



Newmont Goldcorp Corp. (NEM)

Updated February 22nd, 2021 by Jonathan Weber

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	11.0%	Market Cap:	\$45B
Fair Value Price:	\$72	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/03/21
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.8%	Dividend Payment Date:	03/18/21
Dividend Yield:	3.9%	5 Year Price Target	\$83	Years Of Dividend Growth:	6
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	37.5%

Overview & Current Events

Newmont Goldcorp Corporation operates gold and copper mines on four different continents. The company was founded in 1916 as a holding company for investments in mineral, oil and gas properties. It has been listed on the NYSE since 1940. The company is among the biggest publicly traded gold miners, generating more than \$14 billion in annual revenues. Newmont completed its merger with Goldcorp in April of 2019, creating the world's largest gold producer by market value, output, and reserves. The company, as a result of the merger, changed its name and is now known as Newmont Goldcorp Corporation, although it retained the ticker NEM.

Newmont reported its fourth quarter earnings results on February 18. Revenues during the quarter totaled \$3.4 billion, which represents growth of 14% compared to the previous year's quarter. The analyst community had forecasted an even larger revenue increase, Newmont Goldcorp missed the consensus estimate by \$70 million. The company's gold production declined by 1% year over year, to 1.6M ounces, while higher average selling prices explain why total revenues continued to rise despite the drop in production volumes. The decline in production and sales volumes can be attributed to the sale of the Red Lake and the Kalgoorlie mines. Newmont's all-in sustaining costs were \$1,045 per ounce, but average sales prices rose to a very attractive level of \$1,850 per ounce.

Earnings-per-share came in at \$1.06 during the fourth quarter, which was easily ahead of the analyst consensus estimate, thanks to higher-than-expected margins. Thanks to the high prices for gold during the quarter, Newmont was able to grow its profits by more than 100% year over year. 2020 was a great year for Newmont Goldcorp, and the company will likely generate even higher profits this year, according to analyst estimates.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$4.40	\$3.78	\$1.37	\$0.99	\$0.81	\$1.10	\$1.46	\$1.34	\$1.32	\$2.64	\$4.00	\$4.64
DPS	\$1.00	\$1.40	\$1.23	\$0.23	\$0.10	\$0.13	\$0.25	\$0.54	\$0.56	\$1.04	\$2.20	\$2.68
Shares¹	495	497	498	499	530	530	533	535	818	802	800	780

Newmont's earnings-per-share have been highly volatile in the past, which is not surprising, as mining companies generally have wild swings in profitability due to their exposure to commodity prices. Newmont experienced some enormous earnings growth from 2008 to 2011 when metal prices were booming, but it has failed to get anywhere close to its peak earnings of \$4.40 per share during the last couple of years. However, based on current forecasts, Newmont could get close to that level of profitability during 2021, thanks to strong tailwinds from a high gold price.

Newmont should achieve earnings growth through the development projects it has in the pipeline right now. As those projects come online, the additional production volumes should drive efficiencies, which will result in declining unit costs. Newmont is spending heavily on several projects. Due to the acquisition of Goldcorp, Newmont's share count has risen substantially, but in the long run this should be more than offset by the additional revenue contribution and cost synergies that the company plans to capture. The price of gold has an enormous impact on Newmont's profitability, and during 2020 the price trend of gold has allowed for a doubling of earnings-per-share versus 2019.

¹ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2025
Avg. P/E	13.4	13.5	23.8	23.6	25.9	29.9	24.3	26.9	33.0	22.7	14.3	18.0
Avg. Yld.	1.7%	2.7%	3.8%	1.0%	0.5%	0.4%	0.7%	1.6%	1.3%	1.7%	3.9%	3.2%

Newmont Goldcorp's price-to-earnings multiple moved up tremendously between 2010 and 2019, rising to more than 30 during 2019. Its share price rose to an even higher level in 2020, but the expected growth in its net profits has still made its valuation decline to the mid-teens range. Newmont has historically traded at an earnings multiple in the low-20s. We believe that the stock will likely not trade at 20+ times net profits as long as its profitability is this high, but we still see upside potential towards an 18 times earnings multiple.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	22.7%	37.0%	89.8%	23.2%	12.3%	11.8%	17.1%	41.8%	42.4%	39.4%	55.0%	57.7%

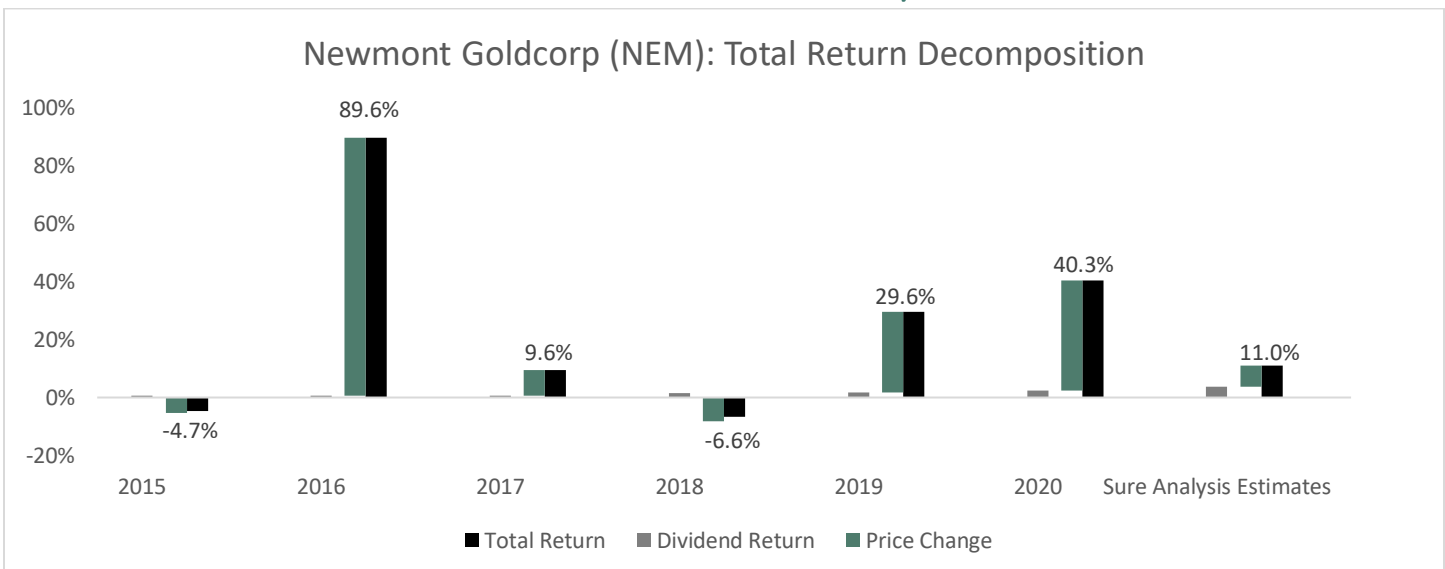
Newmont Goldcorp's dividend payout ratio has moved in a very wide range, dependent on what profits looked like during each individual year. In 2021, Newmont will pay out roughly half its earnings in the form of dividends.

Newmont's biggest advantage is its enormous scale, as it is one of the largest gold producers in the world, which allows for cost advantages over smaller peers. On top of that, the company is financially flexible. Many miners are overly leveraged, which hampers their growth opportunities, but Newmont has no such problem. Miners are not subject to economic conditions as much as metal prices, so the next recession likely won't mean much to Newmont's earnings, although results can still be quite cyclical during times when the price of gold declines due to any reason.

Final Thoughts & Recommendation

Newmont Goldcorp is a leader in the gold mining industry, and its position provides significant scale advantages. Newmont is in a strong spot fundamentally, and the solid balance sheet and high cash flows allow for attractive shareholder returns. Gold prices are quite supportive right now, and Newmont Goldcorp's valuation isn't high. We believe that, based on current estimates, Newmont deserves a buy rating at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	10358	9964	8414	6819	6085	6680	7379	7253	9740	11497
Gross Profit	5432	4598	1753	1812	1405	1729	2056	1945	2585	4005
Gross Margin	52.4%	46.1%	20.8%	26.6%	23.1%	25.9%	27.9%	26.8%	26.5%	34.8%
SG&A Exp.	198	212	203	237	241	233	237	244	293	361
D&A Exp.	1036	1032	1362	1088	1102	1213	1261	1215	1960	2300
Operating Profit	4190	3322	794	1059	566	1029	1287	1179	1561	2954
Operating Margin	40.5%	33.3%	9.4%	15.5%	9.3%	15.4%	17.4%	16.3%	16.0%	25.7%
Net Profit	366	1802	(2534)	508	220	(629)	(114)	341	2805	2829
Net Margin	3.5%	18.1%	-30.1%	7.4%	3.6%	-9.4%	-1.5%	4.7%	28.8%	24.6%
Free Cash Flow	797	(838)	(357)	398	834	1653	1258	795	1403	3580
Income Tax	713	876	(755)	204	391	579	1127	386	832	704

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	26,111	29,650	24,607	24,916	25,130	21,031	20,646	20,715	39,974	41,369
Cash & Equivalents	1,760	1,561	1,555	2,403	2,363	2,756	3,259	3,397	2,243	5,540
Acc. Receivable	300	283	230	186	81	160	124	254	373	449
Inventories	1,510	1,979	1,396	1,306	561	617	679	630	1,014	963
Goodwill & Int.	335	324	230	214				58	2,674	2,771
Total Liabilities	10,340	12,702	11,698	11,827	10,838	9,157	9,127	9,250	17,604	17,524
Accounts Payable	561	657	478	406	315	320	375	303	539	493
Long-Term Debt	4,147	6,294	6,707	6,637	5,844	4,605	4,040	4,044	6,138	6,031
Total Equity	12,896	13,773	9,993	10,274	11,350	10,721	10,535	10,502	21,420	23,008
D/E Ratio	0.32	0.46	0.67	0.65	0.51	0.43	0.38	0.39	0.29	0.26

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.4%	6.5%	-9.3%	2.1%	0.9%	-2.7%	-0.5%	1.6%	9.2%	7.0%
Return on Equity	2.8%	13.5%	-21.3%	5.0%	2.0%	-5.7%	-1.1%	3.2%	17.6%	12.7%
ROIC	1.8%	8.4%	-11.8%	2.6%	1.1%	-3.4%	-0.7%	2.2%	12.7%	9.7%
Shares Out.	495	497	498	499	530	530	533	535	818	802
Revenue/Share	20.55	19.97	16.90	13.67	11.79	12.56	13.79	13.56	13.22	14.26
FCF/Share	1.58	(1.68)	(0.72)	0.80	1.62	3.11	2.35	1.49	1.90	4.44

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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