



## Why First Quantum Minerals Fell 4% After Earnings

### Description

**First Quantum Minerals** ([TSX:FM](#)) reported [earnings](#) Tuesday, Oct. 26, after the market closed. After shares climbed to around \$30.50 prior to earnings, the stock began to sink. By Wednesday morning, shares were down 4%. So, let's take a look at what's going on with First Quantum stock on the **TSX** today.

### Earnings

To start, Motley Fool investors are likely interested in the company's earnings report. For the third quarter, First Quantum stock reported that production was down pretty much across the board. And that's year over year, when the world was right in the pandemic.

This was also true quarter over quarter — a big upset for the company. And that's despite higher metal prices. EBITDA came in at \$886 million, down from \$902 million the quarter before. Gross profit came was also down year over year to \$613 million from \$625 million in 2020 from what the company blames on port congestion in Zambia. Some good news was that First Quantum signed a new \$2.925 billion loan to help reduce debt.

### Production

The good news is that the company closed its Ravensthorpe stake sale for some extra cash flow. It also believes it is "well on the way" to reduce debt to a target of \$2 billion by early 2022. In fact, it's already reduced net debt by \$1.107 billion during the first nine months of 2021. The problem is, despite the rosy picture painted by First Quantum, there were a number of government-related issues that came up.

A new government in Zambia and "Law 9 discussions" with the Government of Panama put a lot of production up in the air. While First Quantum stock remains positive, it's still unclear what the future holds in these areas. That being said, copper production was up 5% in Panama.

Another issue wasn't actually producing metals but shipping it. While this helped raise the price of copper, that's not any good if the company can't ship it out. Meanwhile, gold production decreased 4% from the quarter before but was up 7% year over year on the TSX today.

## Guidance

First Quantum stock gave a guidance update for the quarter based on all these [factors](#). It includes higher metal prices, COVID-19, and ongoing discussions at its mining facilities with the governments.

Copper is expected to come in between 800,000 and 835,000 tonnes — a narrowing of about 15,000 tonnes, as the company believes several locations will see less output. Gold production increased to between 290,000 and 310,000 ounces, jumping 10,000 ounces at its Cobre Panama location. Nickel has also been reduced at its Ravensthorpe location due in part to the sale.

Therefore, guidance for total capital expenditure remains stable at \$950 million. However, there could be issues down the road with the massive inflation and supply-chain costs associated with logistical needs, such as steel and labour.

## Foolish takeaway

What all this means is it might be time for Motley Fool investors to sit on the sidelines for First Quantum stock. I'm not saying get rid of it, but there are a few points up in the air at this point. Higher prices are great, sure, but supply-chain issues, production decreases, and government issues at its facilities remain problematic. But once solved, this could be a great stock to [pick](#) up on the TSX today.

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