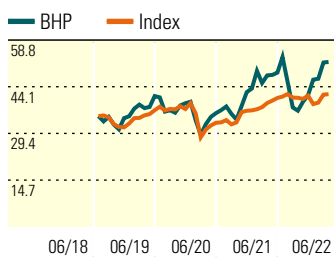


BHP Group Limited BHP ★★ (4:00PM 05-Apr-2022)

Snapshot

Fair Value Uncertainty	High
Moat Rating	None
Fair Value \$	39.00
Capital Allocation	Standard
Market Cap \$Mil	262,988
Morningstar Style Box	
Price \$ (4:00PM 05-Apr-2022)	51.95
52 Week High/Low \$	54.55/35.56
Shares Issued Mil	5,062
Morningstar Sector	Basic Materials
Morningstar Industry	Other Industrial Metals & Mining
GICS Sector	Materials

Price vs. Market



	06/20	06/21	06/22e	06/23e
NPAT (\$Mil)	13,540.6	22,894.5	26,984.2	27,161.5
EPS ¢	267.1	451.7	532.4	535.9
EPS Chg %	8.6	69.1	17.9	0.7
DPS ¢	179.3	403.5	455.4	430.7
Franked %	100.0	100.0	100.0	100.0
Div Yld %	5.0	9.5	8.8	8.3
P/E x	13.5	9.4	9.8	9.7

Source: Morningstar estimates 14-Feb-2022.

Profile

BHP Group Limited (BHP, Formerly BHP Billiton Limited) Is A Diversified Natural Resources Company Producing Commodities Along With Substantial Interests In Oil And Gas. BHP's Principal Business Lines Are Mineral Exploration And Production, As Well As Petroleum Exploration, Production And Refining. BHP's Assets, Operations And Interests Are Separated Into Petroleum And Potash, Copper, Iron Ore, Coal And Nickel.

Investment Perspective by Mathew Hodge 21-Jan-2022

BHP has several of the world's largest mines. Key commodities are iron ore, coking coal, and copper. In addition, the company has oil exposure with conventional petroleum, and liquefied natural gas assets. The iron ore mines in particular are at the low end of the industry cash cost curve; however, overinvestment during the peaks of the China boom, when capital costs were very high relative to historical standards, diluted returns. After adding back the not-inconsiderable write-downs, BHP's invested capital base nearly quadrupled in the decade-ended 2015, substantially lowering returns such that we expect adjusted midcycle returns at close to the company's cost of capital. Excluding impairments, we forecast midcycle returns close to our estimated cost of capital.

Research Archive

Time	Date	Rating	Price \$	Event
11:53PM	10-Mar-2022	★★	47.75	
<i>War in Ukraine Could Wreak Havoc on Mined Commodity Supplies, Particularly Coal</i>				
3:28PM	15-Feb-2022	★★	48.33	
<i>Metallurgical Coal and Last Gasp Boost From Petroleum Drive BHP's Record First Half</i>				
12:33PM	21-Jan-2022	★★	48.01	
<i>Shareholders Vote to Reunify BHP While Iron Ore Is Firing, AUD 39 FVE Retained.</i>				
4:00PM	13-Jan-2022	★★	46.85	\$
<i>Price move through trigger level</i>				
11:48PM	15-Dec-2021	★★★	41.07	
<i>Corporate Action: Australian Earnings Can Frank BHP Dividends, Recommend Voting for Unification</i>				

\$ = Price Move = Research Report

Financials

	06/19	06/20	06/21	06/22e	06/23e
Sales Revenue (\$Mil)	62,543.4	65,323.6	82,218.8	93,912.1	95,406.3
EBITDA Margin %	51.0	48.3	55.3	61.5	60.4
EBIT (\$Mil)	23,318.9	22,318.0	35,965.9	46,741.3	46,171.8
EBIT Margin %	37.3	34.2	43.7	49.8	48.4
Adjusted NPAT (\$Mil)	12,771.6	13,540.6	22,894.5	26,984.2	27,161.5
Reported NPAT (\$Mil)	11,626.5	11,890.6	15,154.8	25,267.4	27,161.5
Earnings Per Share ¢	245.9	267.1	451.7	532.4	535.9
Avg no. of Shares (\$Mil)	5,193.0	5,069.0	5,068.0	5,068.0	5,068.0
Book Value Per Share ¢	1,273.4	1,413.3	1,356.1	1,463.1	1,561.5
Net Operating Cashflow (\$Mil)	0.0	0.0	0.0	40,648.7	42,234.2
Capex (\$Mil)	-10,130.2	-10,312.4	-8,856.4	-11,227.6	-10,266.3
Free Cash Flow (\$Mil)	27,162.3	11,057.9	22,866.2	26,943.5	29,507.9

Key Dates

Fiscal Year End	30 Jun	AGM	14 Oct 2021
Listing Date	13 Aug 1985	DRIP	Active

Equities Research Methodology and Disclosure

We believe that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star, or Buy-rated, stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star, or Sell-rated, stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts. In this document, we provide a detailed overview of how the Morningstar Rating for stocks is derived, and also outline the analytical work that feeds into our coverage of stocks.

Morningstar's Economic Moat™ Rating

Moat is a proprietary Morningstar rating that measures a company's sustainable competitive advantage, if any. An economic moat enables a company to generate returns on invested capital above its cost of capital for a long period of time. Morningstar has identified five sources of economic moats: intangible assets, customer switching costs, cost advantages, network effects, and efficient scale. Morningstar assigns stocks one of three moat ratings: wide moat (companies with the longest-lasting competitive advantages), narrow moat (those with less durable competitive advantages), and no moat (those with no sustainable competitive advantage).

Determining Fair Value

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' independent primary research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process.

The Uncertainty Rating

The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors. Based on these factors, analysts classify the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases.

Generating the Morningstar Star Rating

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the recommendation, or star rating, is automatically re-calculated at the market close on every day the market is open. Lower price/fair value ratios (<1.0) lead to positive recommendations while higher price/fair value estimate ratios (>1.0) lead to negative recommendations.

Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted. Furthermore, we would expect our fair value estimates to generally rise over time, due to the time value of money. Specifically, over the course of a year, barring major changes to analyst assumptions, we would expect our fair value estimates to increase at the level of our estimate of a firm's cost of equity (net of shareholder returns attributed to dividends). So, for a stock that pays no dividends with a \$100 fair value estimate today and an estimated 10% cost of

equity, we would expect our fair value estimate to rise to \$110 in 12 months, all else equal.

It is also worth noting that there is no predefined distribution of our recommendations. That is, the percentage of stocks that earn a Buy rating can fluctuate daily, so the recommendations, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many Buy-rated stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

Our recommendations /star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential. This rating encourages investors to consider an overweight position in the security relative to the appropriate benchmark.

★★★★ Appreciation beyond a fair risk-adjusted return is likely, in our opinion. This rating encourages investors to own the firm's shares, possibly overweight relative to the appropriate benchmark after fully considering more attractively priced alternatives, such as our Buy recommendations.

★★★ Indicates that we believe investors are likely to receive a fair risk-adjusted return (approximately cost of equity). Concentrated portfolios might consider exiting these positions if more attractively priced alternatives are available.

★★ We believe investors are likely to receive a less than fair risk-adjusted return and should consider directing their capital elsewhere. Securities with this recommendation should generally be underweight, assuming less expensive alternatives are available for the portfolio strategy being employed.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss. This rating encourages investors to strongly consider exiting portfolio positions in the security in nearly all strategies.