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HD **BHP, Rio have hits, misses on global divestment trail**
BY Peter Ker
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Resources

BHP Billiton has yielded almost twice as much money from divestments as Rio Tinto since the great resources fire **sale** began 18 months ago, but analysts caution that such numbers do not necessarily point to a better performance from the "global Australian".

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The rival divestment campaigns have been thrust into the spotlight in recent days after reports emerged that BHP was considering spinning out a collection of its non-core assets into a new listed entity owned by BHP shareholders.

Such a move would go close to completing BHP's mission to simplify its portfolio in one fell swoop, and leave Rio with some hard divestment work still to do.

But UBS analyst Glyn Lawcock said it was hard to pick a winner on the divestment trail, where BHP has raked in \$US6.5 **billion** (\$7 **billion**) since July 2012, and Rio has made about \$US3.5 **billion** over a similar period.

"They've both had their successes and they've had their failures in terms of asset sales. Clearly BHP has sold more in dollar terms, but as a percentage of asset base it's probably not too dissimilar," he said.

BHP yielded \$US1.5 **billion** from the **sale** of its **stake** in the Browse gas project and almost \$US2 **billion** from selling the Richards Bay Mineral Sands business to Rio shortly before titanium dioxide prices slumped.

Both companies had their diamond assets on the market early last year, and Mr Lawcock said BHP did particularly well to sell its Canadian mine for \$US500 **million** at a time when Rio had three on the market which did not sell.

But he said Rio had trumped BHP in selling **coal** assets with the \$1.01 **billion sale** of the Clermont mine, while the \$US820 **million sale** of **copper** and **gold** mine Northparkes was also lucrative.

Lonsec analyst Tim Gerrard agreed, saying that Rio had beaten price expectations for the Northparkes and Clermont sales by about 25 and 30 per cent respectively.

"I would say both have done well, if anything Rio have sold those couple of assets after the market downturn," he said.

"BHP sold a couple of items [such as Richards Bay] before the market collapsed, so some of that has come a bit easier."

The analysts say the path forward appears easier for BHP, which has a bigger and better range of assets to sell.

"BHP's non-core assets are generally better quality than Rio's," Commonwealth Bank analyst Andrew Hines said.

Rio's Canadian **iron ore** business is profitable but the miner doesn't have many other mid-sized, profitable assets like the ones that BHP wants to discard because they are not quite first class.

BHP's manganese business, which is run from an island in the Gulf of Carpentaria, is a good example of an asset that is among the best in class in a viable commodity, but cannot compete for scale with BHP's **iron ore** and petroleum.

The biggest coup for both companies would be to dispose of their aluminium assets, which are struggling in an industry where **Chinese** producers are supplying more aluminium than the global market can absorb.

After several years of trying, it seems the miners are starting to consider more creative ways for disposing of aluminium, hence last week's suggestion that it could be bundled up with a collection of other, more profitable assets and gifted to BHP shareholders in the form of a new **company**.

Rio's aluminium division is bigger - and has inflicted more pain on its owner - than BHP's, and a successful disposal by BHP could leave some Rio shareholders wondering why its management had not beaten their rival to the punch.

But all three analysts doubted that a successful spin-out by BHP would reflect badly on Rio.

"I don't think it puts pressure on them," said Mr Lawcock, adding that Rio was probably not ready to launch a spin-out of its own.

"The primary focus for Rio right now is just to improve the business and reduce the costs. Once they get through 2014 and they've got the businesses in the shape they want them in, then you can stand back and ask 'what do we do with these'."

CO	bkhlp : BHP Billiton Ltd rtz : Rio Tinto PLC rtzcra : Rio Tinto Group craaus : Rio Tinto Ltd bltplc : BHP Billiton PLC
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