

# BHP Billiton

Industry Trends - Consolidation & Diversification

Chip Goodyear - Executive Director and  
Chief Development Officer

Morgan Stanley Basic Materials Conference

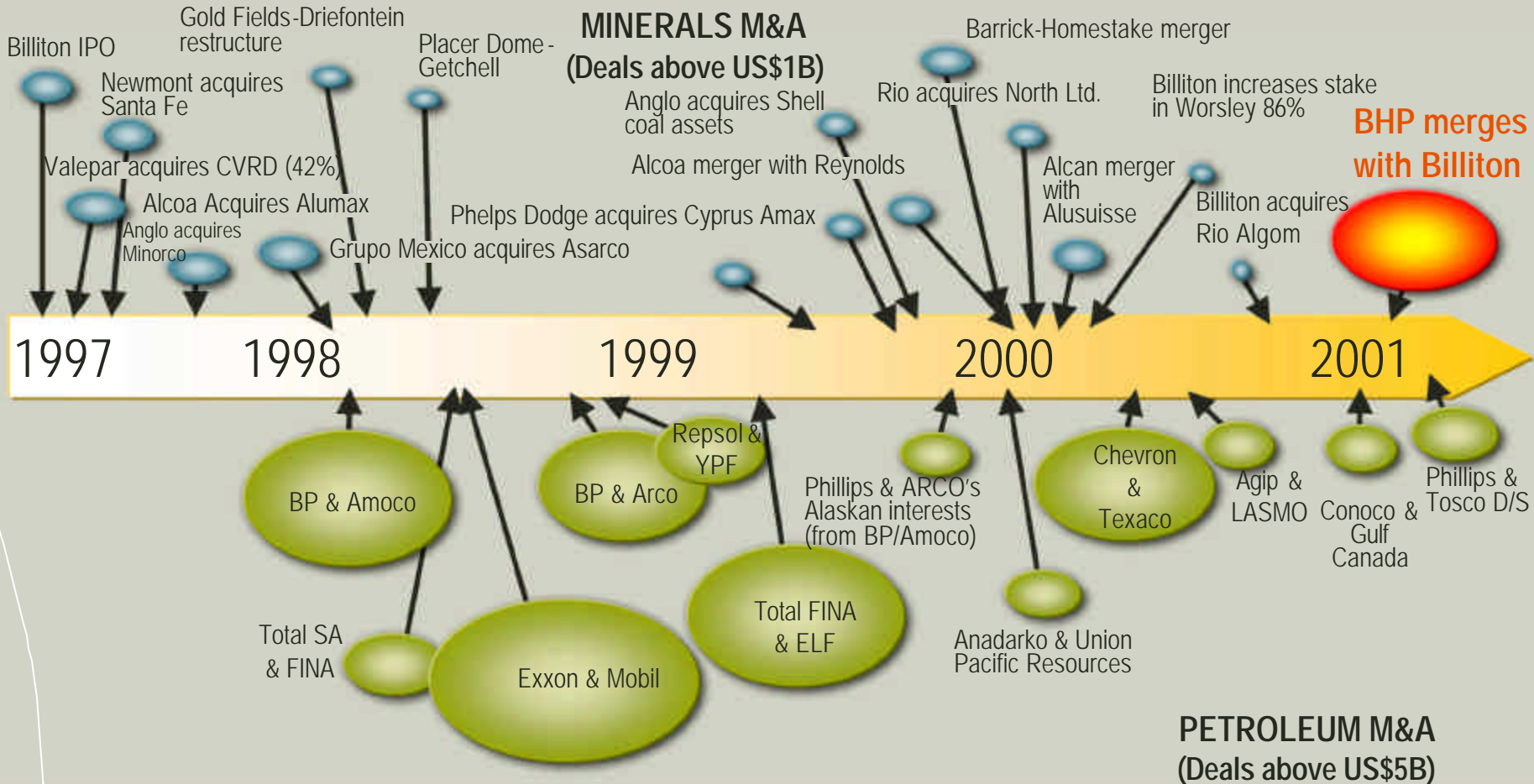
London

September 2002



**bhpbilliton**

# Industry Consolidation



M&A Deals in 1997-2001:

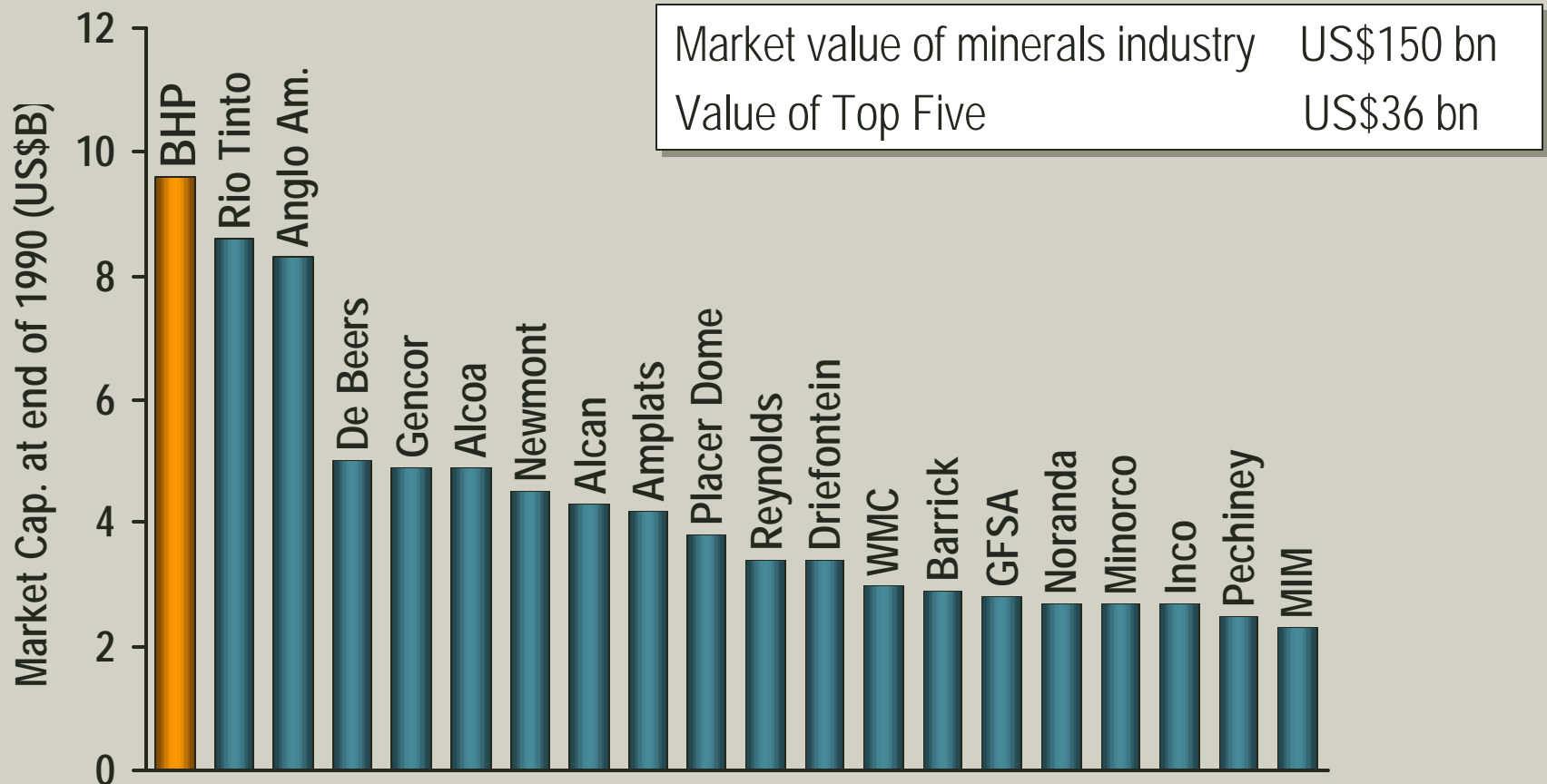
Oil & Gas ~US\$600 billion  
 Mining and Metals ~US\$100 billion

Source: John S Herold M&A Database (Petroleum), Goldman Sachs (Minerals), RMG Database, Bloomberg



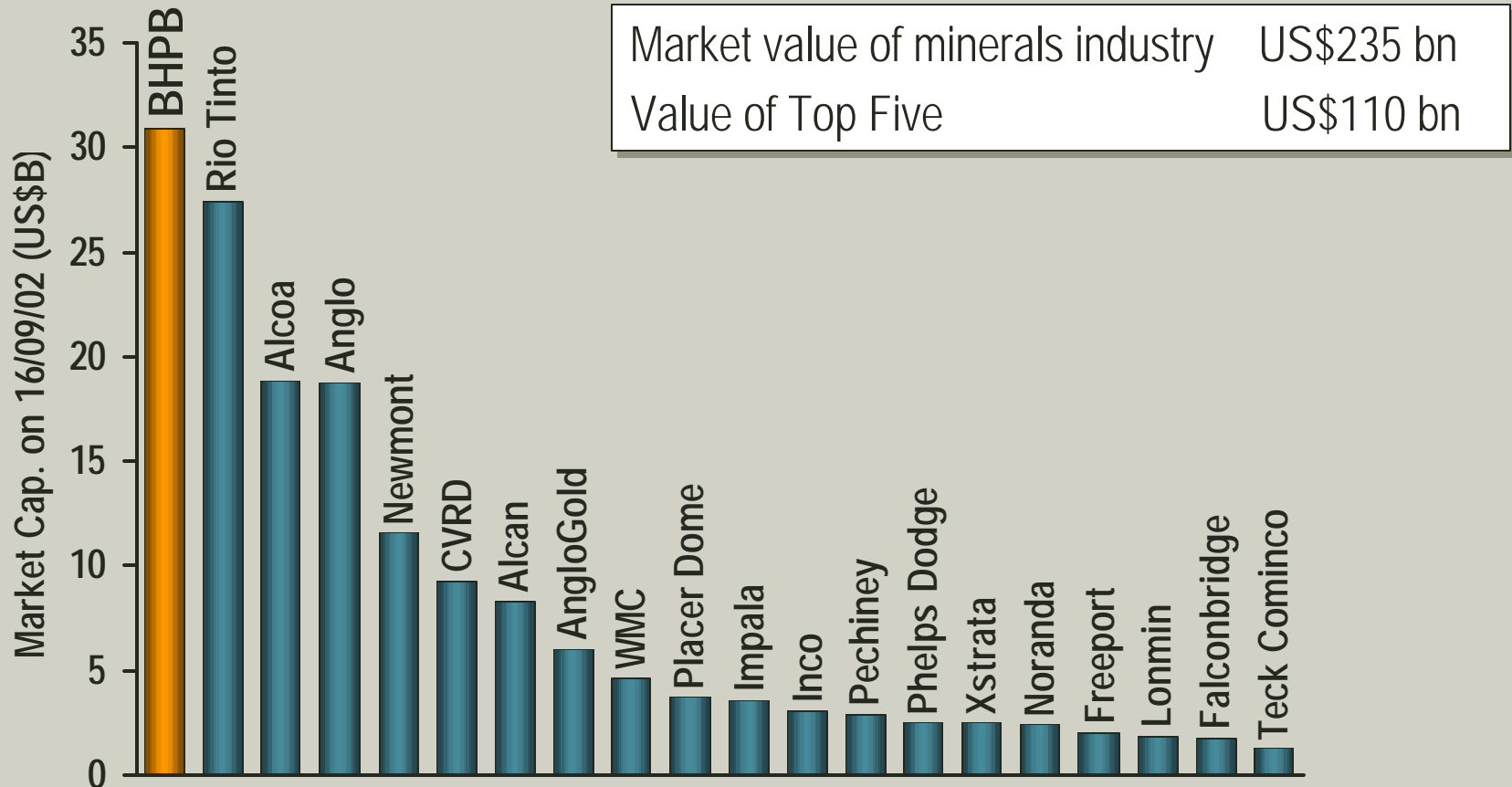
# 1990 – Industry Structure

In 1990 the top five companies accounted for less than 25% of total resource equity market value



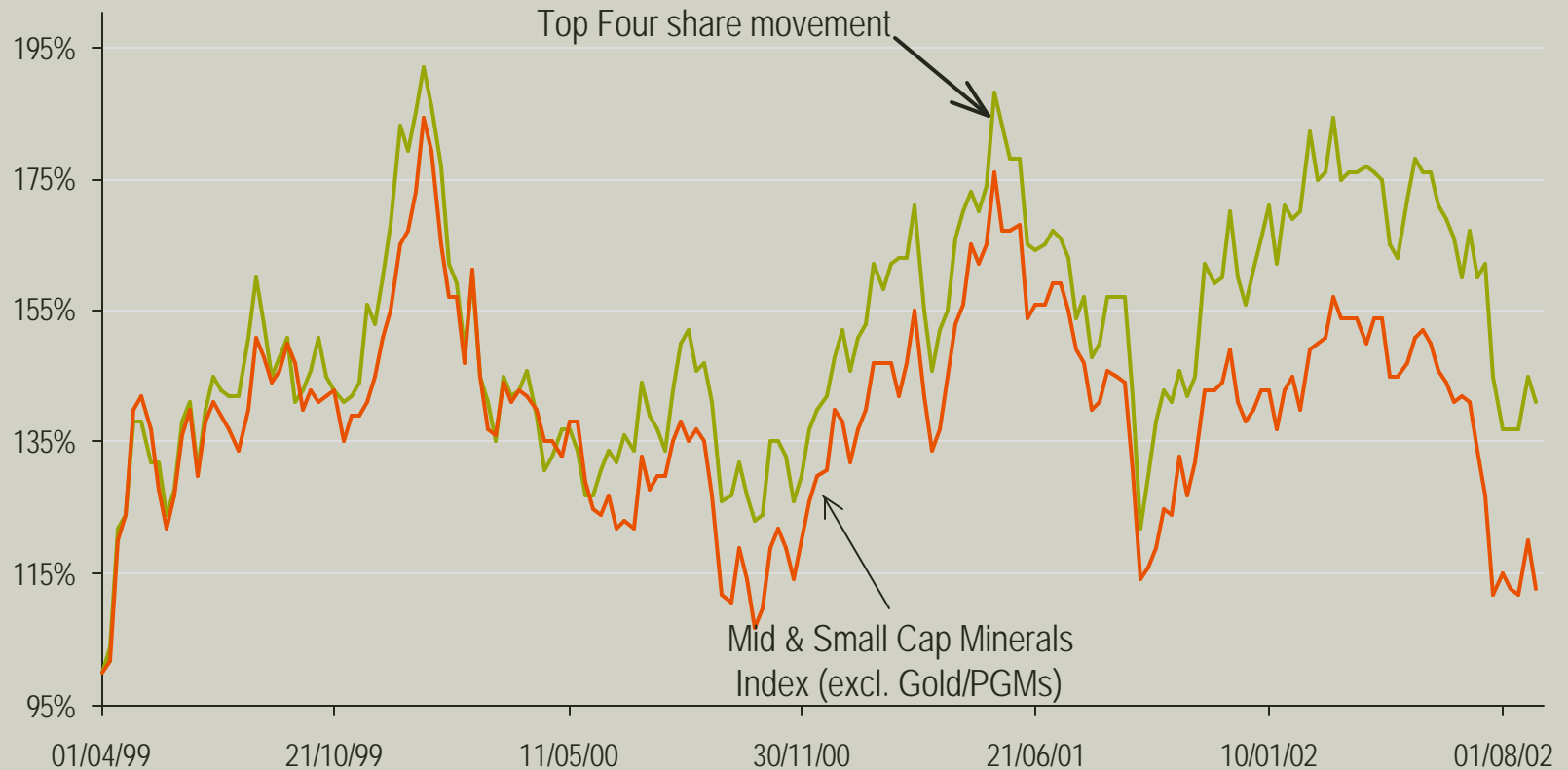
# 2002 - Industry Structure

Top five companies account for around 50% of resource equity market value – double their share of 10 years ago



# Mining Industry Return Analysis

## Consolidation driving better share growth return for Top Four



Source: Datastream

# A Global Footprint

**Stainless Steel**



**Aluminium**



**Carbon Steel**



**Petroleum**



**Energy Coal**



**Base Metals**



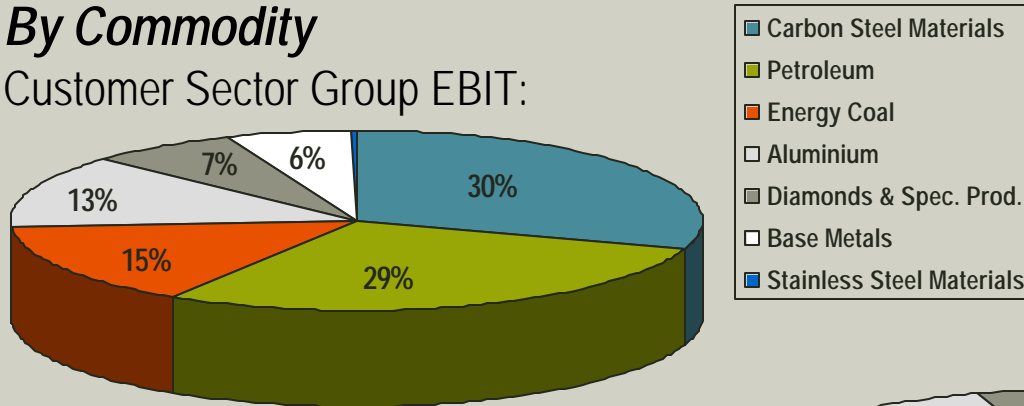
**Diamonds**



# Outstanding Diversification

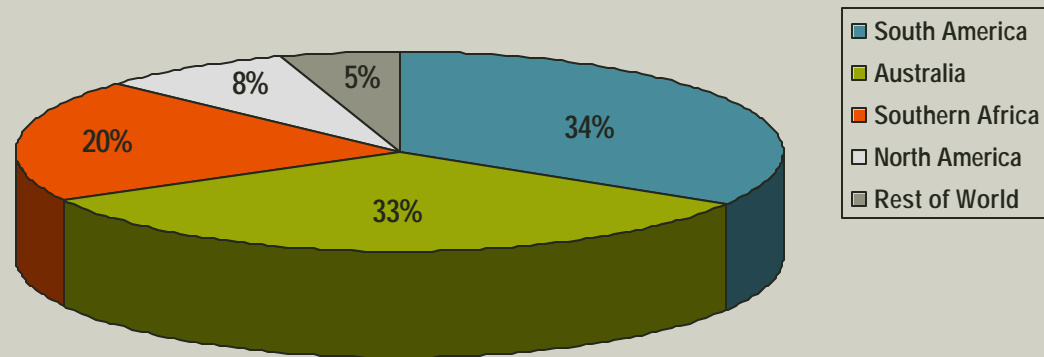
## By Commodity

Customer Sector Group EBIT:



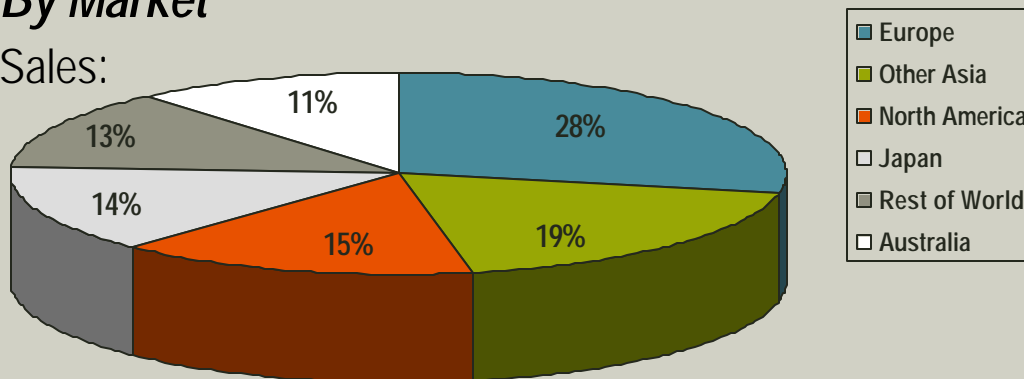
## By Geography

Net Operating Assets:



## By Market

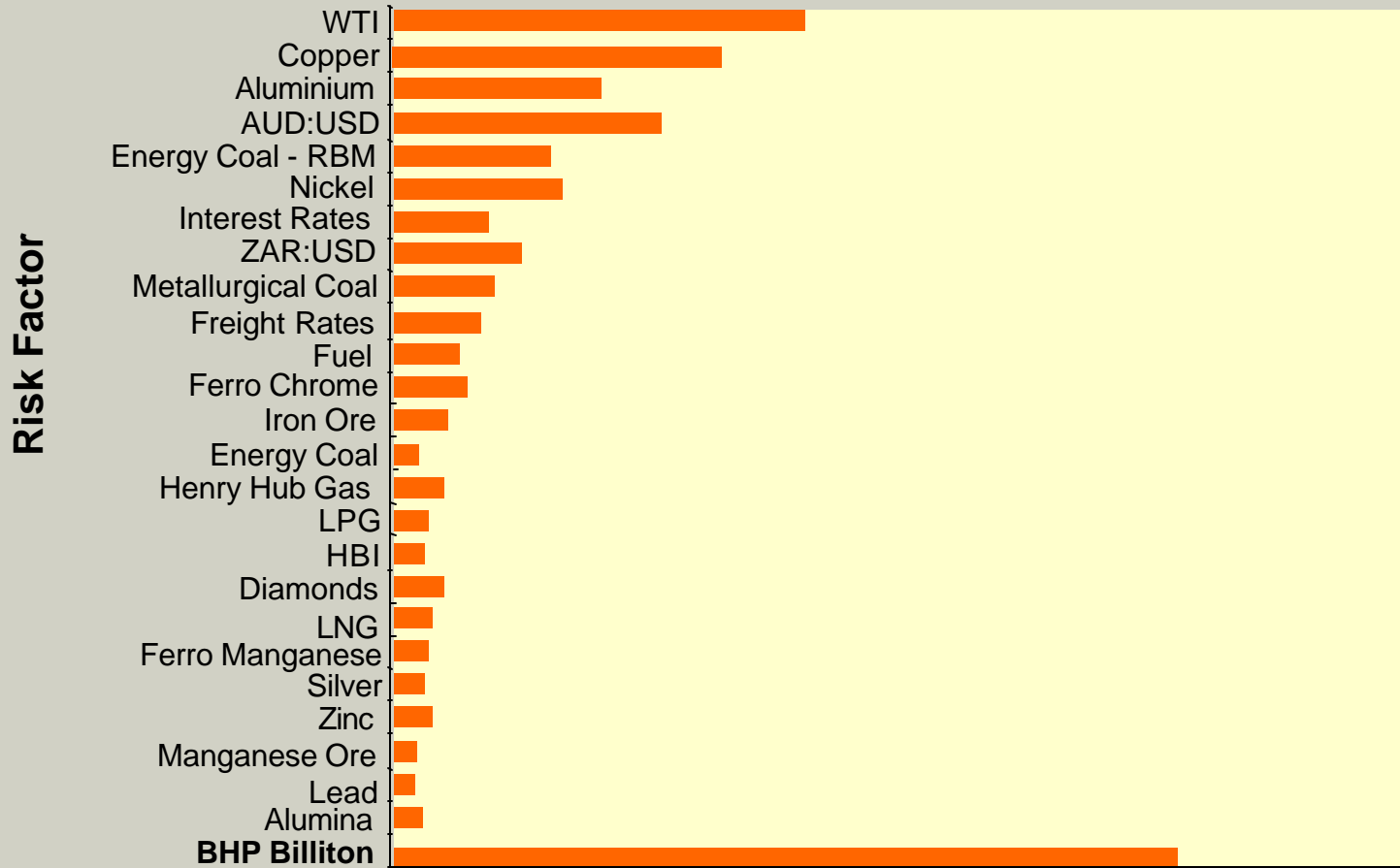
Sales:



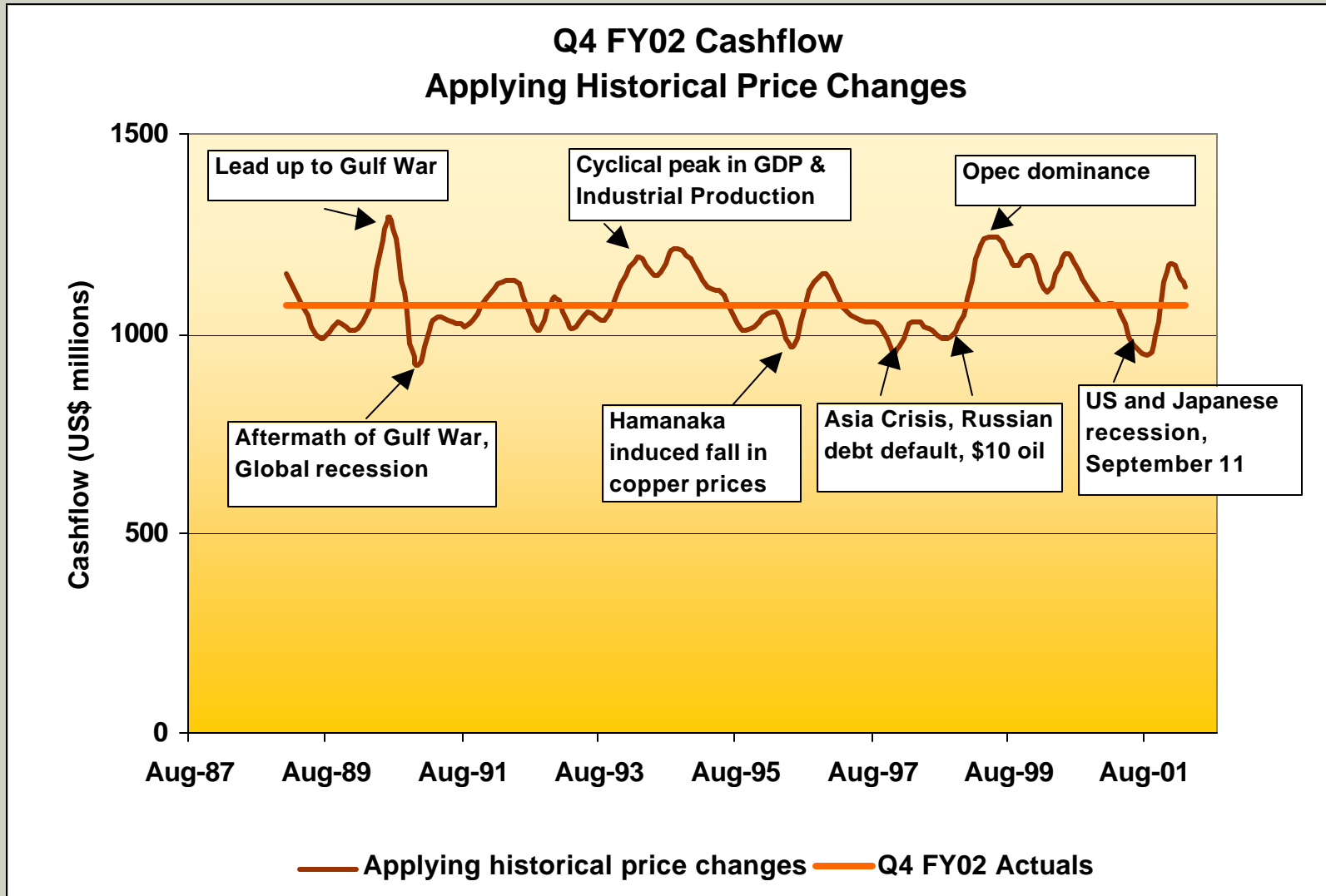
Data for FY2002 (continuing operations)

# Diversified Portfolio Reduces Overall Cash Flow at Risk

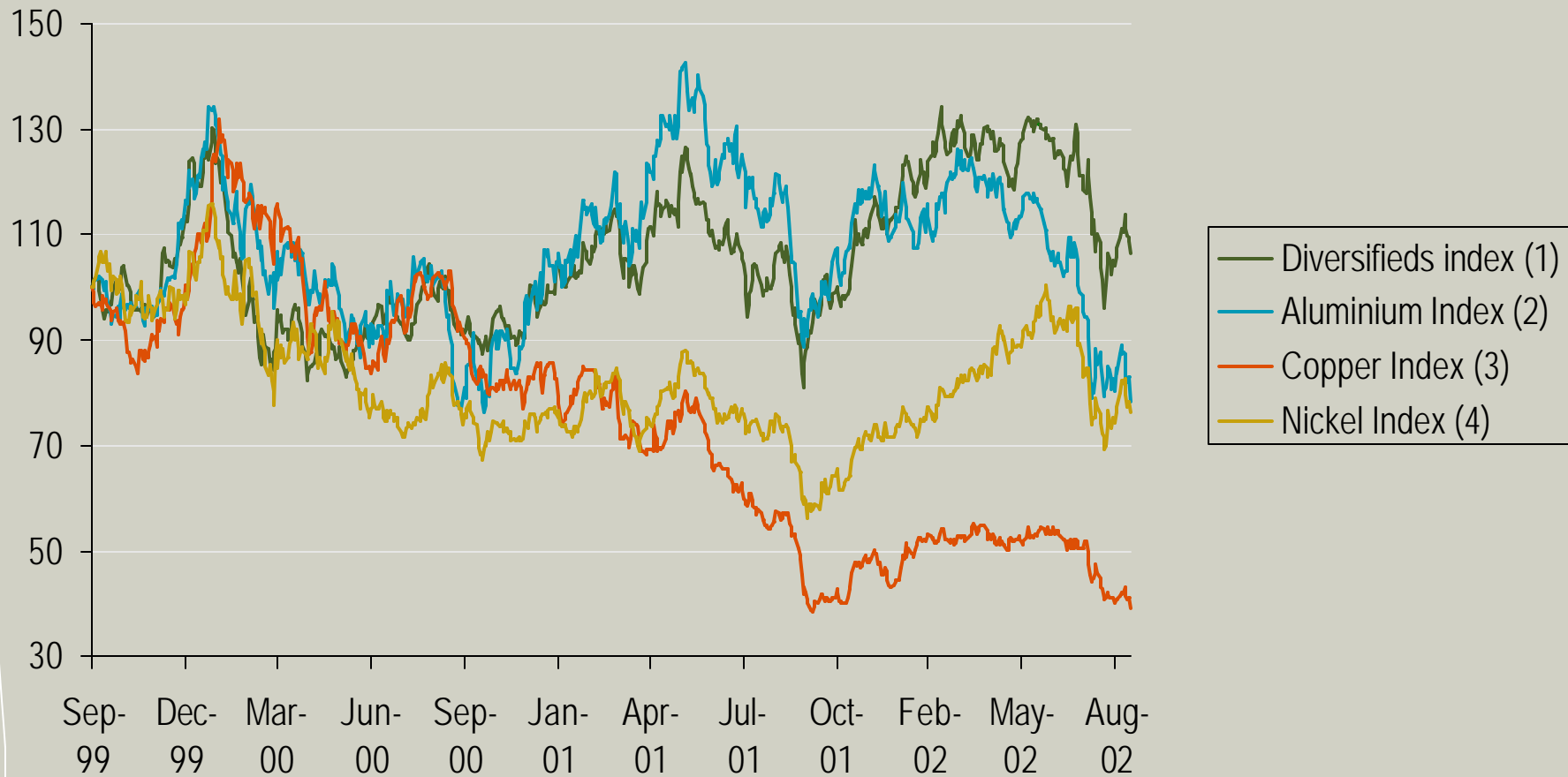
## Undiversified Cash Flow at Risk



# Diversified Portfolio Reduces Overall Cash Flow at Risk

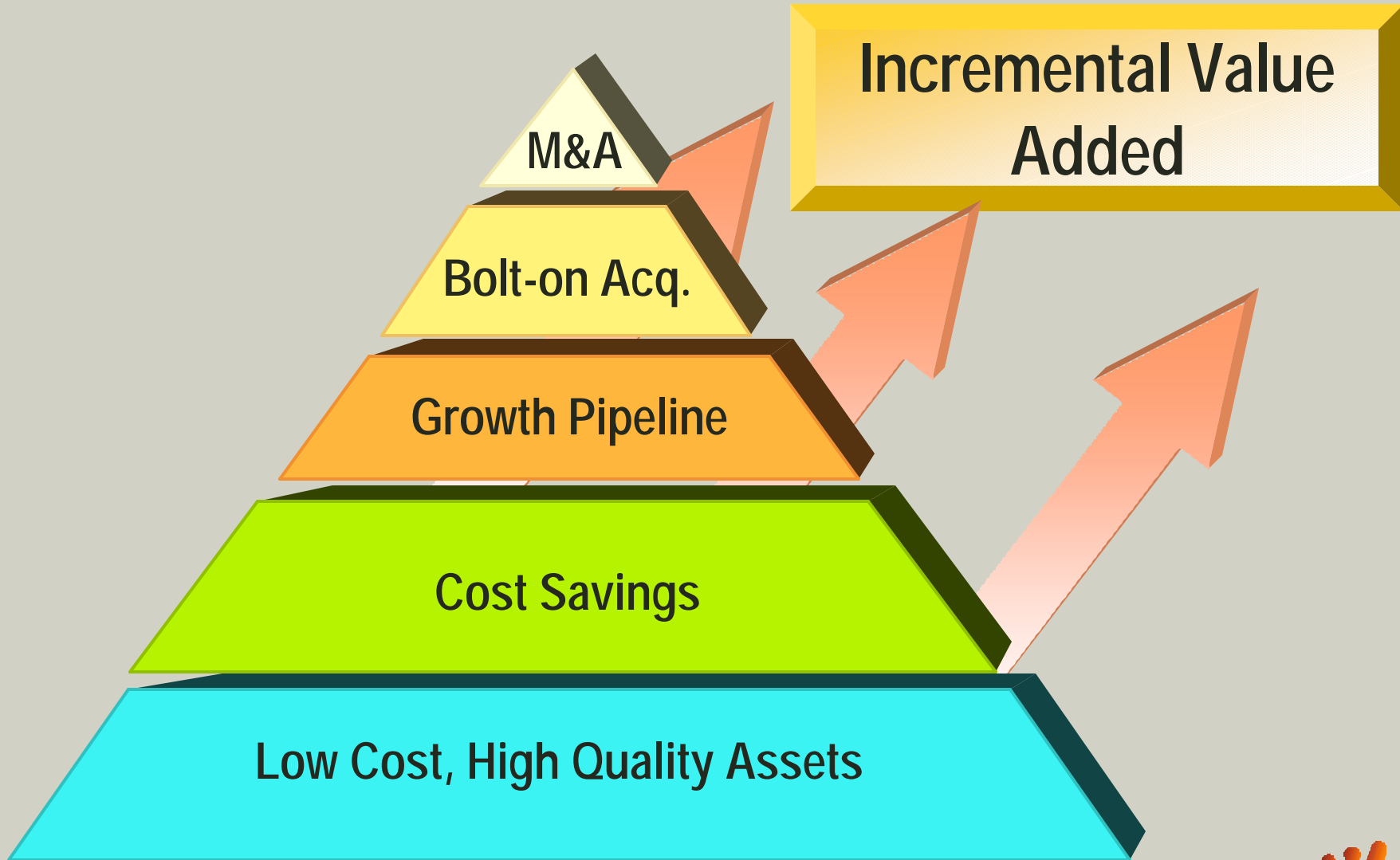


# Diversified Stocks Perform Better



Indices comprise: (1) BHP Billiton, Rio Tinto and Anglo American; (2) Alcoa, Alcan and Pechiney; (3) Phelps Dodge, Grupo Mexico, and KGHM; (4) Inco, Falconbridge and Eramet. All indices adjusted for market cap weights  
Source: Bloomberg

# Pyramid Of Opportunity



## *"Secular v Cyclical"*

"Mining has been amongst the best industries in terms of earnings reliability... Market EPS growth has averaged 6% pa over the last 10 years. We expect that BHP Billiton can deliver above market long run EPS growth on flat commodity prices... Oddly, in our opinion, the diversified miners trade at a PER discount to the UK market."

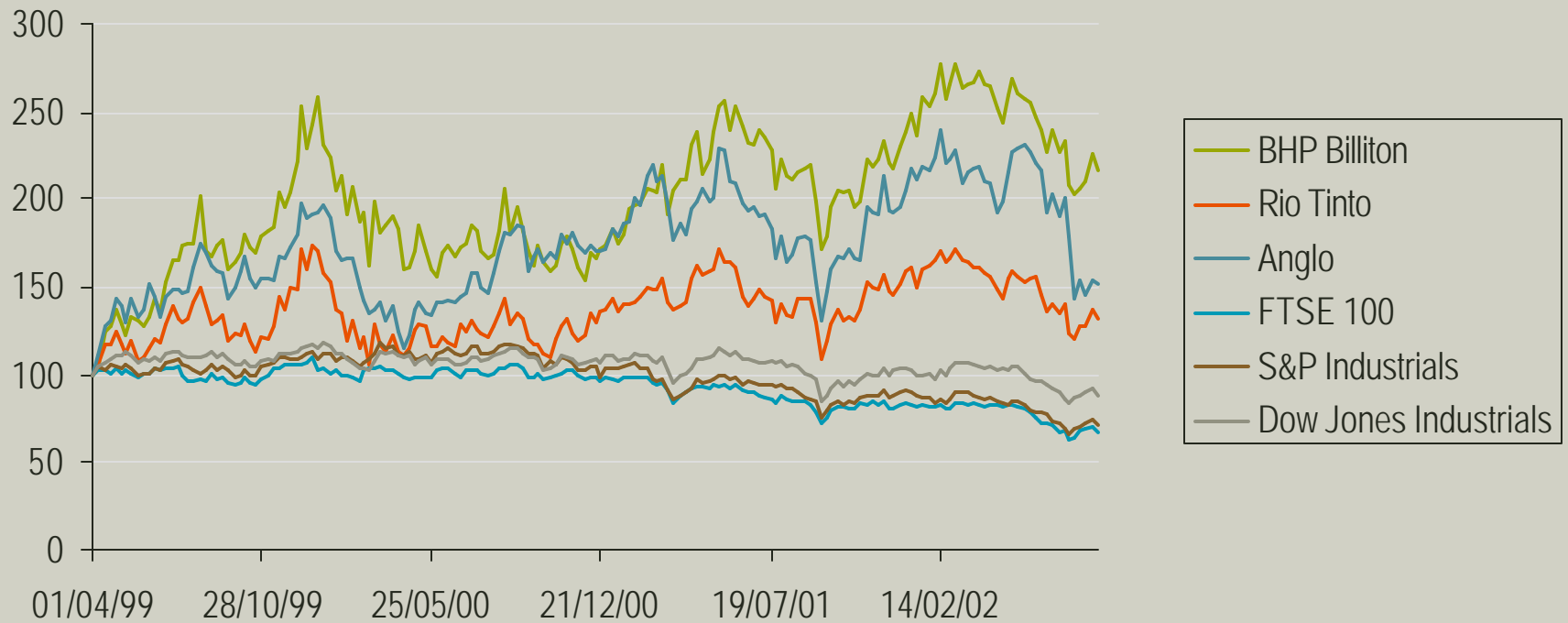
Morgan Stanley - 27 May 2002

"The much anticipated commodity price recovery continues to be delayed... We believe that companies with diverse earnings will be relatively better placed."

Morgan Stanley - 25 July 2002

# The Case For Re-rating?

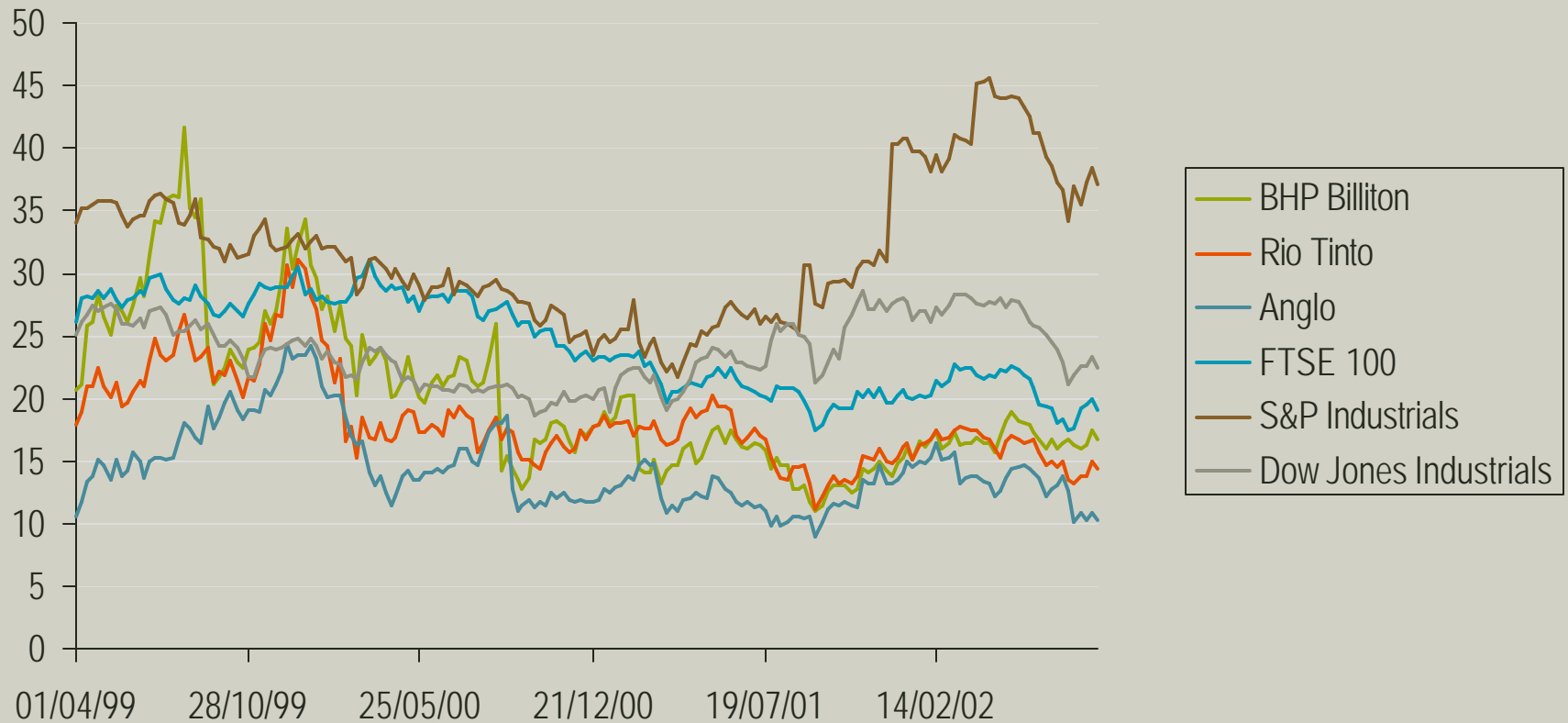
## Total Shareholder Returns – 1999-2002



Source: Datastream

# Shareholder Returns Not Reflected In The Market Rating

## Price-Earnings Ratios – 1999-2002



Source: Datastream



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