
Xstrata in merger talks with Glencore

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Reuters reported that Xstrata is in talks with Glencore over an all share merger of equals confirming reports of a deal that could create a combined mining and trading group worth more than USD 79 billion.

The world's largest diversified commodities trader owns 34% stake in Xstrata and a tie up between the two has long been expected. Speculation accelerated after Glencore's bumper USD 10 billion listing last May.

Glencore said at the time that the motivation behind going public after almost four decades as a private company was to seize acquisition opportunities.

Xstrata had received a concrete approach and was in discussions boosted shares in both companies with Xstrata up 13% and Glencore 5.1% ahead in early London trade. Glencore's Hong Kong traded shares had gained as much as 6 percent before trading was suspended.

Mr Ion Marc Valahu fund manager at Geneva-based firm ClairInvest said that "It confirms why Glencore went public. They needed the capital to buy other companies."

Xstrata said that the talks may or may not lead to an offer being made by Glencore for Xstrata. There can be no certainty that any offer will be made.

Mr Collins Stewart analyst Tim Dudley said that "These two companies were expected to merge and this is obviously a little bit faster than we had anticipated but it makes sense given how the companies have performed and the current market positions."

Mr Ivan Glasenberg CEO of Glencore said that he sees value in a deal with Xstrata whose CEO Mr Mick Davis has told analysts the prospect of having both as independently listed companies was unsustainable.

(Sourced from Reuters)

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