

BHP

Financial results for the year ended 30 June 2025

Investor and analyst briefing Q&A transcript – Session 2

19 August 2025

Mike Henry, Chief Executive Officer, BHP

Good evening, everyone. Thank you for joining. I am very pleased to announce the results that we have announced today. Operational performance is strong. Financial numbers are solid. Operationally, we achieved record production in both iron ore and copper. In fact, in copper, volume is up 28% over the past three years, and we hit the two million tonne per annum mark for the first time. In the face of an ongoing inflationary environment, we managed to reduce unit costs across the business by almost 5%, so there was a very strong performance there. All of that supported a strong underlying EBITDA margin of 53%, so continuing this track record of an average 50% runrate of margins. Return on capital employed (ROCE) is 21% with an attributable profit of \$10.2 billion.

Given the strength of that underlying operational performance, market outlook remains solid. Taking into account the strength of the balance sheet, we have elected to pay a 60 cents per share final-half dividend, taking the full-year dividend to 110 US cents per share and \$5.6 billion.

One of the other takeaways that I hope you see in the results presentation today is the strength of the growth pipeline and how we continue to mature and refine it. You see some of the sequencing decisions that we have made, in line with our commitment to continue to look at how we can go about sequencing capital to boost returns. Overall, we are showing copper equivalent growth in the order of 2.2% per annum between now and 2035 on an attributable basis; of course, that is even stronger in the 2030 to 2035 period at 2.6%.

Overall, this is a solid set of underlying results for the past year, and we are continuing to strengthen this wonderful pipeline of options that we now have across the business, particularly in copper and potash.

Questions and Answers

JASON FAIRCLOUGH, BANK OF AMERICA

Good evening, Mike. As always, thank you so much for making time for us here in London. We really appreciate it, and I know it has been a long day for you. I have two questions, please. The first one is just on Jansen and the overrun. On the call overnight, you said it is disappointing for you that you have had these overruns here. I was chatting a little bit through this with your IR team, and it seems like this has come from some kind of an effort to use a new approach on managing contractors, which I guess has not worked out. I was hoping you could give us a little bit more colour around that; it is something I am interested to understand.

MIKE HENRY, BHP

I am not quite sure how we have explained this. I know what the team is referring to, but it is not a new approach; it is the same approach that we adopted at South Flank. It is an integrated project team model working alongside the contractors, rather than an owner's model and EPCM, for example. That is actually not what has driven any of the cost delta here; the cost delta has been driven by, or is grounded in, the commercial model. A lot of the work is cost reimbursable.

One of the learnings that we have taken away from this is that we got caught on the wrong side of an escalation in Canada. If you look at inflation trends there, things were relatively benign even into the early part of Covid, and then, lo and behold, inflation across the country took off, and even more so in the construction market. We had cost-reimbursable contracts in place, and we did not have benefit of hindsight. I would have liked us to have had better capability in place for managing those cost-reimbursable contracts. Early on, as you have seen right across BHP with other projects in our operations, when we face cost headwinds, we are doing a reasonably good job of offsetting those through a pretty sharp focus on costs and productivity. That is what we were seeing early on in the project, but those pressures continued.

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They were then compounded more recently by some productivity challenges that we ran into in our surface works, which were taken later in the project execution schedule. Really, those factors combined – productivity challenges on the surface, and escalation and inflation higher than anticipated – have got us to the point where, in spite of the team's strong efforts to get costs back down again, we have come out and announced the increase to between \$7 billion and \$7.4 billion. It is disappointing. This is not the standard that we hold ourselves to. We pride ourselves in both operational excellence and project excellence. We still have a bit further to go.

One of the things that has allowed us to really tighten up performance period in, period out and turn in the solid set of numbers that we have has been the disciplined application of the BHP Operating System. Again, in Jansen, we had not made as much progress on that now as I wish we had. Another learning for us is, right from the -get-go – in fact, it is now being built into our investment approval process – is clarity around how the team is implementing the BHP Operating System from the start.

JASON FAIRCLOUGH, BANK OF AMERICA

Okay. Maybe just as a second question, Mike, and then a follow-up, this is a big greenfield project. You are now going into a period of quite high capex for quite a number of years. How are you thinking about the capacity and ability of the organisation to drive all these projects? Do you actually have the people that you need?

MIKE HENRY, BHP

The short answer is that we clearly need more good people. I mentioned the fact that, in the case of some of the disciplines and capabilities, you would want a place to manage that type of contract, but you could say the same thing about other types of contracts. It has been made very clear to us that there is not a big margin for error when it comes to managing these projects. Right from the get-go, we have to ensure that we have the right project leaders, project controls, people and procurement in place. The takeaway for us is that we need to become more disciplined about how we go about assuring all of that from the -get-go.

Why do I have confidence that we can get there? It is because we have been on an even more significant journey previously. If you think back to where our operational performance was five to eight years ago, and where we have taken it from and to, that has been a pretty significant shift. On projects, I would say that our starting base is stronger. If you look at our track record of executing major projects over the past five to 10 years, we have come in, on average, bang in line or maybe a little above our target costs, which is well ahead of the rest of industry. However, all it takes is one or two projects like we have seen here with Jansen to make it clear that there is even further to go. As you called out, we have a big programme of capital ahead of us. We are taking the lessons away from Jansen, and we are going to apply that right across the portfolio.

Now, we do have the benefit under our regionalised structure that not all of our projects are concentrated in one area. We have Copper South Australia in Australia, for example. That project is sitting with Edgar and supported by Geraldine's team. Our other projects are in South America and up in North America. That helps us smooth capacity across the group.

The other thing I would note is that we are looking at how we can go about creating deeper and more comprehensive relationships with some of our contractors. We have recently entered into an agreement with Fluor in and around the Western Australia Iron Ore (WAIO) port works that we have underway. It will handle a programme of work for us rather than just a single project. That will allow us to get better at how we go about ensuring that it sends us the top-tier capability that it has as well and that those people are in place working with our people in a way that allows us to surface issues more quickly and address them more quickly and comprehensively.

Vandita, was there anything you wanted to add on this one? I know you have been giving it very intense focus as well.

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VANDITA PANT, BHP

The only thing I would add there is that we do have a routine for technical review, as well as the different tollgate reviews for projects and execution. That is something that we are improving and tightening by making those resources quite dedicated so that that is their job. That will be helpful as we go into a heavier execution phase for our projects, Jason, as you said.

LIAM FITZPATRICK, DEUTSCHE BANK

Good evening, Mike. There are two questions from me. Firstly, on Vicuña, it looks like this is now your main and first copper growth project to move forward. We know that it is not consolidated and not included within your capex guidance, but from a funding perspective, do you expect to actually fund your share of the JV as opposed to putting debt within the JV? Therefore, will that be a call on your balance sheet in the years ahead?

Secondly, you are quoted today, hopefully accurately, as saying that you still have a lot to achieve at BHP before stepping down. Could you outline what some of your key goals are? Is it seeing through certain projects, or is it other things that we should be thinking about? Thank you.

MIKE HENRY, BHP

I will take the second one, Vandita, but can you answer Liam's first question around the funding approach for Vicuña?

VANDITA PANT, BHP

Yes. Sure. To be clear, it is not the first project in line for the copper portfolio. In fact, the next milestone for Vicuña is technical studies, which is for Q1 next calendar year. After that, it will be July 2026, by which time we have to submit the application for the RIGI bill, which is the comprehensive bill with fiscal benefits.

From a funding perspective, this year, we have talked about \$400 million, 100% basis funding only, of which 50% is ours. For projects, NOJVs are not in the capex line. They are equity accounted, but as always, as the project matures and comes closer to decision, we will announce that to the market. It is a joint venture, as you know, and it is too early to talk about funding details or the form of funding. In the pack today we have given a bit of a sequence in which that can get tackled where Josemaria, which is a bit more developed and could be the starter phase for Vicuña, but there is more to come over a period of time.

MIKE HENRY, BHP

Liam, on the second question, if you are referring to the conversation that I think you are referring to, what I said to the person asking the question is, 'We have achieved so much in recent years'. I am very pleased with the operational discipline that we have instilled in the company through the BHP Operating System and the fact that we have become safer and there is a portfolio of growth options that now sits ahead of us. But in some respects, it feels like we got the basics right and a lot of the fun stuff is yet to come by way of getting that growth really unlocked.

Even on the operational side of things, believe it or not, there is still so much further to go. The job is never done, but in addition to that, it really does feel like we are on the cusp of something pretty special here as we continue to progress and get it embedded in the DNA of our approach to the BHP Operating System. We were just speaking about Jansen and the opportunity that lies ahead as we reinforce the BHP Operating System through projects. You then look at the growth that we are unlocking in copper and potash; there is still more to come in WAIO, obviously, as we go to 305; and then there will be the productivity creep in coal. Think about where this company is going to be at the back end of this decade. Right now, we are in very strong shape and generating consistent high cash flows and margins. As that growth kicks in, in the right commodities, things are looking pretty positive for cash for shareholder value and returns.

MYLES ALLSOP, UBS

I have a couple of quick questions. First of all, on WAIO and the sixth-car dumper, should we assume that you will continue to operate the system at capacity in medium term and long term? I thought that the de-bottlenecking to 330 million tonnes was dependent on this sixth-car dumper, so when we look at the mid-2030s, should we assume that you will have crept up to that 330 level? That is the first question.

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Could you also maybe just give a quick update on the Samarco litigation in the UK? It looks like the lawyers are in disarray at the moment. Could you just give us a sense as to what the potential incremental liability could be, and where we are in terms of that case and reaching a conclusion?

MIKE HENRY, BHP

Vandita, I will have a go with the car dumper 6, and maybe you can speak to Samarco litigation and liabilities provision and so on. Miles, on car dumper 6, we went back and forth on this internally. There was a real internal discussion and debate about whether we triggered the car dumper investment – the headline of which has very high returns and short payback associated with it – or whether we should just take the operational hit that comes as we move through this programme of major car dumper refurbishments and cell replacements and so on that kicks in in 2029. Where we landed was that there is a strong enough case there to ensure that we can continue to produce at the, by then, 305 million tonne per annum level and ensure that we are able to supply reliably to customers and so on, even as we take on those other major car dumper outages.

There is a question beyond that, of course, as to whether we sit there with six car dumpers, or once we are through that programme, whether we take one of the older car dumpers and demobilise it or mothball it until the next series of major car dumper refurbishments. Car dumper 6 does give us greater optionality, of course, if we did then elect to pull the trigger on moving to 330, but we do not currently have the other capital allocated that we would need to get from 305 to 330 million tonnes per annum, which would require more by way of mine capacity and some further works in the ports.

We will continue to monitor the market outlook. The key point is that, now that we have completed the studies, we have even more growth optionality in that business. For now, let us focus on getting to 305. That is very low capital intensity and very high returning. 305 to 330 is still very attractive capital intensity relative to some of the other projects that you see being built around the world, but the decision is yet to be taken. Vandita, can you speak to Samarco?

VANDITA PANT, BHP

Sure. We are continuing to defend the Samarco UK case. We think that the claim duplicates the matters already being covered by the agreement in Brazil. We do believe that the right avenue and the processes for any legitimate claimants are in Brazil. Not only are the processes there, but they are also the most efficient and fastest way to get compensation.

The provision that you see in our financials of \$5.8 billion relates to the settlement in Brazil. The UK case, for which the first phase of the trial has just ended, is actually to establish liability. The establishment of liability has not happened; the quantum, etc, will then get done. That means that there is no provision for that. It is counted as one of our contingent liabilities.

MYLES ALLSOP, UBS

If all the UK claimants moved to the Brazilian case, what would the incremental provision for the Brazilian case be? Would it be \$1 billion, \$2 billion or \$3 billion? How could we get a sense of that?

VANDITA PANT, BHP

We cannot talk about that kind of way of looking at it, but the compensation process in Brazil, which is called PID, is open, and 150,000 people have already been paid. In fact, 60% of those are the ones who were in the UK case as well. As soon as they get compensated under one process, they go away from another process, including the one in the UK.

MIKE HENRY, BHP

Just to be clear, our provision already assumed that there would be a portion of claimants in the UK who would sign up under the Brazilian settlement; not all, but a large number would. That is already included in the provision.

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MATT GREENE, GOLDMAN SACHS

Good evening, Mike and Vandita. I hope you are well. I have two questions. The first one is on Jansen phase 2. Sentiment has shifted from your initial enthusiasm. You also got to a level of uncertainty. Mike, you have flagged some of the industry challenges, which you are clearly not immune to. Can you please just clarify what the key measurable factors that BHP needs to see, whether in terms of technical progress or derisking on the asset or broader market conditions, before you would consider restarting the development in the coming years?

MIKE HENRY, BHP

Maybe we should have been clearer in the way that we have explained JS2. We are not fully demobilising the project and then remobilising. There is a lot of work that is going to continue, with a real focus on the underground development works and infrastructure works. What we are doing is slowing up execution on the surface. With the overall execution timeline that is being pushed out by two years, it is not a full stop and then restart. What I am trying to say there is that this project is proceeding. It is simply a matter of when we will bring first production to market.

The first focus in this was that, as we have always said, we will constantly look for opportunities to sequence and re-sequence our capital projects to optimise returns. In addition to that, of course, this will bring tonnes to the market at a point in time when the market is more likely to need those tonnes. Finally, this affords us time to take all of the learnings out of Jansen Stage 1 and apply them to Jansen Stage 2. As I explained earlier in response to Jason's question, one of the questions that we have run into with Jansen Stage 1 is productivity in our surface works. By delaying or extending out the execution timeline on the surface works for Jansen Stage 2, we can take those learnings and pull them across.

MATT GREENE, GOLDMAN SACHS

Thanks. My second one is on coal. Just looking at your copper-equivalent growth profile, it seems that steelmaking coal is expected to decline. Can you just clarify whether this is primarily driven by planned mine closures, or is it more related to some of your prior comments on coal quality and perhaps looking to shift from some of your open-cut to underground operations? Could you just help me understand some of the moving parts in the Queensland coal business over the next five to 10 years?

MIKE HENRY, BHP

We would have to look at the exact numbers that you are referring to, Matt, but Queensland coal production is expected to increase quite significantly in the coming years, driven through productivity, not through growth in investment. I suspect that what you may be looking at is prior coal numbers versus coal forward, but, of course, in the intervening period, we have divested Blackwater and Daunia. As we expand production through productivity at BMA, we will see a lowering of unit costs as well. If we think about the outlook here, we are expecting better coal prices as the market rebalances and as we see premium pricing for this premium-quality steelmaking coal. At the same time, we will see volumes increasing and unit costs coming down. All of that should combine to give us a better return on capital employed than we saw in the past year. Vandita, did you want to add anything?

VANDITA PANT, BHP

You are exactly right. For 2026, the guidance on coal production is 36-40 million tonnes. The medium-term guidance goes up to 43-45 million tonnes. The medium-term unit cost guidance is lower than \$110 per tonne.

EPHREM RAVI, CITIGROUP

Just following up on the coal point, if I interpret you correctly, you plan to increase by about 5 million tonnes of inventory. I infer that you plan to produce more than you sell over the next two years, so about 10-12 million tonnes. Can you talk through what the rationale is for that 12 million tonne build? Is it just better logistics or is it something to do with the market?

Secondly, in terms of your revised net debt range in general, you talked earlier about guardrails at around \$15 billion. Going forward, a lot of your increase in net debt would be off balance sheet, effectively, with Vicuña being the main driver of that. Would you also be looking at some kind of attributable net debt guidance range or a guardrail, just to make sure that that also does not go out of whack as Vicuña ramps up?

MIKE HENRY, BHP

Vandita, I will pass the question on balance sheet and funding to you. If I start on coal. First of all, the ramp-up in coal production is through productivity. It is not through growth investment. You referred to both the increase in inventories and the increase in production; in fact, the two are linked. What has happened in past periods is that, because of weather disruptions, geotechnical issues and so on and so forth – and by ‘past periods’, I mean not this past financial year but prior financial years – we ended up in a situation where we had run down inventories, pre-plant inventories and so on. What then happens is, when you have small disruptions to the business, which can be due to geotechnical issues in the pit or in the Broadmeadow underground or through higher than anticipated rainfall, those things very quickly have a direct impact on production, so you lose business resilience. Geraldine and the team have embarked upon a programme over the past couple of years of rebuilding inventories through the supply chain there, which then means that, when you encounter some of the disruptions, you can maintain coal through the wash plant and continue getting coal to the market.

We have made progress on rebuilding those inventories. There is a bit further to go. That, coupled with us driving better productivity in our operations – for example, truck shovel productivity – and getting more stable operations in Broadmeadow, is expected to underpin the increase in production. We expect that to be coming into a market that will increasingly value premium steelmaking coal as steelmakers seek to reduce their emissions intensity in blast furnace production. Better markets, better productivity and more stable production should all come together to boost returns in that business.

VANDITA PANT, BHP

Just to clarify, because it is an equity accounted venture, if we were to put funding into the company, profit will come through the same balance sheet. Net debt will support the equity investment, like we would support any investment that happens. If the project, on a standalone basis, takes its own debt, that does not get reflected on the balance sheet. It is a matter of how the funding is done. This is not a way of trying to hide capex spent. If it is an equity-accounted way in which the project is funded, it will come through our balance sheet, and you will be able to see it very clearly. You should see that as our capacity overall on the balance sheet, through which Vicuña will get funded, unless there is a project finance view, which is one of the options, but I would not make that a central thesis.

RICHARD HATCH, BERENBERG

Good evening, Mike and Vandita. I have two questions. The first one is on the dividend. Your dividend is getting to the point where it is getting higher than your free cash flow. You then also have the non-controlling interest cash outflow. Is there a point where you feel that you might need to think about revising your dividend lower? You seem to be going through a period where you are going to be spending more money on a capex basis than you can generate from your operations.

MIKE HENRY, BHP

Vandita, I know that you will be chomping at the bit to say something on this, but I will just make a few comments first. The 50% minimum payout ratio is something that we take very seriously, so there is no consideration of reducing that. Your question was premised upon the first statement that you made around us paying more than free cash flow, which, technically, over the past year, is correct. However, the way that we looked at this is that we spent \$2.1 billion on the Filo acquisition. Therefore, we see ourselves as funding that through the balance sheet. If you exclude that, we had sufficient free cash flow to fully cover the declared dividend for the year.

On a go forward basis, we have volumes increasing in WAIO and in BMA, and better and very reliable cost performance coming through the business. As we move towards the end of the decade, we have growth kicking in from both Jansen and the Copper projects, and so the medium-to-long-term outlook for the business is very strong free-cash flow generation. We are quite comfortable with and confident in the 50% minimum payout ratio.

BHP

VANDITA PANT, BHP

I completely agree with that, Mike, and with that intensity as well. 50% is not something that we look at as negotiable at all. Secondly, as you know, in terms of the quality of our balance sheet, we always think of what will happen in a downturn. Even over the last three years since we last set up our net debt, due to inflation in the industry, the marginal cost bench for most of our commodities has moved up quite significantly. Hence, in a downturn, the margin for a low-cost producer such as us that we accrue now is very different than even three or four years back. The resilience is much higher, even in a downturn, so we are very comfortable with 50% as a minimum dividend and then taking a decision every six months on how to allocate excess cash for value.

RICHARD HATCH, BERENBERG

Thanks. The second one is on the capex reduction. Capex will be down by \$1 billion into the medium term. Just to clarify, how much of that is Jansen phase 2 being pushed out, and how much is the diesel displacement capex being pushed out? I read in the report this morning that that has been nudged out. I am just wondering whether this non-recurring, sustaining capex that you squeeze lower into the medium-term squeezes higher in the longer-term – for example, fleet replacements, which can generally be quite lumpy. I am just interested to hear how you are getting that capex \$1 billion lower and what it could squeeze up to.

VANDITA PANT, BHP

You will see that we have given a lot more detail this time around the capex profile, exactly for that reason. In terms of the reduction of \$1 billion a year, think of it as being a couple of billion dollars off decarb that is pushed out because of the delay in decarbonisation technology for diesel displacement. Iron ore car dumper capex comes in, which is about \$1 billion. The Jansen 1 increase and Jansen 2 has almost no impact on these numbers, because of the delay in Jansen 2. Then we have a couple of billion dollars in copper that get pushed out, a significant proportion of which is the Laguna Seca Expansion delay that is happening, without any impact on copper growth and its trajectory. Overall, there is \$2 billion of decarb out, about \$2 billion of copper delays, of which \$1.2-1.3 billion is Laguna Seca, without any impact on growth. The car dumper comes in at, let us say, \$1 billion, and there is \$1 billion out in the wash. You are absolutely right that we have lumpy, non-recurring sustaining capital, such as fleet replacement in WAIO and Escondida, which is quite high in the next two years and then tapers off. That becomes a run rate of around \$2 billion going forward. We are going to give this to you going forward. For FY26, it is \$2.7 billion and then comes down to around the \$2 billion mark as an average after the lumpiness over the next two years goes away.

ROALD ROSS, CLARKSONS SECURITIES

Thank you, Mike. Congrats on another strong year. I just wanted to double-click on the net debt range. Could you give some colour on why the timing for high leverage is correct, and also whether there were any specific drivers in the underlying portfolio that support high leverage? Are there any highlights for internal discussions?

MIKE HENRY, BHP

Vandita, maybe you can respond to this one. I may add some colour as well.

VANDITA PANT, BHP

A net debt review is something that we have done a few times over the last eight or nine years. The last one was done three years back. We look at it regularly. Since that time, the fundamentals, what I would call the strength of the business and portfolio, as well as its resilience, has increased significantly. Iron ore has, of course, had another three years of us being the lowest-cost producer in the world. Our copper portfolio has really started to pull through in terms of financials, with 45% of EBITDA now being copper. Three years back, it was just 20%.

Our growth projects are looking more mature and have been reconfirmed as being very attractive. Since then, we have also regraded our portfolio to a higher-quality portfolio. Steelmaking coal and Copper SA have three years of very stable, reliable production of more than 300kt. The reliability of our performance, along with marginal costs being very high for a downturn in our commodities, means that resilience has increased. That has led to higher debt servicing capacity, which has led us to an increase.

BHP

In terms of timing, it is not driven by that, but we have very exciting value-adding growth in front of us, and we are happy to put our balance sheet to work for that, within the confines of doing it very deliberately and with discipline, our capital allocation and, as you have seen, making some real choices around the sequencing and staging of projects for value and faster free cash flow.

MIKE HENRY, BHP

Thank you, Vandita. I do not have anything to add to that.

JASON FAIRCLOUGH, BANK OF AMERICA

I have a quick one on coal. How are you thinking about the materiality of this business? \$500 million in EBITDA is about 2% of group total. Does this business attract capital? If it does, would you consider having a look at the Anglo coking coal assets, which it looks like are available again today, given that Peabody has just declared a MAC?

MIKE HENRY, BHP

The short answer is that we will not invest any growth capital in Queensland, both for cost and risk. I continue to say it, and we have been consistent on this since it happened. The change in royalties that occur in Queensland means that it is no longer investible from a BHP perspective. Last year, the effective tax rate in Queensland was slightly over 67%. There is no way that the economics work for investing growth capital.

Is the business, absent growth capital, material enough for us? Subject to all of the things that I mentioned earlier by way of production up, costs down and a better price environment, yes it becomes more material for us in that case, but it has become a less material business for us in terms of royalties and no further growth capital than it otherwise would have been, for sure.

Thank you very much, everybody, for joining us. I hope you can see that the underlying business is performing very reliably, with a solid cost performance, in the face of challenges. We see that through the outcomes of some others. There has been a good production performance. We are really seeing the impact of the BHP Operating System and its consistent application across our operations year in and year out. It is allowing us to improve both safety and productivity.

There is an exciting pipeline of growth options ahead of us. We made some changes today that will allow us to better put our balance sheet to work, as Vandita was saying. It is a pretty exciting outlook for the company in terms of operational performance, the solid financial numbers that we are delivering, and the growth that we are unlocking in the years ahead. Thanks again for joining, and I look forward to speaking with you in the weeks ahead.