EDISON

Newmont Corporation

Q321 results analysis

Q321 results in line with prior expectations

Metals & mining

Newmont's Q321 results were closely in line with our prior forecasts (see Exhibits 1 and 2), albeit with relative outperformance from its Australian operations largely offsetting underperformance from its North American ones, where output continued to be adversely affected by lingering coronavirus disruptions. In conjunction with its Q3 results, Newmont updated its guidance for FY21 to gold production of 6.0Moz (cf 6.2–6.8Moz previously) at a cost applicable to sales of US$790/oz (cf US$750/oz previously). However, this was always likely after its announcement of 5 October outlining some of the challenges faced in commissioning the autonomous haulage system at Boddington, including severe weather and heavy rainfall. Nevertheless, performance in Q421 is still expected to show a material improvement over the first three quarters of the year, as the rains abate in Western Australia and Africa, and North America returns to a more normal operating environment. As a result, adjustments to our forecasts for Q421 and FY21 in the wake of Q3 results have been negligible (see Exhibit 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	43.0	2.5
12/20	11,497	3,143	2.66	1.45	21.3	2.6
12/21e	11,999	2,461	2.87	2.20	19.8	3.9
12/22e	12,317	3,476	2.79	2.20	20.3	3.6

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

Longer-term cost pressures already anticipated

Echoing comments made elsewhere in the industry, Newmont confirmed that it was experiencing inflationary pressure on costs, in particular in the areas of materials, energy and labour. Once again, this was largely prefigured at the time of the company's Q221 results on 22 July. Newmont will update the market regarding its long-term production and cost guidance in December. In the meantime, however, Edison's longer-term financial forecasts are based on cost assumptions for the period FY22–25 that are now at a premium of anything between 1.2% and 22.7% relative to Newmont's last formal long-term guidance dating to 8 December 2020 (see Exhibit 6).

Valuation: 23.4% premium to the share price

In the light of these changes, we have reduced our valuation of Newmont by a modest 2.2% to US$70.05/share (cf US$71.61/share previously), albeit this reduction, to some extent, reflects a (perhaps surprising) recent decline in inflation expectations (as measured by US 30-year breakeven inflation rate; source: Bloomberg, 10 November 2021) in conjunction with a general de-rating of the senior gold mining sector generally since 26 October. This valuation puts Newmont on a premium rating relative to its peers. However, this may be justified by the company's size, track record and the fact that almost all of its operations are in top-tier jurisdictions. It remains cheap relative to historical valuation measures, which (on average) continue to imply a share price in excess of US$90/share.

10 November 2021

Price	**US$56.75**
Market cap	**US$45,343m**

Net debt (US$m) at end-September 2021	1,502
Shares in issue	799.0m
Free float	99.8%
Code	NEM
Primary exchange	NYSE
Secondary exchange	TSX

Share price performance

%	1m	3m	12m
Abs	4.5	(3.6)	(14.0)
Rel (local)	(2.1)	(8.8)	(34.9)
52-week high/low		US$74.4	US$53.6

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, safety and mine execution.

Next events

Q421/FY21 results	February 2022
Yanacocha Sulphides decision	H222

Analysts

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Edison profile page

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Q321 results

In general, Newmont's financial results for Q321 were very close to our prior expectations (see our note Teething trouble at Boddington irrelevant, published on 26 October 2021). A summary of the operational highlights of the quarter relative to our prior expectations is provided in Exhibit 1. From a geographical perspective, the only continent to noticeably outperform our prior expectations was Australia (albeit, our prior expectations had been downgraded in October in response to Newmont's 5 October update, principally relating to the challenges surrounding the commissioning of autonomous haulage at Boddington). However, this was more than offset by a shortfall in production at Newmont's North American operations, which continued to be beset by absenteeism at its Canadian mines in particular, relating to lingering concerns surrounding the coronavirus pandemic.

Exhibit 1: Newmont Q321 operational results, actual cf prior forecasts

Region	Production (koz)					Costs applicable to sales (US$/oz)				
	Q121a	Q221a	Q321e (prior)	Q321a	Variance (%)	Q121a	Q221a	Q321e (prior)	Q321a	Variance (%)
North America	413	397	445	384	-13.7	736	769	748	800	+7.0
South America	174	189	179	188	+5.0	791	721	852	958	+12.4
Australia	269	299	237	274	+15.6	750	764	918	788	-14.2
Africa	205	202	217	210	-3.2	758	763	678	886	+30.7
Nevada	303	284	310	308	-0.6	745	753	709	768	+8.3
Sub-total	**1,364**	**1,371**	**1,388**	**1,364**	**-1.7**	**752**	**755**	**775**	**830**	**+7.1**
Pueblo Viejo (40%)	91	78	85	85	0.0					
Total (attributable) gold	**1,455**	**1,449**	**1,473**	**1,449**	**-1.6**					

Source: Newmont Corporation, Edison Investment Research. Note: Totals may not add up owing to rounding.

At the level of the individual mines, five (Penasquito, Merian, Cerro Negro, Boddington and Tanami) performed better than our expectations, while the remaining eight performed worse, in general, affected by some combination of lower tonnes processed, lower grades, lower recoveries and/or higher unit costs.

In financial terms, one of the major features of the results was a loss of US$571m on assets held for sale relating to the pending sale of the Conga mill, which was classified as 'held for sale' during the quarter. This item affected profits, the tax charge and the minority interest to a material degree. Exhibit 2, below, presents Newmont's Q321 results both as they were reported and also with Edison's best estimate of the same results with all exceptional items stripped out. Either way, adjusted net income of US$483m was almost exactly in line with our prior forecast of US$480m. However, two further features of the results are notable: (1) a higher underlying effective tax rate (41.6%) during the quarter than the 34–38% guidance range provided by Newmont for the full year; and (2) a loss attributable to minority interests. In and of itself, the first of these features is not surprising, given that, in general, Newmont's effective tax rate falls in periods of high profitability as lower tax operations contribute proportionately more to pre-tax profits (and vice versa). While not explicit, the second of these features almost certainly reflected the financial performance of Yanacocha (51.35% owned by Newmont), where costs rose materially during the quarter as it continued to manage the effects of COVID-19.

A full analysis of Newmont's Q321 financial performance relative to both our prior forecasts and Q221 results is provided in the exhibit below.

Exhibit 2: Newmont quarterly income statement, Q320–Q321 cf prior Edison forecast

US$m (unless otherwise indicated)	Q320	Q420	Q121	Q221	Q321e	*Q321a	Q321a (reported)	**Change (%)	***Variation (%)	***Variation (units)
Sales	3,170	3,381	2,872	3,065	2,935	2,895	2,895	-5.5	-1.4	-40
Costs and expenses										
– Costs applicable to sales	1,269	1,355	1,247	1,281	1,308	1,367	1,367	6.7	4.5	59
– Depreciation and amortisation	592	615	553	561	596	570	570	1.6	-4.4	-26
– Reclamation and remediation	38	250	46	57	56	38	117	-33.3	-32.1	-18
– Exploration	48	69	35	52	65	60	60	15.4	-7.7	-5
– Advanced projects, research and development	39	30	31	37	37	40	40	8.1	8.1	3
– General and administrative	68	64	65	64	65	61	61	-4.7	-6.2	-4
– Impairment of long-lived assets	24	20	0	0	0	0	0	N/A	N/A	0
– Care and maintenance	26	7	0	2	0	0	6	-100.0	N/A	0
– Loss on assets held for sale						Excl.	571	N/A	N/A	0
– Other expense, net	68	51	39	50	0	36	37	-28.0	N/A	36
Total	2,172	2,461	2,016	2,104	2,126	2,172	2,829	3.2	2.2	46
Other income/(expenses)										
– Gain on formation of Nevada Gold Mines	0	0	0							
– Gain on asset and investment sales, net	1	84	43	0		0	3			
– Other income, net	(44)	3	(82)	50	0	23	(74)	-54.0	N/A	23
– Interest expense, net of capitalised interest	(75)	(73)	(74)	(68)	(77)	(66)	(66)	-2.9	-14.3	11
	(118)	14	(113)	(18)	(77)	(43)	(137)	138.9	-44.2	34
Income/(loss) before income and mining tax	880	934	743	943	732	680	(71)	-27.9	-7.1	-52
Income and mining tax benefit/(expense)	(305)	(258)	(235)	(341)	(264)	(283)	(222)	-17.0	7.2	-19
Effective tax rate (%)	34.7	27.6	31.6	36.2	36.0	41.6	(312.7)	14.9	15.6	5.6
Profit after tax	575	676	508	602	469	397	(293)	-34.1	-15.4	-72
Equity income/(loss) of affiliates	53	70	50	49	40	39	39	-20.4	-2.5	-1
Net income/(loss) from continuing operations	628	746	558	651	509	436	(254)	-33.0	-14.3	-73
Net income/(loss) from discontinued operations	228	18	21	10		11	11	10.0	N/A	11
Net income/(loss)	856	764	579	661	509	447	(243)	-32.4	-12.2	-62
Minority interest	17	(60)	20	11	29	(47)	(246)	-527.3	-262.1	-76
Minority interest (%)	2.0	(7.9)	3.5	1.7	5.6	(10.5)	(101.2)	-717.6	-287.5	-16.1
Net income/(loss) attributable to stockholders	839	824	559	650	480	494	3	-24.0	2.9	14
Adjustments to net income	(142)	32	35	20	0	11	480	-45.0	N/A	11
Adjusted net income	697	856	594	670	480	483	483	-27.9	0.6	3
Net income/(loss) per common share (US$)										
Basic										
– Continuing operations	0.761	1.005	0.672	0.799	0.601	0.605	(0.010)	-24.3	0.7	0.004
– Discontinued operations	0.284	0.022	0.026	0.012	0.000	0.014	0.010	16.7	N/A	0.014
– Total	1.045	1.027	0.698	0.811	0.601	0.618	0.000	-23.8	2.8	0.017
Diluted										
– Continuing operations	0.758	1.002	0.671	0.797	0.597	0.604	(0.010)	-24.2	1.2	0.007
– Discontinued operations	0.283	0.022	0.026	0.012	0.000	0.014	0.010	16.7	N/A	0.014
– Total	1.041	1.025	0.697	0.809	0.597	0.618	0.000	-23.6	3.5	0.021
Basic adjusted net income per share (US$)	0.868	1.067	0.742	0.836	0.601	0.605	0.605	-27.6	0.7	0.004
Diluted adjusted net income per share (US$)	0.865	1.065	0.741	0.834	0.597	0.604	0.604	-27.6	1.2	0.007
DPS (US$/share)	0.400	0.550	0.550	0.550	0.550	0.550	0.550	0.0	0.0	0.00

Source: Newmont Corporation, Edison Investment Research. Note: *Q321a underlying excluding exceptional items (estimated); **Q321 vs Q221; ***Q321 vs Q321e.

In FY21, both (higher) production and (lower) costs were hitherto expected by Newmont to be weighted towards H221 (approximately in the ratio 47:53), with this effect being most pronounced in the first and last quarters of the year, reflecting rising grade profiles, in particular at Boddington and Ahafo. However, the challenges associated with the commissioning and ramp up of the autonomous haulage system at Boddington in Q321 in conjunction with the ongoing disruptions from the coronavirus pandemic in North America in particular have now caused Newmont to update its FY21 guidance to 6.0Moz of gold produced (cf 6.2–6.8Moz previously) at a cost applicable to sales of US$790/oz (cf US$750/oz previously) and an all-in sustaining cost of US$1,050/oz (cf US$970/oz previously). In mitigation, Newmont reduced its guidance for capex for the full year, from US$1,800m to US$1,650m (on an attributable basis), with the saving being achieved via the deferral of US$150m in development capex relating to the Tanami expansion (TE 2) effectively into

FY24. Co-product gold equivalent production guidance (principally derived from Penasquito and Boddington) was left unchanged at 1.3Moz AuE.

Notwithstanding the reduction in overall production guidance for the full year, production in Q421 is still expected to increase as a result of higher grades at Boddington and Ahafo (which will also be volume driven by productivity improvements from the change in underground mining method at Subika to sub-level shrinkage), with additional contributions from Merian, Musselwhite, Porcupine and CC&V. At the same time, management is confident that Boddington will reap the benefits of the implementation of its autonomous haulage system (AHS) in Q4. Despite Western Australia experiencing record rainfall in October (among other things, delaying access to the high-grade areas of the pit), management reports that AHS has achieved an effective utilisation (EU) rate of 68% – albeit on an inter-shift basis – which is the same as the target rate for the driver operated fleet, with further increases budgeted for the remainder of the quarter. In the light of Newmont's Q321 results as well as its updated guidance for FY21, we have revised our operational forecasts for the company's geographical regions for Q421 as follows:

Exhibit 3: Newmont Q421e operational estimates (cf prior)

Region	Production (koz)						Costs applicable to sales (US$/oz)					
	Q121	Q221	Q321	Q421e (prior)	Q421e (current)	FY21	Q121	Q221	Q321	Q421e (prior)	Q421e (current)	FY21e
North America	413	397	384	450	450	1,644	736	769	800	728	751	763
South America	174	189	188	179	182	732	791	721	958	852	825	823
Australia	269	299	274	317	318	1,162	750	764	788	717	731	758
Africa	205	202	210	217	220	837	758	763	886	678	678	770
Nevada	303	284	308	322	349	1,243	745	753	768	693	734	804
Sub-total	**1,364**	**1,371**	**1,364**	**1,485**	**1,519**	**5,617**	**752**	**755**	**830**	**731**	**745**	**781**
Pueblo Viejo (40%)	91	78	85	79	79	333						
Total (attributable) gold	**1,455**	**1,449**	**1,449**	**1,564**	**1,598**	**5,950**						

Source: Newmont Corporation, Edison Investment Research. Note: Totals may not add up owing to rounding.

At an unchanged gold price of US$1,793/oz assumed in Q4, our very fractionally revised, updated financial forecasts for Newmont for Q421 and FY21, by quarter, are therefore now as follows:

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Exhibit 4: Newmont quarterly income statement, Q320–Q421e

US$m (unless otherwise indicated)	Q320	Q420	FY20	Q121	Q221	Q321	Q421e (prior)	Q421e (current)	FY21e (current)	FY21e (prior)
Sales	3,170	3,381	11,497	2,872	3,065	2,895	3,102	3,167	11,999	11,975
Costs and expenses										
– Costs applicable to sales	1,269	1,355	5,014	1,247	1,281	1,367	1,321	1,375	5,270	5,156
– Depreciation and amortisation	592	615	2,300	553	561	570	628	642	2,326	2,338
– Reclamation and remediation	38	250	366	46	57	117	56	55	275	214
– Exploration	48	69	187	35	52	60	65	75	222	217
– Advanced projects, research and development	39	30	122	31	37	40	37	43	151	141
– General and administrative	68	64	269	65	64	61	65	65	255	259
– Impairment of long-lived assets	24	20	49	0	0	0	0	0	0	0
– Care and maintenance	26	7	178	0	2	6	0	0	8	2
– Loss on assets held for sale						571			571	
– Other expense, net	68	51	206	39	50	37	0	0	126	89
Total	2,172	2,461	8,691	2,016	2,104	2,829	2,170	2,254	9,203	8,417
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	3			46	43
– Other income, net	(44)	3	(32)	(82)	50	(74)	0	0	(106)	(32)
– Interest expense, net of capitalised interest	(75)	(73)	(308)	(74)	(68)	(66)	(69)	(67)	(275)	(288)
	(118)	14	337	(113)	(18)	(137)	(69)	(67)	(335)	(277)
Income/(loss) before income and mining tax	880	934	3,143	743	943	(71)	863	846	2,461	3,281
Income and mining tax benefit/(expense)	(305)	(258)	(704)	(235)	(341)	(222)	(311)	(304)	(1,102)	(1,150)
Effective tax rate (%)	34.7	27.6	23.4	31.6	36.2	(312.7)	36.0	36.0	44.8	35.1
Profit after tax	575	676	2,439	508	602	(293)	552	541	1,358	2,131
Equity income/(loss) of affiliates	53	70	189	50	49	39	35	33	171	174
Net income/(loss) from continuing operations	628	746	2,628	558	651	(254)	588	574	1,529	2,305
Net income/(loss) from discontinued operations	228	18	163	21	10	11			42	31
Net income/(loss)	856	764	2,791	579	661	(243)	588	574	1,571	2,336
Minority interest	17	(60)	(38)	20	11	(246)	29	25	(190)	88
Do (%)	2.0	(7.9)	(1.4)	3.5	1.7	(101.2)	4.9	4.3	(12.1)	3.8
Net income/(loss) attributable to stockholders	839	824	2,829	559	650	3	559	549	1,761	2,248
Adjustments to net income	(142)	32	(689)	35	20	480	0	0	535	55
Adjusted net income	697	856	2,140	594	670	483	559	549	2,296	2,303
Net income/(loss) per common share (US$)										
Basic										
– Continuing operations	0.761	1.005	3.317	0.672	0.799	(0.010)	0.700	0.688	2.150	2.772
– Discontinued operations	0.284	0.022	0.203	0.026	0.012	0.010	0.000	0.000	0.053	0.039
– Total	1.045	1.027	3.520	0.698	0.811	0.000	0.700	0.688	2.202	2.811
Diluted										
– Continuing operations	0.758	1.002	3.309	0.671	0.797	(0.010)	0.695	0.687	2.147	2.752
– Discontinued operations	0.283	0.022	0.202	0.026	0.012	0.010	0.000	0.000	0.052	0.038
– Total	1.041	1.025	3.511	0.697	0.809	0.000	0.695	0.687	2.199	2.791
Basic adjusted net income per share (US$)	0.868	1.067	2.663	0.742	0.836	0.605	0.700	0.688	2.871	2.879
Diluted adjusted net income per share (US$)	0.865	1.065	2.656	0.741	0.834	0.604	0.695	0.687	2.867	2.859
DPS (US$/share)	0.400	0.550	1.450	0.550	0.550	0.550	0.550	0.550	2.200	2.200

Source: Newmont Corporation, Edison Investment Research

Note that, on an underlying basis, Newmont's effective tax rate for the year will amount to 36.2%, compared with the 44.8% shown in the exhibit above (including exceptional losses) and Newmont's guidance of 34–38%. After our revisions for the remainder of the year, our basic adjusted EPS forecast of US$2.867/share (vs US$2.879/share previously) for FY21 compares to the market consensus, as follows:

Exhibit 5: FY21 Basic adjusted EPS forecast, Edison versus consensus (US$/share)

	Q121	Q221	Q321	Q421e	Sum Q1–Q421e	FY21e
Edison forecast	0.74	0.84	0.60	0.69	2.87	2.87
Consensus forecast	0.74	0.84	0.60	0.86	3.04	3.01
High	0.74	0.84	0.60	1.22	3.40	3.39
Low	0.74	0.84	0.60	0.66	2.84	2.57

Source: Edison Investment Research, Refinitiv (10 November 2021)

Dividend

Newmont's dividend for Q321 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. 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 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 longer-term cost pressure, in particular in relation to materials, energy and labour. In some cases these are likely to be mitigated in the future (eg as Australia expands its vaccination programme), albeit not entirely extinguished. Newmont will provide detailed longer-term cost and production guidance to the market in December. In the meantime, however, Edison has revised its longer-term production and cost assumptions (relative to Newmont's last formal guidance as of 8 December 2020) as follows:

Exhibit 6: Edison longer-term assumptions cf Newmont guidance*

	FY22	FY23	FY24	FY25
Edison current				
Production (Moz)	6.211	6.210	6.926	6.810
Cost applicable to sales (US$/oz)	759	753	735	736
Newmont guidance*				
Production (Moz)	6.2–6.7	6.2–6.7	6.5–7.0	6.5–7.0
Cost applicable to sales (US$/oz)	650–750	625–725	600–700	600–700

Source: Newmont, Edison Investment Research. Note: *From 8 December 2020.

Valuation

Our approach to the valuation of Newmont has remained unchanged since our initiation note (see The sustainable leader, published on 9 February 2021) and readers are directed to this note for a fuller explanation of the methodologies involved. The following is an update of our valuation in light of Q321 financial results, updated forecasts for FY21 and our longer-term (cost) assumption changes.

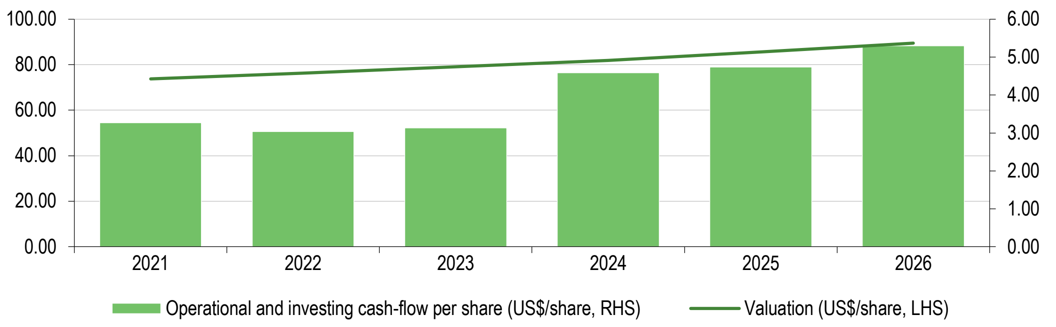
Absolute valuation

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 from the start of FY21, then apply an ex-growth terminal multiple to forecast cash flows in that year (ie FY26) based on 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 a discretionary investment. In the case of Newmont, however, we have included it in our estimate of future cash flows on the grounds that it will 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.

Notwithstanding the changes to our short-term forecasts for FY21, our estimate of Newmont's pre-financing cash flow in FY26 has increased slightly since our last note to US$5.30 per share (cf US$5.14/share previously and US$1.22/share in FY18). On this basis, applying a (real) discount rate of 6.4% (calculated from a nominal expected equity return of 9% and slightly reduced long-term inflation expectations of 2.4158% cf 2.4192% previously, as defined by the US 30-year breakeven inflation rate – source: Bloomberg, 10 November), our terminal valuation of the company at end-FY26 is US$82.38/share (cf US$80.01/share previously). However, note that this valuation is based on the inherently conservative assumption of zero growth in (real) cash flows beyond FY26.

In conjunction with forecast intervening dividends, this terminal value then discounts to a net present value of US$73.78/share (cf US$71.57/share previously) at the start of FY21.

Exhibit 7: 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 8: Newmont valuation relative to peers

Company	Ticker	P/E (x)			P/cash flow (x)			EV/EBITDA (x)			Yield (%)		
		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**	**19.8**	**20.3**	**21.8**	**9.9**	**9.4**	**9.4**	**8.7**	**7.6**	**8.2**	**3.9**	**3.9**	**3.9**
Newmont (consensus)	**NEM**	**18.8**	**16.7**	**17.1**	**9.7**	**8.9**	**9.2**	**7.8**	**7.0**	**7.1**	**3.8**	**3.8**	**3.7**
Barrick	ABX	16.9	16.0	15.7	7.7	7.1	6.8	6.6	6.2	6.1	3.6	1.7	2.1
AngloGold	ANGJ	10.0	7.7	7.6	6.8	6.5	5.4	5.0	4.2	4.0	1.5	1.6	2.2
Polyus	PLZL MM	11.1	9.8	9.6	9.0	8.3	8.1	8.4	8.5	7.3	3.0	4.5	4.7
Gold Fields	GFI	9.5	9.1	7.7	6.6	6.2	5.7	4.4	4.4	4.0	3.0	3.1	3.6
Kinross	K	15.5	8.0	7.3	6.5	3.9	3.7	5.6	3.5	3.3	1.9	1.9	1.9
Agnico-Eagle	AEM	20.8	18.1	18.4	8.5	8.1	8.1	7.9	6.7	6.6	2.6	2.6	2.6
Newcrest	NCM AU	17.5	17.0	21.0	9.6	8.9	10.3	7.4	7.0	8.1	1.4	1.5	1.2
Harmony	HARJ	8.0	7.6	14.2	4.9	4.3	16.9	3.6	3.4	4.9	2.0	3.8	0.6
Endeavour (consensus)	EDV	11.7	10.7	11.4	5.9	5.4	5.5	5.1	5.0	5.4	2.0	2.2	1.9
Average (excl NEM)		**13.4**	**11.6**	**12.5**	**7.3**	**6.5**	**7.8**	**6.0**	**5.4**	**5.5**	**2.3**	**2.5**	**2.3**

Source: Edison Investment Research, Refinitiv. Note: Consensus and peers priced on 10 November 2021.

In comparing this table with the equivalent table in our last note on Newmont (Teething trouble at Boddington irrelevant, published on 26 October 2021), it can be seen there has been a de-rating of the majority of companies since that the date of that report and a de-rating of all ten companies, on average, over the majority of years. 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 93.6% for its dividend yield to match those of its peer group. Based on our forecasts, we estimate its share price would have to rise 96.3%.

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 Q321). This is in contrast to a number of its peers, where earnings and cash flow from assets not 100%-owned tend to be fully consolidated and therefore 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 (absolute, historical and peer group) over the next five years is shown in Exhibit 9.

Exhibit 9: Newmont valuation summary (US$/share in years shown)

Basis of valuation		FY21e	FY22e	FY23e	FY24e	FY25e
Absolute	6.6% real cost of equity and ex-growth terminal multiple	**73.78**	**76.32**	**79.03**	**81.91**	**85.58**
Historical	Share price implied by Edison EPS forecast (US$/share)	69.97	68.07	63.45	55.96	
Historical	Share price implied by Edison DPS forecast (US$/share)	123.32	123.32	123.32	89.69	
Historical	Share price implied by consensus EPS forecast (US$/share)	73.36	82.62	80.91	88.22	
Historical	Share price implied by consensus DPS forecast (US$/share)	121.08	122.20	117.15	120.52	
Peer group	Share price implied from Edison EBITDA forecast (US$/share)	39.73	42.22			
Peer group	Share price implied from consensus EBITDA forecast (US$/share)	44.88	46.25			
Peer group	Share price implied from Edison cash flow per share (US$/share)	41.75	39.27			
Peer group	Share price implied from consensus cash flow per share (US$/share)	42.57	41.30			
	Average (US$/share)	**70.05**	**71.29**	**92.77**	**87.26**	**85.58**

Source: Edison Investment Research (underlying consensus data: Refinitiv, 10 November 2021).

Exhibit 10: Financial summary

Accounts: US GAAP, Yr end: December, USD: Millions	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Income statement								
Total revenues	7,253	9,740	11,497	11,999	12,317	11,719	12,298	11,947
Cost of sales	(4,093)	(5,195)	(5,014)	(5,270)	(5,304)	(5,222)	(5,791)	(5,791)
Gross profit	3,160	4,545	6,483	6,730	7,012	6,497	6,508	6,156
SG&A (expenses)	(244)	(313)	(269)	(255)	(260)	(260)	(260)	(260)
R&D costs	(350)	(415)	(309)	(373)	(406)	(406)	0	0
Other income/(expense)	(406)	(253)	(831)	(515)	(174)	(174)	(83)	(82)
Exceptionals and adjustments	(424)	2,220	214	(857)	0	0	0	0
Depreciation and amortisation	(1,215)	(1,960)	(2,300)	(2,326)	(2,545)	(2,618)	(3,383)	(3,572)
Reported EBIT	945	3,994	3,451	2,736	3,628	3,040	2,781	2,242
Finance income/(expense)	(207)	(301)	(308)	(275)	(152)	67	5	18
Reported PBT	738	3,693	3,143	2,461	3,476	3,106	2,787	2,260
Income tax expense (includes exceptionals)	(419)	(737)	(515)	(932)	(1,143)	(973)	(876)	(785)
Reported net income	380	2,884	2,791	1,571	2,332	2,133	1,910	1,475
Basic average number of shares, m	533	735	804	800	799	799	799	799
Basic EPS (US$/share)	0.64	3.82	3.52	2.20	2.79	2.60	2.30	1.73
Adjusted EBITDA	2,584	3,734	5,537	5,348	6,173	5,658	6,164	5,814
Adjusted EBIT	1,369	1,774	3,237	3,022	3,628	3,040	2,781	2,242
Adjusted PBT	1,162	1,473	2,929	2,747	3,476	3,106	2,787	2,260
Adjusted EPS (US$/share)	1.35	1.32	2.66	2.87	2.79	2.60	2.30	1.73
Adjusted diluted EPS (US$/share)	1.34	1.32	2.66	2.87	2.77	2.59	2.28	1.72
Balance sheet								
Property, plant and equipment	12,258	25,276	24,281	23,925	23,780	23,462	21,579	19,207
Goodwill	58	2,674	2,771	2,771	2,771	2,771	2,771	2,771
Other non-current assets	3,122	5,752	5,812	5,183	5,183	5,183	5,183	5,183
Total non-current assets	15,438	33,702	32,864	31,879	31,734	31,416	29,533	27,161
Cash and equivalents	3,397	2,243	5,540	5,679	5,849	6,209	8,702	11,613
Inventories	630	1,014	963	1,121	1,151	1,095	1,149	1,117
Trade and other receivables	254	373	449	362	371	353	371	360
Other current assets	996	2,642	1,553	1,613	1,613	1,613	1,613	1,613
Total current assets	5,277	6,272	8,505	8,775	8,984	9,270	11,835	14,702
Non-current loans and borrowings	3,608	6,734	6,045	5,423	4,931	4,517	4,517	4,517
Other non-current liabilities	3,808	8,438	8,076	8,150	8,131	8,112	8,004	7,895
Total non-current liabilities	7,416	15,172	14,121	13,573	13,062	12,629	12,521	12,412
Trade and other payables	303	539	493	475	478	471	522	522
Current loans and borrowings	653	100	657	657	657	657	657	657
Other current liabilities	831	1,746	2,219	2,188	2,188	2,188	2,188	2,188
Total current liabilities	1,787	2,385	3,369	3,320	3,323	3,316	3,367	3,367
Equity attributable to company	10,502	21,420	23,008	22,817	23,290	23,613	24,169	24,275
Non-controlling interest	1,010	997	871	944	1,043	1,128	1,312	1,809
Cashflow statement								
Profit for the year	380	2,884	2,791	1,571	2,332	2,133	1,910	1,475
Taxation expenses	386	832	704	1,102	1,277	1,126	1,033	887
Net finance expenses	207	301	308	275	152	(67)	(5)	(18)
Depreciation and amortisation	1,215	1,960	2,300	2,326	2,545	2,618	3,383	3,572
Share based payments	76	97	72	55	0	0	0	0
Other adjustments	749	(2,131)	(654)	871	174	174	83	82
Movements in working capital	(743)	(309)	295	(223)	(229)	(126)	(212)	(148)
Interest paid / received	(207)	(301)	(308)	(275)	(152)	67	5	18
Income taxes paid	(236)	(498)	(926)	(1,112)	(1,277)	(1,126)	(1,033)	(887)
Cash from operations (CFO)	1,827	2,866	4,882	4,590	4,822	4,799	5,164	4,981
Capex	(1,032)	(1,463)	(1,302)	(1,641)	(2,400)	(2,300)	(1,500)	(1,200)
Acquisitions & disposals net	(98)	224	1,463	(221)	0	0	0	0
Other investing activities	(47)	41	65	0	0	0	0	0
Cash used in investing activities (CFIA)	(1,177)	(1,226)	91	(1,976)	(2,400)	(2,300)	(1,500)	(1,200)
Net proceeds from issue of shares	(98)	(479)	(521)	(248)	0	0	0	0
Movements in debt	0	(1,186)	(175)	(550)	(492)	(414)	0	0
Dividends paid	(301)	(889)	(834)	(1,570)	(1,837)	(1,803)	(1,331)	(1,361)
Other financing activities	(56)	(223)	(150)	(107)	77	77	160	490
Cash from financing activities (CFF)	(455)	(2,777)	(1,680)	(2,475)	(2,252)	(2,139)	(1,171)	(871)
Currency translation differences and other	(4)	(3)	6	0	0	0	0	0
Increase/(decrease) in cash and equivalents	191	(1,140)	3,299	139	170	360	2,493	2,910
Cash and equivalents at end of period	3,489	2,349	5,648	5,787	5,957	6,317	8,810	11,721
Net (debt) cash	(864)	(4,591)	(1,162)	(401)	261	1,035	3,528	6,439
Movement in net (debt) cash over period	(864)	(3,727)	3,429	761	662	774	2,493	2,910

Source: Company sources, Edison Investment Research

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