and responsive to our customers.

All of this has taken place whilst managing some of the most significant weather events in recent history, particularly during the Christchurch earthquakes, the major Brisbane floods and Cyclone Yasi in the summer of 2010/2011. Today, I believe we are a strong, diverse business with banking, general insurance and Life all now contributing to quality earnings for our shareholders.

I am confident with Michael at the helm, we will continue to deliver attractive returns to our shareholders. I am also very proud of what we've achieved so far, but have decided that this is the right moment for the next chapter in the Company's journey and for me to move on. So with that, I'd like to hand over to Michael.

Michael Cameron: Thanks Patrick and good morning everyone. I've certainly enjoyed the last three years on the Board and that's really given me some insights into the Company and also allowed me to build deep relationships with most of the team. That really positions me well, I think, to meet the challenges into the future. Patrick, he will certainly be a tough act to follow but I feel that I'm inheriting an excellent business that's in great shape and a very capable team. Of course the business has got a clear strategy and well positioned to deliver growth into the future.

Suncorp, it's had a long and proud history of being there for customers when they need it the most and I certainly look forward to extending that legacy into the future.

In relation to change, I think it's really important today for me to say that - or to make it clear that I'm not looking to overhaul the business - it certainly doesn't need that. I'll be taking a considered approach that preserves the long term value for both the customers and the shareholders. So I'm looking forward to working with Patrick and the executive team during the transition and I feel certainly very excited and privileged to have been appointed to the role.

So I'll hand back to Ziggy.

Ziggy Switkowski: Thanks Michael and thanks Patrick. So we stand now ready to answer any questions and respond to your interest. So I'll hand over to the moderator here.

Operator: We will now begin the questions and answer session. If you would like to ask a question, please press star one on your telephone. Once again, if you wish to ask a question, please press star one on your telephone. We will pause for a moment to assemble a queue.

Your first question is from the line of Ruth Liew from the *Australian Financial Review*. Your line is open, please go ahead.

Ruth Liew: (Australian Financial Review, Journalist) Michael, hi. It's Ruth Liew from the *Financial Review*, can you hear me?

Michael Cameron: Yes I can, Ruth.

Ruth Liew: (Australian Financial Review, Journalist) Excellent. Michael, just two questions for you. The first one is, what will be your number one priority at Suncorp when you take over as CEO?

Michael Cameron: Well I think it's - the key thing is to continue the good work that's been done to date and just to maintain stability in the business and keep the momentum going. So as you know, I've been on the Board; I understand the strategy which is very clear. The business is in great shape and it's making sure that that momentum isn't lost during this transition period.

Ruth Liew: (Australian Financial Review, Journalist) Excellent. Michael, the second question I have for you is about acquisitions and growth by acquisitions. Would that be something on your agenda?

Michael Cameron: Look, if I go back to my last answer, the strategy is very clear. It's an organic strategy, it's well understood, well appreciated and I don't see any change to that going forward.

Ruth Liew: (Australian Financial Review, Journalist) Thank you.

Operator: Your next question is from the line of Ross Curran from CBA. Your line is open, please go ahead.

Ross Curran: (Commonwealth Bank of Australia, Analyst) Good morning gents. Firstly, congratulations. I think...

Ziggy Switkowski: At the moment we're pausing because we seem to have lost the connection to Ross.

Operator: Your next question is from the line of Greg Brown from *The Australian*. Please go ahead.

Greg Brown: (The Australian, Journalist) Hi Michael. I was wondering if could ask a couple of questions about your time at GPT. First of all, quite broadly, what do you think is your biggest legacy that you left the Group and a bit more specifically, what do you think were the advantages of coming to the role with a financial services background rather than a property one?

Michael Cameron: Okay, thanks Greg. Well the two are linked and I think probably the biggest thing - well the thing I'm most proud of - in the six years from a high level is the turnaround and the renewal of confidence in the business. Part of the reason that that was able to be achieved is post-GFC, there was a lack of confidence in the organisation to go forward in a sustainable way given debt levels and all those sorts of things. So it was really using the financial skills that I had, both from a chartered accounting background but also from a banking and financial services background to weave through some of those challenges post-GFC to stabilise the business and get that confidence back into the organisation from all of the stakeholders including the staff.

So it was a difficult time and I think GPT is certainly in a much better position these days and well positioned for growth into the future. So it's really the turnaround in those difficult times initially that I'm most proud of.

Greg Brown: (The Australian, Journalist) Okay and are you - given that there's a lot of M&A activity in the sector at the moment, are you disappointed that you never sealed a major deal? Obviously there was Australand and CPA. Are you disappointed that a major one was never done?

Michael Cameron: The Group has demonstrated that we don't need to do any acquisitions to achieve the strategy. So they were very opportunistic and it's very easy to make acquisitions like that by - if I compare it to an auction where you just keep your hand up and if you're the highest bidder then you're likely to be successful in acquiring the business. Myself and the team, it's measured on the returns to securityholders rather than how big we can make GPT.

So our focus was on adding value and at a certain price it's just not worth proceeding with acquisitions but in the case of CPA we came away with \$1.1 billion worth of acquisition of assets. We feel that that's added significant value to shareholders and that's what the real measure is. So a simple answer to your question is no, I wasn't disappointed in missing out on those deals but I was very, very happy that we made the right decision at the time.

Greg Brown: (The Australian, Journalist) Okay. Just one more. When you joined the Board of Suncorp three years ago did you think there was a chance at that time, an opportunity for you to get a role like this?

Michael Cameron: Well, Suncorp is a fantastic company. I've always admired it, it's in great shape. For me, I've always concentrated on looking outside of the organisation for stimuli to get a better understanding of what's happening in the broader world rather than just within the property sector. That was one of the things that I did with strong support from my Chairman and the Board to go down that path. It brought us to this day today but it certainly wasn't the key factor at the time.

Operator: Your next question is from the line of Ross Curran from CBA. Please go ahead.

Ross Curran: (Commonwealth Bank of Australia, Analyst) Hi, gents. Hopefully you can hear me this time. Mr Cameron, I'm just wondering, historically you've always spoken about the focus on shareholder returns. One division that's fairly consistently delivered returns below shareholder cost of capital is Life. I'm just wondering if you could talk us through your thoughts about Life, where you see long-term returns and what you think is an appropriate cost of capital for that business.

Patrick Snowball: Ross, it's Patrick. Obviously, today is really about succession planning. We're actually in the closed period running up to the APS 330 and we will be talking more about the business in May. We have a very clear integrated strategy. We are a multi-distribution Company. We have a broad range of financial service products and they all contribute to the integrated return to shareholders, and at some stages some are doing it better than others but the most important thing is to get the consistency and margin volatility out of the business.

Ross Curran: (Commonwealth Bank of Australia, Analyst) No problem, thank you. Congratulations again.

Michael Cameron: Thank you.

Operator: Your next question is from the line of [Jacinta Tussy] from *The Courier Mail*. Your line is open, please go ahead.

Jacinta Tussy: (The Courier Mail, Journalist) Hi, guys. This question's for Michael. Understandably there might be some people who are a little bit disappointed at missing out on the position. Have you got any guarantees from the current executive team that they will remain on?

Michael Cameron: Look, I think these processes are always difficult, particularly for the people that miss out. I'm very, very happy with the strength and the quality of the team. They've delivered wonderful results over many years and I certainly don't see any reason for change going forward.

Jacinta Tussy: (The Courier Mail, Journalist) Great. Just one more question. Can you give us any sort of assurance that you're going to keep the Group together and not split it up in the future?

Michael Cameron: Well, the strategy at the moment I've been intimately involved with as a member of the Board, so I'm very comfortable with the existing strategy that we have in place and one that's clearly understood and has been well articulated.

Ziggy Switkowski: Jacinta, can I just - it's Ziggy Switkowski - can I just add to that? The strategy that Patrick and the Board has developed and implemented in recent years is in our minds clear and easily described: we're an Australian and New Zealand-based enterprise; our business is around financial services; we like our conglomerate structure. We think that in building a single Company with a multiplicity of strong brands, that's going to give us a competitive advantage going forward and the primary measure of our success will be the value we create to our shareholders through an appreciating share price and consistently growing dividends.

That's the narrative. Michael has been part of developing that. As we went through the process to select the CEO we had in mind that we wanted somebody who was a very effective leader and who could execute against those strategic goals and in Michael we are very, very confident we have the right person at the right time.

Jacinta Tussy: (The Courier Mail, Journalist) Great. Thanks so much, guys.

Operator: Your next question is from the line of Brett Le Mesurier from BBY. Your line is open, please go ahead.

Brett Le Mesurier: (BBY, Analyst) Thanks. It's a question for the Chairman following up what he was just talking about with why you chose Michael. You didn't mention his experience in property - I would have thought with the problems that Suncorp has had over the last few years that that would have been a major positive. Can you comment on that?

Ziggy Switkowski: Look, I think it's a fair point. We were looking for candidates that had demonstrated experience and success in financial services and who also had demonstrated that they were very, very successful leaders who focused upon building teams and in creating the right kind of culture in terms of being accountable, performance-driven, customer-oriented, et cetera. So they were the key criteria, or some of the key criteria.

In Michael we noted however that we got that plus experience in adjacent industries such as property development, and I think your point is, where was he five, six or seven years ago, or maybe even 10 years ago when we were making some of these investments, but that was not the case. So yes, I think that side of his experience set will be valuable, but not in the sense of you should

anticipate any kind of diversification into property development; that has not been part of the conversation thus far.

Brett Le Mesurier: (BBY, Analyst) Thank you.

Operator: Your next question is from the line of Siddharth Parameswaran from JP Morgan. Your line is open, please go ahead.

Siddharth Parameswaran: (JP Morgan, Analyst) Hi there, can you hear me?

Ziggy Switkowski: Yes.

Siddharth Parameswaran: (JP Morgan, Analyst) This is a question for Michael. Michael, are you comfortable with the current strategy of Suncorp in terms of growth versus margins? We've obviously seen a very large uplift in margins and I think the focus at the last result was said to be shifting more to growth, but Patrick also made the comment that he thought that the Company could move from a 10% ROE towards a 12% ROE. As you look at the Company, where is the upside as you see it? Is it more about restoring growth or is it more about maintaining margins or lifting up margins?

Michael Cameron: Look, it's a good question, and I think today is all about announcing the changes around succession and that's where the focus will be. There'll be plenty of time to talk about details of the business in the future once I take on the role.

Siddharth Parameswaran: (JP Morgan, Analyst) Okay, no problems. Thanks.

Michael Cameron: Thanks.

Operator: Your next question is from the line of Andrew White from *The Australian*. Your line is open, please go ahead.

Andrew White: (The Australian, Journalist) Hi there, gentlemen. Just a question for the Chairman. This is an appointment of a Director on the Board. Can you share with us your thoughts about what the advantages of having someone with that sort of experience and time with the Company ahead of their appointment as CEO was in this process?

Ziggy Switkowski: Look, Andrew, every one of these appointments is unique, I imagine. We undertook a search process some time ago that included a continuing review of our internal candidates of which we had a number of very strong executives and we also had a look at candidates outside the Company in Australia and globally.

We were always inclined to try to appoint somebody who was intimate with the operations of the Company because we do think we have a clear strategy and well-performing organisation. In those circumstances you tend to incline to appoint people who have been part of that success.

In identifying Michael, we think we got the best of a character with internal insights but an external perspective, and the fact that he was on the Board meant that for three years he's been part of the strategy formulation and oversight of our operations. So I think we've been very, very fortunate in having Michael available to us and an individual who we've been able to - we being the Board - have been able to form a view as to his leadership qualities, more importantly his values, and we've come out believing that he is absolutely the right appointment at the right time. If the context of your question is, is this a pathway in the future for executives to get CEO positions by going on to boards, I don't think I will generalise. In our case it's worked out very well though.

Andrew White: (The Australian, Journalist) Yes. Just a follow-up. You're saying that the job is going to be basically a continuation of the existing strategy; is there going to be no review of that strategy and no opportunity for Mr Cameron to put his stamp on the organisation?

Ziggy Switkowski: Well, the point we want to make is we are very satisfied with the definition of our strategy and its implementation at this point in time. When Michael takes over later in the year it will be to execute an approved plan which will be constructed in the next couple of months under Patrick Snowball's leadership and then to deliver upon promises that we've already made to the market in terms of improving performance, growing return on equity, et cetera.

Having said that, whenever there's a change of personnel at the top, a change in the leadership, we would expect that person to bring a fresh perspective and a fresh energy level and to challenge what we're doing. There will come a time in the next year where we would hope Michael would give us his impressions after a few months. But none of us are anticipating right-angle turns in our trajectory because as I say, I think our trajectory at the moment is meeting the expectations of all of our stakeholders.

Andrew White: (The Australian, Journalist) Yes, okay. Finally, a question for Michael. You've previously featured in speculation about succession at other financial services organisations. Can I just ask you, what is it that appeals to you about being CEO of a financial services group as opposed to property or any other?

Michael Cameron: It is a good question, because my personal view, just from a philosophical perspective, is that CEO roles are about leadership as opposed to an area of specialisation, but I think if I look at my background, I have been in a range of different sectors, a range of different types of organisations and a range of different cultures, and Suncorp for me is it feels like a perfect fit given my background and my areas of interest.

So I'm quite passionate about a number of sectors and the financial services area is something that I'm very, very comfortable with, and if you look at my background hopefully that supports that view.

Andrew White: (The Australian, Journalist) Okay. Thank you.

Operator: Once again, ladies and gentlemen, if you wish to ask a question please press star one on your telephone. Your next question is from the line of Stephen Johnson from the Australian Associated Press. Your line is open, please go ahead.

Stephen Johnson: (Australian Associated Press, Journalist) Good morning. Congratulations, Michael, on your appointment.

Michael Cameron: Thanks, Stephen.

Stephen Johnson: (Australian Associated Press, Journalist) Just a first question I have for you. Back in February, Suncorp lowered its growth forecasts saying the economy was slowing down and that the political uncertainty in Canberra had dampened the economy and consumer confidence. Could you talk me through what your views are on the political dynamics and the broader economy?

Michael Cameron: Well, it's a very broad question and I'll just stay away from the impacts on Suncorp, because today is certainly not about discussing how the business is performing, it's about succession.

But from what I see in the sector that I'm currently in, which is of course the property sector and with GPT, is that the underlying performance of the economy is in fact quite strong and it's an issue of confidence. It's things like the budget next month that will potentially have the biggest impact on the way people act and behave in the way that they spend money, et cetera. So I actually feel quite positive about the prospects for the country going forward and I'm reasonably comfortable with what's happening around the rest of the world in relation to the rebounding in the US particularly.

So on the whole I feel okay about where we are, but it's going to be a period of slow growth and businesses have to adjust to reflect that environment. But I look forward to making more commentary about those sorts of things and the impact on Suncorp once I've actually taken up the role.

Stephen Johnson: (Australian Associated Press, Journalist) With the first question you were asked today, you said you wanted to have stable leadership. Ziggy Switkowski said there'll be no right-angle turns. It sounds like you're going to be quite a conservative leader. So I mean are you going to be a more conservative leader or a liberal who pushes change eventually?

Michael Cameron: Well I think I've got a very strong record of delivering shareholder growth. I've also got a very strong history of being very customer focused. So I think I'll be judged by the performance on those sorts of measures and happy to start the role with that approach. But look, I'm very determined, very disciplined and I'm a huge believer in delivering consistency: consistency between what you say you're going to do and what you're going to do, and certainly continuing the good work that's been carried out in the past in Suncorp is a key thing for me to achieve as the incoming leader.

Stephen Johnson: (Australian Associated Press, Journalist) Finally from me, looking at the GPT share price, you took over after the share price had crashed from about \$19 before the GFC down to about \$2 and it's now up at about \$4.50 but not back to the heights it was before the GFC. So it sounds like you've had the more cautious approach as a leader. Would this more cautious approach be translating through to your new role?

Michael Cameron: Well you're a pretty hard marker. In the six years that we've been there, we've delivered 180% total shareholder return and that's significantly above both the peers and significantly above the ASX 200. So I'm certainly happy with the performance of the Group and I know the investors have been very supportive of those sorts of returns. So I think if you can deliver those sorts of results by being conservative, then I don't mind being conservative.

Operator: Your next question is from the line of Carolyn Cummins from *The Sydney Morning Herald*. Your line is open, please go ahead.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Thanks very much. Hi Michael, it's sad to see you go from our sector.

Michael Cameron: Thanks Carolyn.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Just very quickly - most of my questions have been answered - but what about the timing, why did you do it now? Was there something that prompted it or speculation or just the right time to make this announcement?

Michael Cameron: Look I think after six years the company GPT is in great shape. There are some very strong internal candidates to succeed me and I have a wonderful opportunity presented to me. So from that perspective, I feel the timing is right and I'm very, very happy with the situation I find myself in.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Right, but there was no particular trigger to announce it six months out?

Michael Cameron: No. I'm required to give six months' notice to leave the Group and the Board and Chairman are well advanced in succession planning; we've had a program in place for some time and I expect it to be a very smooth process.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Right.

Ziggy Switkowski: Can I just add, that the six months refers to the period of notice that most CEO's contracts require upon leaving an enterprise.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Right.

Ziggy Switkowski: Now I would hope that's the kind of outer limit. We've obviously got to respect that GPT needs to manage their succession, but my sense is that the GPT Chair and I have a common understanding that if we can make this transition faster rather than slower, then that will probably serve everybody's interests.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Oh okay then, so if there's somebody pops up internally or externally - obviously the speculation has already started in the market today - but you could leave a bit earlier.

Ziggy Switkowski: In particular, Patrick Snowball has indicated his flexibility to accommodate different transition arrangements in terms of timing. So we're all acting very cooperatively and professionally at this stage. I'm sure we'll make the transition work very well.

Carolyn Cummins: (The Sydney Morning Herald, Journalist) Terrific, thanks so much.

Michael Cameron: Thanks Carolyn.

Ziggy Switkowski: Okay, it sounds to me we've probably exhausted the questions that many of you have. Again, thank you very much for joining us. Thank you for your interest and we look forward to your published reactions after this call and look forward to briefing you from time to time as we have more to say. Thank you very much.

Operator: Ladies and gentlemen, that does conclude today's conference. Thank you for your participation.

End of Transcript