HudBay Minerals (TSX:HBM): Smart Exposure to Copper and Zinc

Description

Electricity has revolutionized the world since its inception in more ways than we can potentially comprehend. And even though methods of producing, transmitting, and using electricity have become quite efficient, the electricity usage per head is steadily growing, though with regional discrepancies.

And it's likely to grow as our reliance on fossil fuel is lessened for things like heating and transportation since it will lead to a proportional rise in our reliance on electricity.

EVs alone are likely to trigger a significant shift in electricity production, distribution, and consumption. This *can* mean a rise in demand for the relevant technologies and the basic "ingredients" supporting these technologies.

And two of the prominent ones are copper and zinc — metals important for electricity distribution and storage. One way to gain exposure to both is by investing in a company like **HudBay Minerals** (TSX:HBM)(NYSE:HBM).

The company

HudBay Minerals is a diversified metal producer that focuses on low-cost production, primarily from resources in the Americas. It has operations in three major countries: Canada, the U.S., and Peru. There are two projects in Canada that produce copper and zinc as well as gold and silver. In 2021, the company produced 21,657 tonnes of copper, 93,529 tonnes of zinc, and over a million ounces of silver.

The three U.S. projects are purely copper related, with a massive reserve base (both proven and inferred). The single Peru mine yielded significantly more copper and gold than the two Canadian mines, and it has a projected life till 2037. It also has the distinction of being the lowest-cost copper mine in South America.

The stock

HudBay Minerals stock has lived off its glory days. The company used to trade above $270 per share in 2003. But it has been in decline ever since. There have been a few growth spells when the stock traded in double digits, but it hasn't even seen that in the last few years. However, it doesn't mean the company itself doesn't have more to give to its investors.

The growth hasn't been linear for quite a while, and the cyclical growth has been quite profitable, at least in the last five years. The stock has returned 88%, 106%, 454%, and 56% in the last four growth spurts during the last five years. And since two of these returns happened before the 2020 crash, we can assume that it's the natural pattern for the stock.

This shows that if you buy it low, you are likely to experience decent returns (even if it's not in three digits) in a relatively short amount of time, and the subsequent growth cycle will fully manifest within a couple of years. It also pays dividends, but the yield is relatively low at 0.26%.

Foolish takeaway

The stock is currently trading at a 28% discount from its last peak. If you can wait for the current slump to reach its zenith, you might be able to realize decent gains in the next bull run. It might simply be due to the cyclical nature of the stock or a substantial rise in the demand and price of copper or, to an extent, zinc.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:HBM (Hudbay Minerals Inc.)
2. TSX:HBM (Hudbay Minerals Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/08/16
Date Created
2022/05/10
Author
adamothman