

Freeport McMoRan Inc. (FCX)

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Investment decision: *Invested \$10,000 in the DA Davidson Fund*

Introduction:

The mining industry has been growing in the last five or so years, and is expected to continue to grow through 2030, especially the copper industry. Copper is being used in electric vehicles, solar panels, and semiconductors, all of which are growing industries. This optimistic outlook drew us to Freeport-McMoRan, a mining company that specializes in copper, making up 70% of the copper in the United States. Freeport-McMoRan is the third largest copper producer globally.

Company and Valuation Details:

Freeport-McMoRan (NYSE: FCX) is a leading global copper producer with meaningful gold and molybdenum by-products. Flagship assets include the Grasberg minerals district (Indonesia) plus large North & South America operations; FCX also operates downstream refining/smelting capacity.

- **Current Price:** \$41.37
- **Target Price:** \$50.58
- **Upside Potential:** ~22%
- **Valuation Methods:** DCF (45%), Comparable Companies (35%), Precedent Transactions (20%)
- **DCF Implied Value:** \$53.25
- **Comps Implied Value:** \$52.09
- **Precedents Implied Value:** \$41.95

FCX is positioned well for the rising long-term copper demand (grid, EVs, renewables) plus FCX's tier-one scale and reserves underpin the thesis. Management highlights recent growth initiatives (Indonesia refinery online; leach process updates) and very large remaining reserves (~97B lbs Cu; ~23M oz Au; ~3.16B lbs Mo). Key risks include copper price volatility, geopolitics/regulatory exposure (esp. Indonesia), and operational events (e.g., the 2025 Grasberg mud-rush).

Historical Performance:

Over the last five years your Freeport-McMoRan position has delivered very strong absolute returns roughly 149% over five years but at materially higher risk: its realized volatility 33.2% is

roughly 2–3× that of the S&P-500 ETF (SPY) over the same period, while SPY’s 5-year total return is about 110–115% and its historical/realized volatility sits in the low-teens.

That outperformance versus the broad market comes with predictable commodity-stock behavior, FCX’s price is highly sensitive to copper cycles, mine outages, production guidance and trade/tariff risks (all of which drive big drawdowns when they occur).

Even though Freeport-McMoRan has experienced large intracycle drawdowns and carries meaningful debt levels at times, our investment in the company remains justified given its strong fundamentals and long-term growth potential. As one of the world’s largest copper producers, Freeport-McMoRan benefits disproportionately from rising copper prices driven by global electrification, renewable energy expansion, increased EV demand, and the construction of AI datacenters. The company has consistently demonstrated its ability to generate strong cash flow during favorable commodity cycles and return capital to shareholders through dividends. These factors make Freeport-McMoRan a compelling high-risk, high reward holding within our diversified portfolio.