

**Randgold****The odd couple that will lead the world's new number one in gold**

John Thornton and Mark Bristow to run \$18bn Barrick Gold and Randgold combination



Barrick Gold executive chairman John Thornton © Reuters

Henry Sanderson and Neil Hume 4 HOURS AGO

[The \\$18bn combination](#) of Canada's [Barrick Gold](#) and London's [Randgold Resources](#) brings together two of the biggest personalities in the mining industry: a former highflying banker from Goldman Sachs and a pugnacious South African miner and geologist.

How these two powerful personalities [will work together](#) will govern the success of a deal that the two companies say will create a global mining colossus designed to appeal to all investors and not just gold fanatics.

However, there are already concerns about how John Thornton, known for his tough management style, will work alongside Mark Bristow, who single-handedly built Randgold into one of the biggest gold companies in the world.

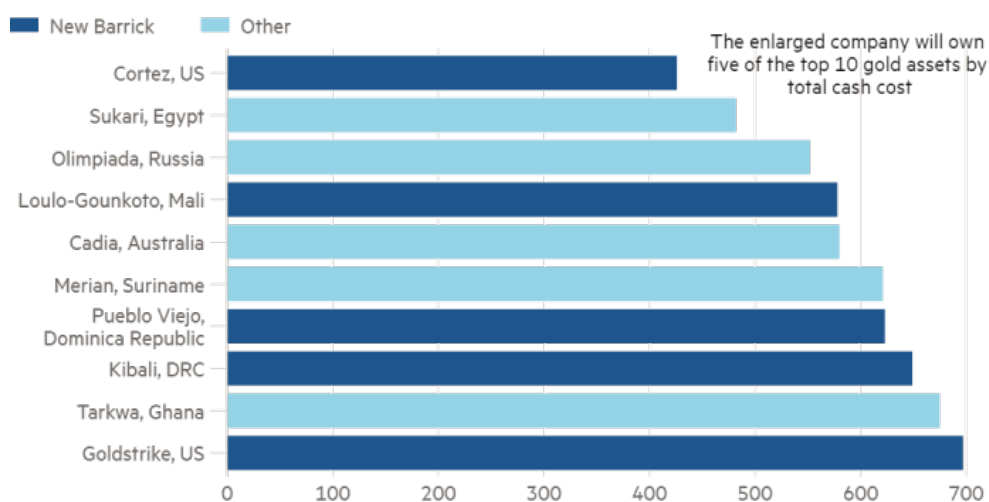
Under the deal announced on Monday, the two men will retain their positions as executive chairman and chief executive — the first time Barrick has had a chief executive since 2014.

“Mark is viewed as one of the best operators in the industry — they ought to give him a lot of rein,” said Robert Gill, a portfolio manager at Lincluden Investment Management.

The two companies have been discussing a possible combination for three years but talks intensified over the past nine months, leading Africa-focused Randgold to recommend a \$6bn all-stock offer from Barrick on Monday. The tie-up will create the world's biggest gold company, with annual production of 6.5m ounces of gold, eclipsing its nearest competitor, US-listed [Newmont Mining](#).

## New Barrick's mines are some of the most efficient gold assets

Total cash cost (\$ per ounce)\*



\*Includes cash cost, royalties, and other indirect costs

Source: companies

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The deal comes as investors have been shunning the gold mining sector, which has a well-deserved reputation for overspending, poor capital discipline and, in North America, excessive executive pay.

Only last week, New York hedge fund Paulson & Co launched a 16-member [Shareholders' Gold Council](#), in a bid to push miners to improve their performance.

Since 2008, the NYSE Arca Gold Bugs index, which includes Barrick and Randgold as constituents, has more than halved in value as the industry has taken tens of billions of dollars of impairment charges on ill-timed deals and wildly ambitious projects.

By bringing together Barrick's scale and reach with Randgold's entrepreneurial management team, Mr Thornton and Mr Bristow say they can create a "new champion for value in the gold mining industry".



Randgold Resources chief executive Mark Bristow © Reuters

"Randgold has the agility and swift-footedness of a younger and smaller company, much like Barrick in its early years, while Barrick has the infrastructure and global reach of a large corporate company," Mr Thornton said on Monday.

Analysts and bankers say a deal helps both companies address key strategic problems.

Since Mr Thornton was appointed executive chairman of Barrick in 2014, the Toronto-based group has sold off assets, slashed debt and focused on generating cash rather than expanding its gold reserves.

But that has also seen its output fall, threatening its position as the world's largest gold producer, which it was in danger of ceding to rival [Newmont](#). Buying Randgold is one way of addressing those concerns as well as hiring one of the industry's most highly regarded executives in Mr Bristow.

"Effectively, Barrick has had to buy Randgold to get Mark Bristow," said one senior mining banker.

For Africa-focused Randgold, a tie-up with Barrick answers questions about its long-term growth prospects. Under Mr Bristow's leadership Randgold has been one of the best performing gold miners in the world.

## Gold stocks have been struggling

Gold companies' stock performance



Source: Thomson Reuters Datastream  
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Measured by total shareholder returns, Randgold is among the top ten performers in the FTSE 100 over the past decade, up 120 per cent. It has never reported a quarterly loss or taken a writedown, an impressive feat for a company that mines a volatile commodity.

But the company has not had a big exploration success for several years and has lost its premium over other listed gold companies. It is also facing [a tough, new mining code](#) in the Democratic Republic of Congo, where it has one of its biggest mines, and a moribund gold price.

Although its shares rallied 6 per cent on Monday, they are still down by 30 per cent this year.

"This industry needs consolidation because all the main gold mining companies are starting to run out of reserves starting in 2020. They're not discovering any new reserves," said James Rasteh of Coast Capital Management, a New York-based hedge fund.

At Barrick, Mr Thornton is a divisive leader who gained a reputation for a hard-charging work ethic while at Goldman Sachs, where he rose to be president before leaving in 2003.

He has fired hundreds of middle managers and tried to promote a Goldman-style "partnership culture". "At Goldman Sachs, [cutting] 10 per cent was like breathing. We did it every year," he told

the Globe and Mail in an interview this month.

His response to an unflattering piece in the Wall Street Journal in August was to call a company-wide town hall meeting where he espoused his management philosophy and views on the industry in a [near-7,000 word speech](#).

Mr Thornton has also cultivated a close relationship with China, where he serves as a professor at the elite Tsinghua University. Under his leadership, Barrick sold a 50 per cent stake in its Veladero gold mine in Argentina to China's Shandong Gold.

Working with China offers "political risk mitigation", Mr Thornton said on Monday.

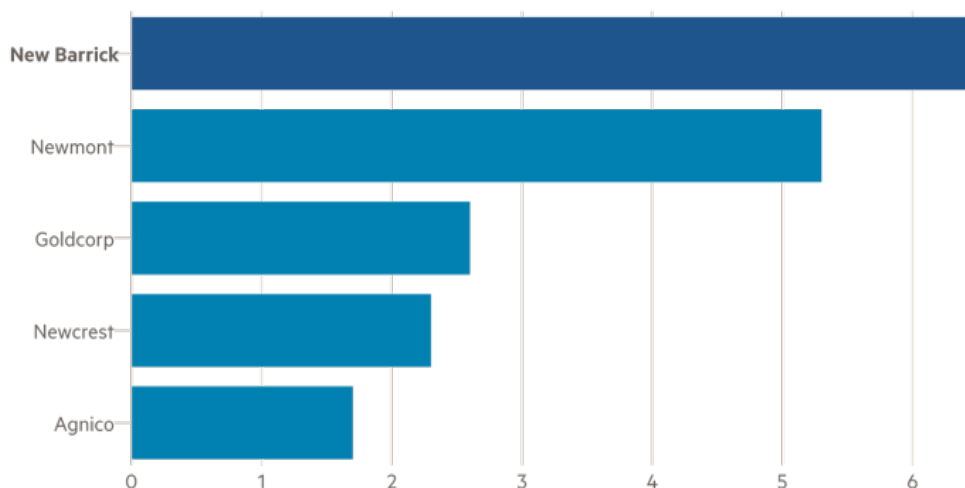
Mr Bristow has a completely different background to Mr Thornton. He trained as a geologist at Natal University in South Africa before founding Randgold and building it mine by mine into one of the largest gold producers.

An amateur pilot who lives in Mauritius, and a keen motorcyclist, he has been a vocal critic of the gold industry for years, accusing it of overspending and not delivering value for shareholders.

An energetic businessman who frequently travels across Africa, Mr Bristow was still taking business calls from hospital following open heart surgery in November 2017.

## World's largest gold miners

By production, 2017 (m ounces)



Source: companies  
© FT

Following the merger, the new company, dubbed "Brandgold" by analysts, will focus on five "tier one" assets, described as low-cost mines capable of producing 500,000 ounces of gold annually for at least 10 years. Any assets that don't meet this investment criteria will be sold.

Mr Bristow will manage the expanded company's day-to-day business, while Mr Thornton will provide leadership at the board level and focus on strategic issues.

"They're singing from the same hymn sheets," Richard Hatch, an analyst at Berenberg, said.

"There's a difference in culture in the two organisations but it's with Thornton's blessing that Mark and the Randgold culture will be dominant force in the new Barrick."

Mr Bristow insisted there was "no culture" clash between the two leaderships teams and the two sides had spent time together in workshops talking about the two company's mining assets. They had already found areas where they could share expertise such as in open pit and underground

mining, he said.

Mr Thornton's focus on lean management and decentralised decision-making, putting more control in local mine managers' hands, chimes with Mr Bristow's approach, the Randgold boss said.

"There's no difference in his outlook and philosophy and mine — the difference is I've done it," said Mr Bristow.

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