

Kinross Gold

Q4'23 earnings and 2024 guide mixed; steady production seen for 2025 & 2026

Maintain Rating: UNDERPERFORM | PO: 5.25 USD | Price: 4.99 USD

Pluses and minuses but slightly disappointing overall

Kinross Gold (KGC) reported Q4'23 financial results, detailed 2024 guidance, production guidance for 2025-26, and updated reserves & resources (R&R). Q4'23 earnings were mixed. For the 2024 guide, unit costs were higher than expected (production and capex were in-line to consensus). The production guide for 2025 and 2026 was in-line. Year-end 2023 gold reserves declined 11% year-on-year (yoy), while the updated Great Bear resource was better than expected. We think this will be seen slightly negatively, overall. With KGC trading at 0.95x price to net asset value, a 4% premium to its senior gold producer peers vs. an historical 28% discount, we maintain our Underperform rating.

Q4'23 earnings below BofAe on production and costs

KGC reported Q4'23 adjusted EPS of \$0.11, below BofAe at \$0.13, though above Bloomberg consensus at \$0.09, and in-line to Visible Alpha (VA) consensus at \$0.11. Versus our estimates, the miss was largely driven by lower-than-expected production, higher-than-expected costs, and higher depreciation. Q4'23 production was 546.5 thousand gold equivalent ounces (k GEOs), 3% below BofAe at 562.4k GEOs, though was 3% above consensus expectations. On costs, KGC reported consolidated Q4'23 production cost of sales (COS) of \$976 per GEO (/GEO), 2% above BofAe at \$953/GEO, and largely in-line with Bloomberg at \$986/GEO, and VA at \$977/GEO. Q4'23 all-in sustaining costs (AISC) were \$1,353/GEO, largely in-line with BofAe at \$1,360/GEO.

2024-26 production guidance in-line; 2024 unit costs high

KGC reported 2024 production guidance of 2.1mn GEOs (+/-5%), in-line with KGC's prior outlook and also in-line with BofAe and consensus expectations. For production costs, KGC guided to \$1,020/GEO (+/-5%), above BofAe at \$947/GEO, and also (at the midpoint) above Bloomberg at \$980/GEO and VA at \$983/GEO. 2024 AISC guidance was \$1,360/GEO (+/-5%) also above BofAe at \$1,316/GEO. Production is guided to a steady 2mn GEO for 2025 and 2026, both in-line to BofAe and consensus expectations.

2024 capex guidance above BofAe, in-line with consensus

KGC guided to 2024 total capex of \$1,050mn, including \$500mn sustaining and \$550mn for projects/growth capex. This was 10% above BofA forecast for total capex at \$957mn, though largely in-line with Bloomberg consensus at \$1,039mn and VA consensus at \$1,060mn. 2024 total capex is relatively unchanged vs. 2023 at \$1,055mn.

Net debt improved; year-end 2023 reserves -11% yoy

As at 31-Dec-23, KGC had net debt of \$1,870 million (mn), an improvement vs. net debt of \$1,942mn as at 30-Sep-23 driven by Q4'23 free cash flow (FCF) of \$100mn (that was below BofAe at \$114mn). KGC did not repurchase shares in Q4'23. Year-end 2023 gold reserves declined 11% YoY (see Exhibit 3), though at Great Bear, KGC added over 1 million ounces (Moz) of inferred resources, surpassing expectations for around 0.5Moz

14 February 2024

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Stock Data

Price	4.99 USD
Price Objective	5.25 USD
Date Established	20-Nov-2023
Investment Opinion	C-3-7
52-Week Range	3.40 USD - 6.34 USD
Mrkt Val (mn) / Shares Out (mn)	6,127 USD / 1,227.8
Free Float	99.5%
Average Daily Value (mn)	57.54 USD
BofA Ticker / Exchange	KGC / NYS
Bloomberg / Reuters	KGC US / KGC.N
ROE (2023E)	9.3%
Net Dbt to Eqty (Dec-2022A)	36.8%
ESGMeter™	High

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Timestamp: 14 February 2024 10:09PM EST

Q4'23 financial results

Exhibit 1: KGC Q4'23 Financial Results Review

KGC reported GEO production which missed BofAe by 3% but was above consensus.

US\$millions, unless noted otherwise	Q4'23	YoY	Q4'22	QoQ	Q3'23	BofA Estimate	Δ%	Bloomberg Consensus	Δ%	VA Consensus	Δ%	KGC IR Consensus	Δ%
Q4 2023 Results													
Sales	1,115.7	11%	1,009.1	1%	1,102.4	1,112.1	0%	1,042.5	7%	1,056.2	6%		nm
Depreciation	271.7	14%	237.6	3%	263.9	249.7	9%	237.8	14%	237.9	14%	236.6	14%
EBITDA (US\$m)	465.2	3%	453.7	-5%	490.1	494.9	-6%	441.8	5%	441.3	5%	423.2	5%
Adjusted EPS (US\$/sh)	0.11	22%	0.09	-8%	0.12	0.13	-13%	0.09	17%	0.11	4%	0.09	4%
Cash flow before w/c changes (US\$m)	356.5	-24%	466.3	-21%	452.9	411.5	-13%	NA	nm	NA	nm		nm
FCF (US\$m)	99.6	nm	206.6	-19%	122.9	113.9	-13%	84.1	18%	111.2	-10%	95.8	-10%
Net debt / (net cash) (US\$m)	1,870	-14%	2,165	-4%	1,942	1,906	-2%	1,931	-3%	1,911	-2%		nm
Production (GEOs, attrib)													
Fort Knox	84,215	1%	83,739	18%	71,611	77,644	8%	63,765	32%	68,494	23%		nm
Round Mountain	55,764	-10%	61,929	-12%	63,648	64,955	-14%	55,916	0%	59,100	-6%		nm
Bald Mountain	44,007	-25%	58,521	8%	40,593	41,796	5%	43,881	0%	46,713	-6%		nm
Paracatu	127,940	-29%	180,809	-26%	172,482	138,559	-8%	136,927	-7%	139,990	-9%		nm
Tasiast	160,764	12%	143,002	-6%	171,140	179,000	-10%	162,862	-1%	163,088	-1%		nm
La Coipa	73,823	9%	67,683	12%	65,975	60,477	22%	66,744	11%	49,578	49%		nm
Total GEO production	546,513	-8%	595,683	-7%	585,449	562,431	-3%	530,095	3%	526,963	4%		nm
Total cash costs (US\$/GEO)													
Fort Knox	1,283	9%	1,173	12%	1,149	1,111	15%	1,339	-4%	1,245	3%		nm
Round Mountain	1,462	4%	1,409	-3%	1,503	1,500	-3%	1,469	0%	1,515	-3%		nm
Bald Mountain	1,156	23%	939	-11%	1,305	1,256	-8%	1,330	-13%	1,275	-9%		nm
Paracatu	1,085	53%	711	28%	845	1,010	7%	960	13%	961	13%		nm
Tasiast	645	-1%	654	-3%	666	664	-3%	699	-8%	690	-7%		nm
La Coipa	720	25%	578	8%	666	675	7%	NA	nm	724	0%		nm
Cons. TCC	976	15%	848	7%	911	953	2%	986	-1%	977	0%	985	0%
AISC (US\$/oz GEO)	1,353	12%	1,203	4%	1,296	1,360	-1%	NA	nm	1,284	5%	1,323	5%

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

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Exhibit 2: Kinross (KGC) 2024 Guidance Summary

2024 production guidance in-line with consensus and BofAe, though costs higher-than-expected.

Capex higher than BofAe, though in-line with consensus.

	Δ%						
	KGC 2024G	BofAe	BB Cons.	VA Cons.	vs. BofAe	vs. BB	vs. VA
Production (Moz GEO)	2.1	2.1	2.1	2.1	1%	0%	0%
TCC (\$/GEO)	1,020	947	980	983	8%	4%	4%
AISC (\$/GEO)	1,360	1,316	1,301	N/A	3%	5%	-
Sustaining capex (\$mn)	500	520	N/A	N/A	-4%	N/A	N/A
Growth capex (\$mn)	550	437	N/A	N/A	26%	N/A	N/A
Total capex (\$mn)	1,050	957	1,039	1,060	10%	1%	-1%

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

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Exhibit 3: Updated R&R

P&P reserves declined by 11% year-over-year (YoY) largely reflecting depletion and an engineering/geological update at Paracatu.

	Year-end 2023 (31-Dec-23)			Year-end 2022 (31-Dec-22)			Δ%		
	Tonnage (kt)	Grade (g/t)	Contained (koz)	Tonnage (kt)	Grade (g/t)	Contained (koz)	Tonnage (kt)	Grade (g/t)	Contained (koz)
P&P	937,809	0.75	22,757	1,108,577	0.72	25,535	-15%	5%	-11%
M&I	1,231,494	0.66	25,968	1,312,725	0.62	26,211	-6%	6%	-1%
Inferred	413,248	0.86	11,484	439,445	0.74	10,522	-6%	16%	9%

Source: BofA Global Research, Company Reports

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Price objective basis & risk

Kinross Gold (KGC)

Our price objective for Kinross Gold is \$5.25 per share, and is based on the stock trading at 1.00 times our net asset value (NAV) estimate, reflecting production growth that is forecast to be slightly lower than the senior/mid-tier average. Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with companies with declining production at the lower end of the range.

Risks to our price objective for Kinross Gold are commodity price weakness, the inability to secure financing for expansion or development projects, unforeseen operating problems, political or legal challenges in the regions in which the company operates, rising capital and operating costs and delays in the development of its growth projects or current mine expansions. There is also a risk that the Great Bear deal is not completed. On the upside, risks are stronger than expected commodity prices and an operating turnaround that exceeds our expectations in terms of timing and magnitude.

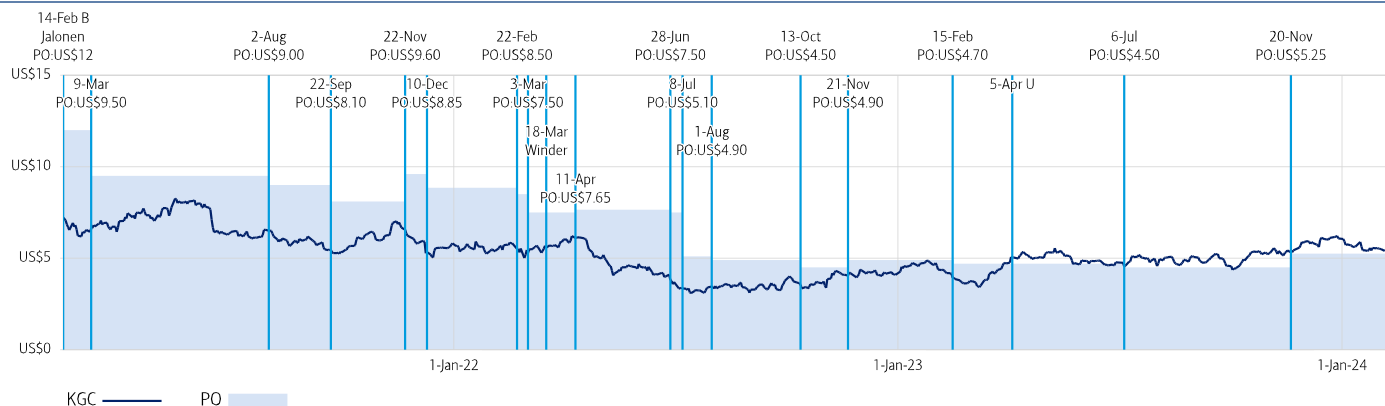
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Kinross Gold (KGC) Price Chart



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

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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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