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 HD **BHP Billiton eyes US\$12B asset spin-off; 'Adds value'; CEO looks to streamline to four divisions**
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BHP Billiton Ltd. may announce a spinoff of assets estimated to be worth as much as US\$12-**billion** next week, as the world's biggest **mining company** casts aside **operations** acquired in the 2001 **purchase** of Billiton PLC.

Directors will consider a structure to focus BHP on its four main products, including **iron ore** and petroleum, when they meet next week, and announce any decisions immediately, the Melbournebased **company** said Friday. It has already sold assets worth US\$5.2-**billion** since January 2012 as part of plans to simplify its portfolio.

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"The market will be quite well predisposed to it and it probably adds some value to the BHP story," said Brenton Saunders, a Sydney-based investment analyst with BT Investment Management Ltd., which manages about A\$64-**billion** (US\$60-**billion**) and holds BHP shares. "The devil is in the detail, it will depend on which assets are included and which aren't."

Focusing BHP on **iron ore**, **copper**, **coal** and petroleum projects that stretch from Australia to the Americas and generated about 85% of its sales last year, will raise free cash flow, help boost production growth and deliver stronger return on investment, chief executive Andrew Mackenzie said in a May speech. Mr. Mackenzie, appointed in February 2013, also identified potash as a potential fifth unit.

"The board has continued to study various structural alternatives, including at its meeting this week," the **company** said in Friday's statement. "A demerger of a selection of assets is our preferred option."

A spinoff that included nickel, manganese and aluminum **operations**, which span Australia, South Africa and Colombia, a South African **coal** unit and the Cannington **lead** and silver mine, may be worth as much as US\$12-**billion**, according to a valuation Friday from CLSA Asia-Pacific Markets.

Such a restructuring would be the largest since the A\$3.3-**billion** spinoff of its steel unit in 2002. A demerged **company** will probably be based mainly around former Billiton assets, Glyn Lawcock, an analyst at UBS AG in Sydney, said in a July 14 note to clients. A new **company** would likely have a primary listing in Australia and may also be traded in both the U.K. and South Africa, Mr. Lawcock said.

Mining companies are cutting costs and sharpening portfolios as commodity prices retreat and after poorly timed acquisitions in a decade-long US\$614-**billion** investment spree led to asset writedowns and management clear-outs. Investors including

BlackRock Inc.'s Evy Hambro, who manages the US\$8-**billion** World **Mining** Fund, have urged producers to refrain from costly growth projects and focus on shareholder returns.

The US\$11.6-**billion acquisition** of Billiton gave BHP assets including aluminum, nickel and thermal **coal** that no longer fit Mackenzie's strategy of focusing on four main commodities. BHP spokeswoman Eleanor Nichols declined to comment on which assets may be included in any demerger.

Chief financial officer Graham Kerr may run the spinoff **company** from headquarters in Perth with a portfolio that includes BHP's West Australian nickel unit and the Cannington mine, the Australian Financial Review reported Friday. BHP's Mr. Nichols declined to comment on the report.

Creating a smaller collection of **operations** with long lifespans may be a catalyst for further productivity savings, Mr. Mackenzie said in May.

In 2011, as **China** devoured everything from **iron ore** to **copper** to feed economic expansion, BHP's return on invested capital was 35%, according to data compiled by Bloomberg. The figure slumped to 13% two years later as **Chinese** growth slowed, the data show.

BHP's aluminum, manganese and nickel unit accounted for about 14% of revenue in the 12 months ended June 30, 2013. That's down from about 30% in the year through June 2007, according to filings. Revenue from **iron ore** has risen from about 12% to 31% over the same period Bloomberg News

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