Q3 Preview: Like Goldilocks – Not Hot, Not Cold

We expect Q3/17 earnings to be relatively subdued, with companies providing routine updates on development projects, and taking the opportunity to tighten and adjust guidance ranges heading into the final major corporate update of the calendar year.

We highlight a number of companies where our EPS estimates diverge from consensus, and have potential to deliver an earnings beat or miss.

|  |
| --- |
| Exhibit 1: BMO EPS Estimates vs. Consensus ($0.00) |
| <DMID>_DM_09be7cb950b5402288f3844b96d2575d</DMID>  Our estimates diverge from consensus on NEM, DGC and EDV. |
| Source: BMO Capital Markets, Bloomberg |

In general, our earnings estimates for the large producers are essentially in-line with consensus estimates. We differ meaningfully from consensus only on Newmont Mining, where we see potential for an earnings beat based on strong quarters from Carlin and at Merian, in Suriname. A discussion of a potential dividend policy update represents a potentially positive catalyst for NEM on the quarter.

While our EPS estimates for Yamana Gold are now in line with consensus following better-than-expected Q3 production results released earlier this week, the company has flagged that it may raise guidance, based on an expected stronger Q4, supported by EL Penon, which is tracking better than expectations. In our view, this represents a potentially positive catalyst for shares of AUY heading into the quarter.

Among the medium producers, a number of companies have already reported production that has narrowed the range of earnings estimates. Notably, we expect earnings for Detour Gold and Endeavour Mining to be below consensus. In the case of Detour, we expect another strong operational quarter as the mining rate continues to increase, and the variance appears to stem from assumptions made in transitioning from the convertible debentures to the US$500M bank facility. For Endeavour, we expect seasonal factors to affect operations and result in a weaker quarter, but the difference is likely exacerbated by treatment of the shares issued for the Avnel acquisition and deconsolidation of the discontinued Nzema mine as consensus appears to be skewed by outlying estimates.

A full summary of our financial and operational estimates for the upcoming quarter, along with a reporting calendar, is included overleaf.

|  |
| --- |
| Exhibit 2: Summary of BMO Estimates for Q3/17E (includes companies > 400koz production in 2017E) |
| <DMID>_DM_5f532ec53dc74f9e965fce5e794c29b8</DMID> |
| Source: BMO Capital Markets, Company Filings, Bloomberg |

|  |
| --- |
| Exhibit 3: Summary of Reporting Dates and Conference Call Details |
| <DMID>_DM_f28cc1386c644feea2b3db0b2bce06b1</DMID> |
| Source: BMO Capital Markets, Company Filings |