AngloGold eyes payout as world affiliates shine

By Allan Seccombe

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AngloGold Ashanti reported strong interim free cash flows, bringing the company closer to resuming dividends after halting payments to shareholders in 2013 as it turned its attention to reducing its large debt, restructuring the company and slashing costs to return to profit.

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AngloGold was likely to make an announcement on a dividend policy based on a percentage of free cash flow and could make a payment early in 2017, CEO Srinivasan Venkatakrishnan said on Monday, 15 August.

In the six months to end-June, AngloGold, the world's third largest gold miner, reported a $52m profit compared with a $143m loss in the same period a year earlier.

Gold production was 1.745-million ounces compared with 1.976-million ounces, but all-in costs fell to $982/oz from $1,010/oz. The received gold price for the period was $1,222/oz compared with $1,204/oz a year ago.

"This demonstrates pleasing trends in the overall direction of the business. Operational performance was fine with the international operations demonstrating their quality with all-in sustaining costs of just $873/oz," Bank of America Merrill Lynch said in a note.

AngloGold maintained its full-year production forecast at between 3.6million and 3.8-million ounces, citing a traditionally stronger operational performance in the second half of the year. Analysts cautioned that the target could be missed if SA continued to have high numbers of government-ordered safety stoppages of its mines.

Free cash flow was recorded for the third consecutive quarter to end-June and more than tripled to $108m compared with free cash flow of $31m in the interim period a year ago.

AngloGold cut net debt by a third to 2.098bn from $3.076bn at the end of June 2015, mainly by selling its Cripple Creek & Victor mine in the US to repay an expensive bond. There were no other expensive interest-bearing debt instruments, the CEO said.

"Dividends remain a key focus ... what we would look at is coming up with a sustainable dividend policy likely to be based on a percentage of free cash flow," said Venkatakrishnan.

"It's something that is focusing the board's attention and it's something "¦ to be announced early next year."

The company had a number of growth projects and debt reduction strategies it wanted to tackle at the same time and this would attract spending, he said.

At the suspended Obuasi mine in Ghana efforts are continuing to remove hundreds of illegal mine workers from AngloGold's property, which has delayed a feasibility study into a new mining plan for the perennially underperforming operation.

Spending at the mine had dropped to about $50m this year from a planned 120m because all work there had stopped, Venkatakrishnan said.

AngloGold has expressed frustration at the slowness of the Ghanaian government's intervention to remove the workers, who the company says are damaging property and infrastructure. Asked whether AngloGold would exit the mine, Venkatakrishnan said much depended on the government's response and the outcome of arbitration to resolve the matter.

An attempt to bring Randgold Resources, its partner in two other African mines, into a joint venture at Obuasi failed in 2015 after Randgold walked away from the scheme.

Of all AngloGold's mines, this one is the most problematic.

AngloGold shares were the worst performer of the major gold producers on the JSE on Monday, falling 5% to R283.44, giving it a R116bn market capitalisation. The company has gained 251% in the past year, putting it a distant third behind the 394% and 375% gains made by Sibanye Gold and Harmony Gold, respectively, in the same time.

Source: Business Day