

BHP

**Bank of America
Securities 2025
Global Metals,
Mining & Steel
Conference**

Q&A transcript

13 May 2025

Questions and answers

JASON FAIRCLOUGH, BANK OF AMERICA

Okay, so we're going to do a couple of fireside check questions, and then we'll go to the audience. So let's jump into a little bit here. We've had a volatile start to the year on markets, the economy more generally. Mike, navigating uncertainty, what feedback can you share from your conversations with your customers?

MIKE HENRY, BHP

Well, it's been interesting, hasn't it, Jason? In that in spite of kind of all the newspaper headlines and the uncertainty that we know is there, we've seen demand holding up pretty well. So if you look at what's been occurring in China, and Yakov referred to having been there a month ago and a number of us were there around the same time. There was a real quiet confidence on the part of the Chinese. And if I compare that to a year prior when it almost felt like they were selling a little bit too hard how they had things under control, this year there was real confidence there and they were able to talk fluently about some of the green shoots that they're seeing, and those align with what we've been seeing by way of demand for iron ore, demand for copper, and so on.

So that's been positive. Now, I think people are clear-eyed about things potentially becoming more complex and challenging over the medium to long-term, if there isn't a pullback from some of the current trade tensions. We're looking at it and saying, "Okay, in one scenario, if those trade tensions escalate, that's going to put a wet blanket on global growth." Direct exposure for us into the US, for example, minimal. So our concern isn't so much about the US, it's more about what happens to global growth. But as I tried to point out in my speech, the commodities that we're in are particularly resilient amongst the basket of commodities. And given where our assets sit, where we've got margins, as I said, that are well ahead of the competition, we're best placed to deal with volatility in any dips in the cycle if that's where things go. And in fact, because of how we positioned the balance sheet and the broader business, we're actually able to continue to invest in grow through the cycle, and pursue any opportunities that may arise.

JASON FAIRCLOUGH, BANK OF AMERICA

So just to turn it back to BHP, again, if we think about the tariffs, if we think about the volatility, these question marks, how does that feed into your calculus on capital allocation?

MIKE HENRY, BHP

One of the lessons of the past has been that there's real value to be created by being able to invest through the cycle. And so if you think about our net debt range, and how we've thought about wanting to have a very strong balance sheet, it isn't just to protect ourselves against the downside or potential excessive pressures of the down point in the cycle. We go beyond that and say, "Well, we actually want to be able to continue to invest through the cycle." Now, of course, the reality is if we saw a major dip in commodity prices, we'll have to flex how we think about the sequencing of our growth projects. We put a lot of thought into, not just balance sheet resilience, and we model that against different scenarios, we also put a lot of thought into where are the levers for us to be able to pull in terms of flexing some of our capex, sequencing it out, and other levers we have available to us to manage the balance sheet. Well, the point I would want to make is that, even under these scenarios of heightened volatility and uncertainty, we're able to, because of the way that we've thought about our strategy, the assets that we hold, the commodities that we're in, we're able to continue to invest in growth where even in a situation where others may need to pull back.

JASON FAIRCLOUGH, BANK OF AMERICA

So since you brought up the balance sheet, some investors say it feels like BHP is going to be capex higher for longer for quite some time.

MIKE HENRY, BHP

We said 11 billion dollars, medium-term average.

JASON FAIRCLOUGH, BANK OF AMERICA

So 11 billion medium-term, how does that feed into dividends and capital return?

MIKE HENRY, BHP

Well, what shareholders can take comfort in is the 50% minimum payout ratio that we put in place a number of years ago. Now, that's not to say it will always be 50%, it's to say, look, that's the chocks under the wheels. But as we've shown over the past decade is, in periods in which commodity prices are higher, we're generating excess cash flow. We don't shy away from pursuing opportunities to return more of that cash to shareholders by way of further dividends or buybacks. Now of course, under the capital allocation framework, all of that gets weighed up against the opportunity to invest in high-returning organic growth within BHP. And that's something that now is markedly different than it was say five years ago, where the cupboard was looking pretty bare. We now have attractive copper growth projects in Chile, South Australia, the U.S, Argentina, with more projects being developed. And we have this magnificent pipeline of potash growth as well. So it's a different set of choices that we have to make, at all times addressed by the 50% minimum payout ratio with opportunity for further returns and buybacks and so on in the event we're generating excess cash.

JASON FAIRCLOUGH, BANK OF AMERICA

Okay. Let's see if we can take a question from the floor. Anybody have any questions? Lindsay Taylor. Could somebody give him a microphone?

LINDSAY TAYLOR, DRUMMOND KNIGHT ASSET MANAGEMENT

Hi, yes, Lindsay Taylor, Drummond Knight Asset Management.

JASON FAIRCLOUGH, BANK OF AMERICA

Thanks for the question, Lindsay.

LINDSAY TAYLOR, DRUMMOND KNIGHT ASSET MANAGEMENT

Thanks, Jason. I guess my question is, BHP has actually done a really good job of developing a copper pipeline in the sort of 2030 plus kind of era. You've got Argentina, Escondida, South Australian Copper. What about in the medium term? BHP has been talking to us for a very long time about how the copper market is the future-facing commodity, the commodity that they want to be in. Isn't this the opportunity in a time of uncertainty to step in and buy some cash flow-producing copper assets to help fill the gap between now and 2035?

MIKE HENRY, BHP

Yeah, and thanks for the question. So first of all, I do just want to come back to how much we've grown EBITDA and copper production over recent years. Having said that, I recognize there's this period of flat, where the growth for us only really takes off in the 2030s. And yes, we've been positive on copper, we've also been super positive about needing to stay disciplined and only investing for value. And frankly, right now, the opportunities to create value for shareholders through acquisitions of current producing assets or assets that have near-term growth look pretty challenging, given where multiples are at currently. So if I weigh that up against the organic opportunities that we have, yes, slightly long-dated. But we're a long-term business, our focus is well and truly on bringing that pipeline through. And you see with what we've done with Escondida, we're constantly looking for opportunities to optimize within what we currently have to bring a bit of that forward, albeit I acknowledge it's not quite as strong a growth as we would all love to have, but which we certainly unlock when we get to the 2030s. And that's in copper, outside of that we've got potash, which we see near-term production growth starting from.

JASON FAIRCLOUGH, BANK OF AMERICA

Thanks for the question, Lindsay. Any other questions? Okay, I've got one last maybe slightly philosophical question for you. I remember former mining executive said to me once, "Jason, the market underestimates the capital that these assets need on an ongoing basis." And in a way that's kind of what we're going through with Escondida. What did we get wrong? What are we not understanding? What does the industry get wrong in terms of explaining this to people?

MIKE HENRY, BHP

Well, it's always hard to generalize, first of all, because you see some in your space who really understand things well. And totally get the declining nature of the resource, the need to invest more capital, how challenging some of these projects can be. But of course, the investment community is big, and not everybody will understand the mining sector, and the difference between different commodities. With copper, with its declining grade will require more kind of capex on an ongoing basis than the equivalent iron ore business might, for example.

Now, the market is catching up on that, that's why you see consensus prices rising. So I think as the awareness grows around the amount of capital that needs to be invested, the escalation in capex costs and so on, that then sees consensus outlooks for prices creeping up. From a BHP perspective, what we focus on is, well, where do our investment opportunities sit relative to the capex that's going to have to be deployed by others? So where do we sit on the inducement cost curve? And one of the numbers that we gave everybody at Escondida back in November, was this US \$23,000/t capital for the Escondida growth program, and that's a pretty attractive capital intensity. Now, we still haven't released numbers that for Copper South Australia, Vicuña is even a little bit further away and so on. But we're always thinking about this in terms of where do we sit relative to acquisition opportunities, but also relative to the organic investments that others are making.

JASON FAIRCLOUGH, BANK OF AMERICA

Okay. Folks, could you join with me please and thank you, Mike for his presentation.

MIKE HENRY, BHP

Thank you.