FLASH

BHP Billiton Plc

Investec Securities

SA: Investec Securities Ltd

5 February 2007 | General Mining | South Africa | **Buy** | **13915c**

Pre-results comment: share price catalyst required

BHP Billiton should report strong interim earnings – up by almost 50% on H1 FY2006. We see upside to a target price of 1200p (R155), but the shares require a catalyst to achieve these levels. This might be a greater than expected capital management programme, or recognition by the market of the intrinsic value in the company's oil business. The company remains our preferred choice in the sector, and we maintain our Buy recommendation.

- **Financial overview.** BHP Billiton reports its interim earnings on Wednesday 7th February. We are forecasting an underlying EBIT of US$9,564m, which we understand is broadly in-line with consensus (US$9,531m) and compares with US$6,671m in H1 2006. On a net profit basis we are forecasting an interim result of US$6,355m (consensus is US$6,396m) up 46% on the comparable period's US$4,364m. Our eps forecast is US107.4c (consensus 107.5c), 49% up on the comparable US72.1c, and we are forecasting an increase in the regular interim dividend, from US17.5c to US20.0c.

Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (US$m)	31,150	39,103	43,298	45,558	37,327
EBITDA (US$m)	12,008	18,045	22,401	23,347	14,911
Operating profit (US$m)	9,921	15,309	19,838	19,904	11,176
PBT (US$m)	9,484	14,709	19,384	19,594	10,810
Headline Net Profit (US$m)	6,512	10,176	14,227	14,089	7,773
HEPS - Fully Diluted (USc)	105.7	167.8	240.9	238.6	131.6
HEPS - Fully Diluted (quote ccy) (c)	656.7	1,072.0	1,729.8	1,676.1	931.5
DPS (reporting ccy) (USc)	28.0	36.0	40.5	42.5	44.5
DPS (quote ccy) (c)	175.7	238.1	289.2	298.6	315.1

Source: Company Accounts/Investec Securities Estimates

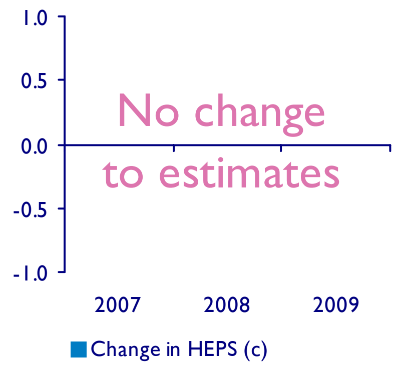
Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	18.3	11.6	8.0	8.1	14.7
EV/EBITDA (x)	4.7	3.1	2.5	2.2	3.6
EV/EBITA (x)	5.7	3.7	2.8	2.5	4.8
Yield (%)	1.4	1.9	2.1	2.2	2.3
NPV - current	0.00	0.00	0.00	0.00	0.00

Source: Company Accounts/Investec Securities Estimates

Refer to important disclosures starting on page 5.

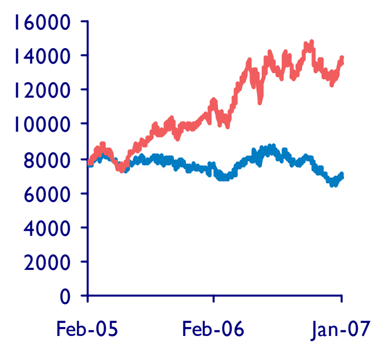
Impact On Estimates



Source: Investec Securities Estimates

Market Cap	R343,443m
JSE Code	BIL
Target Price/Risk	8900c/Medium
Total Return	13.5%

Share Price Performance



	1m	3m	12m
Price (Δ%) (LHS)	6.3	(4.2)	21.1
Rel. All Share (Δ%)	3.8	(13.8)	(7.5)

Source: JSE Securities Exchange

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