Nick Holland’s unfinished business at Gold Fields

With only South Deep as a possible minus, he is regarded as having made a huge contribution to the industry

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Nick Holland: Set up for a comfortable retirement.

Flamboyant is not a word you’d ordinarily associate with someone seasoned in the rough and tumble world of mining, and almost certainly not when that person heads one of the world’s largest gold-mining companies.

Yet it’s a word used time and again to describe Nick Holland, CEO of Gold Fields, who has become characterised by his auburn hair, wide grin and snazzy suits, often garnished with a pocket square.

But as Holland gears up for his final year at the company after 13 years at the helm, he will certainly be remembered for much more than that snappy dress sense.

Thirteen years is a long time to lead a company. He has actually been there longer — since 1999.

Asked what he thinks his legacy as Gold Fields CEO will be, he cites the globalisation of the group.

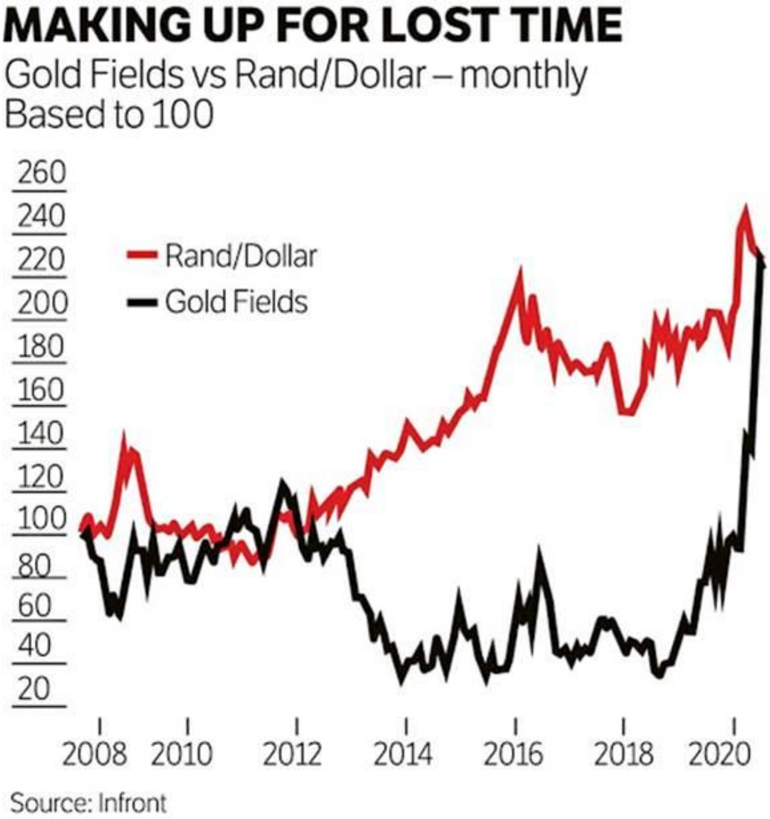
"When I became CEO we were very largely an SA company. About 60% of our production was from SA and we had a few international mines," he says. Since then, he says, Gold Fields has doubled its international production base to 2-million ounces from mines in Australia and West Africa, while another project, Salares Norte, is being developed in Chile.

Part of this internationalisation entailed unbundling of all but one of Gold Fields' SA assets into what became Sibanye Gold, headed by Neal Froneman. Sibanye went from strength to strength, and is now also the world's largest platinum producer too.

Arnold van Graan, mining analyst at Nedbank CIB, says there was initially a lot of scepticism about the spinoff, but in the end it turned out well.

"It created a stepping stone for a larger group that is now Sibanye-Stillwater," he says.

Peter Major, director of mining at Mergence Corporate Solutions, also gives Holland kudos for the way in which Gold Fields exited its main SA assets. "Nick gave them to a competent guy and team in a share split," says Major. "It was a good move. Employees, shareholders, SA. Everyone benefited from that."



Holland says it was a pivotal moment which seemed at the time to be the right thing to do for shareholders. "If you bought a Gold Fields share back in November 2012 [at the time of the unbundling] and got your two pieces of paper afterwards — a Gold Fields share and a Sibanye share — and if you work out the compound annual growth rate you would have had over that period, it's in excess of 15%," he says.

That compares well with what you'd have got in other sectors of the JSE over that time, Holland adds.

Major says Gold Fields did particularly well in Ghana at its flagship Tarkwa gold mine, which seems to just get better every year. "They got it before Nick, but he kept it going. It was a good investment. They got in early, they got in cheap, and they did a good job of maximising that asset."

Van Graan says Holland also did a lot of good for the industry, outside of Gold Fields. "He almost pioneered this idea of all-in-sustaining costs. He said: ‘Look, you can’t just look at cash costs, you need to look at capital expenditure’. And so it was Gold Fields that started with this thing of notional cash expenditure, which included some form of sustaining capital, and I think that laid the base for all-in-sustaining cost reporting," Van Graan says.

"He was also one of the first CEOs to stand up and say, we need to start looking at this business differently: we need to start focusing on margins and cash flows, and he pulled the business away from chasing ounces and then others followed."

While Holland wasn’t CEO when Gold Fields bought the South Deep gold mine in SA, his determination to hold onto the troublesome asset over the years could haunt his legacy.

"It was a bad investment that only got worse," says Major. "Nick was out of his depth, as nearly anyone would have been. I don’t think they ever realised what they got. Bought in a hurry, it was a bigger monster than they thought. Since then they have burnt tens of billions of shareholder rands for almost nothing."

Gold Fields once forecast production of as much as 800,000 ounces of gold a year from South Deep. But, so far, it produces only about 200,000 ounces a year. The aim is to double that to 400,000 ounces now, but Major can’t see it getting there. "It’s a rock mine," he says. "Gold Fields has taken investors’ money and created the most expensive mine in SA."

Holland, as you can imagine, sees it differently. "I think the one [attraction] that has kept me going on South Deep is that there is an ore body here. And when we mine the ore body correctly, we get the grade, we get the gold."

The question that remains is how to create an operation that will be sustainable over time. A painful restructuring was part of the answer, and that move, Holland says "has proved to be the watershed between holding South Deep back and getting it to move forward".

The future for the operation is bright, he says, even if he concedes that "some of the lofty production targets that have been talked about even before my time and latterly when we updated studies, they may not come to pass. But I think this mine can make a lot of money for the shareholders of the company."

With just a year left at Gold Fields, and South Deep yet to prove it can turn sustainable profits, Holland is running out of time, Van Graan says.

South Deep was once owned by notorious mining magnate Brett Kebble, before being passed to Western Areas, then ending up at Gold Fields. It is the one question mark over Holland’s legacy.

Says Van Graan: "I think he has the view that eventually it will become a world-class asset. I guess the probability is still there. Who knows, maybe years from now we will look back and say he was actually right."

Until then it will probably continue weighing on the share price, as it has done for some years.

Between 2011 and 2018, Gold Fields shares fell nearly constantly from $18 to $2.50, making it, according to Major, "one of the world's worst investments".

Today, thanks to an extraordinary rally in gold prices, it's at $12.50, "about where it was when Nick Holland took over 13 years ago".

Still, says Major, you have to account for the gain to shareholders in hiving off Sibanye. Nonetheless, Gold Fields has also underperformed the gold index by about 10% during this time, he says. "Not a train smash — but hardly worthy of any bonuses I would think."

Holland is used to scrutiny of his remuneration — that comes with being one of the highest-paid CEOs in the industry. While his R45m salary came under fire by some fund managers in 2012, in 2019 Holland took home R71m.

Holland points out that, firstly, executive remuneration is handled by boards and appointed committees.

At Gold Fields' recent AGM, two advisory votes were conducted on the remuneration policy as well as its implementation, with votes in favour, at 99% and 91%, being even higher than last year's. "The shareholders have spoken," Holland says.

Though set up for a comfortable retirement, Holland isn't exactly choosing to leave the company. Rather, the Gold Fields policy requires that executives are put out to pasture at 63, so he's had time to make peace with it.

"The important thing is to leave the company in a good position and that's what I'm determined to do. There is still a year to go. So I want to make the most of it," he says.

The first priority is to ensure that Salares Norte — which Holland describes as "one of the best new projects in the gold industry, with significant upside potential" — continues to advance. His aim is to ensure the project isn't too far off when he exits.

In Ghana too, Tarkwa has a potential 10-million more ounces, and Holland plans to make inroads on unlocking that. There's also plenty of upside potential for the Australian operations.

"There's a lot to be excited about," he says. "I think Gold Fields has shown it's one of the top producers in the world. It shows that we are here for the long run, and I think there's every reason for investors to get into the stock."

As for Holland himself? "All options are still open, I'm still pretty young, I'm energetic, I think I can still add value. Who knows – anything is possible."