

Southern Copper Corporation (SCCO) Q4 FY2025 earnings call transcript

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Earnings call

Southern Copper delivered record 2025 results: net sales rose 17% to \$13.4B, adjusted EBITDA grew 22% to \$7.8B, and net income surged 28% to \$4.3B. Management guided for a 4.7% decrease in 2026 copper production due to lower ore grades, while maintaining strong by-product output and cost discipline.

Operator

0:00:00

Good morning, and welcome to Southern Copper Corporation's fourth quarter and year 2025. With us this morning, we have Southern Copper Corporation, Mr. Raul Jacob, Vice President, Finance, Treasurer, and CFO, who will discuss the results of the company for the fourth quarter and year 2025, as well as answer any questions that you might have. The information discussed on today's call may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the company cautions to not place undue reliance on these forward-looking statements. Southern Copper Corporation undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. All results are expressed in full U.S. GAAP. Now, I will pass the call on to Mr. Raul Jacob.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:00:58

Thank you very much, Gigi. Good morning, everyone, and welcome to Southern Copper's fourth quarter and full year 2025 results conference call. At today's conference, I'm accompanied by Mr. Oscar Gonzalez Rocha, CEO of Southern Copper and board member, as well as Mr. Leonardo Contreras, who is also a board member. In today's call, we will begin with an update on our view of the copper market and then review Southern Copper's key results related to production, sales, operating costs, financial results, expansion projects, and ESG. After this, we will open the session for questions. Our performance in year 2025 delivered new company records for net sales, Adjusted EBITDA, and net income. These milestones are a testament to the strength of our strategy, execution, and commitment to sustainable growth.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:01:55

This strong performance was primarily driven by a rise in by-product production and improved metal prices for all our products. Mine zinc production rose 36% year-on-year, bolstered by an additional 52,500 tons from the Buenavista zinc concentrator. Mine silver production increased 15% in this year, in last year, primarily driven by higher production at all our mines. Molybdenum production was 31,200 tons in 2025, which was 7% above the figure in 2024. The combination of higher production volumes and better copper and by-product prices enabled us to achieve record sales of \$13.4 billion. This is 17% more than in 2024.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:02:53

A record high for EBITDA of \$7.8 billion, that's 22% on top of 2024, and net income of \$4.3 billion, which is 28% higher than 2024. We remain firmly committed to enhancing productivity and cost efficiency, driven by a strategy anchoring discipline and focus on achieving a long-term goal to produce 1.6 million tons of copper at the lowest possible, most competitive cost per ton. Looking into the metal markets and prices. For copper, the London Metal Exchange copper price increased 21% from an average of \$4.16 per pound in the fourth quarter of 2024 to \$5.03 per pound this past quarter.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:03:48

For the COMEX market, we saw a 22% increase, averaging during the past quarter \$5.15 per pound. Based on current supply and demand dynamics, we're currently estimating a copper market deficit of about 320,000 tons for 2026. Copper inventories worldwide, the sum of the London Metal Exchange, COMEX, and Shanghai and bonded warehouses, were, as of January 26th, this is past, this past Monday, approximately 14 days of global demand. Let's look at Southern Copper's production for the past quarter. Copper represented 75% of our sales in the fourth quarter of 2025. Copper production registered an increase of 1.4% in the fourth quarter of last year on a quarter-over-quarter terms to stand at 242,172 tons.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:04:58

Our quarterly result reflects higher production at our La Caridad, Toquepala, Cuajone, and IMMSA mine, which was attributable to better ore grades and recoveries. These positive results were partially offset by a decrease in production at our Buenavista operation. For 2025, copper production decreased 1.8% to 956,270 tons. This figure is 1% lower than our 2025 plan of 965,000 tons. Our year-on-year result reflects lower production at our Buenavista and the Peruvian mines, partially offset by a rise in production at our IMMSA and La Caridad mines. For 2026, we expect to produce 911,400 tons of copper, which represents a decrease of 4.7% compared to 2025's final front...

Raul Jacob

VP of Finance, Treasurer, and CFO

0:06:05

This slight drop was primarily attributable to lower ore grades at our Peruvian operations. For molybdenum, it represented 8% of the company's sales value in the fourth quarter of 2025, and it's currently our first by-product. Molybdenum prices averaged \$22.75 per pound in the quarter, compared to \$21.61 in the fourth quarter of 2024. This represents an increase of 5%. Molybdenum production increased 10% in the fourth quarter of last year compared to the fourth quarter of 2024. This was mainly driven by an increase in production at Toquepala and Cuajone mines due to higher ore grades at both operations. These results were partially offset by a decrease in production at the Buenavista and the La Caridad mines.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:07:12

Molybdenum production increased 7.4% year-over-year in 2025, after production grew at Toquepala and Caridad, and was partially offset by lower production at Buenavista and Cuajone. In 2026, we expect to produce 26,000 tons of molybdenum. For silver, it represented 9% of our sales in the fourth quarter of last year, with an average price of \$54.48 per ounce in the quarter, which is reflected in an increase of 74%. Silver is currently our second by-product. Mine silver production increased 15% in the fourth quarter of 2025 versus the same period of the prior

year. It was boosted by production growth at all our mines. Refined silver production increased 10% quarter-over-quarter, driven mainly by increased production at all our refineries.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:08:29

In 2025, we produced 24 million ounces of silver, which represents an increase of 15% over the 2024 production level. This was due to higher production at all our mines. In 2026, we expect to produce 24 million ounces of silver, a slight decrease of 2% compared to 2025. For zinc, it represented 4% of our sales in the fourth quarter of 2025, with an average price of \$1.44 per pound in the quarter. This represents a 4.3% increase compared to the fourth quarter of 2024. Zinc is currently our third by-product. Zinc mine production increased 7% quarter-on-quarter and totaled 46,223 tons.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:09:40

Growth was mainly driven by higher production at the Buenavista Zinc Concentrator and by an increase in production at San Martin mine. Refined zinc production increased 2% in the fourth quarter vis-a-vis the fourth quarter of 2024. Zinc production for the full year 2025 increased 36% due to additional production of 52,500 tons from Buenavista Zinc and an upswing in production at our Santa Barbara mine. This was partially offset by lower production at our Charcas and San Martin operations. For 2025, we expect to produce 165,500 tons of zinc. Financial results. For the fourth quarter of 2025, sales were \$3.9 billion. This is \$1.1 billion higher than sales in the fourth quarter of 2024.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:10:47

Copper sales increased 39%, and volume was up 3%, supported by better prices. The cash of LME was 21% higher, and the cash of COMEX, 22% higher. Regarding our main by-products, we reported higher sales for molybdenum of 6% due to an increase of volume of 10% and better prices. Zinc increased its values—the value of sales in 23% due to higher volume for 21% and better prices. Silver increased its value in 106% due to an increase in volume of 11% and better prices. 2025 net sales hit a record high of \$13.4 billion, topping the 2024 net sales by 17%. This expansion was mainly driven by higher sales volumes for molybdenum, zinc, and silver.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:11:57

For copper, growth in sales volume remained stable. Operating costs. Our total operating costs and expenses increased \$282 million. That is a 19% when compared to the fourth quarter of 2024. The main cost increments were in workers' participation, purchased copper, inventory consumption, and operations, contractors, and services. We have also, in the quarter, a one-time adjustment of \$60 million for asset retirement obligations at the Mexican operations, mainly at the Buenavista one. These cost increments were partially compensated by lower labor costs at the Peruvian operation.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:12:55

The fourth quarter 2025 adjusted EBITDA was \$2.3 billion, which represented an increase of 53% with regard to the \$1.5 billion registered in the fourth quarter of 2024. The adjusted EBITDA margin in the fourth quarter was 60% versus 54% in the fourth quarter of 2024. For the year 2025, adjusted EBITDA hit a record high of \$7.8 billion, reflecting a robust 22% increase over the figure in 2024. The adjusted EBITDA, EBITDA margin in 2025 was 58% versus 56% in 2024. Cash cost. Operating cash cost per pound of copper before by-product credit was \$2.29 per pound in the fourth quarter of 2025.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:14:02

This is \$0.06 higher than the value for the third quarter of \$2.23 per pound. This 3% increase in the operating cash cost was driven by higher cost per pound from the production costs, administrative expenses, and lower premiums, which were partially offset by lower treatment and refining costs. The copper operating cash costs, including the benefit of by-product credits, was \$0.52 per pound in the fourth quarter of last year. This cash cost was \$0.10 higher than the cash cost of \$0.42 for the third quarter of 2025. Regarding by-product, we have a total credit of \$920 million, or \$1.77 per pound, in the fourth quarter of 2025.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:15:02

These figures represent a 3% increase when compared to a credit of \$895 million, or \$1.81 per pound, in the third quarter of 2025. Total credits have increased for zinc, silver, and sulfuric acid, and decreased for molybdenum. 2025 operating cash cost per pound of copper before by-product credit was \$2.17 per pound. And this was higher than the \$2.13 per pound that we reported in 2024. This is a 4-cent increase. Net by-product credit, 2025 cash cost was \$0.58 per pound.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:15:59

This \$0.31 reduction in the cash cost compared to the \$0.89 per pound reported in the fourth quarter for the full year, excuse me, for the full year 2024, and this was mainly attributable to a \$0.34 increase in by-product revenue credits. Net income in the fourth quarter was \$1,308 million, which represents a 65% increase with regard to the \$794 million registered in the fourth quarter of 2024. The net income margin in the past quarter was 34% versus 29% in the fourth quarter of 2024. 2025 net income hit a record high of \$4.3 billion, which is 28% above the figure in 2024.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:17:01

These improvements were driven by an increase in net sales and by our strict cost control measures. The net income margin in 2025 was 32% versus 30% in 2024. Cash flow from operating activities in 2025 was \$4.48 billion, which represented an increase of 8% over the \$4.44 billion posted in 2024. This result, which was mainly fueled by higher net income, was partially offset by an increase in net operating assets, particularly accounts receivables. For capital investments, our current capital investment program for this decade exceeds \$20.5 billion and includes investments in projects in Peru and Mexico.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:17:59

In 2025, we spent \$1.3 billion on capital investments, which reflected a 29% increase year-on-year and represented 30% of net income in 2025. Given that there is a description of our main capital project in Southern Copper's press release, I'm going to focus on updating new developments for each of them. Regarding the Peruvian projects, I'm focusing on the Tia Maria project currently under construction at the Arequipa region in Peru. This project represents a landmark investment for Peru and the Arequipa region. The current estimated capital budget is \$1.8 billion. As of the end of 2025, the project was 24% complete.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:18:50

At current copper prices, Tia Maria will generate \$20.2 billion in exports and \$4.6 billion in taxes and royalties over its first 20 years of operation. The project has already created 3,589 jobs, with strong focus on local hiring. When operations begin in 2027, Tia Maria will provide 764 direct jobs and nearly 6,000 indirect jobs, demonstrating our commitment to sustainable growth and long-term regional development. As of December 31 of last year, the company had committed about \$800 million to different project activities. Large-scale earthmoving works have mobilized 1.7 million tons of material from the La Tapada deposit. Purchase orders to acquire metallic structures for secondary and tertiary crushing has been issued for the dry area.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:19:55

At the SX-EW process level, state-of-the-art technology has been selected for our main, for our main equipment. Access roads and platforms, as well as temporary contractor camp, has been completed. Regarding energy supply, all earthworks for the electrical main substation has been completed. Foundation works are currently underway, and the transmission line is being built. Next, efforts will focus on developing the main and secondary components of the project's dry and wet areas and setting up a temporary camp. For Los Chancas in Apurímac, as of December of last year, we continued to implement environmental and social programs in the communities of Tapairihua and Tiaparo, which are located within the direct area of influence of the Los Chancas mining deposit. Despite these efforts, the presence of illegal miners within the project area has prevented the project from advancing.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:21:02

In this context, the company continues to take actions with the relevant authorities to regain control of the project area. For the Michiquillay project in Cajamarca, also in Peru, this is a world-class greenfield mining project that we expect to produce 225,000 tons of copper per year, with an estimated investment of about \$2.5 billion. The comprehensive review of the geological information to estimate the project mineral resources has been duly audited in accordance with the SEC Mining Disclosure Standards and the Regulation S-K 1300. Subsequently, the company intends to use this information to estimate mineral reserves and develop the corresponding mine plans.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:21:58

Regarding environmental, social, and corporate governance, or ESG practices, the company, in recognition of our efforts in the ambit of prevention and minimizing risk, our Buenavista mine in Sonora, in Mexico, as well as our

Toquepala and Cuajone mines in Peru, received the accreditation from the Copper Mark for compliance with the global industry standard on tailings management set forth by the International Council on Mining and Metals. This accreditation guarantees that best international practices are followed to provide authorities, the community neighboring our operations, and other stakeholders with assurances that operations are safe. For the SX-EW plant at the La Caridad unit in Sonora, Mexico, this unit has been awarded with the Casco de Plata, the Silver Helmet, in the category of metallurgical plant with up to 500 workers.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:23:08

This is in recognition of its status as one of the country's safest operations. This recognition, which was bestowed by the Mexican Mining Chamber, known as CAMIMEX, handed during the opening ceremony of the 36th International Mining Convention in Mexico, and this attests to the company's commitment to risk prevention and employee safety. In the case of the Peruvian branch, Southern Peru, was recognized by the Peruvian government as the mining company with the largest number of projects awarded under Public Works for Taxes in 2025. The company is currently rolling out four investments for a total of \$28 million that will benefit more than 5,000 people. Over time, Southern Copper has worked on 40 projects through this mechanism and has invested more than \$400 million in infrastructure to bridge social gaps....

Raul Jacob

VP of Finance, Treasurer, and CFO

0:24:16

In 2025, also about 5,000 residents benefit from the health campaigns conducted in the communities near our mining operation and projects in the Peruvian regions of Moquegua, Arequipa, Apurímac, and Cajamarca. Teams of specialists in internal medicine, ophthalmology, pediatrics, gastroenterology, among other disciplines, visit communities to provide comprehensive medical care. This is on the nearby communities of our operations. Regarding dividends, as you know, it is the company policy to review our cash position, expected cash flow generation from operations, capital investment plans, and other financial needs at each board meeting to determine the appropriate quarterly dividend. Accordingly, on January 22, 2026, Southern Copper Corporation announced a quarterly cash dividend of \$1 per share of common stock and a stock dividend of 0.0085 shares of common stock per share.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:25:30

This is payable on February 27 of this year to shareholders of record at the close of business on February 10. Ladies and gentlemen, with these comments, we end our presentation today. Thank you very much for joining us, and now we would like to open the phone for questions.

Operator

0:25:51

Thank you. As a reminder, to ask a question, please press star one one on your telephone and wait for your name to be announced. To withdraw your question, please press star one one again. Please stand by while we compile the Q&A roster. Our first question comes from the line of Timna Tanners from Wells Fargo.

Timna Tanners

Managing Director and Senior Equity Research Analyst

0:26:19

Hey, good morning, everyone. Wanted to start off with any updated thoughts on your cost guidance and how you're seeing that shape up, in particular, given the currency inflation, your local currencies, versus the US dollar. Anything you can do to combat that?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:26:38

Mm-hmm. Well, we—I think that we have passed the worst part of the inflation that we had after COVID, mainly. Our costs are currently being more affected by currency appreciation for the peso and the Peruvian sol than specific inflation from Mexico or Peru.

Timna Tanners

Managing Director and Senior Equity Research Analyst

0:27:15

Okay. Do you have any guidance on where we might see the cost before byproducts shape up in the next quarter or the year ahead?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:27:25

Sorry, could you repeat it, please, Timna?

Timna Tanners

Managing Director and Senior Equity Research Analyst

0:27:28

Oh, sure. Any guidance on how we could expect to see costs shaping up into the next quarter and the year?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:27:37

No, it's for operating costs, we believe it's gonna be relatively flat on a per pound basis, since we will be producing a little bit less than last year, it may have some impact on that. But then, we have a very strong production of by-products, which is something that was considered as part of our mining operations for last year and this year. So that is going to help us on the credits, for sure.

Timna Tanners

Managing Director and Senior Equity Research Analyst

0:28:15

Okay, helpful. I'll ask one more and hand it off. You know, this past year, you started out with a lower guidance for silver production, and at the end of the year, were able to exceed your expectations. And of course, silver has been, you know, quite hot. Any ability in light of these strong prices to maybe eke out some more tons of, or ounces, I should say, of silver in 2026 than your initial expectations?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:28:41

Well, we already gave a guidance on the silver production for this year. Obviously, we would like to improve on that, but at this point, that's basically what we are expecting. It's in silver, about 24 million ounces. One thing that we have done in 2025, and we're still maintaining, is that our new zinc concentrator of Buenavista that has arrived to the mine of the zinc area of the mine. We have found a pocket of very good ore grades for both zinc and silver, and that has made us to focus this concentrator that can switch between copper and zinc, to focus only on zinc.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:29:40

So that's one of the reasons why we have a much stronger silver production in last year regarding silver specifically and zinc. We're still working in that area, so that's why we're holding to a very good silver expectation on production, and hopefully it could improve.

Timna Tanners

Managing Director and Senior Equity Research Analyst

0:30:09

Okay, that's helpful. Thanks very much, and good luck.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:30:13

Sure. Let me say, Tina, that if we were to have the prices that we're having for silver this year, with the expectation of production that we have, the silver may become our main by-product.

Operator

0:30:34

Thank you. Our next question comes from the line of Emerson Vieira from Goldman Sachs.

Emerson Vieira

Equity Research Analyst

0:30:44

Hi, guys. Thanks for the time. I have a couple of questions. First one, on that part, just trying to understand here better, the reason why molybdenum production in 2026 should decline. I understand that you guys have been prioritizing zinc production at Buenavista, zinc concentrator, but that production should also decline in 2026. So just trying to listen here, the reasons for the declining mine production for next year. That's the first question, and then I'll follow up with the remaining ones.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:31:18

Okay, on the molybdenum production, you mean the production? Because it was a little bit cut when you speak, Emerson. You meant the molybdenum production?

Emerson Vieira

Equity Research Analyst

0:31:31

Yeah. I mean, yeah, for 2025, like 30 KT, and 2026 for the 176.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:31:39

We're getting into some areas of the operations where we have lower ore grades for both copper and molybdenum. Usually, molybdenum could improve a little bit or in these kind of circumstances, we have a little bit more molybdenum, but at this point, this is what we are forecasting. So hopefully we will be improving on what I mentioned as our forecast for the year.

Emerson Vieira

Equity Research Analyst

0:32:12

All right. Then second one, on concentrator. Can you guys provide us with the latest update here, when expect a investment to be made, for instance?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:32:25

Well, we haven't. We have to prepare all the information on a possible expansion, and that has to be submitted to our board. We haven't done it yet. We are still working on that, on this project. We see it very positively, but we need to finish our work and present it to the board for a decision.

Emerson Vieira

Equity Research Analyst

0:32:54

All right. And then the last one on Tia Maria. I mean, the committed CapEx of \$800 million, roughly the entire amount, you guys should disperse this year. So just trying to understand here, about the timing of this.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:33:13

I'm so sorry, Emerson. You... There's some noise when you speak. If you could repeat it?

Emerson Vieira

Equity Research Analyst

0:33:22

Okay. I'll repeat. On Tia Maria, you guys mentioned that there is already \$800 million of committed CapEx, and that's roughly the amount you guys plan to spend this year at Tia Maria. So just trying to understand here, the timing, if this CapEx is more skewed towards second half of this year, and then in order to deliver the 30,000 tons in 2027, when should the construction be completed in your estimates?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:33:57

Okay. As I say, we, we are, we have, a commitment of about \$800 million. Of those, in terms of cash flow, we should be, we should be spending a little bit north of \$500 million. \$508 million is our current forecast for, for cash out during 2026 related to Tia Maria. Construction should be finished by the, by the end of the first half of 2027, and we are expecting to produce about 30,000 tons in the second half of 2027, and then in 2028 and, and on, at full speed of 120,000 tons per year.

Emerson Vieira

Equity Research Analyst

0:34:45

All right. So just to confirm my understanding here, you mentioned that you expect to disburse \$500 million in Tia Maria in 2026. That's it?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:34:55

Yes. That, that's what I said. \$508 million is our current forecast. Cash.

Emerson Vieira

Equity Research Analyst

0:35:04

All right. And how does, how does that compare to the roughly \$900 million that were disclosed in the preliminary guidance? I mean, what's the reason why the in about half?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:35:21

I'm so sorry, Emerson. Could you repeat it, please?

Emerson Vieira

Equity Research Analyst

0:35:25

Yeah. I mean, you mentioned that you guys plan to disburse \$500 million for Tia Maria in 2026, right? By looking at the company's presentation, the prior guidance mentioned that it was expected to disburse almost \$900 million actually, instead of the \$500 million. So just trying to understand what's the reason why the lower disbursement?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:35:53

We did, when we put the specific purchase orders, which are the commitment of \$800 million, we obtained better, better payment terms than what we were expecting initially, and that's why we have we have this positive reduction in our cash out for next year. In Tia Maria, obviously, the budget hasn't changed significantly, so, so we will be spending that money in 2007. Usually, you kept a portion of your budget for final payment once the vendors has or once you have confirm that the equipment that you have acquired are producing what was offered at the time of the sale.

Emerson Vieira

Equity Research Analyst

0:36:49

This doesn't imply any postponement of, right? I mean, it's just the cash flow that is being delayed, the construction will follow another pace, a faster pace, I would say, right?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:37:04

We're in line with the pace of the investment. We believe it's going to be finished, as I say, at basically the midpoint of 2027, we should be charging material to the system of Tia Maria and start producing in the second half, about 30,000 tons of refined copper for that year, and then 120,000 tons, which is the full capacity of the project.

Emerson Vieira

Equity Research Analyst

0:37:37

Okay. Thank you very much for the help.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:37:39

You're welcome, Emerson.

Operator

0:37:42

Thank you. One moment for our next question. Our next question comes from the line of Alfonso Salazar from Scotiabank.

Alfonso Salazar

Senior Equity Analyst

0:37:54

Yes, hello, Raúl. Good day. I have two questions. The first one is going back to the cash cost question. If production—correct me if I'm wrong, but if production falls some 5% in 2026, then for by-product, we should expect an increase in cash cost per pound, similar to that number, right? And the second is, can you remind us how much of your cost in the Mexican mines are in Mexican pesos, and same for Brazil—I'm sorry, for the Peruvian mines, how much is in soles? Just to have a sense of how much it could, you know, impact the further appreciation or the weakening of the US dollar. And the second question is regarding your long-term production guidance.

Alfonso Salazar

Senior Equity Analyst

0:38:47

If we look, first of all, it says that it will be updated in January, the last that you have in the website. Just want to make sure that you have any update, or we can continue to work with this one?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:39:06

Let me answer your questions as you did them, Alfonso. In terms of, yes, we are having a reduction in copper production this year, so that will increase our-- Yeah, that alone should have an impact, the range of the 5% that you mentioned for our production cost. We are doing towards taking certain initiatives for us to control cost and, if possible, reduce maintenance expenditures and contractor services, both the Peruvian and Mexican operations. That should help. In terms of cost control, as you know, we are quite keen on maintaining costs under control.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:40:04

The cash cost in Mexican pesos is 39% of our cost, and the cost in Peruvian soles is 10% of our cost. So we have about 51% of our cost in US dollars denominated. Okay, the next-

Alfonso Salazar

Senior Equity Analyst

0:40:24

That's clear.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:40:26

Yeah, the next point is-

Alfonso Salazar

Senior Equity Analyst

0:40:27

Yes, regarding the guidance. Yeah.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:40:29

Yes. The guidance is basically, so we're updating it. For this year, you already mentioned it's 911,400 tons. For 2027, a little bit north of 900,000 tons. We're being affected by lower ore grades simultaneously at Toquepala and Cuajone. In the case of Toquepala, it's a temporary thing, that's why we are expecting this to correct over time. In the case of Cuajone, we are considering an expansion of the Cuajone operations so we can bring back the lower production that we're having, given the current installed capacity of Cuajone. I'm going to give you the forecast for the next five years. So 911,400 for this year.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:41:34

A little bit north of 900,000, above, I believe, about the same that we're doing for 2026. In 2028, we will have the full year of Tia Maria, that will bring in 970,000 tons of a forecast. In 2029, 1,060,000 tons, and 2030, one-- same number, 1,060,000.

Alfonso Salazar

Senior Equity Analyst

0:42:06

Around 160?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:42:07

Mm-hmm.

Alfonso Salazar

Senior Equity Analyst

0:42:08

Okay. Thank you. That's helpful. Just one quick question, in your previous guidance, we can see that Buenavista and La Caridad, the production in those two mines were in a downtrend. Is that going to continue after 2030, or what are you expecting in these two mines?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:42:28

No, we will be taking different actions to put back on track our production on both sides. In some cases with finding new reserves, which is very likely the La Caridad circumstance, and in the case of Toquepala, we may consider also an expansion of the capacity of the operation. But these are things that are still under review, so nothing that we could report on that at this point.

Alfonso Salazar

Senior Equity Analyst

0:43:01

Okay, perfect. Thank you very much, Alberto.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:43:04

You're welcome.

Operator

0:43:06

Thank you. One moment for our next question. Our next question comes from the line of David Feng from China International Capital Corporation Limited.

David Feng

Equity Research Analyst

0:43:21

Oh, hi, good morning, well, Victor and team, congratulations on the strong results. My first question is from a capital management perspective, with a much stronger cash flow based on current copper price, is it possible to boost your growth plan with the extra cash, or is it more likely for you to increase the portion of cash dividend over

stock dividend? I'll come back with my second question.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:43:54

I think that in the case of dividends, it's up to the board. The board has been increasing the cash portion of the dividend as prices and results are coming in. I guess that they may increase the cash portion of it if we have more better results, but that is up to them, so I can't comment on that much. Your next question, please.

David Feng

Equity Research Analyst

0:44:29

Oh, okay. Thank you very much. So my second question is, with the much higher copper price, for projects like Los Chancas, we know on one hand, the higher price should allow you to leverage more resources to solve the issues related to project. But on the other hand, the higher prices also provide stronger incentives for illegal miners to continue or even enhance their operations. So overall, does the higher copper price make the project development, like, for sometimes easier or more challenging? Thank you.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:45:14

Obviously, you want to have better prices than worse prices to move with projects, but we have made these—all of our projects have been evaluated with the prices significantly lower than the ones that we're seeing nowadays. I think that in general we are happy of having very good returns with the prices that I'd say it's more like an average long-term view for us. In the cases—the specific case of Los Chancas, we have had some progress. We had some initiatives taken by the government that will be helping of illegal mining, but so far we haven't—we don't have so much to report at this point.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:46:07

We believe that the government, the Peruvian government, will take action, and allow the company to move on with this important project.

David Feng

Equity Research Analyst

0:46:17

Understood. That's really helpful.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:46:20

Mm-hmm.

Operator

0:46:23

Thank you. One moment for our next question. Our next question comes from the line of Mateus Moreira from Bradesco BBI.

Mateus Moreira

Equity Research Associate

0:46:37

Yeah, thank you, good morning all, and thank you for taking my questions. My first question is on the copper markets. I just wanted to get your overview here on the copper markets. We've been seeing, of course, a very supportive price environment for copper, right? With prices holding near historical highs. However, demand in China appears to be deteriorating at a relatively fast pace, right? So just wanted to see how do you view these dynamics going forward? Do you expect the current price momentum to be sustained? So that's my first question, and then I'll come back for the second one.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:47:13

Okay. On the copper market, we are expecting a deficit about... We're expecting a deficit on the market, and that 320,000 tons is our current view of our commercial team. In terms of price, it's hard to know. We are seeing that copper demand is being held by electric vehicles, artificial intelligence power centers. And at the same time, we see that, well, in several places, particularly in China, the real estate market is not doing well. So, those are the factors. We were not forecasting copper prices. That is not our business.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:48:12

Our business is to focus on controlling costs and producing as much copper as we can on a competitive base, and with high returns for our shareholders. That's our business.

Mateus Moreira

Equity Research Associate

0:48:25

Okay, perfect. That's clear. And then my second question on the Buenavista concentrator. I mean, I understand you continue to prioritize the zinc production over copper, given the stronger zinc grades in the areas that you're currently mining. Should we expect this strategy to remain in place for 2026? Especially considering these copper prices at these levels. And maybe the question here is there a copper price level that would incentivize you to shift back your production towards copper?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:48:59

Okay. Just for knowledge, or for everybody on the call, we do have two concentrators in Buenavista. One is the concentrator that is producing the poor copper. Those are copper concentrator. And the other one is the other, there is one zinc concentrator that can switch between zinc and copper. In this case, we did an analysis at certain point at the beginning of the year, and with the prices that we have had, and the prices are still holding in terms, in relative terms between zinc, silver, and copper, and we found that it was in the best interest of the company and our shareholders to focus on zinc production with more silver content coming with the zinc.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:50:01

Just to be clear, we do have two concentrators that produce ... that are copper concentrators, and one zinc concentrator. I believe that I skipped that when I explained this matter. So, we're doing this on a con- on a, on a, an ongoing basis. If there is a significant change in the relative prices between zinc, silver, and copper, we will review our strategy. But so for now, and particularly on the areas that we are at the zinc production areas of the mine of Buenavista, it still makes sense to be producing silver and zinc, rather than copper. But if there is-

Mateus Moreira

Equity Research Associate

0:50:48

Okay.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:50:49

a change, we'll do it in a way that we produce the best value for our shareholders and the corporation.

Mateus Moreira

Equity Research Associate

0:51:00

Okay, perfect. That's very clear. Thank you.

Operator

0:51:05

Thank you. One moment for our next question. Our next question comes from the line of Alex Hacking from Citi.

Alex Hacking

Equity Research Analyst

0:51:16

Yeah. Hi, Raul. I just have one question: Could you maybe discuss the cadence of your copper production next year? Should we expect one Q to be the strongest and four Q to be the weakest, with grades in Peru kind of falling through the year, or it's gonna be more even than that? Thank you.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:51:38

It's gonna be more even, Alex. We will be reporting on that. But that's basically ... We're getting into a low ore grade patch for Toquepala. Cuajone is more or less stable at the level that it is now, and the reason for that is that Cuajone has a new structural ore grade, which is lower. That's why we're considering an expansion on this operation.

Alex Hacking

Equity Research Analyst

0:52:13

Thank you.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:52:15

You're welcome.

Operator

0:52:18

Thank you. One moment for our next question. Our next question comes from the line of Myles Allsop from UBS.

Myles Allsop

Mining Research Analyst

0:52:30

Great. Thank you for the opportunity and a great set of numbers. Just maybe on Tia Maria to start with, how, what is the lead time for an SX-EW operation, and what do you see as the key risks in terms of achieving the timeline of first production mid-2027?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:52:54

Well, on that, we do have about five SX-EW operations, well, in the company currently that are that we're working with them. Obviously, we have selected the newest and best technology that is available for SX-EW operations right now. Basically, we are expecting to have the whole plant assembly and in operation in the second half of 2027. That's a little bit more than a year from now. We think that. Well, at this point, we don't want to have any delays on getting the production that we're looking for for 2027.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:53:46

Our expectation is to have everything assembled and ready to initiate the test by May or June of 2027, and with that occurring, we'll be putting charge in the equipment and start producing refined copper, which is the final product of an SX-EW operation.

Myles Allsop

Mining Research Analyst

0:54:17

How's the sort of mood on the ground? I mean, there's a few small protests, I think in December. I think there's some more planned for March, ahead of the elections. I mean, what's the sense on the ground in terms of going smoothly ahead with the project?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:54:33

You mean on the Peruvian elections?

Myles Allsop

Mining Research Analyst

0:54:37

Ahead, yeah, around Tia Maria and, you know, obviously stepping up production aggressively, given what happened last time and the disruption you suffered.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:54:47

Well, we believe that the work that we're doing with the local groups, the population in the area, it's well, we mentioned that we have. Our initial expectation was to have about 3,500 workers in Tia Maria. Now, we do have more than that. 3,589 jobs have been created. We believe that the right number now it's more in the range of having 5,000 workers when the project is at full speed in terms of construction. This has been very well received by the local population.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:55:31

I think that we made our points that this project is not going to be a problem for them, but, you know, a big opportunity for the people at the Islay province of Arequipa. And what we're seeing is that they understand this and are focusing on getting either a job opportunity or a business opportunity related to the company or the programs that the company has. As I mentioned, the company has been investing using the Works for Taxes mechanism in Peru very heavily. \$400 million have been invested in using this mechanism, plus all the other programs that the company have. So I believe that we're bringing in good news to the population, and the locals are understanding that correctly.

Myles Allsop

Mining Research Analyst

0:56:28

That's encouraging. Maybe just a couple of other small questions. In terms of percentage of COMEX sales, has that changed meaningfully since last year, or is it, you know, broadly unchanged?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:56:43

We won't make comments on that. I'm so sorry.

Myles Allsop

Mining Research Analyst

0:56:46

Okay. And maybe last question then, just on Mexico and the ability to get licenses to move projects forward. Has the atmosphere improved? Is it looking more probable we'll see investment in the mining industry in Mexico being announced during 2026?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:57:09

We're seeing a better, generally speaking, a better environment in our relationship with the Mexican government, and I think that this is going to be also reflected in the speed that we can move on with projects. But so far, there's nothing specific to report.

Myles Allsop

Mining Research Analyst

0:57:28

Have any open pits been approved over the last 12 months or the last few years?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:57:34

I'm so sorry. Couldn't get what you said.

Myles Allsop

Mining Research Analyst

0:57:36

Have any open-pit projects been approved in Mexico over the last few years?

Raul Jacob

VP of Finance, Treasurer, and CFO

0:57:43

Well, there are some projects that have been moving on, and we have our own and some other projects that we keep working on them. But so far, on this matter, on our projects, we have not much to report at this point.

Myles Allsop

Mining Research Analyst

0:58:00

Okay. Thank you.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:58:02

You're welcome.

Operator

0:58:04

Thank you. At this time, I'm showing no further questions. I would now like to turn the conference back over to Mr. Raul Jacob for closing remarks.

Raul Jacob

VP of Finance, Treasurer, and CFO

0:58:15

Thank you very much, Lee. With this, we conclude our conference call for Southern Copper's fourth quarter of 2025 and full year results. We certainly appreciate your participation and hope to have you back with us when we report the first quarter of this year, 2026 results. Thank you very much for being with us today, and have a nice

day.

Operator

0:58:40

This concludes today's conference call. Thank you for participating. You may now disconnect.