Anglo American
Accelerating value delivery

Q&A

Tuesday 14 May 2024

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Q&A

Liam Fitzpatrick (Deutsche Bank): Good morning, Duncan and John. Thank you for the presentation. I have got three questions for you. The first one on your top shareholders. You have obviously had lots of conversations in recent weeks, so interested in any colour you can give in terms of their position on this strategy. Do you think most of your top shareholders support this? And if BHP is willing to adjust the price and deal structure, would you be willing to engage with them?

Secondly, on steelmaking coal, there is some surprise in the market over this being included in the disposal set of assets. It is cash generative. You are still trying to recover volumes, and recent multiples have been quite low. So can you just elaborate on the thinking on that?

And then finally on De Beers. You mentioned demerger and trade sale as options. I think the market would be leaning towards or prefer a trade sale. So again, can you talk through the pros and cons of each, the potential timing and any initial discussions you have had with the Botswana government?

Duncan Wanblad: Hi, Liam. Thanks for the questions. I am not going to be able to answer two of those questions. So just as a reminder, obviously really we do look forward to these questions and we would love to help out as much as we can, but technically we are now in an offer period, and we are restricted in what we can say. So, we will definitely try and be helpful in terms of what we can do, but we do need to respect these restrictions.

In terms of shareholders, we cannot say publicly what we speak to our shareholders about. That would be true in any set of circumstances. Secondly, in terms of the BHP situation, I cannot answer that in terms of these restrictions.

In terms of steelmaking coal, I am going to refer back to what we set out to do in February. This is not something that has come up in the last ten days. We set out at the beginning of the year to have a look at the resilience of our business at the top of the cycle and at the bottom of the cycle and we set out some very clear strategic priorities for this business.

The first one of those was operational excellence. That involved a whole reset of a number of plans in the operations. That is going well at this particular point in time. The second was to have a critical look through the portfolio in terms of valuation, and I will come back to the criteria that we used for that again. And the third thing was to be absolutely deliberate about where and how we allocated our capital to the growth optionality that we have within the portfolio.

Around that second point, which is very important, there were three criteria and clear principles against which we look to the design of the portfolio in the future. The first of those is the traditional type of asset review. In any mining company, from time to time, you have a look at the quality of the assets in terms of their endowment, in terms of their mining plans to deliver the value from that endowment, and that is ideally in a constrained and an unconstrained fashion. You work out where the optimal value is and what it is you need to do to unlock that value. And at the same time, in that bucket, you have to have a look at the markets in which they operate, the structure of those markets, the viable fundamentals of those markets.

And steelmaking coal would pass that. Good quality assets, good markets and, therefore, viable plans, opportunities, within that business. That is a tick.

The second of these buckets is portfolio synergies. When you have a look at all of this stuff together, there are a number of things that have to come into play. You have got to understand the capabilities and the efficiencies that you have got in the business. But also, most importantly, you have to understand how you are going to fund all of the optionality that exists within the portfolio. So that is important.

I think in the terms of steelmaking coal, that too would have been a tick in the context of that analysis.

The third bucket is a very important bucket. It is one that is not traditionally used or spoken about in asset reviews or portfolio reviews, such as the one that we have currently done. And that is how do you optimise the value delivery from the whole of the portfolio. There are three buckets within this bucket too. The first of these is, are you going to be able to get shareholder value recognition throughout the whole of the portfolio. Secondly, if you are going to change from the current status quo to something that is different, what does the cost of that change look like, and is the optimal outcome as a result of that change going to be worth the cost of doing that change? And thirdly, what sort of strategic flexibility does the remaining portfolio or the portfolio that you have left deliver for the shareholders in the future?

And in that context, in terms of portfolio complexity and daylighting the value of the copper business, daylighting the value of the iron ore business that we have and allowing the flexibility for the development of what we think is one of the most astonishing ore bodies in the world, that is where steelmaking coal fell down. And on that basis, we believe that we can use it to help reset the balance sheet by paying down debt, by selling an asset that, relatively speaking, strategically, is not a fit to the portfolio.

On De Beers, you asked demerger or trade sale. We are only just starting on this now. I understand what you said, but there are potentially a number of pathways that we will have to work through to do this, but all of them are on the table at the moment.

Alan Spence (BNP Paribas): Good morning. Regarding the copper slide and the production target to get to 1 million tonnes per annum, a lot of that is going to be weighted to after 2030. Is there an option to bring forward a few of those brownfield options post 2030 forward by a few years?

And regarding any potential asset level synergies between Collahuasi and Quellaveco mines, anything you can say around how you are thinking about that or potential timeline or how would you look to engage? And lastly, what made today the right time to slow down the investment in Woodsmith?

Duncan Wanblad: On the copper growth portfolio, the trajectory to a million tonnes is relatively close in towards the early 2030s, with the exception of Sakatti. It starts out really with the development of Collahuasi and the continued expansion of Collahuasi, then moving into Quellaveco and then Sakatti and of course, the Los Bronces underground project.

The constraints in terms of developing copper projects today, as I said in the presentation, are not an issue of geology or technology, etc. They fundamentally become an issue associated with sustainability and, therefore, permitting and the requirements that you need to get permits in order to be able to develop. Funnily enough, in terms of the markets today, it is not even a funding constraint to be able to get copper projects built. The key thing here is that you have to be able to get the permits, and that is the critical path to building a project. And all the projects that we have got in the portfolio from a copper point of view today, are running at about the fastest pace and they are not constrained by anything other than getting the permits, getting a set of permit conditions that are viable for the project and the project implementation. So, unless permitting conditions or permitting processes change materially, then I think there is very limited possibility to accelerate much of the copper growth that exists within the portfolio today other than from effective operational efficiencies.

The one thing that we have got, the number one of our key strategic priorities is operational excellence. There will be operational focus now on improving productivity and efficiencies. And there will be a little bit of growth to come from that as we keep focused on the operational efficiency element of it.

From a permitting point of view, there are two elements to this process. The first is, what is the administration process? I see some opportunities, and you certainly see countries like Chile working very hard to remove some of the bureaucracy associated with permitting and permitting processes. There is an opportunity there. But the second element of permitting a copper project or any project today is the substantive content that requires to go into the permit. And much of that is a function of collecting data and engaging stakeholders, and engaging stakeholders properly. So this is not a situation where you go and tell the stakeholders what you are doing. You have to engage with them. You have to develop the project with them. If you do not do that, it ends in tears. And I think Quellaveco is a great example of that. It took us several years to develop the project, to get to a point where we were able to implement a project that, relatively speaking, has not had any community disruptions compared to the vast majority of other copper projects that have been developed in recent times.

It is for these reasons that these permit conditions take time to get delivered and to get delivered in a sustainable and a reliable way. I do not see much opportunity to accelerate the copper growth unless the administration of some of these permits do change. And that is generally in the hands of the governmental organisations that run these permitting processes.

In terms of would we be prepared to consider anything else in terms of adjacencies. I mentioned that in the presentation. We very much like the idea of adjacencies. This is where you do get the best industrial synergies. You get the most industrial logic out of this. And I think what we did with Vale on Serpentina is a great example of that. But of course, there are a number of parties that have to come to the table on that. And when these parties come to the table, the outcome still has to be the highest value. The direct answer to the question is yes, we are prepared to engage in that. But we have a plan A and a plan B approach to it. And I just want to continue to emphasise we really do like the industrial logic of these sorts of adjacent type of deals that you could do on these assets.

In terms of why it is this the right time to do what we are doing on Woodsmith. There are a few things. First of all, we have to complete this feasibility study. It is basically the prerequisite to being able to syndicate this project. We like the idea of syndication and it is important for us to syndicate this project. We did it very successfully with Quellaveco and we will do this with Woodsmith. But we have to also now go through a massive process of restructuring the whole of the portfolio. And that is not just the work of physically restructuring the portfolio. It is also the work of physically restructuring the balance sheet. It is the most prudent and the most sensible thing for us to do under the current conditions, to, on completion of the feasibility study and subject to the fact that we have a viable project that we would go forward with, slow it down so that we can, during the process of acquiring a syndication partner or partners to the project, put the company in its future state and the balance sheet in a state that is much less exposed to ups and downs in the market conditions as the current balance sheet is. And that is why we have decided to do it now in this way.

Alan Spence: If I could please push you a little bit on that. How has that thinking on Woodsmith changed since the December update?

Duncan Wanblad: I do not think it is changed anything since the December update, we said that we have to finish the feasibility study. We want to syndicate to a partner, and we would never put the balance sheet or the credit rating of the company at risk in terms of the execution of a project like this. And we are completely consistent with that.

Alain Gabriel (Morgan Stanley): Thank you for taking my questions. I have two questions, please. The first one is with your plan today, you are going further than you have ever gone before with restructuring. And this will not be simple. Where are the greatest execution risks, and what are the realistic timelines for all these initiatives to come through?

And the second question is, I suspect you have engaged with the South African government before deciding to separate Amplats. Are there any regulatory hurdles that we need to consider for the separation, and what are the costs involved, including any potential tax liabilities? Thank you.

Duncan Wanblad: I will ask John to speak to costs and tax. There is not a lot that we can say in that respect, but I can absolutely assure you that in the consideration of how we design the portfolio, we have taken all of these things into account. It would be odd for us not to have done so.

In terms of the change, of course, it is a large change, but if you think about it in the component forms of it, there are two divestments potentially that we need to do and two demergers or a sale that we need to do. What I have said is I have a very high level of confidence of being able to execute those over a period that would see this substantively achieved by the end of 2025. So all of the calculus in terms of where the markets are, what it would take, what the regulatory processes are and how we would do it, have gone into coming up with that as the target date for completion on this thing.

Every process that you go through in the context of things like demergers have regulation associated with them. This would not be the first demerger that we have done, certainly not in South Africa. We have led several successful demergers, the most recent being Thungela. We have done Mondi before, and both of these have been extremely value accretive to shareholders when they were done in the right way and when they were done by people who understood how to do these things in that country and in that jurisdiction. All of that will be true in this situation here, too.

John, do you want to handle the tax question?

John Heasley: On tax, so obviously it would not be typical for us at this stage to be discussing potential tax consequences of a transaction. Clearly, transaction structure can have a big impact. Proceeds or value can have a big impact. Legislation can change. And that is obviously amplified in this offer situation that we find ourselves in today.

What I can say is that this is a strategy that we have been working on for some time, and therefore there are certainly no fatal flaws or material issues that we see from a tax perspective in executing any of the transactions that we are proposing here. And as we have talked about the significantly cash generative nature of the business going forward and the strengthening of the balance sheet and our balance sheet metrics, then that takes into account all of our work that we have done from a tax and a frictional cost perspective.

Bob Brackett (Bernstein Research): Firstly, if we go back to 22nd February and full year results, you laid out the structure, the backbone of what you are talking about today. Here, you are filling in a lot of the valuable details. Has anything changed in your strategic thinking, perhaps catalysed by the BHP offer? Or is this what you would have told us maybe at a slower pace without the BHP offer?

Duncan Wanblad: I absolutely believe that this is the structure that delivers the best value against the principles that we set out. The only thing that the BHP takeover offer has done is just accelerated the timing of the announcement of it. This is the right structure. It is the highest option from a value perspective. And I promise you that during the whole process, since we started doing this review, we have run a number of options against that third criteria. How does the portfolio all fit together? How do you daylight the value of all the component parts of the portfolio? What are the costs of moving from status quo to the outcome? And this is the best strategic solution for this business and the assets that we have in the businesses today.

So the only thing that would be different would be we probably would have waited until beyond the South African elections to roll this out publicly, but our hand has been forced by the fact that the offer is in now.

Bob Brackett: Very clear. This is a process that will unwrap over the next, say, a year and a half; end of 2025 I think you talked about. How have you stress tested the portfolio and the strategy against a down cycle in commodity prices or a recession? What do you see as testing the limits of what could go wrong?

Duncan Wanblad: Absolutely. We have seen what the impacts are to a portfolio that has a number of complex businesses in them, when just two of those businesses go into the bottom of a cycle, as we saw in 2023 and late in 2022 with both PGMs[1] and diamonds being bottom of cycle in a material way. That factored enormously into our thinking about the resilience of the portfolio and the risk of the portfolio. So again, when you have a look at that, that third criteria against which we were doing the portfolio assessment daylights how you might think we were thinking about this going through.

The drivers for the commodities that are in the retained portfolio in Anglo American are very, very strong. That is the first thing. So copper for the energy transition, copper for the improvement of living standards across the world, copper in all sorts of applications. It is going to be very, very difficult to supply into that world, into that level of demand, with the availability of copper and copper projects in the world today. So we feel very confident in copper and copper demand, looking at the shape of the portfolio, and especially with the quality of the assets that we have got in the portfolio, even more especially with the optionality that we have in the assets in this portfolio. And thirdly, even more especially with the capabilities that we have of being able to obtain permits and be able to deliver projects successfully in this world. We like that construct and the fundamental structural support around that particular vertical in the business.

We believe very strongly that the world will have to transition to carbon neutrality in some shape or some form, and steel has a very material role to play in that. And there is the transition, which will take an enormous amount of steel as we build towards carbon neutrality. And that steel is always going to lean into the highest quality of iron ore that is available in that process. And at the end of this process, there is going to be, by the looks of things, a much more significant level of demand for high-quality iron ore that could go into DRI steel making. And our portfolio looks really resilient against that as a demand trend.

And then lastly, in terms of polyhalite, we understand that the world is going to be really short food at some particular point in time. We believe that this is an asset that can deliver into the bottom of this cost curve with a very unique product - all the same nutrients that exist in all fertilisers today, but packaged in a different form. So we believe that if we can get this project up and running through a resilient balance sheet, then the fundamentals of it provide a lot of support for the balance sheet in the future.

[1] 'PGMs' misstated as 'Copper' in live event.

So those are the three drivers, and the portfolio is nicely weighted as it stands today, if you have a look at it from a risk perspective. So three major elements of the portfolio, 50% of it is going to be copper for the foreseeable future. These are really, really good fundamentals that I believe support the strength and the resilience of the portfolio in a go-forward situation.

Dominic OKane (JP Morgan): You present a very positive outlook for your copper assets, and we see a very positive copper price reflected in the market and strong strategic interest from corporates and investors in copper generally. Was there consideration, or could there be consideration, to an alternative proposal under which you look to sell down a partial or full stake in the Copper division in order to maximise shareholder value, or is that something that you will rule out as part of your strategic initiatives?

Duncan Wanblad: I am just going to refer you to what I said in answer to, I think it was Alain's question, but fundamentally, there were very clear principles against which we assessed the portfolio. When I went out in February and I said that we were doing this thing, I said that everything was on the table. We would look at every possible view of value creation and value exposure for the Anglo American shareholders. And we did that. And when you run through all of the criteria associated with the design principles of the portfolio review, you will end up where we ended up today. This is the best set of opportunities. This is the best value creation story for Anglo American and its shareholders.

Dominic OKane: So just to push on that, if the facts change and all options still remain on the table.

Duncan Wanblad: If the facts change - of course, the strategy is always contextual. But we have looked at this. As I said, this has not been something that has happened over the last ten days. We have been doing this for many, many months now. We feel very confident and very robust in the outcome that we are presenting to you today.

Ben Davis (Liberum): Exactly where are we with the Botswanan marketing agreement? I do not think it has been signed. What are the consequences of this proposed transaction? Also, just for clarification, with the new Anglo, does that suggest that we do not have the balance sheet capacity to do Woodsmith by itself?

Duncan Wanblad: As far as the sales agreement with Botswana goes, there is no change in terms of what we are announcing today relative to the Botswana agreement. The Botswana agreement is an extremely, extremely valuable outcome for both De Beers and the Government of the Republic of Botswana. We are very close to finalising the last elements of it. Our expectation is that when that is done, we will take it to an EGM and have that approved. Everything is done as we had set it out to you a couple of months ago. And whatever happens, as far as De Beers is concerned, in a new ownership structure or as an independent company spun out of Anglo American, the relationship with the Government of the Republic of Botswana is an absolute key component to the success of that business.

What this agreement is and what the strategy is for Anglo American and De Beers is all wrapped up in an outcome that is absolutely valuable for the current agreement. I do not see any reason that the current agreement would change as a result of what we are announcing today at all. The team is very motivated. They are working together. Al is in Botswana right now working through it with our counterparts in the government.

John Heasley: On Woodsmith, essentially the slowing of Woodsmith just now relates to the fact that we were going to be proceeding full steam ahead with the portfolio restructure. There is a lot of work to do on that. That will take us the 18 months to 24 months. And therefore, we will reset the balance sheet as part of that, including proceeds from disposals. At that point in time, we will have afforded ourselves the time to complete the feasibility study. The Board will then look at the feasibility study, together with the work that we are doing on syndication, and syndication is principally about risk management. So, as with any major project, we look to syndicate. We did it with Quellaveco, and we will do the same with Woodsmith as part of overall risk management of a major project.

However, the two years also affords us to reshape the group. And as you heard in my prepared remarks earlier, the cash generative nature of this group gives us great confidence that we are going to deleverage and, therefore, have the sufficient cash generation and balance sheet strength to self-fund the growth in copper, in iron ore and in Woodsmith. So, no concerns in terms of Woodsmith and the capacity to do it. Clearly, though, that said, if the balance sheet was not there, then as with any greenfield project, we would not be proceeding and we would not be compromising shareholder returns to do that. But that is not our intention. And when you look at the shape of this new group and model that through, then I am sure that you will see the cash generative nature will be able to self-fund the exciting growth opportunities that we have, including Woodsmith.

Richard Hatch (Berenberg): Firstly on Plats, you talk about just demerging in an orderly way. Do you envisage that to be one fell swoop, or is that a gradual sell down?

And then secondly, are you able to give us any colour on the care and maintenance cost at Woodsmith as you ramp it down and the associated rehab liabilities with the assets that you are proposing to divest?

Duncan Wanblad: In terms of Plats demerging in an orderly way, we will work with the board of Anglo Platinum, of course. That is the orderly element of it. To the extent that there are any options that are more value accretive than a demerger, we would of course consider that, but right now the base case would be a demerger.

In terms of the care and maintenance costs of Woodsmith, what we have got and what we have guided to today is we will spend the $900 million this year, which will take us to the feasibility study and ramp us down. We will then spend $200 million of capex and some operating costs during the course of next year to complete the feasibility study and enable the syndication. And then it goes to zero capital, but some operating costs in the following year. And at that particular point in time, we will have to reassess in terms of the start-up of the project.

As far as the associated rehabilitation costs with the divesting assets, that would all be in the calculations with the potential buyers of any of these assets. We do not see any onerous outcomes of that to the rest of Anglo American.

Richard Hatch: But just in the broad scheme of how much rehab sits on your balance sheet at the end of December, have you got a steer as to how much of that sits with those assets that you are proposing to divest?

John Heasley: No, we disclose in total. I am not sure we have broken it down publicly by individual asset, which, in the current situation, we would not be able to do. But you can get the total number in the annual report.

Alexander Pearce (BMO Capital Markets): Are you considering the sale or demerger of De Beers as a whole, or is there any potential for splitting up the upstream and downstream parts of the business to realise more value given the De Beers name? And would you consider, if you have got enough value from that asset, holding potentially the mining side of the business?

Duncan Wanblad: First, I really want to reinforce what I have been saying for ages. It is a great business, and it has fantastic assets, and it has an exceptional brand. And, therefore, on that basis, it really deserves to be together on that set of criteria. How we do this is going to be a journey. We have to look at a number of options in terms of, as you say, a trade sale or a demerger, but it also has to be in conjunction with one of our most important stakeholders, which is the Government of the Republic of Botswana.

Alexander Pearce: Can you go through the key changes at Woodsmith in terms of the development milestones as part of getting to this feasibility study, and presumably there are some demobilisation issues with construction, etc. if you are basically cutting off next year.

Duncan Wanblad: Yes, that is right. In terms of key milestones - firstly, the requirement for a feasibility study is to fundamentally complete the key technical studies that we have got outstanding, that we would normally require for a bankable feasibility study that we would take to an FID approval process. And then the second is to gather the data and the information that allows us to more accurately predict or estimate the capital costs and the time that it is going to take. All of that work will continue on those critical path items for the purpose of those criteria during the course of this year and early next year. We will then start the demobilisation of the non-critical path items, and that is what is reflected in the capital and the operating cost for next year and the year after.

Matt Greene (Goldman Sachs): Duncan, you mentioned a few times minimising the value leakage of delivering this plan. As you stand today, could you please just elaborate on where you see the greatest risk on this value leakage and the plan you have outlined today? And, I do not see any mention on your manganese investment - what is the plan for that?

Duncan Wanblad: You might be the first analyst that is asked us about manganese in the last five years! Minimising the value leakage has been a key element in us working through this portfolio. So, you can absolutely be assured that we have taken all of that into consideration, and the benefit of this portfolio completely outweighs what we believe the value leakage, in your language, is going to be, costs in my language. And so that is well taken care of.

In the context of where we think the big things are, honestly, we have done much of this before. We understand how it works. And therefore, it really is just a function of time and getting through the regulatory processes in the right way. And of course, being sure that we do not end up compromising shareholder value by divesting assets at the bottom of the cycle. We are not forced sellers here. This is strategic. This is us wanting to optimise the value of the whole of the portfolio. So it is really just that, that we see.

As far as manganese is concerned, it is a great business, and it is a great set of assets. But honestly, given the work that we have been doing over the last few months, that is on the to-do list, and we have not quite got to the outcome of that at this point in time.

Thank you very much. Really appreciate your time, and especially at such short notice. This is a really, really exciting opportunity. This is a mining company that is like no other going forward. It has some incredible DNA. It has some incredible capabilities today. All of these transfer to the new mining business of Anglo American and will also transfer to the divested and the demerging assets from Anglo American. I think this is the story of the century. Thank you very much for your time.

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