
Xstrata may struggle to fund hostile bid for Anglo American

Wednesday, 24 Jun, 2009

Bloomberg quoted analysts at Barclays Plc and Liberum Capital Limited as saying that Xstrata Plc may struggle to fund a hostile bid for Anglo American Plc after the rejection of its offer of a merger of equals by Africa's largest mining company.

Mr Christopher LaFemina analyst of Barclays said that the value of cost cuts and other advantages from a merger would be wiped out by the extra money Xstrata would have to pay to take over an uncooperative Anglo.

Mr Lafemina said that "We struggle to see how an acquisition of Anglo at a premium would create value for Xstrata shareholders. Acquiring South Africa's national champion in the mining industry would likely face some political obstacles."

Mr Michael Rawlinson head of mining, resources and energy at Liberum in London said that "We see only a very low chance of a hostile premium bid now. They don't have many options but to take their case direct to Anglo shareholders." He said that Xstrata's investors may have a lack of appetite for a hostile bid because of concern on how to fund the deal.

(Sourced from Bloomberg)

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