# Independent Equity Research Report

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## Newmont Corporation

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

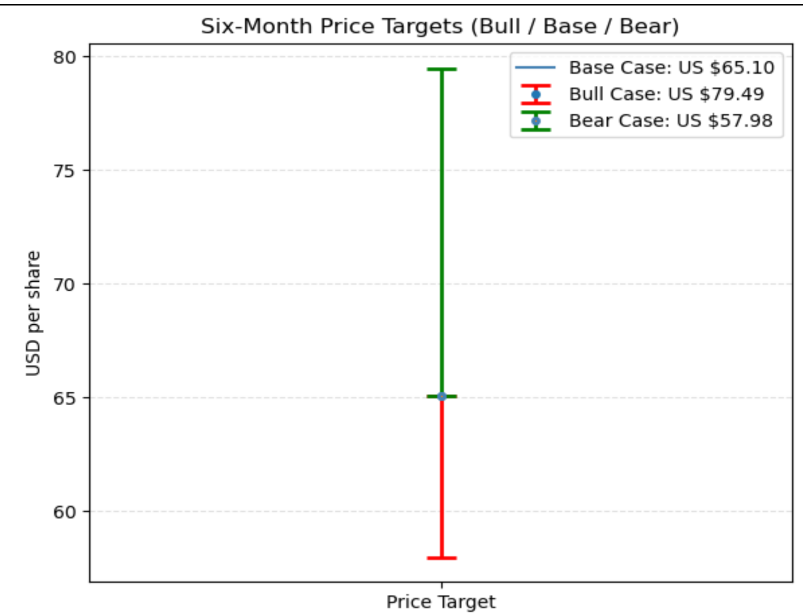


*Figure 1: Projected 6-month price target – base case US$65.10.*

*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**

**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.

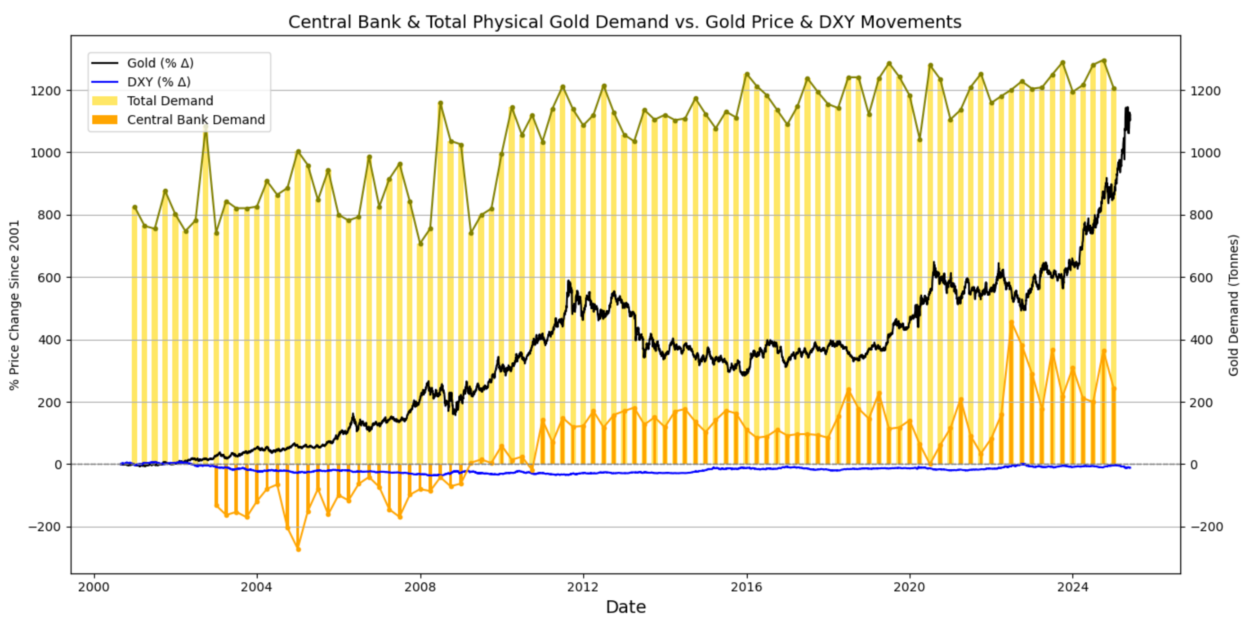

*Chart 2: The price of spot Gold, total and central bank demand of physical gold by quarter, and the value of the US dollar as measured by the DXY index.*

## 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.

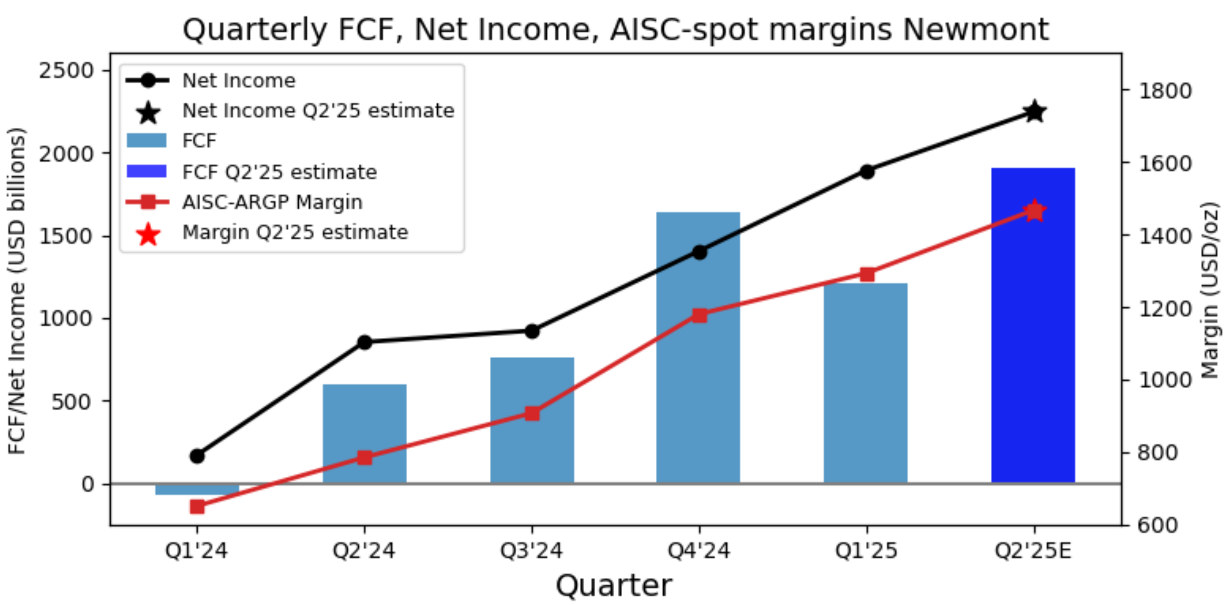


*Figure 3: Quarterly free cash flow (bars), Net income (Black line), and AISC-spot margin (Red line) from Q1 '24 through Q1 '25. The chart highlights increased Q2'25 predictions, demonstrating Newmont's operating leverage as rising gold prices flow disproportionately to profit.*

## 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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