

Freeport-McMoRan

Sale of Deepwater Gulf of Mexico properties

- **Freeport-McMoRan (NYSE: FCX) announced yesterday sale of its oil and gas property Deepwater Gulf of Mexico (GOM).** The company agreed to sell its asset to Anadarko Petroleum Corporation (NYSE APC) for cash consideration of \$2,0bn and up to \$150mn in contingent payments. Anadarko has agreed to assume future obligations associated with the properties for amount \$0,5bn in book value. The transaction is effective on the August 1, 2016 and expected to close in 4Q2016. The company released that for 12 months period the property's sales were \$1bn, cash cost (before G&A) amounted \$0,3bn and capital expenditures were \$1,6bn. The sales volumes of the property were 73k bbl of BOE on average. Holders of FM O&G subsidiary, Plains Offshore Operations Inc will receive \$582mn in connection with the transaction the remaining net proceeds will be used to debt reduction. FCX does not expect to record any material gain or loss on the transaction. FCX will also align covenants on FM O&G Notes for principal amount \$2,3bn to those notes previously issued by FCX. There is no redemption of FM O&G Notes in connection with this transaction. Holders of Notes who deliver consents to the amendments in accordance with a Consent Solicitation Statement dated 12 September 2016 will be eligible to receive consent consideration of \$2,5 per \$1000 principal amount of Notes for which consents have been delivered prior to the expiration Date. Thus the total amount the consent considerations might amount \$58,56mn.
- **FCX implementing deleverage strategy.** The sale of assets for \$6bn announced this year should bring the company's debt over \$19bn to a comfort zone by the end of the year, which is a positive development. The company's other assets for sale amount \$4,2bn and include 13% interest in Morenci, Timok Exploration project, oil and gas royalty interests, and Tenke Fungurume. GOM acquired for \$1,4bn in 2014. It accounts c60% in oil and gas production of FCX and has relatively low cash production cost (\$14,6/BOE in 2014, \$11.94/BOE in 4Q15) among other oil and gas assets of FCX. GOM accounted 64% of 382MMBOE oil and gas proved & probable reserves as of December 31, 2015. The reduction of potential volatility of revenues and operating profit from oil and gas operation and essential reduction of oil and gas capex will positively affect the FCX share price performance. Next milestones for the company include expansion of Indonesian operations expected in 3Q2016.

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| Report date: | 13 September 2016 |
| Main exchange | NYSE |
| Price, \$ | 11.08 |
| Current MCap, \$ mn | 14,717 |
| EV, \$mn | 33,684 |
| Free float, % | 90.2% |

Description:

Freeport-McMoRan is the world's largest publicly traded copper producer, with an asset base diversified in gold, silver, cobalt, molybdenum. The company has assets located in North and South America, Africa and Indonesia. The company holds a portfolio of oil and gas assets in the US.

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Important disclosures

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