



## Which Is the Better Buy: Hudbay Minerals Inc. or First Quantum Minerals Limited?

### Description

As prices of copper and other commodities continue to rise this year, mining companies present attractive investments that can stand to benefit from these developments. I am going to have a look at two big mining companies on the TSX to see which one is the better buy today.

**Hudbay Minerals Inc.** ([TSX:HBM](#))([NYSE:HBM](#)) is a mining company that focuses on the discovery and production of precious metals, and it has operations in North and South America. Hudbay recently acquired a 13.8% stake in **Mason Resources Corp.**, which is still pre-production but owns 100% of the Ann Mason project located in Nevada, which is an undeveloped copper porphyry resource — the fourth largest in North America. Hudbay already has operations in nearby Arizona through its Rosemont project, which it obtained through an acquisition of Augusta Resource Corporation in 2014.

**First Quantum Minerals Limited** ([TSX:FM](#)) produces zinc, gold, nickel, and copper with operations in six different countries; operations include seven mines and a copper smelter. First Quantum, through a subsidiary, owns 80% of the Kansanshi mine in Africa, which is the largest copper mine in Africa.

### Recent performance

In its most recent quarter, First Quantum's sales of \$782 million were up 19% from the prior year, but gross margins of just 8% compared to over 15% a year ago meant the company saw a decline in its bottom line, which resulted in a net loss of \$15 million. In the first six months of the year, the company has seen sales growth of 12%.

Hudbay saw revenue growth of over 31% in Q2 and netted a profit of \$25 million, which was up from a loss of \$5.7 million in the prior year. However, in the past two quarters, the company has seen year-over-year declines in sales.

### Production mix

First Quantum's sales mix is predominantly copper with the commodity's sales making up 84% of total sales for the first half of the year, with gold making up just 8% of the mix. Over 90% of the company's sales come from three mines, with Kansanshi making up 45%, followed by 32% from Sentinel, and

14% from operations in Las Cruces. The company's top two mines are located in Africa, while the Las Cruces operation is in Spain.

Hudbay has a bit of a different mix in both its metals and operations. The company's copper sales of \$375 million made up 60% of the company's gross revenue in the first half of the year with zinc accounting for 26% and gold making up just under 10%. Hudbay's main production is done in Peru and Manitoba.

### **Which stock is the better buy?**

Profits and earnings multiples are not a consideration when looking at these two companies, as only Hudbay has minor earnings per share of \$0.05, while First Quantum is still in the red. First Quantum has a greater mix of copper and could stand to see more of a benefit as copper prices continue to increase. However, with operations mainly in the Americas, Hudbay is exposed to much less risk than First Quantum, which has the vast majority of its production in Africa.

If you are looking for high risk and high reward, you'll likely find First Quantum the more appealing investment. Hudbay might have more moderate performance, but it will be more suitable for investors that are looking for less risk.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:HBM (Hudbay Minerals Inc.)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:HBM (Hudbay Minerals Inc.)

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