

# Both ISS and Glass Lewis Recommend Hudbay Shareholders Vote for Election of Waterton Nominees on the Blue Card

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Waterton Precious Metals Fund II Cayman, LP ("Waterton Mining LP") and Waterton Mining Parallel Fund Offshore Master, LP ("Waterton Fund II"), each of which are managed by Waterton Global Resource Management, Inc. ("WGRM," and collectively with Waterton Mining LP and Waterton Fund II, "Waterton"), owning in the aggregate 12.09% of the issued and outstanding common shares (the "Shares") of [HudBay Minerals Inc.](#) ("Hudbay" or the "Company") (TSX:HBM) (NYSE:HBM) today announced that leading proxy advisory firm Institutional Shareholder Services Inc. ("ISS") has joined Glass, Lewis & Co. ("Glass Lewis") in recommending that shareholders vote FOR change at Hudbay on Waterton's Blue proxy card. ISS recommended the election of Waterton's independent, highly-qualified director nominees — David Smith and Daniel Muniz Quintanilla — to the Hudbay Board of Directors (the "Board") at the Annual and Special Meeting of Shareholders (the "Meeting").

In its report, ISS said the following:<sup>1</sup>

- "The dissident has highlighted legitimate concerns around the company's operational performance and capital allocation strategy, which suggest that some degree of board change would be beneficial."
- "It appears Hudbay has underperformed the ISS Peer Group median in terms of ROIC for four out of five completed fiscal years. While the company has recovered after completing its Constancia project, its pre-tax ROIC is still below 10 percent and below its WACC."
- "The company has been trading at a discount to peers since early 2016, likely reflecting market concerns over the return on its substantial capex program and leverage... The substantial valuation gap persists even after the strong rally in the company shares since Oct. 2018."
- "(I)t seems reasonable to assume that the dissident's emphasis on improving capital allocation played a role in reassuring markets the company would steer in the right course. This point is reinforced when looking at past operational and valuation data."
- "Dissident nominee Daniel Muniz Quintanilla has extensive experience overseeing copper mines in South America and the U.S. Having served as at the board and executive level for Southern Copper and Grupo Mexico, Muniz has gained experience working for large cap companies in the industry, which may be beneficial for Hudbay as it transitions from a mid-tier to a larger producer."
- "(S)hareholders are also advised to consider the removal of Kenneth Stowe — one of the three incumbents targeted by the dissident, and arguably one of the directors most accountable for the company's past performance, given his eight-year tenure."

Previously, Glass Lewis said:<sup>2</sup>

- "We are ultimately inclined to suggest the Dissident's core case - i.e. that Hudbay has a value destructive capital management and project development track record and a disconcerting willingness to employ starkly regressive and misleading tactics to deter shareholder action -- holds water here."
- "Indeed, recent and conspicuously-timed rebound notwithstanding, we believe the bulk of Hudbay's performance over the last several years demonstrates an objectively substandard commitment to preserving and improving shareholder value."
- "[A] closer look suggests all is not well at Hudbay... a broader review of the Company's returns suggests Hudbay has continually and uniformly lagged its closest industry peers across substantially any unaffected measurement period, including those falling after completion of Constancia. This trend only appears to invert across measurement periods falling after initiation of Waterton's campaign, an unambiguously atypical swing which management nevertheless attempts to frame as substantially or entirely attributable to Hudbay's own efforts."

Issei Elishis, Chief Investment Officer of Waterton Global Resource Management, commented: "We

are extremely pleased that both ISS and Glass Lewis have supported our case for change to the Hudbay Board. Waterton continues to believe our nominees have the right experience and expertise to help Hudbay unlock its significant potential and urges shareholders to vote FOR the election of all four of our nominees – Peter Kukielski, Richard Nesbitt, Daniel Muniz Quintanilla and David Smith. We are confident our nominees are well-positioned to provide Hudbay with the best opportunity for long-term value creation.

Waterton urges shareholders to vote for the Waterton Nominees on the BLUE form of proxy and/or BLUE voting instruction form by 5:00 p.m. (Eastern time) on Thursday, May 2, 2019. Shareholders willing to express their support for the Waterton Nominees may contact Kingsdale Advisors, our strategic shareholder advisor and proxy solicitation agent, at 1-888-518-1563 toll-free in North America, or at 416-867-2272 outside of North America (collect calls accepted), or by email at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

Visit [www.NewHudbay.com](http://www.NewHudbay.com) for additional information.

#### About Waterton

Waterton is an investment firm that manages capital for global institutional investors, sovereign wealth funds and endowments. The firm has ~US\$2 billion in assets under management and focuses solely on the metals and mining sector. Waterton has a culture of thoroughness and a disciplined approach to capital allocation, and utilizes its significant industry expertise to produce out-sized risk-adjusted returns.

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The data, information and opinions contained or referenced herein (collectively, the "Information") is for general informational purposes only for the holders of Shares ("Shareholders") in order to provide the views of Waterton regarding certain changes we are requesting to the composition of the Board, and other matters which Waterton believes to be of concern to Shareholders described herein. The Information is not tailored to specific investment objectives, the financial situation, suitability, or particular need of any specific person(s) who may receive the Information, and should not be taken as advice in considering the merits of any investment decision. The views expressed in the Information represent the views and opinions of Waterton, whose opinions may change at any time and which are based on analyses of Waterton and its advisors. Unless otherwise indicated, the Information has been derived or obtained from public disclosure and filings with respect to and/or made by Hudbay and other issuers that we consider to be comparable to Hudbay, and from other third party reports (see "Legal Notices and Disclaimers - Disclaimer Respecting Publicly Sourced Information" in Waterton's information circular dated April 15, 2019 (the "Waterton Circular"), a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on [www.newhudbay.com](http://www.newhudbay.com)).

The Information contains forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"), including, without limitation, Waterton's and Hudbay's respective priorities, plans and strategies for Hudbay and certain members of Hudbay's operational, compensation and other noted peer groups' anticipated financial and operating performance and business prospects. All statements and information, other than statements of historical fact, included herein are forward-looking statements, including, without limitation, statements regarding activities, events or developments that Waterton expects or anticipates may occur in the future. Certain forward-looking statements contained herein may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable securities laws. These forward-looking statements can be identified by the use of forward-looking words such as "will," "expect," "intend," "plan," "estimate," "anticipate," "believe" or "continue" or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur or, even if they do occur, will result in the performance, events or results expected.

We caution readers not to place undue reliance on forward-looking statements contained herein, which are not a guarantee of performance, events or results and are subject to a number of known and unknown risks and uncertainties, including but not limited to those set forth in the Waterton Circular under the heading "Legal Notices and Disclaimers – Forward-Looking Statements" and those risks and uncertainties detailed in the continuous disclosure and other filings of Hudbay and certain members of Hudbay's operational, compensation and other noted peer groups with applicable securities regulators, copies of which

are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Electronic Data Gathering, Analysis, and Retrieval at [www.sec.gov](http://www.sec.gov). We urge you to carefully consider those risks and uncertainties. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Unless expressly stated otherwise, the forward-looking statements included herein are made as of the date hereof and Waterton disclaims any obligation to publicly update such forward-looking statements, except as required by applicable law.

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<sup>1</sup> Permission to quote ISS was neither sought nor obtained. Emphasis added.

<sup>2</sup> Permission to quote Glass Lewis was neither sought nor obtained. Emphasis added.

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