

11 February 2021

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Newcrest Mining Ltd

Materials

HOLD

NCM A\$26.33
TARGET PRICE A\$25.09

Newcrest Mining Limited (NCM) is involved in exploration, mine development, mine operations and the sale of gold and gold/copper concentrate.

Company Data

Number of shares	816.6 M
Market Capitalisation	\$20,577.2 M
Free float (%)	99.8
12-month high/low	\$36.8/\$21.71
Average Daily Turnover (\$m)	105.7
% S&P/ASX200	1.07%
DDM Ranking	386
% All Ordinaries	0.92%
GICS Industry Group	Materials

Source: FactSet, Barclay Pearce Capital

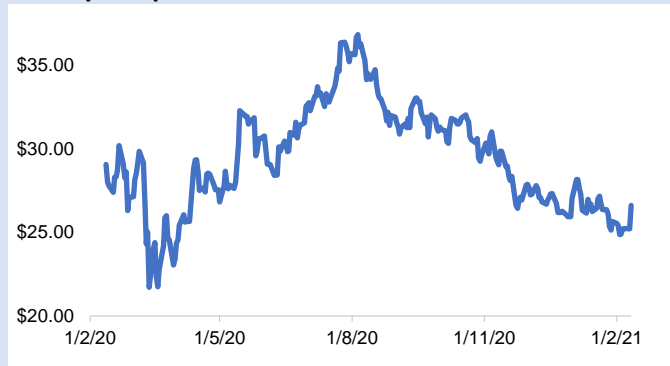
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	5,468.1	6,633.9	6,151.2	5,905.3
EBITDA (\$M)	2,537.5	3,347.9	3,243.8	2,984.9
Reported NPAT (\$M)	902.1	1,579.6	1,643.3	1,582.7
Adjusted NPAT (\$M)	1,045.7	1,520.8	1,560.6	1,472.1
Reported EPS (c)	115.9	205.7	213.4	197.6
Adjusted EPS (c - FD)	115.9	197.8	189.1	176.1
Adjusted EPS growth (%)	7.8	70.7	-4.4	-6.9
Adjusted P/E (x)	21.8	12.7	13.3	14.3
Dividend (c/sh)	34.9	33.8	33.8	32.3
Gross yield (%)	1.4	1.2	1.3	1.2
Net yield (%)	1.4	1.2	1.3	1.2
ROIC (%)	8.1	10.9	10.9	9.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Half Year Results FY21

On 11th February, Newcrest Mining Ltd (NCM) announced their results for the Half year FY21 with the following highlights:

Strong operating performance and gold price underpins record free cash flow in December half

- Statutory profit and Underlying profit of \$553 million, up 134% and 98% respectively;
- Earnings per share 121% higher than prior period;
- All in Sustaining Cost (AISC) margin of \$842 per ounce, up 48%; and
- Record December half year free cash flow of \$439 million.

A Safe and sustainable business

- Zero fatalities and life change injuries, together with industry leading low injury rates;
- Second year in a row of an increasing score in the Dow Jones Sustainability Index (DJSI) Australia Metals & Mining Index; and
- Cadia renewable energy contract signed – on track for 30% reduction in emissions intensity by 2030.

New dividend policy and increase in shareholder returns

- New dividend policy targets 30-60% of annual free cash flow to be paid in dividends (was 10-30%); and
- Interim dividend of US\$ 15cps, fully franked, 100% higher than the prior year.

NCM MD and CEO, Sandeep Biswas said *“In 2018 we set ourselves some ambitious targets to Forge a Stronger Newcrest. Our progress and achievements over the past three years has put us in a very strong position to not just weather the global uncertainty associated with COVID-19, but to keep our eyes firmly on our future growth agenda. We have a fabulous position in our industry, with a long reserve and resource life, a unique set of technical skills, a very strong balance sheet, numerous organic growth options in progress and an exciting exploration pipeline”*

“Today we announce our plan entitled Forging an Even Stronger Newcrest, which outlines our aspirations and measures for the next five years in line with our new company purpose, to create a brighter future for our stakeholders through safe and responsible mining. This year we lived that purpose through our success in managing the COVID-19 risk to our workplace and local communities; through the compensation, relocation and benefits sharing agreements we signed with the landowners at Lihir; through our renewable energy agreement that will help significantly reduce our carbon footprint’ and in our progress in developing new mines at Havieron and Red Chris”

Earnings changes

For H1FY21, NCM reported underlying profit of \$553M. This was 13% above market expectations of \$487M. Hence, we expect positive earnings revisions of 10% for FY21 and 5% for future periods.

Valuation

We are initiating on NCM with a price target of \$25.09 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)