

Newmont Corporation

Fast out of the blocks

Q121 results review

Metals & mining

Notwithstanding continued low-level coronavirus induced disruptions, Newmont's financial results were materially better than Edison's forecasts for Q121 largely as a consequence of an effective tax rate that was substantially lower than both our forecast and also Newmont's guidance for the full year. Significantly, the company maintained its quarterly dividend, indicating management's confidence in both its improving production profile as well as the gold price. This note updates our forecasts for FY21 in the light of Q1 results, as well as prevailing metals prices and assumptions regarding the treatment of tax.

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	51.4	2.1
12/20	11,497	3,143	2.66	1.45	25.5	2.1
12/21e	12,160	3,098	2.71	2.20	25.0	3.2
12/22e	12,374	3,437	2.66	2.20	25.5	3.2

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

47:53 H1:H2 production ratio and more beyond

At the individual mine level, Penasquito, Merian, Yanacocha and Ahafo outperformed our expectations in Q1, while Tanami and Akyem performed broadly in line. As noted at the time of Newmont's Q420/FY20 results, both (higher) production and (lower) costs will be weighted towards H221 (approximately in the ratio 47:53) and this effect is expected to be most pronounced in the first and last quarters of the year. In part, this profile will reflect rising grade profiles at Boddington, Ahafo, Merian, Musselwhite, Porcupine and Cripple Creek & Victor Mine (CC&V). However, it will also reflect productivity improvements from the autonomous haulage system ramp-up at Boddington, as well as volume-driven productivity improvements at Ahafo's Subika underground mine. Additional organic growth, in the form of Ahafo North and Yanacocha Sulphides, stands poised, ready to be sanctioned later this financial year and, beyond that, further laybacks at CC&V and Porcupine. Further into the future, Newmont has exposure to major gold-copper porphyry projects such as Norte Abierto, Galore Creek and Nueva Union (together c 42.59Moz Au plus 31.5bn lbs Cu).

Valuation: US\$72.92/share

Despite increasing our basic adjusted EPS forecast for FY21 by 8.7%, we have revised our FY21 valuation of Newmont downwards by 4.5% to US\$72.92/share (cf US\$76.34/share previously). This valuation is based on a blended average of 29 valuation measures over five years using three different methodologies and the decline largely reflects the de-rating of the senior gold mining sector as a whole since our [initiation report](#) was published in early February (see Exhibit 6). In contrast, however, our more distant and absolute valuations have actually risen (see Exhibit 7). This 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. In the meantime, however, it remains cheap relative to its own historical valuation measures, which, on average, continue to imply a share price close to US\$100/share.

20 May 2021

Price **US\$67.86**
Market cap **US\$54,308m**

Net debt (US\$m) end-March 2021	1,196
Shares in issue	800.0m
Free float	99.7%
Code	NEM, NGT
Primary exchange	NYSE (NEM)
Secondary exchange	TSX (NGT)

Share price performance



%	1m	3m	12m
Abs	4.4	9.0	2.6
Rel (local)	(0.9)	(2.3)	(29.5)
52-week high/low	US\$70.4	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, safety and mine execution.

Next events

Ahafo North final investment decision	July 2021
Yanacocha Sulphides decision	H221
Q221 results	July 2021
Q321 results	October/November 2021

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Q121 results compared to expectations

Notwithstanding continuing low-level disruptions occasioned by the coronavirus pandemic, Newmont's Q121 financial results were materially better than Edison's expectations, albeit in the lower half of a consensus that appeared to be underappreciating the effect of seasonality in FY21.

A summary of the operational highlights of the quarter relative to Edison's expectations is provided in Exhibit 1. In general, while production was slightly lower than Edison's expectations, this was balanced by costs that were also lower than expected:

Exhibit 1: Newmont Q121 operational results, actual vs forecast						
Region	Production			Costs applicable to sales		
	Forecast (koz)	Actual (koz)	Actual/forecast (%)	Forecast (US\$/oz)	Actual (US\$/oz)	Actual/forecast (%)
North America	430	413	-4.0	734	736	+0.3
South America	183	174	-4.9	851	791	-7.1
Australia	278	269	-3.2	724	750	+3.6
Africa	188	205	+9.0	764	758	-0.8
Nevada	347	303	-12.7	765	745	-2.6
Sub-total	1,427	1,364	-4.4	763	752	-1.4
Pueblo Viejo (40%)	81	91	+12.3			
Total (attributable) gold	1,508	1,455	-3.5			

Source: Newmont Corporation, Edison Investment Research

Operations in South America, in particular, continued to be affected by ongoing disruptions caused by the coronavirus, as did Musselwhite in North America. Ground conditions at Porcupine and rainfall at Tanami also added to the operational headwinds faced by the group during the quarter. However, this was, at least in part, counterbalanced by relative outperformance at Newmont's African operations, which was attributed to continuing progress under the company's 'full potential' initiative. At the level of the individual mines, Penasquito, Merian, Yanacocha and Ahafo generally outperformed our expectations, with Tanami and Akyem performing approximately in line and the remainder slightly underperforming (albeit with mitigating circumstances in the cases of Cerro Negro and Boddington in the form of lower than expected costs).

As anticipated at the time of our last note on the company ([Q121 results preview](#), published on 19 April 2021), Q121 financial results (when the gold price averaged US\$1,796/oz) fell between those of Q220 (when the gold price averaged US\$1,713/oz) and Q320 (when it averaged US\$1,911/oz) – albeit they more closely approximated the latter than the former. In calculating its basic adjusted net income per share, readers should note that, in this case, Newmont did not adjust for COVID-19 related costs (which was typically its practice in FY20). Had it done so, Newmont estimates that it would have added 2c to earnings, taking basic adjusted net EPS from US\$0.74/share to US\$0.76/share and to within a cent of the prior consensus of US\$0.77/share (within a range of US\$0.55–1.05/share, source: Refinitiv, 28 April 2021). Otherwise, pre-tax profits were within 1.8% of Edison's prior forecast for the quarter, with the major variances being the effective tax rate (which at 31.6% was materially lower than our forecast and also Newmont's guidance for the full year of 34–38%) and adjustments relating mostly to a change in the fair value of investments. A full analysis of Newmont's Q121 financial performance relative to both Edison's prior forecasts and Q420 results is provided in the exhibit below:

Exhibit 2: Newmont quarterly income statement, Q120–Q421 cf Edison forecast

US\$m (unless otherwise indicated)	Q120	Q220	Q320	Q420	FY20	Q121e	Q121	*Change (%)	**Variation (%)	**Variation (units)
Sales	2,581	2,365	3,170	3,381	11,497	2,958	2,872	-15.1	-2.9	-86
Costs and expenses										
– Costs applicable to sales	1,332	1,058	1,269	1,355	5,014	1,314	1,247	-8.0	-5.1	-67
– Depreciation and amortisation	565	528	592	615	2,300	594	553	-10.1	-6.9	-41
– Reclamation and remediation	38	40	38	250	366	54	46	-81.6	-14.8	-8
– Exploration	44	26	48	69	187	63	35	-49.3	-44.4	-28
– Advanced projects, research and development	27	26	39	30	122	35	31	3.3	-11.4	-4
– General and administrative	65	72	68	64	269	65	65	1.6	0.0	0
– Impairment of long-lived assets	0	5	24	20	49	0	0	-100.0	N/A	0
– Care and maintenance	20	125	26	7	178	0	0	-100.0	N/A	0
– Other expense, net	33	54	68	51	206	69	39	-23.5	-43.5	-30
Total	2,124	1,934	2,172	2,461	8,691	2,193	2,016	-18.1	-8.1	-177
Other income/(expenses)										
– Gain on formation of Nevada Gold Mines	0	0	0	0	0	0	0	N/A	N/A	0
– Gain on asset and investment sales, net	593	(1)	1	84	677	0	43	-48.8	N/A	43
– Other income, net	(189)	198	(44)	3	(32)	42	(82)	-2,833.3	-295.2	-124
– Interest expense, net of capitalised interest	(82)	(78)	(75)	(73)	(308)	(78)	(74)	1.4	-5.1	4
	322	119	(118)	14	337	(36)	(113)	-907.1	213.9	-77
Income/(loss) before income and mining tax	779	550	880	934	3,143	730	743	-20.4	1.8	13
Income and mining tax benefit/(expense)	23	(164)	(305)	(258)	(704)	(298)	(235)	-8.9	-21.1	63
Effective tax rate (%)	(3.0)	29.8	34.7	27.6	23.4	40.9	31.6	14.5	-22.7	-9.3
Profit after tax	802	386	575	676	2,439	431	508	-24.9	17.9	77
Equity income/(loss) of affiliates	37	29	53	70	189	33	50	-28.6	51.5	17
Net income/(loss) from continuing operations	839	415	628	746	2,628	465	558	-25.2	20.0	93
Net income/(loss) from discontinued operations	(15)	(68)	228	18	163	0	21	16.7	N/A	21
Net income/(loss)	824	347	856	764	2,791	465	579	-24.2	24.5	114
Minority interest	2	3	17	(60)	(38)	18	20	-133.3	11.1	2
Minority interest (%)	0.2	0.9	2.0	(7.9)	(1.4)	3.9	3.5	-144.3	-10.3	-0.4
Net income/(loss) attributable to stockholders	822	344	839	824	2,829	447	559	-32.2	25.1	112
Adjustments to net income	(496)	(83)	(142)	32	(689)	0	35	9.4	N/A	35
Adjusted net income	326	261	697	856	2,140	447	594	-30.6	32.9	147
Net income/(loss) per common share (US\$)										
Basic										
– Continuing operations	1.037	0.513	0.761	1.005	3.317	0.557	0.672	-33.7	20.3	0.113
– Discontinued operations	(0.019)	(0.085)	0.284	0.022	0.203	0.000	0.026	50.0	N/A	0.030
– Total	1.019	0.428	1.045	1.027	3.520	0.557	0.698	-32.0	25.7	0.143
Diluted										
– Continuing operations	1.035	0.512	0.758	1.002	3.309	0.554	0.671	-33.0	20.9	0.116
– Discontinued operations	(0.019)	(0.084)	0.283	0.022	0.202	0.000	0.026	50.0	N/A	0.030
– Total	1.016	0.427	1.041	1.025	3.511	0.554	0.697	-31.4	26.4	0.146
Basic adjusted net income per share (US\$)	0.404	0.325	0.868	1.067	2.663	0.557	0.742	-30.8	32.9	0.183
Diluted adjusted net income per share (US\$)	0.403	0.324	0.865	1.065	2.656	0.554	0.741	-30.2	33.6	0.186
DPS (US\$/share)	0.250	0.250	0.400	0.550	1.450	0.550	0.550	0.0	0.0	0.000

Source: Newmont Corporation, Edison Investment Research. Note: *Q121 cf Q420; **Q121 cf Q121e.

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 at Boddington and Ahafo, in particular (NB 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 to say, H221 costs are expected to be lower than H121 costs. In part, this reflects lower expected production in H121. However, it also reflects higher sustaining capital costs in H121, in particular, relating to the autonomous haulage system being implemented at Boddington.

In the light of Q121 results, the currently prevailing gold price (US\$1,793/oz cf US\$1,776/oz previously) and slight adjustments to our ongoing treatment of tax (overall, resulting in a reduction in the effective tax rate), our updated financial forecasts for Newmont for the remainder of FY21, by quarter, are now as follows:

Exhibit 3: Newmont quarterly income statement, Q120–Q421e cf Edison prior forecast

US\$m (unless otherwise indicated)	Q120	Q220	Q320	Q420	FY20	Q121	Q221e	Q321e	Q421e	FY21e (current)	FY21e (prior)
Sales	2,581	2,365	3,170	3,381	11,497	2,872	2,954	3,163	3,171	12,160	12,256
Costs and expenses											
– Costs applicable to sales	1,332	1,058	1,269	1,355	5,014	1,247	1,290	1,310	1,305	5,152	5,357
– Depreciation and amortisation	565	528	592	615	2,300	553	598	630	639	2,420	2,424
– Reclamation and remediation	38	40	38	250	366	46	42	42	42	173	215
– Exploration	44	26	48	69	187	35	65	65	65	230	250
– Advanced projects, research and development	27	26	39	30	122	31	37	37	37	141	140
– General and administrative	65	72	68	64	269	65	65	65	65	260	260
– Impairment of long-lived assets	0	5	24	20	49	0	0	0	0	0	0
– Care and maintenance	20	125	26	7	178	0	0	0	0	0	0
– Other expense, net	33	54	68	51	206	39	69	69	69	246	276
Total	2,124	1,934	2,172	2,461	8,691	2,016	2,165	2,218	2,222	8,622	8,923
Other income/(expenses)											
– Gain on formation of Nevada Gold Mines	0	0	0	0	0	0				0	
– Gain on asset and investment sales, net	593	(1)	1	84	677	43				43	
– Other income, net	(189)	198	(44)	3	(32)	(82)	(42)	(42)	(42)	(208)	168
– Interest expense, net of capitalised interest	(82)	(78)	(75)	(73)	(308)	(74)	(79)	(70)	(52)	(275)	(275)
	322	119	(118)	14	337	(113)	(121)	(112)	(94)	(440)	(107)
Income/(loss) before income and mining tax	779	550	880	934	3,143	743	668	832	855	3,098	3,226
Income and mining tax benefit/(expense)	23	(164)	(305)	(258)	(704)	(235)	(240)	(300)	(308)	(1,083)	(1,294)
Effective tax rate (%)	(3.0)	29.8	34.7	27.6	23.4	31.6	36.0	36.0	36.0	35.0	40.1
Profit after tax	802	386	575	676	2,439	508	427	533	547	2,015	1,931
Equity income/(loss) of affiliates	37	29	53	70	189	50	40	40	40	170	130
Net income/(loss) from continuing operations	839	415	628	746	2,628	558	467	573	587	2,185	2,061
Net income/(loss) from discontinued operations	(15)	(68)	228	18	163	21				21	0
Net income/(loss)	824	347	856	764	2,791	579	467	573	587	2,206	2,061
Minority interest	2	3	17	(60)	(38)	20	17	17	17	71	65
Do (%)	0.2	0.9	2.0	(7.9)	(1.4)	3.5	3.6	3.0	2.9	3.2	3.2
Net income/(loss) attributable to stockholders	822	344	839	824	2,829	559	450	556	570	2,135	1,996
Adjustments to net income	(496)	(83)	(142)	32	(689)	35	0	0	0	35	0
Adjusted net income	326	261	697	856	2,140	594	450	556	570	2,170	1,996
Net income/(loss) per common share (US\$)											
Basic											
– Continuing operations	1.037	0.513	0.761	1.005	3.317	0.672	0.563	0.695	0.713	2.641	2.493
– Discontinued operations	(0.019)	(0.085)	0.284	0.022	0.203	0.026	0.000	0.000	0.000	0.026	0.000
– Total	1.019	0.428	1.045	1.027	3.520	0.698	0.563	0.695	0.713	2.668	2.493
Diluted											
– Continuing operations	1.035	0.512	0.758	1.002	3.309	0.671	0.559	0.690	0.708	2.623	2.475
– Discontinued operations	(0.019)	(0.084)	0.283	0.022	0.202	0.026	0.000	0.000	0.000	0.026	0.000
– Total	1.016	0.427	1.041	1.025	3.511	0.697	0.559	0.690	0.708	2.649	2.475
Basic adjusted net income per share (US\$)	0.404	0.325	0.868	1.067	2.663	0.742	0.563	0.695	0.713	2.711	2.493
Diluted adjusted net income per share (US\$)	0.403	0.324	0.865	1.065	2.656	0.741	0.559	0.690	0.708	2.692	2.475
DPS (US\$/share)	0.250	0.250	0.400	0.550	1.450	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\$2.711/share for FY21 compares to the market consensus, as follows:

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

	Q121	Q221e	Q321e	Q421e	Sum Q1–Q421e	FY21e
Edison forecast	0.742	0.563	0.695	0.713	2.713	2.711
Consensus forecast	0.74	0.79	0.93	0.99	3.45	3.53
High	0.74	1.08	1.32	1.56	4.70	4.96
Low	0.74	0.66	0.74	0.70	2.84	2.84

Source: Edison Investment Research, Refinitiv (13 May 2021)

Dividend

Newmont's dividend for Q121 was maintained at US\$0.55/share. Readers are reminded that, 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 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 both Q221–Q421 and FY21 unchanged on the basis that we believe that the gold price temporarily dipping below US\$1,800/oz is unlikely to result in any readjustment in the quarterly distribution.

Valuation

Edison's approach to the valuation of Newmont has remained unchanged since our initiation note on the company (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 the Q121 results, changes to our treatment of Newmont's tax charge and short-term revisions to our commodity price forecasts.

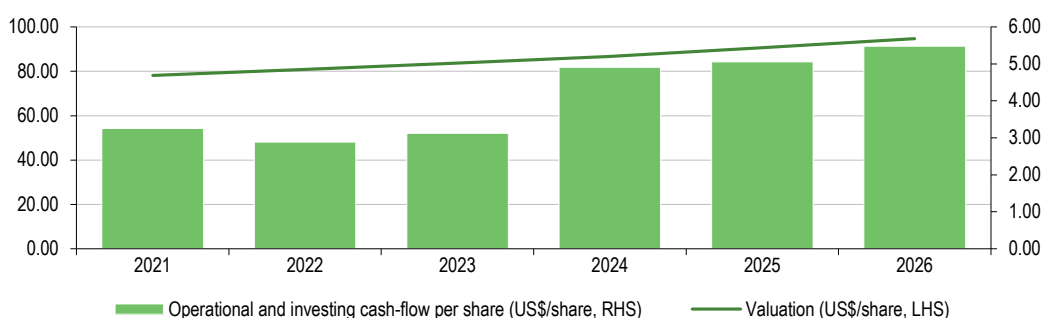
Absolute valuation

Newmont is a multi-asset company that has shown a willingness and desire to trade assets in the past in order 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 and then to 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.

Our estimate of Newmont's pre-financing cash flow in FY26 is US\$5.48 per share (cf US\$1.22 per share in FY18). On this basis, our terminal valuation of the company at end-FY26 would be

US\$86.95/share (based on an assumption of zero growth in cash flows beyond FY26 and an unchanged 6.3% real discount rate). In conjunction with forecast intervening dividends, this terminal value then discounts to a net present value of US\$78.08/share at the start of FY21 (again, based on the assumption of zero growth in cash flows beyond FY26 and a 6.3% discount rate).

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

Company	Ticker	P/E			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	25.0	25.5	26.4	12.3	11.5	11.3	9.5	9.2	10.1	3.2	3.2	3.2
Newmont (consensus)	NEM	19.2	17.7	19.6	10.4	9.7	10.6	8.0	7.7	8.3	3.2	3.3	3.2
Barrick	ABX	19.5	18.7	19.3	8.1	8.0	7.9	7.4	7.0	7.0	2.6	1.5	1.8
AngloGold	ANGJ	8.4	7.8	8.4	5.7	5.7	5.2	4.3	4.2	4.4	2.0	1.9	2.0
Polyus	PLZL MM	12.2	11.8	12.8	9.3	8.5	7.2	8.0	7.7	7.3	3.9	4.5	4.6
Gold Fields	GFI	9.2	9.1	8.4	5.8	5.5	4.9	4.4	4.4	4.1	3.3	3.5	3.6
Kinross	K	11.5	7.7	7.8	5.5	4.2	4.2	5.0	3.9	3.6	1.7	1.7	1.6
Agnico-Eagle	AEM	24.1	20.8	21.4	10.3	9.4	9.7	9.0	7.8	8.2	2.1	2.1	2.1
Newcrest	NCM AU	15.7	16.0	15.8	9.1	9.4	9.4	7.7	7.7	7.9	1.5	1.5	1.6
Harmony	HARJ	5.5	5.4	5.9	4.3	3.9	4.0	3.0	2.6	2.8	2.3	3.0	3.1
Endeavour (consensus)	EDV	9.3	7.7	11.0	4.4	4.0	5.1	3.9	3.7	4.7	2.2	6.1	7.9
Average (excl NEM)		12.8	11.7	12.3	7.0	6.5	6.4	5.8	5.4	5.6	2.4	2.9	3.1

Source: Edison Investment Research, Refinitiv. Note: Consensus and peers priced on 13 May 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 that there has been something of de-rating of the sector since that date – especially in respect of companies' dividend yields and Yr1 PE multiples. In addition, it can also be seen that, while Newmont continues to command a premium rating relative to its peer group on the first three 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 41.5% for its dividend yield to match those of its peer group. Based on Edison forecasts, we estimate that its share price would have to rise 41.2%.

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 the fact 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 99% of free cash flow was attributable to the company in Q121). This is not always the case in the mining industry, 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 course of the next five years is as follows:

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

Basis of valuation		FY21e	FY22e	FY23e	FY24e	FY25e
Absolute	6.3% real cost of equity and ex-growth terminal multiple	78.08	80.80	83.69	86.76	90.63
Historical	Share price implied by Edison EPS forecast (US\$/share)	66.02	64.90	62.66	63.44	
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)	86.03	93.34	101.87	93.59	
Historical	Share price implied by consensus DPS forecast (US\$/share)	122.76	123.88	122.20	140.14	
Peer group	Share price implied from Edison EBITDA forecast (US\$/share)	42.90	41.01			
Peer group	Share price implied from consensus EBITDA forecast (US\$/share)	51.26	49.58			
Peer group	Share price implied from Edison cash flow per share (US\$/share)	38.45	38.21			
Peer group	Share price implied from consensus cash flow per share (US\$/share)	47.43	44.70			
Average (US\$/share)		72.92	73.30	98.75	94.72	90.63

Source: Edison Investment Research

Exhibit 8: 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	12,160	12,374	11,840	12,393	11,983
Cost of sales		(4,093)	(5,195)	(5,014)	(5,152)	(5,052)	(5,040)	(5,562)	(5,562)
Gross profit		3,160	4,545	6,483	7,008	7,322	6,800	6,831	6,421
SG&A (expenses)		(244)	(313)	(269)	(260)	(260)	(260)	(260)	(260)
R&D costs		(350)	(415)	(309)	(371)	(406)	(406)	0	0
Other income/(expense)		(406)	(253)	(831)	(627)	(614)	(613)	(84)	(83)
Exceptionals and adjustments	Exceptionals	(424)	2,220	214	(87)	0	0	0	0
Depreciation and amortisation		(1,215)	(1,960)	(2,300)	(2,420)	(2,557)	(2,656)	(3,414)	(3,623)
Reported EBIT		945	3,994	3,451	3,373	3,486	2,865	3,073	2,455
Finance income/(expense)		(207)	(301)	(308)	(275)	(49)	261	5	19
Reported PBT		738	3,693	3,143	3,098	3,437	3,126	3,078	2,473
Income tax expense (includes exceptionals)		(419)	(737)	(515)	(913)	(1,222)	(1,023)	(933)	(794)
Reported net income		380	2,884	2,791	2,206	2,214	2,103	2,145	1,679
Basic average number of shares, m		533	735	804	801	800	800	800	800
Basic EPS (US\$/share)		0.64	3.82	3.52	2.67	2.66	2.57	2.60	2.01
Adjusted EBITDA		2,584	3,734	5,537	5,880	6,042	5,521	6,487	6,078
Adjusted EBIT		1,369	1,774	3,237	3,460	3,486	2,865	3,073	2,455
Adjusted PBT		1,162	1,473	2,929	3,185	3,437	3,126	3,078	2,473
Adjusted EPS (US\$/share)		1.35	1.32	2.66	2.71	2.66	2.57	2.60	2.01
Adjusted diluted EPS (US\$/share)		1.34	1.32	2.66	2.69	2.64	2.55	2.58	1.99
Balance sheet									
Property, plant and equipment		12,258	25,276	24,281	23,676	23,520	23,164	21,250	18,827
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	5,855	5,855	5,855	5,855	5,855
Total non-current assets		15,438	33,702	32,864	32,302	32,146	31,790	29,876	27,453
Cash and equivalents		3,397	2,243	5,540	5,750	5,819	6,184	8,956	12,152
Inventories		630	1,014	963	1,136	1,156	1,107	1,158	1,120
Trade and other receivables		254	373	449	366	373	357	373	361
Other current assets		996	2,642	1,553	1,574	1,574	1,574	1,574	1,574
Total current assets		5,277	6,272	8,505	8,827	8,923	9,221	12,061	15,207
Non-current loans and borrowings		3,608	6,734	6,045	5,495	5,003	4,589	4,589	4,589
Other non-current liabilities		3,808	8,438	8,076	8,056	8,033	8,011	7,903	7,795
Total non-current liabilities		7,416	15,172	14,121	13,551	13,036	12,600	12,492	12,384
Trade and other payables		303	539	493	464	455	454	501	501
Current loans and borrowings		653	100	657	657	657	657	657	657
Other current liabilities		831	1,746	2,219	2,219	2,219	2,219	2,219	2,219
Total current liabilities		1,787	2,385	3,369	3,340	3,331	3,330	3,377	3,377
Equity attributable to company		10,502	21,420	23,008	23,281	23,651	23,948	24,751	25,076
Non-controlling interest		1,010	997	871	957	1,049	1,133	1,317	1,822
Cashflow statement									
Profit for the year		380	2,884	2,791	2,206	2,214	2,103	2,145	1,679
Taxation expenses		386	832	704	1,083	1,372	1,194	1,101	909
Net finance expenses		207	301	308	275	49	(261)	(5)	(19)
Depreciation and amortisation		1,215	1,960	2,300	2,420	2,557	2,656	3,414	3,623
Share based payments		76	97	72	0	0	0	0	0
Other adjustments		749	(2,131)	(654)	109	170	169	84	83
Movements in working capital		(743)	(309)	295	(312)	(228)	(127)	(213)	(141)
Interest paid / received		(207)	(301)	(308)	(275)	(49)	261	5	19
Income taxes paid		(236)	(498)	(926)	(1,083)	(1,372)	(1,194)	(1,101)	(909)
Cash from operations (CFO)		1,827	2,866	4,882	4,423	4,713	4,800	5,430	5,245
Capex		(1,032)	(1,463)	(1,302)	(1,816)	(2,400)	(2,300)	(1,500)	(1,200)
Acquisitions & disposals net		(98)	224	1,463	0	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	(1,816)	(2,400)	(2,300)	(1,500)	(1,200)
Net proceeds from issue of shares		(98)	(479)	(521)	(102)	0	0	0	0
Movements in debt		0	(1,186)	(175)	(550)	(492)	(414)	0	0
Dividends paid		(301)	(889)	(834)	(1,820)	(1,829)	(1,799)	(1,319)	(1,339)
Other financing activities		(56)	(223)	(150)	74	77	77	160	490
Cash from financing activities (CFF)		(455)	(2,777)	(1,680)	(2,397)	(2,244)	(2,136)	(1,159)	(849)
Currency translation differences and other		(4)	(3)	6	0	0	0	0	0
Increase/(decrease) in cash and equivalents		191	(1,140)	3,299	210	69	364	2,772	3,196
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	5,858	5,927	6,292	9,064	12,260
Net (debt) cash		(864)	(4,591)	(1,162)	(402)	159	938	3,710	6,906
Movement in net (debt) cash over period		(864)	(3,727)	3,429	760	561	778	2,772	3,196

Source: company sources, Edison Investment Research

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