BHP

JASON FAIRCLOUGH (BofA)

Mike, since you assumed the role of CEO, you really hit the ground running. So you've collapsed the DLC. You've exited oil. You're selling down some lower-quality coal assets. You bid for OZ Minerals.

I guess the question is, to what extent are you just executing to a plan that you came up with years ago versus just reacting to the market and the opportunities that you see?

MIKE HENRY (CEO, BHP)

I hope I'm not disappointing you, Jason, but no, it's not a random walk. There actually is a method to the madness. In fact, if we go back to some of what I attempted to lay out when I first became CEO back in early 2020, just before COVID hit, everything is very well aligned with that, of course.

So the plan is very clear. I think it's a pretty simple plan in terms of the focus on operational excellence, social value creation, reweighting the portfolio over time to ensure that we've got maximum leverage to the upside in the faster decarbonising world where we're seeing continued global economic growth and rising living standards. So everything is in line with that.

However, of course, we need to be cognisant of what's happening in the world around us and be quite deliberate about when we choose to act on certain aspects of the strategy. And you've certainly seen that with the OZ Minerals transaction, and with a few of the other things that we've done.

JASON FAIRCLOUGH (BofA)

Okay. So our conference theme this year is the "pivot to growth". You've got your acquisition of OZ. You've got your commitments to delivering Jansen Stage 1, bringing forward phase two. But I guess what I always struggle with with BHP is that it's so big. It's big. You've got these giant assets that just crank out the cash. And what a thing to have. But ultimately, they do create this base effect that makes it difficult to deliver meaningful growth relative to your size. So I guess the question is, do the cash cow businesses, do they really go with the growth businesses?

MIKE HENRY (CEO, BHP)

So maybe if I just take a step back, Jason. I think that people would have said that about BHP a decade ago, two decades ago, three decades ago. And yet if you look at the value that we've generated for shareholders over that period of time, I think it's something that, certainly within the company, we can be pretty proud of. And so yes, I acknowledge the fact that we're a big company, but being a big company also means that we have big resources, which provide you a lot of optionality to grow. And they also provide us with the – and I called out in my presentation – when we talk about growth inside the company, we always come back to the first and most important thing that we need to focus on, which is running the business that we already have super well and improving productivity. If you think about our cost base – circa, let's say, a 10% sustained improvement in costs over time, that alone will add US$15 to US$20 billion of value.

And so there's all these other things that, of course, we're focused on doing - looking at where we can create more by way of greenfield or brownfield expansion opportunities to grow the underlying base. But that has to come in tandem with ensuring that we're getting maximum value for the capital that we already have deployed in the business.

And with this big business, where we've got these basin plays – you've got something like iron ore, which has many similarities to metallurgical coal, with some similarities to Escondida and Spence, for example, where we're running large fleets of trucks moving a lot of material. Being a big business, we can learn in one of those businesses and replicate quickly into others, which allows us to unlock that big productivity benefit or value that I spoke to.

So we're doing both. Focus on productivity. You can see that off the resources that we have, we've got more options that we can develop for growth. And we're not standing still in terms of seeking to bring into the portfolio more resources through greenfield exploration – we've shown some technical success on that front. Through early stage entry – so becoming a little more commercially agile in terms of gaining toehold positions in new resources. And then, in the case of OZ Minerals – an acquisition where we believe that through the acquisition, we can create more value than would have occurred just as a standalone company.

Now, on the final part of your question around, do the cash cows make sense with the rest of the business, we believe that they do. It's a discipline that we hold ourselves to of regularly testing that. But again, whilst we term them cash cows, it's not just set and forget. There's still a ton of value to be unlocked out of iron ore, a lot of value to be unlocked out of the metallurgical coal business, even as we grow further in copper, nickel, and potash.
JASON FAIRCLOUGH (BofA)

Well, we've got time for a couple of questions from the floor if anybody wants to ask one?

All right. People are shy. Another one from me. You alluded to this a little bit in your presentation, Mike. The world needs more greenfield and brownfield investments. And yet at the moment, I think we have all this focus on M&A.

How do we think about buy versus build? And I guess more generally, if all mining companies are doing is buying each other, are we actually delivering the metal that the world needs?

MIKE HENRY (CEO, BHP)

Well, great callout. And I gave the one example of copper. But of course, copper is one of many. There are some freakishly large numbers in terms of the capital required to be invested in this industry over the coming decade, over the coming two decades.

And so now, if I bring it back to, well, what are the implications for us? One, we obviously have a constructive outlook on the commodities that we've chosen to be in. But we always have to test, where is BHP going to add incremental value for shareholders? And any opportunities that we pursue have to be in the commodities that we've chosen to participate in. They have to be the sort of assets that we've elected to hold as BHP – large, long-life, low-cost – and we have to see that through the capital that we invest, be it an acquisition or a project, that we're creating value for shareholders. More often than not, that's going to drive us towards the build, be it brownfield or greenfield. But there will be discrete acquisition opportunities where, through synergies or through our better ability to unlock growth in that portfolio, where we can add value.

What we're not going to do is simply go out and buy a stream of copper or buy a stream of nickel or buy a stream of potash, because then all we're doing is calling the market, and that is the thing that's going to be least in our control at the end of the day. Of course, we need to have a view on the market. But I'll always feel safer, we'll always feel safer, if in addition to trying to get the timing right, there's something intrinsic to bringing that business into our business that allows us to unlock more value than if they had remained standalone.

JASON FAIRCLOUGH (BofA)

Interesting. Give you guys one more chance. Any questions from the floor? There's one there, please.

AUDIENCE

Lithium is not part of your portfolio at the moment. What are your thoughts on that?

MIKE HENRY (CEO, BHP)

Yes. So we've elected not to participate in lithium. And there's probably two strands to the response. So the fundamental – as we go about testing which commodities we want to be in, we want to ensure that the industry is large enough to make it meaningful for BHP. And I think in the case of lithium, it is or it will ultimately be.

Two, we have to believe that the shape of the cost curve long-term is steep enough such that if we have the right assets, we can generate very high margins – i.e., at the low end of the cost curve. The assets have to be individually large and aligned with our capability set. And our belief in lithium is that over the long-term, the cost curve is more likely to flatten out, therefore, not give us the margin potential that we would normally be looking for.

The second strand of the response is we have to be focused. If there's one thing that we've learned at BHP over time, it's that if we allow our focus to get too dispersed, we do a lot of things not well. And so we've made deliberate choices about which commodities we want to be in. And those are, in terms of the future-facing commodities, copper, nickel and potash, whilst continuing to grow value in our iron ore and metallurgical coal businesses.

JASON FAIRCLOUGH (BofA)

Thanks, Mike. Any other questions from the floor? Got one right here at the front.

AUDIENCE

One question on dividends. So industry's delivering pretty large dividends, but at the same time, we've heard from Jason in the morning that there is huge need for investment. Does it make sense to keep paying these high dividends? What do you think about dividend growth medium-term? And is this an industry where the shift needs to focus a little bit to use some of this capital for growth as opposed to paying it out to shareholders?
MIKE HENRY (CEO, BHP)

I think the reality is that there is a period of time where, through the players right across the sector having not done a good job with capital allocation, not having demonstrated a track record of reliable operations, that we all needed to focus the business so that we got the basics right. And we needed to rebuild trust with shareholders.

And as a result of that, over a period, you've seen probably lower capital investment than the world will need to see over the medium to long-term if the world is to continue to grow and to decarbonise. Having said that, at the end of the day, I don't think it's one or the other. And we need to be very cognisant of the interests of shareholders as we seek to grow value.

Now, the better a job that we do in being productive, which will improve underlying project economics, and the more that we're able to advance work in developing options off the base of the current portfolio, the more optionality we'll then have as to where we deploy that capital to.

So it's not like we've taken a deliberate decision not to invest in growth and just return all cash to shareholders, at least not as BHP. The reality is that we haven't had the shovel-ready projects to bring forward. The more that we bring those forward, and as we maintain the trust of shareholders, if we've got great projects with good returns, I know that we'll have the backing of shareholders. But at the end of the day, it's going to be a balance. And we've tried to backstop that balance at BHP by saying that we have a 50% minimum payout ratio. And that stays.

So I think that's a really good discipline. It instils a competition for capital internally. And having personally lived through a period where BHP was spending double or triple what we're currently spending – and it comes back to the point I made in response to the earlier question about focus – if we try to do too much at once, we do a lot of it badly, whereas by constraining ourselves, 50% minimum payout ratio, it forces a competition from capital, which ensures that each of the individual projects is better and higher returning than if we didn't put that constraint on ourselves.

JASON FAIRCLOUGH (BofA)

Thanks a lot for that, Mike.

MIKE HENRY (CEO, BHP)

Thank you.

JASON FAIRCLOUGH (BofA)

And folks, we're out of time. So could you join me, please, in thanking Mike for his presentation.
Disclaimer

Forward-looking statements

This presentation contains forward-looking statements, including statements regarding: trends in economic outlook; commodity prices and currency exchange rates; demand for commodities; medium-term guidance; reserves and resources and production forecasts; operational performance; expectations; plans; strategies and objectives of management; climate scenarios; approval of certain projects and consummation of certain transactions; closure or divestment of certain assets, operations or facilities (including associated costs); anticipated production or construction commencement dates; capital expenditure or costs and scheduling; operating costs, including unit cost guidance, and shortages of materials and skilled employees; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; and tax and regulatory developments.


The forward-looking statements are based on management’s current expectations and reflect judgements, assumptions, estimates and other information available as at the date of this presentation and/or the date of the Group’s planning processes or scenario analysis processes. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate. Scenarios do not constitute definitive outcomes for us. Scenario analysis relies on assumptions that may or may not be, or prove to be, correct and may or may not eventuate, and scenarios may be impacted by additional factors to the assumptions disclosed.

Additionally, forward-looking statements in this presentation are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. BHP cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with the Ukraine conflict and COVID-19.

For example, our future revenues from our assets, projects or mines described in this presentation will be based, in part, upon the market price of the minerals, or metals produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing assets.

Other factors that may affect the actual construction or production commencement dates, revenues, costs or production output and anticipated lives of assets, mines or facilities include our ability to profitably produce and transport the minerals and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals or metals we produce; activities of government authorities in the countries where we sell our products and in the countries where we are exploring or developing projects, facilities or mines, including increases in taxes and royalties; changes in environmental and other regulations; the duration and severity of the Ukraine conflict and the COVID-19 pandemic and their impact on our business; political or geopolitical uncertainty; labour unrest; weather, climate variability or other manifestations of climate change; and other factors identified in the risk factors discussed in section 9.1 of the Operating and Financial Review in the FY2022 Annual Report and BHP’s filings with the U.S. Securities and Exchange Commission (the ‘SEC’) (including in Annual Reports on Form 20-F) which are available on the SEC’s website at www.sec.gov.

Except as required by applicable regulations or by law, BHP does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

Presentation of data

Numbers presented may not add up precisely to the totals provided due to rounding. All footnote content (except in the Annexures) is contained on slide 13.

No offer of securities

Nothing in this presentation should be construed as either an offer or a solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, in any jurisdiction, or be treated or relied upon as a recommendation or advice by BHP. No offer of securities shall be made in the United States absent registration under the U.S. Securities Act of 1933, as amended, or pursuant to an exemption from, or in a transaction not subject to, such registration requirements.

Reliance on third party information

The views expressed in this presentation contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. This presentation should not be relied upon as a recommendation or forecast by BHP.

BHP and its subsidiaries

In this presentation, the terms ‘BHP’, the ‘Company’, the ‘Group’, ‘BHP Group’, ‘our business’, ‘organisation’, ‘we’, ‘us’, ‘our’ and ourselves refer to BHP Group Limited and, except where the context otherwise requires, our subsidiaries. Refer to note 28 ‘Subsidiaries’ of the Financial Statements in the FY2022 Annual Report and Form 20-F for a list of our significant subsidiaries. Those terms do not include non-operated assets. This presentation covers BHP’s functions and assets (including those under exploration, projects in development or execution phases, sites and closed operations) that have been wholly owned and/or operated by BHP or that have been owned as a joint venture operated by BHP (referred to in this presentation as ‘operated assets’ or ‘operations’) during the periods referred to in this presentation.

BHP also holds interests in assets that are owned as a joint venture but not operated by BHP (referred to in this presentation as ‘non-operated joint ventures’ or ‘non-operated assets’). Notwithstanding that this release may include production, financial and other information from non-operated assets, non-operated assets are not included in the BHP Group and, as a result, statements regarding our operations, assets and values apply only to our operated assets unless stated otherwise.

1 References in this presentation to a ‘joint venture’ are used for convenience to collectively describe assets that are not wholly owned by BHP. Such references are not intended to characterise the legal relationship between the owners of the asset.