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## Freeport-McMoRan Inc. (FCX)

[www.fcx.com](http://www.fcx.com)

### Investment Thesis:

World's premier publicly traded copper company FCX provides investors to diversify their portfolio with the different industry, which grows 167% in the long-run. FCX is working with one of the biggest Copper and Gold mine (Grasberg, Indonesia) in the world and most profitable copper sales are produced in this mine for FCX. FCX is so close to deal with the Indonesian government to get the right to work in this mine till 2041. Also, global Copper demand is expected to grow 2.3% in 2018-2040 because intensify using copper is increasing by renewables and electric vehicles. On the other side, the U.S. and China trade-war tension may create unexpected shifts in the copper prices because China is using more than 50% Copper produced in the world. 67% FCX's sales revenue is coming from Copper sales.

**Current Price:** \$13.70      **Market Cap (\$mil):** 19,852  
**Fiscal Year End:** December      **3 Mo. Avg Daily (\$mil) Vol:** 21.470

**Upside Target:** -\$159.87      (1266.93)%  
*EBIT Margin of 15.8% applied to 2019 revenue give -\$1.82 EPS x 87.84 = -\$159.87*

**Downside Target:** -\$7.99      (158.32)%  
*EBIT Margin of 15.8% applied to 2019 revenue give -\$1.82 EPS x 4.39 = -\$7.99*

### Differentiation from Consensus

FY	Consensus EPS	P/E	EPS	P/E	EPS Above/Below
2019 Est	\$0.86	15.93x	\$-1.82	-7.52x	-322%
2020 Est	\$1.84	7.44x	\$-1.91	-7.17x	-204%
FY	Consensus Revenue	P/S	Revenue	P/S	SPS Above/Below
2019 Est	\$10.11	1.35x	\$10.11	1.35x	-
2020 Est	\$10.75	12.74x	\$10.75	12.74x	-

### Headquarters

Phoenix, AZ

### Sector

Materials

### Industry

Integrated Mining

### YTD Chg.

29.04%

### 1 Yr. Chg.

-28.18%

### 52 Wk L/H

\$9.6/ \$18.38

### LTM PE

6.9x

### Price to Book

1.99x

### Price to Sales

1.05x

### Exchange

NYSE

### Dividend Payout

1.49%

### Beta

2.58

### L.T. Growth Rate

23.86%

### Price to EBITDA

2.58 x

### EV to EBITDA

3.91 x

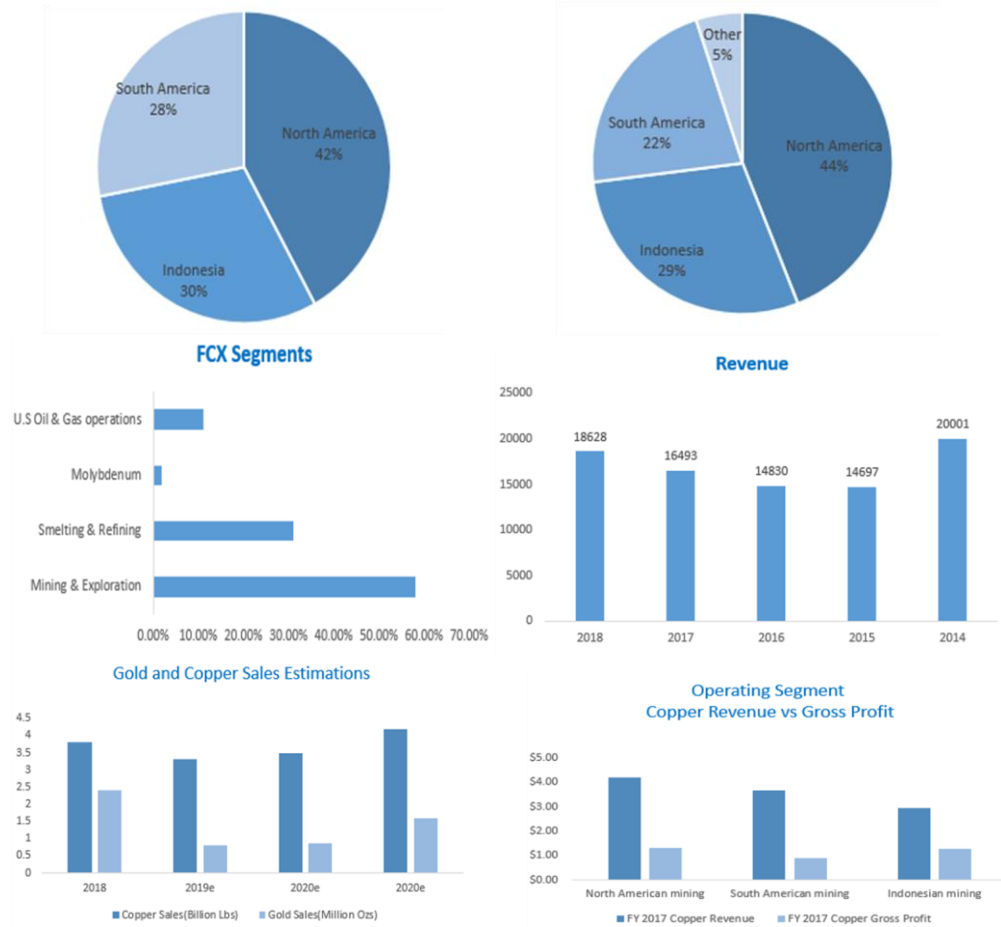


Source: Stocktwits.com May 1, 2019

## Company Background:

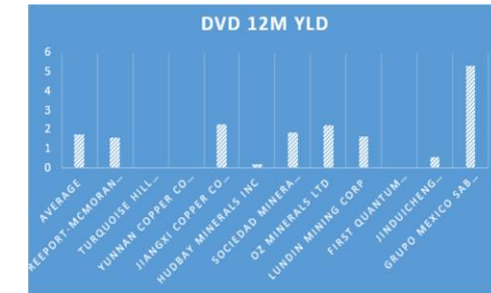
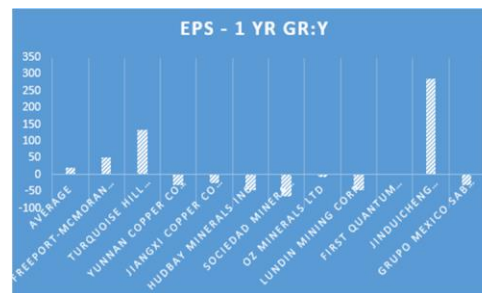
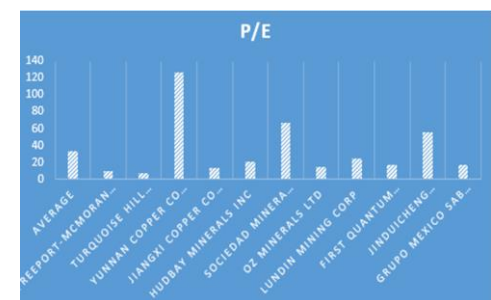
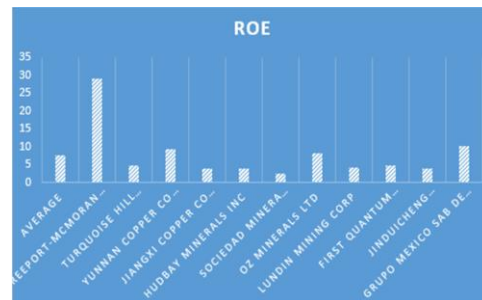
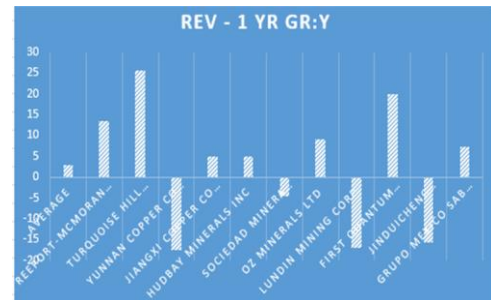
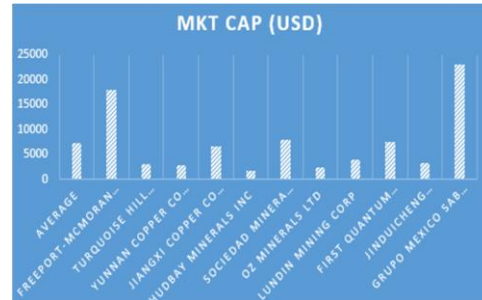
Freeport-McMoRan Inc. is a mining company operates through geographical assets with proven and probable reserves of copper, gold, molybdenum, and traded copper producer. The Company's segments include redefined copper products, copper in concentrate, gold, molybdenum, oil and other. The Company's segments include the Morenci, Cerro Verde, Grasberg copper mines, the Rod & Refining operations, and the United States Oil and Gas Operations.

### **Consolidated Copper Reserves by Region Mineralized Material by Region**



In 2017, Grasberg, Freeport-McMoRan's only assets in Indonesia and one of the world's largest copper and gold deposits, accounted for \$2.02 billion in operating income while a total of North America and South America represented 2.286 billion. Copper sales accounted for 67% of the company's revenue. Gross profit per pound in Grasberg is \$1.32 whereas it is in North America and South America \$0.88 and \$0.71, respectively. Since there is a potential in Grasberg, the company foresees average annual capital expenditures of \$900 million over the next five years to develop several projects at Grasberg.

## Reasons to Buy:

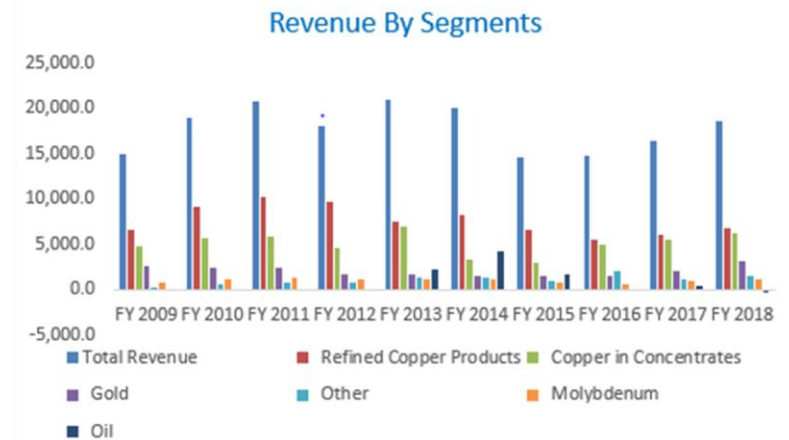


Source: Bloomberg Relative Valuation

1) FCX's Return on Equity is much higher than it is competitors and if an investor wants to diversify his portfolio by industry, he may want to maximize his return in the Copper sector by investing in the highest returning stock. However, each company has different costs of equity and also varying debt levels. Since the debt to equity ratio stands at a balanced 116,12%, FCX has not taken excessive debt to drive its return. Being geographically diversified- 70% from Americas, having a premier portfolio of copper assets and long-lived reserves and being in a good relationship with Indonesian government(30% of consolidated copper reserves) create a huge advantage for Freeport-McMoRan in the sector.

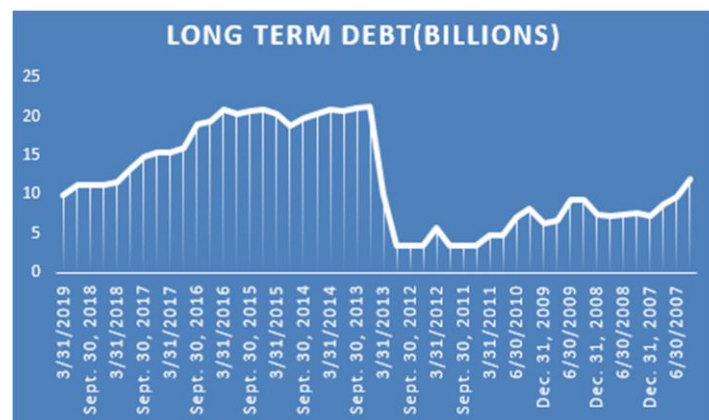
2) As it is mentioned in the company background section, 30% of the copper is produced in Grasberg (Indonesia) and the gross profit per pound is \$1.37 comparing to \$0.88 in North America and \$0.71 in South America. In 2018, FCX announced the completion of its transaction with the Indonesian government regarding long-term mining rights and share ownership. FCX will spend \$900 million annual capital expenditure in Grasberg to increase the production volume and to return higher-grade portions of the deposit. FCX is trying to deal with the Indonesian government to produce in Grasberg through 2041.

3) In 2015, FCX's stock price plunged 64% because of falling on the oil and gas industry. Copper and gold prices declined due to a decrease in volume and pricing. Freeport repaired its balance sheet after the acquisitions of Plains and McMoRan, so 2015 FCX's revenue has seen consistent growth.



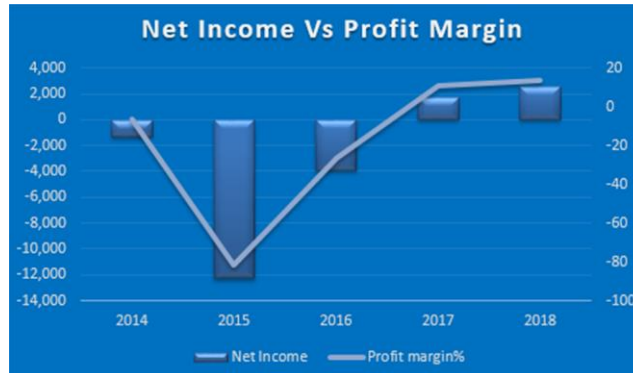
Source: Bloomberg Financial Analysis

4) In 2015, FCX took several multi-billion dollar charges to make required regulatory adjustments to the value of its energy assets. It slashed its payout by more than 80%. The announcement of slashing the payout doesn't create a loss of confidence because the investors saw the measure as necessary for FCX long term survival. FCX focused on reducing its debt. It has achieved its objectives after 2015.



Source: Bloomberg Financial Analysis

5) After 2015 crisis, FCX has been able to expand the gross margin from -81.89% to 13.78% and the net income from -\$12.251 B to \$2,2613 B.



Source: Bloomberg Financial Analysis

## Risks:

### **Inconsistencies in sales according to internal and external factors**

Copper is an essential element in the global industrial economy. Global industrial production expected to grow at 2.3% pa 2018-2040. The intensity of using copper is increasing by renewables and electric vehicles. While demand is growing, the supply is limited for the copper market because of lack of world-class copper discoveries, significant supply gap by 2018 without new Greenfield Production and decline in the exchange stocks since March 2018. Since the price of copper is dependent many other internal and external factor, FCX may lose a big amount its revenue as it happened in 2015(67% of the FCX's revenue comes from its copper sales). Because of the decrease in the oil and gas prices, FCX's stock price plunged %64 percent in 2015.

FCX's copper and gold sales were approximately 5% lower than the January 2019 it is because of the weather impacts at El Abra (35 days rain although it is the driest place in the world) during the quarter, unscheduled maintenance at one of the North American sites and timing of some shipments from Indonesia.

### **FCX' Transactions with the Indonesian Government**

As it is shown on the former sections, Grasberg mine in Indonesia has a massive role in FCX's success. FCX's sales volume in this quarter were lower than the year-ago quarter associated with the transition at the Grasberg mine. The agreement between the two parties will end in June. FCX management is trying to extend the deal through 2041. They trust their relationship with the ministers of Indonesia. This deal is so important for its long term stability in operations in Indonesia. The drop in output from Grasberg will drop the exports of copper concentrate around 200,000 tonnes this year from 1.2 million tonnes due to the change from open pit to the underground, according to the Energy and Mineral Resources Ministry of Indonesia.



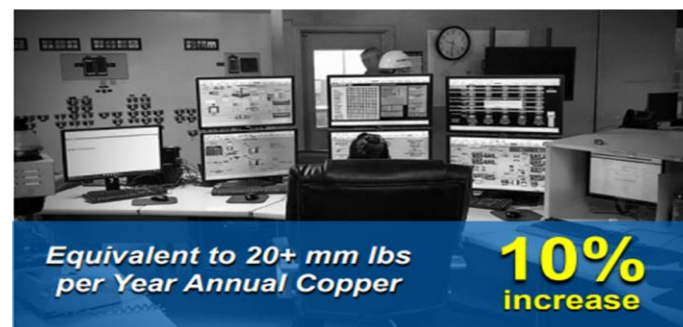
## U.S. – China Trade War Effects on Global Copper Demand

Copper prices have had very significant volatility and the price prediction has become difficult given the current scenario of the U.S.-China trade war. Commodities such as copper are indicators of global economic growth and restriction on trade practice across the world would lead to an environment of stagnant growth. FCX's copper sales are 67% of the total revenue and China consumes more than half of the global copper produced. These trade restrictions could imply a significant cut in global copper demand. In case the demand for copper weakens, the concern over supply constraint would become weak and copper prices would decline, which FCX is likely to experience a decline in revenue and earnings.

## Competitive Positioning:

### Threats of New Entry

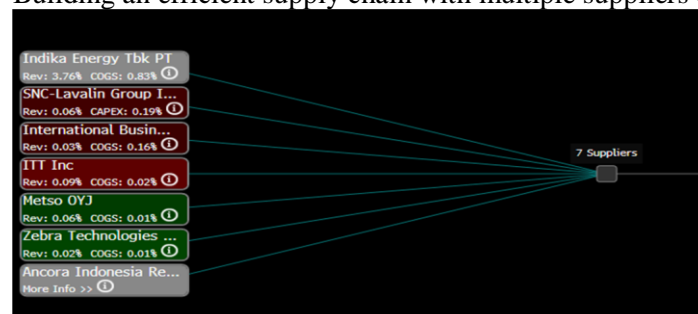
New entrants in Copper brings innovation, new ways of increasing revenue and put pressure on FCX through lower pricing strategy, reducing costs. FCX can manage these challenges by innovating new products and services and spending money on research and development. FCX developed DATA-Driven Model to optimize operations in concentrating at Bagdad. By doing this model, FCX got 12% increase in mill throughput and 1% point increase in recoveries. Its research team is trying to take to process to other sites such as Morenci mining.



Source: FCX Conf. Call 1Q19

### Bargaining Power of Suppliers

Suppliers in a dominant position can decrease the margins FCX can earn in the market. Powerful suppliers can use their negotiating power to extract higher prices from the firms in Copper field so they can lower the overall profitability of Copper. Building an efficient supply chain with multiple suppliers can solve the problem.



Source: Bloomberg Supply Chain Analysis

### **Bargaining Power of Buyers**

Buyers want to buy the best offerings available by paying the minimum price as possible. This affects FCX profitability. However, the number of suppliers in the industry is a lot more than the number of firms producing the products. This makes the bargaining power of buyers a weaker force because buyers have a few firms to choose their products. FCX has been focused on producing better quality products to solve the problem which may occur in the future. In Grasberg mine Indonesia, FCX is expected to spend \$0.7 billion per year over the next five years on underground mine development projects to produce high-grade, large scale and long-lived underground ore bodies.

### **Threats of Substitute Products or Services**

There are few substitutes available for the products in the industry and these substitutes are produced by low profit earning industries. This makes no ceiling on the maximum profit that firms can earn in the industry. These factors make the threats of substitute product or services a weaker force in the industry.

### **Rivalry among Existing Firms**

There are few competitors in the industry in which FCX operates and they are also large in size. So it is hard for them to make moves without being unnoticed. Also, the industry has seen consistent growth for years and this decreases the competition among companies because they don't have to take the market share from each other. In addition, the products which are produced by the companies in the industry are mostly unique for each company and they don't compete to gain each other's customers. These steps make the rivalry among existing firms a weaker force.



Source: [eresearch.fidelity.com](http://eresearch.fidelity.com)

## **Monitoring Points:**

### **Potential disagreement with Indonesian government**

Grasberg mine in Indonesia is the largest gold mine and second largest copper mine in the world. FCX owns 48.74% of PT Freeport Indonesia (PT-FI), the principal operating subsidiary in Indonesia. FCX is trying to postpone its contract of work in Grasberg mine till 2041. 67% of FCX's total revenue comes from Copper sales. 30% of the FCX's total copper is produced in Grasberg mine. FCX's most profitable copper sales per pound comes from this mine. If FCX conflicts with the Indonesian government about Grasberg mine, it would see a huge decrease in Copper production. News related to the Indonesian government should be monitored closely to gauge the viability of future growth.

### **Potential U.S. Trade War**

Since China consumes more than half of the global copper produced, any trade restrictions from China could imply a significant cut in global copper demand. So, the concern over supply constraint would become weak and copper prices would decline, which FCX is likely to experience a decline in revenue and earnings. Any signs of escalating tensions between the U.S. and China should be monitored carefully.

### **Any decrease or increase in commodities**

In 2015, FCX stock price plunged by 64% because of the decrease in commodity prices. Any decrease in prices of copper and gold would put FCX in a tough situation. The supply side of the commodities, demand side of the commodities and exogenous factors, which are political events, variations in the weather and logistical problems, should be monitored carefully to forecast the price direction of copper, gold prices and mineralized materials.



Income Statement							
Fiscal year is April-March. All values GBP Millions. 2014 2015 2016 2017 2018 2019 2020							
<b>Sales/Revenue</b>	<b>21,231</b>	<b>14,960</b>	<b>14,598</b>	<b>15,858</b>	<b>18,967</b>	<b>14,742</b>	<b>15,683</b>
<i>Sales Growth (%)</i>	-	-29.54	-2.42	8.63	19.61	-22.27	6.38
Cost of Goods Sold (COGS) incl. D&A	15,889	14,363	13,316	11,761	13,226	11,969	12,734
COGS excluding D&A	12,026	11,123	10,786	10,047	11,472	9,692	10,311
Depreciation & Amortization Expense	3,863	3,240	2,530	1,714	1,754	2,277	2,423
<i>COGS Growth (%)</i>	-	-9.60	-7.29	-11.68	12.46	-9.50	6.38
<b>Gross Income</b>	<b>5,342</b>	<b>597</b>	<b>1,282</b>	<b>4,097</b>	<b>5,741</b>	<b>2,773</b>	<b>2,950</b>
<i>Gross Income Growth (%)</i>	-	-88.82	114.74	219.58	40.13	-51.70	6.38
<i>Gross Margin (%)</i>	25.16	3.99	8.78	25.84	30.27	18.81	18.81
<b>SG&amp;A Expense</b>	<b>592</b>	<b>558</b>	<b>522</b>	<b>472</b>	<b>443</b>	<b>454</b>	<b>483</b>
<i>SGA Growth (%)</i>	-	-5.74	-6.45	-9.58	-6.14	2.54	6.38
<i>SG&amp;A to Sales (%)</i>	2.79	3.73	3.58	2.98	2.34	3.08	3.08
Other Operating Expense	119	78	20	244	89	95	101
<b>EBIT</b>	<b>4,631</b>	<b>-39</b>	<b>740</b>	<b>3,381</b>	<b>5,209</b>	<b>2,223</b>	<b>2,365</b>
<i>EBIT Growth (%)</i>	-	-100.84	1,997.44	356.89	54.07	-57.32	6.38
<i>EBIT Margin (%)</i>	21.81	-0.26	5.07	21.32	27.46	15.08	15.08
Unusual Expense	5,169	13,159	4,156	-74	1,004	4,293	4,567
Non Operating Income/Expense	744	-313	699	103	262	243	258
Interest Expense	630	617	755	656	575	575	575
<b>Pretax Income</b>	<b>-424</b>	<b>-14,128</b>	<b>-3,472</b>	<b>2,902</b>	<b>3,892</b>	<b>-2,402</b>	<b>-2,519</b>
<i>Pretax Income Growth (%)</i>	-	-3,232.08	75.42	183.58	34.11	-161.72	-4.86
<i>Pretax Margin (%)</i>	-2.00	-94.44	-23.78	18.30	20.52	-16.29	-16.06
Income Tax	324	-1,951	371	883	991	54	57
<i>Tax Rate (%)</i>	-76.42	13.81	-10.69	30.43	25.46	-2.23	-2.27
Equity in Affiliates	3	-3	11	10	8	5	5
Other After Tax Income (Expense)	-3	-3	-3	-4	-4	-3	-3
<b>Consolidated Net Income</b>	<b>-748</b>	<b>-12,183</b>	<b>-3,835</b>	<b>2,025</b>	<b>2,905</b>	<b>-2,454</b>	<b>-2,573</b>
Minority Interest Expense	563	68	66	274	292	201	214
<b>Net Income</b>	<b>-1,311</b>	<b>-12,251</b>	<b>-3,901</b>	<b>1,751</b>	<b>2,613</b>	<b>-2,655</b>	<b>-2,788</b>
<i>Net Income Growth (%)</i>	-	-834.48	68.16	144.89	49.23	-201.60	-5.00
<i>Net Margin (%)</i>	-6.17	-81.89	-26.72	11.04	13.78	-18.01	-17.77
Extraordinaries & Discontinued Operations	0	12	-256	62	-15	-40	-43
Extra Items & Gain/Loss Sale Of Assets	0	0	-198	57	-15	-32	-34
Discontinued Operations	0	12	-58	5	0	-8	-9
Net Income After Extraordinaries	-1,311	-12,263	-3,645	1,689	2,628	-2,615	-2,745
<b>Net Income Available to Common</b>	<b>-1,311</b>	<b>-12,239</b>	<b>-3,959</b>	<b>1,756</b>	<b>2,613</b>	<b>-2,663</b>	<b>-2,797</b>
EPS (Basic)	-1.26	-11.31	-3.15	1.25	1.78	-1.83	-1.92
Basic Shares Outstanding	1,039	1,082	1,318	1,447	1,449	1,449	1,449
EPS (Diluted)	-1.26	-11.31	-3.15	1.25	1.78	-1.82	-1.91
Diluted Shares Outstanding	1,039	1,082	1,318	1,454	1,458	1,458	1,458
<b>EBITDA</b>	<b>8,494</b>	<b>3,201</b>	<b>3,270</b>	<b>5,095</b>	<b>6,963</b>	<b>4,501</b>	<b>4,788</b>
<i>EBITDA Growth (%)</i>	-	-62.31	2.16	55.81	36.66	-35.36	6.38
<i>EBITDA Margin (%)</i>	0.40	0.21	0.22	0.32	0.37	0.31	0.31

ASSETS							
Fiscal year is April-March. All values GBP Millions.	2014	2015	2016	2017	2018	2019	2020
Cash & Short Term Investments	780	177	4,252	4,537	4,217	2,078	-1,861
<i>Cash &amp; ST Investments Growth (%)</i>	-	-77.31	2,302.26	6.70	-7.05	-50.72	-189.56
<i>Cash &amp; ST Investments / Total Assets (%)</i>	1.33	0.38	11.39	12.16	9.99	5.30	-5.07
Cash Only	464	177	4,245	4,526	4,217		
Short-Term Investments	316	0	7	11	0		
Total Accounts Receivable	2,563	2,129	2,094	1,665	1,322	913	971
<i>Accounts Receivable Growth (%)</i>	-	-16.93	-1.64	-20.49	-20.60	-30.95	6.38
<i>Accounts Receivable Turnover (x)</i>	-	6.38	6.91	8.44	12.70	13.19	16.65
Accounts Receivables, Net	953	645	1,126	1,322	829		
Other Receivables	1,610	1,484	968	343	493		
Inventories	5,361	4,075	3,642	4,149	4,759	3,162	3,364
<i>Inventory Growth (%)</i>	-	-23.99	-10.63	13.92	14.70	-33.55	6.38
<i>Inventory Turnover (x)</i>	-	3.17	3.78	4.07	4.26	3.72	4.81
Finished Goods	1,099	633	629	985	1,326		
Work in Progress	174	108	114	154	192		
Raw Materials	2,174	1,795	1,561	1,588	1,788		
Progress Payments & Other	1,914	1,539	1,338	1,422	1,453		
Other Current Assets	341	1,081	447	275	422	422	422
Miscellaneous Current Assets	341	1,081	447	275	422		
<b>Total Current Assets</b>	<b>9,045</b>	<b>7,462</b>	<b>10,435</b>	<b>10,626</b>	<b>10,720</b>	<b>6,575</b>	<b>2,896</b>
Net Property, Plant & Equipment	45,494	31,079	23,293	22,994	28,010	29,123	30,308
Property, Plant & Equipment - Gross	64,118	64,767	63,463	64,796	71,105	74,496	78,103
Buildings	5,100	6,964	7,479	7,553	8,051		
Machinery & Equipment	15,177	11,558	11,744	12,330	12,985		
Construction in Progress	6,802	3,716	2,831	2,971	3,006		
Transportation Equipment	0	3,843	3,725	3,766	4,010		
Other Property, Plant & Equipment	37,039	38,686	37,684	38,176	43,053		
Accumulated Depreciation	18,624	33,688	40,170	41,802	43,095	45,372	47,795
<b>Total Investments and Advances</b>	<b>701</b>	<b>498</b>	<b>485</b>	<b>451</b>	<b>497</b>	<b>497</b>	<b>497</b>
LT Investment - Affiliate Companies	308	112	83	61	125		
Other Long-Term Investments	393	386	402	390	372		
<b>Long-Term Note Receivable</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Intangible Assets</b>	<b>334</b>	<b>316</b>	<b>305</b>	<b>307</b>	<b>398</b>	<b>398</b>	<b>398</b>
Net Other Intangibles	334	316	305	307	398		
<b>Other Assets</b>	<b>3,158</b>	<b>7,222</b>	<b>2,799</b>	<b>2,924</b>	<b>2,591</b>	<b>2,591</b>	<b>2,591</b>
Deferred Charges	254	81	0	0	0		
Tangible Other Assets	2,904	7,141	2,799	2,924	2,591		
<b>Total Assets</b>	<b>58,795</b>	<b>46,577</b>	<b>37,317</b>	<b>37,302</b>	<b>42,216</b>	<b>39,185</b>	<b>36,690</b>
<i>Total Assets Growth (%)</i>	-	-20.78	-19.88	-0.04	13.17	-7.18	-6.37
<i>Asset Turnover (x)</i>	-	0.28	0.35	0.43	0.48	0.36	0.41
<i>Return on Assets (%)</i>	-	-0.23	-0.09	0.05	0.07	-0.07	-0.07

<b>Liabilities &amp; Shareholders' Equity</b>							
All values GBP Millions.	2014	2015	2016	2017	2018	2019	2020
ST Debt & Current Portion LT Debt	478	649	1,232	1,414	17	17	17
Current Portion of Long Term Debt	478	649	1,232	1,414	17		
Accounts Payable	2,515	2,304	1,577	1,546	1,661	1,071	1,139
<i>Accounts Payable Growth (%)</i>	-	-8.39	-31.55	-1.97	7.44	-35.54	6.38
Income Tax Payable	410	23	66	583	165	165	165
Other Current Liabilities	1,769	1,331	1,390	1,371	1,486	1,486	1,486
Dividends Payable	335	-	-	-	73		
Accrued Payroll	373	370	347	355	351		
Miscellaneous Current Liabilities	1,061	961	1,043	1,016	1,062		
<b>Total Current Liabilities</b>	<b>5,172</b>	<b>4,307</b>	<b>4,265</b>	<b>4,914</b>	<b>3,329</b>	<b>2,739</b>	<b>2,807</b>
<i>Current Ratio</i>	1.75	1.73	2.45	2.16	3.22	2.40	1.03
<i>Quick Ratio</i>	0.71	0.79	1.59	1.32	1.79	1.25	-0.17
<i>Cash Ratio</i>	0.15	0.04	1.00	0.92	1.27	0.76	-0.66
Long-Term Debt	18,492	19,675	14,795	11,815	11,124	11,124	11,124
<i>Long Term Debt Growth (%)</i>	-	6.40	-24.80	-20.14	-5.85	0.00	0.00
Long-Term Debt excl. Capitalized Leases	18,492	19,675	14,795	11,815	11,124		
Non-Convertible Debt	18,492	19,675	14,795	11,815	11,124		
Provision for Risks & Charges	5,145	5,262	5,127	5,415	5,644	5,644	5,644
Deferred Taxes	6,398	3,567	3,768	3,663	4,032	4,032	4,032
Deferred Taxes - Credit	6,398	3,567	3,768	3,663	4,032		
Other Liabilities	363	958	105	199	195	195	195
Other Liabilities (excl. Deferred Income)	363	958	105	199	195		
<b>Total Liabilities</b>	<b>35,570</b>	<b>33,769</b>	<b>28,060</b>	<b>26,006</b>	<b>24,324</b>	<b>23,734</b>	<b>23,802</b>
<i>Total Liabilities / Total Assets (%)</i>	60.50	72.50	75.19	69.72	57.62	60.57	64.87
Common Equity (Total)	18,287	7,828	6,051	7,977	9,798	7,357	4,794
<i>Common Equity / Total Assets (%)</i>	31.10	16.81	16.22	21.38	23.21	18.78	13.07
Common Stock Par/Carry Value	117	137	157	158	158	158	158
Additional Paid-In Capital/Capital Surplus	22,281	24,283	26,690	26,751	26,013	26,013	26,013
Retained Earnings	128	-12,387	-16,540	-14,722	-12,041	-14,482	-17,045
Cumulative Translation Adjustment/Unrealized For. Exch. Gain	10	10	10	10	10	10	10
Unrealized Gain/Loss Marketable Securities	-6	-6	-4	-3	-	-	-
Other Appropriated Reserves	-548	-507	-554	-494	-615	-615	-615
Treasury Stock	-3,695	-3,702	-3,708	-3,723	-3,727	-3,727	-3,727
<b>Total Shareholders' Equity</b>	<b>18,287</b>	<b>7,828</b>	<b>6,051</b>	<b>7,977</b>	<b>9,798</b>	<b>7,357</b>	<b>4,794</b>
<i>Total Shareholders' Equity / Total Assets (%)</i>	31.10	16.81	16.22	21.38	23.21	18.78	13.07
<i>Return on Equity (%)</i>	-	-0.94	-0.56	0.25	0.29	-0.31	-0.46
Accumulated Minority Interest	4,938	4,980	3,206	3,319	8,094	8,094	8,094
<b>Total Equity</b>	<b>23,225</b>	<b>12,808</b>	<b>9,257</b>	<b>11,296</b>	<b>17,892</b>	<b>15,451</b>	<b>12,888</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>58,795</b>	<b>46,577</b>	<b>37,317</b>	<b>37,302</b>	<b>42,216</b>	<b>39,185</b>	<b>36,690</b>
Check						0	0

**Average**

Avg. Days Sales Out.	24.5x	20.0x	21.9x	26.4x	20.3x	22.6x
Avg. Days Inventory Out.	102.4x	63.5x	82.6x	116.1x	117.4x	96.4x
Avg. Days Payable Out.	44.4x	32.6x	40.4x	43.8x	--	40.3x

Operating Activities							
Fiscal year is April-March. All values GBP Millions.	2014	2015	2016	2017	2018	2019	2020
Net Income Available to Common	-1,311	-12,089	-4,025	2,095	2,894	-2,663	-2,797
<i>Net Income Growth (%)</i>	-	-822.12	66.71	152.05	38.14	-192.03	-5.01
Depreciation, Depletion & Amortization	3,863	3,497	2,610	1,714	1,754	2,277	2,423
Deferred Taxes & Investment Tax Credit	-929	-2,039	239	76	-404		
Deferred Taxes	-929	-2,039	239	76	-404		
Other Funds	4,640	13,478	4,848	208	207		
<b>Funds from Operations</b>	<b>6,263</b>	<b>2,847</b>	<b>3,672</b>	<b>4,093</b>	<b>4,451</b>	<b>-386</b>	<b>-374</b>
Changes in Working Capital	-632	373	57	573	-588	1,416	-192
Receivables	215	813	-175	427	649	409	-58
Inventories	-249	379	117	-393	-631	1,597	-202
Accounts Payable	-394	-217	-28	110	-106	-590	68
Other Assets/Liabilities	-204	-699	106	457	-472	0	0
<b>Net Operating Cash Flow</b>	<b>5,631</b>	<b>3,220</b>	<b>3,729</b>	<b>4,666</b>	<b>3,863</b>	<b>1,030</b>	<b>-566</b>
<i>Net Operating Cash Flow Growth (%)</i>	-	-42.82	15.81	25.13	-17.21	-73.34	-154.92
<i>Net Operating Cash Flow / Sales (%)</i>	<i>0.27</i>	<i>0.22</i>	<i>0.26</i>	<i>0.29</i>	<i>0.20</i>	<i>0.07</i>	<i>-0.04</i>
Investing Activities							
Fiscal year is April-March. All values GBP Millions.	2014	2015	2016	2017	2018	2019	2020
Capital Expenditures	-7,215	-6,353	-2,813	-1,410	-1,971	-3,391	-3,607
<i>Capital Expenditures Growth (%)</i>	-	11.95	55.72	49.88	-39.79	-72.03	-6.38
<i>Capital Expenditures / Sales (%)</i>	<i>-0.34</i>	<i>-0.42</i>	<i>-0.19</i>	<i>-0.09</i>	<i>-0.10</i>	<i>-0.23</i>	<i>-0.23</i>
Capital Expenditures (Fixed Assets)	-7,215	-6,353	-2,813	-1,410	-1,971		
Net Assets from Acquisitions	-1,426	-	-	-	-3,500		
Sale of Fixed Assets & Businesses	4,619	-	5,932	-	457		
Other Sources	221	160	431	89	93		
Other Uses	-	-53	-	-	-97		
<b>Net Investing Cash Flow</b>	<b>-3,801</b>	<b>-6,246</b>	<b>3,550</b>	<b>-1,321</b>	<b>-5,018</b>	<b>-3,391</b>	<b>-3,607</b>
<i>Net Investing Cash Flow Growth (%)</i>	-	-64.33	156.84	-137.21	-279.86	32.43	-6.38
<i>Net Investing Cash Flow / Sales (%)</i>	<i>-0.18</i>	<i>-0.42</i>	<i>0.24</i>	<i>-0.08</i>	<i>-0.26</i>	<i>-0.23</i>	<i>-0.23</i>
Financing Activities							
Fiscal year is April-March. All values GBP Millions.	2014	2015	2016	2017	2018	2019	2020
Cash Dividends Paid - Total	-1,305	-605	-6	-2	-218	222	233
<i>Cash Dividend Growth (%)</i>	-	53.64	99.01	66.67	-10,800.00	201.92	5.01
Common Dividends	-1,305	-605	-6	-2	-218		
Change in Capital Stock	9	1,936	1,515	-	3,500	0	0
Sale of Common & Preferred Stock	9	1,936	1,515	-	3,500	0	0
Proceeds from Stock Options	9	1,936	1,515	-	3,500	0	0
Issuance/Reduction of Debt, Net	-1,631	1,595	-3,944	-2,857	-2,085	0	0
Change in Long-Term Debt	-1,631	1,595	-3,944	-2,857	-2,085		
Issuance of Long-Term Debt	8,675	8,272	3,681	955	632		
Reduction in Long-Term Debt	-10,306	-6,677	-7,625	-3,812	-2,717		
Other Funds	-424	-140	-731	-196	-297		
Other Uses	-424	-140	-731	-196	-297		
<b>Net Financing Cash Flow</b>	<b>-3,351</b>	<b>2,786</b>	<b>-3,166</b>	<b>-3,055</b>	<b>900</b>	<b>222</b>	<b>233</b>
<i>Net Financing Cash Flow Growth (%)</i>	-	183.14	-213.64	3.51	129.46	-75.31	5.01
<i>Net Financing Cash Flow / Sales (%)</i>	<i>-0.16</i>	<i>0.19</i>	<i>-0.22</i>	<i>-0.19</i>	<i>0.05</i>	<i>0.02</i>	<i>0.01</i>
<b>Net Change in Cash</b>	<b>-1,521</b>	<b>-240</b>	<b>4,113</b>	<b>290</b>	<b>-255</b>	<b>-2,139</b>	<b>-3,940</b>
<b>Free Cash Flow</b>	<b>-1,584</b>	<b>-3,133</b>	<b>916</b>	<b>3,256</b>	<b>1,892</b>	<b>-2,361</b>	<b>-4,173</b>
<i>Free Cash Flow Growth (%)</i>	-	-97.79	129.24	255.46	-41.89	-224.79	-76.75
<i>Free Cash Flow per Share</i>	<i>3.86</i>	<i>2.21</i>	<i>2.56</i>	<i>3.20</i>	<i>2.65</i>	<i>0.71</i>	<i>-0.39</i>