Near $2b of Fortescue shares hit market in huge block trade; Street Talk

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Byline: Sarah Thompson, Kanika Sood and Emma Rapaport

Body

JPMorgan's equity capital markets team was looking for buyers for $1.9 billion of discounted ***Fortescue*** stock after yesterday's closing bell on behalf of an undisclosed institutional investor.

Fund managers were told to bid in 5¢ increments, from an $18.55 floor up to a maximum of $19.10 per ***Fortescue*** share. It represented an 8.8 per cent to 6.1 per cent discount to the last close - and was worth 3.2 per cent of the $62.6 billion company.

The book was due to shut at 8pm for Asia Pacific investors, and 1am for rest of the world. JPMorgan was the sole bookrunner, and had underwritten the trade at the floor price.

Fingers were pointing at The Capital Group, which on June 14 sold $1.1 billion of ***Fortescue*** stock, also via JPMorgan. That trade was done at $21.60 a share or a 6 per cent discount to the last traded price.

Yesterday's term sheet said the seller - who wasn't identified - had vouched to lock up their remaining shareholding for 45 days. Should the seller be The Capital Group as expected, it would go down to owning about 3.42 per cent of ***Fortescue***.

Block trades this size are few and far between, but suggest institutional investors are tiring of Andrew Forrest's ***Fortescue***, which seems to be battling major C-suite issues, at the same time as iron ore prices slump, costs rise, and its hydrogen ambitions prove unrealistic.

Fortescue shipped 191.2 million tonnes of Australian iron ore in the 12 months to June 30; the first time in five years the company has reported a sequential decline in export volumes, after shipping 192 million tonnes in the previous financial year. Last Thursday, it warned of higher costs across its WA iron ore operations. Earlier this month, it abandoned a target for ***Fortescue*** to produce 15 million tonnes of green hydrogen by 2030. Shares have fallen 30.8 per cent year-to-date.

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