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HD **'Opportunistic' buyer Glencore still on acquisition hunt**

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The arrival of Glencore chairman Tony Hayward into Australia this week will do little to calm tensions between the Swiss miner and Rio Tinto, amid expectations that a Glencore will make a second tilt at a $190 billion merger with Rio in early 2015.

Mr Hayward's flying visit to Australia will include a speaking engagement in Melbourne on Tuesday and meetings with some of Glencore's Australian staff, but British takeover laws will likely prevent him from publicly spruiking the merits of a merger with Rio this week.

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It is believed the British rules, which require a six month freeze between an unsuccessful first acquisition or merger attempt and a second bid, will even prevent Mr Hayward from approaching Rio's Australian-based shareholders in private to discuss a second offer.

Glencore reportedly approached some of Rio's bigger owners, including its biggest shareholder Chinalco, about a merger before Rio said had been the subject of a merger offer on October 7.

But several of Rio's large Australian shareholders indicated they were not scheduled to meet Mr Hayward this week.

Mr Hayward, who was chief executive of BP during the disastrous 2010 Deepwater Horizon oil spill, will speak at an Australian Institute of Company Directors event on Tuesday that will take place under strict "Chatham House rules" that prevent attendees from reporting his comments.

The two companies have been shadow-boxing ever since Glencore's first approach to Rio was publicised, but the Rio merger is just one of several transactions that Glencore has pursued in recent months. The Swiss company was deeply involved in BHP Billiton's sale process for its Nickel West business in WA earlier this year, but couldn't convince the nation's biggest company to part with the asset, which BHP said is no longer subject to a formal sale process.

Speaking at an investor briefing in London last week, Glencore's nickel department director Kenny Ives hinted that the battle for Nickel West may not be over. "We would love to have bought it, but it didn't work out, it is as simple as that. Who knows what the future brings," he said.

Ivan Glasenberg, the chief executive officer of Glencore Xstrata, told the same briefing that Glencore would continue to be opportunistic in the hunt for acquisition targets, and the depressed prices in iron ore and oil could make distressed producers in those sectors vulnerable to an approach. Opportunistic search"Companies' values have gone down so of course, opportunistically, like we've always said on any commodity, we will be looking at opportunities. Now if we believe things are priced at discounts to what we believe they're worth, we'll look at them," he said.

While Glencore said it would retain a "competitive" base dividend and would continue the current $US1 billion ($1.2 billion) round of share buybacks, the company was less clear on its plan for shareholder returns than other miners have been.

Rio has promised to reveal a plan to deliver "materially increased" shareholder returns in February 2015.

Bank of Montreal analyst Tony Robson said the lack of detail on shareholder returns could be an indication that Glencore was poised to launch an **acquisition** raid in the near future.

"How seriously the **company** is looking at **M**&A is hard to judge, although it would explain the limited discussion of capital returns for next year," he said, in a note to clients.

"BMO Research would guess that assets or companies in **oil**, **iron ore**, **coal** and agriculture may be attractive to the **company** given current prices."

Mr Ives said Glencore was also holding regular talks with Vale over whether distinct synergies between their respective Canadian nickel assets could be found. The two asset groups have been subject to merger speculation in the past, and Vale's revelation earlier this month that it was considering floating its nickel and **copper** assets could yet see a deal with Glencore emerge. Rio's Australian shares were fetching $53.67 at the close of trading on Friday, meaning the stock is plumbing its lowest levels since July 2013. The stock has fallen 24 per cent since February 18.

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