

Anglo American plc

Europe Satellite*

Recommended since 28.01.2021

10.06.2022



Country GB	Market capitalization (bn) GBP 53.0	Perf. since reco. (%)
Sector Basic Resources	Free float 91.2%	Anglo American plc 60.3
Factset AAL-GB	Closing price GBP 39.05	Sector 32.9
ISIN GB00B1XZS820	ESG Risk score* 23.7 Medium risk	

Profile

Anglo American is a diversified mining company currently undergoing major change. In 2021e, its exposure was spread across iron ore (34% of 2019 EBITDA), platinum group metals (33%), copper (18%), diamonds (6%), nickel and manganese (4%) and coal (3%). However, exposure to copper and platinum group metals (PGMs) is set to increase in the medium term, buoyed by future growth projects. The company owns 85% of De Beers and 79.4% of Anglo American Platinum Ltd.

Strengths/opportunities

- Highest medium-term growth in the sector, with significant opportunities in copper.
- Repositioning in metals benefiting from energy transition.
- Strong balance sheet, with a 2021e debt ratio of 11%.

Weaknesses/threats

- Highly sensitive to variations in commodity prices and fluctuations in Chinese demand.
- Geographical exposure: majority of assets in Africa (42% – South Africa/Botswana) and South America (41% – Chile/Brazil).
- Project execution risk.

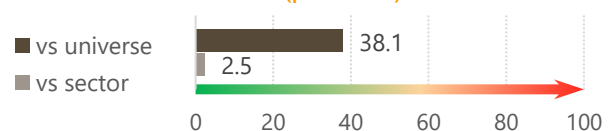
Investment case

- Anglo American pursues its transformation, with the exit from thermal coal in 2021 and investment in growth projects. Its exposure will shift further towards commodities benefiting from energy transition and consumption, which are set to account for nearly 65% of production in the medium term (currently 55%), and away from those threatened with substitution and early cycle. Its positioning will be strengthened in copper (widely used in low-carbon solutions), PGMs (used in fuel cells that convert hydrogen into electricity and in the production process of green hydrogen) and, to a lesser extent, nickel (a component in lithium-ion batteries), which are set to account for 30%, 20% and 3% of EBITDA respectively in the medium term.
- Its growth profile is the most dynamic in the sector, with production set to grow 20-25% by 2023-2025. Furthermore, Anglo has a relatively substantial pipeline of as yet unapproved projects that will bolster its repositioning and drive additional growth.
- As regards greenhouse gas emissions, the group is targeting a 30% reduction by 2030 (vs. 2016) and plans to make its operations carbon neutral by 2040.

Valuation

The valuation is reasonable, with a 2022 EV/EBITDA and P/BV equating to a discount of 15% and 5% to its peers. The 2022 FCF and dividend yields come out at 10% and 6% respectively.

ESG risk vs. universe & sector (percentile)*



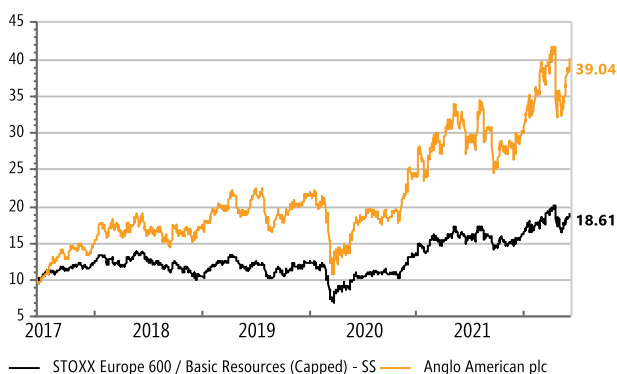
USD	12/2021	2022e	2023e
Sales revenue (mio)	41'547	42'066	39'744
Sales growth	63.3%	1.2%	-5.5%
EBIT adjusted (mio)	17'589	16'442	13'829
% of sales	42.3%	39.1%	34.8%
Net income (mio)	8'925	8'812	7'335
Net income growth	184.7%	-1.3%	-16.8%
FCF/Sales	18.6%	12.4%	10.3%
Net debt/Ebitda	0.2x	0.2x	0.1x
Dividend yield	5.5%	6.3%	5.3%
VE/EBITDA	3.6x	3.5x	4.0x
P/BV	2.3x	1.8x	1.7x

Factset estimates

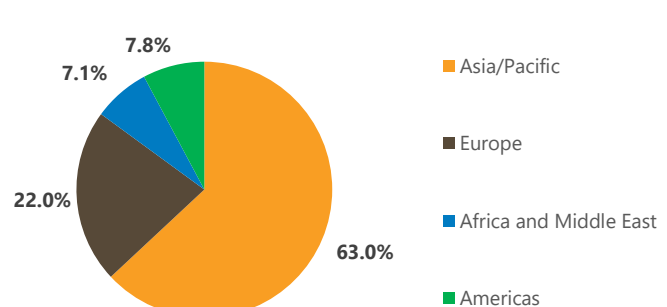
ESG - risks and key points

- 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 - 12/2021



*: see overleaf

Source: Factset, Sustainalytics

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.

Offices & Branches

Bordier & Cie Genève

Rue de Hollande 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

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