Independent Equity Research Report

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Newmont Corporation

Ticker:	**NASDAQ:NEM**
Share Price:	**US $53.65**
Recommendation:	**Strong Buy**
6-month Price Target:	**Base Case: US $65.10** **Bear Case: US $57.98** **Bull Case: US $79.49**
Implied Upside:	**+21% from base case target**

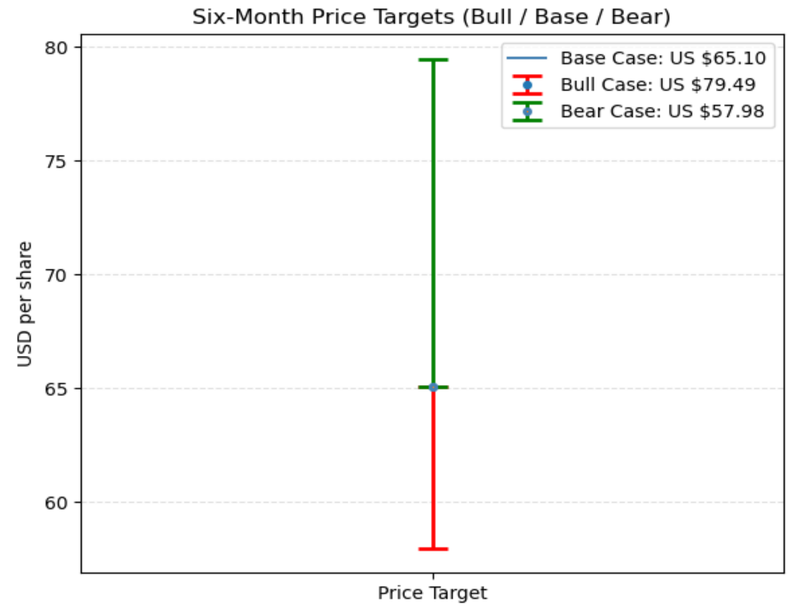

Figure 1: Projected 6-month price target – base case US$65.10.

Disclaimer: The author holds no position in NEM and this note is for informational purposes only. Nothing herein constitutes investment advice. Detailed scripts and data-processing notebooks are available upon request.

Investment Snapshot

Investment Thesis: Newmont is poised to re-rate higher on the continued rise of gold prices, widening the absolute margin between all-in sustaining cost (AISC) and average realized gold price (ARGP), accelerating free cash flow growth and an upward trend in EPS. **We estimate ~21% upside over the next 6 months** with projected **Q2'25 AISC-ARGP margins expanding >13%** as Newmont fully realizes the increased gold prices. Combined with a supportive macro backdrop, Newmont will strongly outperform in the next 2 quarterly earnings, translating into swift equity re-pricing.

- **Gold Price Momentum:** Inflation, **record central-bank gold purchasing** and a weaker USD support sustained high gold prices **(>$3,200/oz)**[1] moving into **Q2'25**, directly **boosting FCF and contracting P/E**.
- **Record quarterly cash run-rate:** Q4 '24's US **$1.64 B FCF**[2] was the company highest quarter ever; Q1'25's **US $1.21 B**[2] was the strongest first quarter on record and **~ 41 % of FY 24's**

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US $2.96 B[2]. Underscoring how sustained margin expansion from rising gold prices is accelerating record cash-flow growth.

- **Equity–spot decoupling:** ARGP jumped **41 %** from US $2 090 → $2 940/oz[2] from Q1'24 to Q1'25, while margins **doubled (+99 %)** in the same timeframe. All whilst trailing **P/FCF** remains stable at **~ 13.4x** and **P/E at ~ 11.9x**. Despite NEM's near equal rise of **42 %** alongside rising gold, cash flow and earnings have far outpaced gold's price expansion. In addition, margins are set to widen further over the next 2 quarters, therefore we expect FCF and Earnings ratios to **contract**, unlocking **substantial capitalization upside**.

Macro Context

Gold's macro backdrop remains highly supportive. The spot price of gold set many record highs in early 2025, with Newmont's Q1's ARGP at US$2,944/oz[2] (up 41% y/y) amid tariff specters, geopolitical risks, inflation expectations and US dollar weakness. This trend continued upward into Q2'25, with average spot gold prices reaching over US $3400/oz[1]. Additionally, central banks continue to underpin demand, adding 1,045 tonnes to reserves in 2024[3] – following the trend of record purchasing since 2022 – and continued into Q1'25 by a further 244 tonnes[4]. The International Monetary Fund (IMF) notes that 2022-2023 saw a notable surge in central-bank gold purchases, as gold is viewed as a "**politically neutral safe asset**" resilient to sanctions, inflation and currency devaluations[5]. Concurrently, the U.S. Dollar Index (DXY) reversed from its **Jan 2025 high of 110.176**[6] and has fallen to multi-year lows **below 100 in April 2025**[7], reflecting real USD depreciation and enhancing gold's appeal. These macro drivers are directly relevant to Newmont's ability to generate cash flow: higher gold prices increase AISC-ARGP margins, while USD weakness modestly reduces the relative denomination of gold. **Bottom line:** the favorable gold price environment and de-dollarization trends provide a robust tailwind for Newmont's valuation.

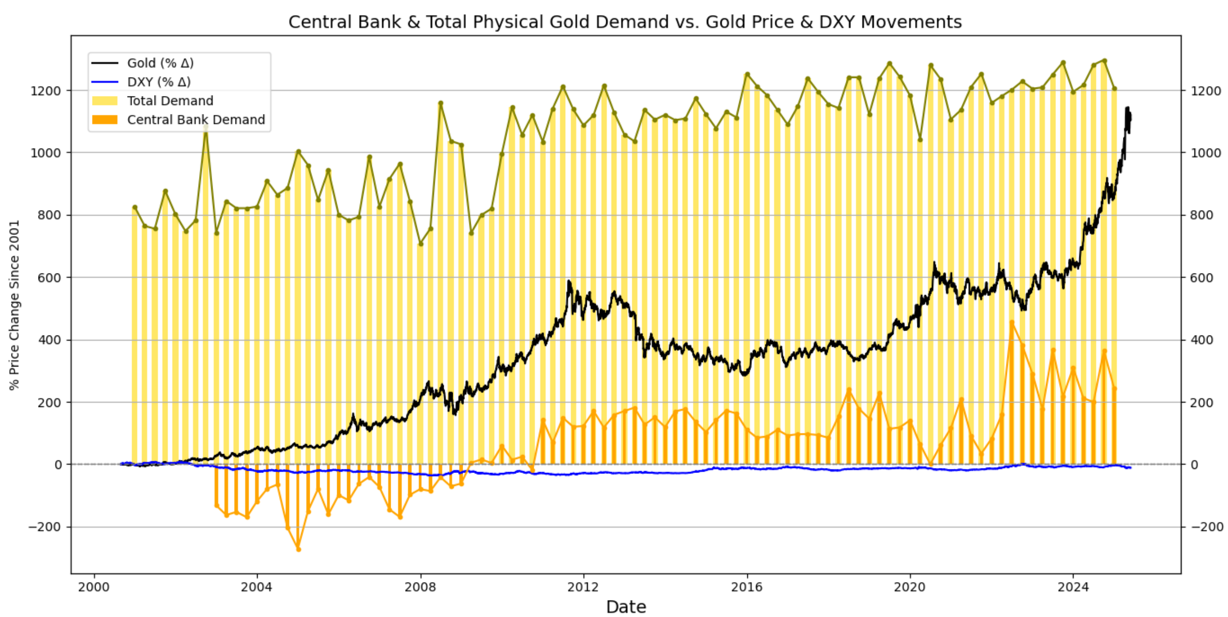

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Chart 2: The price of spot Gold, total and central bank demand of physical gold by quarter, and the value of the US dollar as measured by the DXY index.

Valuation & Catalysts

Newmont's equity has lagged bullion since gold's cycle low of **US $1 615/oz (28 Sep 2022)**[8]—gold is up ~**93 %** to **US $3 113/oz**[1] in Q1'25 while NEM has risen only ~**14 %**. This valuation gap is the core catalyst for future upside. Specifically, **Free Cash Flow (FCF) has seen multiple record quarters,** with **US $1.64 B in Q4'24**[2] and a first-quarter record of **US $1.21 B in Q1'25**[2] **(~ 41 % of FY 24's US $2.96 B**[2]**)**. Operating leverage is driving this surge: from **Q1'24 to Q1'25 AISC-ARGP margins expanded ~99 % while gold rose just 41**%, implying a leveraged increase in margins for any rise in ARGP. With central-bank and institutional buying anchoring gold above US $3 100/oz, another modest lift in ARGP will push margins—and cash generation—disproportionately higher. Yet the stock still trades at only **10.8 × LTM earnings and 12.9 × LTM FCF**, even with a weaker Q2'24 and Q3'24 portion of LTM earnings and FCF, conveying second-half LTM strength and contracting ratios as earnings stay strong in Q2'25 and Q3'25. Record cash flow, widening margins and ignored multiples **signal an inflection point** for Newmont's profitability and share price.

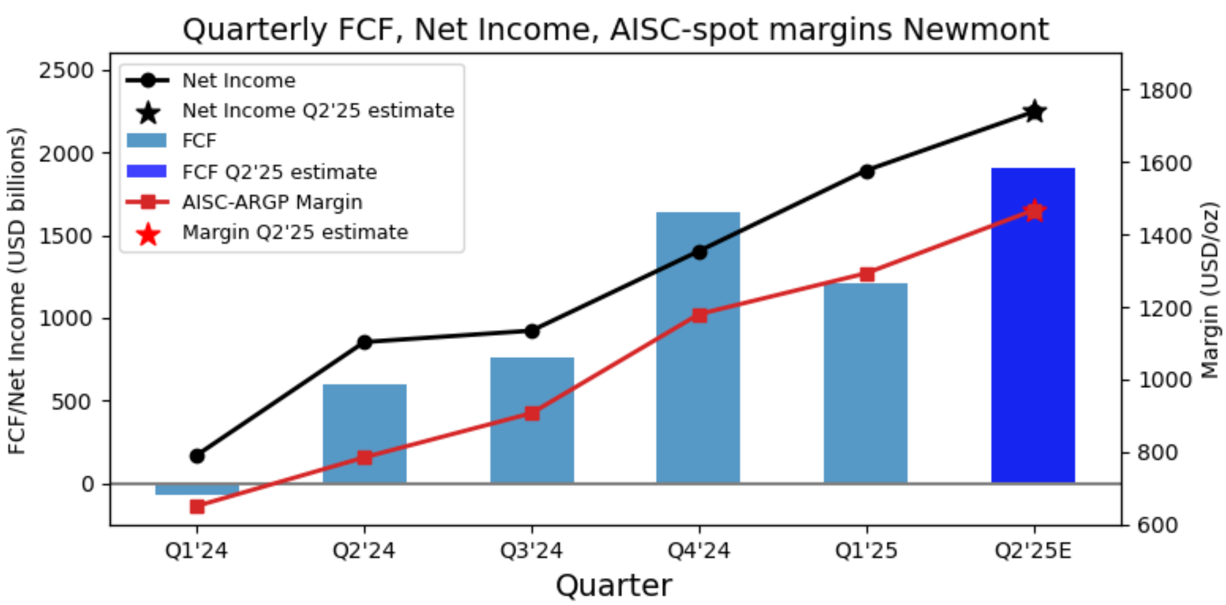

Figure 3: Quarterly free cash flow (bars), Net income (Black line), and AISC-spot margin (Red line) from Q1 '24 through Q1 '25. The chart highlights increased Q2'25 predictions, demonstrating Newmont's operating leverage as rising gold prices flow disproportionately to profit.

Forward Valuation

Assume Newmont captures an average gold price **≥ US $3 200/oz in Q2 '25**, ~9 % above Q1[2] and stays on track for its **5.9 Moz FY 25 production guidance**[9]. Under those conditions the **AISC-spot spread should widen to roughly US $1 467/oz**, implying FCF and Net income per quarter that match or exceed the Q4 '24 and Q1'25 record quarters. On that run-rate, management could replicate the **entire FY 24 FCF of US $2.96 B in just H1 '25**.

Higher earnings compress valuation: even one additional quarter at this margin removes last year's lower EPS from the LTM window. A simple linear extrapolation for **Q2 '25 projects a US $1 467/oz margin and ~ US $2.25 B Net income**. Assuming outstanding shares stay relatively stationary, using a conservative end of quarter share price estimate of **US $55** (+14% vs Q1'25), trailing **P/E would already contract to ~ 9.7 ×**. Thus, even in the scenario of large q/q share price increases, P/E will still contract, solidifying that NEM is undervalued. Should Newmont sustain those numbers through **Q3 '25**, a **US $70** quote still leaves P/E at **10 ×**, signalling bargain territory to retail and crossover investors. That multiple compression, visible over the next two prints, should catalyse a re-rating toward **US $70–80** per share. Even in a softer scenario—with average gold prices of **US $3 100/oz**—our model still yields fair value > US $70, preserving an attractive one-year, risk-adjusted upside.

Key Risks & Mitigants

- **Gold-Price Retrace — US $ 2900/oz within 12 m.** Each $100/oz swing moves annual FCF by ~$0.15 B and EPS by 0.16. Thus, the biggest risk is a total collapse of gold prices akin to 2011[10]. At <2500/oz, Newmont still profits heavily but considerably less than projections, it is not until gold closes below ~2300/oz that the FY 25 FCF and Net income collapses significantly. Due to central bank holdings, this is unlikely but remains Newmont's primary risk to earnings.
- **Cost Inflation & AISC Creep — Labour + Fuel.** AISC has increased ~15% in the LTM[11], which is concerning to long term projections of AISC-spot margins. Although, gold prices have vastly outpaced the cost inflation, having minimal impact in contracting margins. The largest portion of AISC, labour, accounts for 50% of AISC for Newmont[11], so a 20% increase in labour costs amount to a 10% increase in AISC. Fuel on the other hand accounts for 15% of AISC and has a more volatile outlook, so massive swings in fuel prices could marginally impact Newmont's profitability.
- **Short-term production interruptions —** Unplanned mill outages remain a wild-card but are historically resolved within a quarter. As mentioned before, in the environment where gold prices remain elevated, minor or medial production interruptions are absorbed by the AISC-ARGP margin.

Conclusion

Newmont's equity is mis-aligned with its own accelerating fundamentals. At an average gold price of ≥ US $3 200/oz, AISC-spot margins expand to ~US $1 467/oz, enabling FY 25 free cash flow to match the whole of FY 24 by mid-year. That cash inflection compresses trailing P/E toward 10 × even if the share price merely reaches US $60; sustained through Q3 it supports a US $70–80 range without assuming multiple expansion. Our base-case valuation for NEM points to **US $65.10/share** (~ +21 %). Near-term risks are limited to a bullion pullback and labour/fuel costs, both partially hedged by gold price increases. With visible catalysts over the next two earnings prints and contained downside, we reiterate a **Strong Buy** rating and a **6-month target of US $65.10**.

References

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