FINANCIAL REVIEW

SE Companies and Markets

HD **Nasser comes under pressure to launch fresh BHP buyback**

BY Michael Hobbs
WC 606 words
PD 13 January 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 13
LA English

LP

Hedge funds chatter that chairman will act sooner than expected.

BHP Billiton chairman Jac Nasser is under pressure to revisit its capital management initiatives as investors demand greater returns following asset sales and cost cuts.

TD

As he approaches his fourth anniversary as chairman, Mr Nasser is facing calls to repay long-standing investors, restore the **company**'s standing and secure his legacy.

BHP successfully completed a $6 **billion** off-market buyback of Australian listed shares in 2011 and the market has begun to speculate that the **company** will launch another buyback quicker than anticipated.

It certainly has had hedge funds talking in the past few weeks, a group of investors that typically **lead** the market.

Further asset sales of non-core petroleum, aluminium, nickel and manganese assets could accelerate this process. The key metric, analysts say, appears to be getting BHP's net debt down from about $US29 **billion** ($32.2 **billion**) to $US25 **billion**.

A buyback is broadly expected by the market in early 2015 but it could occur by its full-year result in August this year if commodity prices hold up and it is able to divest some other assets.

BHP shareholder Pengana Capital said launching a buyback would underpin confidence in the stock.

"It really is indicative that they have their house in order that they are able to do it and they are confident enough in their plans for the future," said Pengana Capital Global Resources Fund senior fund manager Tim Schroeders.Stifled by market

But BHP's efforts to sell assets and launch a buyback soon could be stifled by the market.

"There are a lot of companies selling assets and restructuring and finding value for these assets is proving difficult," he said.

The global resources **company** promoted Mr Nasser's successful 33-year career at Ford Motor **Company**, where he was chief executive and president, when it was announced he would succeed then chairman and business sage Don Argus in early 2010.

It was always going to be a tough act to follow.

Mr Argus presided over the creation of BHP Billiton with the merger of BHP and Billiton in 2001 and the **acquisition** of Western **Mining** Corporation in 2005.

These transformational deals, underpinned by a **mining** investment boom and sky-rocketing **iron ore** prices during the 2000s, catapulted BHP to become the largest **company** in Australia.

Shares in BHP, and then BHP Billiton, rose from about $5 a share in 1999 to about $43 a share in 2010.

Mr Argus did suffer some setbacks. The failed bid for Rio Tinto in 2008 and Potash Corporation in 2010 are two examples where the **company** mistimed and overreached.

At the same time as Mr Nasser became chairman, volatile commodity prices, uncertain growth in **China** and other key markets following the global financial crisis meant the **mining** investment boom slowed.Enhancing returns

Shareholders demanded a focus on cutting costs, slashing debt and enhanced returns.

BHP shares have fallen to as low as $30.18 in July 2012 from a high of $49.55 a share in April 2011 during Mr Nasser's tenure.

The **company**'s shares, on a price only basis, are down about 13 per cent since he took on the chairmanship.

A changing of the guard at chief executive level in May last year, with Andrew Mackenzie succeeding Marius Kloppers, has clarified the **company**'s focus.

Mr Mackenzie's "four pillar" strategy, underpinned with major productivity improvements and the **sale** of non-core assets, is part of the group's plan to improve returns.

CO	bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC
IN	i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying
NS	c182 : Asset Transactions | cshbuy : Share Buybacks | ccat : Corporate/Industrial News | c17 : Funding/Capital | c171 : Share Capital | c18 : Ownership Changes | c181 : Acquisitions/Mergers/Takeovers | cactio : Corporate Actions | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter
RE	austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania
PUB	Fairfax Media Management Pty Limited
AN	Document AFNR000020140112ea1d0000p

