

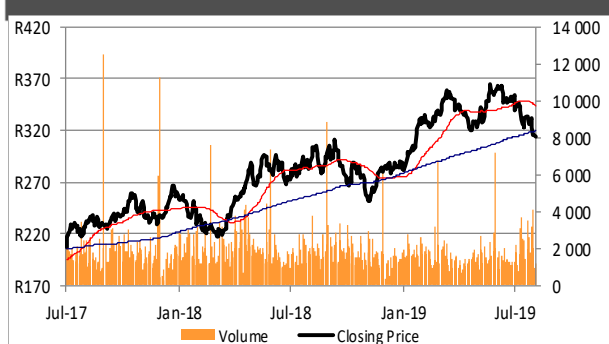
EQUITY REPORT

30 AUGUST 2019

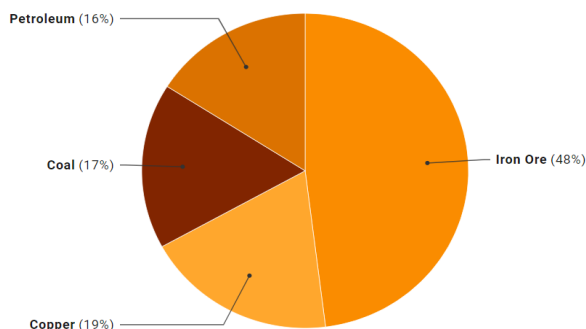
SHARE INFORMATION

Share Code	BHP
Industry	Metals & Mining
Sector	Materials
Market Capital (ZAR m)	1 727 604
Current Price (ZAR)	314,78
Target Price	340,00
Price - 52 Week High:	369,00
Price - 52 Week Low:	249,77
Dividend Yield	6,38%
Beta 5 Year (JSE All Share)	1,54

SHARE PRICE PERFORMANCE**



Segment contribution to EBITDA



VALUATION RATIOS **

Period	P/E	P/SALES	EV/EBITDA
Last 12 Months	12,4x	2,4x	5,6x
Current Year Est	8,9x	2,4x	4,9x
Expected	10,2x	2,6x	5,6x

** Data provided by Thomson Reuters

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BHP GROUP PLC (JSE:BHP)

Recommendation: HOLD

BHP is a world-leading resources company. It extracts and processes minerals, oil, and gas from its production operations located primarily in Australia and the Americas. The group's segments include petroleum, copper, iron ore, and coal. The company sells its products through direct supply agreements with its customers and on global commodity exchanges. BHP is the only diversified miner with a sizable petroleum division.

FUNDAMENTAL/TECHNICAL OVERVIEW

BHP recently released its annual results for the year ended 30 June 2019. Revenue for the period grew by 3% to US\$44.28bn, headline earnings per share increased by 31% to 163.1 US cents per share, and the group declared a record final dividend of 78 US cents per share (2018: 63 US cents per share). Net operating cash flow declined by 3.1% to US\$17.8bn, while net debt reduced by US\$1.7bn to US\$9.2bn. Higher commodity prices and record production from several of the group's operations led to a robust set of results. The iron ore segment contributed 48% to EBITDA, copper 19%, coal 17%, and petroleum 16%.

The company continuously improves its operating and capital productivity, aided by smarter technology applications across their value chain. Over the past five years, the group's Western Australian iron ore business has increased production by 20%, and reduced costs by 50%, making BHP the lowest-cost iron ore producer in the world. The global demand for iron ore has increased as a result of the Vale's tailings dam disaster in Brazil, Australian cyclone disruptions and a stronger than expected demand from Chinese steel producers. BHP expects the iron ore price to return to a more normal path over one to three years.

Management believes the demand for copper will grow steadily. Input costs, water constraints, and a scarcity of future development opportunities could put pressure on the industry's ability to meet demand. The fundamental outlook for crude remains positive, underpinned by a natural field decline in supply. Metallurgical coal prices eased from a peak on weaker European demand and improved Australian supply. BHP forecasts that metallurgical coal will still offer the company attractive returns. The long-term demand for the commodity will, however, slow due to the world's concerns surrounding global warming.

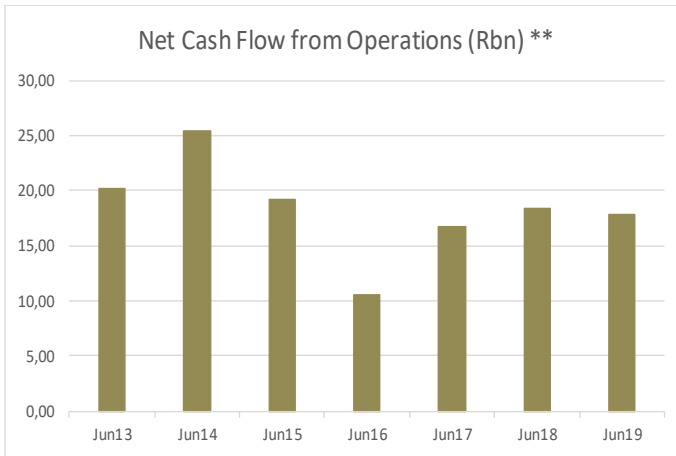
At the end of the financial year, BHP had five major products under development in petroleum, copper, iron ore and potash, with a combined budget of US\$11.1bn. The performance of the group will be affected by fluctuations in commodity prices, ongoing global economic volatility, and exchange rate fluctuations. Billiton expects China's economic growth to slow modestly to around 6.25%. Any further escalation in the US-China trade war could hurt commodity demand and energy and metal prices. At the time of writing, BHP traded on a price to earnings ratio of 12.28 and offered investors a dividend yield of 6.4%. BHP is well-positioned to deliver strong returns over the long-term due to the quality of its assets and strong balance sheet.

Research contributors

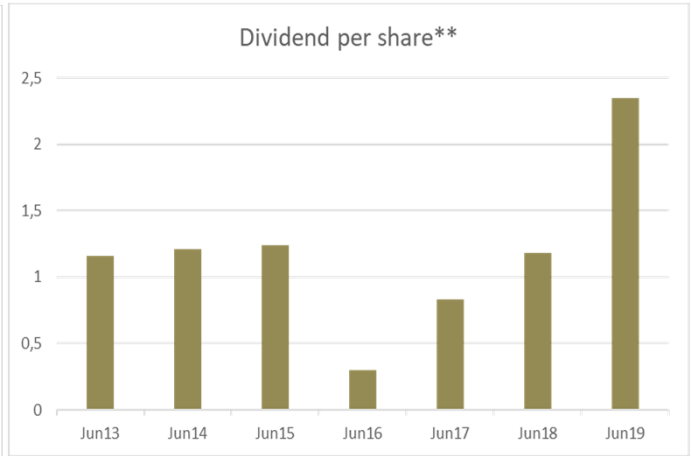
Pieter-Jan van Niekerk, Schalk Louw

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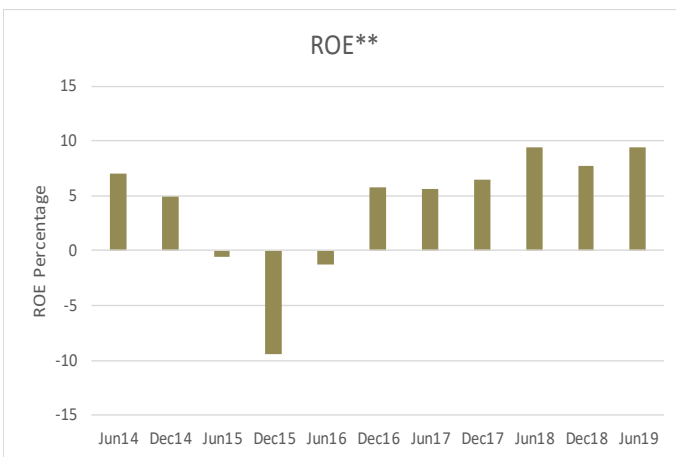
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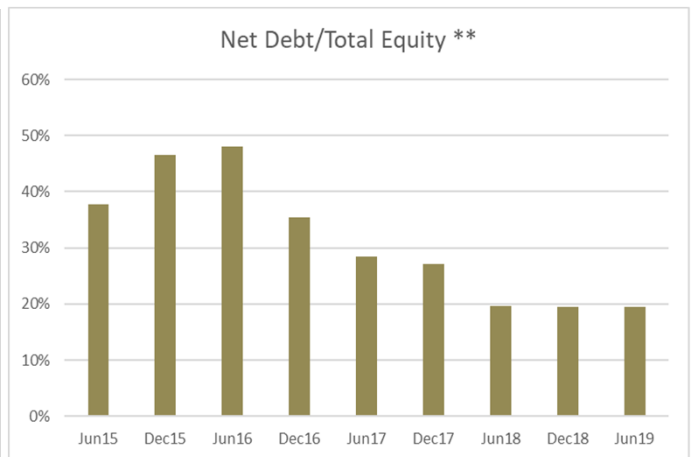
Net cash flow from operations declined marginally in FY19, mainly as a result of higher royalty tax payments.



The final dividend of 78 US cents took the full year payment to \$2.35 per share.



The Group reported a positive ROE of 9.36% for FY19.



Total net debt-to-equity decreased significantly since FY16.



The company's forward PE is 9.32, which is one standard deviation below the long-term average of 15.42.

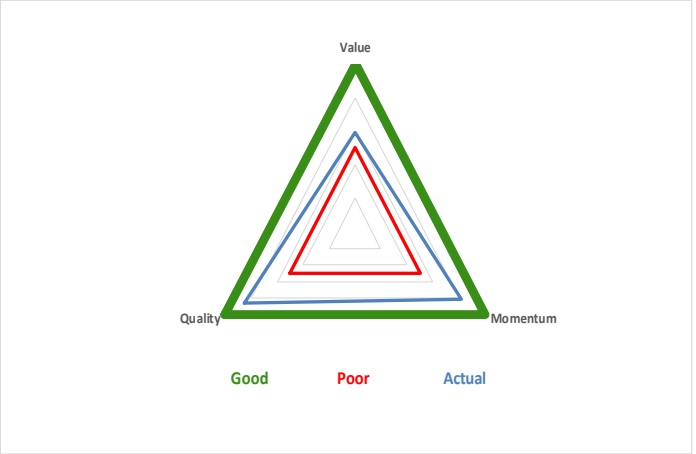
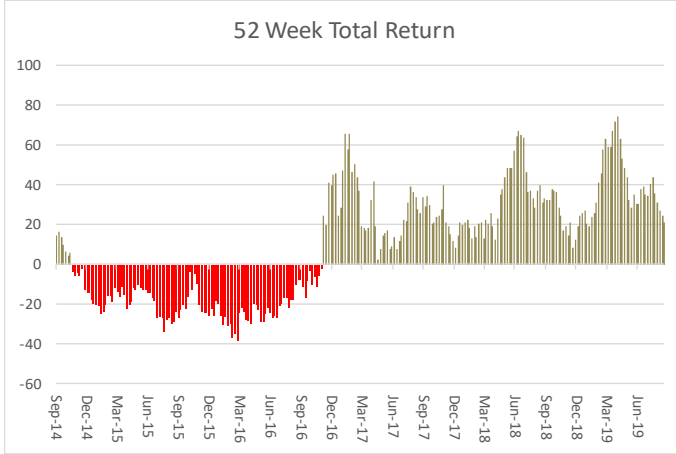


The company's PB is at 2.20, which is more than one standard deviation above the long-term average of 1.56.

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BHP's 52-week low is R249.77 and the 52-week high is R369, currently trading just above R314.00. BHP's current 1-year price performance is 6.65% and the share at the time of writing, was trading below its 50-day and 200-day MA's. According to the technical indicators like the RSI and stochastic oscillator, BHP is currently trading close to oversold levels.



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