Exclusive
**Increasing M&A making mining bankers hot property: recruiters**

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Deal makers are in demand among both investment banks and corporate advisories as continuing mining sector confidence is set to spur more mergers and acquisitions activity in Australia, recruiters say.

As EY recently reported, 2017 was a bumper year for M&A, with transactions in Australia increasing significantly from US$439 million in the December 2017 quarter to US$1.8 billion in the March quarter off the back of a flurry of coal deals which continued into the year, and the firm expects more deals on the way.

Rio Tinto exited the coal market by selling an 80% interest in Queensland's Kestrel mine, a 75% interest in the Winchester South development project, and an 82% stake in the Hail Creek and Valeria projects.

Credit Suisse (USA) Inc. was the bank at the heart of all three of those transactions as the financial advisor, according to S&P Global Market Intelligence data.

Glencore PLC also entered a joint venture with Yancoal Australia Ltd. on the Hunter Valley coal operations in New South Wales which went live the week of April 30 after the former company failed to purchase Coal & Allied Industries Ltd. directly from Rio, which ended up selling it to Yancoal for US$2.69 billion in September 2017.

Jason Chang, CEO of EMR Capital which bought the Kestrel stake off Rio with PT Adaro Energy Tbk., said in April that his company was seeking more coking coal assets as the commodity is becoming harder to source, and that China, India and Japan were also on the prowl.

Buyers, miners incentivized for more M&A

EY's Asia Pacific Mining Transactions Leader Paul Murphy told S&P Global Market Intelligence that other "big players" who were looking at moving their coal assets would be buoyed by the prices of the aforementioned transactions, and could well take them to market.

Though Anglo American PLC recently agreed to sell its 88.17% interest in the Drayton thermal coal mine and Drayton South project in New South Wales in February, the rest of its Australian coal assets are now largely off the table as the company is making money out of them.

However, Murphy said there was still a "question mark" over what Anglo does with them; so too BHP Billiton Group's energy coal assets, which Tom Sartor, senior analyst at financial services firm Morgans, also conceded "does not logically fit" within the Australian diversified miner's portfolio.

"Then there's Peabody Energy Corp. with their recapitalization … so there's a lot of assets out there that, who knows, could be transacted this year," Murphy said.

While Sartor said the chances of buyers acquiring distressed assets from Peabody have "fallen dramatically" with the market recovering, he said that costs creeping up and earnings trajectories coming into question would prompt some miners to look to M&A to fill that gap.

"Quite a few of them have openly said to the market that 'we aim to build our exposure in base metals' like South32 Ltd.; or Newcrest Mining Ltd. saying 'we aim to have exposure to five tier one assets by 2022; Evolution Mining Ltd. and Sandfire Resources NL have also been vocal, and there are probably a lot more," Sartor said. "All those balance sheets are really strong enough to consider M&A."

Recruiters seeing more hiring

With all this in play, and more deals expected to come, two investment banking recruitment firms told S&P Global Market Intelligence that more dealmakers are being sought in Australia.

FourQuarters Recruitment's Perth-based director Eric Macias said boutique advisories which do deals for juniors deemed too small by major investment banks were "ramping up in the mining space", and have "definitely seen an uptick in activity and hiring".

"Whenever markets pick up the Australian corporate companies or private equity firms tend to poach a lot of the advisory staff, which means they need replacing; then there is the general uptick in the market — with increased activity you need more people," Macias said.

Sydney-based Anton Murray Consultancy founder Anton Murray said the metals and mining space has been "really slow and relatively stagnant" in terms of hiring for about four to five years, but is working off a low base as many metals and mining teams were "cut quite aggressively" when commodity prices bottomed in 2013 in terms of head count.

Deal activity has increased over the last two to three years because — as one senior investment banking M&A contact who runs one of the big metals and mining banks across the region told Murray — the valuation costs of a lot of the Australian metals and mining assets were still "at a relatively low level".

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