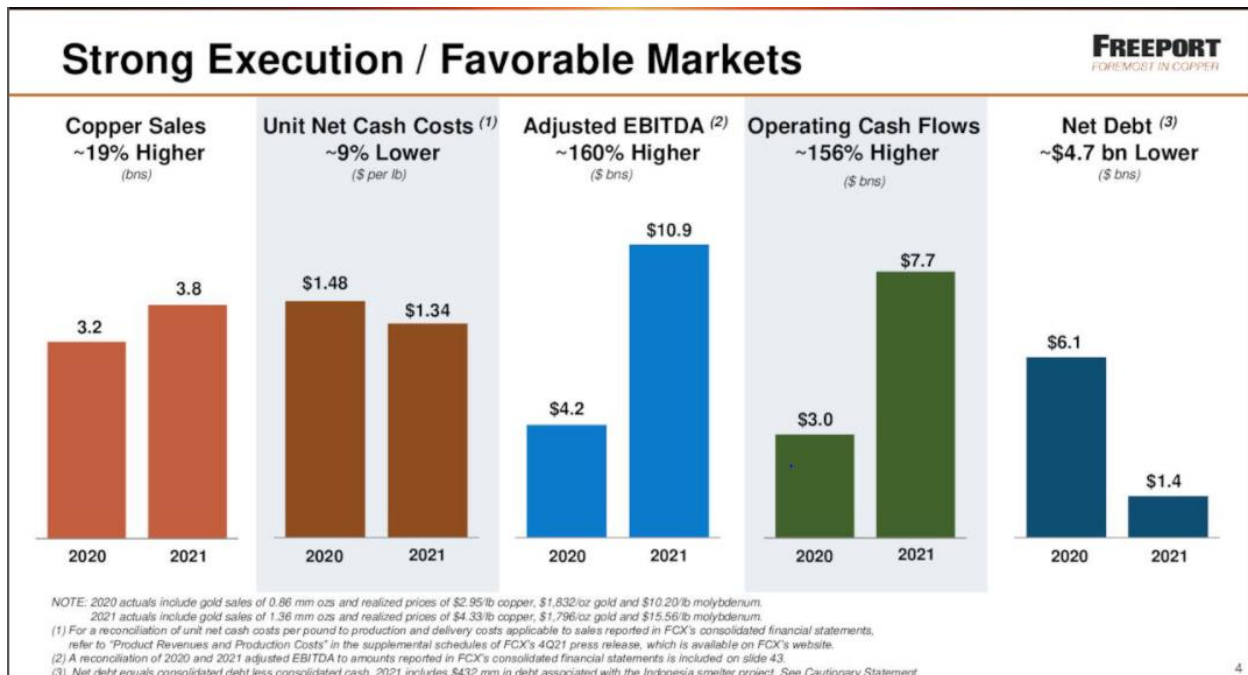


Inside Freeport McMoRan: Last Quarter's Progress

Feb. 11, 2022

Freeport McMoRan ended 2021 and its multi-year Grasberg mine expansion with great strength, hitting its targeted mining rates on time (161,000 tons per day out of an eventual 200,000 tons per day). The block cave expansion has made Grasberg officially the largest underground mine in the world. It truly is an impressive feat: 350 miles of tunnels, 7 miles of underground railroads, 5 miles of conveyor belts, and an area mined equivalent to 70 football fields. With Grasberg execution going well and the price of copper averaging \$4.42, a dollar higher than last year, it's no surprise it reported the outstanding results shown below.



Almost more impressive than the 19% higher copper sales and 156% higher cash flows is that last graph: debt. In 2016, Freeport had \$20 billion in debt. A mere 5 years later it has \$1.4 billion in debt, has been upgraded by the credit agencies, and faces no near-term cash shortage threat. Management increased the dividend last April to 30 cents a share and in November announced an additional quarterly dividend payment of 30 cents a share to last through 2022. The shareholder returns should only get better: in 2021, Freeport earned roughly \$11 billion in operating income. It expects to earn \$12 to \$16 billion in each of the next 2 years and will be constantly reassessing its dividend and share buyback programs along the way.

The supply and demand story of copper continues to support higher prices for the next few years. A couple days ago copper inventories reached historically low levels again, with only 200,000 tons held by the exchanges, just enough to cover 3 days worth of global use. In 2020, the world used about 25 million tons of copper. The official number isn't out yet for 2021 but estimates are close to 30 million tons, a significant acceleration from the past decade. Continued electrification and the green energy movement are the main factors behind this acceleration. Freeport stands in an excellent financial and operational position to capitalize on copper's continued growth in the next few years.