

Newmont Corporation(NEM)

\$49.44 (As of 02/21/20)

Price Target (6-12 Months): **\$53.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/05/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

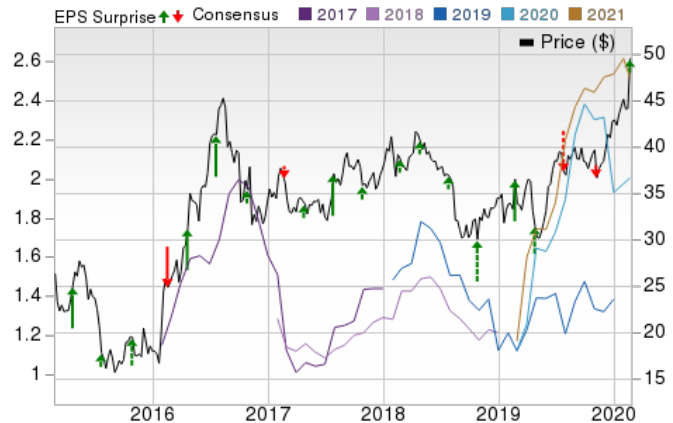
Growth: A

Momentum: B

Summary

Newmont swung to profit in fourth-quarter 2019. Adjusted earnings beat the Zacks Consensus Estimate, while sales missed the same. The company is making notable progress with its growth projects. It is likely to gain from a number of projects including the Tanami Expansion, Subika Underground and Ahafo mill expansion. Moreover, the merger with Goldcorp is expected to be value-accretive to the company's cash flow and generate significant synergies. Also, higher gold prices will likely support earnings in 2020. The company is also making notable progress with efficiency improvement programs and is committed to boost shareholders' value. However, Newmont faces headwinds from high production costs. It also faces challenges in the copper market stemming from the oversupply of the metal. Stretched valuation is another concern.

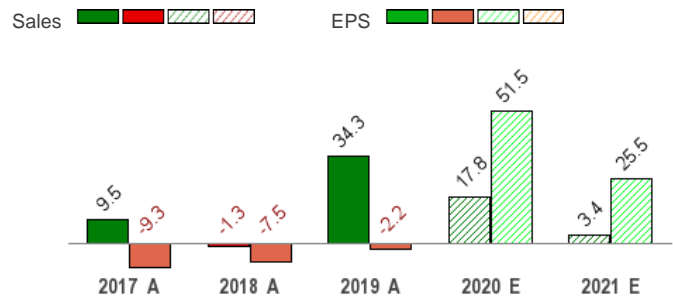
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$49.59 - \$29.77
20 Day Average Volume (sh)	6,361,627
Market Cap	\$40.5 B
YTD Price Change	13.8%
Beta	0.16
Dividend / Div Yld	\$0.56 / 1.1%
Industry	Mining - Miscellaneous
Zacks Industry Rank	Top 43% (109 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.2%
Last Sales Surprise	-4.5%
EPS F1 Est- 4 week change	2.1%
Expected Report Date	NA
Earnings ESP	-6.3%
P/E TTM	37.7
P/E F1	24.7
PEG F1	NA
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,964 E	2,971 E	2,971 E	2,971 E	11,859 E
2020	2,836 E	2,912 E	3,055 E	3,105 E	11,472 E
2019	1,803 A	2,257 A	2,713 A	2,967 A	9,740 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.80 E	\$0.80 E	\$0.80 E	\$0.80 E	\$2.51 E
2020	\$0.48 E	\$0.48 E	\$0.54 E	\$0.56 E	\$2.00 E
2019	\$0.33 A	\$0.12 A	\$0.36 A	\$0.50 A	\$1.32 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/21/2020. The reports text is as of 02/24/2020.

Overview

Colorado-based Newmont Corporation is one of the world's largest producers of gold with several active mines in Nevada, Peru, Australia and Ghana. As of Dec 31, 2019, Newmont had gold reserves of 100.2 million ounces. Its attributable gold production for 2019 was 6.3 million ounces, up 23% year over year.

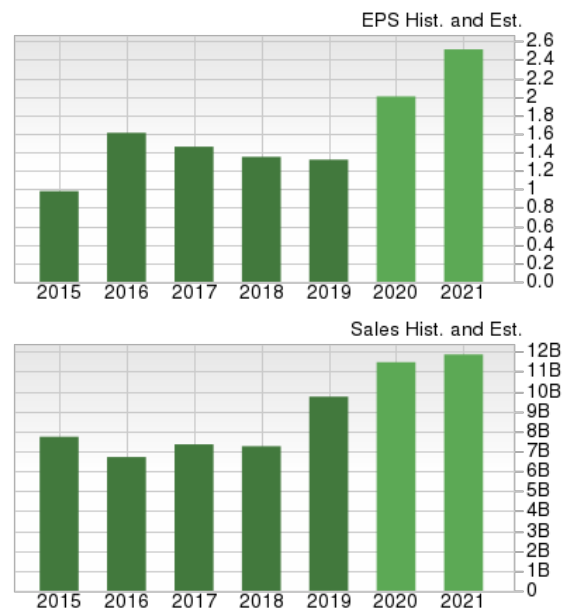
Newmont's operating segments are North America, South America, Australia and Africa.

The North America segment (23% of 2019 gold production) is represented by operations at Nevada. In Nevada, its operations include the Carlin, Twin Creeks and Phoenix mines. The South America segment (22%) is represented by operations in Yanacocha, Peru. The Asia Pacific segment (32%) now consists of the operations in Australia. In Australia, Newmont fully owns and operates the Tanami mine. The Super Pit mine in Kalgoorlie are jointly owned with Barrick Gold. It also owns 100% of the Boddington mine. The Africa segment (23%) operations are represented by the fully-owned Ahafo and Akyem mines in Ghana.

The company closed the sale of its 48.5% ownership interest in PT Newmont Nusa Tenggara (PTNNT), which operates the Batu Hijau copper and gold mine in Indonesia, to PT Amman Mineral Internasional (PTAMI) on Nov 2, 2016. The asset's name is now changed to PT Amman Mineral Nusa Tenggara (PTAMNT).

The company, in February 2014, completed the sale of its Midas underground operation and mill complex to Klondex Mines Ltd. The company, in March 2014, also sold its 5.4% equity interest in Paladin Energy Ltd. through a block sale deal with UBS Australia. Moreover, the company, in July 2014, completed the sale of its Jundee underground gold mine in Australia to Northern Star Resources for roughly \$91 million. The company also completed the sale of its 44% stake in the Penmont joint venture in Mexico in October 2014 to Fresnillo plc for \$477 million.

In January 2019, Newmont entered into a definitive deal with Goldcorp to acquire all of the outstanding common shares of the latter in a stock-for-stock transaction. The transaction was successfully closed on Apr 18, 2019. The deal provides the company an investment-grade balance sheet and financial flexibility to pursue promising projects.



Reasons To Buy:

- ▲ Newmont continues to invest in growth projects in a calculated manner. The company is pursuing a number of projects including Tanami Expansion in Australia, and Subika Underground and Ahafo mill expansion in Africa. Subika Underground is expected to yield an average annual gold production of 150,000-200,000 ounces per annum for the first five years starting 2019 and has an initial mine life of roughly 11 years. Also, the company's production is likely to be boosted by higher grade production from the Subika Underground project, which reached commercial production in November 2018. It is also pursuing a second expansion at Tanami and advancing greenfields exploration prospects in Western Australia, the Northern Territory and New South Wales. The Tanami Power Project is also fully permitted. It will lower Tanami power costs and carbon emissions by roughly 20% starting 2019. The project was successfully completed in March 2019. The company expects the Tanami power project to deliver net cash savings per ounce of \$34 from 2019 to 2023 and generate an IRR of more than 50%. The Ahafo expansion projects represents additional upside. The expansion was also brought on line in third-quarter 2019, with a budget of around \$175 million. It is likely to boost mill capacity to nearly 10 million tons per year. The Africa witnessed 1.1 million ounces of attributable gold production in 2019 at an all-in sustaining costs of less than \$800 per ounce. This was driven by the successfully completion of the Ahafo's expansion projects. It will also add annual gold production of 75,000-100,000 ounces per year from 2020 to 2024.
- ▲ Newmont is well placed benefit from its merger with Goldcorp. The transaction is immediately value-accretive to its cash flow and net asset value per share. It is projected to generate an annual expected benefit of around \$165 million per year. Moreover, annual pre-tax synergies and full potential benefits are expected to be \$265 million, representing value creation potential of more than \$2.5 billion. In 2019, the company generated \$3.7 billion in adjusted EBITDA and realized substantial value from the Goldcorp acquisition that exceeded targets. In 2020, the company expects to achieve \$340 million in cash flow improvements, which represents more than 90% of its commitment for value delivering \$365 million from this transaction.
- ▲ After a turbulent 2018, gold has had a stellar run in 2019. Gold prices surpassed the \$1,500 an ounce threshold in the third quarter of 2019 and traded at levels last seen in 2013. Uncertainties over the U.S.-China trade standoff, a weaker U.S. dollar and geopolitical tensions triggered the safe haven demand for gold last year. Moreover, prices recently topped \$1,600 an ounce for first time since 2013 as growing coronavirus concerns spur safe haven demand. The company's averaged realized price of gold also rose 20% year over year in the last reported quarter and boosted margins. Higher gold prices are expected to continue to drive earnings in 2020 amid market volatility and economic uncertainties.
- ▲ Newmont is making notable progress with efficiency improvement programs. Improved operational efficiency is allowing the company to generate positive free cash flow. The company ended 2019 with consolidated cash worth \$2.2 billion. Moreover, the company's consolidated cash flow from continuing operations surged 57% year over year to \$2.9 billion in 2019, partly due to higher realized gold prices and inclusion of sales from the Goldcorp assets. The company is also committed to return value to shareholders. It has unveiled plans to increase its quarterly dividend by 79%. The company has returned \$1.4 billion to shareholders through share repurchases and dividends in 2019, including \$500 million in share buybacks and \$900 million in dividends.

Newmont is making notable progress with its growth projects. The merger with Goldcorp will also generate significant synergies.

Reasons To Sell:

- ▼ High expected production cost is a concern for the company. Newmont recorded AISC of \$946 per ounce for 2019, up 6% year over year. Its CAS also rose 2% year over year in 2019. The company projects AISC at \$975 per ounce in 2020, marking an expected increase of 3.1% year over year. Moreover, the company's AISC rose 12% year over year in the last reported quarter, while CAS increased 5%. As such, rising cost may continue to weigh on margins.
- ▼ Newmont still faces challenges in the copper market stemming from the oversupply of the metal. Copper – an important barometer for the global economy – is a major industrial metal and plays a significant role especially in emerging countries. However, oversupply in the market (with production exceeding demand) poses a threat on copper prices. A slowdown in demand in China amid the coronavirus outbreak adds to the concerns. China's move to tighten credit growth could hurt demand for copper in its property and infrastructure sectors. The company's average realized copper price also declined 4% year over year in 2019 to \$2.63 per pound. Lower copper production at Boddington is another concern.
- ▼ The company's stretched valuation is another concern. In case of Newmont, the trailing 12-month EV/EBITDA multiple (a preferred valuation metric for cyclical industries like mining) is 32.83 whereas its industry's trailing 12-month EV/EBITDA multiple is lower at 21.68. As such, investors might not want to pay more for Newmont's stock.

Newmont faces headwinds from high production costs on year over year comparison basis. It also faces challenges in the copper market.

Last Earnings Report

Newmont's Q4 Earnings Surpass Estimates, Sales Miss

Newmont reported net income from continuing operations of \$537 million or 66 cents per share in fourth-quarter 2019 against a net loss of \$3 million or breakeven per share in the year-ago quarter. Fourth-quarter results gained from increased production from the acquired Goldcorp assets and higher realized gold prices.

Barring one-time items, adjusted earnings were 50 cents per share, which beat the Zacks Consensus Estimate of 48 cents.

Newmont reported revenues of \$2,967 million, up 44.9% year over year. However, the figure missed the Zacks Consensus Estimate of \$3,105.4 million.

2019 Highlights

In 2019, net income amounted to \$2,877 million or \$3.91 per share, up from of \$280 million or 53 cents a year ago.

Revenues rose 34.3% year over year to roughly \$9,740 million.

Operational Highlights

Newmont's attributable gold production increased around 27% year over year to 1.83 million ounces in the fourth quarter.

Average realized prices of gold rose 20% year over year to \$1,478 per ounce.

The company's CAS for gold was \$691 per ounce, up 5% year over year.

AISC for gold advanced 12% year over year to \$946 per ounce primarily due to higher gold CAS per ounce and higher sustaining capital spending.

Regional Performance

North America

Attributable gold production in North America was 379,000 ounces, up roughly 165% year over year. Gold CAS for the region was \$734 per ounce, down around 2% year over year.

South America

Attributable gold production in South America was 277,000 ounces, up 33% year over year. Gold CAS for the region rose around 19% to \$671 per ounce.

Australia

Attributable gold in the region was 393,000 ounces, up around 3% year over year. Gold CAS in this region declined 4% year over year to \$693 per ounce.

Africa

Production in the region totaled 290,000 ounces of gold in the quarter, surging 27% year over year. Gold CAS was \$628 per ounce, up 8% year over year.

Financial Position

The company ended 2019 with \$2.2 billion of consolidated cash. Net debt was \$4.6 billion at the end of 2019, up from \$0.9 billion at the end of 2018.

Net cash from operating activities surged 56.9% year over year to \$2.9 billion for 2019.

Outlook

Newmont expects attributable gold production for 2020 to be 6.4 million ounces. For 2020, all-in sustaining costs for gold is projected at \$975 per ounce. CAS expectation for gold is \$750 per ounce.

Quarter Ending **12/2019**

Report Date	Feb 20, 2020
Sales Surprise	-4.46%
EPS Surprise	4.17%
Quarterly EPS	0.50
Annual EPS (TTM)	1.31

Recent News

Newmont Declares Quarterly Dividend – Feb 18, 2020

Newmont's board of directors announced a quarterly dividend of 14 cents per share of common stock. The dividend will be paid on Mar 19, 2020 to holders of record at the close of business on Mar 5, 2020.

Newmont Unveils Plan to Hike Annual Dividend by 79% - Jan 6, 2020

Newmont has declared plans to hike its quarterly dividend to 25 cents per share or an expected annual dividend of \$1 per share.

The latest hike, which will be effective upon the approval and declaration of its first-quarter dividend in April 2020, represents 79% increase from quarterly dividend of 14 cents per share declared in October 2019. The dividend hike is in line with the company's disciplined approach to capital allocation strategy and supports its industry leading return profile.

Additionally, the company intends to continue its share repurchase program for up to \$1 billion of common stock that was announced in December 2019. The company has used the repurchase program to retire 12.4 million shares worth \$506 million for the quarter ended Dec 31, 2019. Overall, the company has returned around \$1.4 billion to shareholders in 2019.

Newmont has one of the strongest and sustainable portfolios of projects, operations and exploration prospects in the gold space. The company is slated to enter its centenary year in May 2020.

Notably, the declaration and payment of future dividends are at the discretion of its board. It will also depend on future prospects, financial performance, cash requirements as well as other factors deemed relevant by the board of directors.

Newmont Closes KGCM Stake Sale, Cuts 2020 Production View – Jan 2, 2020

Newmont has successfully completed the divestment of its 50% interest in Kalgoorlie Consolidated Gold Mines (KCGM) to Northern Star Resources Limited for cash proceeds of \$800 million.

Newmont had previously announced the agreements to sell Red Lake in Canada for \$375 million and its stake in Continental Gold for \$260 million. Through the latest move, the company has achieved its divestiture target of between \$1 billion and \$1.5 billion. Newmont expects to receive more than \$1.4 billion in cash proceeds in first-quarter 2020. The divestment of KCGM streamlines Newmont's portfolio. It now has 12 top-tier assets, which are located in four continents having favorable gold mining jurisdictions.

The company has also issued an updated 2020 guidance and long-term view. For 2020, Newmont expects attributable gold production to be 6.4 million ounces, down from earlier forecast of 6.7 million ounces. In the long term, gold production is projected in the range of 6.2-6.7 million ounces through 2024.

Gold costs applicable to sales projection for 2020 is unchanged at \$750 per ounce. Gold CAS per ounce for 2021 and 2022 are expected between \$650 and \$750 and in the band of \$600-\$700 for 2023 and 2024.

All-in sustaining costs per ounce expectation for gold for 2020 are unchanged at \$975 and between \$850 and \$950 for 2021 and 2022. Gold AISC per ounce is projected between \$800 and \$900 for 2023 and 2024.

The company has lowered attributable sustaining capital guidance for 2020 to \$950 million and in the range of \$0.9-\$1.1 billion in the long-term through 2024.

Valuation

Newmont's shares are up 36.9% over the trailing 12-month period. Stocks in the Zacks Mining - Miscellaneous industry and the Zacks Basic

Materials sector are down 5.8% and 9.5% over the past year, respectively.

The S&P 500 index is up 18.6% in the past year.

The stock is currently trading at 23.79X forward 12-month earnings, which compares to 9.99X for the Zacks sub-industry, 13.46X for the Zacks sector and 19.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 38.43X and as low as 14.31X, with a 5-year median of 24.52X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$53 price target reflects 25.5X forward 12-month earnings per share.

The table below shows summary valuation data for NEM:

Valuation Multiples - NEM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.79	9.99	13.46	19.09
	5-Year High	38.43	35.68	21.14	19.34
	5-Year Low	14.31	8.59	9.81	15.18
	5-Year Median	24.52	10.34	13.62	17.47
P/B TTM	Current	1.81	3.23	2.25	4.61
	5-Year High	2.75	4.4	3.55	4.68
	5-Year Low	0.58	0.46	1.34	2.85
	5-Year Median	1.5	2.36	2.2	3.62
P/S TTM	Current	4.16	5.46	2.1	3.79
	5-Year High	4.16	7.52	3.1	3.84
	5-Year Low	1.03	2.98	1.82	2.51
	5-Year Median	2.49	6	2.51	3.15

As of 02/21/2020

Industry Analysis Zacks Industry Rank: Top 43% (109 out of 255)



Top Peers

Agnico Eagle Mines Limited (AEM)	Outperform
AngloGold Ashanti Limited (AU)	Neutral
Yamana Gold Inc. (AUY)	Neutral
B2Gold Corp (BTG)	Neutral
Eldorado Gold Corporation (EGO)	Neutral
Gold Fields Limited (GFI)	Neutral
Barrick Gold Corporation (GOLD)	Neutral
Kinross Gold Corporation (KGC)	Neutral

Industry Comparison Industry: Mining - Miscellaneous				Industry Peers		
	NEM Neutral	X Industry	S&P 500	BTG Neutral	GOLD Neutral	KGC Neutral
VGM Score	B	-	-	A	C	A
Market Cap	40.53 B	117.17 M	24.03 B	4.81 B	38.12 B	7.47 B
# of Analysts	6	2	13	5	8	7
Dividend Yield	1.13%	0.00%	1.76%	0.65%	0.93%	0.00%
Value Score	C	-	-	B	D	B
Cash/Price	0.08	0.09	0.04	0.03	0.09	0.09
EV/EBITDA	20.55	-0.62	14.08	8.54	4.51	4.85
PEG Ratio	NA	2.66	2.08	4.01	15.51	NA
Price/Book (P/B)	1.81	1.35	3.29	2.57	1.28	1.40
Price/Cash Flow (P/CF)	13.83	5.29	13.42	8.83	12.99	6.47
P/E (F1)	24.72	16.14	19.00	10.86	31.02	13.81
Price/Sales (P/S)	4.16	1.13	2.64	4.18	3.92	2.14
Earnings Yield	4.05%	2.59%	5.26%	9.21%	3.22%	7.21%
Debt/Equity	0.30	0.04	0.70	0.18	0.17	0.35
Cash Flow (\$/share)	3.57	-0.00	7.03	0.53	1.65	0.92
Growth Score	A	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	3.57%	1.90%	10.84%	54.19%	0.36%	32.19%
Proj. EPS Growth (F1/F0)	51.77%	8.06%	7.09%	82.20%	35.54%	26.89%
Curr. Cash Flow Growth	51.58%	-0.76%	6.72%	146.87%	57.23%	28.17%
Hist. Cash Flow Growth (3-5 yrs)	-1.24%	8.71%	8.25%	36.09%	3.75%	2.79%
Current Ratio	2.63	1.98	1.22	2.40	3.02	2.96
Debt/Capital	23.26%	12.34%	42.37%	15.43%	14.75%	26.03%
Net Margin	28.80%	-12.60%	11.56%	5.76%	40.85%	20.55%
Return on Equity	5.07%	-9.96%	16.80%	11.03%	3.80%	8.70%
Sales/Assets	0.28	0.34	0.55	0.44	0.25	0.41
Proj. Sales Growth (F1/F0)	17.78%	0.00%	3.90%	22.43%	13.13%	1.04%
Momentum Score	B	-	-	C	F	D
Daily Price Chg	2.79%	0.00%	-0.83%	2.64%	3.23%	6.62%
1 Week Price Chg	0.11%	1.02%	1.65%	-0.96%	8.41%	2.43%
4 Week Price Chg	13.14%	-4.65%	-0.37%	10.66%	16.33%	25.47%
12 Week Price Chg	29.49%	5.00%	3.74%	29.72%	28.38%	40.57%
52 Week Price Chg	39.62%	-19.72%	14.14%	45.03%	60.96%	63.29%
20 Day Average Volume	6,361,627	112,323	1,992,841	6,563,361	13,350,541	14,667,842
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-3.21%
(F1) EPS Est 4 week change	2.12%	0.00%	-0.02%	-0.46%	-0.90%	3.07%
(F1) EPS Est 12 week change	-13.77%	-1.57%	-0.17%	14.16%	1.10%	2.03%
(Q1) EPS Est Mthly Chg	-1.06%	0.00%	-0.48%	0.00%	-2.36%	-10.00%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	A
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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