



3 Reasons Goldcorp Won't Raise its Bid for Osisko

Description

With **Goldcorp's** (TSX: G)(NYSE: GG) bid for **Osisko Mining** ([TSX: OSK](#)) nearing its April 4 deadline, will Goldcorp raise its bid? Osisko's share price has consistently traded above Goldcorp's offer, reflecting optimism among shareholders that Goldcorp will up the ante.

But there are also plenty of reasons why Goldcorp will stick with its original bid, whether or not it ends up being high enough.

1. A lack of competition

There is no denying that despite a small resurgence in gold prices, the industry is still very gun-shy after years of overpriced acquisitions. Companies like **Barrick Gold** have promised to trim down, and won't be bidding for companies like Osisko, no matter how great the bargain.

For that very reason, Osisko has had trouble finding a white knight. As Goldcorp chairman Ian Telfer put it this week, "They've had 11 weeks to bring in a bidder. They have one week left. We haven't seen the bidder yet. No one has seen the bidder yet." And without that rival bidder, it makes a lot less sense for Goldcorp to bid against itself.

2. Not a game-changer

This is the gold mining industry's biggest takeover offer for months, so it's no wonder that the bid is getting so much media attention. But it's not a game-changer for Goldcorp. At current stock prices, the bid totals \$2.7 billion, which represents just under 12% of the company's market capitalization.

So while the bid is certainly noticeable for Goldcorp, the company is not desperate for Osisko's shares. Goldcorp has also claimed that it has plenty of other uses for the money, including organic growth opportunities.

3. Setting a precedent

This is not the last hostile takeover attempt that Goldcorp will make. So what kind of precedent does

Goldcorp want to set? If its current bid fails, and Goldcorp does not increase its offer, then the shares of Osisko will likely plummet. That would send a very powerful message to future target companies. On the flip side, if Goldcorp raises its bid, then future targets will be very difficult to capture on the first try.

As Mr. Telfer put it, "It is much worse for us to overpay for an asset than it is to let it go. We are very focused on being disciplined and bringing down the crossbar. Somebody has to do it after all the high prices that were paid in the past."

Foolish bottom line

This all may be a bit premature. Goldcorp has not even begun its due diligence on Osisko – if Osisko turns out to be worth more than previously thought, there is always a chance of a higher bid.

But Osisko's shareholders, by owning the company's shares above the offer price, are playing a very dangerous game. It would probably be wiser to just stay on the sidelines.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:OSK (Osisko Mining)

Category

1. Investing

Date

2025/07/20

Date Created

2014/03/27

Author

bensinclair

default watermark

default watermark