



Newmont Corporation (NEM)

Updated November 13th, 2023 by Jonathan Weber

Key Metrics

Current Price:	\$34	5 Year CAGR Estimate:	5.4%	Market Cap:	\$41 B
Fair Value Price:	\$30	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	11/29/23
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.7%	Dividend Payment Date:	12/22/23
Dividend Yield:	4.7%	5 Year Price Target	\$36	Years Of Dividend Growth:	0
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 October 26. Revenues during the quarter totaled \$2.5 billion, which was down 5% compared to the previous year's quarter. The analyst community had forecasted higher revenues, Newmont missed the consensus estimate by a rather wide \$330 million. The company's gold production totaled 1.29M ounces (excluding co-products), which was up on a sequential basis. Newmont's all-in sustaining costs were \$1,426 per ounce, which was lower than during the previous quarter, mainly due to better utilization. This had a positive impact on Newmont's profitability during the quarter.

Earnings-per-share came in at \$0.36 during the second quarter, which missed the analyst consensus estimate by \$0.04. Gold prices have been volatile in the last couple of months, while Newmont's shares have pulled back since our last update. 2022 was a weaker year for the company relative to the very strong years 2020 and 2021, but the company still was quite profitable relative to pre-pandemic levels. It is expected that 2023 will be a weaker year for the company as well, as earnings-per-share are forecasted to decline to around \$1.65 this year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.37	\$0.99	\$0.81	\$1.10	\$1.46	\$1.34	\$1.32	\$2.64	\$2.96	\$1.85	\$1.65	\$2.01
DPS	\$1.23	\$0.23	\$0.10	\$0.13	\$0.25	\$0.54	\$0.56	\$1.04	\$2.20	\$1.60	\$1.60	\$1.60
Shares¹	498	499	530	530	533	535	818	802	797	794	795	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. 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. 2022 was a weaker year, and earnings are forecasted to decline again in 2023.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	23.8	23.6	25.9	29.9	24.3	26.9	33.0	22.7	20.9	25.4	20.6	18.0
Avg. Yld.	3.8%	1.0%	0.5%	0.4%	0.7%	1.6%	1.3%	1.7%	3.5%	3.4%	4.7%	4.4%

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. We believe that the company's shares are somewhat overvalued right here, at around 21x net profits.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	89.8%	23.2%	12.3%	11.8%	17.1%	41.8%	42.4%	39.4%	74.3%	86.5%	97.0%	79.7%

Newmont's dividend payout ratio has moved in a very wide range, dependent on what profits looked like during each individual year. We expect Newmont to pay out most of its profits in the form of dividends.

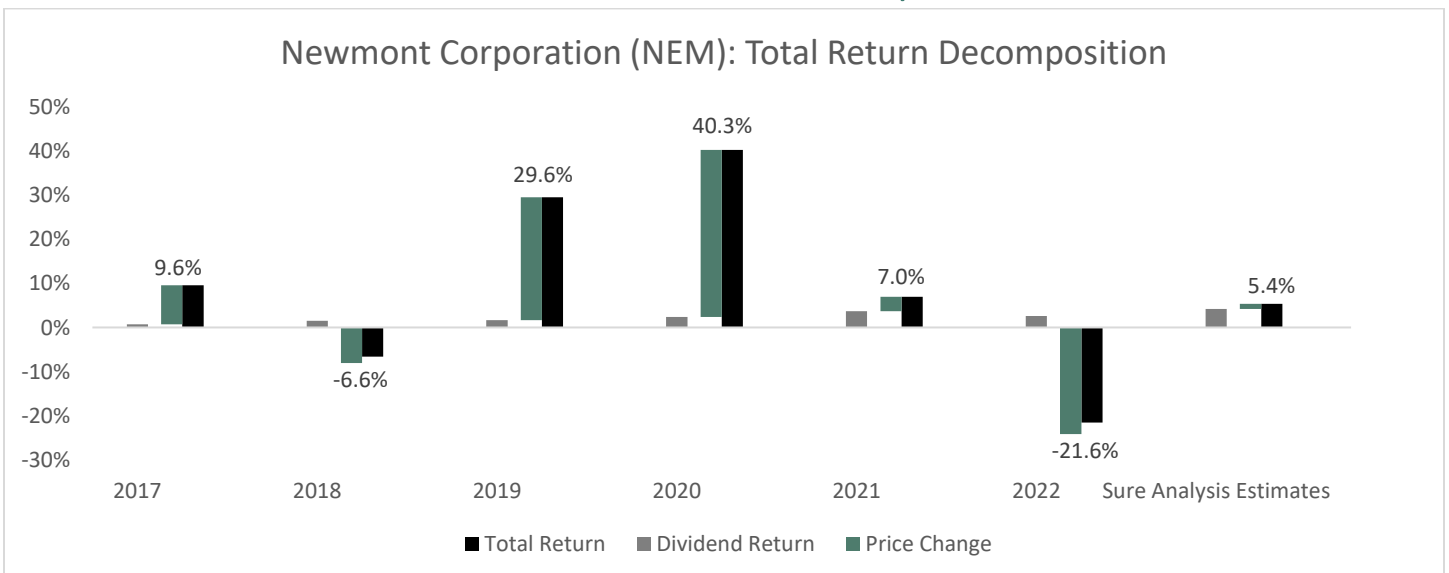
Newmont's biggest advantage is its enormous scale, as it is one of the largest gold producers in the world, which allows for cost advantages over smaller peers. On top of that, the company is financially flexible. Many miners are overly leveraged, which hampers their growth opportunities, but Newmont 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 solid cash flows allow for meaningful shareholder returns.

Newmont is currently trading slightly 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	8,414	6,819	6,085	6,680	7,379	7,253	9,740	11,497	12,222	11,915
Gross Profit	1,753	1,812	1,405	1,729	2,056	1,945	2,585	4,183	4,464	3,262
Gross Margin	20.8%	26.6%	23.1%	25.9%	27.9%	26.8%	26.5%	36.4%	36.5%	27.4%
SG&A Exp.	203	237	241	233	237	244	313	269	259	276
D&A Exp.	1,362	1,088	1,102	1,213	1,261	1,215	1,960	2,300	2,323	2,185
Operating Profit	838	1,098	602	1,045	1,305	1,188	1,577	3,061	1,988	1,605
Operating Margin	10.0%	16.1%	9.9%	15.6%	17.7%	16.4%	16.2%	26.6%	16.3%	13.5%
Net Profit	(2,534)	508	220	(629)	(114)	341	2,805	2,829	1,166	(429)
Net Margin	-30.1%	7.4%	3.6%	-9.4%	-1.5%	4.7%	28.8%	24.6%	9.5%	-3.6%
Free Cash Flow	(357)	398	834	1,653	1,258	795	1,403	3,580	2,626	1,089
Income Tax	(755)	204	391	579	1,127	386	832	704	1,098	455

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	24,607	24,916	25,130	21,031	20,646	20,715	39,974	41,369	40,564	38,482
Cash & Equivalents	1,555	2,403	2,363	2,756	3,259	3,397	2,243	5,540	4,992	2,877
Acc. Receivable	230	186	81	160	124	254	373	449	337	366
Inventories	2,201	1,972	1,343	1,380	1,355	1,327	1,826	1,790	1,787	1,753
Goodwill & Int.	230	214				58	2,674	2,771	2,771	1,971
Total Liabilities	11,698	11,827	10,838	9,157	9,127	9,250	17,604	17,524	18,751	18,949
Accounts Payable	478	406	315	320	375	303	539	493	518	633
Long-Term Debt	6,707	6,637	5,844	4,605	4,040	4,044	6,138	6,031	5,652	5,571
Total Equity	9,993	10,274	11,350	10,721	10,535	10,502	21,420	23,008	22,022	19,354
LTD/E Ratio	0.67	0.65	0.51	0.43	0.38	0.39	0.29	0.26	0.26	0.29

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	-9.3%	2.1%	0.9%	-2.7%	-0.5%	1.6%	9.2%	7.0%	2.8%	-1.1%
Return on Equity	-21.3%	5.0%	2.0%	-5.7%	-1.1%	3.2%	17.6%	12.7%	5.2%	-2.1%
ROIC	-11.8%	2.6%	1.1%	-3.4%	-0.7%	2.2%	12.7%	9.7%	4.1%	-1.6%
Shares Out.	498	499	530	530	533	535	818	802	797	794
Revenue/Share	16.90	13.67	11.79	12.56	13.79	13.56	13.22	14.26	15.26	14.99
FCF/Share	(0.72)	0.80	1.62	3.11	2.35	1.49	1.90	4.44	3.28	1.37

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

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