



Newmont Corporation (NEM)

Updated November 21st, 2022 by Jonathan Weber

Key Metrics

Current Price:	\$44	5 Year CAGR Estimate:	4.5%	Market Cap:	\$36B
Fair Value Price:	\$36	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/09/22
% Fair Value:	122%	5 Year Valuation Multiple Estimate:	-3.9%	Dividend Payment Date:	12/24/22
Dividend Yield:	5.0%	5 Year Price Target	\$44	Years Of Dividend Growth:	6
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Newmont 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. 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, following the merger, changed its name and is now known as Newmont Corporation, although it retained the ticker NEM.

Newmont reported its third quarter earnings results on November 1. Revenues during the quarter totaled \$2.6 billion, which was down 9% compared to the previous year's quarter. The analyst community had forecasted higher revenues, Newmont missed the consensus estimate by \$250 million. The company's gold production totaled 1.49M ounces (excluding co-products), which was down by around 1% on a sequential basis. Newmont's all-in sustaining costs were \$1,270 per ounce, which was higher than during the previous quarter, which had a negative impact on Newmont's profitability during the quarter. This is why EBITDA and net profit declined more than the company's revenues. Higher costs were attributed to higher raw material and energy expenses primarily.

Earnings-per-share came in at \$0.27 during the third quarter, which missed the analyst consensus estimate by a pretty large \$0.07. Gold prices have pulled back since our last update, and so did Newmont's shares, which generally moves in the same direction as the price for the commodity the company produces. Profits are coming under pressure this year, which is why analysts are predicting that earnings-per-share will fall meaningfully versus 2021.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$3.78	\$1.37	\$0.99	\$0.81	\$1.10	\$1.46	\$1.34	\$1.32	\$2.64	\$2.96	\$2.00	\$2.43
DPS	\$1.40	\$1.23	\$0.23	\$0.10	\$0.13	\$0.25	\$0.54	\$0.56	\$1.04	\$2.20	\$2.20	\$2.20
Shares¹	497	498	499	530	530	533	535	818	802	797	790	750

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. In 2020, the price trend of gold has allowed for a doubling of earnings-per-share versus 2019, and earnings-per-share rose further in 2021. For 2022, a significant decline in profits is expected, due to higher expenses and a lower gold price.

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.5	23.8	23.6	25.9	29.9	24.3	26.9	33.0	22.7	20.9	22.0	18.0
Avg. Yld.	2.7%	3.8%	1.0%	0.5%	0.4%	0.7%	1.6%	1.3%	1.7%	3.5%	5.0%	5.0%

Newmont's price-to-earnings multiple moved up quite a lot between 2010 and 2019, rising to more than 30 during 2019. Its share price rose to an even higher level in 2020 and 2021, but the strong growth in its net profits has still made its valuation decline compared to the previous years. 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 in the long run, which is why we see downside potential towards a high-teens earnings multiple over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	37.0%	89.8%	23.2%	12.3%	11.8%	17.1%	41.8%	42.4%	39.4%	74.3%	110%	90.4%

Newmont's dividend payout ratio has moved in a very wide range, dependent on what profits looked like during each individual year. In 2021, Newmont has paid out roughly three-quarters of its profits in the form of dividends.

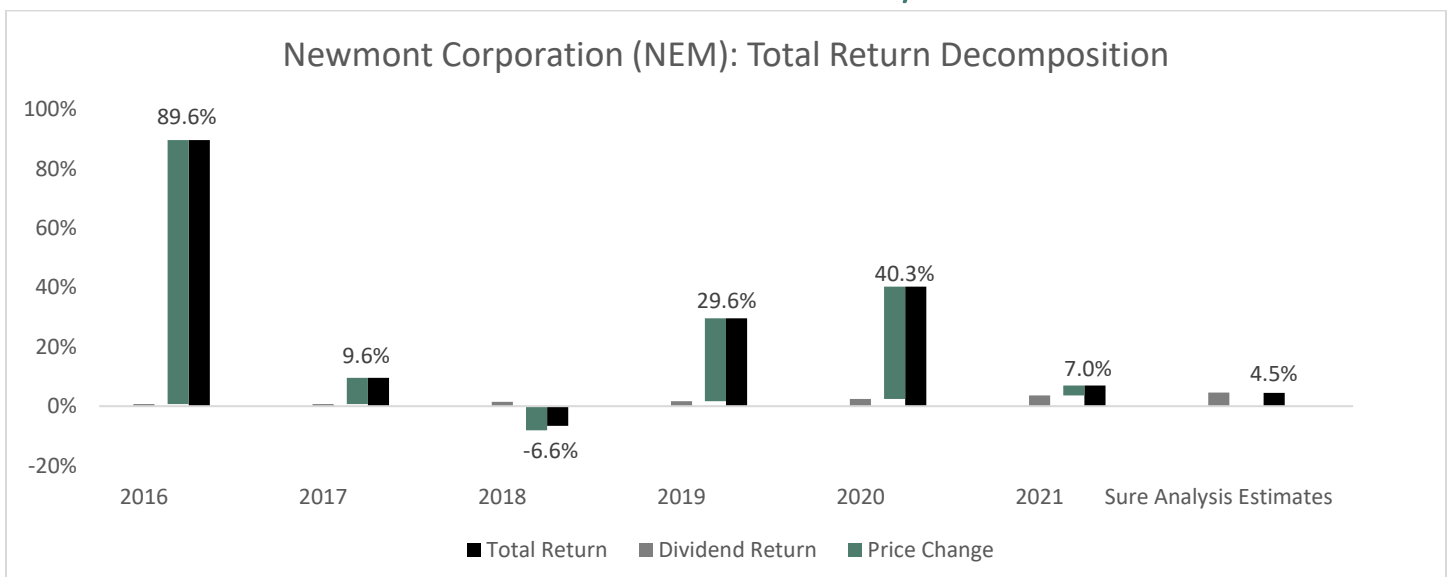
Newmont's biggest advantage is its enormous scale, as it is one of the largest gold producers in the world, which allows for cost advantages over smaller peers. On top of that, the company is financially flexible. Many miners are overly leveraged, which hampers their growth opportunities, but Newmont 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 is a leader in the gold mining industry, and its position provides significant scale advantages. Newmont has solid fundamentals, and the strong balance sheet and high cash flows allow for meaningful shareholder returns.

Newmont is currently trading above fair value, we believe. We believe that returns over the coming years will be solid but not spectacular, which is why we rate Newmont a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	9,964	8,414	6,819	6,085	6,680	7,379	7,253	9,740	11,497	12,222
Gross Profit	4,598	1,753	1,812	1,405	1,729	2,056	1,945	2,585	4,183	4,464
Gross Margin	46.1%	20.8%	26.6%	23.1%	25.9%	27.9%	26.8%	26.5%	36.4%	36.5%
SG&A Exp.	212	203	237	241	233	237	244	313	269	259
D&A Exp.	1,032	1,362	1,088	1,102	1,213	1,261	1,215	1,960	2,300	2,323
Operating Profit	3,350	838	1,098	602	1,045	1,305	1,188	1,577	3,061	1,988
Operating Margin	33.6%	10.0%	16.1%	9.9%	15.6%	17.7%	16.4%	16.2%	26.6%	16.3%
Net Profit	1,802	(2,534)	508	220	(629)	(114)	341	2,805	2,829	1,166
Net Margin	18.1%	-30.1%	7.4%	3.6%	-9.4%	-1.5%	4.7%	28.8%	24.6%	9.5%
Free Cash Flow	(838)	(357)	398	834	1,653	1,258	795	1,403	3,580	2,626
Income Tax	876	(755)	204	391	579	1,127	386	832	704	1,098

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	29,650	24,607	24,916	25,130	21,031	20,646	20,715	39,974	41,369	40,564
Cash & Equivalents	1,561	1,555	2,403	2,363	2,756	3,259	3,397	2,243	5,540	4,992
Acc. Receivable	283	230	186	81	160	124	254	373	449	337
Inventories	2,765	2,201	1,972	1,343	1,380	1,355	1,327	1,826	1,790	1,787
Goodwill & Int.	324	230	214				58	2,674	2,771	2,771
Total Liabilities	12,702	11,698	11,827	10,838	9,157	9,127	9,250	17,604	17,524	18,751
Accounts Payable	657	478	406	315	320	375	303	539	493	518
Long-Term Debt	6,294	6,707	6,637	5,844	4,605	4,040	4,044	6,138	6,031	5,652
Total Equity	13,773	9,993	10,274	11,350	10,721	10,535	10,502	21,420	23,008	22,022
LTD/E Ratio	0.46	0.67	0.65	0.51	0.43	0.38	0.39	0.29	0.26	0.26

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	6.5%	-9.3%	2.1%	0.9%	-2.7%	-0.5%	1.6%	9.2%	7.0%	2.8%
Return on Equity	13.5%	-21.3%	5.0%	2.0%	-5.7%	-1.1%	3.2%	17.6%	12.7%	5.2%
ROIC	8.4%	-11.8%	2.6%	1.1%	-3.4%	-0.7%	2.2%	12.7%	9.7%	4.1%
Shares Out.	497	498	499	530	530	533	535	818	802	797
Revenue/Share	19.97	16.90	13.67	11.79	12.56	13.79	13.56	13.22	14.26	15.26
FCF/Share	(1.68)	(0.72)	0.80	1.62	3.11	2.35	1.49	1.90	4.44	3.28

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

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