



Newmont Corporation (NEM)

Updated February 27th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$30	5 Year CAGR Estimate:	9.2%	Market Cap:	\$36 B
Fair Value Price:	\$34	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	03/04/24
% Fair Value:	88%	5 Year Valuation Multiple Estimate:	2.7%	Dividend Payment Date:	03/28/24
Dividend Yield:	3.3%	5 Year Price Target	\$42	Years Of Dividend Growth:	0
Dividend Risk Score:	D	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 fourth quarter earnings results on February 22. Revenues during the quarter totaled \$4.0 billion, which was up 24% compared to the previous year's quarter. The revenue number was positively impacted by the acquisition of Newcrest Mining Limited, which closed during the fourth quarter. The company's gold production totaled 5.5 million ounces (excluding co-products) during all of 2023, which was in-line with the company's guidance. Newmont's all-in sustaining costs were \$1,444 per ounce during the year, also meeting guidance and up due to higher sustaining capital spend, which hurt profitability and cash flows.

Earnings-per-share came in at \$0.50 during the fourth quarter, which was up on a sequential basis. Gold prices have been volatile in the last couple of months but are currently at a relatively high level. Newmont generated strong profits in 2020 and 2021, but profits declined in both 2022 and 2023. A profit uptick is expected for the current year, 2024, but the company nevertheless decided to reduce its dividend by around one-third in early 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.99	\$0.81	\$1.10	\$1.46	\$1.34	\$1.32	\$2.64	\$2.96	\$1.85	\$1.61	\$1.90	\$2.31
DPS	\$0.23	\$0.10	\$0.13	\$0.25	\$0.54	\$0.56	\$1.04	\$2.20	\$1.60	\$1.60	\$1.00	\$1.00
Shares¹	499	530	530	533	535	818	802	797	794	980	990	1050

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 see higher earnings 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 and 2023 were weaker, but 2024 is expected to see a rebound.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	23.6	25.9	29.9	24.3	26.9	33.0	22.7	20.9	25.4	26.1	15.8	18.0
Avg. Yld.	1.0%	0.5%	0.4%	0.7%	1.6%	1.3%	1.7%	3.5%	3.4%	3.8%	3.3%	2.4%

Newmont’s price-to-earnings multiple has always been relatively high, rising to as much as 30+ in 2019. Newmont has historically traded at an earnings multiple in the low-20s, but we believe that the stock will likely not trade at 20+ times net profits in the long run, due to recent profit headwinds and due to unpopular decisions such as the dividend reduction in early 2024. We believe that shares have upside potential towards a high-teens earnings multiple.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	23.2%	12.3%	11.8%	17.1%	41.8%	42.4%	39.4%	74.3%	86.5%	99.4%	52.6%	43.3%

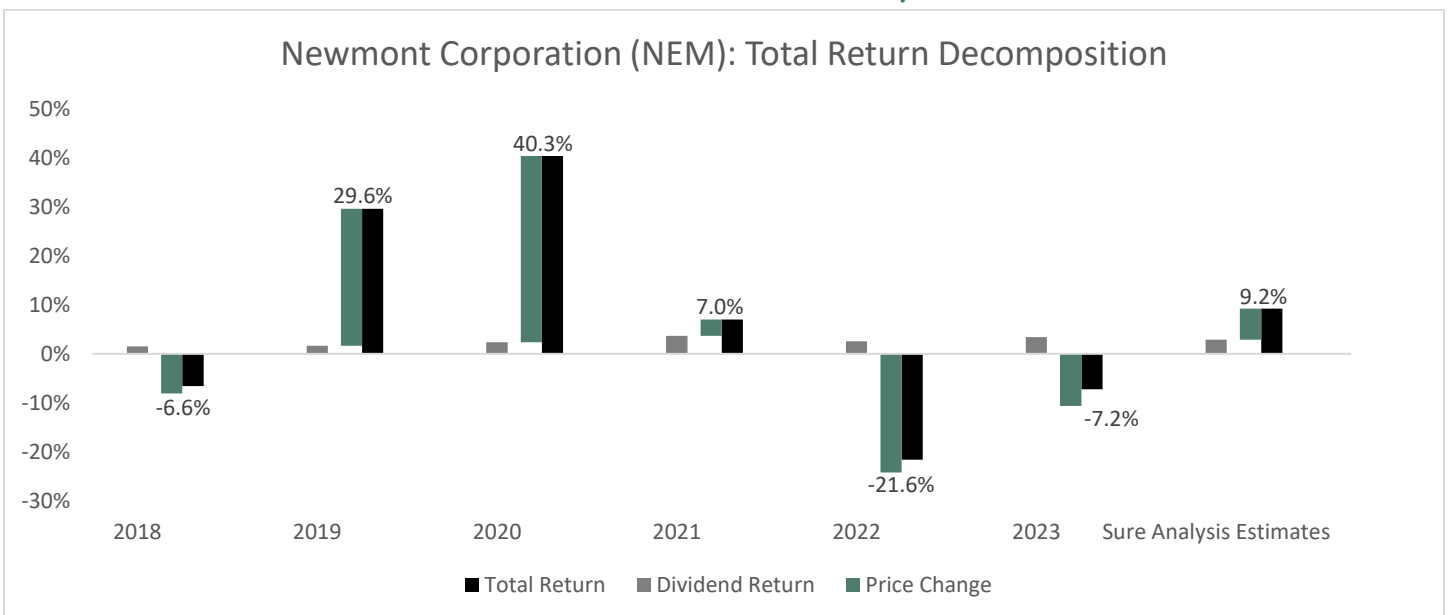
Newmont’s dividend payout ratio has moved in a very wide range, dependent on what profits looked like during each individual year. We expect Newmont to pay out half of its profits in the form of dividends.

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 some scale advantages. Newmont has recently battled with high expenses and weak free cash flow generation, however, which is why the company cut its dividend. Newmont is currently trading below 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	6,819	6,085	6,680	7,379	7,253	9,740	11,497	12,222	11,915	11,812
Gross Profit	1,812	1,405	1,729	2,056	1,945	2,585	4,183	4,464	3,262	3,005
Gross Margin	26.6%	23.1%	25.9%	27.9%	26.8%	26.5%	36.4%	36.5%	27.4%	25.4%
SG&A Exp.	237	241	233	237	244	313	269	259	276	299
D&A Exp.	1,088	1,102	1,213	1,261	1,215	1,960	2,300	2,323	2,185	2,108
Operating Profit	1,098	602	1,045	1,305	1,188	1,577	3,061	1,996	1,605	708
Operating Margin	16.1%	9.9%	15.6%	17.7%	16.4%	16.2%	26.6%	16.3%	13.5%	6.0%
Net Profit	508	220	(629)	(114)	341	2,805	2,829	1,166	(429)	(2,494)
Net Margin	7.4%	3.6%	-9.4%	-1.5%	4.7%	28.8%	24.6%	9.5%	-3.6%	-21.1%
Free Cash Flow	398	834	1,653	1,258	795	1,403	3,580	2,626	1,089	97
Income Tax	204	391	579	1,127	386	832	704	1,098	455	526

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	24,916	25,130	21,031	20,646	20,715	39,974	41,369	40,564	38,482	55,506
Cash & Equivalents	2,403	2,363	2,756	3,259	3,397	2,243	5,540	4,992	2,877	3,002
Acc. Receivable	186	81	160	124	254	373	449	337	366	734
Inventories	1,972	1,343	1,380	1,355	1,327	1,826	1,790	1,787	1,753	2,642
Goodwill & Int.	214				58	2,674	2,771	2,771	1,971	3,001
Total Liabilities	11,827	10,838	9,157	9,127	9,203	17,557	17,490	18,703	18,949	26,301
Accounts Payable	406	315	320	375	303	539	493	518	633	960
Long-Term Debt	6,637	5,844	4,605	4,040	4,044	6,138	6,031	5,652	5,571	8,874
Total Equity	10,274	11,350	10,721	10,535	10,502	21,420	23,008	22,022	19,354	29,027
LTD/E Ratio	0.65	0.51	0.43	0.38	0.39	0.29	0.26	0.26	0.29	0.31

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.1%	0.9%	-2.7%	-0.5%	1.6%	9.2%	7.0%	2.8%	-1.1%	-5.3%
Return on Equity	3.9%	1.6%	-4.8%	-1.0%	3.0%	16.5%	12.2%	5.1%	-2.1%	-10.2%
ROIC	2.6%	1.1%	-3.4%	-0.7%	2.2%	12.7%	9.7%	4.1%	-1.6%	-7.9%
Shares Out.	499	530	530	533	535	818	802	797	794	980
Revenue/Share	13.67	11.79	12.56	13.79	13.56	13.22	14.26	15.26	14.99	14.05
FCF/Share	0.80	1.62	3.11	2.35	1.49	1.90	4.44	3.28	1.37	0.12

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

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