EDISON

Newmont Corporation

Q221 results review

Material outperformance begets material upgrade

Metals & mining

Newmont's financial results for Q221 materially exceeded our expectations for the third quarter in succession, driven by a 3.8% (or US$111m) positive variance in revenues (of which 2.4% could be attributed to the gold price) and a 2.8% (US$61m) further positive variance in the form of lower costs. Of the 12 mines over which Newmont exerts management control, four outperformed (financially) relative to our prior expectations, two performed in line and six underperformed, although not, on occasion, without commendable management efforts to mitigate negative outcomes in the face of unscheduled challenges (eg the need to put Tanami into care and maintenance for two weeks, at short notice, after a case of COVID-19 was detected there). In the wake of its results, coupled with increases to our estimates for Q3 and Q420, we have upgraded our forecasts for adjusted net EPS for Newmont for FY21 by 18.4%.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (US$)	DPS (US$)	P/E (x)	Yield (%)
12/19	9,740	3,693	1.32	1.44	45.8	2.4
12/20	11,497	3,143	2.66	1.45	22.7	2.4
12/21e	12,446	3,701	3.21	2.20	18.8	3.6
12/22e	12,407	3,799	3.07	2.20	19.7	3.6

Note: : *EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. **Includes special dividend of US$0.88/share.

Results follow Ahafo North approval

Newmont's results follow its board's sanctioning of the development of the Ahafo North project in Ghana earlier in July. The project will add 275–325koz pa to production at an all-in sustaining cost of US$600–700/oz for the first five years of production (CY24–28) at a capital cost of US$750–850m. Construction is scheduled to be completed in H223 and commercial production in early FY24.

Cost pressures

In addition to its financial results, Newmont also reported some signs of modest cost pressure within the industry. While these are expected to have little or no effect on Newmont's performance for the remainder of FY21, we have now built a 5% increase in (nominal) costs into our financial models for all of its mines from FY22.

Valuation: 19.3% premium to share price

Despite increasing our basic adjusted EPS forecast for FY21 by 18.4%, our FY21 valuation of Newmont remains broadly unchanged at US$72.05/share (vs US$72.92/share previously), as the increase has coincided with a general de-rating of the gold mining sector in FY21, coupled with a decrease in inflation expectations in the wider US economy that has therefore resulted in increased implied (real) hurdle rates (see Exhibits 5 and 7). This valuation puts Newmont on a premium rating relative to its peers, but may be justified by the company's size, track record and the fact that almost all of its operations are in top-tier jurisdictions. However, it remains cheap relative to historical valuation measures, which continue to imply a share price close to US$100/share.

2 August 2021

Price	**US$60.39**
Market cap	**US$48,258m**

Net debt (US$m) end-June 2021	1,574
Shares in issue	799.1m
Free float	99.8%
Code	NEM
Primary exchange	NYSE
Secondary exchange	TSX

Share price performance

%	1m	3m	12m
Abs	(0.9)	0.7	(4.3)
Rel (local)	(3.1)	(4.2)	(29.3)
52-week high/low		US$74.4	US$54.4

Business description

Founded in 1916, Newmont Corporation is the world's leading gold company with a world-class portfolio of assets in North and South America, Australia and Africa. It is the only gold producer in the S&P 500 Index, and is widely recognised for its ESG practices and as a leader in value creation.

Next events

Yanacocha Sulphides decision	H221
Q321 results	October/November 2021
Q421/FY21 results	February 2022

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Edison profile page

Q221 results summary

Newmont's financial results for Q221 exceeded our expectations for the third quarter in succession, in this case by a material degree. All other things being equal, an improvement relative to Q1 was expected. In this case, however, revenues grew by more than costs, resulting in an increase in margins at the pre-tax level that persisted below the line, despite a normalisation of the effective tax rate (see Exhibit 2 for analysis).

A summary of the operational highlights of the quarter relative to our prior expectations is provided in Exhibit 1. In general, operations in South America and Australia recovered relative to Q1, despite ongoing disruptions as a result of the COVID-19 pandemic, while recovery in North America was delayed. Africa continued to perform at elevated levels, while output at Nevada Gold Mines was adversely affected by a mechanical mill failure at Carlin's Goldstrike roaster (more information on this failure will be forthcoming at Barrick's Q221 results, scheduled for release on 9 August).

Exhibit 1: Newmont Q121 operational results, actual versus forecast

Region	Production				Costs applicable to sales			
	Q121a	Q221e (koz)	Q221a (koz)	Variance (%)	Q121a	Q121e (US$/oz)	Q221a (US$/oz)	Variance (%)
North America	413	428	397	-7.2	736	746	769	+3.1
South America	174	178	189	+6.2	791	1,156	721	-37.6
Australia	269	294	299	+1.7	750	736	764	+3.8
Africa	205	201	202	+0.5	758	722	763	+5.7
Nevada	303	344	284	-17.4	745	652	753	+15.5
Sub-total	**1,364**	**1,445**	**1,371**	**-5.1**	**752**	**738**	**755**	**+2.3**
Pueblo Viejo (40%)	91	80	78	-2.5				
Total (attributable) gold	**1,455**	**1,525**	**1,449**	**-5.0**				

Source: Newmont Corporation, Edison Investment Research

At the level of the individual mines, one (Penasquito) performed definitively better than our expectations, three (Yanacocha, Merian and Boddington) performed slightly better than our expectations and two (Musselwhite and Cerro Negro) performed in line with our expectations, with the balance performing either slightly worse or worse than our expectations. At least two other features of Newmont's results were noteworthy:

- A material contribution to costs from by-product silver sales at Yanacocha (estimated US$37m in Q221 vs US$1m in Q220).
- A material quarter-on-quarter benefit to revenues derived from metals produced in concentrate at Penasquito and Boddington in particular, as a result of the effect of rising metals' prices on provisionally priced contracts towards the end of Q121.

In financial terms, adjusted net income exceeded our prior forecast by US$220m, or a material 48.9%. The main features behind this outperformance were a 3.8% (or US$111m) positive variance in revenues (of which 2.4% could be attributed to the gold price – US$1,823/oz realised vs US$1,814/oz average price during the period and US$1,781/oz previously forecast) and a 2.8% (US$61m) further positive variance in the form of lower costs. The other material variance was a positive swing in 'other net income' from a loss of US$82m in Q121 to a profit of US$50m in Q221. The aggregate positive variance of these three items of US$264m was moderated by a US$101m negative variance in taxation to result in adjusted net income of US$670m versus our prior forecast of US$450m.

A full analysis of Newmont's Q121 financial performance relative to both our prior forecasts and Q121 results is provided in the exhibit below.

Exhibit 2: Newmont quarterly income statement, Q120–Q221 versus Edison forecast

US$m (unless otherwise indicated)	Q120	Q220	Q320	Q420	Q121	Q221e	Q221a	*Change (%)	**Variation (%)	**Variation (units)
Sales	2,581	2,365	3,170	3,381	2,872	2,954	3,065	6.7	3.8	111
Costs and expenses										
– Costs applicable to sales	1,332	1,058	1,269	1,355	1,247	1,290	1,281	2.7	-0.7	-9
– Depreciation and amortisation	565	528	592	615	553	598	561	1.4	-6.2	-37
– Reclamation and remediation	38	40	38	250	46	42	57	23.9	35.7	15
– Exploration	44	26	48	69	35	65	52	48.6	-20.0	-13
– Advanced projects, research and development	27	26	39	30	31	37	37	19.4	0.0	0
– General and administrative	65	72	68	64	65	65	64	-1.5	-1.5	-1
– Impairment of long-lived assets	0	5	24	20	0	0	0	N/A	N/A	0
– Care and maintenance	20	125	26	7	0	0	2	N/A	N/A	2
– Other expense, net	33	54	68	51	39	69	50	28.2	-27.5	-19
Total	2,124	1,934	2,172	2,461	2,016	2,165	2,104	4.4	-2.8	-61
Other income/(expenses)										
– Gain on formation of Nevada Gold Mines	0	0	0	0	0			N/A	N/A	0
– Gain on asset and investment sales, net	593	(1)	1	84	43		0	-100.0	N/A	0
– Other income, net	(189)	198	(44)	3	(82)	(42)	50	-161.0	-219.0	92
– Interest expense, net of capitalised interest	(82)	(78)	(75)	(73)	(74)	(79)	(68)	-8.1	-13.9	11
	322	119	(118)	14	(113)	(121)	(18)	-84.1	-85.1	103
Income/(loss) before income and mining tax	779	550	880	934	743	668	943	26.9	41.2	275
Income and mining tax benefit/(expense)	23	(164)	(305)	(258)	(235)	(240)	(341)	45.1	42.1	-101
Effective tax rate (%)	(3.0)	29.8	34.7	27.6	31.6	36.0	36.2	14.6	0.6	0.2
Profit after tax	802	386	575	676	508	427	602	18.5	41.0	175
Equity income/(loss) of affiliates	37	29	53	70	50	40	49	-2.0	22.5	9
Net income/(loss) from continuing operations	839	415	628	746	558	467	651	16.7	39.4	184
Net income/(loss) from discontinued operations	(15)	(68)	228	18	21		10	-52.4	N/A	10
Net income/(loss)	824	347	856	764	579	467	661	14.2	41.5	194
Minority interest	2	3	17	(60)	20	17	11	-45.0	-35.3	-6
Minority interest (%)	0.2	0.9	2.0	(7.9)	3.5	3.6	1.7	-51.4	-52.8	-1.9
Net income/(loss) attributable to stockholders	822	344	839	824	559	450	650	16.3	44.4	200
Adjustments to net income	(496)	(83)	(142)	32	35	0	20	-42.9	N/A	20
Adjusted net income	326	261	697	856	594	450	670	12.8	48.9	220
Net income/(loss) per common share (US$)										
Basic										
– Continuing operations	1.037	0.513	0.761	1.005	0.672	0.563	0.799	18.9	41.9	0.236
– Discontinued operations	(0.019)	(0.085)	0.284	0.022	0.026	0.000	0.012	-52.0	N/A	0.012
– Total	1.019	0.428	1.045	1.027	0.698	0.563	0.811	16.3	44.1	0.248
Diluted										
– Continuing operations	1.035	0.512	0.758	1.002	0.671	0.559	0.797	18.8	42.6	0.238
– Discontinued operations	(0.019)	(0.084)	0.283	0.022	0.026	0.000	0.012	-52.1	N/A	0.012
– Total	1.016	0.427	1.041	1.025	0.697	0.559	0.809	16.1	44.8	0.250
Basic adjusted net income per share (US$)	0.404	0.325	0.868	1.067	0.742	0.563	0.836	12.7	48.6	0.273
Diluted adjusted net income per share (US$)	0.403	0.324	0.865	1.065	0.741	0.559	0.834	12.6	49.3	0.275
DPS (US$/share)	0.250	0.250	0.400	0.550	0.550	0.550	0.550	0.0	0.0	0.000

Source: Newmont Corporation, Edison Investment Research. Note: *Q221 vs Q121; **Q221 vs Q221e.

As noted at the time of Newmont's Q420/FY20 results, both (higher) production and (lower) costs are expected to be weighted towards H221 (approximately in the ratio 47:53) and this effect will be most pronounced in the first and last quarters of the year. In part, this profile will reflect rising grade profiles, in particular at Boddington and Ahafo (the H1:H2 production ratio at Boddington will be enhanced by productivity improvements from the autonomous haulage system ramp-up, while that at Ahafo will also be volume driven by productivity improvements throughout the year from the change in mining method at Subika underground to sub-level shrinkage). However, Merian, Musselwhite, Porcupine and CC&V are all expected to exhibit rising production profiles as well, as the year progresses. At the same time, costs will be weighted in the other direction; that is, H221 costs are expected to be lower than H121 costs. In part, this reflects lower production in H121. However, it also reflects higher sustaining capital costs in H121 relating to the installation of the autonomous haulage system at Boddington.

In the light of Q121 results, the prevailing gold price (US$1,793/oz vs US$1,776/oz previously) and slight adjustments to our ongoing treatment of 'other' income and expenses, our updated financial forecasts for Newmont for the remainder of FY21, by quarter, are now as follows:

Exhibit 3: Newmont quarterly income statement, Q320–Q421e versus our prior forecast

US$m (unless otherwise indicated)	Q320	Q420	FY20	Q121	Q221	Q321e (prior)	Q321e (current)	Q421e (prior)	Q421e (current)	FY21e (current)	FY21e (prior)
Sales	3,170	3,381	11,497	2,872	3,065	3,163	3,252	3,171	3,257	12,446	12,160
Costs and expenses											
– Costs applicable to sales	1,269	1,355	5,014	1,247	1,281	1,310	1,323	1,305	1,317	5,168	5,152
– Depreciation and amortisation	592	615	2,300	553	561	630	633	639	642	2,388	2,420
– Reclamation and remediation	38	250	366	46	57	42	56	42	56	214	173
– Exploration	48	69	187	35	52	65	65	65	65	217	230
– Advanced projects, research and development	39	30	122	31	37	37	37	37	37	141	141
– General and administrative	68	64	269	65	64	65	65	65	65	259	260
– Impairment of long-lived assets	24	20	49	0	0	0	0	0	0	0	0
– Care and maintenance	26	7	178	0	2	0	0	0	0	2	0
– Other expense, net	68	51	206	39	50	69	0	69	0	89	246
Total	2,172	2,461	8,691	2,016	2,104	2,218	2,178	2,222	2,181	8,479	8,622
Other income/(expenses)											
– Gain on formation of Nevada Gold Mines	0	0	0	0						0	0
– Gain on asset and investment sales, net	1	84	677	43	0					43	43
– Other income, net	(44)	3	(32)	(82)	50	(42)	0	(42)	0	-32	(208)
– Interest expense, net of capitalised interest	(75)	(73)	(308)	(74)	(68)	(70)	-77	(52)	-59	-278	(275)
	(118)	14	337	(113)	(18)	(112)	-77	(94)	-59	-267	(440)
Income/(loss) before income and mining tax	880	934	3,143	743	943	832	997	855	1,017	3,701	3,098
Income and mining tax benefit/(expense)	(305)	(258)	(704)	(235)	(341)	(300)	-359	(308)	-366	-1,301	(1,083)
Effective tax rate (%)	34.7	27.6	23.4	31.6	36.2	36.0	36.0	36.0	36.0	35.2	35.0
Profit after tax	575	676	2,439	508	602	533	638	547	651	2,399	2,015
Equity income/(loss) of affiliates	53	70	189	50	49	40	36	40	35	170	170
Net income/(loss) from continuing operations	628	746	2,628	558	651	573	674	587	686	2,569	2,185
Net income/(loss) from discontinued operations	228	18	163	21	10					31	21
Net income/(loss)	856	764	2,791	579	661	573	674	587	686	2,600	2,206
Minority interest	17	(60)	(38)	20	11	17	29	17	29	89	71
Do (%)	2.0	(7.9)	(1.4)	3.5	1.7	3.0	4.3	2.9	4.2	3.4	3.2
Net income/(loss) attributable to stockholders	839	824	2,829	559	650	556	645	570	658	2,512	2,135
Adjustments to net income	(142)	32	(689)	35	20	0	0	0	0	55	35
Adjusted net income	697	856	2,140	594	670	556	645	570	658	2,567	2,170
Net income/(loss) per common share (US$)											
Basic											
– Continuing operations	0.761	1.005	3.317	0.672	0.799	0.695	0.808	0.713	0.823	3.101	2.641
– Discontinued operations	0.284	0.022	0.203	0.026	0.012	0.000	0.000	0.000	0.000	0.039	0.026
– Total	1.045	1.027	3.520	0.698	0.811	0.695	0.808	0.713	0.823	3.140	2.668
Diluted											
– Continuing operations	0.758	1.002	3.309	0.671	0.797	0.690	0.802	0.708	0.817	3.080	2.623
– Discontinued operations	0.283	0.022	0.202	0.026	0.012	0.000	0.000	0.000	0.000	0.038	0.026
– Total	1.041	1.025	3.511	0.697	0.809	0.690	0.802	0.708	0.817	3.118	2.649
Basic adjusted net income per share (US$)	0.868	1.067	2.663	0.742	0.836	0.695	0.808	0.713	0.823	3.209	2.711
Diluted adjusted net income per share (US$)	0.865	1.065	2.656	0.741	0.834	0.690	0.802	0.708	0.817	3.186	2.692
DPS (US$/share)	0.400	0.550	1.450	0.550	0.550	0.550	0.550	0.550	0.550	2.200	2.200

Source: Newmont Corporation, Edison Investment Research

Note that, all other things being equal, the more the gold price rises, the more Newmont's effective tax rate falls as lower tax operations contribute proportionately more to pre-tax profits. After our revisions for the remainder of the year, our basic adjusted EPS forecast of US$3.209/share (vs US$2.711/share previously) for FY21 compares to the market consensus, as follows:

Exhibit 4: FY21 Basic adjusted EPS forecast, Edison versus consensus (US$/share)

	Q121	Q221e	Q321e	Q421e	Sum Q1–Q421e	FY21e
Edison forecast	0.74	0.84	0.81	0.82	3.21	3.21
Consensus forecast	0.74	0.84	0.89	0.97	3.44	3.47
High	0.74	0.84	1.38	1.38	4.34	5.04
Low	0.74	0.84	0.71	0.71	3.00	2.69

Source: Edison Investment Research, Refinitiv (26 July 2021)

Dividend

Newmont's dividend for Q121 was maintained at US$0.55/share. At the time of its Q320 results in October 2020, Newmont unveiled a new dividend framework whereby it formally rebased its dividend to a 'base' pay-out of US$1.00/share (or US$0.25/share per quarter) at a gold price of US$1,200/oz, but also stated explicitly that it would return 40–60% of incremental attributable free cash flow that it generated above a gold price of US$1,200/oz to shareholders. Under the new framework, Newmont will augment the 'base' pay-out in increments of US$0.60–0.90/share per year (or US$0.15–0.225/share per quarter), evaluated in gold price increments of US$300/oz for gold prices above US$1,200/oz, with the goal of targeting 40–60% of incremental free cash flow above a gold price of US$1,200/oz returned to shareholders. Thus, a (sustainable) gold price at US$1,800/oz should (on this basis) result in a quarterly dividend of US$0.55/share, whereas a gold price below that level could result in one of US$0.40/share. In this context, however, it is worth noting that Newmont affords itself a degree of latitude in the level of the ultimate pay-out in that, should it decide to pay out nearer 60% of incremental attributable free cash flow to shareholders that it generates above a US$1,200/oz gold price, rather than 40%, then there is scope for the quarterly dividend to remain at the higher level, notwithstanding the gold price dipping below the US$1,800/oz level. In consequence, we have left our dividend forecasts for Q321–Q421 and FY21 unchanged on the basis that we believe the gold price temporarily dipping below US$1,800/oz is unlikely to result in any readjustment in the quarterly distribution.

Long-term assumption changes

In addition to its financial results, Newmont also reported some signs of modest cost pressure within the industry at large. These pressures derive from a number of sources (eg labour) and, in some cases they are also mitigated (eg by automation), albeit not entirely extinguished. While these pressures are expected to have little or no effect on Newmont's performance for the rest of this financial year, they are nevertheless expected to result in underlying cost inflation of c 3–5% in aggregate (nominal) terms by the end of FY22 relative to prior expectations and we have now built this additional assumption into our financial models for the remainder of the lives of Newmont's mines' operations.

Valuation

Our approach to the valuation of Newmont has remained unchanged since our initiation note (see The sustainable leader, published on 9 February 2021; see that note for a fuller explanation of the methodologies involved). The following is an update of our valuation in light of the Q221 results and our updated forecasts for FY21 and our longer-term assumption (cost) changes.

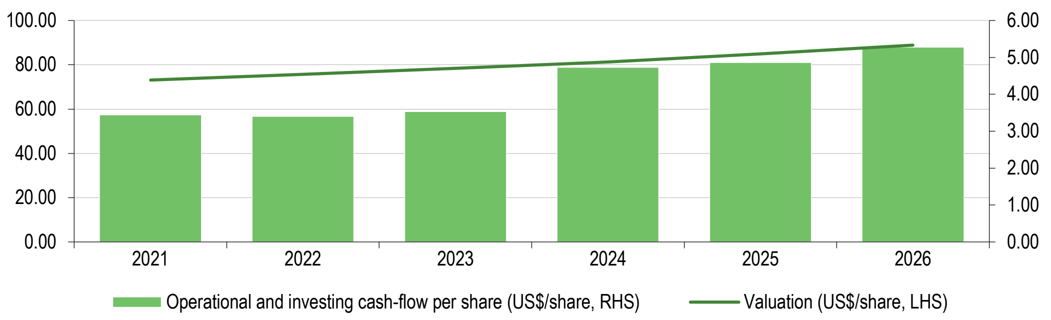
Absolute valuation

Newmont is a multi-asset company that has shown a willingness and desire to trade assets in the past to maintain production, reduce costs and maximise shareholder returns. As a result, rather than our customary method of discounting maximum potential dividends over the life of operations back to FY21, in the case of Newmont, we have opted to discount forecast dividends back over six years (previously five) from the start of FY21, then apply an ex-growth terminal multiple to forecast cash flows in that year (ie FY26) at the appropriate discount rate. In the normal course of events, we would exclude exploration expenditure from such a calculation on the basis that it is an investment. In the case of Newmont, however, we have included it in our estimate of future cash flows on the grounds that it may be a critical component of ongoing business performance in its ability to continually expand and extend the lives of the company's assets via exploration.

Despite the changes to our short-term forecasts for FY21, our estimate of Newmont's pre-financing cash flow in FY26 has declined by 3.8% to US$5.27 per share (vs US$5.48/share previously and US$1.22/share in FY18) to reflect our increased cost assumptions. On this basis, our terminal valuation of the company at end-FY26 would be US$81.10/share (vs US$86.95/share previously). This valuation is based on an assumption of zero growth in (real) cash flows beyond FY26, which is inherently conservative; in this case, however, whereas the discount rate that we used previously was 6.3% (in real terms), this has now increased to 6.5% as expectations of inflation in the wider economy (as measured by US 30yr breakeven bond yields) have fallen to 2.3% in recent months (vs 2.5% previously). Note that, had the analysis been performed by applying the prior real discount rate of 6.3%, our valuation would have declined to only US$83.68/share).

In conjunction with forecast intervening dividends, this terminal value then discounts to a net present value of US$73.15/share (vs US$78.08/share previously) at the start of FY21.

Exhibit 5: Newmont forecast valuation and cash flow per share, FY21–26e (US$/share)



Source: Edison Investment Research

This (absolute) analysis inherently excludes any value to Newmont from its other development assets, such as Coffee, Galore Creek, Conga, Norte Abierto and Nueva Union, which together represent combined reserves and resources of 53.93Moz attributable to Newmont. It is also conservative in its assumption of zero growth in cash flows after FY26.

Relative Newmont valuation

Newmont's valuation on a series of commonly used measures, relative to its peer group of the 10 largest publicly quoted senior gold producers, is as follows.

Exhibit 6: Newmont valuation relative to peers

		P/E			P/cash flow (x)			EV/EBITDA (x)			Yield (%)		
Company	**Ticker**	**Year 1**	**Year 2**	**Year 3**	**Year 1**	**Year 2**	**Year 3**	**Year 1**	**Year 2**	**Year 3**	**Year 1**	**Year 2**	**Year 3**
Newmont (Edison)	**NEM**	**18.8**	**19.7**	**20.6**	**10.0**	**9.4**	**9.4**	**7.7**	**7.7**	**8.5**	**3.6**	**3.6**	**3.6**
Newmont (consensus)	**NEM**	**17.3**	**16.7**	**19.4**	**9.4**	**8.9**	**9.8**	**7.4**	**7.2**	**8.0**	**3.4**	**3.5**	**3.2**
Barrick	ABX	8.6	8.2	9.6	7.0	7.1	7.0	6.5	6.3	6.4	3.2	1.7	2.0
AngloGold	ANGJ	7.8	6.9	7.2	5.0	4.9	4.5	4.1	3.8	3.9	1.9	2.0	2.2
Polyus	PLZL MM	10.2	9.5	9.3	8.3	7.7	7.5	7.6	8.0	6.8	4.1	4.7	4.8
Gold Fields	GFI	8.7	8.6	7.2	5.1	5.0	4.3	4.2	4.2	3.9	3.4	3.3	3.9
Kinross	K	11.7	6.9	6.8	5.6	3.6	3.6	4.8	3.3	3.2	2.0	2.0	1.9
Agnico-Eagle	AEM	21.3	18.6	19.4	9.1	8.3	8.5	8.2	7.1	7.5	2.4	2.4	2.3
Newcrest	NCM AU	13.5	13.3	13.8	8.0	7.8	8.0	6.7	6.5	6.8	1.8	1.8	2.0
Harmony	HARJ	5.1	6.3	6.2	4.6	4.7	4.7	3.0	3.1	3.1	2.6	2.6	3.2
Endeavour (consensus)	EDV	9.4	7.8	9.3	4.8	4.3	4.6	4.4	4.1	4.6	2.1	2.3	2.1
Average (excl NEM)		**10.7**	**9.6**	**9.9**	**6.4**	**5.9**	**5.9**	**5.5**	**5.2**	**5.1**	**2.6**	**2.5**	**2.7**

Source: Edison Investment Research, Refinitiv. Note: Consensus and peers priced on 27 July 2021.

In comparing this table with the equivalent table in our initiation note on Newmont (see Exhibit 23 on page 25 of The sustainable leader, published on 9 February 2021), it can be seen there has been a de-rating of all but two companies over all years since that date and a de-rating of the majority of companies across all three years, with the most pronounced effect being in year 1. Nevertheless, it can also be seen that while Newmont continues to command a premium rating relative to its peer group on most valuation measures, it remains materially cheap with respect to its dividend yield. Based on consensus forecasts, we estimate that Newmont's share price would have to rise by an average of 45.5% for its dividend yield to match those of its peer group. Based on our forecasts, we estimate its share price would have to rise 53.9%.

As before, one further observation concerning the comparability of the above measures is merited. Given its policy of proportionately consolidating its interest in Nevada Gold Mines and that it owns 100% interests in the majority of its remaining mining operations (with the exceptions of Yanacocha and Merian), estimates of cash flow in particular are also close to estimates of cash flow attributable to shareholders (Newmont estimates that 97% of free cash flow was attributable to the company in Q221). This is not always the case for its peers, where fully consolidated earnings and cash flow from assets not owned 100% may not so easily approximate cash flow attributable to shareholders, making direct comparison using these measures either difficult or, potentially, misleading.

Blended average valuation

A summary of our updated valuation of Newmont over 29 measures of value across three different methodologies over the next five years shown in Exhibit 7.

Exhibit 7: Newmont valuation summary (US$/share in years shown)

Basis of valuation		FY21e	FY22e	FY23e	FY24e	FY25e
Absolute	6.5% real cost of equity and ex-growth terminal multiple	73.15	75.70	78.42	81.32	85.01
Historical	Share price implied by Edison EPS forecast (US$/share)	78.15	74.87	71.46	57.36	
Historical	Share price implied by Edison DPS forecast (US$/share)	123.32	123.32	123.32	89.69	
Historical	Share price implied by consensus EPS forecast (US$/share)	84.57	88.96	78.72	88.22	
Historical	Share price implied by consensus DPS forecast (US$/share)	115.47	115.47	107.63	139.02	
Peer group	Share price implied from Edison EBITDA forecast (US$/share)	46.49	46.10			
Peer group	Share price implied from consensus EBITDA forecast (US$/share)	47.93	48.05			
Peer group	Share price implied from Edison cash flow per share (US$/share)	38.41	37.95			
Peer group	Share price implied from consensus cash flow per share (US$/share)	40.99	40.48			
	Average (US$/share)	**72.05**	**72.32**	**91.91**	**91.12**	**85.01**

Source: Edison Investment Research (underlying consensus data: Refinitiv, 27 July 2021).

Exhibit 8: Financial summary

Accounts: US GAAP, year-end: December, US$m	2018	2019	2020	2021e	2022e	2023e	2024e
INCOME STATEMENT							
Total revenues	7,253	9,740	11,497	12,446	12,407	11,850	12,411
Cost of sales	(4,093)	(5,195)	(5,014)	(5,168)	(5,138)	(5,150)	(5,763)
Gross profit	3,160	4,545	6,483	7,278	7,269	6,700	6,648
SG&A (expenses)	(244)	(313)	(269)	(259)	(260)	(260)	(260)
R&D costs	(350)	(415)	(309)	(358)	(406)	(406)	0
Other income/(expense)	(406)	(253)	(831)	(337)	(169)	(169)	(84)
Exceptionals and adjustments	(424)	2,220	214	(106)	0	0	0
Depreciation and amortisation	(1,215)	(1,960)	(2,300)	(2,388)	(2,559)	(2,661)	(3,427)
Reported EBIT	945	3,994	3,451	3,978	3,875	3,204	2,877
Finance income/(expense)	(207)	(301)	(308)	(278)	(76)	215	9
Reported PBT	738	3,693	3,143	3,701	3,799	3,419	2,886
Income tax expense (includes exceptionals)	(419)	(737)	(515)	(1,131)	(1,221)	(1,009)	(917)
Reported net income	380	2,884	2,791	2,600	2,577	2,410	1,969
Basic average number of shares, m	533	735	804	800	799	799	799
Basic EPS (US$/share)	0.64	3.82	3.52	3.14	3.07	2.93	2.35
Adjusted EBITDA	2,584	3,734	5,537	6,473	6,434	5,865	6,304
Adjusted EBIT	1,369	1,774	3,237	4,084	3,875	3,204	2,877
Adjusted PBT	1,162	1,473	2,929	3,807	3,799	3,419	2,886
Adjusted EPS (US$)	1.35	1.32	2.66	3.21	3.07	2.93	2.35
Adjusted diluted EPS (US$)	1.34	1.32	2.66	3.18	3.05	2.91	2.34
BALANCE SHEET							
Property, plant and equipment	12,258	25,276	24,281	23,960	23,801	23,440	21,513
Goodwill	58	2,674	2,771	2,771	2,771	2,771	2,771
Other non-current assets	3,122	5,752	5,812	5,855	5,855	5,855	5,855
Total non-current assets	15,438	33,702	32,864	32,586	32,427	32,066	30,139
Cash and equivalents	3,397	2,243	5,540	5,843	6,298	6,971	9,567
Inventories	630	1,014	963	1,163	1,160	1,108	1,160
Trade and other receivables	254	373	449	375	374	357	374
Other current assets	996	2,642	1,553	1,584	1,584	1,584	1,584
Total current assets	5,277	6,272	8,505	8,965	9,415	10,019	12,685
Non-current loans and borrowings	3,608	6,734	6,045	5,495	5,003	4,589	4,589
Other non-current liabilities	3,808	8,438	8,076	8,137	8,114	8,091	7,984
Total non-current liabilities	7,416	15,172	14,121	13,632	13,117	12,680	12,573
Trade and other payables	303	539	493	466	463	464	519
Current loans and borrowings	653	100	657	657	657	657	657
Other current liabilities	831	1,746	2,219	2,219	2,219	2,219	2,219
Total current liabilities	1,787	2,385	3,369	3,342	3,339	3,340	3,395
Equity attributable to company	10,502	21,420	23,008	23,611	24,307	24,892	25,494
Non-controlling interest	1,010	997	871	966	1,079	1,173	1,362
CASH FOW STATEMENT							
Profit for the year	380	2,884	2,791	2,600	2,577	2,410	1,969
Taxation expenses	386	832	704	1,301	1,354	1,162	1,068
Net finance expenses	207	301	308	278	76	(215)	(9)
Depreciation and amortisation	1,215	1,960	2,300	2,388	2,559	2,661	3,427
Share based payments	76	97	72	0	0	0	0
Other adjustments	749	(2,131)	(654)	140	169	169	84
Movements in working capital	(743)	(309)	295	(306)	(190)	(122)	(206)
Interest paid / received	(207)	(301)	(308)	(278)	(76)	215	9
Income taxes paid	(236)	(498)	(926)	(1,301)	(1,354)	(1,162)	(1,068)
Cash from operations (VSO)	1,827	2,866	4,882	4,823	5,115	5,118	5,275
Capex	(1,032)	(1,463)	(1,302)	(1,740)	(2,400)	(2,300)	(1,500)
Acquisitions & disposals net	(98)	224	1,463	(328)	0	0	0
Other investing activities	(47)	41	65	0	0	0	0
Cash used in investing activities (VSIA)	(1,177)	(1,226)	91	(2,068)	(2,400)	(2,300)	(1,500)
Net proceeds from issue of shares	(98)	(479)	(521)	(149)	0	0	0
Movements in debt	0	(1,186)	(175)	(550)	(492)	(414)	0
Dividends paid	(301)	(889)	(834)	(1,822)	(1,846)	(1,808)	(1,339)
Other financing activities	(56)	(223)	(150)	69	77	77	160
Cash from financing activities (VSF)	(455)	(2,777)	(1,680)	(2,452)	(2,260)	(2,145)	(1,178)
Currency translation differences and other	(4)	(3)	6	0	0	0	0
Increase/(decrease) in cash and equivalents	191	(1,140)	3,299	303	455	673	2,596
Cash & equivalents at period end (incl restricted cash)	3,489	2,349	5,648	5,951	6,406	7,079	9,675
Net (debt)/cash	(864)	(4,591)	(1,162)	(309)	638	1,725	4,321
Movement in net (debt)/cash over period	(864)	(3,727)	3,429	853	947	1,087	2,596

Source: Company sources, Edison Investment Research

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