



## 3 Takeaways From the Osisko Bidding War

### Description

Sometimes, you just have to know when to give up. And that's exactly what **Goldcorp** (TSX: G)(NYSE: GG) did on Monday, as it announced that it will not make a higher bid for **Osisko Mining** (TSX: OSK). The announcement means that **Agnico-Eagle** (TSX: AEM)(NYSE: AEM) and **Yamana Gold** (TSX: YRI)(NYSE: AUJ) will be successful in their takeover bid.

This brings to an end one of Canadian mining's biggest storylines in 2014, one that has been very good for Osisko's shareholders. So with that in mind, here are the three biggest takeaways from the saga.

#### 1. It pays to be producing

Let's face it. Mining is an extremely difficult business to be in, one with high upfront costs, complicated projects, and uncertain commodity prices. For the miners that aren't yet producing, these are serious issues. It's no wonder that so many junior miners struggle to raise money.

On the other hand, producing mines are much more valuable. Not only are they few and far between, but there is less risk for an acquirer in taking it over – there's no risk of acquiring a non-producing project, then failing to develop it (which would make a CEO look particularly foolish). Osisko's Canadian Malartic mine is a perfect example.

#### 2. Goldcorp has some discipline

It is quite common, especially during the boom times, to see bidding wars that are fueled by ego more than economics. If multiple bidders are willing to pay any price, and determined not to lose, then that can drive the price to sky-high levels. And those usually end with the "winner" actually ending up worse-off.

To Goldcorp's credit, the company was willing to lose a bidding war. Even though it put in two bids for Osisko, it knew when to walk away, and its shareholders should be thanking the company for that. If only more companies, especially in the mining sector, had the same attitude.

### 3. Mining isn't dead yet

When Goldcorp made its original offer, it was described by Osisko's management as a "lowball" bid. Based on what has happened since, it's now clear that Osisko's management had a point. And part of the reason for Goldcorp's lowball bid was a belief that no one else would step in. Many people (including yours truly) thought that this would work.

But fortunately for Osisko and its shareholders, that proved not to be the case. It goes to show that even after gold prices have fallen so much, there are still plenty of companies healthy enough to go after one of Canada's top producers. Whether or not this generates momentum for the sector remains to be seen.

### Foolish bottom line

Although Osisko's shareholders may be a little disappointed that the story ends here (the stock sunk over 3% on Monday), it has been a wonderful year for them. Thanks to the bidding war that started in January, the stock has returned 64% year-to-date. Time will tell if Agnico and Yamana's shareholders get to celebrate too.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:OSK (Osisko Mining)
4. TSX:YRI (Yamana Gold)

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