

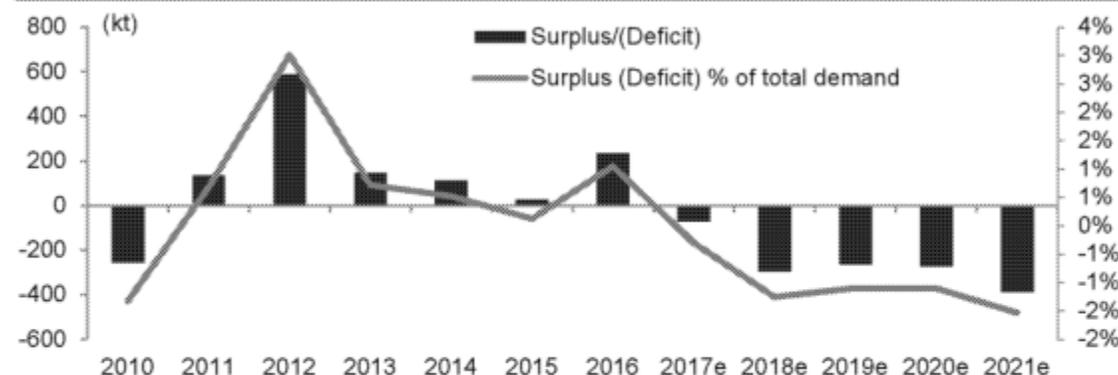
18 **Glencore – Liam Fitzpatrick, BUY, close 391p, 430p tgt, 10% upside.**

- **Strong organic growth from return of suspended capacity.** Group volume growth is c7% pa to 2020, vs. peers at 2-3%. Giving full value for suspended capacity yields a blue-sky valuation of >£5/share.
 - Suspended zinc production stands at 500 Ktpa – we have c90/320/400kt of volume growth in 2018-20 in our numbers.
 - Also there is substantial suspended copper capacity. We have 8% YoY volume growth to 2020 in our numbers.
 - On copper, we are conservative given operational and country (DRC/Zambia) risks, so the risks to our estimates are to the upside.
- **Right base metal exposure.** We are structurally bullish on copper, zinc, nickel and cobalt.
 - We believe **copper will remain in deficit in 2018**, which should support the copper price increases. Our forecasts are 297c in 2018E and 315c in 2019E, putting us 10% ahead of consensus.
 - Glencore's copper business is well-positioned on scale, margins and growth.
- **An EV play.** Glencore is a longer-term structural winner of any shift to EVs given its strength in copper, cobalt and nickel.
- **Valuation is attractive** at 2018 FCF yield of 14% at spot and 11% at our base case.
- **Catalysts:** Copper prices/supply disruption, consensus upgrades, delivery against volume guidance

Related DB Research:

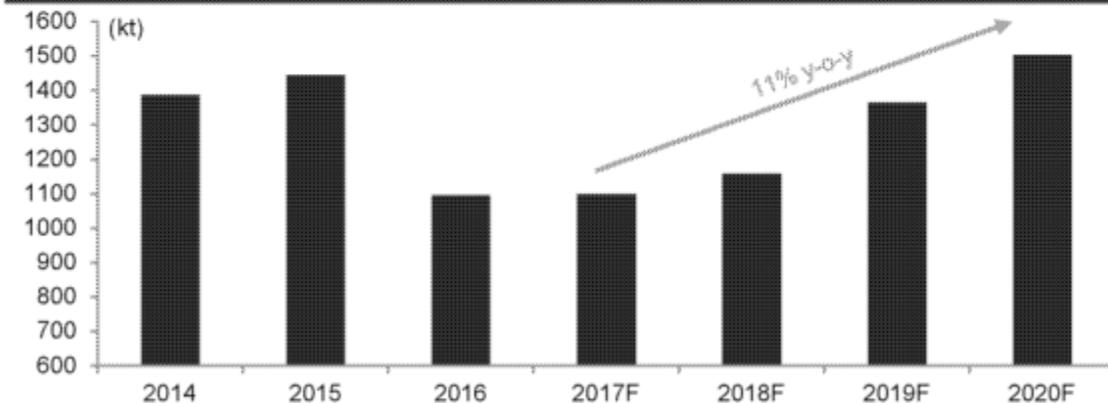
Glencore: Investor call – what did we learn? BUY case remains intact (Fitzpatrick)
European Mining 2018 Outlook: Upside remains: a guide to 2018 (Fitzpatrick)

We see the copper market moving further into deficit



Source: Deutsche Bank, Industry data

Substantial volume growth to 2020E in zinc (below) and copper (8% p.a.)



Source: Deutsche Bank, Industry data