

## DESK NOTE

14.03.2025

### **Freeport-McMoRan Inc. (FCX US) – A Solid Buy Backed**

#### **by Tariffs, Critical Mineral Status & USD Weakness**

**Conclusive Summary:** We recommend buying FCX at current levels, supported by favorable copper price dynamics, potential government incentives, and tariffs that could drive upside for the stock.

While FCX reported solid 4Q24 results, weaker 2025 copper production (lowered by 5%) and cost guidance (Cash Costs +3% & CAPEX up by \$200M to \$4.4B for 2025) triggered a selloff. However, we do not view this as a dealbreaker, as multiple catalysts could drive significant upside. The potential designation of copper as a "critical mineral" could boost EBITDA by approximately \$500M annually, increasing our price target by 5% to \$48. Additionally, prospective tariffs favoring FCX's U.S. production could add another \$600M in annual EBITDA, bringing the total potential price target increase to 9% at \$50. A depreciating U.S. dollar further supports copper prices, potentially driving higher average selling prices and improving profitability for FCX. Given these tailwinds, we see strong medium-term value in the stock. Key risks include smelter ramp-up delays, copper price volatility, cost inflation, and regulatory risks in Indonesia.

**Competitive Position:** ranks as one of the top producers with a strong asset base, including Grasberg mine in Indonesia and extensive U.S. operations. FCX competes with a diverse set of players, ranging from mining giants like BHP, Rio Tinto, and Vale, to copper-focused miners such as Southern Copper and First Quantum. While FCX benefits from large-scale, high-grade reserves, especially at Grasberg, its cost position is somewhat challenged by geopolitical risks and operational costs in Indonesia. Compared to its peers, FCX's cost efficiency is bolstered by economies of scale, though it faces pressure from low-cost producers like Southern Copper and Codelco. The company's strategy of expanding existing assets rather than pursuing major acquisitions distinguishes it from competitors like BHP and Rio Tinto, who have made significant mergers and acquisitions to bolster copper exposure.

**Valuation:** Using a combination of multiple and DCF valuation, we reach a blended target price (TP) of \$46, +23% above current levels. FCX stock is trading below its 5-year historical multiple premium to peers, and at or below its 5-year multiples indicating some room for multiple expansion driven by the catalysts discussed. We suggest adding FCX stock at current prices.

Ticker: FCX US

Previous day close price: \$37.58

Price range (52w.): \$33.98 - \$55.24

Reason for note: Post 4Q24 decline

Target price: \$46 (+23% upside)

Recommendation: **Buy @ Current**

**Description:** Freeport-McMoRan Inc. (FCX) is a leading global mining company headquartered in Phoenix, Arizona, and one of the largest publicly traded copper producers. The company operates a diverse portfolio of mining assets across North America, South America, and Indonesia, primarily producing copper, gold, and molybdenum. FCX's key mineral reserves are located in prominent mining districts such as Grasberg (Indonesia), Morenci (Arizona), and Cerro Verde (Peru). The company generates revenue through the sale of these commodities in various forms across its global operations.

Revenue Sources:

- **Copper (75% of Revenue):** Sold as copper concentrate, copper cathode, and continuous cast copper rod.
- **Gold (15%):** Produced primarily at Grasberg, sold as a byproduct of copper concentrate or in anode slimes.
- **Molybdenum (8%):** Produced from dedicated mines and as a byproduct of copper production, used in steel alloys, electronics, and chemicals.

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Target Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	3.5	26,273	75,274	5,815	69,459	1,437	\$48.34
EV/EBITDA	8.0	10,814	70,818	5,815	65,003	1,437	\$45.23
P/FCF	25.0	2,676				1,437	\$46.55
P/BV	3.2	12.24				1,437	\$55.06
P/E	24.0	1.74				1,437	\$41.66
Avg. Multiple Price							\$47.37
Avg. DCF Price							\$44.76
Avg. Multiple & DCF Price							<b>\$46.07</b>

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### Post Earnings Preview:

FCX	Expected Next Report Date		Next FY End		Review Date
FREEPORT-MCMORAN INC	4/23/2025	?	12/31/2025		3/12/2025
Targets	DPRG	46.00	Street	47.65	
Current Price/ Upside	37.58	22.4%		29.0%	
<b>Earnings Q Review</b>	Last Q Report				
Last Close	1/23/2025		Quarterly		
35.88	Q4	2024:A	Q4	Prev Quarter	Year Ago
	Comparable	% Surprise	As reported		
Sales, \$ mil.	5,720	-3.36%	5,720	6,790	5,905
			growth	-15.8%	-3.1%
EBITDA, \$ mil.	--	--	2,026	2,467	2,248
			growth	-17.9%	-9.9%
Net Income, \$ mil.	274	-18.93%	403	513	393
			growth	-21.4%	2.5%
EPS, \$	0.31	40.27%	0.28	0.35	0.27
			growth	-20.5%	2.5%
<b>Valuation</b>	Current	-1STD	Average 2Y	+1STD	%STD
EV to Forward 12M Sales	2.61	2.71	2.99	3.27	-135%
EV to Forward 12M EBITDA	6.33	6.44	7.09	7.74	-117%
Price to Forward 12M EPS	20.41	18.95	22.17	25.39	-54%
EV/Sales	Underpriced				
EV/EBITDA	Slightly Underpriced				
PE	Slightly Underpriced				
<b>Total Rating on Valuation</b>	<b>Slightly Underpriced</b>				

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