

# Study of mergers and acquisition for bhp billiton management essay



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This article will highlight how the mergers and acquisitions is being utilized and used as a growth strategy for making company position better as well to gain competitive edge by implementing different business strategies.

## **Merger-BHP and Billiton- 29 June 2001**

BHP Limited (BHP) and Billiton Plc (Billiton) today formally completed their merger, creating the world's leading diversified resources group, to be called as BHP Billiton. After the merger BHP Billiton will have \$38 billion enterprise value with the excellent asset base of low cost and elongated life operations with outstanding an countryside diversifications

According to BHP Billiton Managing Director and CEO Paul Anderson the merged Group gained monetary strength, global scope and improved skills to bring foremost expansion opportunities and significance to shareholders, clientele, and personnel after the merger took place.

Reasons & Analysis: BHP and Billiton agreed upon a merger and adopted a strategic expansion and development strategy for the sustainable cutthroat benefit for future aspects. The main reason for the merger has been the portfolio of interest of both the companies. BHP has been involved in oil and gas, aluminum, copper, nickel, iron ore, manganese, metallurgical coal and energy coal. On the contrary Billiton has been involved in petroleum, copper, and steel.

In the ray of above analysis, it can be concluded that the merger of BHP and Billiton has been an example of one of the proficient and successful management of a merger strategy aimed at growth of the firm. It has been highlighted that the key underlying reason for the merger has been to create <https://assignbuster.com/study-of-mergers-and-acquisition-for-bhp-billiton-management-essay/>

a consolidated firm that has diversified resources that do not conflict with each other, rather strengthen each other's acquired and developed resources. The portfolio of interest of both the companies were the key driving factors that have led to the creation of BHP Billiton a strong mining company that can withstand external environment changes and impacts of any foreseeable economic situations. It should however been noted that the merger was faced with typical issues related with corporate culture, motivation, communication and employee relations. It should be noted that the company has been able to create sustainable competitive advantage with the help of this integration of resources and competencies of the two firms.

## **Acquisition-1**

BHP Billiton- Athabasca Potash Inc- 23 March 2010

BHP Billiton Canada Inc. (BHP Billiton) today announced that it has completed the previously announced acquisition, pursuant to a Plan of Arrangement, of all the issued and outstanding common shares of Athabasca Potash Inc (API) for C\$8.35 cash per common share. This acquisition provides BHP Billiton with 100 per cent control of the Burr project and various additional potash exploration properties in Saskatchewan, Canada. BHP Billiton now has access to a total of more than 14,000 km<sup>2</sup> of prospective exploration ground in the world-class Saskatchewan potash basin.

Reason & Analysis: As said by Graham Kerr President-BHP Billiton diamonds and specialty products in a statement the reason behind this acquisition was

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to give a strong base to BHP Billiton's by choosing the strategy of building a strong potash resource position.

The main strategy behind this acquisition by BHP Billiton would be strong resource base as well future growth for company in different market, due to economic crisis the potash market demand increased in 2007 as well declined 2008 which led farmers to reduce fertilizer and manure usage. The market is still sheathing and recovering nevertheless it's predictable that it will considerably recover in 2010 and ensure the profit margin in this market according to BHP. From BHP point of view it would be a Market development in Canada.

(Source: <http://www.miningweekly.com/article/bhp-billiton-to-buy-canadian-potash-junior-2010-01-28>,

<http://www.canadianminingjournal.com/issues/story.aspx?aid=1000357267>).

Acquisition 2- BHP-WMC Resource, 2nd August 2005

BHP Billiton announced a US\$7.3 billion agreed bid for another mining company WMC Resources in March 2005 with cash offer of A\$7.85 per share, owners of the Olympic Dam copper, gold & uranium mine in South Australia, nickel operations in Western Australia and Queensland, and a fertilizer plant also in Queensland. The takeover achieved 90% acceptance on 17 June 2005, and 100% ownership was announced on 2 August 2005, achieved through compulsory acquisition of the last 10% of the shares.

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**(Source: <http://www.azom.com/news.asp?newsID=2649>)**

Reason & Analysis: The reason behind this acquisition is the further step in BHP Billiton's policy or strategy of operating, mounting and to maximize the performance of large scale, long-life, low-cost assets. In this acquisition can be considered as Market Penetration in China as it provides additional premium long-term options to satisfy continuing demand growth in China and other high-growth economies.

## **Joint Ventures**

Joint Venture 1- Rio Tinto and BHP Billiton, Western Australian Iron Ore Production Joint Venture, 5 June 2009

Rio Tinto and BHP Billiton signed a non-binding agreement to set up or establish a production joint venture covering the whole and entirety of both companies' Western Australian iron ore assets. The joint venture will encompass all current and future Western Australian iron ore assets and liabilities and will be owned 50: 50 by BHP Billiton and Rio Tinto. The joint venture is expected to unlock significant value from the companies' overlapping, world-class resources. Both companies believe the net present value of these unique production and development synergies will be in excess of US\$10 billion (100 per cent basis). These substantial synergies are anticipated to come from mixing and combining contiguous mines into sole activity or operations, reduction in cost through smaller rail hauls and port capacity effective and efficient location. BHP Billiton will pay Rio Tinto US\$5.8 billion for equity type interests at financial close to take its interest in the joint venture from 45 per cent to 50 per cent.

Reason & Analysis: The strategy behind this joint venture is to bring together world-class iron ore resources, infrastructure and people, unlocks large synergies and is an outstanding outcome for all stakeholders and to be able to serve growing international markets with unparalleled efficiency.”. It can be well thought-out as Market Penetration in International Markets by strengthening its position with the help of Rio tinto Joint Venture as well growth strategy to be a market leader by Blending opportunities which will maximize product recovery and provide further operating efficiencies, Optimising future growth opportunities through the development of consolidated, larger and more capital efficient expansion projects, Combining the management, procurement and general overhead activities into a single entity.

## **Joint Venture 2**

### **BHP Billiton Announces New Iron Ore Joint Venture and US\$9 Billion Sales Contracts with China**

**1 March 2004**

#### **Related Documents**

Wheelarra Joint Venture Briefing Notes (89. 0 KB)

Ref 11/04

BHP Billiton today announced its intention to enter into the Wheelarra Joint Venture with four of China’s leading steel mills. The joint venture will secure the sale to the mills of approximately 12 million tonnes per annum (Mtpa) of iron ore.

The joint venture will be BHP Billiton's largest ever commercial agreement with Chinese steel mills, with sales of iron ore expected to total US\$9 billion over the next 25 years.

The steel mills are:

Wuhan Iron and Steel (Group) Corporation, (" WUGANG")

Maanshan Iron and Steel Company Limited (" MAGANG")

Jiangsu Shagang Group Co Ltd (" SHAGANG")

Tangshan Iron and Steel (Group) Co Ltd (" TANGGANG")

Under the joint venture, the Chinese steel mills will take a 40 percent interest in a sub-lease over BHP Billiton's Jimblebar mine, near Newman in Western Australia. BHP Billiton will retain a 51 percent interest, with Japanese joint venture partners CI Minerals Australia and Mitsui Iron Ore Corporation taking a 4.8 percent and 4.2 percent interest respectively.

BHP Billiton Chief Executive Officer Chip Goodyear said the company was pleased to be part of a unique venture that would see, for the first time, a partnership with a group of Chinese steelmakers to ensure a stable, long-term supply of iron ore to their own operations.

" The Wheelarra Joint Venture will underpin a major export agreement between Australia and China and will cement an ongoing economic partnership between BHP Billiton as a leading supplier of raw materials and China as a major industrial nation," he said.

“ We expect the relationship between China and BHP Billiton will provide further opportunities for our other businesses, notably metallurgical coal and manganese.”

The Wheelarra Joint Venture agreement is expected to be formalised in Australia soon.

BHP Billiton will immediately begin shipping an additional four to six Mtpa to the Chinese mills, approximately doubling its total sales to these customers in 2004.