Trendsetting Gold Fields unbundling may set the tone for other miners

According to BDLive, Gold Fields' unbundling of a large portion of its local assets could start a wave of similar actions by mining companies in a bid to ring-fence their local operations and keep investors happy. In one of the strongest votes of no-confidence in domestic investment to date, Gold Fields formed Sibanye Gold - a new gold company, into which it will spin off its old deep-level, narrow-vein underground operations Beatrix and KDC.



This will reduce the miner's exposure to about 30% in 2016 - when Gold Fields' new fully mechanised South Deep mine near Johannesburg achieves full production.

"It is no secret that South African miners trade at significant discounts to their international peers as most investors take a dim view of the country's socio-political issues and black empowerment," said CIBC analyst Leon Esterhuizen. In addition, most of South Africa's gold mines are old, deep and difficult to mine. The price-to-earnings ratios of South African gold companies are 60% lower than those of international senior gold producers and achieve half the price-to-cash-flow values of their global counterparts.

Gold Fields CEO Nick Holland said the deal could be a catalyst for the whole gold industry in South Africa. "It could help us tear down boundary fences and I would like to think that the other gold companies are thinking about the effect it might have," he told BDLive.

Read the full article on www.bdlive.co.za.

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