



The Australian Finance Podcast Episode Transcript

Episode: ASX share review: Fortescue Metals Group (ASX: FMG)

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Episode transcript:

Owen:

Kate Campbell, welcome to this episode of the Australian Finance Podcast. How you going?

Kate:

Good. Thanks, Owen. Good to be back for our very first shared deep dive episode.

Owen:

Yeah. So we're going to dive deep, well, kind of deep, as quickly as we can into one ASX company, as voted by our community. They have chosen a company, which we probably didn't expect them to pick.

Owen:

Do you remember some of the other companies that were on our poll? Inside the Facebook community?

Kate:

Yeah. I believe it was Appen, AGL Energy, A2 Milk, Zip, and Fortescue Metals Group. And so, we picked the five most popular companies off Rask Media during September, and polled our Facebook community. And the winner by quite a mile was Fortescue Metals.

Owen:

Fortescue. Okay. So, this is the company that trades under the ticket code FMG. So, if you typed into Google, ASX, space, FMG, you would see all the articles for Fortescue Metals Group. Started by a billionaire by the name of Andrew Twiggy Forrest. There are many great books. I've read a book of Twiggy, it's actually titles, "Twiggy" it's a fantastic book which dives deep into his life before Fortescue, his family life, his heritage, and also his time starting Fortescue. So before we start, Kate, let's make a note.

Kate:

Okay, so this is not a recommendation from myself or Owen for Fortescue or the Rask team I don't believe, apart from our Rask Media site covering news of Fortescue we've ever covered Fortescue on any of our platforms.

Owen:

Yeah we've covered the news but that's it. Nothing from a research perspective.

Kate:

And Owen or I don't own any individual shares, obviously Fortescue's large ASX 200 ETFs. So we've got indirect exposure through super funds and ETFs, but we don't own any individual positions.

Owen:

And chances are, if you have an industry super fund like Hostplus, Australian Super Rest, any of those, in some tiny little way, Fortescue might actually make up part of your wealth too.

Owen:

So, this is a really interesting company.

Kate:

8,200 BD HG. You've all got some Fortescue in there.

Owen:

Yes. And those are two things that I do own, video HD ETF and the 1800 ETF. Okay. So do you own those two?

Kate:

No. No. They were just the ones that came to mind.

Owen:

Oh, it's the two that came to mind was two that I own, and they would be in some way invested Fortescue okay. So let's get into it then. What is Fortescue can you give us like the 30,000 foot view of what is for,

Kate:

Yeah. So Fortescue \$45 billion market cap at the time of recording on the 13th of October, so humongous company, I think it was the 11th largest company by market cap when I looked the other day as in Australia. So it's a huge business. And so Fortescue's metals group, it's an Australian based company operating in Australia.

Kate:

And their main job over the last decade or so has been iron ore mining. And so that's why it's a more of an interesting choice for the podcast, because we often talk about technology companies and entertainment companies and things like that. I mean, our last share series was on Disney. So this is a world.

Owen:

Mm-hmm (affirmative).

Kate:

Apart from that, but Fortescue focused on exploration, development, production processing and the sale of iron ore. So they have the, they pretty much are in the whole supply chain from the boats to the pipelines, to the train that transports it because there's a lot of logistics involved in digging up by an oar and sending it to its customers that we'll dive into. And so the more I looked at Fortescue, the more interesting it was actually.

Owen:

Yeah. So it's not just a thing like an organisation that dig stuff out of the ground. It's kind of everything from there to basically, how does it get to its customers and its customers? I think 91% or more of it, of them are actually Chinese customers. And so basically from everyone from the hole in the ground in WUA to dropping it off at a port in China, that whole process is basically controlled by Fortescue. For the most part, you know, they do use some other resources from other parties, but for the most part, it's controlled by Fortescue. So that means ships, trains, trucks, you know, loaders, everything that you can imagine, engineers explosives, you name it, they do it. And that is Fortescue. So just, I guess maybe people are wondering, you know, we hear about INR, so, you know, Iron Ore and things like that in the news, Kate, just at a very high level, what is Iron Ore used for?

Kate:

Yep. So before preparing for this podcast, I don't know if this is a bad thing because it's such a large company in Australia, but I really had no idea what Fortescue and some of its mining counterparts like BHP and Rio Tinto. I knew they were in mining and I knew there was a lot going on in Western Australia. And I'd heard that about the fact that it generated a lot of jobs and associated housing prices and everything, but I didn't really know much about what they were digging up, what Iron Ore was and what Iron Ore was used for. So to give you a little crash course, if you don't know which I didn't either, so here we go. Iron Ore it's there rocks and minerals that can be dug up and they can be used to make steel and iron or iron is actually one of the most abundant rock forming elements in our crust.

Kate:

And so iron was actually first discovered in Australia by an Explorer in the middle back ranges in south Australia. And it's actually really commonly found in Australia and 90% of the identified iron resources actually found in Western Australia.

Kate:

Which is why we've got so much industry in terms of mining in Western Australia and the other company country involved in mining that has a lot of iron or to find is also in Brazil. And that's probably another company that we'll mention valet, who does a lot in the iron ore industry in Brazil. And the main thing we use iron all for 98% of it is to make steel. And so that was quite interesting because I was like, oh, well, what do we use all this steel for? And steel is actually used to make cars, ships, buildings. So a lot of it in China was used to sort of help fund their construction boom.

Kate:

And so they wanted a lot of steel for that, but like really anything you can think of, a lot of things in building an infrastructure needs steel, and we use 20 times more iron in the form of steel than all other metals put together. And there's actually included in the show notes, but the government, the Australian government has a great resource on everything to do with steel and what we use it for and everything... Every possible use of it, like from washing machines to pumps and cranes. It's quite fascinating if you want to have a look in it.

Owen:

Yeah. What a big part of this is, what a big part of the iron ore kind of, I guess the medic, if you can call it that. And I called it a super resources, boom, or a Super cycle for many years. And so most of it's found in the Hamersley Ranges, which is in, if you look at the map of Australia, it's NWA, it's kind of at the left-hand side, just off, just away from the coast in the centre of WWI. That's how you can kind of think about it. And this is where many of Australia's biggest tycoons have made their wealth. And indeed, it's kind of like an engine room of Australia's economy. So if you've heard of Gina Rinehart, Andrew Twigg Forrester, who is the founder of photo security, we've got Rio Tinto, we've got BHP. All of these big companies have operations in this region.

Owen:

And so this is a really lucrative industry and everything basically from, you know. I'm just looking around my room from like my computer, to the bracket that holds up my bench to probably, you know, the steel that goes into the stumps. I think if you look around some of your houses and you look at actually the structure, like if you've got a garage or you have, I don't know, some type of steel somewhere, you'll see big obvious signs that it's, that it's actually made from iron ore you'll see BHP printed in the side, or, you know, Rio Tinto printed in the side of some old school pieces of steel. And so this is, are just like obvious examples, but less obvious examples of where iron ore ends up is particularly in Asia and China, specifically as I've gone through this enormous kind of infrastructure. So spending on things like new cities, urban development, roads, railways, all of those different things require lots and lots of steel.

Owen:

And so naturally companies like Fortescue, BHP, Rio Tinto, and Brazil's Vale have cashed in on this. I think there's a really interesting stat that come from Bill Gates, his blog, and has come from quite a few years ago. But I remember it distinctly because it was so profound. Which was that in the three year period, China used more concrete than the entire U.S. country did for a hundred years. And so that's just to put it in perspective, the scale at which China was building infrastructure and is to an extent still is today. And so at the end of the day, what happens in a company like Fortescue selling something like, iron ore which you said is pretty much found everywhere. I'm pretty sure if you went outside into your backyard and you dug up some dirt, there's probably a tiny speck of mine and that there could be some sort of mineral that could be, if you could get it at scale, it could make you money.

Owen:

But basically the way it works with commodities is that it's just supply and demand. Companies like Fortescue, supply Iron Ore and mills like steel mills and manufacturers in China consume that. So they're the demand. And basically the way it works is that at equilibrium. At the point where supply matches demand, we should be at a kind of sustainable price for the industry. But oftentimes what happens is prices ebb and flow. And so in some instances, maybe say in south America recently where there's, a lot of backlash or there's environmental challenges or COVID or whatever. You will find that supply can fall away, which means that there is less supply and more demand. And then you can see things like if China tilts away from infrastructure spending to consumer base spending the demand from steel mills will go down. Or if there's environmental protections in China, maybe the demand goes down momentarily while they adjust to the new regulatory environment.

Owen:

And so these imbalances in supply and demand in Iron Ore can create huge, huge changes in the price that Fortescue gets for its products. And so we've seen that in the last two years, we've seen Iron Ore prices, rocket, and we've seen companies like Fortescue stay in business and benefit from higher prices, but you only have to go back and say four or five years to see that process where once really, really low. And so that's just an illustrate basically how the commodities markets work. And this is not particular to iron ore. This is for anything gold. It can be for copper lithium, basically any commodity can be sport and salt. There are different grades of iron ore, which I will add in, and Fortescue's tends to be at the lower end of some of that grading, but it still makes a lot of money from his iron ore. Yeah.

Kate:

And poli-sci can only control so much. They can control their safety, the cost of production. They can control their supply chain, but they can't really control the demand side of things. And so they're very reliant on the external elements of the world. And this is probably where all of those macro economic trends do play in a bit more because you need to know, I guess with Fortescue, unlike some of the other companies we look at, you do need to know a little bit about

what's happening in the wider world and in the construction and some other countries and what they're up to

Owen:

For sure. Kate. Tell us a little bit about the kind of the team behind Fortescue. So one of the things that we look at when we're looking at companies is we look at the team that's behind that. We like to see, you know, board of directors and CEO's and management teams that are skilled. They have ownership in the companies that they run. And they're kind of, you know, they're trailblazers, they're leaders in the industry. So when you took a look at, Fortescue, what do you see?

Kate:

Yeah, so I took a look at true people just for the purposes of this episode, but I looked at the chairman and the CEO. So chairman Dr. Andrew Twigg, Forrest, also the founder, he's just sort of phenomenal business person and learning a bit more about his story just from an entrepreneurial and leadership point of view is really interesting as well. And so he took the company from inception, really had a crazy idea and really made it one of the largest companies in Australia and listed the company and has really built it into what it is today. And now he has stepped back from the day-to-day writing and he's still the chairman, but he's also running a whole heap of philanthropic endeavours and working on a whole heap of other climate change related issues that we'll touch on later, buddy also recent, I think it was 2019, got his PhD in Marine Ecology and is really passionate now on ocean conservation.

Kate:

And if you have a listen to the 2020 Boyer lectures that he did with ABC, the first money talks about some of the stuff he's done with Fortescue. But the second one, he talks about the issues with ocean contamination and how to work on conservation issues there. So that's quite an interesting talk to listen to.

Kate:

And then on the CEO point of view, so this is a woman who's running the day-to-day operations of border skew Elizabeth gains. And so she's been involved in the company for quite a while, firstly, as a non-executive director, a CFR, and now she's the CEO and managing director. And she's more of, I don't know if you'd call her a career seer of sorts because she has, hasn't always worked in the mining industry. She hasn't always worked at Fortescue, but she's been the CEO of some other large companies like Hello World and also a stellar group, which when I had to look at it supplied in flight to a large number of global airlines. And she also has commerce degree masters of applied finance bit like you own, but she's also got an honorary doctorate of commerce from Curtin University and she's had non-executive director roles next DC mantra group nine entertainment and impediments. So she's had quite a lot of corporate executive and board experience within Australian and international companies.

Owen:

Hmm. So it's not, it's not, well, I'm going to use a double negative, oh geez. It's not uncommon. So it can, you know, it can happen from time to time that you get a company like Fortescue, which is a mining company. Well basically mining or logistics company, whichever way you want to think about it, that has a CEO that comes from a slightly different industry. So this is quite common because sometimes those CEOs bring new ideas to an industry that needs to be kind of changed in a way for the better. So this happens quite a fair bit. One of the things that we do like, and one of the things that many investors like about Fortescue is that as chairman and as founder, Andrew Forrest through, which is holding company owns around about nearly 30% of the overall company. So at 30%, he basically has control of the board.

Owen:

Shareholders love it from a, from an alignment perspective because obviously Fortescue pays billions of dollars in dividends and he owns billions of dollars in dividends too. So he wants Fortescue to be a success as much as any of us would want it to be a success as shareholders. So from an alignment perspective, that makes sense. As we've noted here, we've only looked at two of the, or you've only looked at two of the people on, on, in the company. Nev Powell was another executive before Elizabeth Gaines who had a massive influence in the company. You know, you can go back to our shares month episodes, which where we looked at Disney, we took a really good look at Disney and what that company does to get a better understanding of how we would look more deeply at companies. But for today, we're just going through kind of like the fast facts of Fortescue.

Owen:

So as we said before, the, the company's primary customers are in China. We'll get to some of the financials in a second. If you're watching this video, I can share my screen and you will see that.

Owen:

And the another thing that Fortescue is striving towards this kind of this ESG focus. So environmental, social, and governance impact, and in basically improving the way its operations run from a human point of view and planet point of view. Fortescue has always been in my opinion, a very, very strong advocate for social kind of equality and for social rights. So, you know, empowering indigenous population as well with lots of jobs. Also, you know, gender equality and those types of things as well. So they've always been very, very strong and, and advocates in that regard, which, you know, we, you could probably say more about them than you can about many of the other mining companies. So that's a positive and the most recent thing is this shift towards an environmental focus for the company. So, Kate, I know you have some, some facts and figures here from the website, so I'll let you finish this part off and then maybe we can have a look at the financials.

Kate:

Yeah. So, most people know Fortescue as an iron ore mining slash logistics company. But what they started to do a couple of years ago was introduced another arm of the business called

Fortescue [inaudible 00:18:21] industries, which is focusing on green energy production for renewable sources. And that's one of the main focuses that Andrew Forrest has been talking about a lot recently in generating a bit of interest in buzz for is producing green hydrogen. And they are also working on a lot of ways to make sure their current mining operations are carbon neutral by, I think it was 2030 as well. So he's working a lot into trying to not only make his current business more energy efficient and less contributing less to the environmental issues because the production of like mining process and production of steel contributes a lot to our climate change issues.

Kate:

But he's also trying to focus on, well, we need energy, we need steel. We need to produce all of these things to keep growing and keep our economy going. But how can we do this in a better way? And so he's been, I was just reading through some various press releases, but he's been working on different ways to power his vehicles and mining equipment in a way that's a lot more energy efficient or using renewable forces in as many places as possible. And so this company actually has quite a clear climate change strategy from reducing emissions, working with other stakeholders. And they're actually working quite closely with the clients around the world that they want to partner with in producing this green hydrogen, not only in a business point of view, but they're also looking at things like other, is there slavery in that country are people being paid a fair wage is their child marriages.

Kate:

They're looking at some other social issues as well, along with that, and trying to bring other companies with them as they grow. And so they've got a range of very, I don't know, they like quiet. They've set themselves a really high standard and set themselves some really challenging targets to reach in terms of creating this hydrogen. And if you want to learn a bit more about green hydrogen and the role it's going to play well, at least according to Fortescue and Andrew Forrest listening to his Boyer lecture, the first one is a really good place to start.

Owen:

Yeah, it's tremendous. So we'll put a link in the show notes a really, really good 30 minute, listen, you don't, you can do something else while you do it. You can cook your dinner or my kid cup of coffee. It's a really interesting listen. And one of the things that he points out is basically that at best, the kind of in less than the next 50 years, the world is looking at a three degree Celsius increase in average temperatures. So due to climate change, and that's obviously going to have devastating impact is going to mean basically lots of part of Australia becomes more arid. We're going to have more bush fires. Sea levels are going to rise in certain places. And, you know, from an ecology perspective, it's going to be devastating as well. So basically they've worked out, you know, given Twiggy's background, it doesn't surprise me.

Owen:

They've worked out that there's a big problem and they're going to try and solve it. And they're going to start with themselves in that Boyer lecture talks about spending five months overseas during COVID with his team contracting COVID and being overseas and trying to push the case

with different countries around the world. And so it's a really ambitious move and it's a really like having read the book on Twiggy. I think it's just like another kind of, why not? You know, he's very thick skinned and as dealt with that kind of pressure and scrutiny over many years, he started many things that have failed, but many things have been a success too. So really exciting stuff. Took it, the boy, Boyer electric, we'll jump now into the financials. I might even share my screen really quick if I can. We're trying to make these a bit shorter, but yeah, we'll see how we go.

Owen:

Okay. Okay. Let me know when you can see my screen.

Kate:

I can see some trees. Yes.

Owen:

As you can see, you can say some trees. Interesting. Okay. So for those of you that are listening and not watching, I will explain it as I go. But here we are just on the rest media sought where jazz was written about a photo Fortescue the future industries part of the business. It's a really interesting part of the business. You'll see some of the articles on our website. If you want to learn more, there's a stalk for Kate. Ah, that's not meant to be there. So basically let's just go through some good and bad. First of all, we talk about, you know, Fortescue selling iron ore. So Fortescue business is selling iron ore. There's no, if butts and maybes about that almost 95% of its revenue comes just from iron ore there, they make some, some money from things like their rail networks and that type of stuff where other companies, I guess, can use that rail network to earn and they can earn revenue from that.

Owen:

So that's a big, big thing in the Pilbara. And in WWI is like basically writes for railways. And one of the things there is that Fortescue has one of the best railways in the country and indeed the world for shipping or for, for, for freight. So other companies try and petition the government to get used to that. And it's Fortescue's asset anyway. So I know prices, as you can see on this trading economics chart that basically I know fluctuates dramatically. So we've seen in the last few years that since basically the bottom of 2020, which has when COVID was around, I know prices have shot through the roof rising from below a hundred dollars to over \$200 a tonne. And so why is that important? Well, the reason that's important is that if you look at Fortescue's financials, you will realise that on average it costs, I believe, whereas my number, so it costs \$13 is in U.S. dollars, \$13 per tonne for Fortescue to dig the ore out of the ground and ship it.

Owen:

Now, this is the cash cost. So this doesn't include all of the costs, but it's just basically the most appropriate cost to measure basically the cost of extraction and putting it on the train and all that. And so if you're selling Iron Ore for \$200 and it costs you \$13, obviously you have a massive, massive profit margin. And so if prices go higher, Iron Ore prices go higher. Fortescue makes a lot of money. If final prices fall for just getting makes a lot less money. So in the past

we talked about Disney and obviously Disney owns Marvel and Avengers and all that sort of stuff. Disney controls the price that it sets for all of those different things. But for Fortescue, it does not control the price that's set by the market. So that's an important distinction and it's very important because it makes it harder for you as an investor to forecast.

Owen:

Okay. So here we go. We've got the, the results from Fortescue. I'll just come back up the top to, so you can see what it looks like. This is an annual report, just like any other annual report from, from Fortescue or any other company you can see at a glance. We've got basically what the company did in the last 12 months. So 192 million tonnes of iron ore shipped just under \$14. I should say of C1 cash costs. We've got cash on hand of \$6.9 U.S. billion. It's got some debt. So the net debt as the net cash is on the \$2.7 and it made a huge profit of \$10.3 billion. Okay. So let's start with some, some, I guess, the bad, the bad is that I know process impact Fortescue's profit. I said that over the last year profits were huge because iron ore prices were very, very high.

Owen:

Another thing that some of the reasons why that happened is because of COVID because of issues with south American supplies that from ballet, from demand. Basically coming online more recently, we've seen prices fall as things like the ever ground issue with property in China is playing out as there's talk of, you know, more or less development in certain areas throughout Asia and as supplies continuing to come on board. One of the big projects that people are aware of is Simandou, which is in Guinea I believe. And basically that's a massive iron ore project that looks like it can supply Iron Ore to China for pretty cheap. So that's something that the industry is also aware of. We've we jumped into the, I'm just going to use a bit of shorthand notation here. You'll notice if you're watching that a press command F on this PDF, which may mean that I can just find something really quick and it's typed in segment info.

Owen:

So segment information, this is in the, if you go in and your report, this is in the notes. So it's past the actual statements like the cash flow, the balance sheet, all that stuff. And you actually find where the company's making its money and how it's doing that. And you'll see here that revenue from customers shown and China accounts. So Chinese customers accounts for \$20 billion of the total \$22 billion. So basically all of the iron ore revenue. And then it's got another note down the bottom here that says revenue from two customers was \$2.2 billion, and \$1.9 billion. And I did the numbers. And that means that 18% of Fortescue's revenue comes from just two customers and over 90% comes from China. So that is either a risk or it's an opportunity, depending on how you see, I see it as a risk to have so much concentration into one thing,

Owen:

In the past People have said that Fortescue was not ethical because of its environmental impact in terms of like areas in WWI, where there may have been some damage now, in terms of it's, you know, just basically mining and you know, all the things that come with that from an ethical perspective.

Owen:

I think another thing that's to be mindful of is Fortescue's financial growth is kind of not limited, but it's, it's basically how do I put this? It's basically subject to increasing production while prices stayed a reasonable level. So in the past, in the past year, they've brought on board a new iron ore facility, which will bring more supply, but obviously prices need to stay high for them to earn a good margin. The other thing is that some of the competitors also have very low costs. So BHP and Rio Tinto have extremely low costs as well. On the plus side, we can talk about dividends. So at the very top of the annual report here, it's no surprise on page one of 169. They may mention of dividends because they were huge \$3.58 in, in fully franked dividends. Kate, thank you very much.

Kate:

That's a pretty great year for people that were shareholders. There were some very happy people, including Andrew Forrest, himself who had a billion dollar dividend, wasn't it?

Owen:

Yeah. So this is interesting. So, so we know that the dividend was \$3.58, right? If we figured out how many shares they, he, he held through Minda Rue. We would know. So it looks like they've got, what is it about 918 million shares. I'm just doing this on the fly multiplied by \$3.58. It looks like over \$3 billion,

Kate:

Definitely news articles about it. So you can probably find out the, the more accurate numbers as well.

Owen:

Yeah. So it could be, let's just say it could be over \$3 billion in four year dividends, which is incredible. Now I want to bring up one word of warning here. Many people have wrote into us and our analyst team and said, well, basically. Hey, what excuse you got this massive dividend? Why don't you buy the shares? Because if you look at Fortescue and I'll bring it up on WrestleMania here, if you look at the share price over the last little while, you'll see that in July, 2021, the share price over \$20. And now it's below \$15. So it's fallen a long way. And what happens is when a share price falls really quickly like that, the dividend yield looks huge because the way your stock brokerage account calculates the dividend yield is based on last year's dividend. That's already been paid, not necessarily what's coming up in the future.

Owen:

So when I looked at the numbers, it looks like analysts are forecasting, \$1.77 in four year dividends next year. So down from \$3.58. So it will be quite a bit lower. It's still probably a good yield if it gets paid, but obviously it's all subject to iron ore. So keep that in mind. If iron ore prices stay high that afford a skew probably should pay a dividend, but if final prices fall, then it might be in a bit of trouble.

Owen:

Okay. So some other positives is that the company, isn't a net cash position, so cash at bank. So basically if you, if you look, you can see it's got \$5.4 billion of cash at bank. And \$1.4 billion of deposits, which totals \$6.9 billion of cash in the bank. However, the company also has debt. So when we get to a net cash figure, we basically take, it's like, if you owned a property, you know, what's your equity.

Owen:

What's basically you take what you have, that's yours, which is your cash, \$6.9 billion in the case of Fortescue. And you deduct any debt in this case, there's \$4 billion of debt. So it's 2.9 billion of net cash. So that's a good thing. There were times in the past where I didn't buy Fortescue shares because I was worried about how much debt it had. It used a lot of debt to build those railways and buy the ships and everything.

Owen:

So, final point I'll add on here is that basically Fortescue is making this massive move with this future industries business, and basically taking everything to be autonomous and also to be green that might result in higher costs in the short term, but over the longterm, that could be significant opportunity for Fortescue. Which could lead to more revenue and more profits in time. So really interesting there. And if I had, if I was cheeky to add one final one on the cake, I would say that obviously another positive is having such alignment from a founder.

Kate:

Yeah. And I think that's was the most interesting part for me, looking at Fortescue. Going from not really knowing anything about the company to now having like a broad awareness of what it does and what they're aiming to do over the next few decades with their green hydrogen projects. And it really, it does make you think about it from a sort of values based or an ESG point of view. Because I mean, typically a lot of people would say mining doesn't fall within that category. Fall within their ESG filters, but you're also, if you're looking at what the company could do in the future. And as we've mentioned before, like investing in the future, you want to see it. It is taking a really extreme position with their extreme and ambitious and maybe courageous or most trying to build this green energy project.

Kate:

And so I think it's quite an interesting one to think about just from that values point of view is even if, maybe you don't really like what the company is doing right now, do you like what it's attempting to do in the future?

Owen:

And this is the thing, you know, this is where it can be very polarising, the ethical stance, the values based investing. Because what you end up having is a company that I think they, and I confess this, which is brilliant of them, that it to produce one tonne of iron ore costs, 1.9 tonnes in carbon. And so, you know, they are a company that knows we still need to make roads. We

still need to make hospitals. We still need to make passes. We still need to make all these things that we use. But we can do it in a much, much more efficient way.

Owen:

And so the way to do that is basically to use better sources of energy. And for those of you that don't know to make steel, you can't just do it out of purely out of iron ore, you also have to use coal. And so removing some of that coal from the processes is a really positive thing and Fortescue plan, which is really interesting. If you listened to that boy, electro Fortescue plan isn't to basically say, sorry, coal workers and sorry, everyone in, in coal, you're out of a job. It's actually to basically redistribute those skilled workers into the same jobs, but in a hydrogen focused mining sector here in Australia. So it's a really... [crosstalk 00:34:24]

Kate:

I am playing a huge number of Australians. Like they create a lot of jobs, this company, so you don't really just want it to evaporate. But what they're trying to do is create jobs in new areas to move people into those industries.

Owen:

Yeah. And this is the thing by some people who are at the extreme end of kind of the ethical and environmental awareness, they would suggest that all mining is bad mining. Whereas someone maybe like Fortescue that take on it is we need mining. How do we make it? So it's optimal for the environment. And so that's their take on it. And this is why we've always said Kate, that ethical investing is not what your I think it's what we, each thing individually. So sustainable investing might be a different thing because you can measure carbon, but you can't measure ethics, but you can't just measure that, but you can measure carbon. And so they're slightly different things, but from an ethical perspective, it basically comes back to what you're comfortable with. You know, I don't see the government in Australia doing much for climate in this respect.

Owen:

So if I was trying to vote with my wallet, I had, I would like to back people that want to make change, even if they're coming from an industry that does use royalties and does use, you know, Australia's resources and whatever. The sooner we can get to carbon neutral, the better. So it, you know, there's an argument to me, you made for, and against Fortescue being an ethical investment. It's not really asked to pass, I guess, that judgement, but really interesting company anyway, for discreet. If you want to know more about Fortescue, you can hit the RAs media, that's rest media.com that a you, we could find out more. There's been a lot of coverage on it from jazz Harrison in particular, one of our writers covering the company and his future industry, his business. You can write into us too@podcastatrest.com. If you want to ask to look at a company in the future, it doesn't have to be a mining company.

Owen:

Doesn't have to be an ESG focused kind of company. It can be anything we'll, we'll try and do this once a month, either with an ETF or a chef. If you liked this episode, jump into the

Facebook community, that's on, you know, on Facebook, it's at rest Australia, Facebook community, you can share your thoughts and tell us what you think of Fortescue. There are a lot of opinions on Twitter. I noticed yesterday when I put out a tweet. So yeah. Tell us what you think. It's really interesting business. We're not here to say buy, hold or sell. That's not what we're trying to do. We're just trying to bring awareness to this industry, this company, I don't own shares Kate doesn't own shares, although our ETFs and our super funds may. So for full disclosure, Kate...

Kate:

But I definitely think it's a company for the watch list.

Owen:

Yeah, I think so too. I think it's, I personally, I think it's having a look and again, I think it's yeah, definitely one for the watch list. So further research is warranted in my opinion. So...

Kate:

Yeah. You've got to commend companies where the founders actually taking an active interest in the issues that we're facing in our world. And maybe trying to do something about it, even if it does sound a little bit crazy,

Owen:

Yeah.

Kate:

Sometimes the best ideas come from sound crazy to start with, but they actually ended up working.

Owen:

Yeah. Twiggy in particular cops, a lot of shit. And he has his whole life for, for doing, for taking on bold things. And so if there's anyone, any kind of entrepreneur in Australia that would probably say at six, eight, it would probably be him. So it's really, really interesting. You can say what you want about the business and the sector, the mining sector in general, but really, really fascinating. So definitely one for the watches for me. Kate, as always, thanks so much for taking the time to join me and listeners on this deep dive into Fortescue middle script.

Kate:

Great to learn about a new industry.