



Newmont Mining Calls Bought as Gold Regains Luster

Ticker/Price: NEM (\$113.4)

Analysis:

Newmont Mining (NEM) buyers yesterday for 3,000 January 2021 \$49.12 calls up to \$2.35 to open and also seeing buyers in the November \$39/\$38 bull risk reversal over 1700X for a small debit. NEM has seen a number of bullish trades recently including 1500 October \$40 calls on 8-16 and 3800 December \$43 calls on 8-12. The June 2020 \$40 calls, January 2020 \$39.12 calls and December \$39 calls all bought in size since early July as well. Shares are in a bullish consolidation under \$40 since early July with a breakout targeting \$45. MACD has pulled back to zero and nearing a bull cross while RSI is healthy as well, ready to run. The monthly view for shares is a long range under \$45 highs back in 2016 and a run higher could setup for a longer-term move to \$60. The \$31.57B company trades 20.12X earnings, 4X sales, and 17X cash with a 1.45% yield. They see 43.2% and 7.3% EPS growth with sales up 17.7% in 2020 after closing the \$10B Goldcorp merger in April. The move made NEM the largest gold producer by market value, output and reserves with reach across three continents and nearly 7M ounces of product a year. They see \$100M in cost savings annually and expect to divest \$1B to \$1.5B of assets through 2021. NEM also announced a Nevada JV with Barrick. The company reported a strong quarter in July with operations at Penasquito resuming and full potential underway. They also saw projects at Musselwhite restarting July, both ramping into year-end. Productivity improvements in South America and momentum in Africa both setup for notable production hikes in the 2H. Analysts have an average target for shares of \$42.50 with 8 buy ratings, 5 hold, and 1 sell. Citi positive on 8-15 seeing relative underperformance to peers as overdone. The analyst thinks the "back-of-envelope" analysis implies a market value of the Goldcorp assets of \$6B with gold at \$1,530 or ounce versus the \$10B that Newmont paid with gold at \$1,280 per ounce. BMO resuming shares at Neutral in July with a \$45 PT. They think that while both the acquisition of Goldcorp and the formation of the Nevada JV have been accretive events, near-term investor uncertainty regarding the Goldcorp transaction, compounded by recent events at Musselwhite and Penasquito, are likely to "temper investor interest" until Newmont Goldcorp is able to demonstrate value. Short interest is 1.4%. Hedge fund ownership fell 3.5%. Anchor Bolt Capital and Hexavest two notable holders.

Hawk Vision:



Hawk's Perspective: NEM is the preferred play in Gold and continue to like it with the consistent flows.

Confidence Ranking: \$\$