

Newmont Corporation

2023 preview

Sustainable in several senses

Newmont will update guidance for 2023 when it releases Q4 results on 23 February 2023. We anticipate a strong close to 2022 (production up 6% quarter-on-quarter and costs down 13% in Q4) and believe a dividend recalibration is possible, albeit reflecting industry inflation rather than a reassessment of capital allocation policy in general. In this context, we see Newmont as a sustainable choice among gold producers, not only in an ESG sense, but also in its ability to maintain 6Moz pa of low-cost production.

Year end	Revenue (US\$m)	PBT (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)	Yield (%)
12/20	11,497	3,143	2.66	1.45	20.1	2.7
12/21	12,222	1,108	2.97	2.20	18.1	4.1
12/22e	11,633	1,943	1.94	2.05	27.7	3.8
12/23e	11,633	2,188	1.76	1.60	30.5	2.9

Note: *EPS is normalised, excluding amortisation of acquired intangibles and exceptional items.

Looking forward to the year ahead

We expect Newmont's guidance to reflect its continued push towards sustainable, decarbonised gold production via the continued development of electrified autonomous vehicles and battery-powered underground mining operations. In terms of output, an emphasis on sustaining attributable production levels around 6Moz pa (7.5–8Moz pa on a gold equivalent ounce (GEO) basis) for the next decade is likely. Our production forecast is for a slight increase in 2023 (6.2Moz) compared to 2022 levels (5.9Moz). In the medium term, we see Newmont able to grow attributable gold production towards 6.7Moz in 2027. Cost and capex guidance estimates are more uncertain. Previously, Newmont had been guiding to structural declines in costs through to 2024 (GEO AISC of \$880–980/oz in 2024). We foresee 2023 costs to be mostly flat relative to 2022 levels and any confirmation of this would be positive in our view. Early indications are that capex commitments over the next five years appear broadly unchanged, notwithstanding changes to the timing of the implementation of the Yanacocha Sulphides project. As such, we do not see any major change in capital allocation policy. However, we perceive the possibility that Newmont may recalibrate its base dividend to a gold price of US\$1,400/oz (cf US\$1,200/oz) to reflect (a) reserve calculations and (b) industry inflation (albeit this may be balanced by a higher gold price in the longer term).

Valuation: Discounting a conservative gold price

We conservatively project unit costs in FY23 in line with those experienced in FY22. As such our 'terminal' pre-financing cash flow in FY27 has increased from US\$3.54/share previously, to US\$3.62/share. Using a real discount rate of 6.51% (cf 6.71% previously), our valuation of the company is US\$54.74/share, based on a long-term (real) gold price of US\$1,524/oz (cf a current price of US\$1,936/oz) and assuming zero growth in real cash flows beyond FY27, but US\$79.99/share if 2.0% growth per year in real cash flows is assumed (ie the minimum that might be expected from the average historical annual increase in the real price of gold of 2.0% pa).

Metals and mining

2 February 2023

Price **US\$53.63**
Market cap **US\$42,570m**

Net debt (US\$m) at end-September 2022 1,938

Shares in issue 793.0m

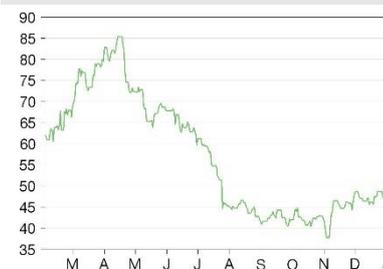
Free float 99.8%

Code NEM

Primary exchange NYSE

Secondary exchange TSX

Share price performance



% 1m 3m 12m

Abs (22.8) 1.8 (7.5)

Rel (local) (15.4) 13.7 (3.7)

52-week high/low US\$86.4 US\$37.5

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

Updated guidance February 2023

Q422/FY22 results February 2023

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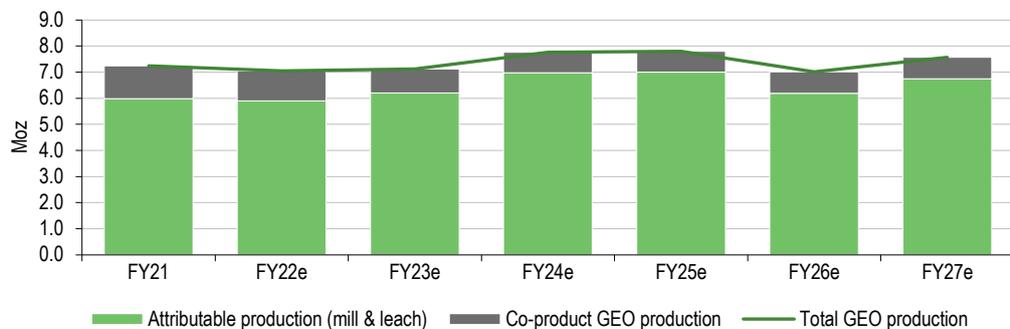
A focus on 2023

We include in this note our full and updated 2023 quarter-by-quarter forecasts. This is in advance of the release of detailed five-year guidance by Newmont, which will be provided alongside Q4 results on 23 February 2023. We also include updated estimates for Q4 and FY22 ahead of the full year results. We note that our 2023 numbers are somewhat preliminary in nature (guidance was originally expected in early December but was rescheduled to February) and subject to revision if guidance varies materially from our expectations.

We expect performance in 2023 to be comparable to 2022 in terms of production and costs. However, we have smoothed our estimate of development capex over that timeframe, notwithstanding Newmont's move to rephase its capex structure at Yanacocha, including a US\$350m investment for a new water treatment plant in FY23 and FY24, which we expect to be charged to reclamation and remediation in the income statement. As a consequence, we have increased our estimates for reclamation and remediation spend in those years, which can now be seen in Exhibit 2, which presents our quarterly forecasts for FY23 for the first time.

In general terms, we expect Newmont's guidance presentation to cover its continued push towards sustainable, decarbonised gold mining operations via the continued development of electrified autonomous vehicles and battery powered underground mining operations. In terms of gold production, an emphasis on maintaining 6Moz pa attributable production levels (closer to 7.5–8Moz pa on a GEO basis) for the next decade is likely in our view. Our production forecast is for a slight increase in 2023 (6.2Moz) from 2022 levels (5.9Moz on our estimates). In the longer term, we see Newmont able to grow attributable gold production towards 7.0Moz in both FY24 and FY25 before tapering to 6.7Moz in FY27.

Exhibit 1: Gold and GEO production estimates



Source: Edison Investment Research

Exhibit 2: Newmont FY23 estimates by quarter

US\$m (unless otherwise indicated)	Q123e	Q223e	Q323e	Q423e	FY23e
Sales	2,848	2,869	2,918	2,998	11,633
Costs and expenses					
– Costs applicable to sales	1,502	1,506	1,515	1,527	6,051
– Depreciation and amortisation	571	579	597	617	2,364
– Reclamation and remediation	90	90	90	90	358
– Exploration	69	69	69	69	276
– Advanced projects, research and development	43	43	43	43	170
– General and administrative	73	73	73	73	292
– Impairment of long-lived assets	0	0	0	0	0
– Care and maintenance	0	0	0	0	0
– Loss on assets held for sale					
– Other expense, net	18	18	18	18	70
Total	2,365	2,377	2,404	2,435	9,580
Other income/(expenses)					
– Gain on asset and investment sales, net					
– Other income, net	56	56	56	56	224
– Interest expense, net of capitalised interest	(25)	(23)	(22)	(19)	(89)
Other income total	31	33	34	37	135
Income/(loss) before income and mining tax	515	525	548	599	2,188
Income and mining tax benefit/(expense)	(212)	(216)	(224)	(240)	(892)
Effective tax rate (%)	41.2	41.0	40.8	40.1	40.8
Profit after tax	303	310	324	359	1,296
Equity income/(loss) of affiliates	32	31	30	30	123
Net income/(loss) from continuing operations	335	341	355	389	1,419
Net income/(loss) from discontinued operations					
Net income/(loss)	335	341	355	389	1,419
Minority interest	5	5	5	5	20
Ditto (%)	1.6	1.6	1.5	1.4	1.5
Net income/(loss) attributable to stockholders	329	335	350	383	1,398
Adjustments to net income	0	0	0	0	0
Adjusted net income	329	335	350	383	1,398
Net income/(loss) per common share (US\$)					
Basic					
– Continuing operations	0.415	0.423	0.440	0.483	1.761
– Discontinued operations	0.000	0.000	0.000	0.000	0.000
– Total	0.415	0.423	0.440	0.483	1.761
Diluted					
– Continuing operations	0.412	0.420	0.437	0.479	1.748
– Discontinued operations	0.000	0.000	0.000	0.000	0.000
– Total	0.412	0.420	0.437	0.479	1.748
Basic adjusted net income per share (US\$)	0.415	0.423	0.440	0.483	1.761
Diluted adjusted net income per share (US\$)	0.412	0.420	0.437	0.479	1.748
DPS (US\$/share)	0.400	0.400	0.400	0.400	1.600

Source: Edison Investment Research

Dividend policy and outlook

Currently, we do not see any major change in capital allocation policy. However, we do see the potential for Newmont to recalibrate its base dividend payment from a base gold price of US\$1,200/oz to US\$1,400/oz (which would match reserve calculations) as a reflection of industry inflation (albeit, this may ultimately wash out through higher gold prices and be reflected in the variable component of the dividend payment in due course).

Newmont's dividend for Q322 was maintained at US\$0.55/share, following its dividend framework set out in Q320, whereby it formally rebased its dividend to a 'base' payout 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 above this level to shareholders (evaluated

in gold price increments of US\$300/oz). Since Q320, this has resulted in Newmont augmenting its 'base' payout of US\$0.25/share per quarter by two increments of US\$0.15/share per quarter to reflect a gold price of US\$1,800/oz (ie $1,200+(2 \times 300)$). Hence, it paid out a dividend of US\$0.55/share (ie $0.25+(2 \times 0.15)$) in Q322, despite the gold price averaging US\$1,730/oz in the same timeframe.

Moving forward, the dividend framework is set to remain unchanged. However, Newmont has always reserved the right to reconsider its dividend level on an annual basis (rather than the framework) and recent company comments suggest that Newmont may be considering recalibrating its base gold price level from US\$1,200/oz to US\$1,400/oz (in line with the price at which its reserves are calculated).

This being the case, we believe that it is possible that shareholders may, in the near future, see their 'base' payout augmented by only one gold price increment of US\$300/oz to reflect a gold price of US\$1,700/oz (ie $1,400+(1 \times 300)$), and therefore receive a dividend of US\$0.40/share per quarter (ie $0.25+(1 \times 0.15)$) where previously they had received a dividend of US\$0.55/share per quarter (ie $0.25+(2 \times 0.15)$). It should be highlighted, however, that this is assuming no structural rise in the gold price. A sustainable gold price above US\$2,000/oz, for example, may be expected to result in dividends being returned to the US\$0.55/share per quarter level.

At this point, ahead of any potential fresh guidance in February, we have reduced our dividend forecasts for Q422 and FY23 to reflect our thinking above (note that we had always assumed that Newmont's dividend would reduce in FY24 on account of our longer-term gold price assumptions, so this revision merely brings the reduction forward by 15 months). We note that the gold price rallied strongly into the end of 2022 and may exceed our estimates. Dividends remain, as always, at the discretion of management and difficult to predict, but we do see Newmont maintaining a balanced capital allocation policy with continued support of growth beyond 6Moz production levels and decarbonising/automating operations, both of which are long-term value creative uses of capital as well.

FY22 by quarter and Barrick Q4 preliminary data

Newmont will release Q422 and full year results along with guidance on 23 February 2023. We have updated our numbers ahead of this release (as well as incorporating previously released Q3 actuals into our estimates).

As was the pattern in FY21, Newmont expects both (higher) production and (lower) costs to have been weighted towards the second half of the year in FY22, approximately in the ratio 48:52, largely driven by higher grades. Hence, we expect production to increase by 6% in Q4 with costs acting inversely, decreasing by 13%.

On 17 January 2023, Barrick released preliminary Q4 results confirming production and sales for Pueblo Viejo and Nevada Gold Mines (NGM); we have updated our forecasts accordingly (Exhibit 3). Barrick outlined Pueblo Viejo was slightly below expected production; however, it finished the year well above guidance.

After incorporating Newmont's Q322 results and Barrick's Q4 preliminary data, our revised production and cost estimates for the full year results are presented below (by geographical region):

Exhibit 3: Newmont Q122–Q422e operational estimates

Region	Production (koz)						Costs applicable to sales (US\$/oz)					
	Q122	Q222	Q322	Q422e	FY22e	FY22e (prior)	Q122	Q222	Q322	Q422e	FY22e	FY22e (prior)
North America	309	316	404	383	1,412	1,335	995	1,124	980	923	1,002	1,054
South America	198	210	185	197	790	850	921	982	1,145	986	1,003	900
Australia	282	366	296	330	1,274	1,370	764	710	754	697	729	722
Africa	198	243	254	278	973	970	871	838	917	679	821	868
Nevada	288	290	266	323*	1,168*	1,181	899	1,035	1,104	958*	1,002*	961
Sub-total	1,275	1,425	1,405	1,511	5,617	5,706	890	932	968	847	911	901
Pueblo Viejo (40%)	69	70	81	65*	285*	302						
Total (attributable) gold	1,344	1,495	1,486	1,576	5,902	6,008						

Source: Newmont Corporation, Edison Investment Research. Note: Totals may not add up owing to rounding. *Preliminary Q4 figures released by Barrick.

Using the average gold price for Q422 of US\$1,731/oz (cf US\$1,676/oz previously) and an effective tax rate for Q4 of 32% (in line with guidance for the full year), this operational performance translates into financial estimates for Newmont for FY22 as follows:

Exhibit 4: Newmont quarterly income statement, Q121–Q422e

US\$m (unless otherwise indicated)	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422e (prior)	Q422e	FY22e	FY22e (prior)
Sales	2,872	3,065	2,895	3,390	3,023	3,058	2,634	2,922	2,918	11,633	11,793
Costs and expenses											
– Costs applicable to sales	1,247	1,281	1,367	1,540	1,435	1,708	1,545	1,556	1,506	6,194	6,311
– Depreciation and amortisation	553	561	570	639	547	559	508	636	594	2,208	2,323
– Reclamation and remediation	46	57	117	1,626	61	49	53	47	46	209	203
– Exploration	35	52	60	62	38	62	69	70	69	238	240
– Advanced projects, research and development	31	37	40	46	44	45	80	43	43	212	208
– General and administrative	65	64	61	69	64	73	73	65	73	283	267
– Impairment of long-lived assets	0	0	0	0	0	0	0	0	0	0	0
– Care and maintenance	0	2	6	0	0	0	0	0	0	0	0
– Loss on assets held for sale	0	0	571	0	0	0	0	0	0	0	0
– Other expense, net	39	50	37	34	35	22	11	6	6	74	70
Total	2,016	2,104	2,829	4,016	2,224	2,518	2,339	2,422	2,337	9,418	9,622
Other income/(expenses)											
– Gain on formation of Nevada Gold Mines	0	0	0	0	0	0	0	0	0	0	0
– Gain on asset and investment sales, net	43	0	3	166	0	0	0	0	0	0	0
– Other income, net	(82)	50	(74)	19	(109)	(75)	56	0	56	(72)	(184)
– Interest expense, net of capitalised interest	(74)	(68)	(66)	(66)	(62)	(57)	(55)	(42)	(26)	(200)	(200)
Other income total	(113)	(18)	(137)	119	(171)	(132)	1	(42)	30	(272)	(384)
Income/(loss) before income and mining tax	743	943	(71)	(507)	628	408	296	458	611	1,943	1,788
Income and mining tax benefit/(expense)	(235)	(341)	(222)	(300)	(214)	(33)	(96)	(147)	(195)	(538)	(488)
Effective tax rate (%)	31.6	36.2	(312.7)	(59.2)	34.1	8.1	32.4	32.0	32.0	27.7	27.3
Profit after tax	508	602	(293)	(807)	414	375	200	312	415	1,404	1,300
Equity income/(loss) of affiliates	50	49	39	28	39	17	25	29	10	91	117
Net income/(loss) from continuing operations	558	651	(254)	(779)	453	392	225	340	425	1,495	1,417
Net income/(loss) from discontinued operations	21	10	11	15	16	8	(5)			19	24
Net income/(loss)	579	661	(243)	(764)	469	400	220	340	425	1,514	1,441
Minority interest	20	11	(246)	(718)	21	13	7	15	9	50	60
Ditto (%)	3.5	1.7	(101.2)	94.0	4.5	3.3	3.2	4.3	2.0	3.3	4.2
Net income/(loss) attributable to stockholders	559	650	3	(46)	448	387	213	325	416	1,464	1,381
Adjustments to net income	35	20	480	670	98	(25)	(1)	0	0	72	73
Adjusted net income	594	670	483	624	546	362	212	325	416	1,536	1,454
Net income/(loss) per common share (US\$)											
Basic											
– Continuing operations	0.672	0.799	(0.010)	(0.077)	0.545	0.477	0.275	0.410	0.525	1.821	1.710
– Discontinued operations	0.026	0.012	0.010	0.019	0.020	0.010	-0.006	0.000	0.000	0.024	0.030
– Total	0.698	0.811	0.000	(0.058)	0.565	0.487	0.268	0.410	0.525	1.845	1.740
Diluted											
– Continuing operations	0.671	0.797	(0.010)	(0.077)	0.544	0.477	0.274	0.409	0.524	1.819	1.708
– Discontinued operations	0.026	0.012	0.010	0.019	0.020	0.010	-0.006	0.000	0.000	0.024	0.030
– Total	0.697	0.809	0.000	(0.058)	0.564	0.487	0.268	0.409	0.524	1.843	1.738
Basic adjusted net income per share (US\$)	0.742	0.836	0.605	0.785	0.689	0.456	0.267	0.410	0.525	1.936	1.832
Diluted adjusted net income per share (US\$)	0.741	0.834	0.604	0.783	0.688	0.455	0.267	0.409	0.524	1.933	1.819
DPS (US\$/share)	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.400	2.050	2.200

Source: Newmont Corporation, Edison Investment Research

Our basic adjusted EPS forecast of US\$1.936/share (cf US\$1.832/share previously) for FY22 compares to the market consensus, by quarter, as follows:

Exhibit 5: FY22 basic adjusted EPS forecast, Edison versus consensus (US\$/share)							
	Q122	Q222	Q322	Q422e	Sum Q1–Q422e	FY22e	FY23e
Edison forecast	0.689	0.456	0.267	0.525	1.936	1.936	1.761
Consensus forecast	0.689	0.456	0.267	0.470	1.882	1.850	1.890
High	0.689	0.456	0.267	0.590	2.002	2.010	2.800
Low	0.689	0.456	0.267	0.380	1.792	1.610	(0.210)

Source: Edison Investment Research, Refinitiv (24 January 2023)

Basic adjusted EPS for the first three quarters of FY22 amounted to US\$1.412/share. Within this context, we observe the relatively wide range of forecasts for both Q4 and, in particular, FY23 and note that detailed cost and production guidance from management will be provided on 23 February, alongside FY22 results. However, readers should note that Newmont, in its Q3 results, raised the possibility of impairing a number of its assets in Q4. These include Cripple Creek & Victor (US\$470m carrying value), Porcupine (US\$340m) and Cerro Negro (US\$460m). Should these impairments be made, it would inevitably affect the appearance of Q4 and FY22 results, although it would not affect Newmont's underlying performance, as forecast by Edison in Exhibits 4, 5 and 9.

Incorporating Q322 results into our FY22 estimates

Attributable gold production at Newmont decreased by 0.5% in Q322 in comparison to Q222, to 1,487koz, with costs applicable to sales increasing 3.9% to US\$968oz. However, We estimate a strong Q4 to close out the year with gold production of 1,576koz at a cost of US\$847/oz (Exhibit 3). Newmont is on track to achieve FY22 results of c 5,902koz of attributable gold production with costs applicable to sales of c US\$911/oz (as shown in Exhibit 3).

In general, Q3 production was slightly below our prior expectations and costs slightly above as lingering COVID-19 related constraints were replaced with increasing inflationary pressures, affecting labour costs and commodity input costs, including higher fuel and energy costs. This was most notable in South America and Australia, whereas a strong dollar kept costs down in North America. A minimal impact was apparent in Africa, which operated close to our expectations in all respects. Production at Peñasquito (North America) exceeded estimates materially, aided by an increased grade quarter-on-quarter, producing 182koz gold (cf our 126koz prior forecast), which helped offset quarter-on-quarter decreased output at the Australian operation. All other assets performed largely in line with our estimates.

A summary of the operational highlights of the quarter relative to our prior expectations is provided in Exhibit 6.

Exhibit 6: Newmont Q322 operational results, actual compared to prior forecasts

Region	Production (koz)								Costs applicable to sales (US\$/oz)							
	Q321	Q421	Q122	Q222	Q322e	Q322	Change (%)*	Variance (%)**	Q321	Q421	Q122	Q222	Q322e	Q322	Change (%)*	Variance (%)**
North America	384	404	309	316	354	404	+27.8	+14.1	800	883	995	1,124	1,064	980	(12.8)	(7.9)
South America	188	182	198	210	217	185	(11.9)	(14.7)	958	860	921	982	908	1,145	+16.6	+26.1
Australia	274	339	282	366	361	296	(19.1)	(18.0)	788	724	764	710	711	754	+6.2	+6.0
Africa	210	245	198	243	255	254	+4.5	(0.4)	886	786	871	838	912	918	+9.5	+0.7
Nevada	308	377	288	290	266	267	(7.9)	+0.4	768	753	899	1,035	1,091	1,104	+6.7	+1.2
Sub-total	1,364	1,547	1,275	1,425	1,453	1,406	(1.3)	(3.2)	830	802	890	932	931	968	+3.9	+4.0
Pueblo Viejo (40%)	85	71	69	70	81	81	+15.7	N/A								
Total (attributable) gold	1,449	1,618	1,344	1,495	1,534	1,487	(0.5)	(3.1)								

Source: Newmont Corporation, Edison Investment Research. Note: Totals may not add up owing to rounding. *Q222 vs Q322 change. **Q322 vs Q322e variation.

Valuation

Our approach to the valuation of Newmont was outlined in our initiation note (see [The sustainable leader](#), published on 9 February 2021).

Absolute valuation and sensitivities

In our methodology, we have opted to discount forecast dividends back over five years from the start of FY23, then apply an ex-growth terminal multiple to forecast cash flows in that year (ie FY27) based on the appropriate discount rate. We would normally 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.

Edison has taken a conservative approach to our medium-term estimates for Newmont, while keeping long-term estimates relatively unchanged. In the wake of our adjustments, our 'terminal' pre-financing cash flow in FY27 has increased from US\$3.54/share previously, to US\$3.62/share. On this basis, applying a (real) discount rate of 6.62% (calculated from a nominal expected equity return of 9% and decreased long-term inflation expectations of 2.2305%, cf 2.1456% previously, as defined by the US 30-year break-even inflation rate – source: Bloomberg, 02 February) our terminal valuation of the company at end-FY27 is US\$54.74/share (cf US\$52.73/share previously) or US\$50.14/share in FY23. However, this valuation is based on the inherently conservative assumption of zero growth in (real) cash flows beyond FY27. The terminal valuation increases to US\$79.99/share in the event that growth in real cash flows after FY27 amounts to 2.0% per annum (ie the minimum that might be expected from the average historical annual increase in the real price of gold of 2.0% pa) and the valuation at the start of FY23 to US\$68.47/share. This is also almost equal to the result (US\$70.76/share) if the gold price remains at current levels in real terms, effectively indefinitely (with the added refinement that mining at NGM does not then revert to the reserve grade in that year on account of the relatively high sustained level of the gold price).

Note that 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 53.94Moz attributable to Newmont.

Relative Newmont valuation

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

Exhibit 7: Newmont valuation relative to peers

Company	Share price (US\$)	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)	53.63	NEM	24.4	26.8	19.8	10.4	9.5	7.6	8.4	8.4	6.2	4.3	3.0	3.0
Newmont (consensus)	53.63	NEM	28.8	27.4	23.5	11.1	10.7	10.4	9.9	9.2	8.4	4.0	3.3	3.1
Barrick	19.36	ABX	24.8	24.1	20.0	9.3	8.4	7.9	8.4	8.0	7.3	3.0	2.7	3.0
AngloGold	21.72	ANGJ	15.4	12.0	10.9	5.9	6.5	5.9	6.0	5.0	4.7	1.9	1.5	2.2
Gold Fields	12.18	GFI	12.2	11.5	8.9	7.3	6.7	5.7	5.1	5.2	4.2	2.8	2.7	2.3
Kinross	4.82	K	22.4	17.2	15.3	6.1	5.0	5.1	6.6	5.5	5.5	2.5	2.5	2.5
Newcrest	16.25	NCMAU	20.1	19.2	17.5	9.0	8.6	8.3	7.6	7.5	7.0	1.4	1.5	1.8
Harmony	3.73	HARJ	9.9	7.3	7.2	4.9	3.5	3.4	4.4	3.8	3.8	1.2	0.2	2.3
Endeavour (consensus)	23.94	EDV	18.3	16.4	15.2	5.7	5.8	5.5	5.0	5.4	5.0	3.2	3.5	3.4
Average (excl NEM)			17.6	15.4	13.6	6.9	6.3	6.0	6.2	5.7	5.4	2.3	2.1	2.5

Source: Edison Investment Research, Refinitiv. Note: Consensus and peers priced on 25 January 2023.

From the table above, it can be seen that while Newmont continues to command a premium rating relative to its peer group on most valuation measures, it remains cheap with respect to its dividend yield in at least 19 out of 21 instances (ie 91%) over the next three years. Based on consensus forecasts, we estimate that Newmont's share price would have to rise by an average of 46.0% for its dividend yield to match those of its peer group. Based on our forecasts, we estimate its share price would have to rise 49.5%.

As before, one further observation concerning the comparability of the above measures is merited. Given its policy of proportionately consolidating its interest in NGM and that it owns 100% interests in the majority of its remaining mining operations (with the notable exception of Merian), estimates of cash flow in particular are also close to estimates of cash flow attributable to shareholders (Newmont estimates that 99.8% of free cash flow was attributable to the company in FY21). 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.

Historical valuation

Based on Newmont's average historical P/E ratio of 23.9x current year earnings over the past nine years, from FY13 to FY21, and its average historical yield of 1.7% over the same timeframe (excluding special dividends), a summary of our updated valuation of the company over 16 measures of value over the next four years is as follows:

Exhibit 8: Newmont valuation summary (US\$/share in years shown)

Basis of valuation		FY22e	FY23e	FY24e	FY25e
Historical	Share price implied by Edison EPS forecast (US\$/share)	46.21	42.03	56.80	51.07
Historical	Share price implied by Edison DPS forecast (US\$/share)	118.36	92.38	92.38	92.38
Historical	Share price implied by consensus EPS forecast (US\$/share)	44.16	46.55	54.19	53.47
Historical	Share price implied by consensus DPS forecast (US\$/share)	124.71	100.46	92.38	95.26
Average (US\$/share)		83.36	70.35	73.94	73.04

Source: Edison Investment Research (underlying consensus data: Refinitiv, 26 January 2023)

Exhibit 9: Financial summary

Accounts: US GAAP; year-end 31 December; US\$m	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Income statement								
Total revenues	7,253	9,740	11,497	12,222	11,633	11,633	12,490	12,122
Cost of sales	(4,093)	(5,195)	(5,014)	(5,435)	(6,194)	(6,051)	(5,692)	(5,702)
Gross profit	3,160	4,545	6,483	6,787	5,438	5,582	6,798	6,421
SG&A (expenses)	(244)	(313)	(269)	(259)	(283)	(292)	(292)	(292)
R&D costs	(350)	(415)	(309)	(363)	(450)	(446)	0	0
Other income/(expense)	(406)	(253)	(831)	(2,101)	(355)	(204)	(254)	(79)
Exceptionals and adjustments	(424)	2,220	214	(2,258)	(287)	0	0	0
Depreciation and amortisation	(1,215)	(1,960)	(2,300)	(2,323)	(2,208)	(2,364)	(3,072)	(3,288)
Reported EBIT	945	3,994	3,451	1,382	2,143	2,276	3,180	2,762
Finance income/(expense)	(207)	(301)	(308)	(274)	(200)	(89)	(146)	(22)
Other income/(expense)	0	0	0	0	0	0	0	0
Exceptionals and adjustments	0	0	0	0	0	0	0	0
Reported PBT	738	3,693	3,143	1,108	1,943	2,188	3,035	2,740
Income tax expense (includes exceptionals)	(419)	(737)	(515)	(932)	(448)	(769)	(1,079)	(985)
Reported net income	380	2,884	2,791	233	1,514	1,419	1,956	1,756
Basic average number of shares, m	533	735	804	799	794	794	794	794
Basic EPS (US\$)	0.64	3.82	3.52	1.46	1.85	1.76	2.38	2.14
Adjusted EBITDA	2,584	3,734	5,537	5,963	4,620	4,640	6,252	6,050
Adjusted EBIT	1,369	1,774	3,237	3,640	2,412	2,276	3,180	2,762
Adjusted PBT	1,162	1,473	2,929	3,366	2,212	2,188	3,035	2,740
Adjusted EPS (US\$)	1.35	1.32	2.66	2.97	1.94	1.76	2.38	2.14
Adjusted diluted EPS (US\$)	1.34	1.32	2.66	2.96	1.93	1.75	2.36	2.12
Dividend per share (US\$)	0.56	0.56	1.45	2.20	2.05	1.60	1.60	1.60
Balance sheet								
Property, plant and equipment	12,258	25,276	24,281	24,124	23,958	24,044	23,372	21,884
Goodwill	58	2,674	2,771	2,771	2,771	2,771	2,771	2,771
Intangible assets	0	0	0	0	0	0	0	0
Other non-current assets	3,122	5,752	5,812	5,973	5,973	5,973	5,973	5,973
Total non-current assets	15,438	33,702	32,864	32,868	32,702	32,788	32,116	30,628
Cash and equivalents	3,397	2,243	5,540	4,992	4,154	3,940	5,181	7,049
Inventories	630	1,014	963	930	1,087	1,087	1,167	1,133
Trade and other receivables	254	373	449	337	351	351	376	365
Other current assets	996	2,642	1,553	1,437	1,456	1,456	1,456	1,456
Total current assets	5,272	6,272	8,505	7,696	7,048	6,834	8,181	10,004
Non-current loans and borrowings	3,608	6,734	6,045	6,109	5,617	5,203	5,203	5,203
Other non-current liabilities	3,808	8,438	8,076	9,940	9,956	10,123	10,185	10,072
Total non-current liabilities	7,416	15,172	14,121	16,049	15,573	15,326	15,388	15,275
Trade and other payables	303	539	493	518	558	545	513	514
Current loans and borrowings	653	100	657	193	193	193	193	193
Other current liabilities	831	1,746	2,219	1,943	1,943	1,943	1,943	1,943
Total current liabilities	1,787	2,385	3,369	2,654	2,694	2,681	2,649	2,650
Equity attributable to company	10,502	21,420	23,008	22,022	21,859	21,987	22,606	23,034
Non-controlling interest	1,010	997	871	(161)	(378)	(371)	(346)	(327)
Cashflow statement								
Profit for the year	380	2,884	2,791	233	1,514	1,419	1,956	1,756
Taxation expenses	386	832	704	1,098	538	892	1,177	1,032
Profit before tax	0	0	0	0	0	0	0	0
Net finance expenses	207	301	308	274	200	89	146	22
EBIT	0	0	0	0	0	0	0	0
Depreciation and amortisation	1,215	1,960	2,300	2,323	2,208	2,364	3,072	3,288
Share based payments	76	97	72	72	0	0	0	0
Other adjustments	749	(2,131)	(654)	2,277	190	358	254	79
Movements in working capital	(743)	(309)	295	(541)	(323)	(205)	(330)	(145)
Interest paid / received	(207)	(301)	(308)	(274)	(200)	(89)	(146)	(22)
Income taxes paid	(236)	(498)	(926)	(1,207)	(538)	(892)	(1,177)	(1,032)
Cash from operations (CFO)	1,827	2,866	4,882	4,279	3,589	3,936	4,951	4,977
Capex	(1,032)	(1,463)	(1,302)	(1,653)	(2,042)	(2,450)	(2,400)	(1,800)
Acquisitions & disposals net	(98)	224	1,463	(50)	(368)	0	0	0
Other investing activities	(47)	41	65	(15)	0	0	0	0
Cash used in investing activities (CFIA)	(1,177)	(1,226)	91	(1,868)	(2,410)	(2,450)	(2,400)	(1,800)
Net proceeds from issue of shares	(98)	(479)	(521)	(525)	0	0	0	0
Movements in debt	0	(1,186)	(175)	(390)	(492)	(414)	0	0
Dividends paid	(301)	(889)	(834)	(1,757)	(1,682)	(1,290)	(1,315)	(1,313)
Other financing activities	(56)	(223)	(150)	(286)	157	4	4	4
Cash from financing activities (CFF)	(455)	(2,777)	(1,680)	(2,958)	(2,017)	(1,699)	(1,311)	(1,309)
Currency translation differences and other	(4)	(3)	6	(8)	0	0	0	0
Increase/(decrease) in cash and equivalents	191	(1,140)	3,299	(555)	(838)	(214)	1,241	1,868
Currency translation differences and other	0	0	0	0	0	0	0	0
Cash and equivalents at end of period	3,489	2,349	5,648	5,093	4,255	4,041	5,282	7,150
Net (debt) cash	(864)	(4,591)	(1,162)	(1,310)	(1,656)	(1,456)	(215)	1,653
Movement in net (debt) cash over period	(864)	(3,727)	3,429	(148)	(346)	200	1,241	1,868

Source: Company sources, Edison Investment Research

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