

Company Update Report

BHP Group Ltd

Basic Materials

Ticker	BHG-ZA
Share price	R490
Intrinsic value	R510
Upside/(Downside)	4%
Recommendation	Hold

As at: 17 Oct 2025

Analyst thesis

Our recommendation is based on:

- BHP recorded a record consolidated copper production of 2.02 million tonnes in FY25, which exceeds Freeport-McMoRan's reported 2024 consolidated copper production.
- Copper demand is poised to expand in the coming years with the global shift to electrification, renewables, and digital infrastructure, while the IEA flagged a potential copper supply shortfall by 2035. The expectation is for the price of copper to be well supported in a supply shortfall environment.
- BHP's Vicuña joint venture is anticipated to start copper production around 2030, increasing overall production in a demand-rich environment, while benefiting from synergies that will lower costs.
- BHP's low-cost operations and disciplined capital management position it to sustain a prolonged cyclical recovery in bulk commodity demand, like iron ore, which is very sensitive to the Chinese economy and construction industry.

Latest company and market insights

Key highlights

In this report, we review the latest FY25 results for the year ended 30 June 2025.

Financial results at a glance:

- Revenue declined by 8% to US\$51.3 billion due to lower realised prices from iron ore and coal, combined with the operational suspension of the Western Australia Nickel mine.
- Revenue contribution is split between copper (45%), iron ore (45%), and coal (10%), with other materials making up a small undisclosed percentage of the total revenue.
- Despite pricing pressure from iron ore and coal, profit from operations increased by 11% from US\$17.5 billion in FY24 to US\$19.5 billion, supported by record copper and iron ore output, improved coal productivity, and strong cost discipline.
- Underlying EBITDA reached US\$26 billion, a decline of 11%, while net operating cash flow totalled US\$18.7 billion, 10% lower than FY24.
- Copper production rose by 8% to 2.02 million tonnes, driven by higher grades and throughput at Escondida, record output at Spence, and strong performance in South Australia. Iron ore achieved a third consecutive production record at 263 million tonnes.
- Capital and exploration investment totalled US\$9.8 billion, with an additional US\$2.1 billion committed to the Vicuña joint venture in Argentina and Chile, expanding BHP's copper growth pipeline.
- The Jansen potash project was 68% complete, with first production target of mid-2027 and long-term operating costs expected at the low end of the global cost curve. However, JS1 estimated capex has been increased from US\$5.7 billion to between US\$7.0 billion and US\$7.4 billion.
- A final dividend of 60 US cents per share was declared, bringing the full-year dividend to 110 US cents, representing a 55% payout of underlying profit, but 25% lower than the FY24 dividend.

Management's guidance:

For FY26, management guided for copper production to be between 1 800 kt and 2 000 kt, lower than the reported numbers in FY25 due to lower grades in Chile. Iron ore has been guided to be between 251 Mt and 262 Mt, also lower than FY25, due to the planned rebuilding of Car Dumper 3 and the ongoing tie-in activities for RTP1.

Sector outlook

The global metals and mining sector enters the latter half of the decade with strong growth prospects, driven by accelerating demand for energy transition materials and infrastructure development. Copper remains the standout performer, with forecasts projecting a 24% increase in demand by 2035 as renewable energy systems, electric vehicles, and digital infrastructure continue to expand. Iron ore, essential to global steel production, maintains a stable demand underpinned by large-scale construction and urbanisation projects in Asia and Africa. Similarly, potash continues to gain strategic significance in supporting food security and sustainable agriculture amid global population growth.

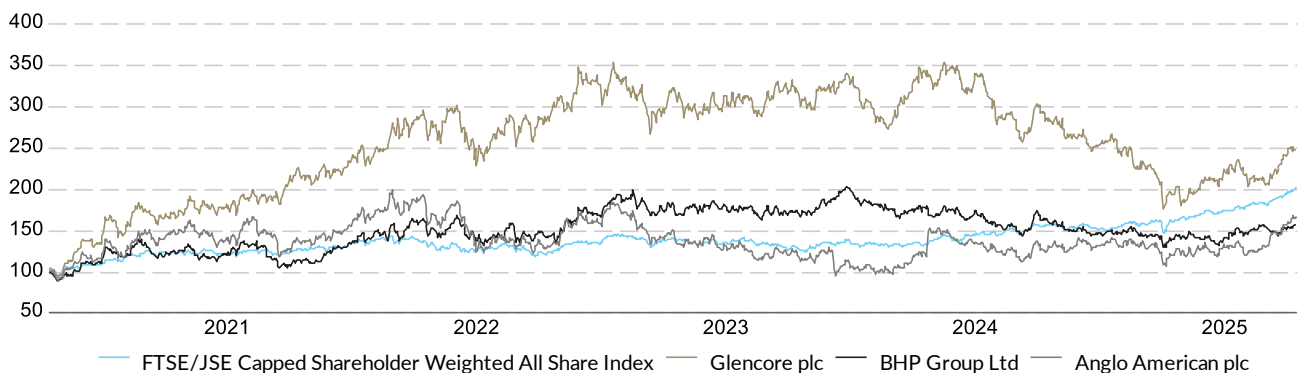


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is -2% and expected three-year EPS CAGR is 2.8% Lower revenue is anticipated due to weaker iron ore prices, driven by reduced construction activity in China, while coal will also weigh on earnings amid an oversupplied market. However, the global transition toward renewable energy and electrification is expected to support increasing demand for copper, partially offsetting the decline in bulk commodity revenues.
Valuation	★★★★☆	The share price is trading at a 4% discount to the IV. Current NTM P:E of 13.2x is trading at the five-year average P:E of 13.1x.
Dividend	★★★★☆	LTM dividend yield 4.1%. NTM dividend yield 3.9%.
Issuance	★★★★☆	Shares issued have remained unchanged in the past five years
Catalyst		Increased copper demand as the world intensifies the electrification transition, increased renewables, and digital infrastructure. A potential global copper supply shortfall that will cause an increase in copper prices. BHP's increasing exposure to long-term in-demand growth commodities. Vicuña JV will release a feasibility report in 2026 that should shed more light on mining potential, like ore grades, annual copper output, capex, etc.
Quality of earnings	★★★★☆	Five-year average ROE 26.3%. Five-year average net profit margin 21.4%. Six of the past 10 years had both positive earnings with growth. Increase in operating profit in FY25, despite declining revenues. Operating margins have remained stable in the last three years, despite some pricing headwinds.
Moat	★★★★☆	Cost advantage: Despite declining revenue, low-cost mining operations helped expand operating profit during the recent period. Intangible assets: Mining licenses that improve access to more resources and projects like the Vicuña JV. Economies of scale: BHP's size and global assets lower costs, boost efficiency, and provide resilience through commodity cycles.
Management and governance	★★★★☆	Mike Henry has been CEO of BHP since January 2020 and has over 30 years mining and petroleum sector experience. He has been with the company since 2003. The CFO, Vandita Pant, joined BHP in 2016 and was appointed CFO in March 2024. The more notable action by the management of BHP was the failed takeover of Anglo-American Plc in 2024.
Balance sheet	★★★★☆	Debt to equity 46.9%. Total Debt levels have remained fairly stable over the past 10 years. Debt to assets 22.5%. Management have however increased their net debt target range from between US\$5 billion and US\$15 billion to between US\$10 billion to US\$20 billion.
Risks		Delayed production date on JV, resulting in heightened upfront capex and negatively impacting the balance sheet. Commodity price and forex risk: Management of mining companies has little control over the prices of metals and foreign exchange fluctuations. Higher inflation levels lead to lower margins and increased debt to fund new projects. Regulation: the mining sector is heavily regulated, which is subject to change at short notice. These changes could have a high negative impact on profits and margins.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

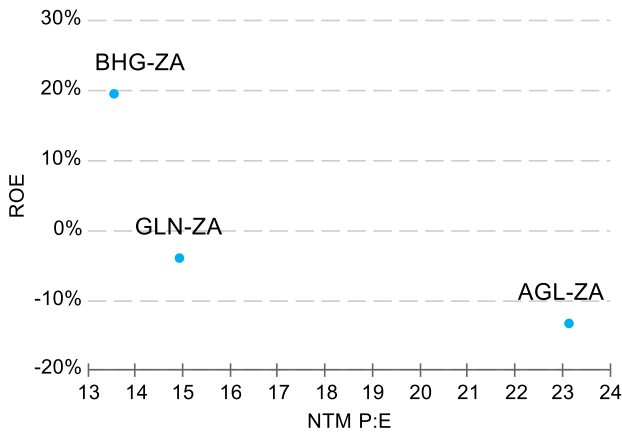


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
BHG-ZA	6.5%	2.9%	8.2%	13.8%	-4.9%	-10.4%	9.9%	56.9%	140.6%
GLN-ZA	-2.3%	2.4%	10.8%	27.0%	-13.2%	-23.2%	-12.4%	148.4%	265.2%
AGL-ZA	25.1%	4.9%	28.1%	38.4%	32.6%	31.4%	29.8%	66.0%	407.7%
Capped SWIX	32.2%	3.7%	15.2%	24.2%	29.3%	53.6%	60.8%	101.3%	72.1%

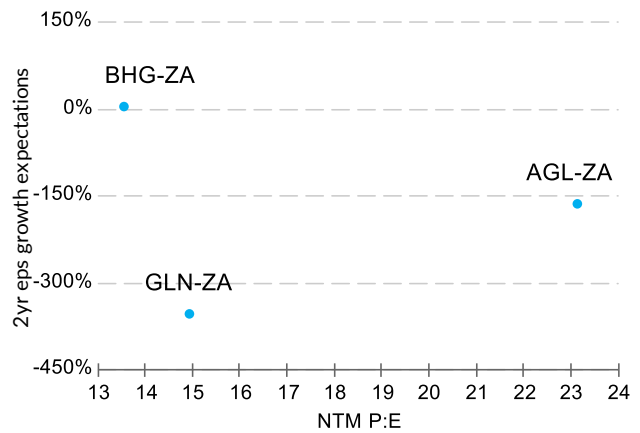
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

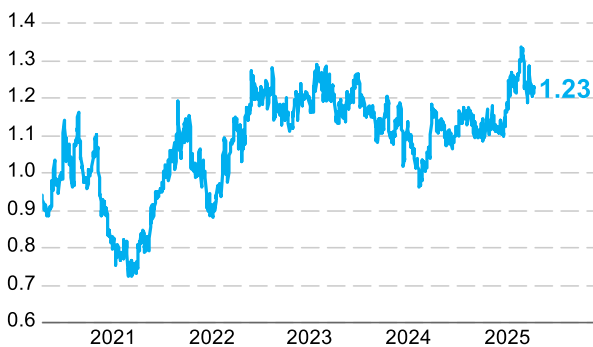
The valuation of BHP is derived using an EV/EBITDA approach, applying an exit multiple to forecast future enterprise value. EBITDA projections are based on the company’s current production guidance and the expected completion of ongoing projects. Future projects with unquantified value propositions have a limited impact on the valuation. Most of the value was derived from an increase in future copper prices, while iron ore and coal prices remained stable with a slight upside. An exchange rate of ZAR 17.50 per USD was applied to convert the valuation to a rand value per share.

In addition, three scenarios - bear, base, and bull -are incorporated using probability weightings for each case, with the base case assigned the highest probability, reflecting alignment with historical averages. The bull case probability outweighs the bear case to account for increased future copper demand and project completions.

Table 3: Valuation summary

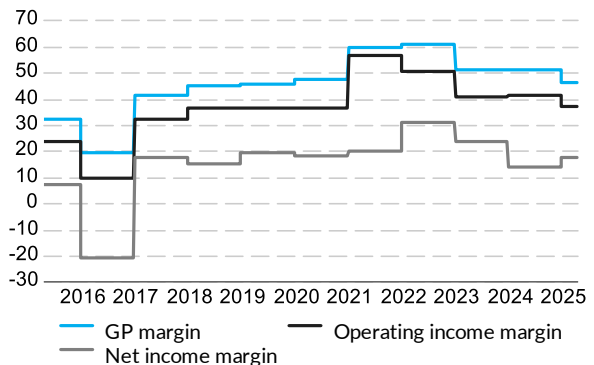
	Valuation Probabilities		
	Bear	Base	Bull
EV/EBITDA	4.0x	5.5x	7.0x
Probability	15%	55%	30%
Implied share price	R386	R494	R602
Weighted intrinsic value	R510		
Upside/(Downside)	4%		

Graph 4: NTM P:E relative to benchmark



Source: FactSet

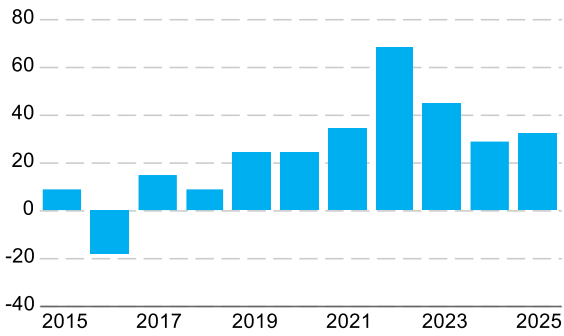
Graph 5: Profit margins (%)



Source: FactSet

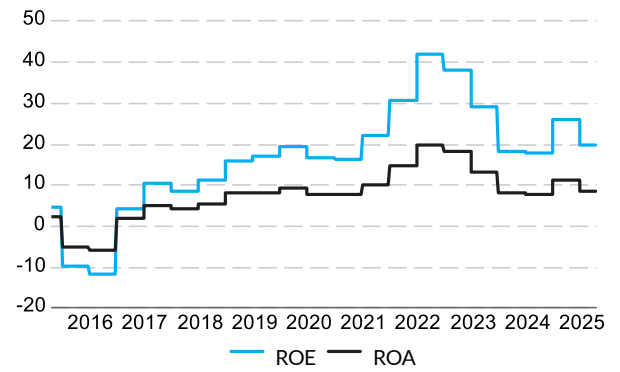


Graph 6: 10Y EPS (Rand)



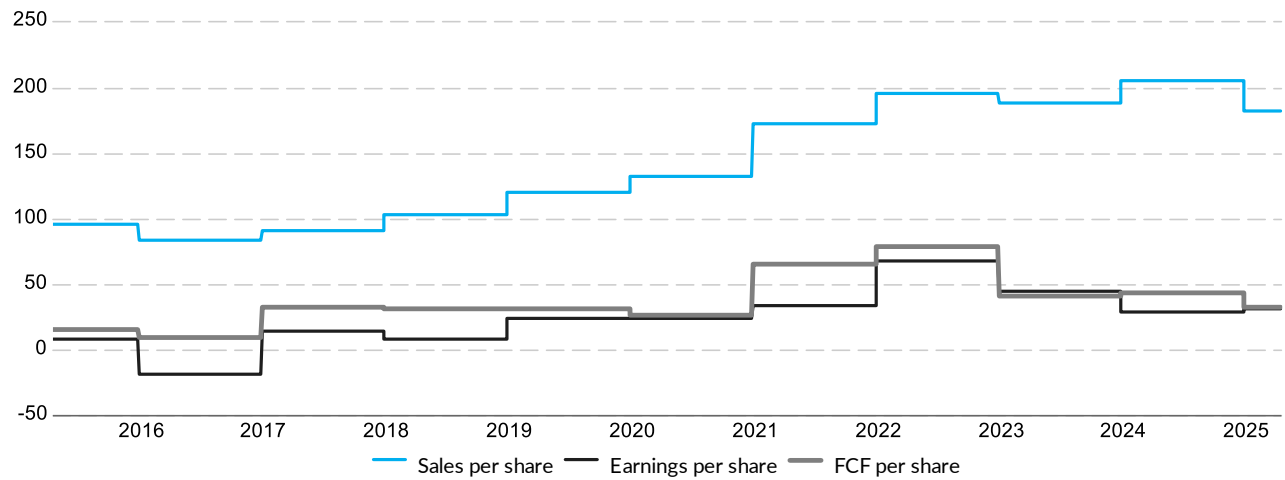
Source: FactSet

Graph 7: ROE and ROA (%)



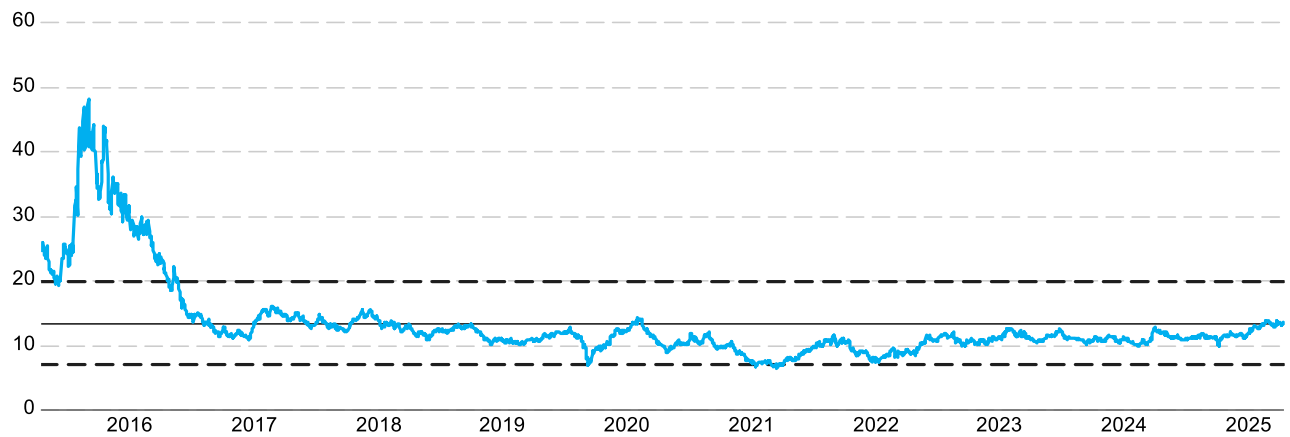
Source: FactSet

Graph 8: Sales, earnings and FCF per share (Rand)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	877 393	990 877	956 472	1 041 556	930 959	-11%	-2%	7%
Cost of sales	352 708	386 408	464 791	503 749	496 934	-1%	9%	7%
Gross income	524 685	604 468	491 681	537 807	434 025	-19%	-10%	6%
EBIT	497 941	502 623	392 065	431 234	348 996	-19%	-11%	7%
EBITDA	576 538	588 090	482 013	530 322	449 607	-15%	-9%	6%
Net income	209 649	330 957	247 840	172 632	195 138	13%	-16%	7%
EPS (Rand)	34	68	45	29	32	11%	-22%	6%
Balance sheet (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	1 555 341	1 559 057	1 913 608	1 869 130	1 933 334	3%	7%	1%
Total shareholders equity	793 970	798 909	916 792	896 931	927 979	3%	5%	0%
Total liabilities	761 372	760 148	996 816	972 199	1 005 355	3%	10%	2%
Ratios	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	5Y Avg		
Net debt/EBITDA	0.14	-0.03	0.39	0.27	0.49	0.25		
Interest coverage	44.7	52.7	19.3	13.9	12.7	28.7		
Debt/assets (%)	19%	17%	22%	20%	23%	20%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
BHG	BHP Group Limited
CAGR	Compounded annual growth rate
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FLR	Financial leverage ratio
FY	Financial year
IEA	International Energy Agency
JV	Joint Venture
LTM	Last twelve months (also known as trailing)
M	Month
Mt	Million tonnes
MTD	Month to date
NAV	Net asset value
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
RTP1	Rail Technology Programme
US\$	United States Dollar
Y/y	Year(s)
YTD	Year to date



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