



GLENCORE AND HUDBAY MINERALS

M&A Strategic Alternatives and Analysis



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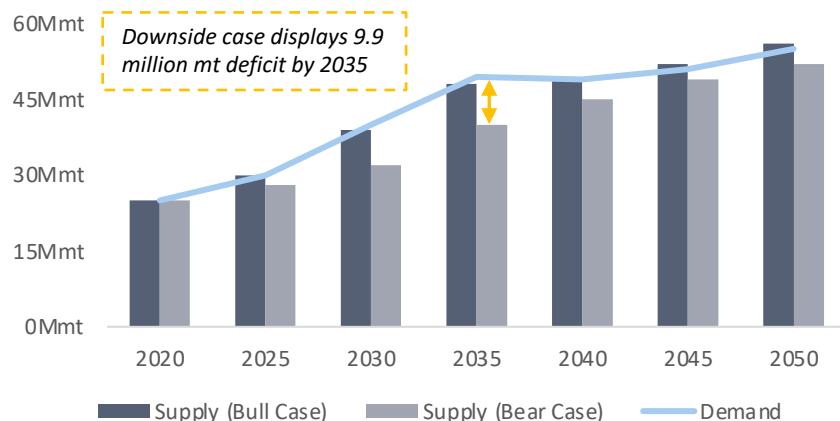
Bachelor of International Economics 2025

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Copper Industry Overview

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Supply & Demand Projections



Industry Drivers

Global Demand Trends: Copper is an increasingly critical metal with global demand forecasted to approximately double by 2035.

- Decarbonization:** The green energy revolution and the rise of electric vehicles (EVs) are driving an unprecedented demand for copper.
- Developing Nations:** Rising populations, urbanization, and industrialization, are all contributing to significant growth in copper demand.

Global Supply Trends: Due to increasing demand and decreasing ore grades, various sources predict significant supply shortages by 2030.

- Declining Ore Grades:** Current mines are facing lower concentrations of copper, resulting in increased costs due to additional ore processing.
- Limited Discoveries:** Fewer large-scale copper deposits have been found in recent years, making brownfield acquisitions more attractive.

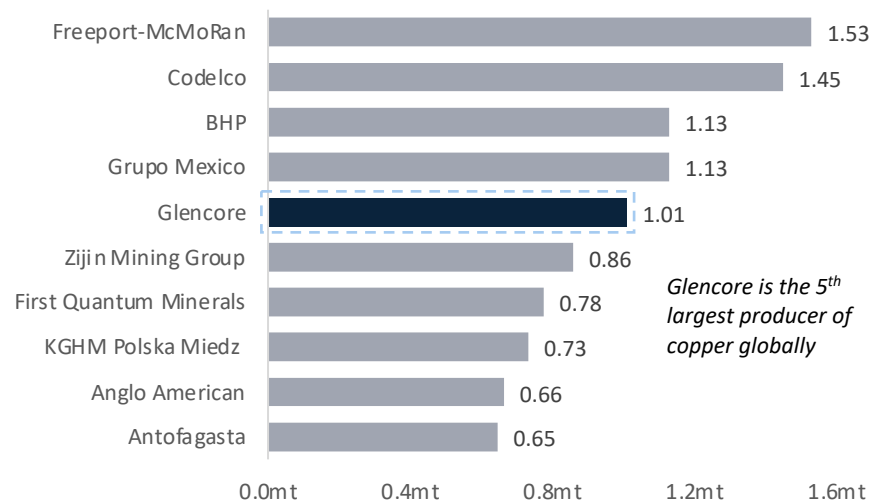
Global M&A Trends

Consolidation: Supply and demand trends are driving more M&A activity than ever. In 2022, copper took the top spot out of all mining deals, making up ~60% of total deal value (US\$14.2B out of US\$24.5B).

Target			GLENCORE
Transaction Date	May 2023	Dec 2022	Mar 2022
Acquirer	BHP Group	Rio Tinto	Metals Acquisition
Deal Value	\$6.4B	\$3.3B	\$1.1B
Deal Type	Acquisition	Acquisition	Asset Transaction

*Amounts expressed in USD unless otherwise stated

Key Players by Production⁽¹⁾



Acquirer Overview – Glencore

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Company Highlights

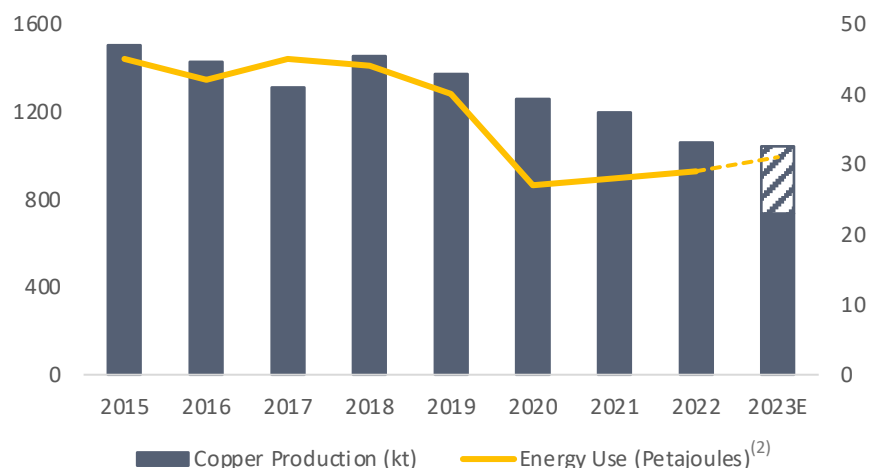
- **Overview:** Glencore is one of the world's largest diversified natural resources businesses. They currently have two key business lines, industrial (~80% EBITDA) and marketing (~20% EBITDA).
 - **Industrial:** The extraction, production, processing, refining and recycling of 60+ commodities.
 - **Marketing:** The utilization of Glencore's scale and network to offer logistics, delivery, and carbon solution services.
- **Current Strategy:** Glencore actively invests in commodities critical to the energy transition, with a particular focus on copper. They have also stated plans for a demerger from their coal business 24 months after closing their Teck Resources deal (expected to close in 3Q24).

Key Valuation Metrics

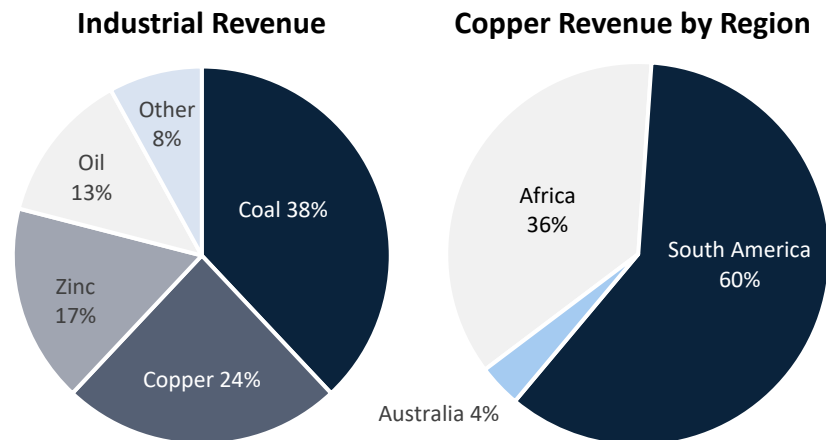
Market Cap	\$73.4B	Revenue (TTM)	\$228.9B
Enterprise Value	\$100.0B	EBITDA (TTM)	\$12.1B
Net Asset Value	\$45.2B	Cash (3Q23)	\$2.0B
Share Price	£471.2	Total Debt (3Q23)	\$29.2B
52-Week High	£584.5	Price / Net Asset Value	1.54x
52-Week Low	£410.9	Enterprise Value / EBITDA	3.65x
5-Year Beta	1.26	Return on Assets (TTM)	7.15%

*Amounts expressed in USD, except share price values (GBX)

Annual Copper Production



Revenue Overview⁽¹⁾



Share Price Performance – Glencore

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Sources: Capital IQ, Bloomberg, Glencore Public Filings, Reuters, The Wall Street Journal

Target Overview – Hudbay Minerals

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Company Highlights

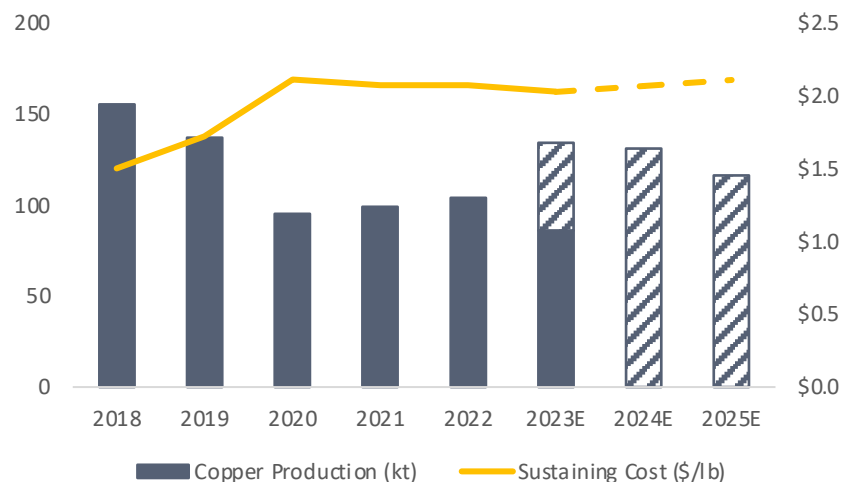
- **Overview:** Hudbay commands a strategic portfolio in key base and precious metals, with a particular focus on copper. They boast a robust operational footprint across the America's and have a solid track record of resource extraction.
- **Current Strategy:** Hudbay is focused on increasing production and maintaining cost efficiency while keeping an eye out for strategic growth opportunities through mergers and acquisitions.
- **M&A Rationale:** Hudbay's assets in the Americas offer Glencore geographic diversification with synergies that promise a robust increase in valuation. The move dilutes geopolitical risk in Africa, leveraging the more stable mining environments of North and South America.

Key Valuation Metrics

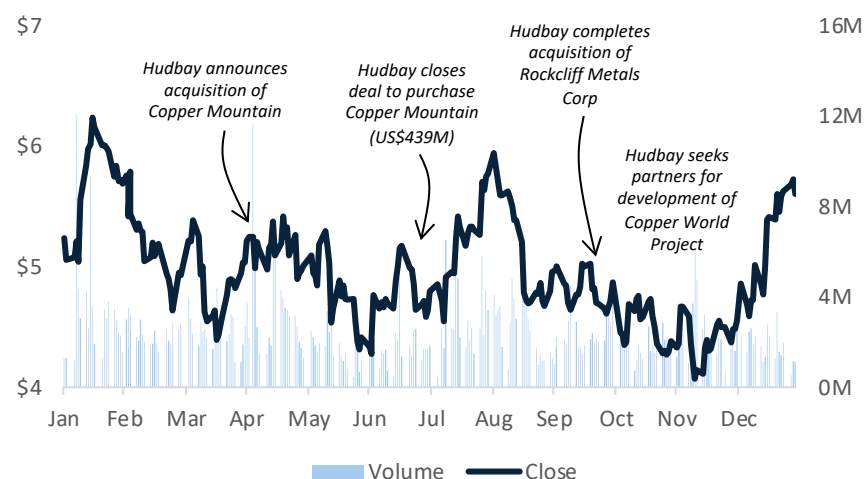
Market Cap	\$1.99B	Revenue (TTM)	\$1.41B
Enterprise Value	\$3.23B	EBITDA (TTM)	\$0.42B
Net Asset Value	\$1.57B	Cash (3Q23)	\$225.7M
Share Price	\$5.60	Total Debt (3Q23)	\$1.48B
52-Week High	\$8.47	Price / Net Asset Value	1.24x
52-Week Low	\$5.46	Enterprise Value / EBITDA	6.73x
5-Year Beta	1.94	AISC (Copper)	\$2.26/lb

*Amounts expressed in USD, including share price values

Annual Copper Production



Share Price Performance



M&A Rationale

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Glencore Objectives

Expansion into Green Metals: Strategically positioned to lead in the transition to a low-carbon economy, Glencore is expanding into green metals essential for electric vehicles and renewable energy. This acquisition secures large-scale reserves of copper and zinc, positioning Glencore at the forefront of sustainable mining practices.

Geographic Diversification: Glencore currently derives the majority of its copper production from its African (36%) and South American (60%) operations. The acquisition of Hudbay, with its extensive North American and Peruvian assets, will balance Glencore's portfolio and reduce the geopolitical and operational risks associated with over-concentration in any single region.

Brownfield M&A: Focusing on brownfield acquisitions enables rapid scalability and asset optimization. Hudbay's sites, with existing infrastructure, mature extraction operations, and streamlined metallurgical processes, offer immediate accretive value to Glencore's asset portfolio.

Hudbay Characteristics

Significant Green Metal Production: Hudbay is on track to produce 131,000 tonnes of copper and 39,000 tonnes of zinc in 2024, backed by resources amounting to 2,360M tonnes with an average copper and zinc grade of 0.31% and 0.05%, respectively. This positions Hudbay as a strategic asset for Glencore in growing its green metal production.

Americas-Focused Production: Hudbay's mining operations in tier-one jurisdictions in the Americas strategically offset Glencore's heavy exposure to African regions. This geographical shift not only reduces exposure to the operational and geopolitical risks in Africa but also bolsters Glencore's valuation through the premium associated with mining in prime jurisdictions.

A Willing Partner: With Hudbay's public openness to acquisition, their developed operations present an opportunity for Glencore to immediately recognize throughput benefits. This openness not only facilitates a straightforward acquisition process but also ensures that Glencore can swiftly capitalize on Hudbay's established extraction and processing prowess.

Revenue Synergies

Cross Selling Opportunities



Product Line Expansion



Geographic Diversification



Cost Synergies

Infrastructure Synergies



Optimized Supply Chain



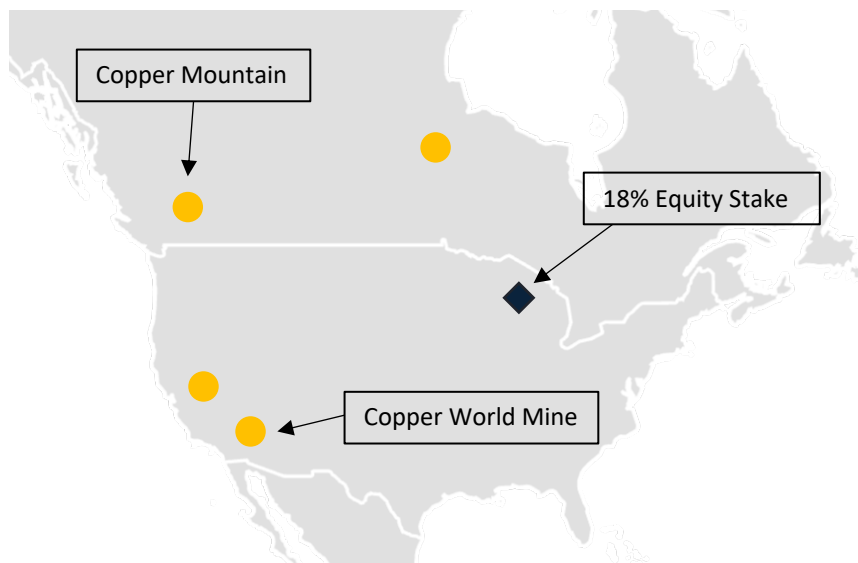
Improved Access to Capital



Geographic Expansion Detail

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North America



South America



Mitigating Idiosyncratic Geographical Risks

- Glencore's acquisition of Hudbay's North American assets marks a strategic shift to dilute its African exposure, targeting a stable operating environment and aligning with regions known for favourable mining policies and lower risks.
- The move is expected to enhance Glencore's market valuation by capitalizing on the stable and predictable operating conditions in Canada and the United States.
- This expansion strengthens Glencore's supply chain resilience against global market fluctuations and taps into North America's technological innovation and skilled mining workforce, setting a foundation for future efficiency and growth.

Strengthening Peruvian Operations

- Leveraging Hudbay's established footprint in Peru, Glencore will unlock significant operational synergies, optimizing logistics, infrastructure, and procurement strategies to drive down costs.
- The strategic acquisition positions Glencore advantageously within a jurisdiction renowned for its abundant mineral resources, competitive production costs, and highly proficient labour pool, allowing Glencore to expand its portfolio of low-cost, high-grade assets.
- This tactical expansion not only enhances Glencore's cost base but increases its operational scalability, ensuring the firm's trajectory toward sustained value creation and market leadership.

Trading Comparables Analysis

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Hudbay Minerals Inc. trades at a notable discount with an EV/EBITDA multiple of 4.4x compared to the peer group median of 6.6x. This undervaluation potentially signals a compelling opportunity for Glencore to acquire Hudbay's high value operations at a discount.

Comparables Analysis

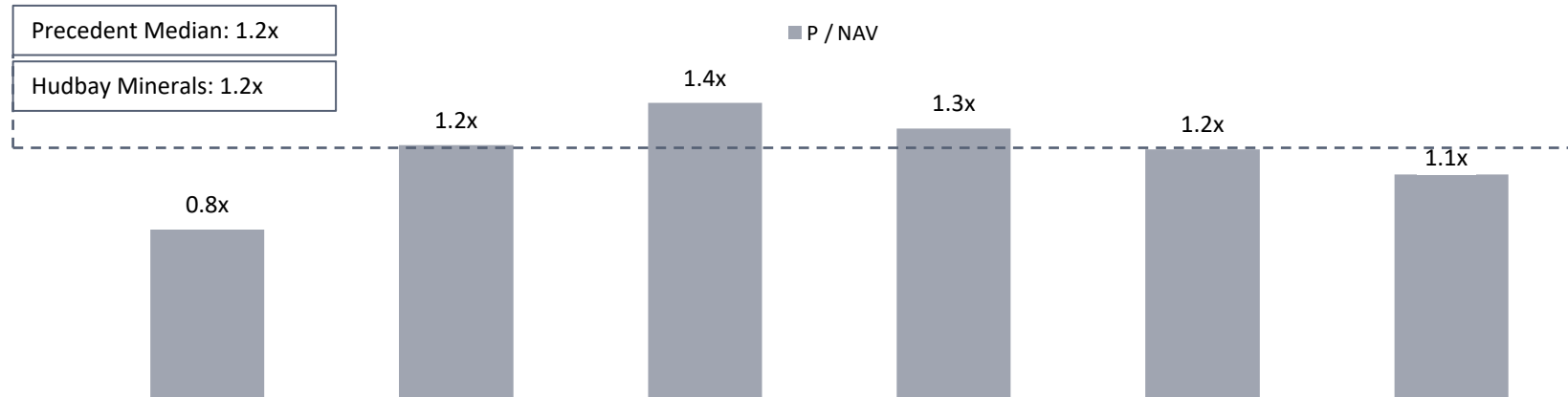
Company	Ticker	Market Cap	EV	NAV	EV / Rev	EV / EBITDA	P / NAV
Boliden AB	STO: BOL	\$8.6B	\$9.9B	\$5.6B	1.3x	6.6x	1.5x
Lundin Mining Corp	TSE: LUN	\$6.3B	\$5.3B	\$5.4B	1.7x	4.7x	1.2x
Pan American Silver Corp	TSE: PAAS	\$6.0B	\$3.5B	\$2.2B	1.7x	6.6x	2.7x
Capstone Copper Corp	TSE: CS	\$3.4B	\$3.5B	\$3.2B	2.6x	12.0x	1.1x
Ero Copper Corp	TSE: ERO	\$1.6B	\$1.4B	\$0.5B	3.2x	7.6x	3.0x
New Gold Inc	TSE: NGD	\$1.0B	\$0.8B	\$1.0B	1.1x	2.9x	1.0x
Nexa Resources SA	NYSE: NEXA	\$0.9B	\$2.2B	\$1.7B	0.8x	9.0x	0.6x
Hudbay Minerals Inc		\$1.9B	\$2.4B	\$1.6B	1.7x	4.4x	1.2x
Minimum					0.8x	2.9x	0.6x
25th Percentile					1.1x	4.7x	1.0x
Mean					1.8x	7.1x	1.6x
Median					1.7x	6.6x	1.2x
75th Percentile					2.6x	9.0x	2.7x
Maximum					3.2x	12.0x	3.0x
Hudbay Minerals Inc - Implied Valuation					EV / Rev	EV / EBITDA	P / NAV
Mean					\$2.5B	\$3.8B	\$2.5B
Median					\$2.4B	\$3.6B	\$1.8B











Precedent Transactions

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Precedent transactions analysis implies that Hudbay is currently fairly valued by the market.

Precedent Transactions Analysis



Target		Teck				
Acquirer		GLENCORE				
Transaction Date	2023	2023	2022	2022	2019	2018
Transaction Type	Corporate Acquisition	Hostile Acquisition (rejected by Teck)	Corporate Acquisition	Corporate Acquisition	Majority Acquisition of Red Chris JV (70%)	Corporate Acquisition
Location	Canada	Canada	Australia	Australia	Canada	Brazil
Transaction Value	\$640M	\$29,083M	\$1,100M	\$6,593M	\$807M	\$323M

Spin-Off / Carve-Out

Recommendation: Spin-off or carve-out Glencore's existing thermal coal operations to a strategic acquirer.

Rationale: Divesting Glencore's existing thermal coal operations will create a pure-play business focused on transition metals, allowing for more efficient planning, capital allocation, and optionality for shareholders. Additionally, the cash influx could be utilized to expand their presence in the copper industry, helping Glencore capitalize on growing demand.

Potential Acquirers:



Joint Venture or Partnership

Recommendation: Form a joint venture or strategic partnership to co-develop a copper mine in the Americas.

Rationale: Forming joint ventures or partnerships allows Glencore to bolster its position by accessing new deposits, sharing technical expertise, and driving innovation in copper extraction and processing. Such a strategic collaboration could lead to operational synergies, reduced capital expenditure, and diversified risks associated with developing new projects or expanding existing ones in the Americas.

Potential Partners:



Strategic Asset Acquisition

Recommendation: Pursue a selective acquisition of a high-value copper producing asset.

Rationale: Following Glencore's recent acquisition of Teck's coal assets, a strategic asset purchase would provide a cost-effective approach to enhancing copper resources. This strategy allows for selective investment in high-grade copper assets with scalable potential and offers the flexibility to negotiate better terms and focus capital on assets with the best fit for Glencore's operational model and strategic objectives.

Potential Assets: Josemaria Project (Lundin Mining), Santo Domingo Project (Capstone Copper), Copper World Project (Hudbay Minerals Inc)

Greenfield Investment

Recommendation: Strategically target greenfield copper and critical metal deposits, utilizing Glencore's scale and expertise to secure high-value assets.

Rationale: Greenfield projects could offer strategic variety and future supply assurance. Glencore's substantial scale and robust financial position enable it to effectively navigate greenfield investment risks. This approach allows for full operational control and the application of the latest mining technologies, leading to higher margins and operational efficiencies. Additionally, initiating projects with sustainable practices from the start enhances Glencore's corporate reputation for responsible mining, aligning with broader market trends and stakeholder interests.

Potential Assets: Taca Taca Deposit (First Quantum Minerals), Udokan Deposit (Udokan Copper), Aley Deposit (Taseko Mines)

Key Risks & Mitigations

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Risk	Mitigation Strategies
Geological Valuation	<ul style="list-style-type: none"> Conduct a thorough independent audit of Hudbay's mineral reserves and resources Utilize Glencore's advanced exploration technologies and industry expertise to better define the extent and grade of the ore bodies
Commodity Price	<ul style="list-style-type: none"> Utilize a dynamic portfolio of copper futures and options to stabilize revenue streams against price fluctuations Expand and optimize Hudbay's existing gold and zinc operations as a natural hedge against potential deviations in copper market forecasts
Company Integration	<ul style="list-style-type: none"> Develop a detailed integration roadmap to combine Glencore and Hudbay's operations, focusing on harmonizing systems, processes, and culture, while ensuring key talent retention for seamless business continuity
Resource Nationalization	<ul style="list-style-type: none"> Engage proactively with local governments to establish stable and mutually beneficial relationships, ensuring secure and uninterrupted mining operations while navigating potential shifts in resource ownership policies
Regulatory Compliance	<ul style="list-style-type: none"> Develop a dynamic compliance system to navigate and adhere to the diverse legal landscapes of the US, Canada, and Peru, ensuring consistent operational legality and risk mitigation

Risk Matrix		
<div>High Probability</div> <div>Low Probability</div>		Company Integration
	Regulatory Compliance	Commodity Price
		Resource Nationalization
		Geological Valuation
	Low Risk	High Risk

If the expected supply constraints and subsequent price increases in copper fail to materialize, the strategic value and projected synergies of the acquisition may be lower than anticipated. This underscores the importance of a diversified approach, including leveraging Hudbay's multi-metal portfolio, to mitigate potential commodity price risks.