

# Beament's biggest gold deal sparks billion-dollar rally

**Peter Ker** *Resources reporter*



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Northern Star executive chairman Bill Beament sparked a billion-dollar share price rally on Tuesday with a \$5.76 billion offer for Saracen Mineral Holdings that caps a decade of intense dealmaking and will turn his company into the world's sixth-biggest gold miner.

Northern Star's market capitalisation had already grown 76-fold over the past ten years on the back of 11 previous acquisitions, and Tuesday's Saracen deal looms as not just the biggest of the swashbuckling Beament era, but potentially the best value given it was struck at nil premium to

[<https://www.afr.com/companies/mining/saracen-to-merge-with-northern-star-in-16b-deal-20201006-p562cq>] Saracen's market capitalisation.

Shares in both gold miners rallied by close to 10 per cent in the wake of the friendly "merger" proposal, adding \$1.09 billion to Northern Star's market capitalisation and \$560 million to the value of Saracen.

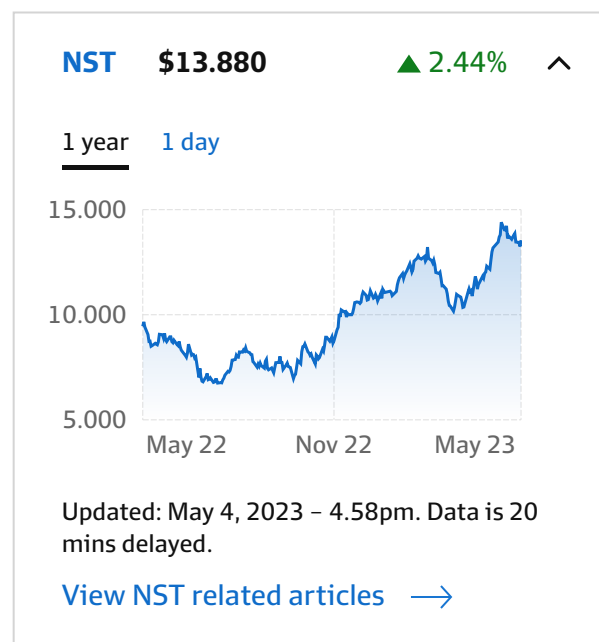


Managing director of Northern Star Bill Beament. **Bloomberg**

Saracen managing director Raleigh Finlayson said that response was "proof in the pudding" that investors saw merit in selling the company without a premium in exchange for exposure to the billions of dollars worth of synergies that would be created through combining neighbouring gold assets in Western Australia.

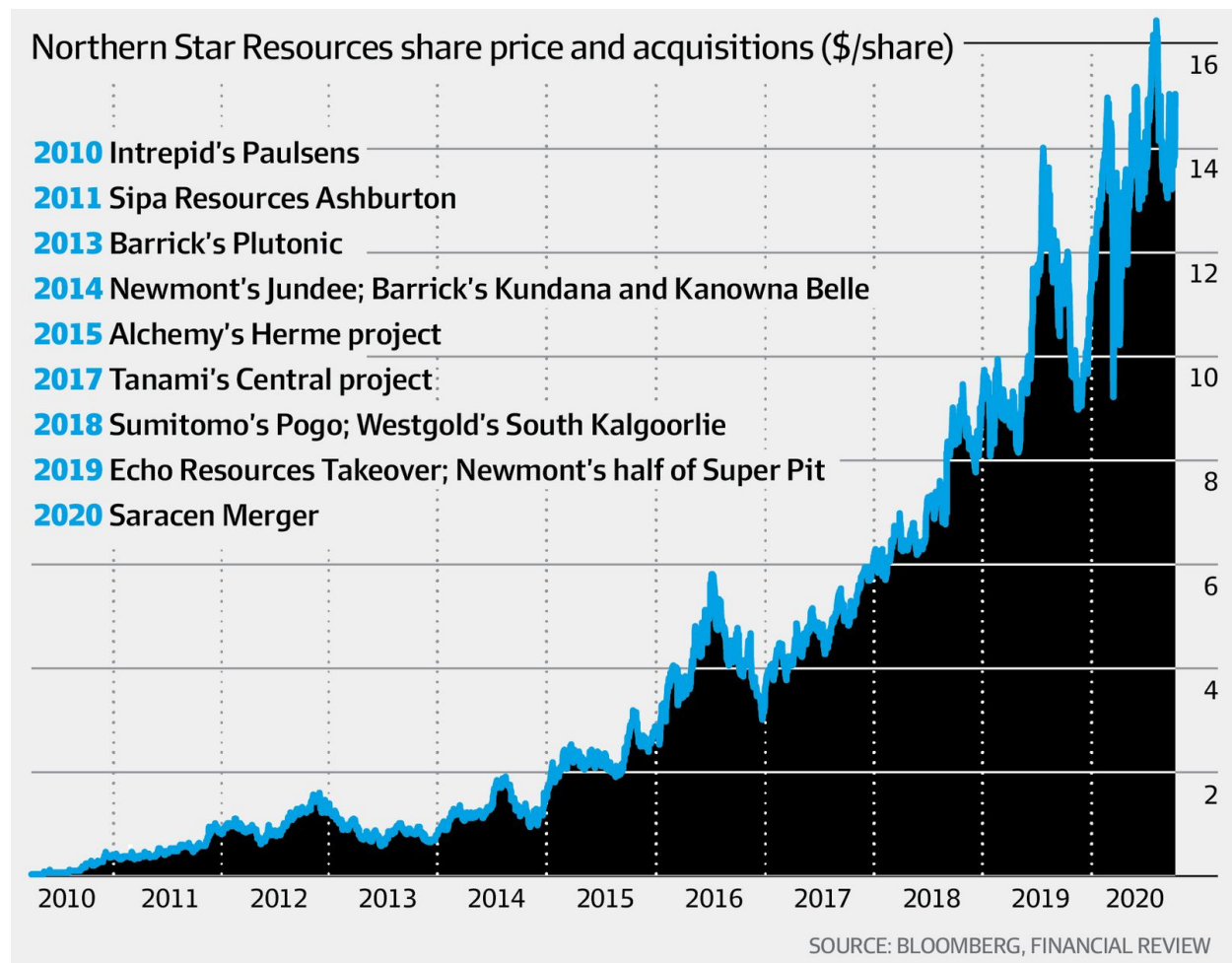
"We are talking about \$1.5 billion to \$2 billion of synergies, which frankly eclipse any potential premium you might get on announcement of a transaction," Mr Finlayson said at Saracen's shareholder meeting on Tuesday.

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Over his 13 years in charge, Mr Beament has used acquisitions to grow Northern Star from a microcap worth less than \$10 million to a major worth more than \$11 billion, and Tuesday's enthusiastic market response suggests investors are willing to back him to liberate synergies through a merger of the two companies' mines.

"The merger will create a top ten global gold miner which will meet the investment criteria of leading international and domestic fund managers, giving it scope to attract the multiples enjoyed by this elite peer group," he said.



"It is a textbook illustration of the adage about one plus one making four."

The seeds of the deal were sown less than a year ago, when Saracen and Northern Star became equal partners in Kalgoorlie's Superpit mine

[<https://www.afr.com/companies/mining/newmont-focused-on-boosting-other-aussie-assets-after-superpit-sale-20191217-p53kni>] via separate transactions with American giants Barrick and Newmont respectively.

"Shareholders have been asking the question for a while, for nine months," Beament said of the potential for the Superpit partnership to crystallise a full merger of the two companies.

"When you look at common ownership greater than 50 per cent, this is just a win-win for everyone."

Mr Beament is a top-10 shareholder in Northern Star with a stake worth close to \$90 million on Tuesday.

Saracen's biggest shareholders include Kerry and Ryan Stokes' investment vehicle Wroxby, but the Stokes family declined to comment on Tuesday.

Aside from their own portfolios of gold mines, Saracen and Northern Star run the Superpit through a joint-venture company, meaning the merger will condense three different corporate structures into a single company.

"We had a 'try before you buy' operating together at (the Superpit) for the last nine months, so every day it just made more and more sense," Mr Finlayson said.

Aside from removing administrative duplication, the parties said they expected to create value by aligning their procurement activities.

But Northern Star chief executive Stuart Tonkin said the bulk of the value from the merger would be delivered through operational synergies within the mines, particularly around the combined milling capacity of the merged group.

Mr Tonkin said the merger would allow ore to be processed at mills that were geographically closer, or best suited the specific geology being mined, thereby boosting gold recoveries.

"It is really what drives the value," he said,

"The right ore goes to the best mill, you get haulage savings, you get the milling cost per tonne on a larger scale and you get recovery gains."

RBC analyst Paul Kaner said he viewed the deal favourably and suggested the greater size of the combined entity would appeal to index funds.

"We would likely see the (merged company) benefit from increased prominence and liquidity along with an uplift in weighting from passive investment strategies," he said.

Saracen shareholders will receive 0.3763 shares in Northern Star for every Saracen share they hold at the record date, which is expected to be some time in February

2021 if the deal is approved by shareholders.

Based on Saracen's closing share price on Monday, the terms would see Northern Star issue \$5.76 billion worth of stock to Saracen shareholders, giving them 36 per cent of the merged entity.

In a bid to sweeten the deal, Saracen will pay its shareholders a 3.8¢ dividend prior to the merger; worth about \$42 million in total.

The marriage of Northern Star and Saracen is the latest example of nil premium mergers being adopted in a gold sector that has seen valuations surge in line with record gold prices over the past two years.

Other recent examples of nil premium mergers include the 2018 merger of Barrick and Randgold, the 2019 combination of Doray and Silver Lake and this year's merger of Alacer Gold and SSR Mining.

While he did not name them, Mr Finlayson said there was a strong trend toward nil premium mergers, and they were typically better received by investors.

"Those that have been nil premium mergers of equal types have outperformed all the deals done at a premium, so we are absolutely comfortable that this is the right thing for shareholders," he said.

Sternship and Ashurst advised Northern Star, while Macquarie Capital and DLA Piper advised Saracen.

Big gold mergers tend to trigger subsequent deals when the least attractive assets within the merged group become non-core.

St Barbara chief executive Craig Jetson said in August

[<https://www.afr.com/companies/mining/jetson-charts-bold-aggressive-flight-plan-for-st-barbara-20200826-p55poi>] that he expected more mergers amongst "the big boys" of the gold sector, and he was keen to acquire any "crumbs" that fell off the table in the wake of future mergers.

But Mr Beament played down the prospect that Tuesday's merger would trigger divestments.

"We are not planning on divesting anything," he said.

"Everything is core in our portfolio."

The deal combines the second- and fourth-biggest gold producers on the ASX by volume.

Based on fiscal 2020 production volumes, Northern Star and Saracen produced a combined 1.42 million ounces of gold.

The biggest gold producer on the ASX, Newcrest Mining, expects to produce between 1.95 million and 2.15 million ounces in fiscal 2021.

But it's clear the merged entity is gunning for Newcrest's title as the biggest producer, flagging the potential to be producing about 2 million ounces per year by 2027.

That timeline coincides with a period in which Newcrest's production could slump if recent acquired projects that rely on further exploration do not deliver to expectations. [<https://www.afr.com/companies/mining/ageing-newcrest-s-golden-growth-challenge-20200716-p55ciu>]

Newcrest announced on Tuesday it would resume a listing on the Toronto Stock Exchange in a bid to better tap into the huge pools of capital in North America.

Newcrest abandoned its previous Toronto listing in mid-2013 after 18 months of illiquid trading.

Newcrest chief Sandeep Biswas said he was confident the listing would be better received this time, given investor sentiment toward gold was better and Newcrest now had assets in Canada and Ecuador.

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