

SE Business
HD **BHP's Nickel West invites buyers to take a look**
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BHP Billiton has stepped up efforts to simplify its portfolio, telling the 1800 workers at its Nickel West **operations** in Western Australia that the business could be sold off and that potential buyers are about to come calling.

The president of the 100,000 tonne-a-year Nickel West business, Paul Harvey, has told the workforce the business could be sold in part or in full.

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"As part of this process we will shortly be inviting third parties to visit our **operations**," Mr Harvey said in an internal memo.

A large contingent of potential buyers is expected, with BHP's preference being for an established operator to take over.

Nickel prices have rebounded recently to reach 27-month highs in response to Indonesia's ban on the export of unprocessed nickel ores, and the potential for Russia's nickel exports to be caught up in Ukraine-related trade embargos.

But the potential **sale** of Nickel West is more deeply rooted in the productivity and portfolio simplification strategy of BHP chief executive Andrew Mackenzie — a response to demands from shareholders for greater returns despite the retreat of commodity prices from boom levels.

Mr Mackenzie is building BHP's future on a simpler structure covering the "four pillars" of **iron ore**, **copper**, petroleum and **coal**.

Nickel West and the group's other non-core interests of aluminium, manganese and zinc no longer fit the bill.

Before Mr Harvey's memo to Nickel West employees, Mr Mackenzie told a **mining** conference in Miami that the case for more portfolio simplification was "compelling".

He said simplification — BHP has already sold \$US6.5 **billion** in non-core assets in the past two years — was a priority.

Early last month BHP responded to market speculation that it was considering a \$US20bn demerger of its non-core assets into a new **company** by saying that structural options were being considered.

But Mr Mackenzie told the conference that no decisions had been made. "We continue to study the next phase of simplification ... We will only pursue options that maximise value for BHP Billiton shareholders," he said.

Yesterday's memo to Nickel West employees highlighted that the trade or private **equity sale** of the non-core assets was part of the mix, with the possibility that a demerger of the remaining non-core assets — including the successful Cerro Matoso nickel mine in Colombia — could still be part of the considerations.

A potential trade **sale** of Nickel West — valuations vary widely from \$800 **million** to more than \$2bn, depending on price assumptions for the highly volatile metal — would be less complicated than including them in a demerger, which would require value adjustments between the Australian Securities Exchange and London-listed shares.

Another factor was Glencore Xstrata's statement that it was interested in a potential **sale** of Nickel West, which compelled BHP to value-test the trade route against whatever a demerger might generate.

Apart from Glencore Xstrata, **China**'s Jinchuan has long had an association with the nickel produced by Nickel West. And Mick Davis, former boss of Xstrata, which merged with Glencore last year, has assembled the funds in his X2 private **equity** fund, which could make him a player.

The Nickel West **operations** include the Mt Keith, Cliffs and Leinster mines and concentrators, the Kalgoorlie smelter, the Kambalda concentrator and the Kwinana refinery. The package also includes the Perseverance underground mine, but it was closed in December because of safety concerns.

The absence of feed material from Perseverance has altered the supply dynamics for the integrated nickel **operations**, with a temporary fix done by bringing back into production a nearby but short-lived operation. The longer-term solution is to strike new supply deals with third-party producers, or develop new resources and discoveries, but this is not on Mr Mackenzie's agenda.

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