

Gold Fields

FY23 EBITDA beat. Capex guide punchy. What is new CEO's mandate?

Reiterate Rating: NEUTRAL | PO: 270.00 ZAR | Price: 241.52 ZAR

FY23 EBITDA beat. Eyes on capex.

Gold Fields (GFI) reports FY23 results. Adjusted EBITDA US\$2428mn, flat YoY, -2% vs BofAe, +5% vs Bloomberg consensus. Normalised EPS was US\$1.01/sh, -2% versus Visible Alpha (VA) consensus. **Outlook:** 2024 guide of US\$1410-1460/oz all-in sustaining cost (AISC) and 2.33-2.43Moz production ex-Asanko; “miss” versus VA consensus on US\$1357/oz AISC and production of 2.46Moz. 2024 capex guidance of US\$1.13-1.19bn looks punchy versus VA consensus on c. US\$1.03bn. **Reserves:** Attributable reserves down 3% YoY to 44.6Moz. **Model updates:** 2024E EBITDA -10% on lower volume and higher cost estimates. Price Objective lowered to ZAR270/US\$14.20 per ADR (was ZAR300/US\$15.80) based on 1.2x P/NPV (multiple unchanged). Reiterate Neutral.

New CEO mandate: Stability. More acquisitions.

GFI previously announced the appointment of a permanent CEO, Mr Michael Fraser, effective 1st January 2024. **Mandate:** After recent challenges at South Deep, we think that investors would welcome operational stability. Easy to say, hard to do given asset history. That said, we see part of the solution as “accepting” South Deep is likely not (consistently) a c. 400kozpa asset. C. 300kozpa more feasible in our view and would allow for some fluctuations in volumes given challenging geology. Separately, we think that GFI still has more work to do in terms of bolstering reserves. Company says that this comes in the form of more acquisitions; we do find ourselves wondering if some assets leaving Newmont (post-Newcrest acquisition) could “fit” in GFI’s portfolio.

Salares Norte: Are we nearly there yet?

Salares Norte is Gold Fields’ flagship project in Chile. The asset should produce 485kozpa equivalent (average, 2025-29) at an all-in sustaining cost of US\$790/oz, according to the company. Successive project delays have (now) pushed first production back to April 2024, leading to capex overruns. Based on our discussions with investors, we think that the market is becoming increasingly cautious over (1) further delays and (2) achieving original cost guidance given the asset’s location (c. 4500m elevation in the Atacama region of Chile). We think that these concerns are reasonable, however we still think that the project is a relative “win” for GFI post-capex hump, bolstering reserves and still likely to improve cost position at group level.

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Reported)	0.78	0.81	0.80	1.29	1.22
EPS Change (YoY)	-12.3%	3.2%	-1.3%	62.2%	-5.9%
Dividend / Share	0.45	0.40	0.24	0.39	0.37
ADR EPS (Reported - US\$)	0.78	0.81	0.80	1.29	1.22
ADR Dividend / Share (US\$)	0.45	0.40	0.24	0.39	0.37
Valuation (Dec)					
P/E	18.1x	16.3x	15.8x	9.74x	10.3x
Dividend Yield	3.53%	3.15%	1.87%	3.04%	2.86%
EV / EBITDA*	5.11x	5.12x	5.24x	3.79x	4.02x
Free Cash Flow Yield*	5.67%	4.56%	0.57%	12.6%	12.6%

* For full definitions of *IQmethod*SM measures, see page 7.

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 23 February 2024 12:30AM EST

23 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	ZAR300.00	ZAR270.00
2024E Rev (m)	5,125.9	4,873.2
2025E Rev (m)	6,118.0	5,826.6
2026E Rev (m)	5,615.6	5,456.4
2024E EPS	1.14	0.80
2025E EPS	2.02	1.29
2026E EPS	1.80	1.22
2024E DPS	0.34	0.24

Cameron Needham >>

Research Analyst
MLI (UK)
+44 20 7995 5464
cameron.needham@bofa.com

Jason Fairclough >>

Research Analyst
MLI (UK)
jason.fairclough@bofa.com

Patrick Mann, CFA >>

Research Analyst
MLI (UK)
patrick.mann@bofa.com

Lawson Winder, CFA >>

Research Analyst
Merrill Lynch (Canada)
lawson.winder@bofa.com

Michael Widmer

Commodity Strategist
MLI (UK)
michael.widmer@bofa.com

Stock Data

Price (Common / ADR)	241.52 ZAR / 12.73 USD
Price Objective	270.00 ZAR / 14.20 USD
Date Established	22-Feb-2024 / 22-Feb-2024
Investment Opinion	C-2-7 / C-2-7
52-Week Range	162.00 ZAR-326.52 ZAR
Market Value (mn)	215,187 ZAR
Shares Outstanding (mn)	891.0 / 891.0
Average Daily Value (mn)	33.07 USD
Free Float	86.7%
BofA Ticker / Exchange	GFI OF / JNB
BofA Ticker / Exchange	GFI / NYS
Bloomberg / Reuters	GFI SJ / GFI JJ
ROE (2024E)	15.2%
Net Dbt to Eqty (Dec-2023A)	22.2%

iQprofileSM Gold Fields

Key Income Statement Data (Dec)

(US\$ Millions)

	2022A	2023A	2024E	2025E	2026E
Sales	4,287	4,501	4,873	5,827	5,456
EBITDA Adjusted	2,455	2,447	2,392	3,312	3,120
Depreciation & Amortization	(844)	(795)	(899)	(1,078)	(1,048)
EBIT Adjusted	1,611	1,652	1,492	2,234	2,073
Net Interest & Other Income	(460)	(441)	(308)	(337)	(285)
Tax Expense / Benefit	(442)	(465)	(448)	(718)	(677)
Net Income (Adjusted)	860	900	713	1,156	1,088
Average Fully Diluted Shares Outstanding	891	893	893	893	893

Key Cash Flow Statement Data

Net Income (Reported)	698	722	713	1,156	1,088
Depreciation & Amortization	844	795	899	1,078	1,048
Change in Working Capital	(134)	(199)	(409)	55.0	106
Deferred Taxation Charge	(33.0)	6.80	0	0	0
Other CFO	339	250	22.3	22.3	22.3
Cash Flow from Operations	1,714	1,575	1,225	2,311	2,264
Capital Expenditure	(1,069)	(1,055)	(1,160)	(869)	(822)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other CFI	(2.90)	(315)	216	0	0
Cash Flow from Investing	(1,072)	(1,370)	(944)	(869)	(822)
Share Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(335)	(382)	(298)	(276)	(349)
Increase (decrease) debt	(20.1)	199	0	0	0
Other CFF	(36.8)	(117)	0	0	0
Cash Flow from Financing	(392)	(300)	(298)	(276)	(349)
Total Cash Flow (CFO + CFI + CFF)	250	(94.5)	(16.8)	1,166	1,093
FX and other changes to cash	(5.40)	(26.2)	0	0	0
Change in Cash	245	(121)	(16.8)	1,166	1,093
Change in Net Debt	(265)	320	16.8	(1,166)	(1,093)
Net Debt	704	1,024	1,041	(125)	(1,218)

Key Balance Sheet Data

Property, Plant & Equipment	4,816	5,074	5,335	5,126	4,900
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	NA	NA	NA	NA	NA
Other Non-Current Assets	720	1,264	1,202	1,202	1,202
Trade Receivables	304	274	347	415	389
Cash & Equivalents	769	649	632	1,798	2,891
Other Current Assets	729	965	1,063	1,075	1,007
Total Assets	7,338	8,226	8,579	9,616	10,389
Long-Term Debt	1,409	1,013	1,013	1,013	1,013
Other Non-Current Liabilities	804	1,088	1,088	1,088	1,088
Short-Term Debt	64.1	660	660	660	660
Other Current Liabilities	721	846	761	896	908
Total Liabilities	2,999	3,607	3,522	3,657	3,669
Total Equity	4,340	4,620	5,057	5,959	6,720
Total Equity & Liabilities	7,338	8,226	8,579	9,616	10,389

Business Performance*

Return On Capital Employed	15.2%	14.8%	12.4%	17.1%	14.6%
Return On Equity	21.0%	20.7%	15.2%	21.5%	17.6%
Operating Margin	37.6%	36.7%	30.6%	38.3%	38.0%
Free Cash Flow (MM)	645	520	65.3	1,442	1,442

Quality of Earnings*

Cash Realization Ratio	1.99x	1.75x	1.72x	2.00x	2.08x
Asset Replacement Ratio	1.27x	1.33x	1.29x	0.81x	0.78x
Tax Rate	38.4%	38.4%	37.9%	37.9%	37.9%
Net Debt/Equity	16.2%	22.2%	20.6%	-2.10%	-18.1%
Interest Cover	22.2x	26.3x	17.8x	26.7x	24.8x

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Gold & Precious Metals

Company Description

Gold Fields produces c.2.3Mozpa of attributable gold equivalent ounces at all-in sustaining costs (AISC) of c.US\$1300/oz. The majority of its production comes from Australia (c.1Mozpa) and Ghana (c.0.7Mozpa). It's big project, Salares Norte in Chile, is scheduled to commence commercial production in 2023 and produce c.450kozpa gold equivalent at one of the lowest AISC in the industry.

Investment Rationale

GFI is fairly attractively valued and we see the greenfields Salares Norte project, scheduled to commence production in 2H23, as a positive catalyst. That said, we think the termination of the Yamana deal and subsequent CEO resignation creates an overhang. Separately, we remain cautious on the achievability of anticipated turnaround at South Deep.

Stock Data

Shares / ADR	1.00
Price to Book Value	2.3x

Key Changes

(US\$)	Previous	Current
Price Obj.	15.80	14.20
2024E EPS	1.14	0.80
2025E EPS	2.02	1.29
2026E EPS	1.80	1.22
2024E DPS	0.34	0.24

Changes to estimates

Exhibit 1: Changes to estimates

We lower our headline EPS to US\$0.8/sh (was US\$1.13/sh) in 2024E. Capex up, costs up, volumes down.

	FY24E			FY25E			FY26E		
	New	Old	% chg	New	Old	% chg	New	Old	% chg
Operational									
Gold produced (koz Au eq)	2,386	2,573	-7%	2,706	2,825	-4%	2,667	2,753	-3%
Gold price (US\$/oz)	1,975	1,975	0%	2,098	2,098	0%	1,995	1,995	0%
All-in sustaining cost US\$/oz	1,499	1,352	11%	1,339	1,216	10%	1,269	1,170	8%
All-in cost US\$/oz	1,666	1,392	20%	1,377	1,253	10%	1,307	1,208	8%
Capex (US\$m)	1,160	853	36%	869	827	5%	822	799	3%
Financial: US\$m									
Revenue	4,873	5,073	-4%	5,827	5,903	-1%	5,456	5,457	0%
EBITDA	2,392	2,671	-10%	3,312	3,507	-6%	3,120	3,235	-4%
Net income	713	1,006	-29%	1,156	1,482	-22%	1,088	1,369	-21%
Headline EPS	0.80	1.13	-29%	1.29	1.66	-22%	1.22	1.54	-21%
DPS	0.24	0.34	-29%	0.39	0.50	-22%	0.37	0.46	-21%
Cash from operations	1,225	2,098	-42%	2,311	2,814	-18%	2,264	2,648	-15%
Capex (CFS)	-1,160	-827	40%	-869	-823	6%	-822	-794	4%
Free cash flow	65	1271	-95%	1442	1991	-28%	1442	1854	-22%

Source: BofA Global Research estimates

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Results summary

Exhibit 2: Results summary

FY23 EBITDA was +5% versus Bloomberg consensus

FY 23 Results Review

	FY 23A	FY22A	YoY	FY 23E	vs. BofAE	Cons.	vs. Cons.
Operational							
Gold produced (koz Au eq)	2,304	2,399	-4%	2,300	0%	2,297	0%
All-in sustaining cost US\$/oz	1,295	1,105	17%	1,303	-1%	1,255	3%
All-in cost US\$/oz	1,512	1,320	15%	1,491	1%	1,340	13%
Capex (US\$m)	1,055	1,069	-1%	1,094	-4%		
Financial: US\$m							
Revenue	4,501	4,287	5%	4,467	1%	4,490	0%
EBITDA	2,428	2,440	0%	2,480	-2%	2310*	5%
Normalised earnings	900	860	5%	977	-8%	941	-4%
Normalised EPS (US\$ps)	1.01	0.97	4%	1.10	-8%	1.03	-2%
DPS (SACps)	7.45	7.5	0%	7.12	5%		
Net debt/(cash)	1,024	704	45%	515	99%		

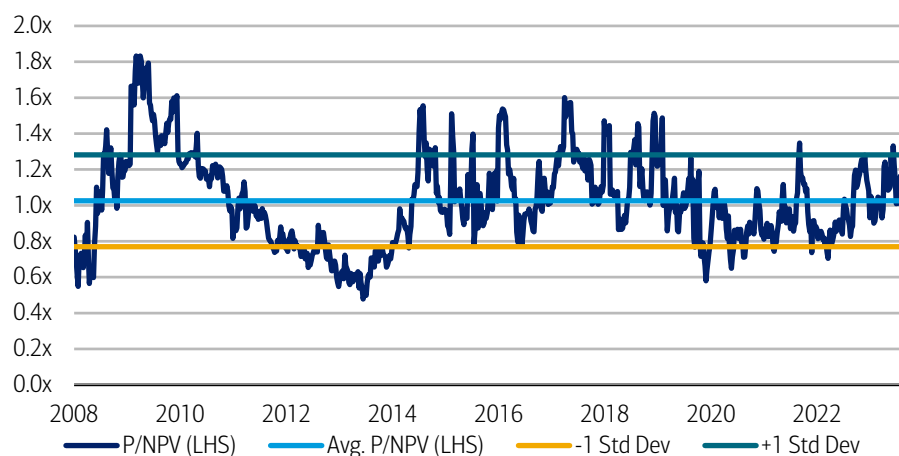
Source: BofA Global Research estimates

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Valuation

Exhibit 3: P/NPV chart

GFI trades on c. 1.2x P/NPV (2025E NPV), above historic average of c. 1x



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective derivation

Exhibit 4: Price objective derivation

We derive our price objective based on 1.2x P/NPV

Sum-of-the-parts-valuation, USD	2024
South Deep	4,174
Tarkwa	1,062
Damang	26
Asanko	0
Cerro Corona	577
St Ives	1,121
Agnew/ Lawlers	650
Granny Smith	1,209
Gruyere	1,020
Salares Norte	1,905
Other	0
Net cash/ (debt) (t-1)	-1,024
Total SOTP NPV	10,719
Weighted shares	893
NPV/share (USD\$)	12.00
NPV/share (ZARmn)	228
NPV Multiple	1.20
Derived value per share	273
Price objective (rounded)	270

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Model summary

Exhibit 5: Model summary

These are our latest published estimates based on our house commodity price forecasts

Income Statement (USDm) - DECEMBER YE	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	4195	4287	4501	4873	5827
Cost of sales	-2375	-2608	-2747	-3305	-3515
COS before inventory change, D&A	-1785	-1932	-2042	-2405	-2437
Inventory change	123	168	91		
Amortisation and Depreciation	-713	-844	-795	-899	-1078
Finance costs	-92	-73	-63	-84	-84
Interest income	9	13	25	19	36
Net interest paid	-83	-59	-38	-64	-47
Share of gain/(loss) of associates after tax	-32	-3	-33	0	0
Gain/(loss) on foreign exchange	-2	7	-6		
Gain/(loss) on financial instruments	-100	24	0		
Share-based payments	-13	-7	-9	-9	-9
Other	-74	-53	-100	-109	-130
Exploration	-61	-81	-76	-77	-77
Profit before royalties, tax, non-recurring items	1456	1506	1492	1310	2048
Non-recurring items	-89	-245	-165		
Profit before royalties and tax	1367	1261	1327	1310	2048
Royalties	-112	-110	-116	-126	-151
Profit before tax	1254	1151	1210	1184	1897
Tax	-425	-442	-465	-448	-718
- Normal tax	-449	-475	-458	-448	-718
- Deferred tax	24	33	-7		
Normal tax rate	28%	296%	309%		
Effective tax rate	36%	41%	38%	38%	38%
Net profit from continuing ops	830	709	745	736	1,179
Net profit from discontinued ops					
Net profit	830	709	745	736	1,179

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Gold Fields (GFIOF / GFI)

Our price objective is R270ps (US\$14.20 per ADR) and is set at 1.2x NPV. We use a sum-of-the-parts (SOTP) DCF and a 5% p.a. real discount rate over life-of-mine (LoM) cash flows. We estimate that GFI's NPV multiple has ranged between 0.7x and 1.3x (1x standard deviation) over the past c.12 years. We use a 1.2x multiple, above the historical average for Gold Fields as a higher multiple is paid during times of rising gold prices.

The upside risks to our PO:

Successful delivery of Salares Nortes project,
Continuous momentum at South Deep turning this previously problematic operations into a sustainably cash flow generative mine,
Resource and reserve conversions extending life of mines in excess of our assumptions,
Higher-than-expected gold price,
Weaker-than-expected producer currencies, including the ZAR and AUD,
Lower-than-expected cost inflation.

The downside risks to our PO:

Execution risk on projects, in particular the US\$860m greenfields Salares Norte,
Environmental restrictions on mining at Salares Norte owing to difficulties with chinchilla relocation, amongst others,
Sizeable negative cash flows at South Deep,
Low reserve ounce mines ending before we currently forecast,
Lower-than-expected gold price,
Stronger-than-expected ZAR and AUD,
Higher-than-expected cost inflation.

Analyst Certification

I, Cameron Needham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EEMEA - Materials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Kazatomprom	XWREF	KAP LI	Jason Fairclough
	Kazatomprom	XCWGF	KAP KZ	Jason Fairclough
	Northam Platinum Holdings	NPTLF	NPH SJ	Cameron Needham
NEUTRAL				
	Anglo Platinum	AGPPF	AMS SJ	Cameron Needham
	AngloGold Ashanti	AULGF	ANG SJ	Cameron Needham
	AngloGold Ashanti	AU	AU US	Cameron Needham
	Gold Fields	GFI	GFI US	Cameron Needham
	Gold Fields	GFIOF	GFI SJ	Cameron Needham
UNDERPERFORM				
	Erdemir	ERELF	EREGL TI	Jason Fairclough
	Exxaro Resources	EXXAF	EXX SJ	Cameron Needham
	Harmony	HGMCF	HAR SJ	Cameron Needham
	Harmony	HMY	HMY US	Cameron Needham
	Impala Platinum	IMPUF	IMP SJ	Cameron Needham
	Impala Platinum	IMPUY	IMPUY US	Cameron Needham
	KGHM Polska Miedz	KGHPF	KGH PW	Jason Fairclough
	Kumba Iron Ore	KUMBF	KIO SJ	Cameron Needham
	Maaden	XSDRF	MAADEN AB	Jason Fairclough
	Sibanye-Stillwater	SBYSF	SSW SJ	Cameron Needham

EEMEA - Materials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sibanye-Stillwater	SBSW	SBSW US	Cameron Needham

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

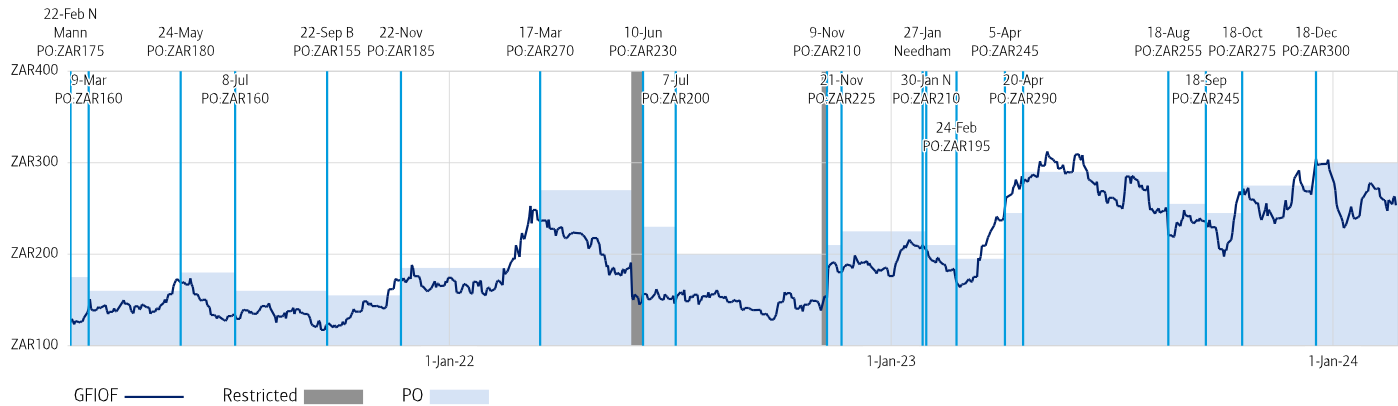
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Disclosures

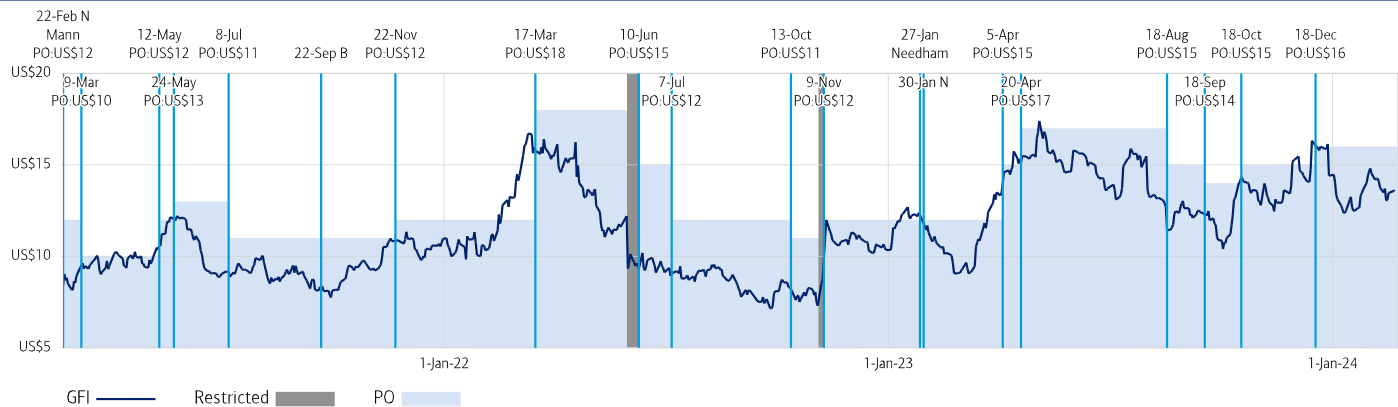
Important Disclosures

Gold Fields (GFIOF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Gold Fields (GFI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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