

Copper Bargains Scant With Best Assets Hoarded, Antofagasta Says

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(Bloomberg) -- Antofagasta Plc, the miner controlled by Chile's richest family, would be interested in expanding its copper footprint. But right now, there's nothing on the market that meets the bar.

Chief Executive Officer Diego Hernandez said it may take several months and as long as two years before attractive copper mines are sold as owners try to endure a commodities rout by selling other assets. With some of the lowest debt metrics in the business, Antofagasta wants to remain a "pure copper play,"

he said in an interview Tuesday. Any acquisition would need to be high quality, already in production and available at the right price, he said.

"If prices remain where they are, probably the second half or end of this year or next year, not before that," he said, when asked how long it will take for attractive copper assets to go on sale. Today, "there's more speculation than there are opportunities."

Eye on Debt

In the meantime, the Santiago-based company remains focused on keeping net debt low and preserving cash, he said. Its debt stands at 1.5 times earnings before items, compared with the 2.9 average ratio among peers tracked by Bloomberg.

"It's very important to preserve that position," Hernandez said from Hollywood, Florida, where more than 1,000 executives, analysts and investors are gathering for the annual BMO Capital Markets Global Metals & Mining Conference. "If prices stay as they are, then next year we will see a lot of restructuring in the mining industry."

The \$8.8 billion miner controlled by the Luksic family agreed in July to buy Barrick Gold Corp.'s 50 percent stake in Zaldivar for \$1 billion, though the deal wasn't completed until December. A weaker Chilean peso and falling energy and diesel prices helped Antofagasta make "significant" savings last year, it said in January.

When asked about the possibility of future asset purchases, Hernandez said the company would prefer to remain in the Americas. Copper prices, down more than 50 percent from an early-2011 peak, are unlikely to recover significantly for the next two to three years, he said. As that happens, more miners may be forced to put up assets for sale.

“Mining companies don’t want to dispose of their copper assets,” Hernandez said. “We haven’t seen too many opportunities on the market. On the other hand, many companies are very stressed financially, and we don’t know what will happen.”

Passing on Lomas

Antofagasta didn’t try to buy the other half of Zaldivar, although some bidders may have, Hernandez said. The company has been operating at the site since Dec. 1 and has been “happy with this partnership,” he said. Hernandez declined to comment on whether the Chilean miner would want to buy the rest of the mine if Barrick put it up for sale.

Glencore Plc is planning to sell as much as \$4 billion in assets, including Lomas Bayas in Chile’s Atacama desert. “We are not participating in the process,” Hernandez said. “We have enough in that area.”

When asked about the El Soldado mine, which Anglo American Plc has placed on its non-core asset list and as of last year was put on the block, Hernandez said Antofagasta wasn’t interested.

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