

Current Price: \$59.30  
Target Price: \$62  
**Recommendation: Hold**



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### Valuation Highlights

Industry	Materials
Market Cap	\$47.639B
52 Week Range	33.00 - 72.22
AVG Volume	6,303,100
Sh. Outstanding	0.806B
Dividend (yield)	\$0.40
P/E (ttm)	18.64
P/E (fwd 1yr)	15.67
P/Sales (ttm)	4.21
P/B (mrq)	2.02

### Financial Highlights

Revenue (ttm)	\$11.083B
Gross Profit (ttm)	\$5.965B
Gross Margin	53.82%
EBITDA (ttm)	\$4.703B
EBITDA Margin	42.42%
Net Income (ttm)	\$2.570B
Net Margin	23.19%
Diluted EPS (ttm)	\$3.52
Total Cash (mrq)	\$5.141B
Total Debt (mrq)	\$6.026B
Debt / Equity (mrq)	0.26
Current Ratio (mrq)	2.83
BV per/share (mrq)	\$28.18
ROE (ttm)	11.22%
ROA (ttm)	6.42%

### Earnings Model Highlights

#### Operating Revenues (\$ Millions)

	Q1	Q2	Q3	Q4	FY
2017	1,690	1,875	1,879	1,935	7,379
y/y	-	-	-	-	-
2018	1,817	1,662	1,726	2,048	7,253
y/y	7.0%	-12.8%	-8.9%	5.5%	-1.7%
2019	1,803	2,257	2,713	2,967	9,740
y/y	-0.8%	26.4%	36.4%	31.0%	25.5%
2020	2,581	2,365	3,170	3,350	11,466
y/y	30.1%	4.6%	14.4%	11.4%	15.1%
2021	2,529	2,318	3,107	3,283	11,237
y/y	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
2022	2,479	2,271	3,044	3,217	11,012
y/y	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%

Note: values in red represent analyst estimates

#### Diluted EPS

	Q1	Q2	Q3	Q4	FY
2017	\$ 0.09	\$ 0.33	\$ 0.38	\$ (1.01)	\$ (0.21)
y/y	-	-	-	-	-
2018	\$ 0.36	\$ 0.54	\$ (0.27)	\$ 0.01	\$ 0.64
y/y	75.0%	38.9%	240.7%	10200.0%	132.8%
2019	\$ 0.16	\$ (0.03)	\$ 2.65	\$ 1.03	\$ 3.81
y/y	-125.0%	1900.0%	110.2%	99.0%	83.2%
2020	\$ 1.02	\$ 0.43	\$ 1.04	\$ 6.24	\$ 8.73
y/y	84.3%	107.0%	-154.8%	83.5%	56.4%
2021	\$ 1.00	\$ 0.42	\$ 1.02	\$ 6.12	\$ 8.56
y/y	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
2022	\$ 0.98	\$ 0.41	\$ 1.00	\$ 5.99	\$ 8.38
y/y	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%

Note: values in red represent analyst estimates

Sources: Bloomberg, Yahoo Finance, Macrotrends

## About The Company

Newmont Corporation is the world's largest gold mining company, based in Colorado with operational mines in the US and Canada as well as numerous South American and African countries. The sole gold producer in the S&P 500, Newmont also mines other various ores and minerals, such as copper, silver, lead, zinc, lithium, uranium, coal, and nickel. The company prides itself on its "strong environmental, social and governance practices," having implemented a number of ESG standards over the past 10 years to match growing consumer demand for ethical business operations. Revenues have fluctuated over the past 15 years, as demand for gold rises and falls inverse to stock market performance, but they have recently seen strong growth in their net margin due to strategic partnerships and joint ventures with other large firms such as Barrick Gold (GOLD). These ventures have allowed them to reduce their operational expenses, a huge portion of their costs, which are expected to continue to decline by 0.9-1.4% over the next 3 years.

## Industry Trends

As mentioned previously, gold mining equities tend to behave similarly to gold prices; rising during an economic downturn and falling during an expansion. The correlation between gold and gold equities is 80%, so the recent COVID-related market downturn and gold rush resulted in above-average returns across the industry. However, as conditions improve, industry reports indicate a -1.0% decline in revenue over the next 5 years. As gold stockpiles fall globally, some analysts believe that an increase in demand for gold and gold production may be on the horizon. Due to the high correlation factor between spot gold and gold mining, we can extrapolate that trends in spot gold will be applicable to Newmont's performance. Additionally, as gold use in semiconductors and electronics is inherently tied to industrial production, we can expect that the trend of growth (0.55% over a 5-year time horizon) in that sector may result in improved revenue streams.

## Investment Thesis Key Points

**Upside Potential vs Current Price Target:** Our current price target of \$62 represents a potential 4.6% upside to the current price. Our target was derived using a free cash flow DCF method with a perpetual growth rate of -2.0%, to account for the post-COVID market rebound and resulting decline in demand for gold. While we believe this upside is attractive due to the current inherent undervaluation by the market, most of NEM's growth prospects are uncertain, and indicators that gold demand will rise are weak at best. Thus, we rate NEM as Hold.

**Rising Inflation:** While the economic outlook for 2021 and 2022 is still uncertain due to the pandemic, many are predicting high post-COVID inflation due to the efforts to stop an economic collapse and bolster employment figures. Inflation could rise by as much as 3% according to analysts, which would result in greater demand for tangible 'safe haven' assets like gold. Goldman Sachs economic team expects a \$2,300/oz price for the end of 2021, representing a potential 21% uptick in price; though continued market rallies due to vaccine efforts may slow this growth.

**Management Confidence:** Recently, NEM has seen a sizeable uptick in management confidence, a salient indicator of faith in the firm's future performance. Recently, the board approved a 60% increase in quarterly dividends, up to \$0.40 from \$0.25. This perpetuates the trend of board confidence, as this is their second dividend increase in 2020 (\$0.14 in 2019) which indicates the firm's belief in their ability to maintain revenue generation in a post-recessionary environment. Interestingly, in addition to these base dividend increases, they implemented a strategy of providing additional dividends at higher gold prices, representing a greater profit potential for the investor. Additionally, the board announced they will be repurchasing \$1B of stock to be executed throughout 2021 and into July of 2022.

## Recommendation Risks

Our Hold recommendation is not without its risks. There is a great amount of uncertainty as to what the market will look like over the next year due to COVID-19, and as much of NEM's performance is inversely tied to US economic performance, we could see sizeable gains or equally sizable losses. Management confidence is a bullish sign, especially in the short term, but these dividend increases could be difficult to maintain once the pandemic-induced volatility and recession has passed, which may result in unsustainable payouts or even dividend decreases in the mid-to-long-term.

### Stock Price vs S&P

### Earnings Surprise



QTR	Est.	Actual	% Surp
Q4 20	\$0.86	\$0.84	-2.4%
Q3 20	\$0.51	\$0.31	-64.5%
Q2 20	\$0.40	\$0.42	4.8%
Q1 20	\$0.50	\$0.47	-6.4%
Q4 19	\$0.36	\$0.38	5.3%
Q3 19	\$0.12	\$0.23	47.8%
Q2 19	\$0.33	\$0.28	-17.9%
Q1 19	\$0.40	\$0.25	-60.0%
Q4 18	\$0.33	\$0.30	-10.0%
Q3 18	\$0.26	\$0.24	-8.3%
Q2 18	\$0.35	\$0.34	-2.9%
Q1 18	\$0.40	\$0.38	-5.3%
Q4 17	\$0.35	\$0.34	-2.9%
Q3 17	\$0.36	\$0.27	-33.3%
Q2 17	\$0.25	\$0.23	-8.7%
Q1 17	\$0.25	\$0.33	24.2%

