



Auginvestments

NEWMONT CORPORATION RECOMMENDATION

Company Background

Newmont Corporation is the largest publicly traded gold company in the world with eight world-class assets in top-tier jurisdictions. Newmont also boasts the largest reserve base with 95.7Moz in gold reserves and experiences a \$400M FCF/annum per \$100 increase in gold price. With gold currently trading around \$1,900, Newmont experiences large profit margins and will be able to pay outstanding debt, return cash to shareholders through its leading dividend, or acquire other companies to further grow earnings.

Dividend

Newmont recently raised their dividend by 60% to \$1.6/sh annually. Newmont expects this dividend to be sustainable with a minimum price target of \$1,500 for gold, which leaves room in the future to continue raising their dividend as the price of gold appreciates. Additionally, Newmont also provided an updated dividend framework in which it will return 40-60% of incremental FCF generated above its \$1,200/oz base case. Currently the benchmark will rest \$300/oz below the semi-annually updating gold floor price of \$1,800/oz, therefore current dividend pricing utilizes \$1,500/oz.

Outlook

Over the next five years, Newmont is set to produce an average of 7.5M Gold Equivalent Ounces (GEOs) per annum at an average All in Sustaining Cost (AISC) of roughly \$925 per ounce. Using this projection and the current price of gold Newmont will produce roughly \$6.7B in EBITDA this year. Newmont's price target of \$88 USD per share assumes a \$2,300 gold price and a \$3.20 copper price in 2021, utilizing the DCF model found at the end of the report.

Current projections for 2021 further emphasize the dramatic growth expected in Newmont as EBITDA is expected to be roughly \$9.3B.

Newmont's net debt has been steadily declining with continued earnings and increasing free cash flow, which will enable the company to transition from a net debt position to a net cash position in 2021.

Operational Success

Newmont's previous acquisition of Goldcorp's assets was extremely accretive because the price of gold has increased by roughly \$600 per ounce since the merger. Newmont also has a strong focus on reducing costs in order to maximize their margin which further emphasizes their operational success in transforming the troubled Goldcorp assets into top producing mines.

Broader Analysis and Conclusion

The long-term outlook is bullish for gold as federal stimulus and low interest rates will be required for years to come which will enable gold prices to further appreciate. Therefore, we expect Newmont to outperform the broader market through its impressive production profile.

Outperformer

NEM-NYSE, Sector: Materials

Current Price (11/09/20): US\$66.01

Price Target (12-18 months): US\$88.00

Market Data (US\$)

Current Price	\$66.01
52-Week Range	\$33.00-\$72.22
Mkt Cap (f.d.) (\$mm)	\$53,233.7
Float Cap (\$mm)	\$52,101.8
EV (\$mm)	\$54,435.7
Current Dividend	\$1.60
Dividend Yield	2.42%

Financial Data (US\$)

Fiscal Y-E	December
Shares O/S (f.d) (mm)	818.4
Float Shares (mm)	801.0
Net Debt (\$mm)	\$1,202.0
Working Cap (\$mm)	\$4,957.0

Comparable Company Analysis

Company Name:		Newmont	Barrick Gold	Agnico Eagle	Average
Valuation					
Revenue	LFY	9,740.0	9,717.0	2,494.9	7,317.3
	LTM	11,083.0	12,199.0	2,962.8	8,748.3
	FY+1	11,717.2	12,478.0	3,194.9	9,130.0
	FY+2	16,228.3	13,781.1	4,177.9	11,395.8
EV / Revenue	LFY	5.0x	4.5x	6.5x	5.3x
	LTM	5.0x	4.5x	6.5x	5.3x
	FY+1	4.7x	4.4x	6.1x	5.1x
	FY+2	3.4x	4.0x	4.6x	4.3x
EBITDA	LFY	3,803.0	4,546.0	1,043.2	3,130.7
	LTM	5,254.0	6,524.0	1,382.0	4,386.7
	FY+1	6,714.0	6,645.0	1,552.7	4,970.6
	FY+2	9,298.8	8,404.7	2,628.6	6,777.4
EV / EBITDA	LFY	9.5x	8.0x	13.9x	10.4x
	LTM	9.5x	8.0x	13.9x	10.4x
	FY+1	7.5x	8.3x	12.5x	10.4x
	FY+2	6.0x	6.6x	7.4x	7.0x
EPS	LFY	3.91	2.26	1.99	2.72
	LTM	2.97	1.70	2.63	2.43
	FY+1	3.85	1.15	2.01	2.34
	FY+2	5.80	1.42	4.07	3.76
P/E	LFY	22.1x	15.0x	28.2x	21.8x
	LTM	22.1x	15.0x	28.2x	21.8x
	FY+1	17.2x	22.5x	36.9x	29.7x
	FY+2	11.4x	18.2x	18.2x	18.2x

PROJECTED CASH FLOWS

(USD in millions, except per share data)

Fiscal Year Ending December											
		2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Total Revenue		6,085.0	6,680.0	7,379.0	7,253.0	9,740.0	11,717.2	16,228.3	15,822.6	15,427.1	15,041.4
Annual Growth			9.8%	10.5%	(1.7%)	34.3%	20.3%	38.5%	(2.5%)	(2.5%)	(2.5%)
Cost of Revenue		3,605.0	3,624.0	4,056.0	3,999.0	5,363.0	5,003.3	5,030.8	4,746.8	4,628.1	4,662.8
Margin		59.2%	54.3%	55.0%	55.1%	55.1%	42.7%	31.0%	30.0%	30.0%	31.0%
EBITDA		2,033.0	2,583.0	2,846.0	2,761.0	3,803.0	6,714.0	9,298.8	9,066.4	8,839.7	8,618.7
Annual Growth			27.1%	10.2%	(3.0%)	37.7%	76.5%	38.5%	(2.5%)	(2.5%)	(2.5%)
Margin		33.4%	38.7%	38.6%	38.1%	39.0%	57.3%	57.3%	57.3%	57.3%	57.3%
Less: D&A		1,062.0	1,149.0	1,279.0	1,586.0	2,048.0	2,320.0	2,596.5	2,405.1	2,221.6	2,045.8
% of Capital Expenditure		81.0%	101.4%	147.7%	153.7%	140.0%	180.0%	160.0%	152.0%	144.0%	136.0%
EBIT		971.0	1,434.0	1,567.0	1,175.0	1,755.0	4,394.0	6,702.3	6,661.3	6,618.1	6,573.0
Annual Growth			47.7%	9.3%	(25.0%)	49.4%	150.4%	52.5%	(0.6%)	(0.6%)	(0.7%)
Margin		16.0%	21.5%	21.2%	16.2%	18.0%	37.5%	41.3%	42.1%	42.9%	43.7%
Less: Income Taxes	43.0%	(417.5)	(616.6)	(673.8)	(505.3)	(754.7)	(1,889.4)	(2,882.0)	(2,864.4)	(2,845.8)	(2,826.4)
Unlevered Net Income		553.5	817.4	893.2	669.8	1,000.4	2,504.6	3,820.3	3,796.9	3,772.3	3,746.6
Plus: D&A		1,062.0	1,149.0	1,279.0	1,586.0	2,048.0	2,320.0	2,596.5	2,405.1	2,221.6	2,045.8
Less: Capital Expenditure		(1,311.0)	(1,133.0)	(866.0)	(1,032.0)	(1,463.0)	(1,288.9)	(1,622.8)	(1,582.3)	(1,542.7)	(1,504.1)
Margin		(21.5%)	(17.0%)	(11.7%)	(14.2%)	(15.0%)	(11.0%)	(10.0%)	(10.0%)	(10.0%)	(10.0%)
Less: Additions to Intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Increase in Working Capital		(206.0)	(493.0)	(392.0)	(743.0)	(309.0)	(691.2)	(957.3)	(933.4)	(910.0)	(887.3)
Margin		(3.4%)	(7.4%)	(5.3%)	(10.2%)	(3.2%)	(5.9%)	(5.9%)	(5.9%)	(5.9%)	(5.9%)
Unlevered Free Cash Flow		98.5	340.4	914.2	480.8	1,276.4	2,844.5	3,836.7	3,686.4	3,541.2	3,400.9
Annual Growth			245.7%	168.6%	(47.4%)	165.5%	122.9%	34.9%	(3.9%)	(3.9%)	(4.0%)
Discount Factor - End-of-Period Convention							0.13	1.13	2.13	3.13	4.13
PV of Yearly Cash Flows							354.2	3,441.7	3,002.8	2,619.2	2,284.1

Present Value of Equity at 11/09/2020

		% of TEV	% of MVE
PV of 2020 Free Cash Flow Stub(1)	354.2	0.5%	0.5%
PV of 2021-2024 Free Cash Flows(1)	11,347.8	15.4%	16.0%
PV of Terminal Value(1)	61,916.5	84.1%	87.2%
Enterprise Value	73,618.4	100.0%	103.7%
Less:			
Total Debt	(6,787.0)		(9.6%)
Preferred Stock	0.0		0.0%
Minority Interest	(959.0)		(1.4%)
Plus:			
Cash and Equivalents	5,141.0		7.2%
Equity Value	71,013.4		100.0%
Shares Outstanding	806.4		
Implied Per Share Value	88.06		
Current Price	66.01		
Premium/(Discount) to Current Price	33.4%		

Price Target (Base Case): US\$88.00

Our \$88.00 price target is derived from our DCF Model, assuming a 2021 Gold price of \$2,300/oz and there after a steady decline in gold prices.

Upside Scenario: US \$123.00

Commodity Price Assumption:
Gold US\$2,500/oz, Silver US\$38.00/oz,
Copper US\$3.50/lbs

Downside Scenario: US\$56.00

Commodity Price Assumption:
Gold US\$1,500/oz, Silver US \$19.00/oz,
Copper \$2.80/lbs

