

New Gold Inc.

2023 guidance achieved, all eyes on the multi-year outlook in February

Reiterate Rating: UNDERPERFORM | PO: 1.80 CAD | Price: 1.87 CAD

Q4'23 production within the range of expectations

New Gold (NGD) reported Q4'23 production that, on a consolidated basis, was largely within the expectations of BofA and consensus estimates. More broadly, NGD achieved its 2023 guidance, which we view as a generally good result particularly following challenges seen over recent years in meeting targets. NGD appears to be in turnaround mode with an improvement in operations. However, we think that the execution risks still remain elevated particularly as the C-Zone continues its ramp-up to steady-state. Maintain Underperform on execution risks and relatively high leverage and cost base versus peers.

Gold equivalent production in-line to BofAe

NGD reported Q4'23 production of 105.1 thousand gold-equivalent ounces (k GEOs), including gold production of 79.2 thousand ounces (koz). Gold production of 79.2koz was largely in-line (just 2% below) to BofAe at 80.4koz, but 2% above Bloomberg and Visible Alpha consensus at 77.8/77.6koz respectively. Quarter-over-quarter (QoQ), GEO production was down 5%, driven by lower sequential production at both New Afton and Rainy River, and largely reflective of just coming off a strong quarter. On a FY23 basis, production of 423.5k GEOs was near the top-end of the 2023 guidance range of 365-425k GEOs. We update our model for Q4'23 results. Our FY23 loss per share (LPS) remains unchanged at \$0.02, including Q4'23 EPS of \$0.03.

Multi-year outlook to provide clarity but risks remain

NGD is intending to release its inaugural three-year operational outlook in early February. We view this as a significant de-risking catalyst for the company as it'll provide clarity and visibility on the company's near-term cash flow outlook. However, we still see significant execution risk particularly at New Afton with the C-Zone (block caving operation) where first production commenced at the end of Sept 2023 and full production expected by the end of 2025. For more details, [see our site visit note: New Afton: C-Zone will create an inflection point, "wait and see" for now, 12-Oct-23](#).

Similarly, Rainy River's underground Main Zone remains on track for first production in Q4'24, ramping up throughout 2025.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.21	(0.10)	(0.02)	0.12	0.20
EPS Change (YoY)	NM	NM	80.0%	NM	66.7%
Consensus EPS (Bloomberg)			0.12	0.17	0.25
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	7.0x	NM	NM	11.7x	7.0x
EV / EBITDA*	5.7x	10.3x	6.1x	5.2x	3.4x
Free Cash Flow Yield*	7.5%	-10.4%	-0.7%	3.7%	37.4%

* For full definitions of *IQmethod*SM measures, see page 5.

09 January 2024

Equity

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Stock Data

Price (TOR / NYS)	1.87 CAD / 1.38 USD
Price Objective	1.80 CAD / 1.30 USD
Date Established	8-Jan-2024 / 8-Jan-2024
Investment Opinion	C-3-9 / C-3-9
52-Week Range	1.13 CAD - 2.12 CAD
Market Value (mn)	1,284 CAD
Free Float	92.0%
Average Daily Value	4.95 USD
Shares Outstanding (mn)	686.6 / 686.6
BofA Ticker / Exchange	YNGD / TOR
BofA Ticker / Exchange	NGD / NYS
Bloomberg / Reuters	NGD CN / NGD.TO
ROE (2023E)	-1.7%
Net Dbt to Eqty (Dec-2022A)	20.2%

ESGMeter™ Medium

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Refer to important disclosures on page 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 09 January 2024 10:54AM EST

iQprofileSM New Gold Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	5.5%	-0.6%	2.3%	4.9%	7.0%
Return on Equity	16.1%	-7.0%	-1.7%	8.3%	12.7%
Operating Margin	18.7%	-1.8%	12.6%	16.1%	20.6%
Free Cash Flow	76	(102)	(7)	35	359

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.3x	NM	NM	4.2x	3.6x
Asset Replacement Ratio	1.3x	1.5x	1.4x	1.3x	0.4x
Tax Rate	12.3%	2.1%	5,153.6%	27.0%	35.0%
Net Debt-to-Equity Ratio	1.0%	20.2%	26.6%	24.1%	-8.0%
Interest Cover	3.9x	-0.6x	5.1x	4.4x	8.0x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	746	604	784	922	1,146
% Change	15.9%	-18.9%	29.7%	17.7%	24.2%
Gross Profit	368	222	347	403	586
% Change	21.3%	-39.8%	56.3%	16.4%	45.2%
EBITDA	333	184	309	361	563
% Change	21.3%	-44.6%	67.6%	16.9%	55.8%
Net Interest & Other Income	23	(50)	(96)	(32)	(30)
Net Income (Adjusted)	141	(67)	(16)	79	135
% Change	NM	NM	76.5%	NM	69.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	141	64	(16)	79	135
Depreciation & Amortization	197	196	214	221	326
Change in Working Capital	1	9	(12)	0	0
Deferred Taxation Charge	18	0	0	0	0
Other Adjustments, Net	(33)	(78)	105	32	30
Capital Expenditure	(247)	(293)	(298)	(297)	(131)
Free Cash Flow	76	-102	-7	35	359
% Change	619.8%	NM	93.2%	NM	912.7%
Share / Issue Repurchase	0	1	2	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	(102)	0	0	(27)

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	481	201	153	157	459
Trade Receivables	26	14	13	13	13
Other Current Assets	178	163	157	157	157
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	1,791	1,866	1,959	2,035	1,840
Total Assets	2,477	2,244	2,282	2,361	2,469
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	173	171	214	214	214
Long-Term Debt	491	395	396	396	369
Other Non-Current Liabilities	857	718	759	759	759
Total Liabilities	1,521	1,284	1,369	1,369	1,342
Total Equity	956	960	913	992	1,127
Total Equity & Liabilities	2,477	2,244	2,282	2,361	2,469

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Gold & Precious Metals

Company Description

New Gold is a Canadian-based intermediate mining and development company with a focus on the production and sale of gold, copper, and silver in lower sovereign risk regions.

Investment Rationale

New Gold is focused on optimizing its portfolio of operating mines while advancing underground development of its Rainy River. However, we rate New Gold shares as Underperform on concerns around liquidity, permitting, execution and valuation, particularly in the short term.

Key Drivers

	2023E	2024E	2025E
Gold price (US\$/oz)	1,943	1,975	2,098
Gold Production (Koz)	319	372	372
TCC (US\$/oz)	797	731	565
AISC (US\$/oz)	1,538	1,536	868

Stock Data

Average Daily Volume	3,537,890
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2022	2023
Q1	-0.01A	-0.05A
Q2	-0.06A	0A
Q3	-0.01A	0A
Q4	-0.02A	0.03E

Q4'23 Results

Exhibit 1: NGD Q4'23 Operational Results Highlights

NGD reported Q4'23 production which on a consolidated basis was largely within the range of BofA and consensus expectations.

	Q4'23	YoY	Q4'22A	QoQ	Q3'23A	BofA Estimate	Δ%	Bloomberg Consensus	Δ%	VA Consensus	Δ%
Q4 2023 Results											
Rainy River	62.7	-10%	69.8	-4%	65.0	65.8	-5%	62.8	0%	62.7	0%
New Afton	16.5	51%	10.9	-4%	17.3	14.7	12%	15.0	10%	14.9	11%
Total	79.2	-2%	80.7	-4%	82.2	80.4	-2%	77.8	2%	77.6	2%
Copper production (mn lbs)											
New Afton	12.0	74%	6.9	-9%	13.2	12.4	-3%	NA	-	10.8	12%
GEO production	105.1	7%	97.8	-5%	110.2	106.1	-1%	NA	-	NA	-

Source: BofA Global Research, Company Reports, Bloomberg, Visible Alpha

BofA GLOBAL RESEARCH



Price objective basis & risk

New Gold Inc. (YNGD / NGD)

Our price objective for New Gold of US\$1.30/C\$1.80 per share is based on the shares trading at 0.60x its estimated net asset value (NAV) appropriately reflecting our outlook for the company relative to its peers, in our view. Historically, North American precious metal stocks have traded between 0.75x and 3.0x NAV, with a median of 1.50 times in the past three years (and 2.00 times longer term), with unhedged, growth-oriented producers occupying the upper end of the range, and companies with operating and/or financial issues at the lower end. Upside risks to our price objective are better-than-expected co-product basis cost control, and higher than expected commodity prices. Downside risks are operations get worse than expected, NGD has issues refinancing its debt, gold and copper prices go down.

Analyst Certification

I, Harmen Puri, 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.

North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agnico Eagle Mines	AEM	AEM US	Lawson Winder, CFA
	B2Gold Corp	YBTO	BTO CN	Harmen Puri
	B2Gold Corp	BTG	BTG US	Harmen Puri
	Barrick Gold	GOLD	GOLD US	Lawson Winder, CFA
	Cameco Corporation	YCCO	CCO CN	Lawson Winder, CFA
	Cameco Corporation	CCJ	CCJ US	Lawson Winder, CFA
	Commercial Metals	CMC	CMC US	Lawson Winder, CFA
	Endeavour Mining	YEDV	EDV CN	Harmen Puri
	Endeavour Mining	EDVMF	EDVMF US	Harmen Puri
	Endeavour Mining PLC	XEDVF	EDV LN	Harmen Puri
	Franco-Nevada	YFNV	FNV CN	Lawson Winder, CFA
	Franco-Nevada	FNV	FNV US	Lawson Winder, CFA
	IAMGOLD	YIMG	IMG CN	Lawson Winder, CFA
	IAMGOLD Corp.	IAG	IAG US	Lawson Winder, CFA
	Ivanhoe Mines	YIVN	IVN CN	Lawson Winder, CFA
	Ivanhoe Mines	IVPAF	IVPAF US	Lawson Winder, CFA
	Lundin Mining	XLPRF	LUMI SS	Lawson Winder, CFA
	Lundin Mining Corp	YLUN	LUN CN	Lawson Winder, CFA
	Lundin Mining Corp	LUNMF	LUNMF US	Lawson Winder, CFA
	MP Materials	MP	MP US	Lawson Winder, CFA
	Newmont Corporation	NEM	NEM US	Lawson Winder, CFA
	Newmont Corporation	XNCRF	NEM AU	Lawson Winder, CFA
	Nucor	NUE	NUE US	Lawson Winder, CFA
	Pan American Silver	PAAS	PAAS US	Lawson Winder, CFA
	Teck Resources	YTECK	TECK/B CN	Lawson Winder, CFA
	Teck Resources Ltd	TECK	TECK US	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	YTFPM	TFPM CN	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	TFPM	TFPM US	Lawson Winder, CFA
	Wheaton Precious Metals	WPM	WPM US	Lawson Winder, CFA
NEUTRAL				
	Alamos Gold	YAGI	AGI CN	Harmen Puri
	Alamos Gold	AGI	AGI US	Harmen Puri
	Alcoa Corporation	AA	AA US	Lawson Winder, CFA
	Cleveland-Cliffs	CLF	CLF US	Lawson Winder, CFA
	First Quantum	FQVLF	FQVLF US	Lawson Winder, CFA
	First Quantum Minerals	YFM	FM CN	Lawson Winder, CFA
	Freeport-McMoRan	FCX	FCX US	Lawson Winder, CFA

North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Hudbay Minerals	YHBM	HBM CN	Lawson Winder, CFA
	HudBay Minerals	HBM	HBM US	Lawson Winder, CFA
	Reliance Steel & Aluminum	RS	RS US	Lawson Winder, CFA
	Steel Dynamics	STLD	STLD US	Lawson Winder, CFA
UNDERPERFORM				
	Centerra Gold	YCG	CG CN	Lawson Winder, CFA
	Centerra Gold	CGAU	CGAU US	Lawson Winder, CFA
	Eldorado Gold	EGO	EGO US	Harmen Puri
	Eldorado Gold	YELD	ELD CN	Harmen Puri
	Kinross Gold	KGC	KGC US	Lawson Winder, CFA
	New Gold Inc.	YNGD	NGD CN	Harmen Puri
	New Gold Inc.	NGD	NGD US	Harmen Puri
	Nexa Resources	NEXA	NEXA US	Lawson Winder, CFA
	Royal Gold	RGLD	RGLD US	Lawson Winder, CFA
	SSR Mining Inc.	SSRM	SSRM US	Lawson Winder, CFA
	SSR Mining Inc.	YSSRM	SSRM CN	Lawson Winder, CFA

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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

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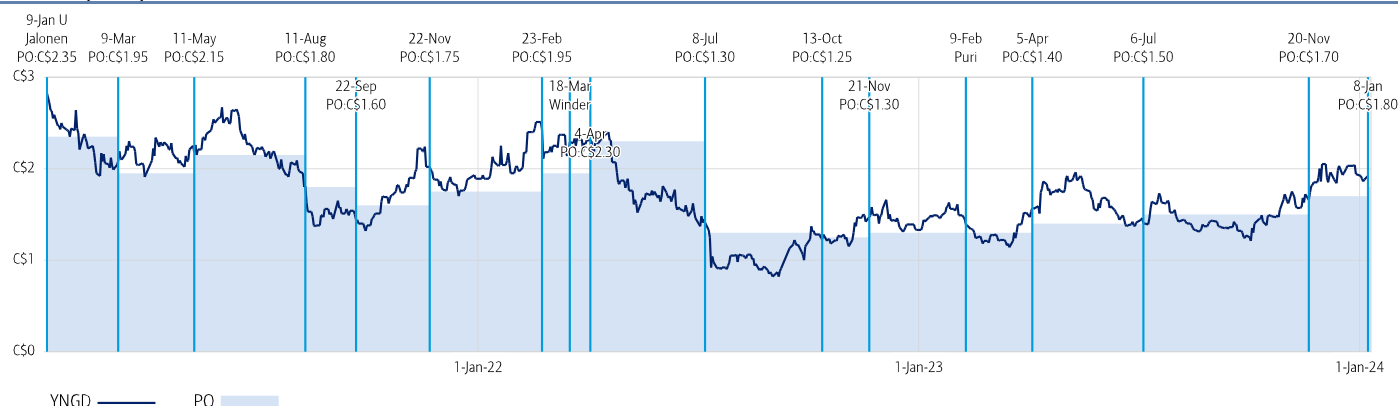
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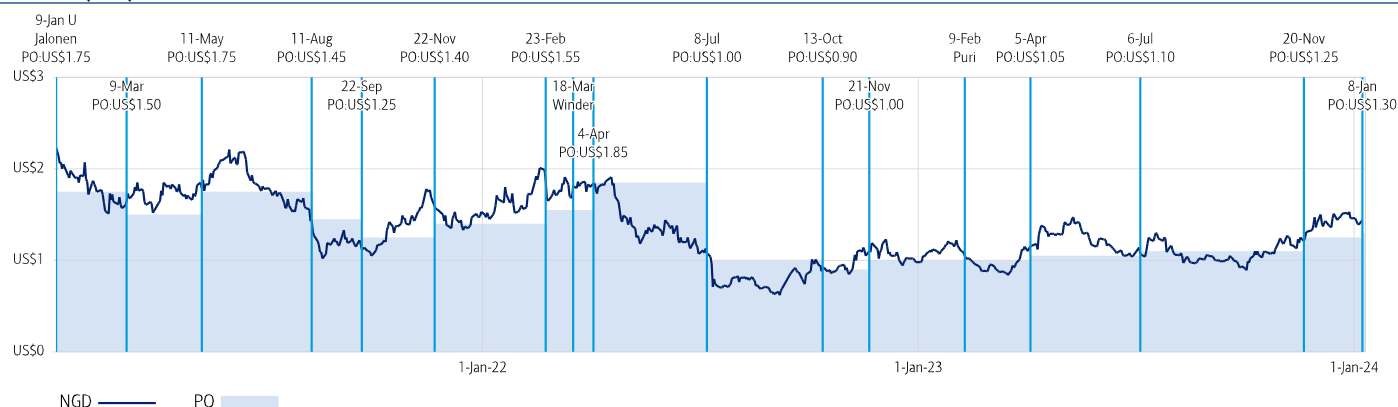
New Gold Inc. (YNGD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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.

New Gold Inc. (NGD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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.

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

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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