

Rio Tinto Limited (RIO)

Materials

BUY

RIO A\$92.82

TARGET PRICE A\$126.89

Rio Tinto Limited (RIO) is engaged in minerals and metals exploration, development, production and processing. The Company's Portfolio of assets is condensed into four product groups: Aluminium, Copper & Diamonds, Energy & Minerals and Iron Ore.

Company Data

Number of shares	371.2M
Market Capitalisation (\$m)	35,640.5
Free float (%)	100.0
12-month high/low	\$134.40/\$87.51
Average Daily Turnover (\$m)	158.0
% S&P/ASX200	1.817%
DDM Ranking	213
% All Ordinaries	1.417%
GICS Industry Group	Metals & Mining

Source: FactSet, BPC

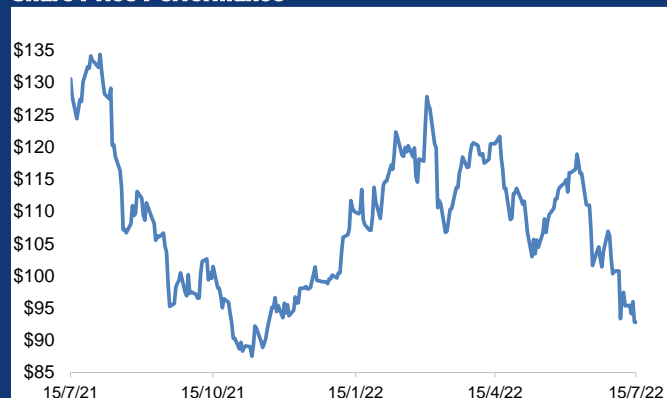
Earnings Summary (AUD)

Year end December	2021A	2022F	2023F	2024F
Revenue (\$M)	89,435.9	84,823.8	76,918.2	70,191.3
EBITDA (\$M)	53,130.5	49,407.8	41,712.1	35,043.8
Reported NPAT (\$M)	29,712.0	28,290.3	21,800.1	17,195.7
Adjusted NPAT (\$M)	30,114.8	27,774.5	21,822.4	16,588.7
Reported EPS (c)	1,824.1	1,760.7	1,364.4	1,079.0
Adjusted EPS (c - FD)	1,860.7	1,720.8	1,384.9	1,081.2
Adjusted EPS growth (%)	87.1	N/A	N/A	N/A
Adjusted P/E (x)	5.2	5.6	6.9	8.9
Dividend (c/sh)	1,464.9	1,250.9	995.4	726.8
Gross yield (%)	21.8	18.6	14.8	10.8
Net yield (%)	15.3	13.0	10.4	7.6
ROIC (%)	38.8	32.8	24.4	17.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share Price Performance



Source: FactSet, Barclay Pearce Capital

Q2 2022 Production Results Update

On 15th July 2022, Rio Tinto Limited (RIO) released Q2 2022

Production Results Update with the following highlights:

Highlights:

- Gudai-Darri delivered first ore from the main plant in June;
- As it ramps up, RIO expect increased production volumes and improved product mix in the second half, with Gudai-Darri capacity to be reached in 2023;
- Pilbara operations produced 78.6Mt (100% basis) in the second quarter, 4% higher than the second quarter of 2021;
- Shipments were 79.9Mt (100% basis), 5% higher than the second quarter of 2021;
- Bauxite production of 14.1Mt was 3% higher than the second quarter of 2021 due to strong operational performance at Weipa as a result of improved plant reliability at Amrun;
- Aluminium production of 0.7Mt was 10% lower than the second quarter of 2021 due to reduced capacity at our Kitimat smelter in British Columbia following the strike which commenced in July 2021;
- Mined copper production of 126kt was 9% higher than the second quarter of 2021 due to higher material movement and higher grades and recoveries at Kennecott and Escondida; and
- Titanium dioxide slag production of 293kt was 2% lower than the second quarter of 2021 with steady performance at Richards Bay Minerals in South Africa and improved stability of operations at Rio Tinto Fer et Titane, Canada.

Guidance:

- Guidance for Pilbara iron ore (shipments, 100% basis) (320-335Mt), Bauxite (54-57Mt), mined copper (500-575kt), refined copper (230-290kt), titanium dioxide slag (1.1-1.4Mt), IOC iron ore pellets concentrate (10.0-11.0Mt) and Boric oxide equivalent (0.5Mt) all remain unchanged;
- Iron ore shipments and bauxite production guidance remain subject to weather and market conditions;
- Pilbara iron ore 2022 unit cost guidance of \$19.5-\$21.0 per tonne remains unchanged;
- Copper C1 unit cost guidance in 2022 is unchanged at 130-150 US cents/lb;
- Alumina (Mt) guidance updated from 8.0-8.4 to 7.6-7.8;
- Aluminium (Mt) guidance updated from 3.1-3.2 to 3.0-3.1; and
- Diamonds (M carats) guidance updated from 5.0-6.0 to 4.5-5.0.

Earnings changes

RIO Pilbara iron ore forecasts for the remainder of CY22 remain unchanged in the range of 320-335Mt. Hence, we do not expect any significant earnings revisions for FY22 or future periods.

Valuation

We are initiating coverage on RIO with a price target of \$126.89 and a BUY recommendation. The price target is underpinned by our Valuation.

Russell Wright

15 July 2022

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Disclaimer

This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as an Authorised Representative (AR: 422117) and is issued by Barclay Pearce Capital Management Pty Ltd (BPCM) AFSL 503261.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

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15 July 2022

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)