



Why Is Hudbay Minerals Inc (TSX:HBM) Stock up 100%?

Description

In October, **Hudbay Minerals** ([TSX:HBM](#))([NYSE:HBM](#)) stock traded at just \$4.72 per share. This week, the stock surpassed \$9 apiece.

Still, shares trade at a steep discount to their all-time highs of \$28.

Why is Hudbay stock up nearly 100%? Is the company finally ready to deliver long-term gains to shareholders?

A troubled history

Long term, Hudbay has a terrible track record. In 2003, shares stood around roughly \$9 each. They remain at the same level today 16 years later.

Along the way, the stock has experienced huge swings in sentiment. Since 2003, shares have lost 50% or more on at least five occasions. The opposite has also been true. Gains of 100% or more have been a regular occurrence. A few times, shares have risen by at least 500% in less than 12 months.

Yet, for all this volatility, long-term shareholders were left with zero cumulative gains. Is this time different?

Why the run?

A few exciting events have occurred in recent weeks.

First, the company received a Section 404 water permit from the U.S. Army Corps of Engineers for its Rosemont project, an open pit copper mine in Arizona. The company had already received clearance from the U.S. Forest Service, so the US\$2 billion mine is ready to start development.

While full clearance was expected, countless mining companies have been shocked over the decades with unexpected delays and outright cancellations. Now, the market can start to fully value the

resources within the mine, removing the discount associated with regulatory uncertainty.

Two days after this news, the company revealed that it would be buying out its minority partner's stake in the Rosemont project, giving it full upside to the mine's potential. The partner's 7.95% stake was sold for US\$45 million in cash, plus annual payments of \$10 million beginning in 2022 and continuing for three years.

Here's what to make of Hudbay stock

There's an old saying: buy the rumour, sell the news. In this case, I'd take that advice seriously.

Over the years, Hudbay has slowly transitioned its focus from high-grade, underground copper projects to open pit mines like Rosemont. This evolution is growing the company quickly, but it may not ultimately result in increased shareholder value.

Time and time again, mining companies have proven terrible stewards of capital. Hudbay is a perfect example of this value destruction.

For more than a decade, the company has been acquiring, developing, and monetizing new projects. Massive capital investment needs have offset nearly all of these gains. All that investors have been left with was a pitiful annual dividend, now yielding 0.22% per year.

If you're going to make a bet in this volatile sector of the market, buy an out-of-favour stock like [Guyana Goldfields](#). For Hudbay Minerals, it looks like all of the good news has already been priced in. Betting that the company will capitalize on its improved position has historically been a losing wager.

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