

For This Top Gold Miner, Joining M&A Rush Is A Last Resort (1)
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By David Stringer and Ranjeetha Pakiam

(Bloomberg) -- Newcrest Mining Ltd. could jump aboard the multi-billion dollar, deal-making rush that's reshaping the top ranks of the gold sector -- but only if it has to.

The No. 3 gold producer by market value has set a deadline for the end of 2020 to increase its exposure to five so-called tier-one assets, meaning that it's hunting for a project or mine to add to a roster of four mainstay operations and investments in Australia, Papua New Guinea and Ecuador.

Mergers and acquisitions are ranked as a "final pathway" to growth behind exploration work and partnerships with smaller companies on early-stage projects, Chief Executive Officer Sandeep Biswas said Thursday on an earnings call with analysts. "We don't need to do M&A, we are in the enviable position of owning two of the world's premier long-life gold assets."

The gold industry has been overhauled in recent months by two mega-deals by Barrick Gold Corp. and Newmont Mining Corp., drawing the attention of investors to a sector that's been shunned over stagnant bullion prices and poor decision-making by producers. Melbourne-based Newcrest has been regarded as a likely candidate to extend the deal-making spree.

Newcrest does have the balance sheet strength to consider acquisitions, and specific technical expertise -- particularly with some types of underground mining -- means it would have an advantage over rivals in some potential deals, the company said after reporting first-half underlying earnings doubled.

The producer declined as much as 2 percent in Sydney trading and was 1.7 percent lower at A\$24.91 as of 11:27 a.m. In a separate statement earlier, the company said gold reserves fell by about 13 percent on mining depletion and after the removal of some projects.

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Newcrest's cornerstone mines, Cadia in Australia and Lihir in Papua New Guinea, will be supplemented by the Wafi-Golpu project that's expected to be another long-life operation, Biswas said. That offers Newcrest an opportunity to be patient on deals, he said.

"If you go to buy something, you've got to really stack the odds in your favor to get the rates of return that our shareholders want," Biswas said on the analyst call. "You've really got to bring something to it: either synergies, or you have to be able to mine it better, process it better, or look at deposits in a different way."

(A previous version of this story corrected a company location in the fourth paragraph.)

To contact the reporters on this story:

David Stringer in Melbourne at dstringer3@bloomberg.net;

Ranjeetha Pakiam in Singapore at rpakiam@bloomberg.net

To contact the editors responsible for this story:

Phoebe Sedgman at psedgman2@bloomberg.net

Keith Gosman, Andrew Hobbs