

Freeport-McMoRan, Inc.

US Satellite*

Recommended since 18.01.2022

21.06.2024



Country US	Market capitalization (bn) USD 71,3	Perf. since reco. (%)
Sector Materials	Free float 99,2%	Freeport-McMoRan, Inc. 11,4
Factset FCX-US	Closing price USD 49,36	Sector 4,5
ISIN US35671D8570	ESG Risk score* 30,3 High risk	

Profile
 Founded in 1988, Freeport-McMoRan is a US mining company based in Phoenix, Arizona, specialising in the production of copper (among the top five – 70% of sales), gold (12%) and molybdenum (6%). The business is geographically diversified, with production split between North America (Arizona, Colorado and New Mexico), South America (Peru and Chile) and Indonesia.

Strengths/opportunities

- Among the leading producers of copper, the group is almost a pure player (70% of sales), with average reserve life of c. 30 years and potential for additional resources.
- After significant deleveraging over the past four years, the balance sheet is now particularly strong (with gearing of 6%).

Weaknesses/threats

- Highly sensitive to fluctuations in the price of copper and, to a lesser extent, gold.
- Presence in Indonesia. But also Chile and Peru (c. 20% of sales), facing growing geopolitical risk: regulation and reform of taxes/royalties are to be monitored.

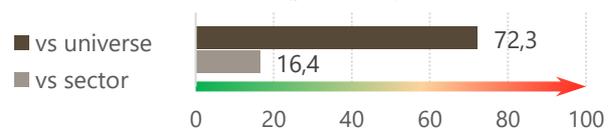
Investment case

- Freeport is one of the few major mining companies to be a pure player in copper. Widely used in low-carbon solutions, copper is an essential commodity that will benefit fully from the energy transition. In light of this new source of demand, production will need to increase in the medium term to meet future requirements. Supply is expected to more or less meet demand in 2022-23, with demand set to outstrip supply from 2024-25. This situation should support copper prices over this time frame.
- After a growth phase in 2022, production will be relatively stable by 2026 (up 1-2%/year). The cash return to shareholders (dividend and share buyback) will depend on market conditions and cash generation. Of the \$5bn share buyback announced, \$1.8bn has been completed. The remaining \$3.2bn has been put on hold in view of the current environment (lower copper prices over the year and cost inflation, negatively impacting cash generation).
- Global manufacturing PMIs have bottomed out, but the manufacturing cycle remains weak and uncertain. A recovery is needed to hope for a renewed appreciation of the sector. We are therefore cautious in the very short term. Nevertheless, copper fundamentals remain positive in the medium term, with constrained supply, providing a favorable environment when demand picks up again. Freeport will be well positioned to take advantage of this and the stock should outperform the sector in the short to medium term.

Valuation

The stock is valued on an EV/EBITDA NTM of 6,5x, i.e. a premium of 20% compared to its historical 10-year average. The FCF yield is 3.8% in 2024. With deleveraging now complete, the dividend yield should increase over the medium term.

ESG risk vs. universe & sector (percentile)*



USD	12/2023	2024e	2025e
Sales revenue (mio)	22 707	25 522	27 056
Sales growth	-2,7%	12,4%	6,0%
EBIT adjusted (mio)	6 421	8 142	9 765
% of sales	28,3%	31,9%	36,1%
Net income (mio)	2 221	2 444	3 357
Net income growth	-37,3%	10,0%	37,4%
FCF/Sales	2,0%	9,1%	14,9%
Net debt/Ebitda	0,5x	0,3x	0,1x
Dividend yield	1,2%	1,2%	1,2%
EV/EBITDA	8,7x	7,0x	6,0x
P/BV	4,2x	3,8x	3,3x

Factset estimates

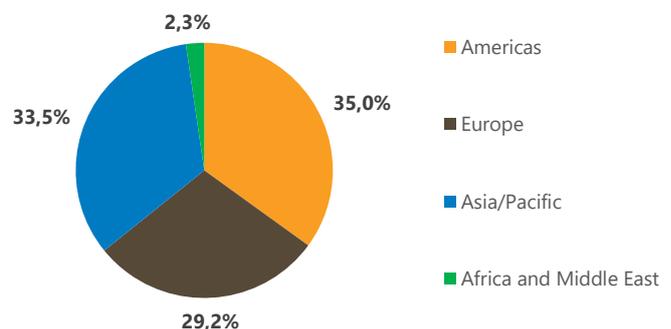
ESG - risks and key points

- Freeport's ESG risk is high despite the company's sound governance. The company has in the past been involved in high levels of controversy.
- Freeport is exposed to risks relating to employee safety, environmental damage and regulatory requirements (water consumption, controlling pollution, processing of tailings, etc.). The use of riverine tailings at the Grasberg mine increases its risk profile.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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