

GCG

Hudbay Minerals Investment Proposal

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Agenda

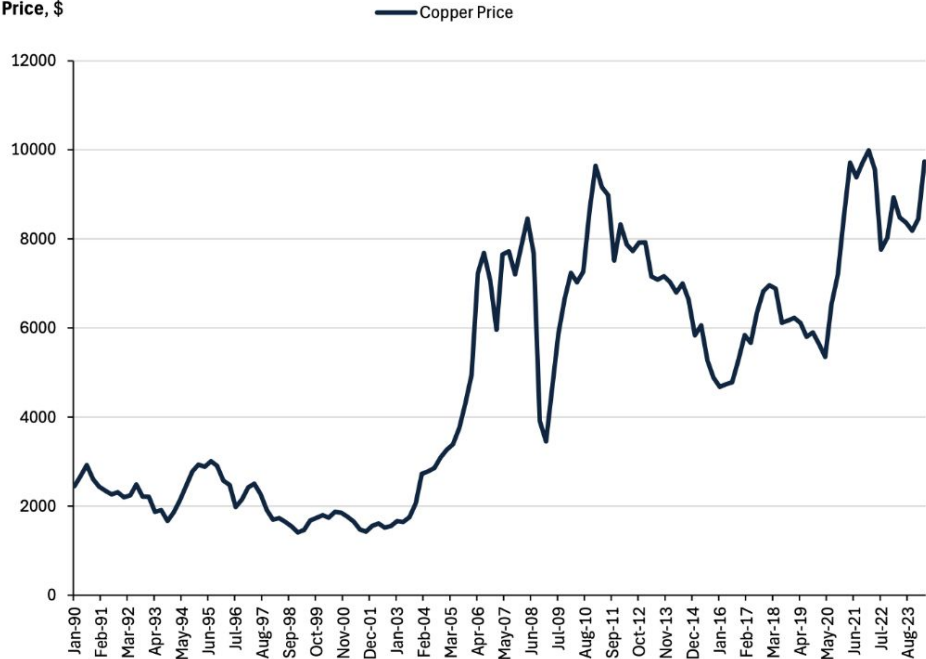
- Copper Industry
- Hudbay Minerals (NYSE: HBM)
- Conclusion

INTRODUCTION TO COPPER

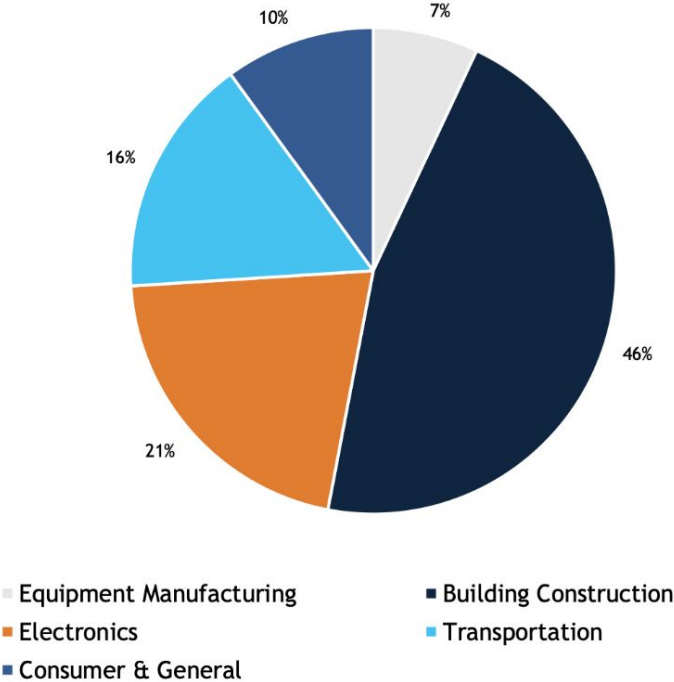
A wide-angle photograph of a massive open-pit copper mine. The mine is characterized by its deep, terraced levels, which are separated by winding roads and conveyor belts. The rock faces of the mine show various shades of brown, tan, and green, indicating different geological layers. In the foreground, a large, dark, circular area, possibly a tailings pond or a processing area, is visible. The background features a range of mountains under a sky filled with soft, white and grey clouds. The overall scene conveys the scale and complexity of modern mining operations.

Copper Industry

Global Price of Copper, U.S. Dollars per Metric Ton on QoQ Basis



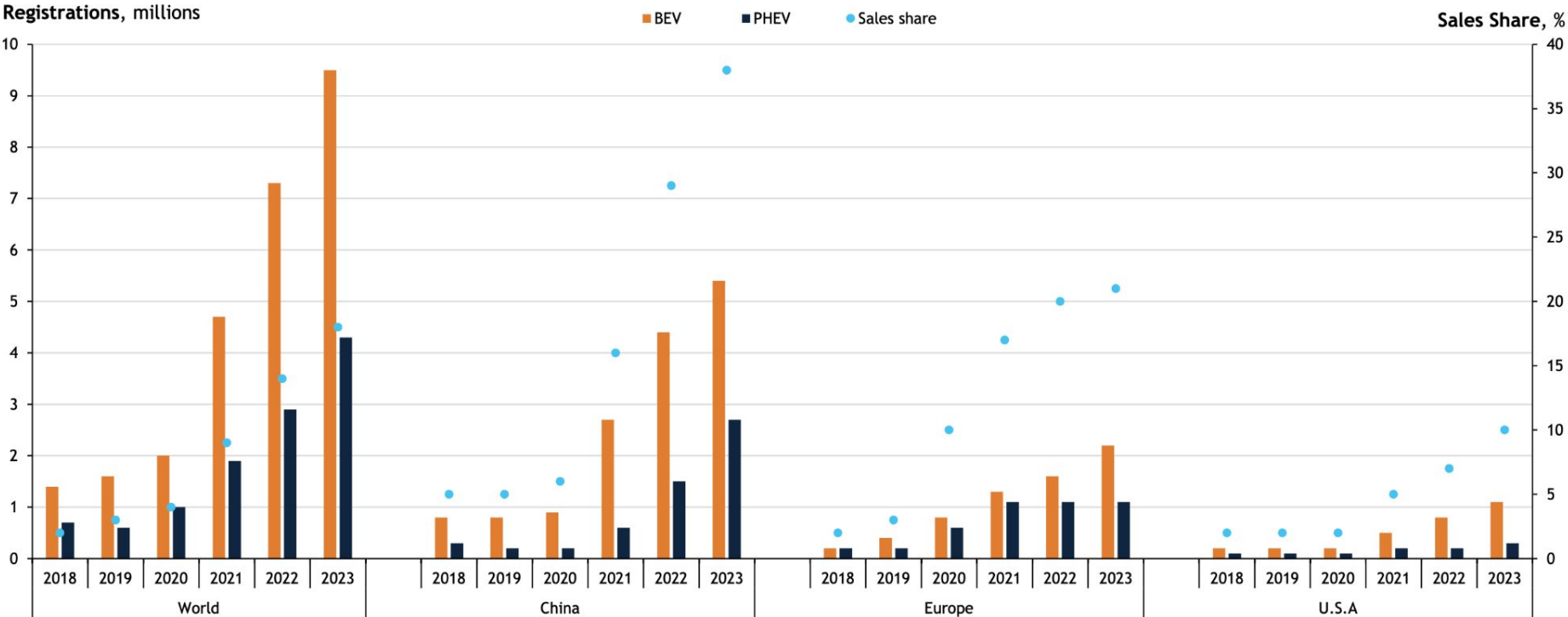
Copper Uses



Source: Statista, F.R.E.D.

Impact of Electrification


Electric Car Registration and Sales Share

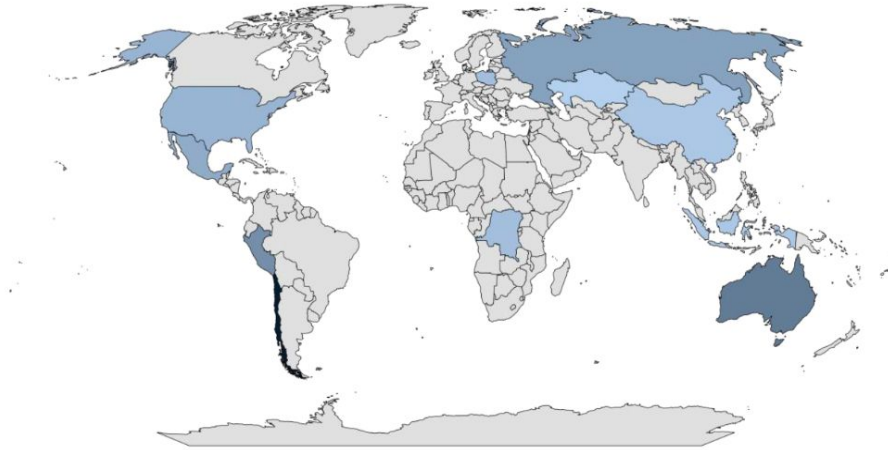


Source: I.E.A, W.E.F

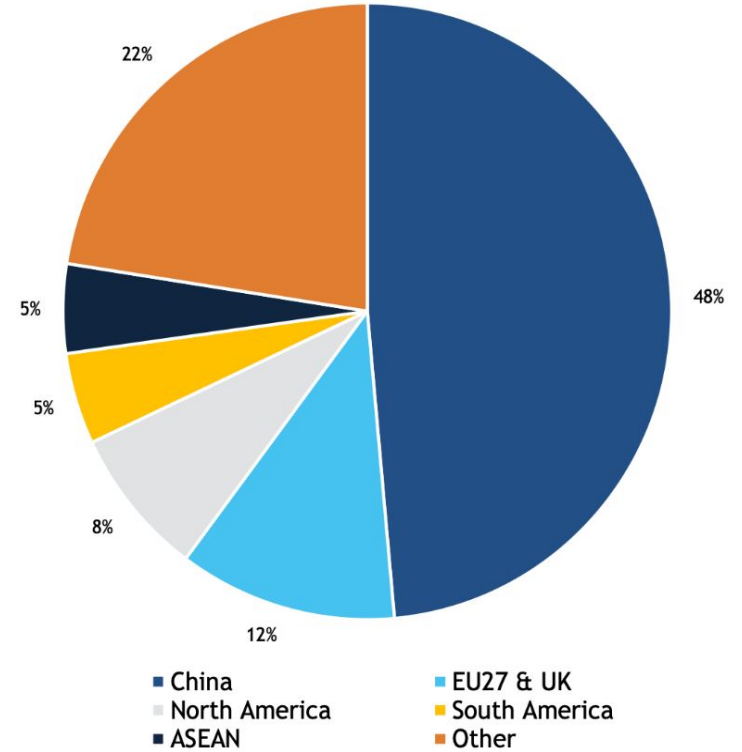
Global Copper Industry

Copper Producers

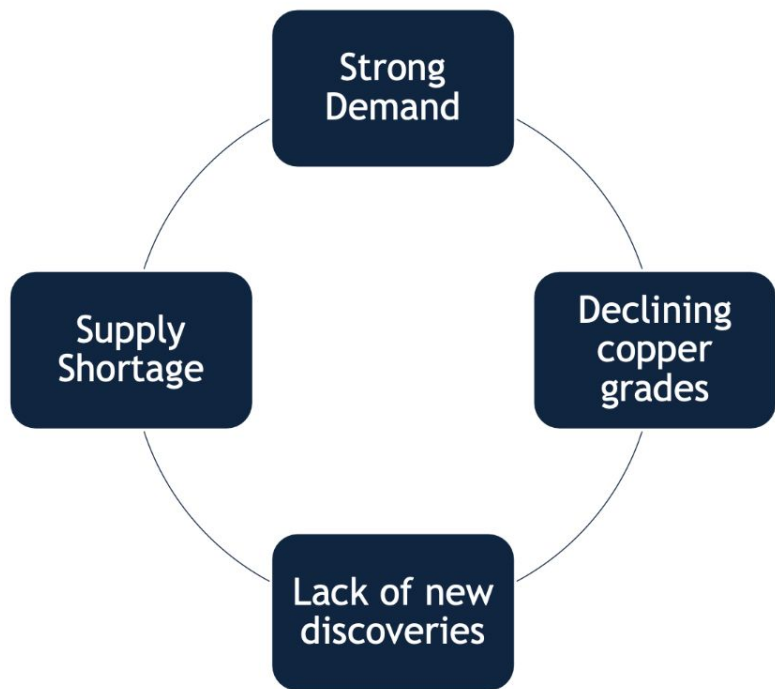
% Share of Global Production 
2% 21%



Copper Demand by Country

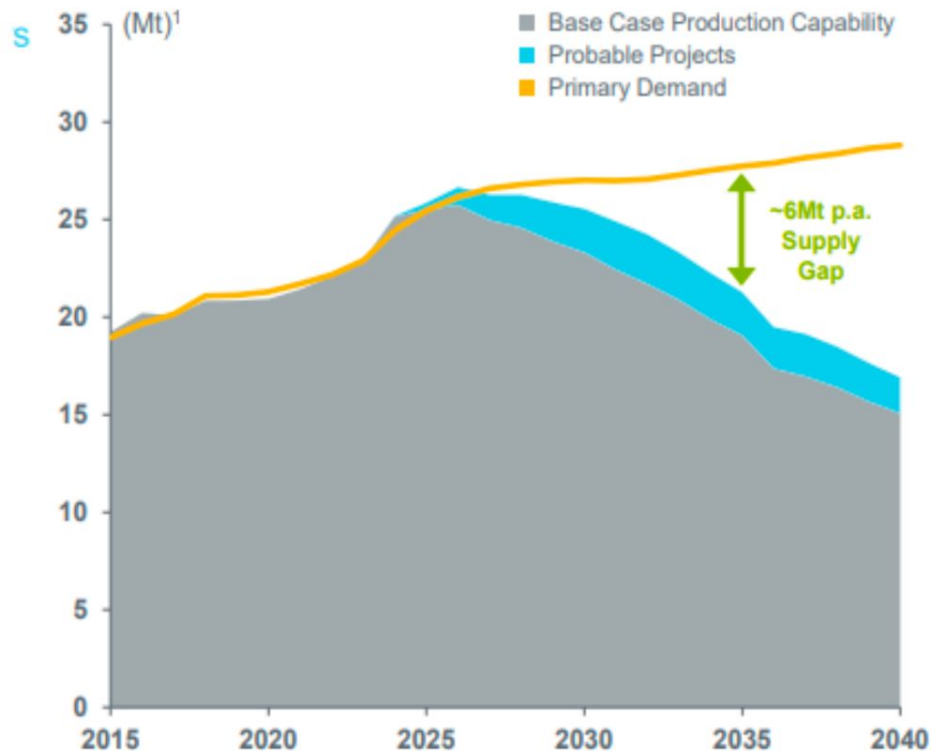


Market experiencing S&D Imbalance



- Clean energy consumes 25% of copper demand.
- Projected to reach 61% by 2040.

GLOBAL COPPER SUPPLY AND DEMAND



HUDBAY MINERALS

(NYSE: HBM)

Overview

Hudbay Minerals (NYSE:HBM)

- Share Price 07/26/24: \$7.92
- Market Cap: \$3.17 Bn

- Hudbay is a copper-focused mining company with 3 long-life operations in the US, Canada, and Peru.

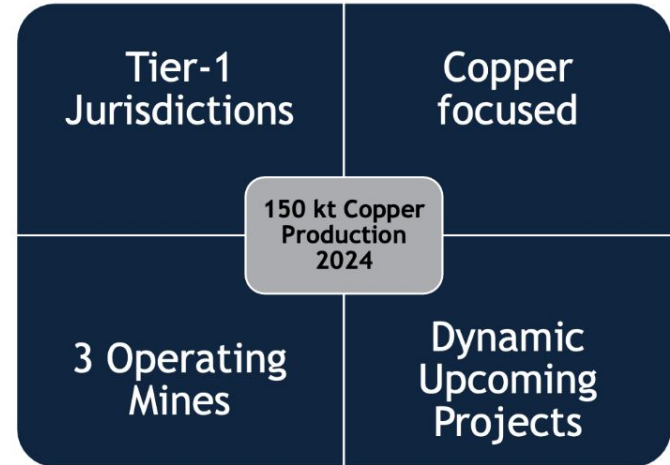
- Copper is the primary metal produced by the company, which is complemented by gold production to provide extra portfolio resilience.

- The main 3 mines that Hudbay operates are: Copper Mountain, Snow Lake, and Constancia.

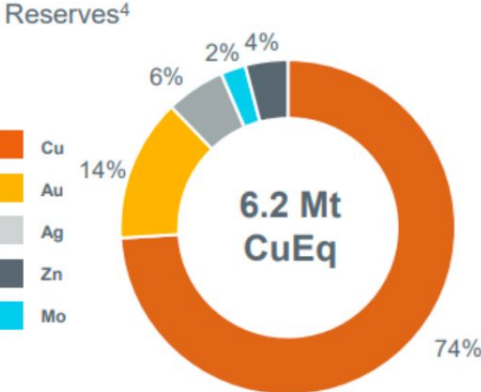
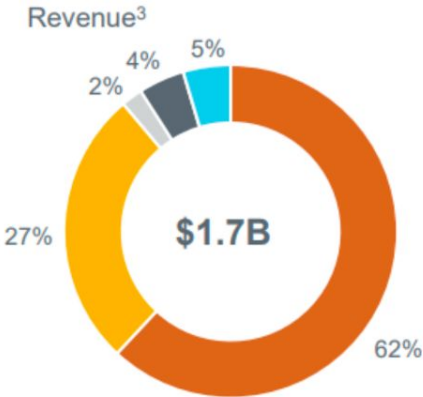
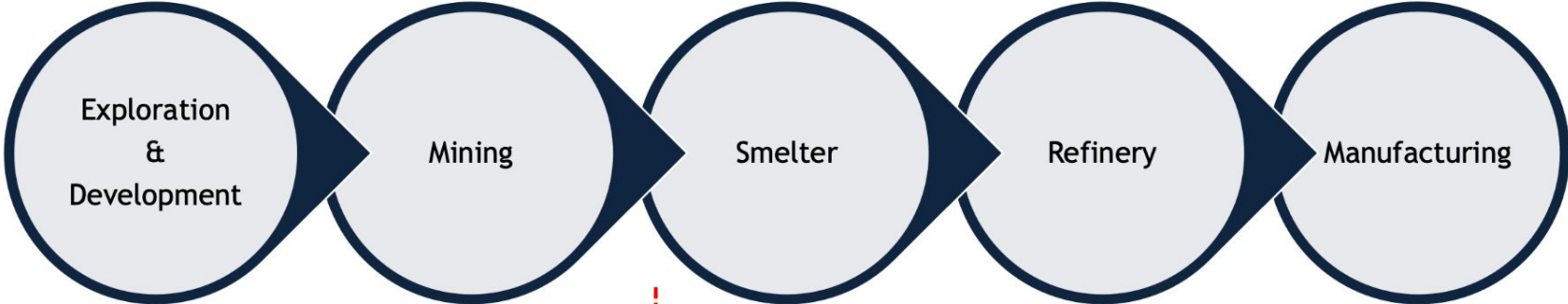
- Upcoming projects: the Mason Project, Copper World, and Maria Reyna/Caballito.

- 150,000 tonne annual copper production and 290koz of gold at industry-low cash costs.

HUDBAY



Copper Industry Outlook



Note: Revenue is yearly as of 2023 December

Current Producing Capacity



Constancia

- Cusco, Peru Long life, low-cost copper mine
- Mine life: 18 years
- Has been in production since 2014
- Cu, Au, Mo
- 100 kt of Cu Prod. 2023



Snow Lake

- Manitoba, Canada
- Low-cost gold operation with meaningful base metal production
- Mine life: 15 years
- Started in 2021
- Au-Zn-Cu
- 187koz of Au Prod. 2023



Copper Mountain

- British Columbia, Canada
- Long life copper mine with optionality
- Mine life: 21 years
- Acquired 75% of mine in 2023
- Cu-Au-Ag
- 47kt 2024-2028E AVG. Cu Prod.



Copper World

- Arizona, USA
- +20 year mine life
- Cu, Mo, Au, Ag
- 85kt Annual Cu Prod.
- Highest grade open pit project in the Americas



Mason Project

- Nevada, USA
- +27 year mine life
- Cu, Mo, Au, Ag
- 112kt annual Cu production
- Large open pit copper mine with significant land package



Optimization Plans

- Truck fleet ramp-up.
- Additional Mine faces.
- Mill ramp up to 45,000 tpd 2025.
- Key Pump replacements; improved recoveries.

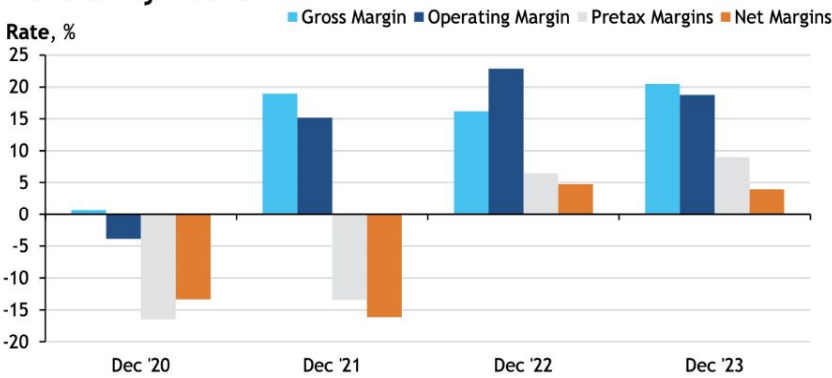


Going Green

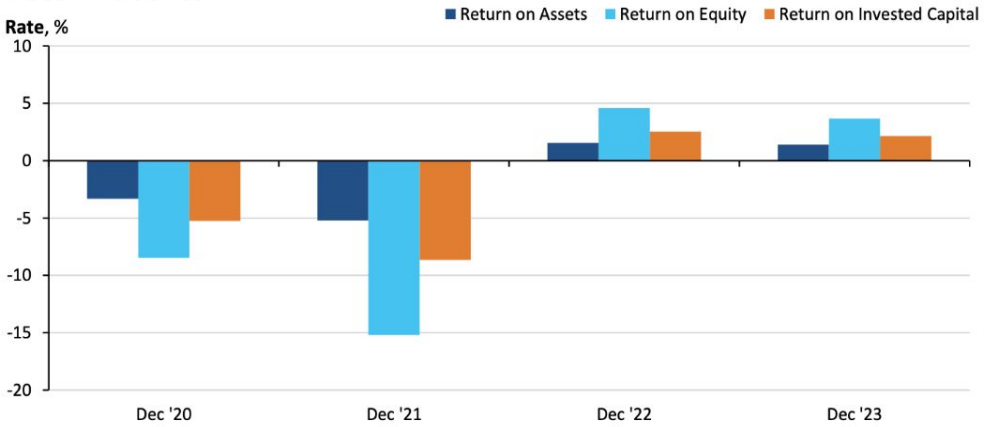
- 100% Renewable power supply to existing mine.
- Truck fleet electrification.
- 80% renewable diesel use for Copper Mountain Mine.

Stock Fundamental Analysis (1/4)

Profitability Metrics



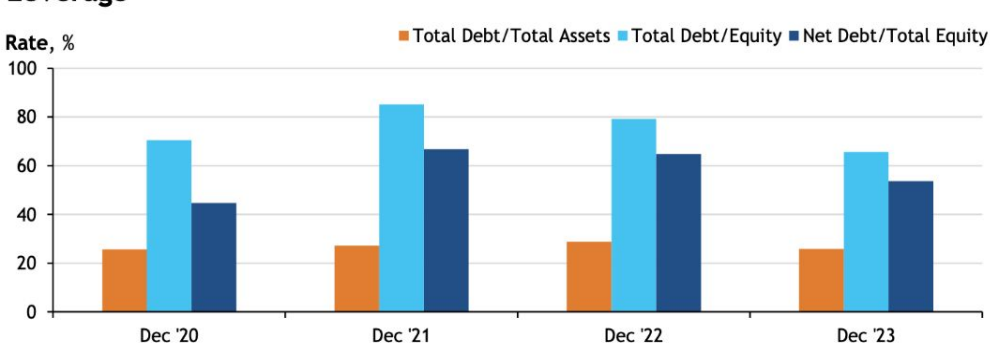
Return Metrics



Valuation Metrics

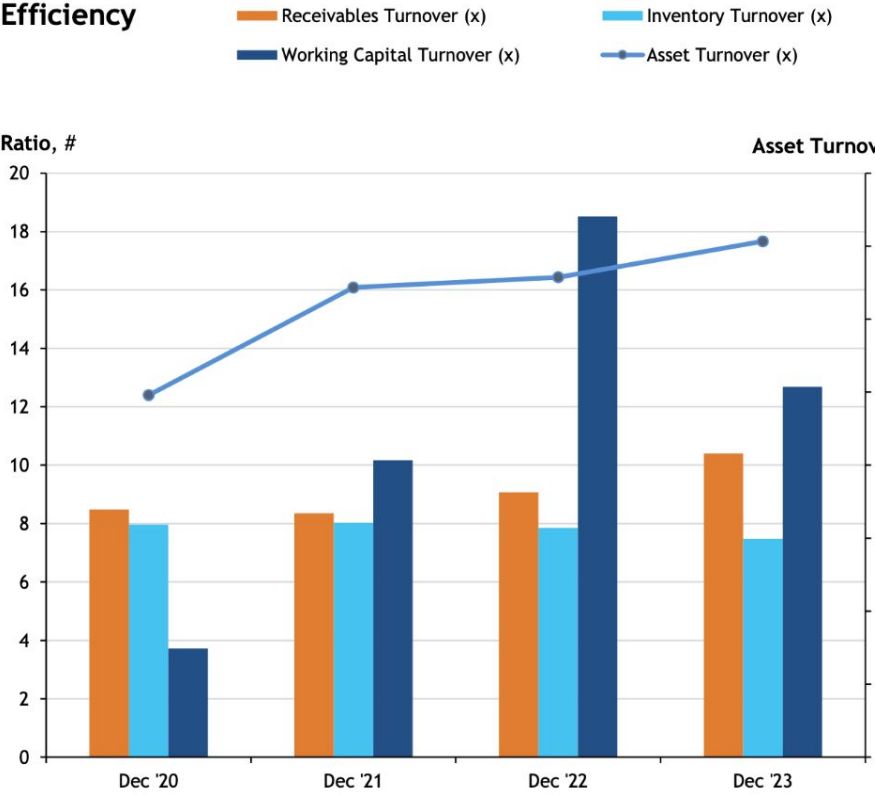


Leverage

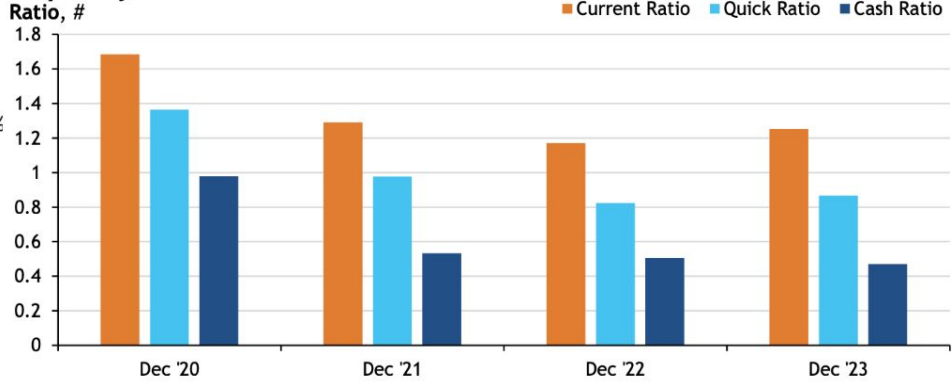


Stock Fundamental Analysis (2/4)

Efficiency



Liquidity



P/E Ratios



Hudbay Minerals

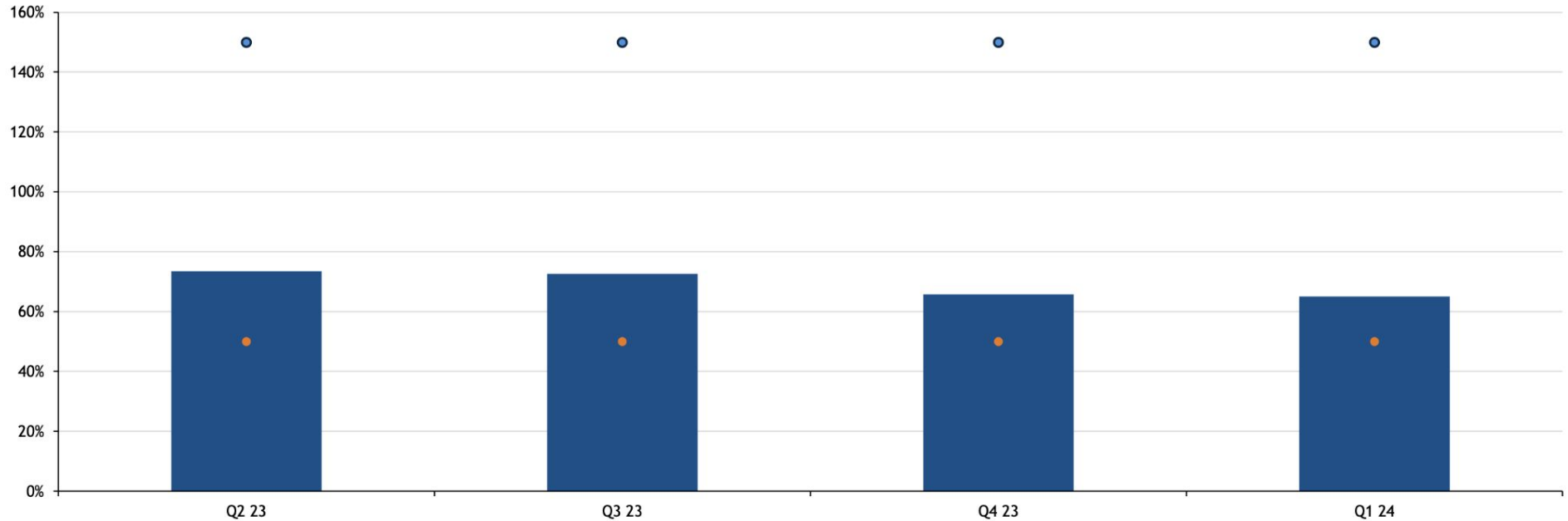
Leverage Ratio vs Industry

Rate, %

■ HBM

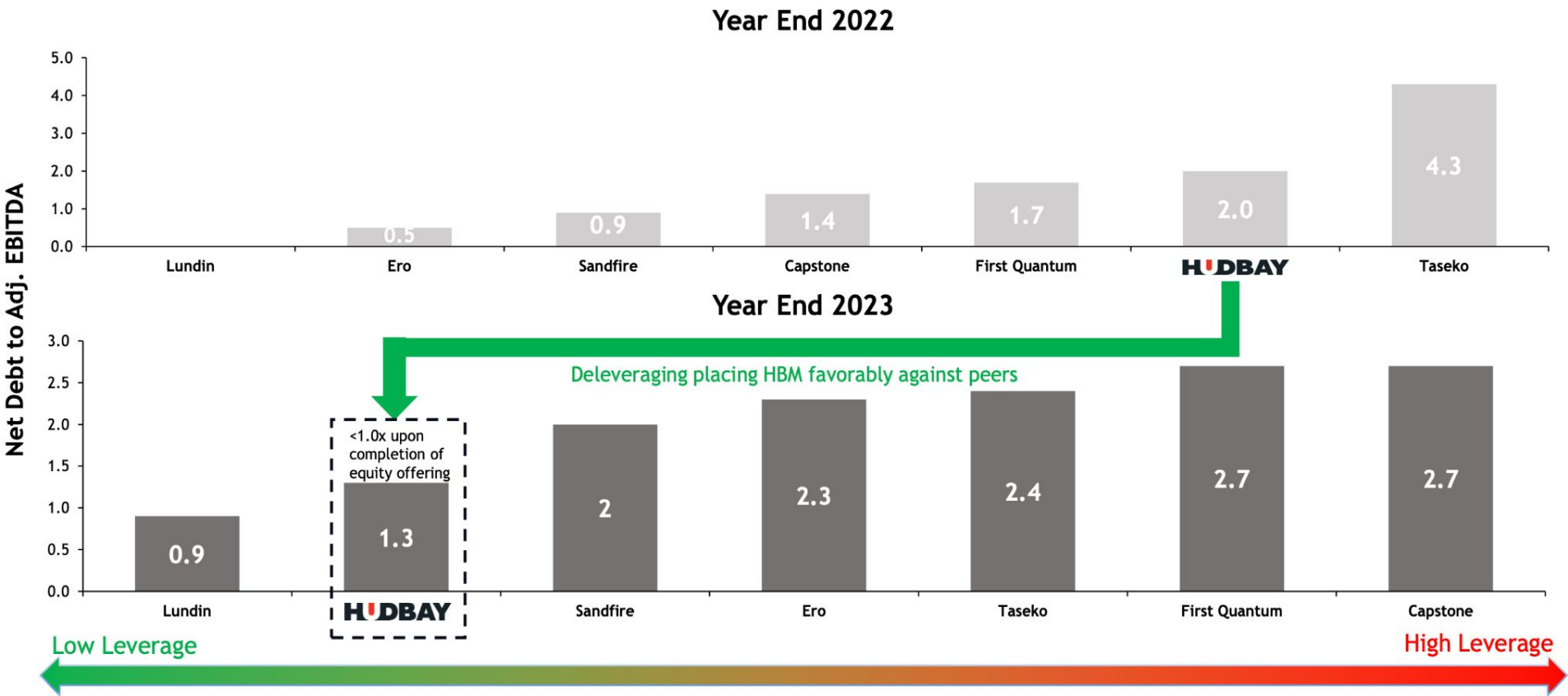
● TOT Debt/Equity High

● TOT Debt/Equity Low



Source: Hudbay Minerals

Hudbay Minerals



Valuation Model Metrics

Copper Price Per Pound (LHS) vs HBM Stock Price (RHS)



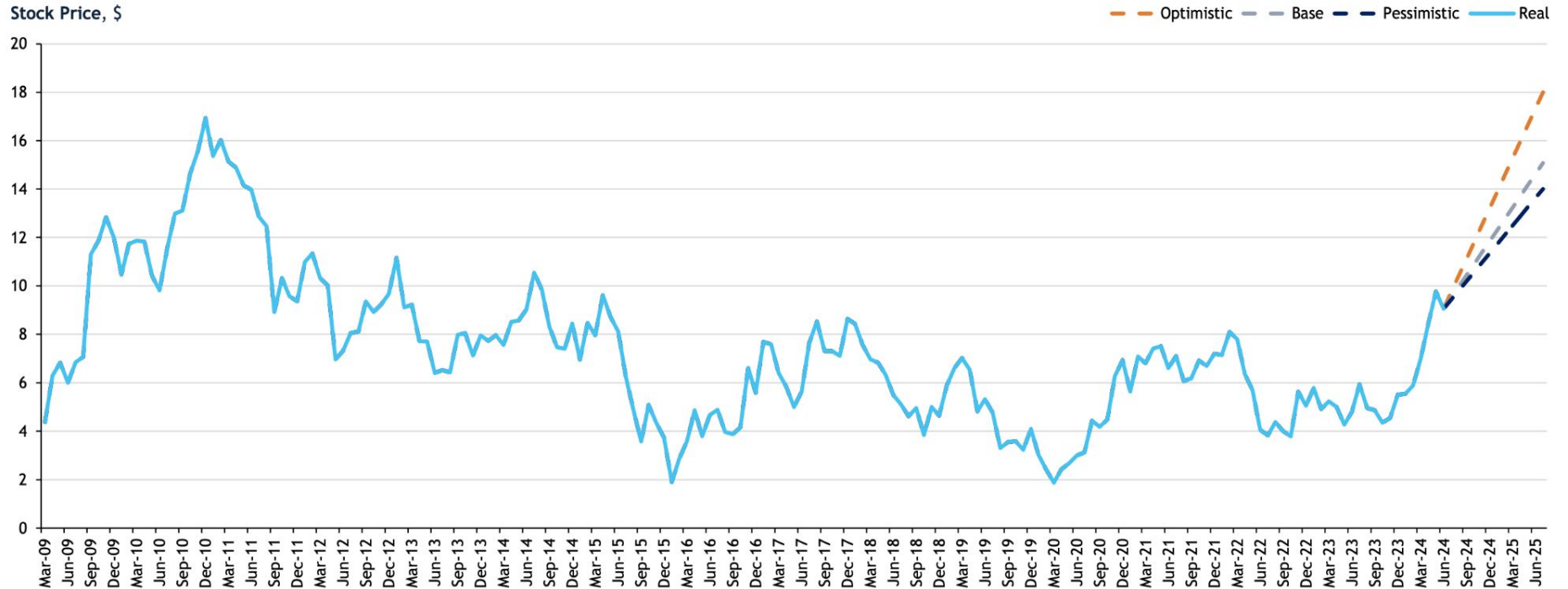
Measure	
CAPM E(R)*	15.3%
WACC	8.3%
Copper \$/lb	IRR
3.75	18.3%
4.25	25.5%

* CAPM Variables:

- Rf: 4.17%
- B: 1.91
- E(Rm): 10%, S&P 500

Stock Fundamental Analysis (3/4)

HBM Stock Price with Future Projections



Note: 'Forecast' values are based on different average target prices.

Stock Fundamental Analysis (4/4)

Y Variable: NYSE: HBM Stock Price

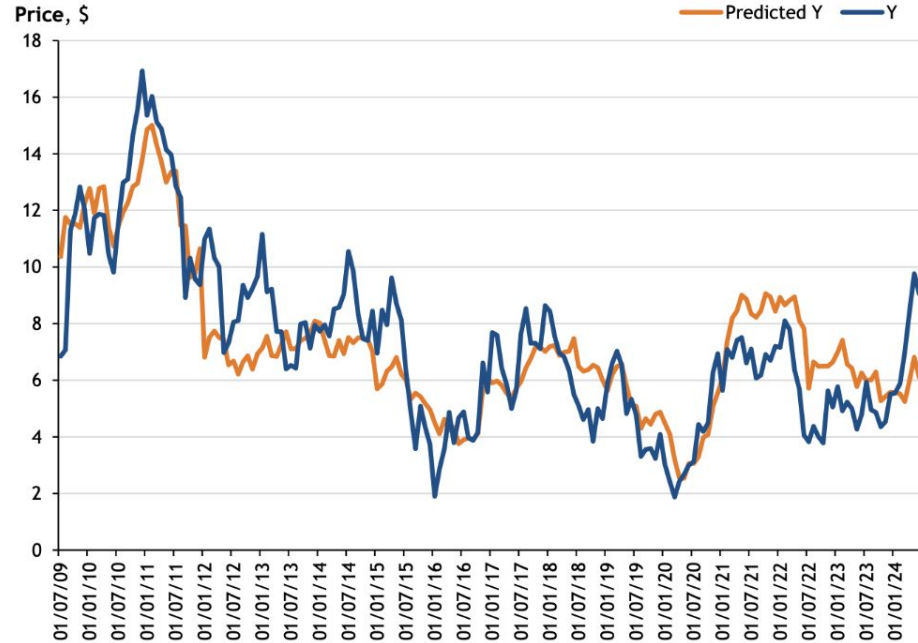
Variables	P Value (3 d.p)	Coefficient	R Square
Copper Price \$/lb	0.000	3.22	0.73
Dividends Declared (\$)	0.000	42.3	
Gold Price /Oz.	0.000	-0.005	

MPE: 5.99%

Findings:

- A \$1 increase in the price of Copper/lb will increase HBM share price by \$3.22.
- Dividend increase by \$0.01/share increases share price by \$0.42.
- Gold price increase by \$10/Oz. decrease HBM stock by \$0.05 (Many reasons for this).

HBM Regression Plot



Conclusion

Copper Outlook

- Fundamental Copper demand is expected to rise and supply constraints will pressure Price.
- Technology and EV production continues to rise given regulatory Pressures.
- Future mining and optimization projects within Hudbay are promising.

Hudbay Minerals

- Hudbay's strong placement in the industry currently as a deleveraged, efficient, and undervalued company presents a good time to invest.
- Hudbay's copper is a key element in the global tech, data and EV boom.
- Strong efficiency ratios, WACC, CAPM valuations suggest an effective use of new capital and projects.

Investment

- Diversify portfolio, reducing exposure to inflation.
 - 15% yearly investment returns; strong store of Value.
 - Rising copper prices expect to boost IRR to over 25% as WACC remains around 8%.
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