Glencore Stock Analysis LON: GLEN, OCT: GLCNF

If you are reading this from any device, it is likely there is something from Glencore within the device, be it in the production process (coal for steel) or in the metals inside. Metals, steel, coal, aluminum, copper, gold, silver, all mined and produced (smelting) around the world, is an ugly business, there is always something happening and if for nothing else, following Glencore and knowing how things work, is always a good idea to see the real world behind the fancy iPhones.

Plus, Glencore being very diversified, gives a great perspective on various markets in the world (coal, copper, zinc, nickel, alumina, cobalt, gold, silver...)

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Glencore Business Overview

Glencore is both a commodity miner and trader. The core mining commodities are copper, zinc and coal, both steelmaking and thermal. Glencore 2024 Presentation.

Overview | **Financial performance** | Positioned for the future | Appendix

Industrial: Key commodity scorecard

	Copper			Zinc			Steelmaking Coal			Energy Coal		
	2023	**2024**	% chg	2023	**2024**	% chg	2023	**2024**	% chg	2023	**2024**	% chg
Production[1]	1.01Mt	**0.95Mt**	-6%	0.92Mt	**0.91Mt**	-1%	7.5Mt	**19.9Mt**	165%	106.1Mt	**99.6Mt**	-6%
Unit cost (pre credit)	220c/lb	**231c/lb**	5%	308c/lb	**310c/lb**	1%	141.3/t	**115.6/t**	-18%	70.5/t	**68.1/t**	-3%
By-product credit	57c/lb	**62c/lb**	9%	259c/lb	**280c/lb**	8%						
Net unit cash cost[2]	163c/lb	**169c/lb**	4%	49c/lb	**30c/lb**	-39%						
Portfolio mix adjustment[2]							28.8/t	**39.2/t**	36%	36.1/t	**34.2/t**	-5%
Portfolio adjusted Realisation[2]							267.4/t	**201.5/t**	-25%	136.7/t	**100.6/t**	-26%
Realised price[2]	367c/lb	**395c/lb**	7%	116c/lb	**125c/lb**	8%	296.2/t	**240.7/t**	-19%	172.8/t	**134.8/t**	-22%
Adjusted EBITDA ($bn)[3]	3.9	**3.8**	-5%	1.0	**1.4**	44%	0.9	**1.7**	81%	7.0	**3.2**	-54%
Calculated EBITDA margin	204c/lb	**225c/lb**	10%	67c/lb	**95c/lb**	41%	126.1/t	**85.9/t**	-32%	66.2/t	**32.5/t**	-51%
Capex ($bn)[3]	2.9	**3.2**	10%	0.9	**0.9**	1%	0.2	**0.9**	393%	1.15	**1.3**	15%
Review	• Production down 4% (like for like), excluding Cobar sold in 2023, reflecting lower anticipated production at Antapaccay and Collahuasi, as well as unplanned mill downtime at KCC and a geotechnical event at Antapaccay in H1 2024 • Net unit cost (+4%), primarily impacted by various inflation adjustments, including across labour, explosives and energy			• While overall 2024 production was in line with 2023, zinc department own source volumes were 51kt higher year-on-year (excluding Antamina), reflecting the continued ramp up of Zhairem • Lower zinc net unit cash cost (-39%) reflects higher gold and silver by-product credits, which more than offset the impact of low TCs at our custom zinc smelting assets			• Production up 12.4Mt period-on-period, following the addition of EVR volumes from July 2024 • On a weighted average price basis, the 2024 realised prime hard coking coal price was $218.1/t, less a portfolio mix adjustment of $16.7/t[4] • Lower FOB unit cash cost (-18%) reflects reduced price linked royalties and a reweighting towards EVR volumes • Higher capex (+$0.7bn) with the addition of EVR			• Production volumes declined 6% in 2024, primarily reflecting scheduled mine closures and longwall moves in Australia, SA rail export constraints and permit delays, community blockades and unusually heavy rain at Cerrejón • Elevated energy coal portfolio mix adjustment largely reflects the impact of Cerrejón's lower margin coal, given its geographical disadvantage • Lower FOB unit cost (-3%) reflects reduced price linked royalties		

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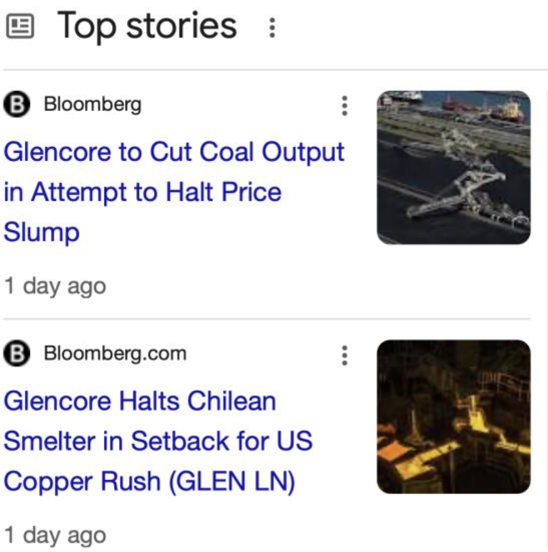
Just to give you a perspective on things, Glencore produces 4.3% of the global yearly copper supply, 7% of global zinc supply, 15% of global met coal supply (including the recently acquired EVR from Teck), 1% of thermal coal and other commodities like cobalt, gold, silver and other by-products. On gold and silver, 738 thousand ounces of gold and 19 million ounces of silver.

When you produce that much globally, there are always issues, and you also move the price globally with your decisions. Recent news:



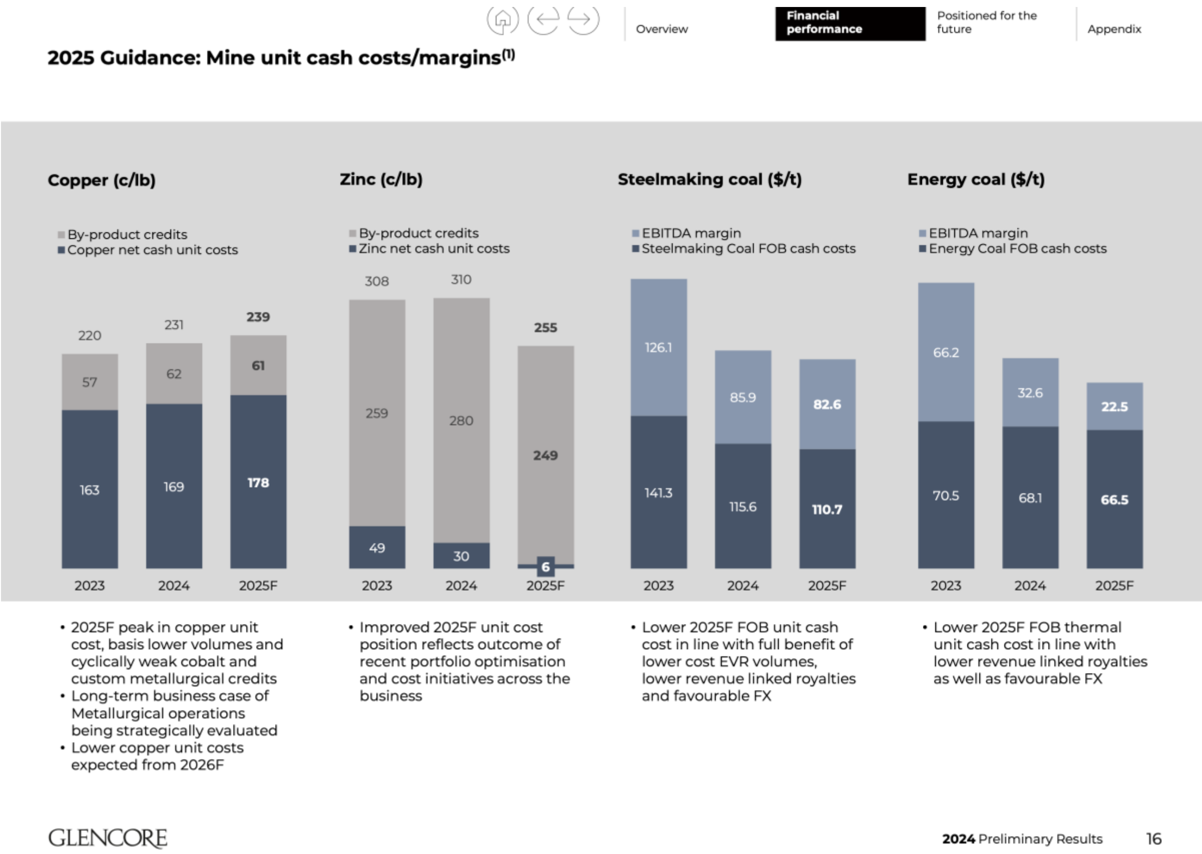
I can guarantee you there will always be something going on, but given the size and global diversification, the impact should be minimal across the board. Here is the guidance for 2025:

Overview | Financial performance | Positioned for the future | Appendix

2025 Guidance: Production

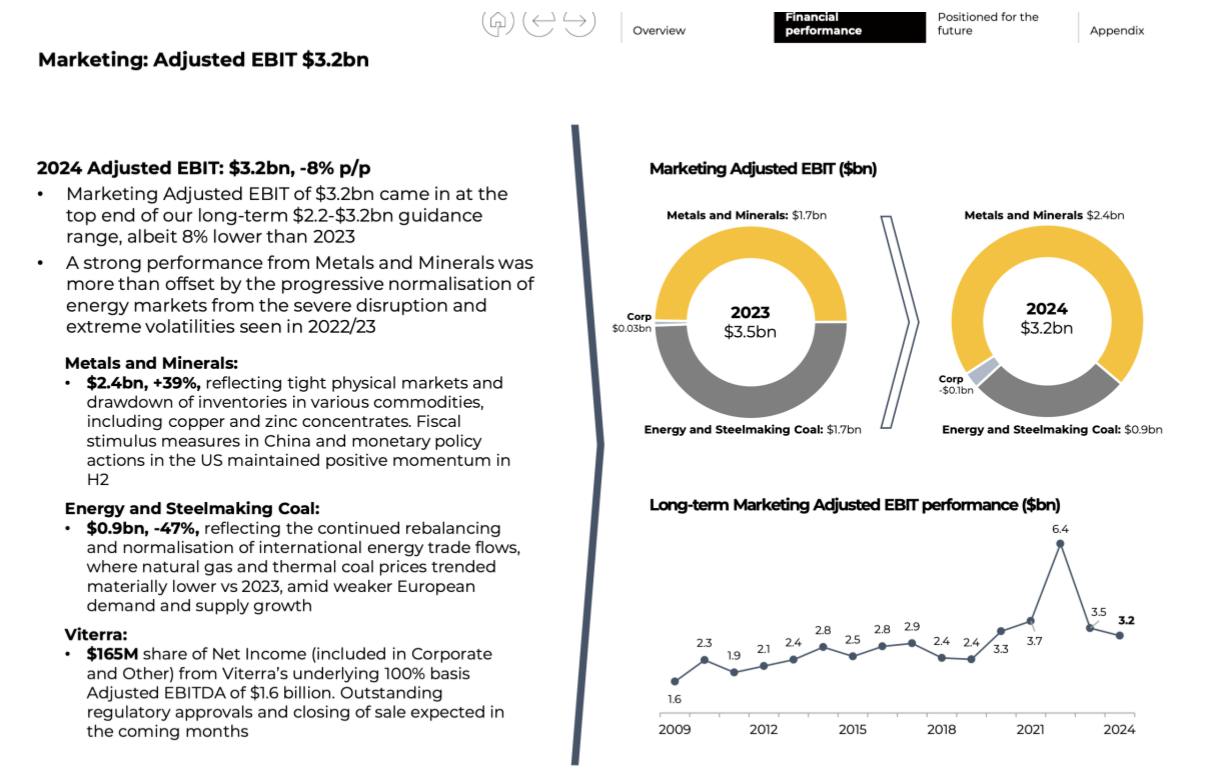
Key commodities 2025-2028 production guidance[1]	**2024**	**2025F**	**2026F**	**2027F**	**2028F**
Copper (kt)	951.6	850-910[2]	930	930	1000
Cobalt (kt)	38.2	40-45[2]	45	45	65
Zinc (kt)	905.0	930-990	855	725	765
Nickel (kt)	82.3	74-86	80	100	95
Steelmaking coal (Mt)	19.9	30-35	35	35	35
Energy coal (Mt)	99.6	92-100	100	100	100
Copper eq (Mt)[3]	**3.3**	**3.6[4]**	**3.8**	**3.7**	**3.9**
Year-on-year growth	*4.6%*	*9.2%*	*3.7%*	*-0.4%*	*4.5%*
2024-2028 key commodities CAGR	**4.2%**				
Gold (koz)	738				
Silver (Moz)	19.3				
3PGE (koz)	143				
Lead (kt)	186				
Ferrochrome (kt)	1166				
Oil E&P (Mbbl)	4.0				

Other metals are accounted as by-products that lower the cost of production for Glencore and due to higher gold prices, zinc production is expected to have no cost in 2025.



What is key above is the low-cost production, $1.78 for copper, $0.06 for zinc, $110 for met coal which means that Glencore makes money no matter the market situation. This also means less volatility in the stock price, but more stability from an investing perspective.

And there is the commodity trading business, that does approximately $3 billion per year in EBIT.



Based on spot prices for commodities on the 7th of February 2025, Glencore guides for $4.8 billion in FCF for 2025. Copper and zinc are a bit up since, coal maybe a little bit down, but given the diversification with Glencore, in addition to the marketing arm, we could expect $5 billion in FCF to be the baseline for a long-term average.

Thus, copper should make $4.1 billion in EBITDA, possibly a bit more but if there is a global slowdown, possibly also half of that if prices decline from $5 to $3 per copper pound. Zinc seems to be around a long-term average while met coal prices are in a downturn that, we don't know when, could spike, and lead to much higher profits down the road. Marketing is standard, around $3 billion, up from $2 billion since I've first taken a first look at Glencore almost a decade ago.

2025 Guidance: Illustrative spot annualised FCF[1]

	Industrial						($bn)
	Copper[2]	Zinc[3]	Steelmaking Coal[4]	Energy Coal[5]	Other	Marketing[6]	Group
Primary production	**850-910kt**	**930-990kt**	**30-35Mt**	**92-100Mt**			
Production from other departments	-90kt	-155kt					
Payability deduction		-133kt					
Net relevant production	790kt	672kt	32.5Mt	96Mt			
Net relevant sales[a]	**822kt**	**694kt**	**32.5Mt**	**96Mt**			
Realised price	**413.7/lb**	**129.8/lb**	**206.2/t**	**123.1/t**			
Portfolio mix adjustment			-12.9/t	-34.1/t			
Unit cost	**-178.0/lb**	**-6.1/lb**	**-110.7/t**	**-66.5/t**			
Margin per unit	236c/lb	124c/lb					
Margin per unit ($)[b]	5196/t	2728/t	82.6/t	22.5/t			
Base Adj.EBITDA ($bn) [a*b]	**4.3**	**1.9**	**2.7**	**2.2**	**1.0**	**3.4**	**15.5**
Development projects & other	-0.2						-0.2
KNS closure & C+M costs					0.0		-0.0
Adjusted EBITDA ($bn)	**4.1**	**1.9**	**2.7**	**2.2**	**1.0**	**3.4**	**15.3**
Cash taxes, interest, minorities + other							-3.8
Capex: Ind+Mktg[7]							-6.7
Illustrative spot FCF[8]							**4.8**

Adj.EBITDA	$bn
Ferroalloys, Nickel, Aluminium and Oil	1.5
Corporate/Other	-0.5

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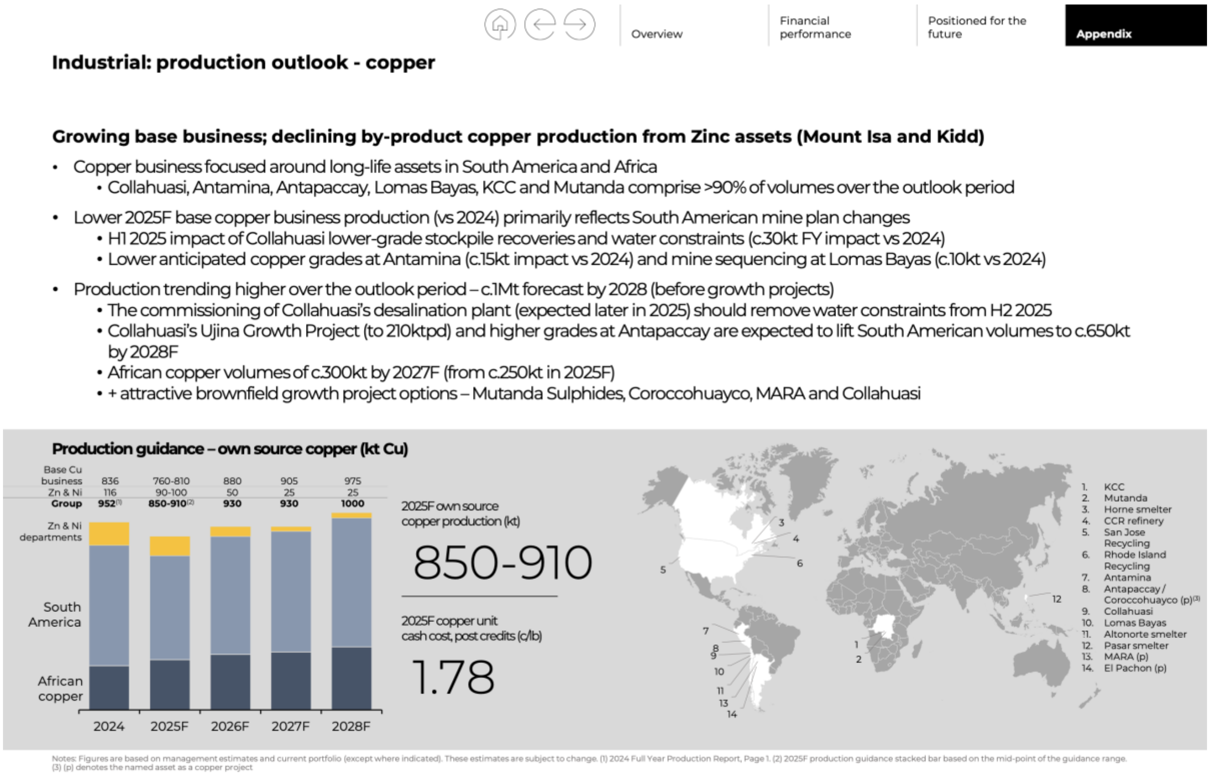
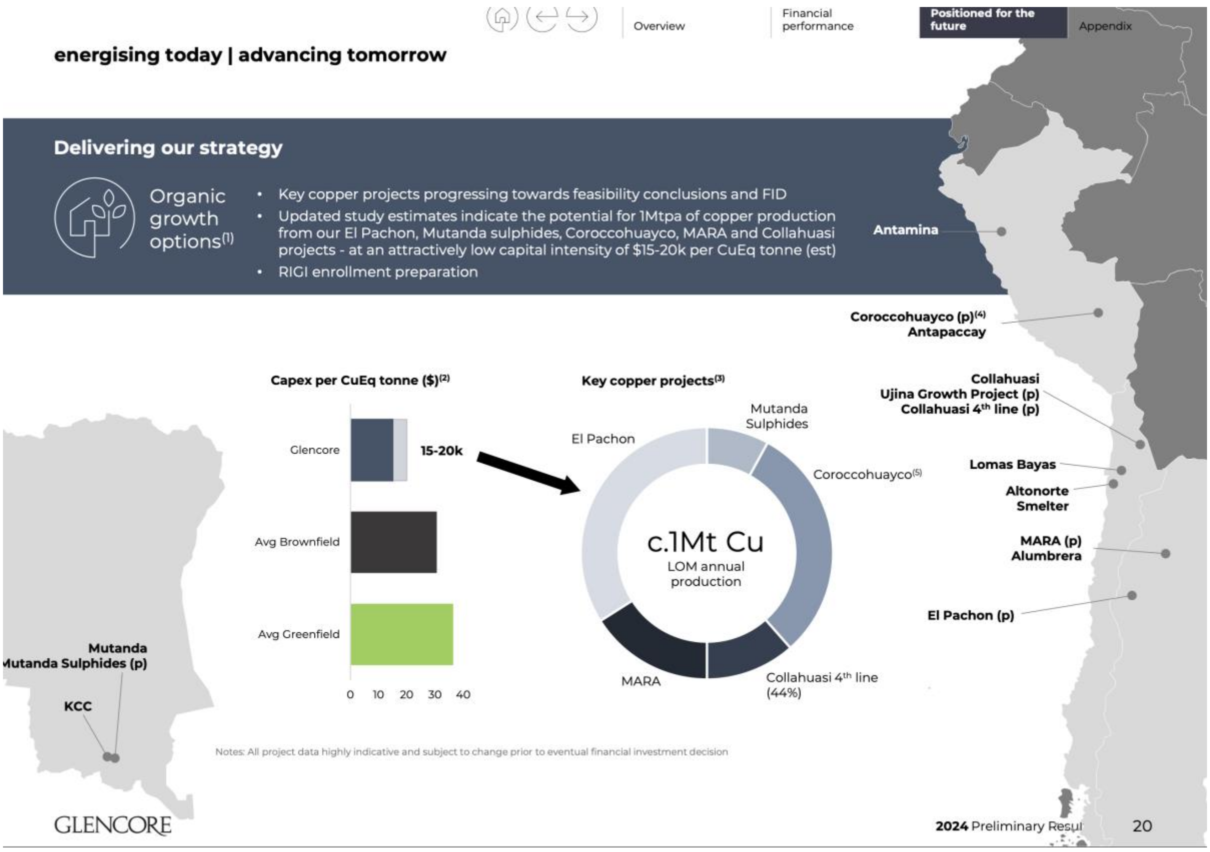
For valuation purposes, take a base of $5 billion per year, possibly going down to $3 or $2 in a severe commodity downturn, and up to $10 or more in a commodity boom.

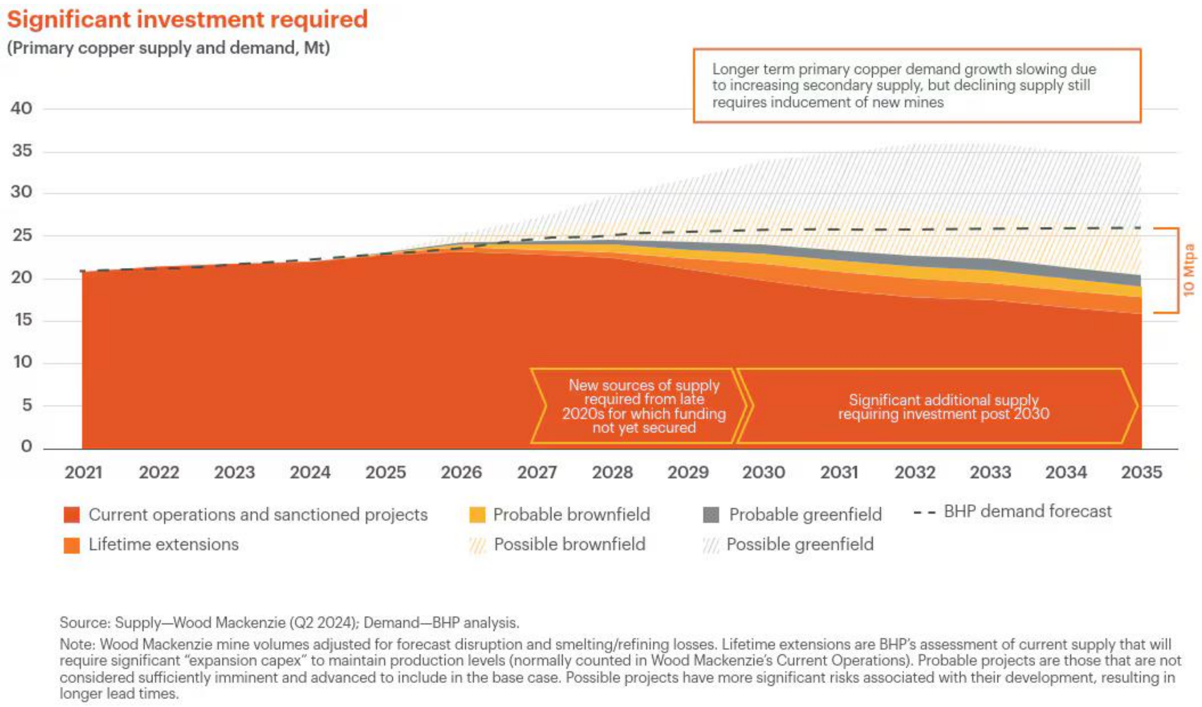
On specific metals, there is 910kt of copper production, globally diversified but mostly Latin America, low cost, long-life assets.



On top of what is already there, Glencore owns low-cost development assets that could double copper production:



Now, as discussed in the conference call, they are not interested to do crazy things to go into production into what seems a balanced copper market, they want the supply gap to really open, so that these projects make a lot of money. Keep in mind this is 4% of global copper supply (just Glencore\s projects). According to BHP, the current situation still sees copper oversupply in 2026, and then the gap to possibly open over time (current spike in copper price is due to rush purchases before tariffs).



I am watching and waiting for a downturn, I am sure of one thing, prices will be volatile :).

Glencore's plan is not to spend much money on these projects but to find partners for the capex, thus to derisk the development over time. Here is more detail on the possible long-term projects:

energising today | advancing tomorrow

Delivering our strategy – organic growth options[1,2]



MARA/Alumbrera	
Location	Catamarca, Argentina
Type	Brownfield
Ownership	100%
Commodities	Cu, Au, Ag, Mo
Operation	Open pit mine, utilising existing Alumbrera infrastructure
Production | Cu	c.165ktpa
Production | Cu eq.[3]	c.210ktpa
Life of Asset	c.20+ years

Coroccohuayco/Antapaccay Complex	
Location	Espinar, Peru
Type	Brownfield
Ownership	100%
Commodities	Cu, Au, Ag
Operation	Open pit mine, utilising existing Antapaccay infrastructure
Production | Cu*	c.300ktpa
Production | Cu eq.*[4]	c.320ktpa
Life of Asset*	c.10 years

*Broader Antapaccay complex has an anticipated mine life of 25+ years at average life of mine of c.185ktpa of Cu and c.205ktpa of CuEq, including the Coroccohuayco project above

El Pachon	
Location	San Juan, Argentina
Type	Greenfield
Ownership	100%
Commodities	Cu, Au, Ag, Mo
Operation	Open pit mine, concentrator plant
Production | Cu[5]	c.340ktpa
Life of Asset	20+ years

Expected capital expenditures are approximately $6.4 billion per year:

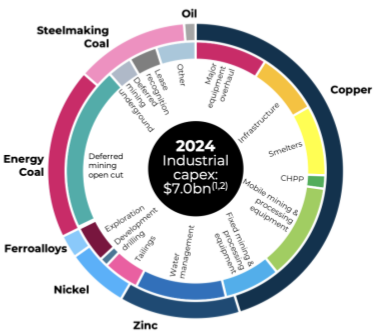
Capital allocation: Business reinvestment

2024 Industrial capex and net purchase and sale of PP&E

- Capitalised Industrial segment capex of $7.0bn
- $6.7bn net capex cash outflow, up from $5.6bn in 2023, largely reflecting the addition of EVR in July 2024 and additional deferred stripping investment across Copper and Coal

2025F-2027F Industrial capex average[1]: $6.6bn p.a., including c.$1.4bn p.a. for EVR

- Excludes up to c.$400M earmarked over this period for extensive MARA, El Pachon and Collahuasi (4th line) feasibility and development work



2025F-2027F estimated major capex spend

Copper: c.35-40% allocated to copper, comprising:

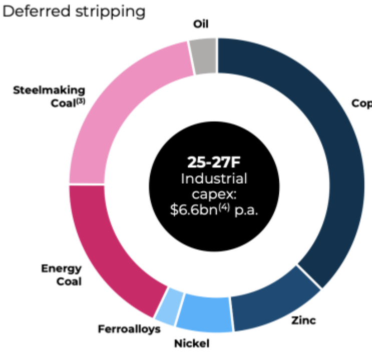
- Collahuasi's Ujina Growth Project (to 210ktpd)
- Extensive deferred stripping at KCC, Antapaccay, Collahuasi and Antamina
- KCC/Antapaccay fleet renewals
- Antamina fleet and tailings investments

Nickel: Completion of Onaping Depth project

Steelmaking coal:

- EVR water treatment facilities; increasing current 77.5M litres per day (LPD) capacity to 150M LPD per day by 2027F, in line with permit commitments
- Extra haul trucks/shovels expected to deliver 35% increase in materials movement capacity
- Extensive deferred stripping
- c.$1.4bn average EVR capex over 2025F-2027F; expected to reduce to c.$1.1bn p.a. thereafter

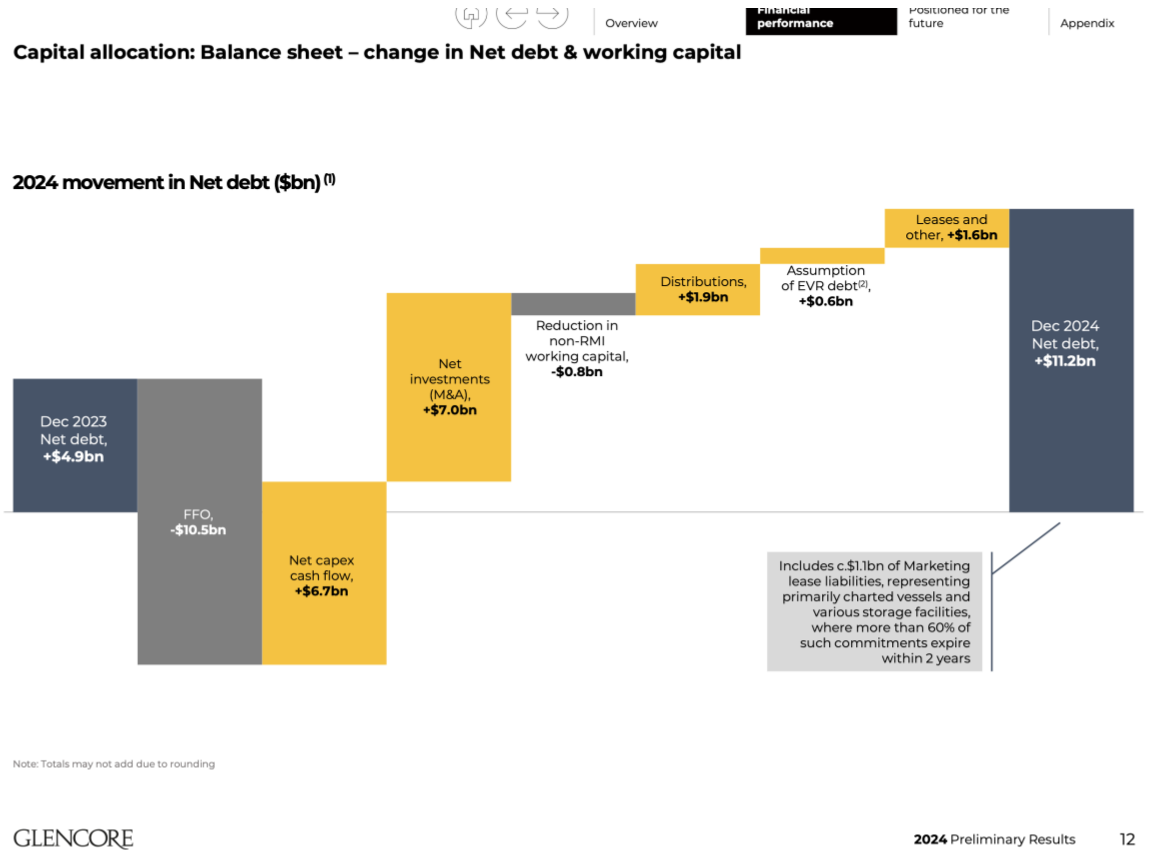
Energy coal: Deferred stripping



Let's look at the financies and valuation.

Glencore Stock Valuation, Risk & Reward, Financials

When it comes to net debt, their goal is to keep it at $10 billion. They are pretty much there despite the $7 billion EVR acquisition.



The plan is to use the free cash flow for opportunities, but given Glencore is trading at 4 times EBITDA, $60 billion enterprise value and $15 billion EBITDA, the best opportunity as discussed by the management is to do buybacks. They have $1 billion in plan to do it up till August and if there is more money by then, do more for the second part of the year.

All in all, we can calculate $5 billion in FCF and that FCF to be returned to shareholders or used for M&A, creating value in both ways.

Another possible catalyst is listing the company in New York. The stock is currently listed in London, but especially after Brexit London isn't attractive anymore. (yes, sorry to say, but from a financial perspective, it seems the UK shoot itself in the leg) It would be easier to access financing, do deals, spins or whatever if Glencore would be traded elsewhere.

On valuation, 10% likely average FCF yield, we have some growth from copper possible, likely operational improvements here and there and the key, inflation. Global demand for Glencore's commodities is likely to grow, and thus long-term prices could also constantly go higher. 10% FCF, plus possible 5% nominal growth, is already 15%.

A third catalyst is a possible merger with other companies that are looking for growth, from RIO to others, you never now, Glencore is a dealmaking company.

When it comes to valuation, I don't know what they will do with the FCF, but they have announced buybacks, which are not bad at these prices. I have put 4, 6 and 2% growth rates and terminal valuations of 10, 15 and 8 for the various scenarios.

Glencore	LINK TO RESEARCH														
STOCK PRICE		0,00			DIVIDEND PAYOUT RATIO	100%									
COMPARATIVE TABLE'!A1													Terminal Value	Growth rate	
Scenario 1	FCF		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2034	4%	next 5 years
normal case		5,00	5,20	5,41	5,62	5,85	6,08	6,33	6,58	6,84	7,12	7,40	71,17	4%	5 to 10 years
	PV(10%)		4,73	4,47	4,23	4,00	3,78	3,57	3,38	3,19	3,02	2,85	27,44	10%	Discount rate
	INTRINSIC VALUE		64,64											10,0	Terminal multiple
													Terminal Value	Growth rate	
Scenario 2	FCF		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2034	6%	next 5 years
best case		5,00	5,30	5,62	5,96	6,31	6,69	7,09	7,52	7,97	8,45	8,95	126,71	6%	5 to 10 years
0	PV(10%)		4,82	4,64	4,47	4,31	4,15	4,00	3,86	3,72	3,58	3,45	48,85	10%	Discount rate
	Present value sum		89,87											15,0	Terminal multiple
													Terminal Value	Growth rate	
Scenario 3	FCF		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2034	2%	next 5 years
worst case		5,00	5,10	5,20	5,31	5,41	5,52	5,63	5,74	5,86	5,98	6,09	47,80	2%	5 to 10 years
MARGIN OF	PV(10%)		4,64	4,30	3,99	3,70	3,43	3,18	2,95	2,73	2,53	2,35	18,43	10%	Discount rate
SAFETY	Present value sum		52,22											8,0	Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	34%	64,64	21,98
Scenario 2 (best case)	33%	89,87	29,66
Scenario 3 (worst case)	33%	52,22	17,23
STOCK PRICE NOW	0	Sum	68,87

SVEN CARLIN

RESEARCH PLATFORM

Disclaimer: This is just for educational purposes and not for investing advice!

MADE BY STOCK MARKET RESEARCH PLATFORM

On $5 billion FCF, and 4% growth, Glencore is cheap now for a 10% return ahead, a $70 billion market capitalization would be a fair price, now we are at $47 billion.

GLENCORE **Glencore PLC**

LON: GLEN

Overview Compare Financials

Market Summary > Glencore PLC

297,35 GBX

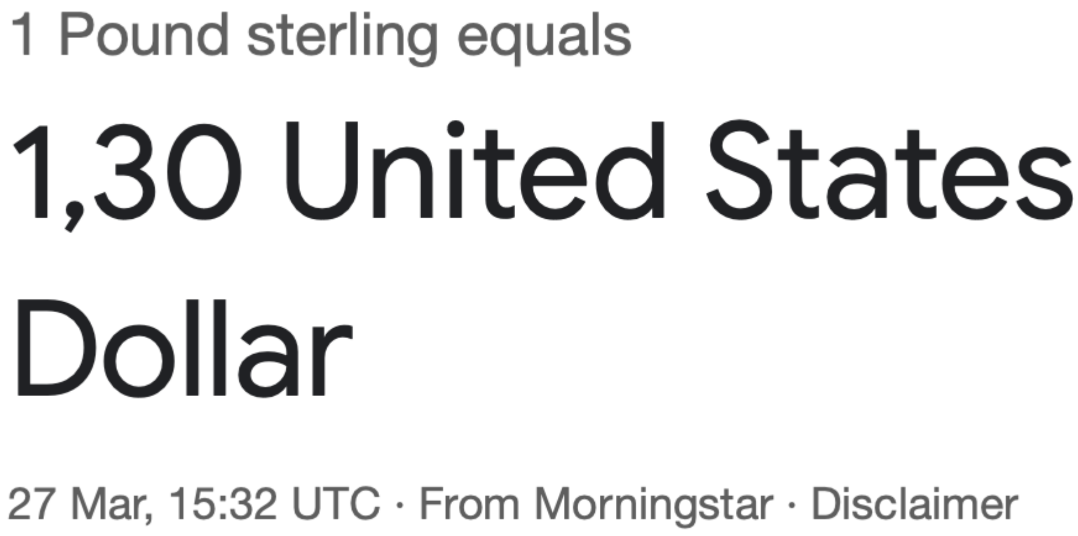
-226.65 (-43.25%) all time

27 Mar, 15:32 GMT • Disclaimer

1D 5D 1M 6M YTD 1Y 5Y Max

Open	307,75	Mkt cap	36,67B	52-wk high	506,72
High	309,25	P/E ratio	-	52-wk low	298,35
Low	302,95	Div yield	3,01%		

Price in GBP, market capitalization in USD $47 billion.



Thus, cheap from that long-term perspective on commodities, global growth and development. Keep in mind there is 4 billion people that also want to live like we do in the developed world.

However, one must always keep in mind that in case of a China slowdown (less demand for copper and steel (met coal)), cash flows could be zero for a year or two, and then I wouldn't be surprised to see this stock down another 50%. And, I hope it happens!!!

Further on the risks:

- Commodity downturn

- Issues in various countries, from Congo to Argentina, you never know

- Department of Justice investigation is behind them, but you never know about the skeletons in the closet.

- Sustainability, if the world goes net zero, coal would suffer, but maybe copper would boom…

Portfolios Fit

From a risk reward perspective, Glencore is priced at a mid-cycle level at a FCF yield of 10%. For a bigger commodity bargain, we would need to see a downturn, which would mean 50% down and then it would be a 20% average cycle yield (of course, no FCF at that point in time, but that is how it works). Of course, such a downturn might happen only once in a decade, but that is why I follow many things and hope for a few such opportunities in a decade.

However, from a more diversified perspective, it is very likely that 10 businesses like Glencore will likely deliver 10%+ yearly returns. So, it fits already the diversified portfolio where I'll start with a mid position and 3% of the portfolio, and then if it goes lower, I'll be very happy to increase the position.

Comments On Conference Call

Being a large diversified business, there is a lot to discuss in the conference call and it is one of the longest ones I have seen. However, from an investing perspective, we need to understand the key factors and work on those. What I got from the conference call is the following:

- best M&A according to the CEO are buybacks

- re-rating can happen on another exchange, but they are not in a rush, buybacks are cheap now

- there was one comment on US met coal producers and how those are high cost, which was also my feeling when I researched them, but their management always says how they are low cost, which is true if you don't count transport to China… so, it is always interesting to see a different perspective which you can only see from conference calls

- there was a comment about copper, and the key was how current prices are low, and Glencore is not going to push production up at these prices, interesting perspective for copper long-term…