

Equity Research Report

Key Financial Ratios:

P/E Ratio: 10.98

ROE: 0.12

EBITDA Margin: 0.26

DCF Valuation Summary:

DCF Valuation: 2208.2345033647975

WACC: 0.9523809523809523

Terminal Growth Rate: None

Implied Share Price: 34410.25166997871

Analyst Commentary:

On track for 2030 and long term decarb targets: BHP has delivered strong results in the last two years with decarbonisation achieved

ahead of its net zero trajectory. However, the company has highlighted uncertainties in the medium to longer term, as further GHG reduction

would rely on new technologies that are not available yet. While organic growth presents a headwind for decarbonisation, BHP expects the additional emissions to be more than offset by new renewable

Power Purchase Agreements. The capital commitment of ~US\$4b is a nominal value, and we see upside risk to the Capex commitment given

uncertainty of future technology availability and inflation pressures.

Clarity on asset-level plans: The update provided further clarity on decarbonisation plans at the asset level, which we believe would be

well-received by the market. Chilean operations will focus on diesel displacement at its boilers and

truck fleet, while Australian assets will

prioritise renewable power purchasing and decarbonisation at its trucks and locomotives.

Fleet electrification the core to diesel displacement: For diesel displacement, BHP is firmly pursuing the electrification of its large haul

truck fleets. The company's studies highlighted that electricity as a fuel source for trucks boasts a high overall efficiency ratio of ~80%. This

compares to a ratio of merely ~30% from hydrogen or diesel trucks.