

BHP



NVEST INSIGHTS

14 May 2024

BHP revised its proposed bid for Anglo American (AGL), the updated terms include:

The Revised Proposal

- An all-share offer for AGL by the BHP Group
- Preceded by separate demergers by AGL of its entire shareholdings in Anglo American Platinum Limited (AMS) and Kumba Iron Ore Limited (KIO) to AGL shareholders
- The two parts of the proposal are inter-conditional

Under the proposal, ordinary shareholders of AGL would receive:

- 0.8132 BHP shares for each ordinary share in AGL
- Ordinary shares in AMS and KIO – in direct proportion to their effective interest in AMS and KIO via their AGL holding

At market prices (13 May 2024) the proposal represents:

- An implied price of £26.86 up from £25.08 (Less the AMS and KIO positions)
 - Valuing AGL's share capital at £32.6bn up from R31.1bn (+4.8%)

AGL Rejects

Within minutes of the updated offer, AGL rejected, stating "The latest proposal from BHP again fails to recognize the value inherent in Anglo American", further, "The BHP proposal also continues to have a highly unattractive structure. This leaves Anglo American, its shareholders and stakeholders disproportionately at risk from the substantial uncertainty and execution risk created by the proposed inter-conditional execution of two demergers and a takeover".

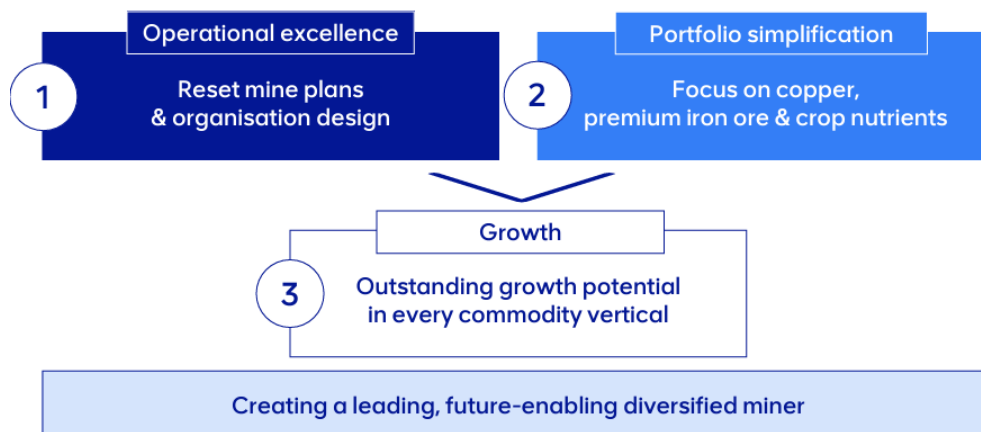
BHP reserves the right to amend the offer and vary the transaction structure, the deadline remains 5pm on 22 May 2024.

AGL Announces New Strategy Diminishing Likelihood of a BHP Deal

A day following the updated offer, AGL announced an acceleration in the delivery of its strategy to unlock significant value. The strategy includes 3 strategic priorities:



Accelerating the delivery of our strategy



Anglo American

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- Operational Excellence
 - Simplification of structure and portfolio reducing operational and cost performance to deliver superior margins.
- Portfolio Simplification
 - Portfolio focus on copper, premium iron ore and crop nutrients.
 - This would involve the divesting of the Steelmaking coal business, the demerger of Anglo American Platinum and the separation of De Beers.
- Growth
 - Growth potential from value accretive opportunities in copper, premium iron ore and crop nutrients.

This announcement from AGL significantly reduces the possibility of a deal being struck between BHP and AGL. It is clear AGL believes they are better positioned to unlock shareholder value versus a takeover from rival BHP. BHP would need to significantly up their offer to turn Anglo away from its own strategic outlook.

Taking Risk off the Table

The latest move by Anglo American signals their desire to 'do it themselves'. Although BHP has 8 days until the official deadline, we are of the opinion the probability of a deal being struck has diminished.

We remain of the opinion that AGL is undervalued at current market levels, with some analysts attaching a fair value of around R700 per share. We may well see BHP counter with a far more attractive offer however, if this does not happen, the risk of AGL tumbling to its pre-bid level of R500 per share remains.

To be prudent and to capture some of the +20% share price movement experienced over the past few weeks, we have taken profits off the top of our AGL positions. We remain invested, albeit at a smaller weighting in the event a deal is made and we experience further upside from here.

