

AngloGold Ashanti's chief is in comfort zone

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It's not an easy time to be running a large goldmining company. Despite the price of the precious metal remaining above \$US1600, investors are placing increasing pressure on management over sliding share prices and substandard returns.

But AngloGold Ashanti's Australian-born chief executive, Mark Cutifani, is not worried about suffering the fate that has befallen peers such as Barrick Gold's Aaron Regent and Kinross Gold's Tye Burt, who have paid with their jobs for disappointing shareholders.

Come October, the 54-year-old Cutifani, who grew up in the NSW industrial town of Wollongong and cut his teeth in the nearby coal mines, will have spent five years in charge of AngloGold, the world's third largest gold producer. While not satisfied with the Johannesburg-based company's share price, which has fallen 30 per cent in nine months, he says all the questions that investors were asking when he started have been addressed.

"I think all of us are feeling the pressure on the basis of share price," he tells the Weekend Financial Review at the annual Diggers & Dealers conference in Kalgoorlie.

"There would be very few CEOs happy with their share price. We're all trading at discounts to some degree. "But do I stress about it? No. If you look at what we've done in the past five years, we've delivered everything we said we'd do. We've tripled our earnings without going in and putting big whacks of capital in place. Our returns are at the top of the industry," he says.

In the cases of Regent and Burt, their sackings could be linked, at least in part, to big-ticket acquisitions gone awry. For Regent, it was the \$C7.3 billion deal to buy Equinox Minerals in April last year. Since taking over Equinox's Lumwana copper mine in Zambia, Barrick has struggled to contain costs and many expect the company to eventually have to take a writedown on the asset.

For Burt, it was the \$US7.1 billion purchase of Red Back Mining in 2010. Kinross announced a \$3 billion goodwill impairment on the Tasiast and Chirano projects acquired from Red Back in February.

One of the reasons Cutifani is relatively comfortable about his tenure at AngloGold is that to date, there has been nothing like this to blot his copybook. "Have we been successful at everything we've done? No," he says. "We've stubbed our toe but we've not blown our foot off. We've not gone out with a silly transaction or made a major strategic mistake that has hurt the company in a bad way.

"We've hit our guidance 80 per cent of the time so, as I said, we've stubbed our toe a couple of times. But we've made sure that all the big moves we've made, we've delivered."

Cutifani, a mining engineer, joined AngloGold as chief executive after leaving Inco, the Canadian nickel miner bought by Brazil's Vale for \$C17 billion in 2006, where he was chief operating officer.

Adding his time in Canada to his time in South Africa, Cutifani and his family have spent the past 10 years living away from Australia. He misses Wollongong and tries to get back at least once a year, but has no regrets about the path his career has taken.

“Yes, you get homesick but to be fair, Canada and South Africa have been very good to myself and the family,” he says.

“In fact, it’s been the greatest thing I could have done because after 35-odd years in the industry, who else can say they’ve had responsibility across six continents, actually worked on three and worked in more than 20 commodities ranging from coal, the bulks, industrial minerals, base metals right through to the whole range of precious metals and just had fun all the way through.”

On taking the AngloGold job, Cutifani promised the board five to seven years’ service. While he is close to meeting the minimum commitment, he says he is open to staying on and sees the potential for the company to challenge for the position of world’s biggest goldminer in the not-too-distant future.

The company expects to be producing 5.5 million ounces of gold a year by the end of 2014, once development projects, including the \$790 million Tropicana gold mine in Western Australia, are completed, and has made some new discoveries in Colombia that it believes could add significantly to that figure.

“Colombia, in its own right, could be 30 per cent of the business so we could easily head out to be number one gold producer within seven years,” Cutifani says.

“But that’s not the objective. The objective is to be the best financial returner to our shareholders, the best value creator and if that means we’re number one from a production point of view then ...”

He rules out linking AngloGold’s dividends to the gold price as some companies such as Newmont Mining have done in an attempt to satisfy shareholders complaining about capital returns being poor despite the buoyant gold market.

“I’m emphatic. What we’ll do is link it to cash flow. If the gold price goes up our cash flow improves and we’ll improve our dividends.

“The concern I have in linking it direct to the gold price is you have to also keep an eye on costs and your ability to fund a dividend is not based purely on the gold price, it’s based on cash flow,” he says.

The Australian Financial Review