

Southern Copper: What Comes Next at El Pilar?

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Case overview

- **Audience:** MBA / executive strategy
- **Company / industry / geography:** Southern Copper Corporation; copper mining and refining; Peru and Mexico
- **Decision scope:** Hypothetical sequencing of future discretionary El Pilar construction commitments
- **Information cutoff:** 2 October 2026, end of day ET
- **Decision owner:** For this exercise, advise a hypothetical CEO-led review; this is not a disclosed company process or scheduled vote.

The decision

Southern Copper Corporation (SCCO) entered October with two very different project positions. Tía María, in Peru, was already under construction. El Pilar, in Mexico, had environmental permits and a company-published schedule that called for early site preparation in September 2026, construction to start in the first quarter of 2027, and initial production in the second half of 2029. The company described El Pilar as a \$551 million project. [S1, pp.46-47]

The 10-Q containing that schedule was filed July 31. Southern Copper later listed a September 4 presentation titled “2Q26, Production and Capex Guidance.” Its contents are unavailable in the evidence packet, so the July schedule is the last verified schedule here, not necessarily the latest company guidance. No reviewed source confirms that El Pilar site preparation actually began. [S4]

For this exercise, assume you advise a hypothetical CEO-led review before any next discretionary El Pilar construction commitment. The filing does not disclose a formal final-investment decision, a capital gate, or a binding capital ceiling. Your task is to recommend what evidence and milestones should govern the pace and sequence of further commitments, while preserving the active Tía María build and necessary replacement, maintenance, and social/environmental work.

Decision question: Should the hypothetical review follow the company’s last verified El Pilar schedule, stage further discretionary commitments against evidence-based milestones, or defer the next major commitments while preserving existing obligations and useful site-readiness work?

Prepare a brief recommendation with the strongest counterargument, specific evidence gates, and conditions that would cause you to accelerate, hold, or revise the sequence. Do not assume a cost-to-complete, project return, funding shortage, or board decision date.

A portfolio already in motion

Southern Copper is an integrated producer with operations in Mexico and Peru. Its June 30 filing described Tía María as a 120,000-tonne-per-year copper cathode project using SX-EW technology. The company reported 42% overall completion, \$1.101 billion committed, and \$693 million invested. Major equipment purchase orders had mostly been issued, and mass earthworks at La Tapada were 71% complete on the company's stated measure. Operations were expected in the second half of 2027. These figures describe different project measures; they do not establish a remaining cost-to-complete. [S1, p.46; S2, pp.3-4]

El Pilar is smaller and earlier. The company described 36,000 tonnes of annual cathode capacity, an 18-year mine life, and a location about 45 kilometers from Cananea and Buenavista. Its stated \$551 million investment and production schedule are estimates. The public filings reviewed do not break out its remaining commitment schedule, cancelable contracts, expected cash flows, or the economics of delaying or resizing. [S1, p.47]

Nor does the H1 capital-spending number answer how much is available for a new project. Southern Copper reported \$864.7 million in H1 capital investments, including \$238.5 million for Tía María, \$116.3 million for Peruvian replacement/maintenance and other projects, and \$193.6 million for Mexican replacement/maintenance and other projects. Those categories mix project types, and the company does not disclose that the balance is discretionary. It says project needs may be met with cash, internal funds, and external financing, and that spending plans can change with economic and market conditions. [S1, pp.46, 59-60]

The quarter was financially strong: Q2 net sales reached \$4.289 billion, up 40.6% year over year. Southern Copper attributed the growth primarily to higher metal prices; copper sales volume was down 1.5%. Recent consolidated earnings therefore do not demonstrate El Pilar's project economics. [S2, opening results bullets]

Execution also carries uncertainty. As of June 30, the filing described eight lawsuits related to Tía María, with different claims and procedural statuses; several remained pending, and management said the contingency could not be reasonably estimated. The record does not establish that these cases will stop construction or change project returns. [S1, pp.19-21]

Feasible approaches for the hypothetical review

Approach	What it would mean	Strategic benefit	Main risk / missing evidence
Proceed on the last verified schedule	Continue toward the Q1 2027 construction start and H2 2029 production schedule, subject to ordinary controls.	Protects schedule and earlier production if market and execution conditions remain favorable.	The September 4 guidance deck may have changed the schedule or capex outlook; remaining commitments, cost-to-complete, and downside flexibility are not disclosed here.
Stage the next discretionary commitments	Preserve existing obligations and any useful readiness work; sequence additional major packages after defined evidence gates.	Keeps the project moving while retaining some ability to learn about costs, schedule, infrastructure, and execution.	Gate design and delay costs are unknown; staging may not be technically or contractually feasible at every work package.
Defer the next major discretionary commitments	Maintain existing commitments and required work while seeking updated schedule, engineering, cost, and risk evidence before proceeding further.	Avoids adding major irreversible exposure before key unknowns are resolved.	Delay can sacrifice timely production and create remobilization or contract costs that are not disclosed.

These are analytical alternatives for students, not options stated by management. Tía María is an active build and should not be treated as a freely cancellable alternative to El Pilar.

Exhibit 1. Project position at the cutoff

Project	Status / company-reported metric	Company-stated schedule or plan	Evidence boundary
Tía María, Peru	42% overall completion at June 30; \$1,101m committed; \$693m invested; 71% progress on La Tapada mass earthworks	Operations expected H2 2027; designed for 120,000 tonnes/year	Active construction. Commitment, invested cash, earthworks progress, and total completion are different measures. Not cost-to-complete.
El Pilar, Mexico	Permits described as obtained; \$551m stated investment; planned 36,000 tonnes/year; 18-year mine life	Site preparation scheduled Sep. 2026; construction Q1 2027; first production H2 2029	Last verified schedule comes from July 31 filing. September presentation may update it; actual September site-work start is unverified in the sources available here.

Sources: S1, Form 10-Q, printed pp.46-47; S2, Q2 release, printed pp.3-4; S4, September 4 presentation listing and access gap. Amounts in U.S. dollars; capacity in metric tonnes of cathode per year. All schedules and project estimates are company statements.

Exhibit 2. H1 2026 capital investments

Disclosed category	H1 2026 amount (USD millions)
Total capital investments	864.7
Tía María	238.5
Peru replacement, maintenance, and other projects	116.3
Mexico replacement, maintenance, and other projects	193.6

Source: S1, printed pp.59-60, investing-activities/capital-investment detail. The reported total also includes other named projects, minor projects, and changes in capital expenditures incurred but not yet paid. Categories are not a full growth-versus-sustaining split. These historical figures do not show a discretionary budget or funding constraint.

Exhibit 3. A strong quarter, with a price effect

Q2 2026 result	Reported value	Company explanation / limitation
Net sales	\$4,289.0m	+40.6% year over year; growth primarily fueled by higher metal prices
Net income	\$1,670.0m	+71.6%; company attributed result to higher net sales
Copper sales volume	220,712 tonnes	−1.5% year over year
Capital investments	\$422.8m	Consolidated quarterly spend; not El Pilar-specific

Source: S2, results highlights and production/sales table. The release labels adjusted EBITDA separately as a non-GAAP measure; it is omitted here to keep the comparison on reported sales, net income, and volume.

Questions for discussion

1. What is the real decision in this case, and which project commitments are already active or otherwise not freely reversible?
2. Which evidence gates would make you proceed, stage, or defer El Pilar's next discretionary commitments? Which gates can be measured before the next schedule milestone?
3. What is the strongest argument against your recommendation? What evidence would change your sequence?

Evidence and cutoff note

No post-cutoff information is used. The official September 4 presentation is listed in S4, but the observed link could not be opened with the available reader; its contents are not represented here. The July 31 10-Q schedule is the last verified project schedule in this case, not necessarily the company's latest guidance. No project NPV, cost-to-complete, or funding constraint is supplied because the reviewed public sources do not disclose the required inputs.

Sources

- **S1:** Southern Copper Corporation, Q2 2026 Form 10-Q, filed July 31, 2026, [SEC filing](#). Relevant printed pages are cited with each exhibit.
- **S2:** Southern Copper Corporation, Q2 and six months 2026 results, dated July 21, 2026 and filed as Exhibit 99.1 to Form 8-K on July 22, 2026, [SEC exhibit](#).
- **S4:** Southern Copper official [presentations listing](#), which lists the 2Q26 production/capex guidance deck dated September 4, 2026. The listed deck's observed attachment URL returned inaccessible in the available web reader:
<https://southerncoppercorp.com/eng/wp-content/uploads/sites/2/2026/09/pp260902.pdf>.