

Anglo American plc

Europe Satellite*

Recommended since 26.09.2024

26.09.2024



Country GB	Market capitalization (bn) GBP 31,1	Perf. since reco. (%)
Sector Basic Resources	Free float 91,7%	Anglo American plc 0,0
Factset AAL-GB	Closing price GBP 22,98	Sector 0,0
ISIN GB00B1XZS820	ESG Risk score* 24,3 Medium risk	

Profile
 Anglo American is a diversified mining company in full transformation. By 2023, its exposure was split between iron ore (39% of EBITDA), copper (32%), metallurgical coal (13%), platinum group metals (12%), diamonds (1%), and nickel & manganese (3%). But this will change by 2026, with a refocus on copper (70%) and iron ore (30%). The company holds an 85% stake in De Beers and a 79.4% stake in Anglo American Platinum Ltd, which will be separated or sold.

Strengths/opportunities

- High-quality, tier-1 assets for copper and fertilizers, with medium- to long-term expansion potential.
- Repositioning mainly in copper, benefiting from the energy transition.
- Strong balance sheet, with a debt-to-equity ratio of 14% in 2021.

Weaknesses/threats

- Highly sensitive to changes in commodity prices and demand in China.
- Geographical exposure of assets mainly in South Africa and South America (Chile/Peru/Brazil).
- Strategic plan and project execution risk.

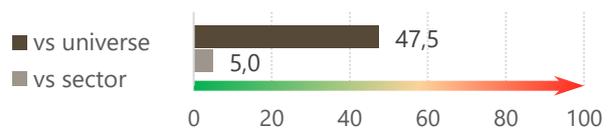
Investment case

- Anglo American continues its transformation, with the announcement of a vast refocusing program on copper, quality iron ore (including Kumba Iron ore) and fertilizers (Woodsmith project). Its completion is expected by the end of 2025 and will include : 1/ the disposal of metallurgical coal and nickel assets estimated by the end of the year ; 2/ the spin-off of Anglo American Platinum (PGMs), probably in H1 2025 ; and 3/ the disposal or spin-off of De Beers (diamonds) scheduled for H2 2025. While execution promises to be complex, the restructuring will enable an improvement in operating performance.
- At the end of this far-reaching process, Anglo American's business will be focused on copper (70% of EBITDA), a key component of low-carbon solutions, and high-quality iron ore (30% of EBITDA). Its copper production is based on four sites, three located in Chile (Los Bronces, Collahuasi and El Soldado) and Quellaveco (in operation since the end of 2022) located in Peru, offering expansion potential of over 30% in volume by the end of the decade.
- We remain cautious about the macroeconomic environment (weak and uncertain manufacturing PMIs globally, structural challenges in China), but the change in the Chinese authorities' stance, with the announcement of significant measures to bolster the economy, represents support for the sector in the short term. We enter Anglo American as a Satellite recommendation.

Valuation

Valuation is reasonable, with NTM EV/EBITDA and P/BV at a discount to peers of 10% and 30% respectively. FCF yield and dividend yield are 5.5% and 3% respectively in 2025.

ESG risk vs. universe & sector (percentile)*



USD	12/2023	2024e	2025e
Sales revenue (mio)	30 656	28 596	29 005
Sales growth	-12,7%	-6,7%	1,4%
EBIT adjusted (mio)	6 845	6 376	7 127
% of sales	22,3%	22,3%	24,6%
Net income (mio)	2 932	2 396	2 767
Net income growth	-51,4%	-18,3%	15,5%
FCF/Sales	0,8%	4,3%	5,2%
Net debt/Ebitda	1,2x	1,2x	1,1x
Dividend yield	2,8%	2,5%	3,0%
VE/EBITDA	5,0x	5,5x	5,2x
P/BV	1,4x	1,5x	1,4x

Factset estimates

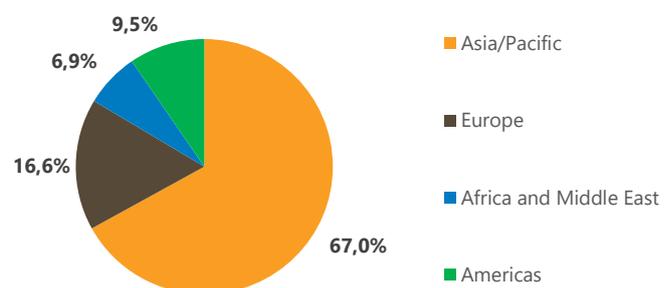
ESG - risks and key points

- Anglo American's ESG risk is medium. A strong performance on corporate governance and management of ESG issues. However, the company has in the past been involved in a number of controversies.
- Anglo is exposed to environmental risks and regulatory requirements (controlling pollution, processing of tailings and waste, etc.). 75% of its assets are located in regions with water shortages.
- Local community consultation and engagement are prerequisites for continued operations.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainabilitys

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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