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A quarter-century ago South Africa's Harry Oppenheimer chanced upon a teenager at a dinner party. Today that young man is building the Oppenheims' Minorco into one of the world's mineral mining giants.

"Three men and a boy"

By Kate Bohner Lewis



Minorco Chief Executive Hank Slack
"We can live through almost any price cycle."

HENRY (HANK) SLACK recalls his first meeting with South Africa's mining tycoon Harry Oppenheimer: "After we had eaten dinner, the women were shoed out, as was the custom. We sat around the table smoking cigars and drinking port, talking about politics, business. Just four men, solving the world's problems."

Slack pauses for a moment and adds: "Well, three men and a boy."

Slack was the boy. Just 19 at the time, he was visiting a neighbor in posh Far Hills, N.J., the late Charles Engelhard, chairman of what is now Engelhard Corp. Oppenheimer was there for the weekend; the Engelhards asked Slack to join them for dinner.

Oppenheimer made quite an impression on Slack, and vice versa. After graduating from Princeton in 1972, Slack went to Johannesburg to work for Oppenheimer's mining company, Anglo American Corp., and then spent seven years as Oppenheimer's personal assistant.

Today Slack, at only 44, is chief executive of \$3.14 billion (revenues) Minorco, the international facet of the Oppenheimer empire. He is also one of the three insiders who advise Oppenheimer on family decisions (*see box, p. 84*).

Says Oppenheimer, proudly: "I have every reason to believe Hank Slack will be running Minorco for at least as long as I'm alive. He's quite young, and he's doing quite well."

The stock market agrees. Since Slack was promoted to Minorco's top job in December 1992, the price of



Brooks Kraft/Spina

Gold and diamond baron Harry Oppenheimer

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Minorco's over-the-counter-traded American Depositary Receipts has almost doubled, from around 13 to a recent 25 $\frac{3}{4}$, valuing the company's equity at nearly \$6 billion. The Oppenheimer family's interests own 7% of Minorco's 225 million shares; the rest trade publicly in Luxembourg, London, Johannesburg and Paris.

With interests on five continents in

gold, base metals, industrial minerals, paper and packaging and agribusiness, Minorco is one of the most profitable companies of its kind in the world.

In the 12 months ending June 30, it earned \$222 million (99 cents per ADR) on \$3.14 billion in revenues. Its return on equity was 5.3%. That compares favorably with rival \$4.1 billion

(revenues) Noranda, Inc., which made \$37 million last year, before one-time charges. Its return on equity was -2.4%.

Founded originally as an offshoot of Anglo American in 1928 by Harry Oppenheimer's father, Sir Ernest, the company first concentrated on providing financing for copper miners in Zambia (then Northern Rhodesia) to feed the burgeoning post-World War I construction and automobile industries. Under Kenneth Kaunda, Zambia nationalized over half the country's copper mines in 1970, but Kaunda paid Minorco a market price for its interests—\$200 million.

Anxious to get some of their assets away from Zambia's autocratic investment laws, the Oppenheims used the \$200 million to recapitalize Minorco, which they reincorporated first in Bermuda, later in Luxembourg. In 1974 Minorco bought Charles Engelhard's 29% stake in Engelhard Corp. (then known as Engelhard Minerals & Chemicals). The stake has since been increased to 32% and is currently worth over \$700 million.

During the 1970s Slack worked as Harry Oppenheimer's personal assistant, learning finance and dealmaking as well as mining as the master's right hand. In 1979 he married Mary Oppenheimer, Harry's only daughter. The marriage has since dissolved but not, obviously, Slack's relationship with his in-laws.

In 1979 Oppenheimer, together with his son-in-law and star pupil, focused on restructuring Minorco. At the time Minorco was basically an investment company with a tiny staff headquartered in Bermuda.

By the mid-1980s Minorco executives had decided to transform Minorco from an investment holding company into an operating company. The vehicle for this was to be Minorco's interest in London-based Consolidated Gold Fields Plc., one of the world's major gold-mining houses. By 1986 Minorco had accumulated a 29% position in the company.

Slack, together with Chairman Julian Ogilvie-Thompson, spent the next two years trying to coax ConsGold into a friendly merger. ConsGold rebuffed them at every turn. So in 1988 Minorco launched a hostile bid to buy, for \$5 billion, ConsGold's



Minorco's Mantos Blancos copper mine in Chile

A low-cost producer waiting to coin profits.

outstanding shares. But in December 1989 ConsGold defeated Minorco's bid, agreeing instead to sell out to Hanson Plc.

Minorco emerged from the battle ConsGold-poor but cash-rich. For its

ConsGold stock Hanson paid Minorco \$1.6 billion, a profit of \$645 million. This on top of over \$800 million raised from selling Minorco's 14% stake in Salomon Brothers. Says Oppenheimer today: "In hind-

sight I'm actually pleased we did not succeed [in the takeover]. I don't think we would have ever been able to get along with the people in the Goldfields group. And I think we were wrong about its value. But I

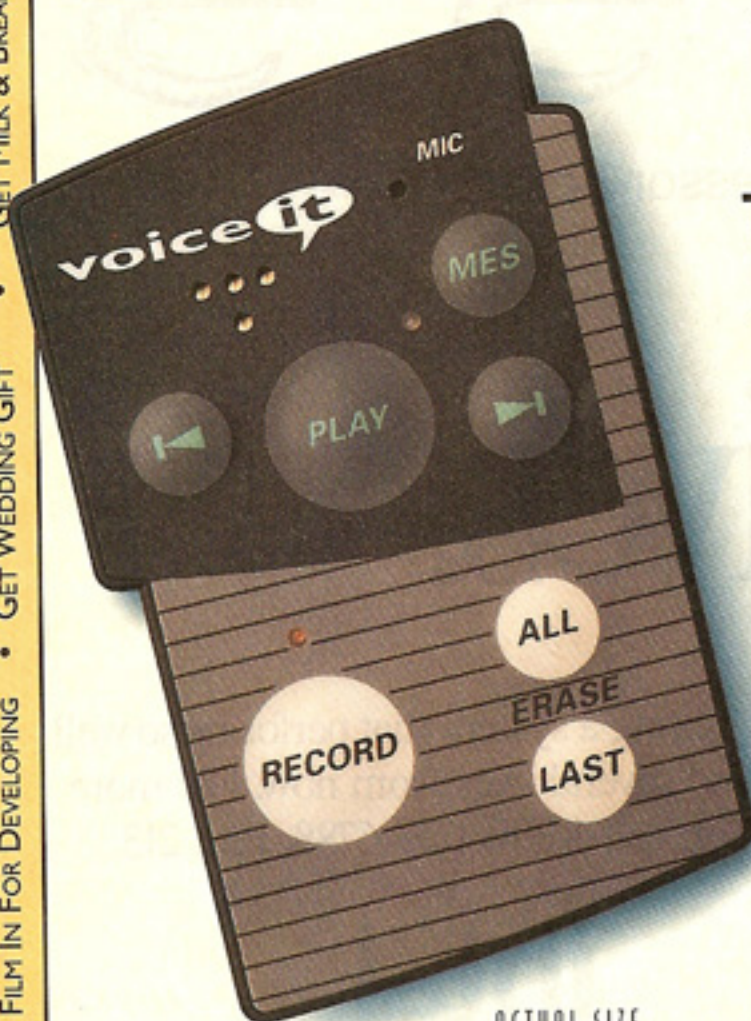
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was certainly not pleased at the time."

With \$2.4 billion in Minorco's wallet, Slack and Ogilvie Thompson went on a global shopping spree. Setting up a U.S. subsidiary in Denver, Minorco started buying up mining properties in Nevada, Colorado, Canada and East Germany. The first of those purchases was the gold divi-

sion of mining giant Freeport-McMoRan for \$705 million; this gave Minorco interests in two U.S. mines. Minorco's share of the mines produced 340,000 ounces last year, more than half of Minorco's total gold production. Slack also bought Hudson Bay Mining & Smelting's ailing producer of zinc and copper, and Buxtom Lime Industries, a former divi-

sion of Imperial Chemical Industries. Last November Slack took another stride toward separating Minorco from its South African roots and making it a truly international mining giant. In a transaction valued at \$1.4 billion, Minorco issued 55 million new shares to Anglo American, its affiliates and De Beers Centenary, and gave them all of its African mining

The Oppenheimer dynasty

THE KEY to the Oppenheimer family's fortunes is a Johannesburg-domiciled holding company, E. Oppenheimer & Son. It was established in 1935 by Harry Oppenheimer's father, Sir Ernest Oppenheimer.

Largely owned by the Oppenheims and Hank Slack, E. Oppenheimer & Son owns 8% of Anglo American.

Also based in Johannesburg, Anglo American is the world's largest gold-mining company, with interests in most of South Africa's richest mines and has significant interests in producers of platinum, copper and steel.

E. Oppenheimer also owns 7% of \$3.14 billion (revenues) Minorco, run by Hank Slack (*see story*).

In addition, the family holding company has an interest in the Central Selling Office. De Beers Consolidated Mines, which is over 30% owned by Anglo American, and the CSO mine and market nearly all the world's diamonds. The holding company also has stakes in several non-mining companies.

How much all this is

worth is impossible to pin down. The Oppenheimer family's holdings in publicly traded Minorco and Anglo American alone are worth \$1.5 billion.

For over a decade Harry Oppenheimer, now 86, has been slowly giving up responsibility for managing these far-flung operations. He stepped down as

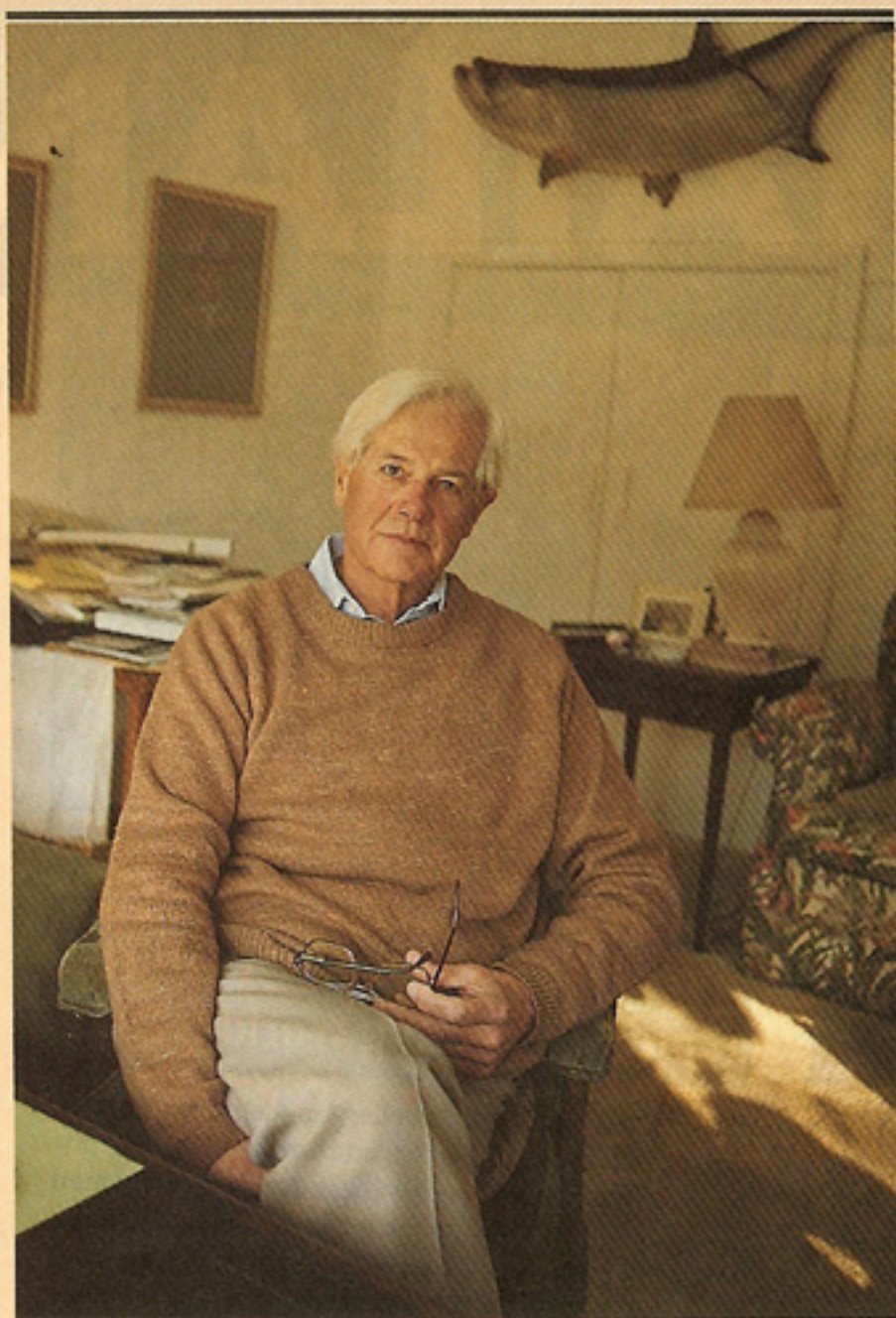
chairman of Anglo American in 1982, and as chairman of De Beers in 1984. Increasingly the important decisions are falling to a tight little group surrounding the patriarch. They are Oppenheimer's son, Nicholas (Nicky) Oppenheimer, 49, chief executive of De Beers; Julian Ogilvie Thompson, the 60-year-old chairman of Minorco, Anglo and De Beers and son of a former chief justice of South Africa; and Hank Slack, Minorco's chief executive and former husband of Harry Oppenheimer's daughter Mary (the two divorced, amicably, in 1993; they have two children).

Sources close to the Oppenheims and Minorco believe Hank Slack is worth about \$100 million.

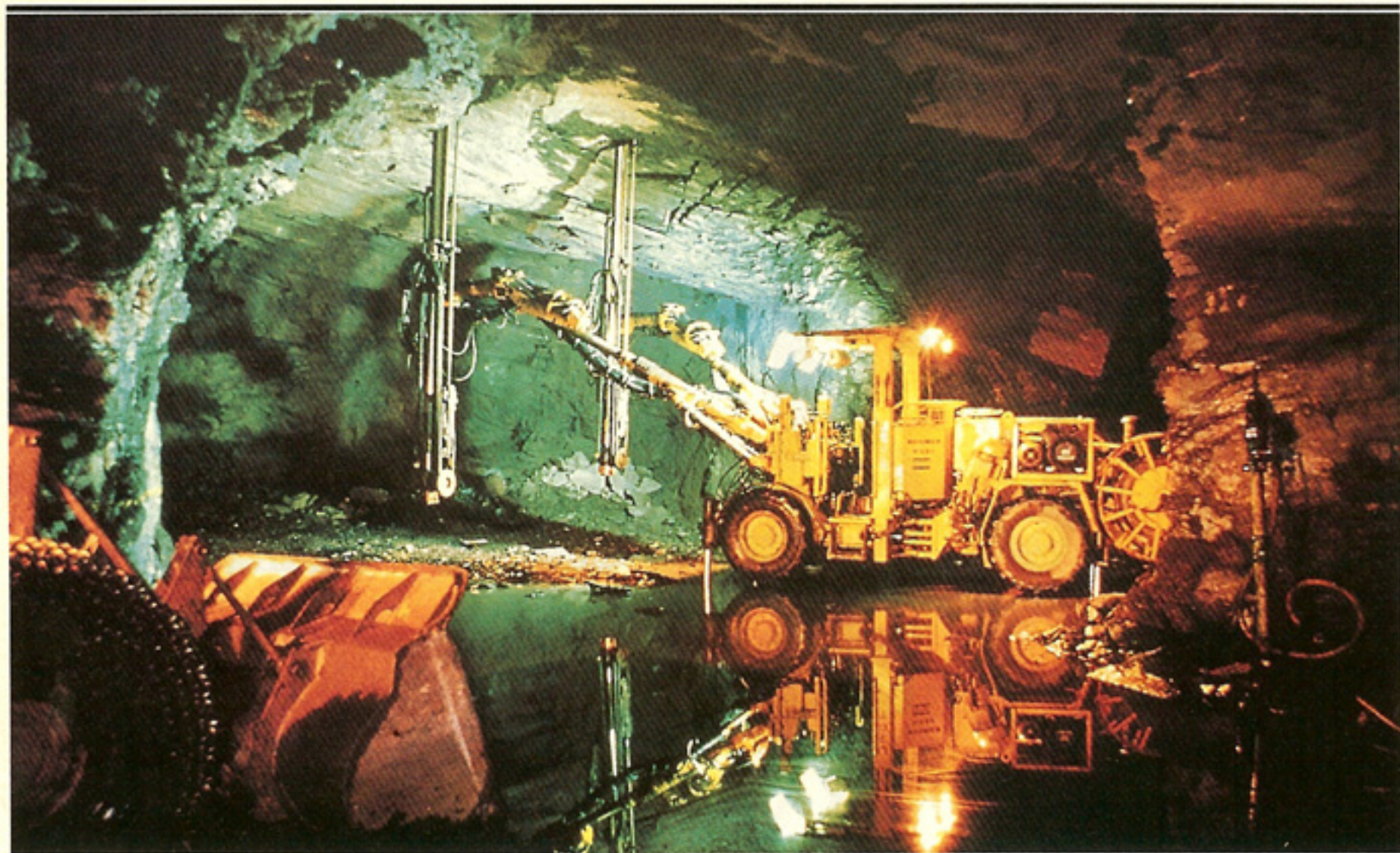
Whatever his net worth, Hank Slack's hard work over the years has clearly won Harry Oppenheimer's respect.

William Loomis, partner at investment bankers Lazard Frères & Co. and a director of Minorco, describes the relationship between Harry Oppenheimer and Hank Slack this way: "Hank was in many ways brought up by Harry Oppenheimer with a father's affection—and a titan's commitment to an enduring tradition."

—K.B.L. ■



Julian Ogilvie Thompson, chairman of Minorco, Anglo and De Beers
Will Thompson and Slack take over the reins?



Minorco's Serra Grande gold mine in Brazil

**"We are long-term stores of value.
We're very patient."**

interests. In exchange Minorco received all those companies' non-diamond international assets.

As a result of the swap, Minorco had almost a quarter of its \$5.5 billion in assets in South America. Projects there include: a gold mine in Argentina; a nickel mine in Venezuela; copper and gold mines in Brazil. Another copper mine is under development in Chile.

While Slack seeks operating (as opposed to passive investment) interests, he does not go in for go-it-alone investments. Too risky.

"We work almost entirely in partnership, with partners who know their way around the country they're operating in," says Slack. Thus, for example, Minorco has recently partnered with Buenos Aires-based Peres Companac to develop Argentina's only gold mine. Minorco has used Peres to negotiate production contracts as well as environmental and labor issues with the government. The mine is scheduled to open in three years. "Without Peres

we could have been mired in years of legal negotiations," says Guy Young, president of Minorco's South American division.

Key to Slack—as it has long been key to Harry Oppenheimer—is the importance of being a low-cost producer wherever Minorco is mining. In Peru and Brazil, for example, Minorco hopes the copper mines it is developing will eventually be able to mine at a cost of as little as 50 cents per pound. When copper prices dipped last year to 85 cents a pound from \$1.03 a pound the year before, Minorco's existing mine in Chile was slightly profitable. But today, with copper back to \$1.14 a pound, it's coining money.

"We can live through almost any price cycle," says Slack. "We did this in Africa, and I believe we can do this in South America as well."

Today Minorco is a relatively minor player in the world's copper markets. By the year 2000 Slack wants Minorco to be among the top producers. With luck, it will be one

of the top three of the world's ten diversified mining companies, rivaling London-based RTZ and Australia's BHP. With barely \$700 million in long-term debt and a cash hoard of close to \$2 billion, Minorco certainly has the resources to achieve Slack's targets.

As important as the financial resources, Hank Slack has the temperament necessary to develop projects with very long lead times. "Minorco is in this for the long term," says Slack. "We can say the copper price will go up because of housing starts in China, but the sheer truth is: We don't know. But we do know we're a low-cost producer, with long-life mines. Over time, throughout any cycle, we will come out ahead. We are long-term stores of value. We're very patient, you know."

In Hank Slack, Harry Oppenheimer saw a teenager with enormous potential, and proceeded to develop his potential brilliantly. As with mining, so with human talent. ■