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DEALS

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Randgold's hook-up with Barrick to leave large void in London market

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LONDON (Reuters) - A tie-up between Randgold Resources and Barrick Gold will leave a void in the London market for investors seeking exposure to gold via companies that produce the precious metal.

FILE PHOTO: An employee sorts gold bars in the Austrian Gold and Silver Separating Plant 'Oegussa' in Vienna, Austria, December 15, 2017. REUTERS/Leonhard Foeger/File Photo

Canada's Barrick Gold has agreed to buy Africa-focused Randgold for \$6.5 billion to create the world's largest gold producer. It intends to list its shares in the new, enlarged company in New York and Toronto.

Randgold, listed in London for 21 years, is the second mining company to announce its departure from the British capital's stock exchange in three months following Vedanta Resources.

"For a London investor in the gold sector, Randgold would be the only real option of a company with a good track record and enough liquidity," a fund manager at Old Mutual said.

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"Randgold is going from one-of-a-kind investment in London to the biggest of a group of investments in Canada and New York," the fund manager added. "It is the most liquid, so that will potentially give it a premium in those markets."

Gold companies in recent years have come under fire for poor performance and use of capital from investors who have preferred management to focus on costs rather than

acquisitions.

Randgold has been a beacon for equity investors looking for a liquid exposure to gold, often used as a safe haven during times of financial, political and economic uncertainty.

It was among the best-performing stocks in London immediately after Britain voted in 2016 to leave the European Union, partly because the firm is seen as well managed with good relationships with governments, one UK fund manager said.

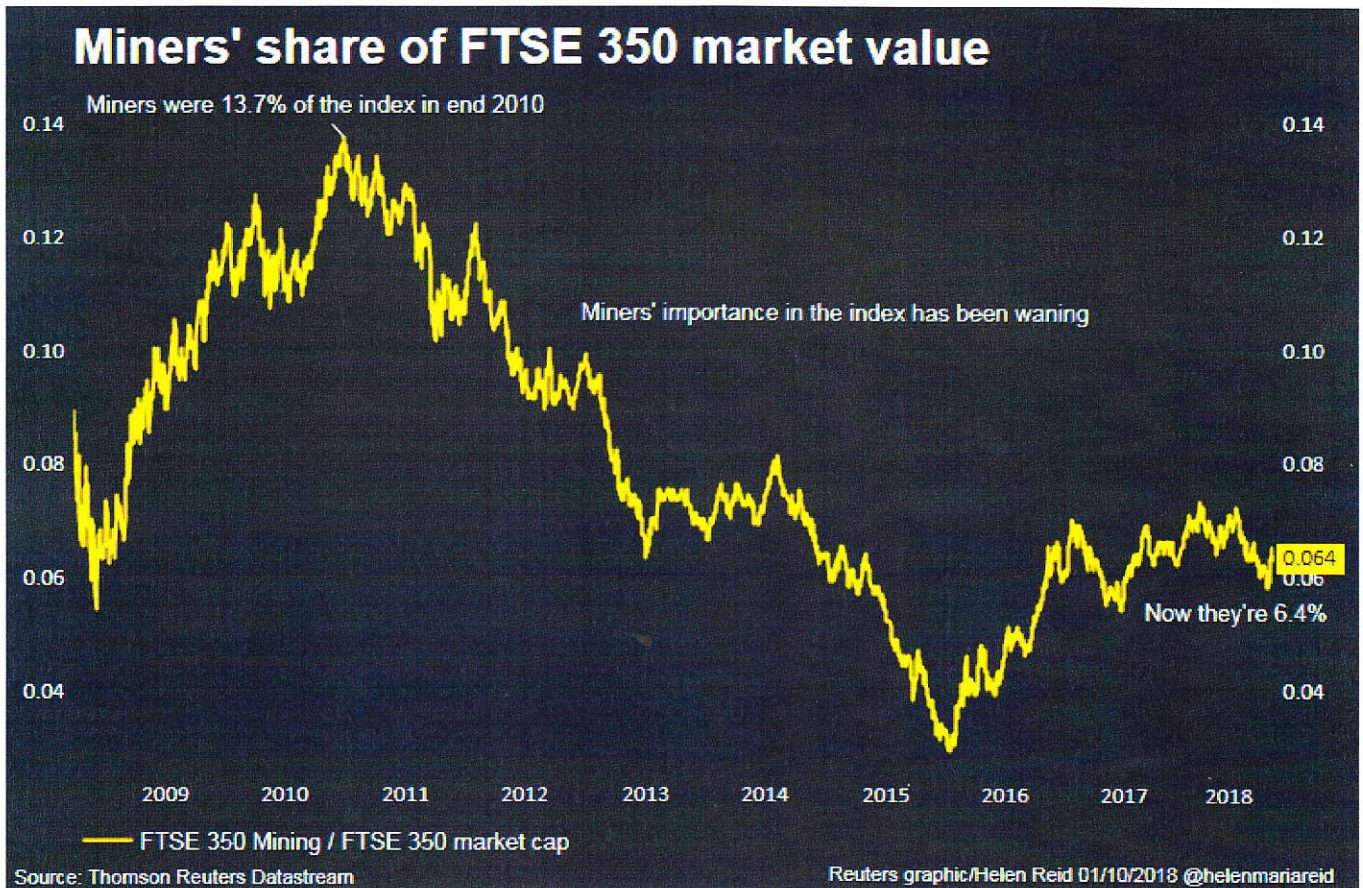
Mark Williams of London gold fund Charteris said the Randgold delisting would be a “sad day” for investors in the UK capital, noting that London-listed Fresnillo, also a precious metal producer, was not a pure gold play. The Mexican miner also produces silver, lead and zinc.

FILE PHOTO: A salesperson arranges 24K gold bracelets for Chinese weddings at Chow Tai Fook Jewellery store in Hong Kong, China December 14, 2017. REUTERS/Tyrone Siu/File Photo

(For a graphic on 'Miners vs. FTSE 350' click reut.rs/2ItkgG9)



(For a graphic on 'Miners share of FTSE 350' click reut.rs/2IuTQE7)



So far this year, five new companies have listed on the London Stock Exchange, raising just 167.58 million pounds (\$217.27 million), compared to four in the same 2017 period that raised around 440 million pounds.

None of the new firms listed this year were gold companies, compared with two last year, stock exchange data showed.

Overall, new listings in North America have been strong compared to Europe, Asia and emerging markets, said Roger Jones, head of equities at fund manager London & Capital.

“This has undoubtedly encouraged corporates to focus on North America, where valuations are higher and investor sentiment more positive,” he said.

On a wider scale, the uncertainty over divorce negotiations between Britain and the EU is seen as a temporary dampener to the British financial sector.

“The London stock market could do with all the help it can get and Randgold delisting is not helping,” said Alastair Winter at Daniel Stewart, economic adviser to the Dynamic Opportunities Fund, which invests in Randgold.

London hosts the world’s biggest mining companies, including Rio Tinto and BHP Billiton.

The FTSE 350 mining index has fallen 5.4 percent this year compared to a drop of 2 percent in the wider FTSE 350 index

Gold companies are struggling more than their diversified peers and have seen their stocks shorted as the gold price sank to 1-1/2-year lows and short positions on the yellow metal climbed to records.

Reporting by Clara Denina and Zandi Shabalala; additional reporting by Helen Reid; Editing by Pratima Desai and Dale Hudson

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