

## The Outlook: April 25, 2020

### *A message from Freeport: “Wade through the blood, step over the bodies . . . and buy.”*

“Blood in the street” won’t do justice to this Quarterly Earnings Season, which is just getting rolling. It’ll be more like the end of “Hamlet” or “Macbeth,” with bodies all over the stage and the audience too horrified to feel like applauding when the curtain falls. But for any investors who aren’t quite sure whether they should hang onto good stocks with both teeth, or just crawl into money market funds at 1% and be grateful for it, Outlook suggests they take a moment to hear from the people running the companies they own.

They’ll see what good people do when the chips are down. All by itself, that answers the question, for investors who understand what really creates great investment results. Yes . . . “Wade through the blood, step over the bodies . . . and buy.”

Theresa will be flooding us with her “Inside” reports next week, as usual, and we’ll get some detailed looks at what the outstanding people running Outlook’s companies are doing. One of her reports will be on Freeport-McMoRan, the Copper King. Without stealing her thunder, let’s take a high-level look at what CEO Richard Adkerson had to say after a compliment from one of the Wall Street analysts:

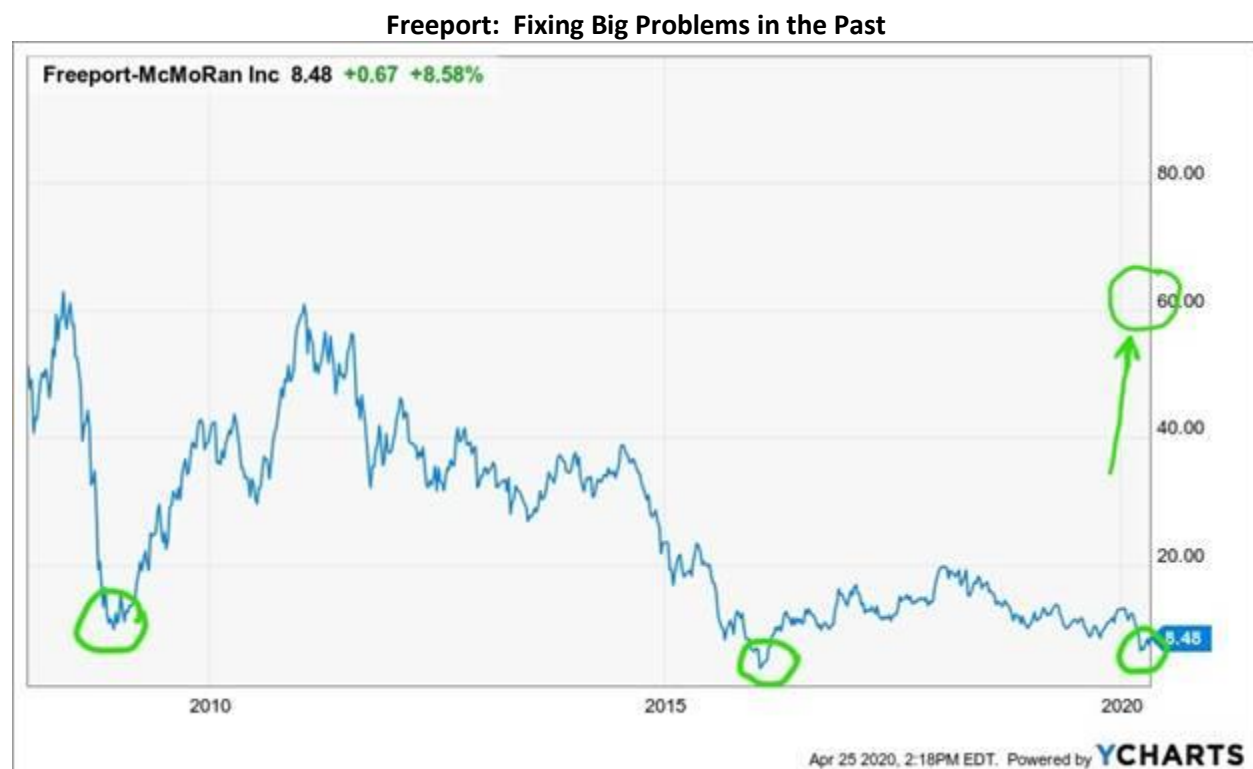
Analyst: “Thanks for taking my questions and congrats on the comprehensive update, the quick actions, the cost improvements, the cash savings and everything that you highlighted today. Clearly, you’ve been through this before.”

Mr. Adkerson: “Thanks, Bob. But let me just add more compliments to our people: Kathleen (CFO Quirk) and her team has done a great job with financing. Steve Higgins, who heads up our administrative team is doing an excellent job in managing worker issues and HR and other matters. Mark Johnson, who runs our Grasberg mine, has done an amazing job of keeping vital parts of our long-term mine development on track, and keeping 30,000 workers healthy in Indonesia. Danny Hughes, who heads up our Global Supply team is doing a fabulous job and we have tremendously positive relationships with our suppliers. We’re often one of their largest customers—in many cases the largest customer. And so as we face this problem, we sit down with our suppliers and we’re able to find ways to reduce costs, deal with payment terms and the like. Same way with our customers, we all understand each other’s problems.”

“We’ve worked together with our suppliers and customers for many years. Some of all the successful recent steps you’re seeing are a result of all those long-term relationships, but also how diligent our whole team is being in finding ways to cope. As I said, we left no stone unturned in finding ways to generate cash and we’re going to continue to do that on an ongoing basis. As you can tell from everything we’ve reported today, we are more than pleased with where we are in a very difficult and uncertain situation.”

Mr. Adkerson was referring to the decisive steps Freeport has taken to reduce costs, shore up cash and liquidity from levels which were already strong before the “Shutdown Calamity,” and position the company for an upturn in the copper market (and Freeport) which he believes to be even more certain than before the Shutdowns. As a whole, the men and women who run American companies stand head-and-shoulders above everyone else in the world when it comes to fast, decisive and competent reactions to both “Big Problems” and “Big Opportunities.” In every sphere of human life, outstanding people make all the difference in the world . . . and hard times bring out the very best in such people.

Toward the close of the Earnings Call, Mr. Adkerson said something best understood by glancing at this picture:



The first two green circles are where Freeport traded at the worst of the last two Big Problems: in 2008 – 2009, and 2016. “It might be a good idea,” said Mr. Adkerson, “to look at what happened to our stock in the two years after those last two Problems. (2009 Problem: up 400%; 2016 Problem: up 430%.) Our company and our assets will handle this one, just like they did back then.”

Not long ago, Outlook projected Freeport’s operating results and likely stock price out toward the year 2023. That green circle around \$60 was our conclusion. It was not a stretch, but a strong probability, in our judgment. It still is . . . mainly because Mr. Adkerson and his team are showing us, today, that they are just as good as we thought they were. The same is true of every company we own. We are living through genuinely horrifying events, these days; but they will give way, eventually, to the power of the free-market economy and the remarkable determination and competence of the people in charge of the companies we own.

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