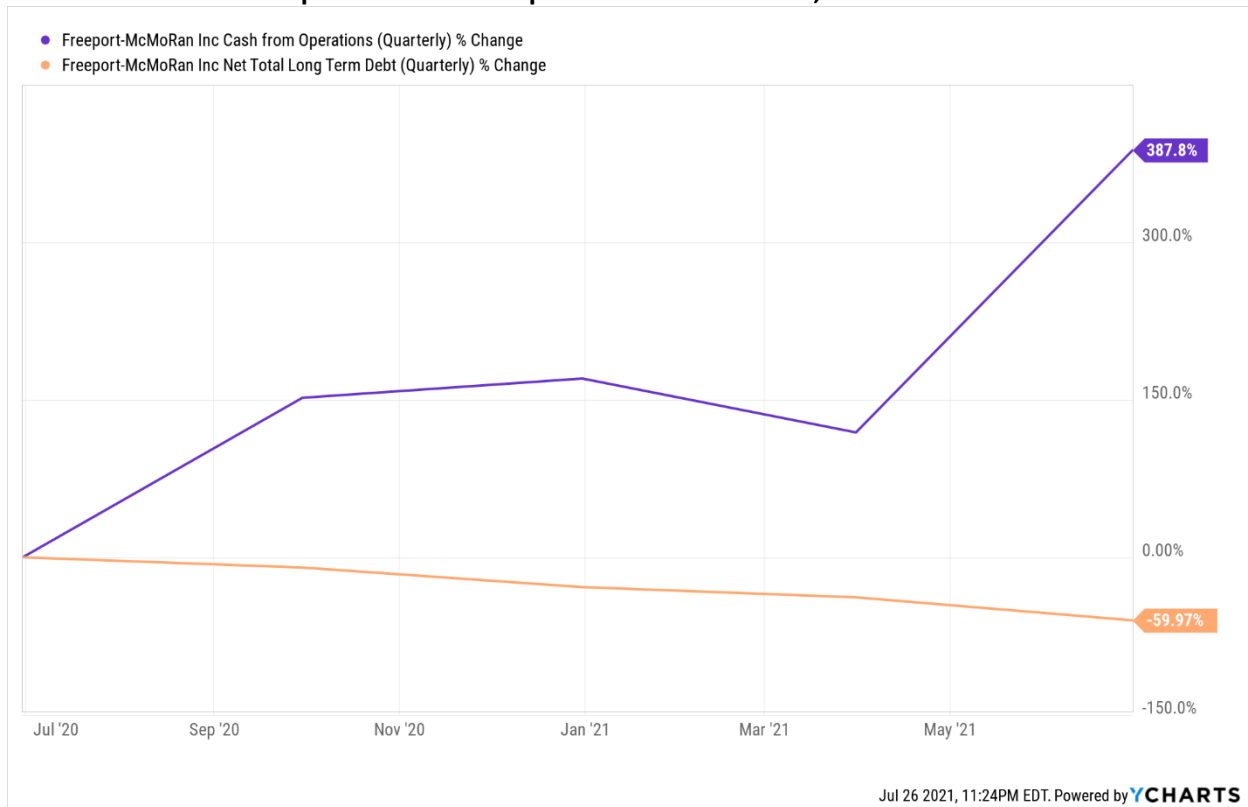


Inside Freeport McMoRan: Last Quarter's Progress

Jul. 27, 2021

Freeport McMoRan has really hit its stride in 2021, and this past quarter showed that the beginning of its “raining cash” period we saw 3 months ago was no fluke. Helped by rising copper prices (70% higher than a year ago) and increasing production (22% higher copper volumes), Freeport generated nearly \$6 billion in revenue, 90% higher than a year ago! This created free cash flow of nearly \$2 billion, a drastic difference from the zero dollars of free cash flow last year. Freeport used the cash this quarter to hit its debt reduction target ahead of schedule. It has now reduced its debt by \$5 billion over the last 12 months, hitting the level needed to begin to return more money to shareholders starting next year.

Freeport's Cash from Operations and Net Debt, Last 12 Months



Freeport's operations are gliding along smoothly as well. Its Indonesian mine, Grasberg, is on track to hit full production by the end of the year. It is increasing production in its American mines also, with its Arizonan Lone Star mine yielding 285 million pounds of copper, surpassing its original design capacity of 200 million pounds. It is developing a new leaching technology that can extract copper from the leftover material at past mines which were previously thought to be depleted.

Over the past couple decades, the leaders of copper demand have been China, India, and other developing countries. The developed world, on the other hand, has remained at a fairly steady rate of copper consumption. As the developed world enters the low carbon energy transition of the next couple decades, however, the need for copper will increase, as the following slide describes.

Copper – Metal of the Future

Critical to Global Decarbonization

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Intensity of Use Is Increasing with Decarbonization



More than 70% of the world's copper is used in applications that deliver electricity.

Electric vehicles use up to four times more copper than internal combustion engines.

Renewable energy technologies use four to five times more copper than fossil fuel power generation.

Copper consumption associated with electric vehicles and renewable energy technologies is expected to grow rapidly over the next several years.

Freeport is strategically positioned as a leading copper producer

Source: International Copper Association
See Cautionary Statement.

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The future for copper is bright. Demand will grow, additional supply is hard to come by and takes a long time to procure, and Freeport has begun to hit its prime both financially and operationally. It should be a good next couple years for investors.

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