

FINANCIAL REVIEW

SE	Market Wrap - Street Talk
HD	Buyout firm Apollo in bid fray for BHP's Nickel West
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LP	<p>BHP Billiton's Nickel West assets have lured a host of international suitors but the field lacks an obvious front-runner.</p> <p>Glencore Xstrata has been touted as the logical buyer. But as Street Talk revealed last week, the commodities trading house has walked away from Nickel West, prompting many in the market to warn the assets are too complex and carry too high a capital expenditure outlay to achieve the price tag BHP is targeting.</p>
TD	<p>Enter the dark horse of private equity. According to sources, Apollo Global Management – led by Steve Martinez in the Asia-Pacific region – was among the initial contenders for Nickel West and is sifting through due diligence materials alongside five other candidates.</p> <p>The US buyout firm is understood to hold a positive view of nickel, although the commodity's prospects have divided the market, given the world's largest exporter of the metal, Indonesia, has banned exports of nickel ore. Since then, prices have soared. The worry is a reversal of this policy will set in train a drastic decline in nickel's value.</p> <p>But many view the most pressing consideration to be the \$1.5 billion capital expenditure bill, a sum that would clearly deter private equity.</p> <p>The question most will ask of Apollo is what is its exit route?</p> <p>Some are sceptical the risk-return profile would suit the firm, which was last seen on a high-profile resources bid in 2013 when it tried and failed to snare Rio Tinto's Canadian iron ore operations.</p> <p>Meanwhile, it is thought rival Jinchuan, China's largest nickel company, may opt to just renew its contract with Western Areas and stay clear of the difficulties posed at Nickel West.</p>
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