Private Equity Shuns Gold-Mining Deals Even as Prices Rally

- Investments fall 29% in first half, report by law firm shows
- Private equity funds were focused on raising fresh capital

By Thomas Biesheuvel

(Bloomberg) -- Private equity firms largely shunned the gold mining space in the first half of the year as they focused on raising new money.

Investments fell by 29% to $149 million from a year earlier, according to a report by law firm Bryan Cave Leighton Paisner. There were just nine private equity deals in six months, down from 13 a year ago.

Gold-mining projects have long been a private equity favorite, with investments in the sector topping the commodity chart in the law firm’s annual report in four of the past five years. Bryan Cave Leighton Paisner suggests many of London’s private equity firms are focused on raising new funds, after deploying a lot of their capital in recent years.

The dearth of private equity investment came as gold had a stellar first half, rising 9.9% to the highest in six years, before making further gains. That advance was driven by trade-war uncertainty and the adoption of a more dovish stance by the Fed and other central banks, making the non-interest bearing precious metal more competitive.

That wasn’t enough to tempt private equity money, especially to new projects, as 96% of investments went to increasing existing stakes rather taking new strategic positions, the law firm said.

Bryan Cave Leighton Paisner expects more activity in the second half of the year as buyout firms deploy newly...
raised funds. In 2020, the trend may switch to disposals as investors look to cash out.

“We expect to start to see more disposals by mining private equity,” the law firm said. “Significant sums were raised by mining private equity in 2013 as circa 10 year money, meaning that these funds will enter into the investment realization phase.”

To contact the reporter on this story:
Thomas Biesheuvel in London at tbiesheuvel@bloomberg.net

To contact the editors responsible for this story:
Lynn Thomasson at lthomasson@bloomberg.net
Dylan Griffiths, Nicholas Larkin