

Newmont Corporation

Q4'23 earnings beat but soft 2024 guidance. Reduced dividend = 3.2% yield.

Maintain Rating: BUY | PO: 48.00 USD | Price: 31.09 USD

Dividend reduced 38% but partly offset with a buy-back

Newmont (NEM) reported Q4'23 financial results, provided 2024 guidance and updated its capital return policy. Q4'23 earnings comfortably beat expectations. On the other hand, 2024 gold production guidance was below expectations and the dividend was reduced by 38%. While we think market expectations for gold production had moved below us and consensus expectations, we view the dividend reduction as disappointing, even with the partial offset of a \$1 billion (bn) 24-month buy-back. Given the roughly 7% share price decline in trading today, we think much of the update is priced-in. Further, we still see the opportunity for meaningful value creation as NEM streamlines the portfolio to one more focused on the Tier 1 assets, and we maintain our Buy rating.

Net debt higher but still reasonable; dividend vs. buyback

As at 31-Dec-23, NEM held net debt of \$6.43bn (vs. net debt of \$2.90bn as at 30-Sep-23), with year-end net debt to adjusted EBITDA at a reasonable 1.1x. Q4'23 free cash flow was negative \$304 million (mn) vs. BofAe at positive \$43mn and Bloomberg/Visible Alpha (VA) at positive \$330mn/\$182mn. The Q1'24 quarterly dividend will be \$0.25 per share, a 38% reduction and below BofAe and consensus at \$0.40. Offsetting the reduced dividend, NEM announced a \$1bn (24-month) share buy-back. Annualized, the dividend and buyback equate to yields of 3.2% and 1.4% (4.6% total) vs. 5.1% with the prior \$1.60 per share dividend. Debt repayment is a priority with \$1bn targeted near-term.

2024 guidance: gold production miss, capex beat

For 2024, NEM is guiding to gold production of 6.9 million ounces (Moz) vs. BofAe at 7.5Moz, Bloomberg consensus at 7.0Moz, and VA consensus at 7.2Moz. 2024 costs applicable to sales (CAS) guidance is \$1,050 per ounce (/oz), in-line to BofAe at \$1,045/oz, but slightly above Bloomberg at \$1,017/oz and VA at \$1,001/oz. All-in sustaining cost (AISC) guidance for 2024 is \$1,400/oz vs. BofAe/Blomberg/VA at \$1,340/\$1,384/\$1,328 per ounce. For total 2024 capex, NEM is guiding to \$3.1 billion (bn), including \$1.8bn for sustaining and \$1.3bn for growth. The total capex guide is below BofAe /Blomberg/VA at \$3.8bn/\$3.4bn/\$3.3bn. (See exhibit 2, page 2).

Q4'23 earnings well ahead of expectations

NEM reported Q4'23 adjusted EPS of \$0.50, a beat vs. BofAe at \$0.37, Bloomberg at \$0.44 and VA at \$0.49. Q4'23 adjusted EBITDA was \$1,384mn, also a beat vs. BofAe at \$1,051mn, Bloomberg at \$1,297mn, and VA at \$1,337mn. Versus BofAe, the earnings beat was largely driven by the better than expected gold production and sales and other non-operational items, offsetting slightly higher than expected costs. Q4'23 net gold production (ex-equity interests) was 1,680 thousand ounces (koz), above BofAe at 1,623koz, Bloomberg at 1,635koz and VA at 1,675koz. Gold sales of 1,726koz exceeded production. Q4'23 CAS were \$1,086/oz, 4% above BofAe at \$1,045/oz, 10% above Bloomberg at \$986/oz and 11% above VA at \$976/oz. (See exhibit 1, page 2).

22 February 2024

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Stock Data

Price (NYS / ASE)	31.09 USD / 50.75 AUD
Price Objective	48.00 USD / 73.00 AUD
Date Established	20-Nov-2023 / 11-Dec-2023
Investment Opinion	B-1-8 / C-1-8
52-Week Range	31.62 USD - 52.76 USD
Market Value (mn)	35,825 USD
Free Float	99.9%
Average Daily Value	338.13 USD
Shares Outstanding (mn)	1,152.5 / 1,152.5
BofA Ticker / Exchange	NEM / NYS
BofA Ticker / Exchange	XNCRF / ASE
Bloomberg / Reuters	NEM US / NEM.N
ROE (2023E)	6.3%
Net Dbt to Eqty (Dec-2022A)	13.8%
ESGMeter™	High

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Refer to important disclosures on page 4 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.

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Timestamp: 22 February 2024 01:22PM EST

Q4'23 financial results

Exhibit 1: NEM Q4'23 Results

Q4'23 earnings were well ahead of expectations.

	Q4 2023A	Q4 2022A	YoY	Q3 2023A	QoQ	BofA Estimate	Var.	Bloomberg Cons.	Var.	VA Cons.	Var.
Q4 2023											
Sales (US\$m)	3,957	3,200	24%	2,493	59%	2,840	39%	3,383	17%	3,395	17%
Adj. EBITDA (US\$m)	1,384	1,161	19%	933	48%	1,051	32%	1,297	7%	1,337	4%
Depreciation (US\$m)	624	571	9%	480	30%	604	3%	N/A	-	600	4%
Adjusted net earnings (US\$m)	486	348	40%	286	70%	369	32%	419	16%	444	9%
Adjusted EPS (US\$/sh)	\$0.50	\$0.44	13%	\$0.36	38%	\$0.37	36%	0.42	17%	0.49	1%
Cash flow to the firm before w/c (US\$m)	787	1,039	-24%	876	-10%	795	-1%	NA	-	NA	NM
FCF to equity holders (US\$m)	(304)	364	nm	399	nm	43	nm	330	-192%	182	-267%
Net debt / (net cash) (US\$m)	6,434	2,426	165%	2,897	122%	3,753	71%	2,808	129%	3,158	104%
	Q4 2023A	Q4 2022A	YoY	Q3 2023A	QoQ	Q4'23E	Var.	Bloomberg Cons.	Var.	VA Cons.	Var.
Net Gold Production (koz)											
NGM	322	320	-18%	300	7%	322	0%	NA	-	325	-1%
North America	280	387	-28%	207	35%	319	-12%	NA	-	344	-18%
South America	229	217	6%	220	4%	227	1%	NA	-	254	-10%
Australia	566	338	67%	304	86%	571	-1%	NA	-	516	10%
Africa	283	299	-5%	208	36%	185	53%	NA	-	237	20%
Net gold production (ex. PV)	1,680	1,565	7%	1,239	36%	1,623	4%	1,635	3%	1,675	0%
Net gold sales	1,726	1,581	9%	1,229	40%	1,623	6%	1,685	2%	1,675	3%
	Q4 2023A	Q4 2022A	YoY	Q3 2023A	QoQ	Q4'23E	Var.	Bloomberg Cons.	Var.	VA Cons.	Var.
Costs applicable to sales (US\$/oz)											
NGM	1,125	940	20%	992	13%	946	19%	901	25%	NA	NM
North America	1,243	943	32%	1,206	3%	1,065	17%	986	26%	1,088	14%
South America	1,093	1,124	-3%	1,166	-6%	1,203	-9%	1,122	-3%	1,128	-3%
Australia	1,020	798	28%	770	33%	1,081	-6%	766	33%	848	20%
Africa	907	992	-9%	992	-9%	876	4%	890	2%	902	1%
Average CAS	1,086	940	16%	1,019	7%	1,045	4%	986	10%	976	11%
Average AISC	1,485	1,215	22%	1,426	4%	1,358	9%	1,350	10%	1,165	27%

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

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2024 guidance summary

Exhibit 2: NEM 2024 Guidance

2024 gold production guidance missed expectations. Capex beat expectations.

	2024 Guidance	BofAe 2024E	BB Cons. 2024E	VA Cons. 2024E	Δ% BofAe	Δ% BB Cons.	Δ% VA cons.
Gold production (Moz)	6.9	7.5	7.0	7.2	-7%	-1%	-3%
Costs applicable to sales (CAS) (\$/oz)	1,050	1,045	1,017	1,001	0%	3%	5%
All-in sustaining costs (AISC) (\$/oz)	1,400	1,340	1,384	1,328	4%	1%	5%
Total capex (\$mn)	3,100	3,774	3,407	3,272	-18%	-9%	-5%
Sustaining capex	1,800	1,534	N/A	N/A	17%	na	na
Development capex	1,300	2,240	N/A	N/A	-42%	na	na

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

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Price objective basis & risk

Newmont Corporation (NEM / XNCRF)

Our price objective for Newmont is \$48.00 (A\$73.00) per share, and is based on the stock trading at 1.25 times our estimated net asset value (NAV). We assume a USDAUD exchange rate of 0.66. Our NAV is based on a 5 percent discount rate and a long-term gold price of \$1,800/oz. Historically, North American precious metal stocks have traded between 1 and 3 times NAV, with a median of 1.50 times over the past three years (2.00 times longer-term), and with unhedged, growth-oriented producers with solid balance sheets occupying the upper end of the range. In the great gold rally of 2011, NEM's

multiple peaked at 2.50x. Upside risks to our price objective are stronger-than-forecast commodity prices, better than expected success at reducing costs and positive regulatory, permitting or operating developments. Downside risks to our price objective for Newmont are the inability to secure financing for expansion or development projects, unforeseen operating problems, political, legal or permitting challenges in the regions in which the company operates, rising capital and operating costs and delays in the development of its growth projects.

Analyst Certification

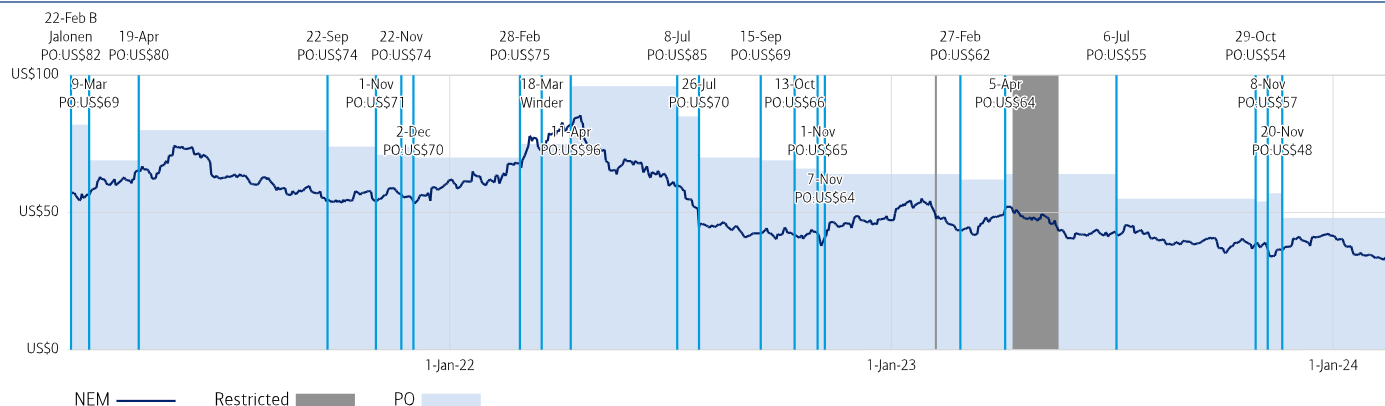
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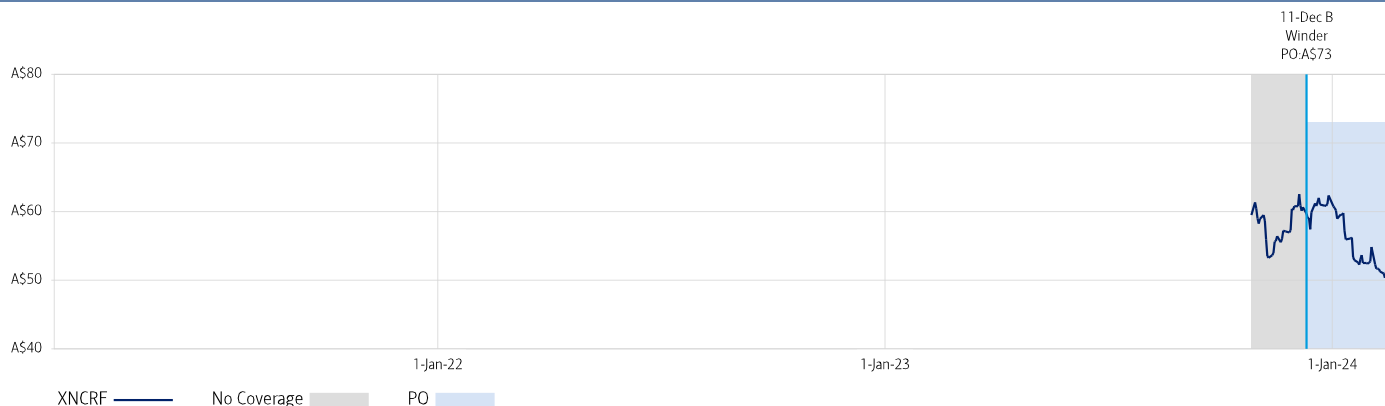
Newmont (NEM) Price Chart



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

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Newmont (XNCRF) 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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Underperform	N/A	≥ 20%

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