

FINANCIAL REVIEW

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HD Miner 'still the best'
BY Taking stock
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After being in the limelight last week with Glencore's merger offer, **iron** miner Rio Tinto continues to show why it is in demand.

Rio will release its third-quarter production report on Wednesday and Deutsche Bank is expecting a 7 per cent increase in its Pilbara **iron** production from earlier-quarter results.

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Analysts expect shipments from Pilbara to outpace production and estimate the **company** has a stockpile of 10 **million** to 15 **million** tonnes.

Despite an expected 16 per cent fall in its **copper** production because of temporary maintenance disruptions at its Bingham mine, Deutsche analysts have a "buy" rating for Rio with a 12-month price target of \$86.75 a share.

Rio Tinto shares closed at \$60.81 on Tuesday. Its **coal** and **alumina** production will also be lower due to the closure of its Gove refinery and the **sale** of its Clermont mine.

Morningstar analysts say despite the slowdown in **Chinese** demand for **iron ore**, as the world's lowest-cost **iron ore** miner, Rio is best placed to weather the weakening **iron ore** price.

"**Iron ore** is more than 90 per cent of Rio Tinto's earnings and we expect it to stay more than 75 per cent in the long term," they said.

"Its **iron ore** margins and returns on invested capital for such a low-cost player even with a reduced **iron ore** price are still superior to any of its other divisions."

Morningstar expects a fair value price of \$60 a share for Rio Tinto.

Deutsche Bank said Rio's expansive Pilbara growth plans and cost targets were impressive.

At its last **iron** briefing, Rio says it will reach shipments of "more than 330 mega tonnes" in 2015, and reaching 350 mega tonnes by 2017.

Deutsche Bank analysts continue to label Rio Tinto's **iron ore** business "still the best".

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NS c21 : Output/Production | ccat : Corporate/Industrial News
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