

Forget Gold: Focus on Copper and Zinc With These 2 Companies

Description

In the commodities space, investors have a wide range of options to choose from. While most of the discussion for Canadian investors considering increasing commodities exposure tends to focus on oil and gas, gold or other precious metals, potash, or a range of other key Canadian mining sectors, base metals is one sector which is often left by the wayside.

In this article, I'm going to talk about two base metals producers that provide excellent long-term upside and hedging opportunities for active investors looking at building a well-diversified long-term portfolio.

Hudbay Minerals

At the end of February, **Hudbay Minerals Inc.** ([TSX:HBM](#))([NYSE:HBM](#)) reported its quarterly financials, showing very strong improvements in year-over-year top- and bottom-line numbers supported by an [improving commodity price environment](#) and specific debt-reduction activities, which have improved the company's overall balance sheet.

During the company's Q4 earnings release, Hudbay posted revenue of \$414 million compared to \$316 million during the same quarter in the previous year, with earnings following suit at \$99.7 million in Q4 2017 vs. a loss of \$47.3 million during Q4 2016. The ability of Hudbay to improve free cash flow and pay down debt will be key for investors moving forward. Given a strong macroeconomic environment, which is likely to buoy zinc and copper prices for the foreseeable future, Hudbay is one company on my watch list.

Lundin Mining

One of the zinc producers I have encouraged investors to consider for some time now is **Lundin Mining Corp.** ([TSX:LUN](#)). Lundin is one of Canada's largest producers of base metals such as zinc, and it has continued to improve its balance sheet in recent years, reflecting strength in the underlying commodity price of base metals.

In addition to a "[zinc super cycle](#)," which has been touted by many analysts, Lundin's operating performance is worth noting as one of the key factors underpinning a stable share price at much higher levels in recent years. The company's trailing 12-month operating margin has improved to more than 33%, a significant improvement when compared to its five-year average margin of less than 10%. Earnings per share have also increased substantially, with Lundin earning the highest amount per share in the past 12 months than in any 12-month period for the past 10 years.

Bottom line

Both Hudbay and Lundin provide compelling investment opportunities for long-term investors looking for companies with improving balance sheets and cash flow generation in a sector which is expected to

outperform for some time to come. In choosing commodity exposure, be sure to assess all the options out there.

Stay Foolish, my friends.

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TICKERS GLOBAL

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2. TSX:HBM (Hudbay Minerals Inc.)
3. TSX:LUN (Lundin Mining Corporation)

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