
Xstrata may become predator or prey after Anglo - Analysts

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Bloomberg reported that Xstrata Plc may become either “predator or prey” after dropping a proposed merger with Anglo American Plc last week.

Mr Paul Cliff an analyst at Nomura in London said Xstrata will have about USD 10 billion of headroom on its balance sheet by the year end and may revisit the Anglo merger or a tie up with Brazil’s Vale SA.

He said that “We expect Xstrata to remain at the epicenter of industry consolidation. Xstrata could be both predator and prey. Nomura reinitiated coverage on Zug, Switzerland-based Xstrata with a buy recommendation, saying the company is its top pick. Nomura acted for Anglo during the merger proposal.”

Mick Davis CEO of Xstrata said last week he would pursue alternative growth options after deciding against making a formal offer for London-based Anglo before an October 20th deadline set by UK regulators. Xstrata is able to boost output 50% by 2013 through internal expansion. Anglo rejected Xstrata June proposal for a merger of equals, calling it totally unacceptable and a distraction.

Xstrata broke off talks to be acquired by Vale in April 2008 after the companies failed to agree terms. It also scrapped a plan to take over platinum producer Lonmin Plc in October 2008. Mr Claire Divver an Xstrata spokeswoman in London declined to comment when contacted by phone.

Mr Cliff said the Swiss company’s USD 40 billion pipeline of projects means it will have a “more opportunistic approach” to mergers. A planned iron ore joint venture between BHP Billiton Ltd and Rio Tinto Group may lead to potential divestments and an “entry point to the seaborne iron ore market would certainly be a priority for Xstrata.

He said that a return to the Lonmin deal isn’t an “immediate priority” as Xstrata management doesn’t expect a rapid recovery in platinum markets. The company may also receive additional proceeds of more than USD 1.5 billion from the sale of its El Morro copper project in Chile to Barrick Gold Corp and its 25% in Lonmin, should it decide to sell the stake.

(Sourced from Bloomberg)

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