Inside Freeport McMoRan: Last Quarter's Progress

Apr. 30, 2025

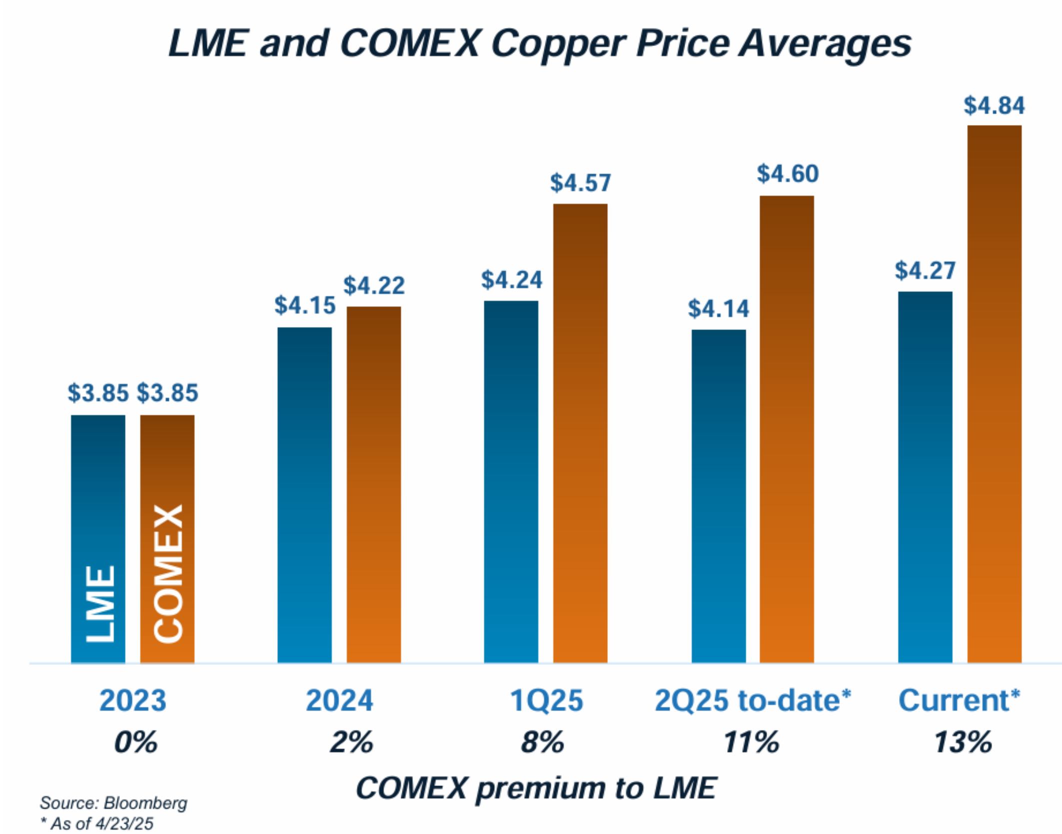
Freeport's first quarter sales dropped 9%, as expected, due to planned maintenance at its Grasberg mine in Indonesia which led to a 25% reduction in mill rates. Results should bounce back throughout the rest of the year, with copper sales averaging 20% higher and gold sales four times the rate of the first quarter. Other than this maintenance period which affected production, the rest of Freeport's business improved.

In Indonesia, Freeport's new smelter is on track to start production in May, one month earlier than expected. Its new precious metals refinery ramped up to full production. It lowered costs, now expecting a cash credit of $0.47 per pound of copper from the year, up from $0.20 per pound previously forecasted. In South America, improved mill rates and copper recoveries helped offset lower ore quality. Freeport also lowered costs by $0.20 from a year ago.

In the US, labor costs have decreased 20% at its Morenci mine as Freeport overcomes the worker retention problems created post COVID. Its leaching project, where it is injecting solution and heat into its leftover waste piles to extract the remaining copper, is progressing along its goal of growing from 200 million pounds of copper per year in 2024 to 800 million by 2028. The scale and low cost of this project is similar to adding a whole new mine to Freeport's assets. It's also on its way to converting another US mine, Bagdad, to autonomous hauling trucks, with 12 of 33 trucks completed. The combination of these practices is setting Freeport up to increase US production over the next three years and decrease costs each of those years. That's a good setup!

In February, the current administration identified copper as a critical material and instructed the Secretary of Commerce to investigate the copper market and the impact of imports on national security. This report is expected to be completed by November. The US currently imports half of its copper requirements, with Freeport producing the majority of the other half in the US. The investigation has the potential to include incentives for domestic production, permitting reforms to strengthen the supply chain, and tariffs on imported copper. The market has already begun to price in tariffs on exports, causing a US price premium, which helped Freeport's revenue as one-third of its copper sales are based on the US copper price.

US Copper Price (brown) vs. International Copper Price (blue)



With society's need for more power infrastructure, technology advancements, and decarbonization, copper demand will be well supported for years. US demand has stayed strong, China is improving from low post-COVID levels, and some green shoots are occurring in Europe. 2025 is projected to be a year of tight supply for copper. Freeport is in an excellent position to capitalize on the need for copper in the next decade, with multiple new projects able to bring on more reserves in a fairly cheap way and with its work on optimizing its current projects by lowering costs, as it did in all three of its geographies this quarter. We look forward to what the rest of the year has in store for Freeport.