



Gold Price: Is Newmont Stock a Buy?

Description

Newmont ([TSX:NGT](#))([NYSE:NEM](#)) and the broader gold mining [sector](#) have pulled back from record highs. Investors who missed the big rally this year are wondering if now is a good time to buy this top gold stock.

Newmont earnings

Newmont is the world's largest gold producer with anticipated annual output of more than six million ounces.

The company reported disappointing Q1 2022 results, sending the stock price lower, as investors reacted negatively to the 8% decrease in attributable gold production.

Newmont generated US\$689 million in cash from continuing operations and US\$252 million in free cash flow in the first three months of the year. These numbers are down from US\$841 million and US\$442 million respectively in the same period last year. Adjusted EBITDA came in at US\$1.39 billion compared to US\$1.457 billion.

Despite the challenges the company faced in the quarter due to the Omicron surge, Newmont said it remains on track to hit its full-year guidance ranges with the strongest performance anticipated in the second half of 2022.

Newmont ended Q1 with a strong balance sheet. The company finished the quarter with US\$4.3 billion of consolidated cash and US\$7.3 billion of liquidity.

The board declared a Q1 2022 dividend of US\$0.55 per share. That's in line with the previous quarter. Newmont is also buying back up to US\$1 billion in stock under its current share-repurchase program.

Looking ahead, Newmont expects production to be about 6.2 million ounces in 2022. New projects and developments are under way to boost output in the coming years. The company is targeting 2023 production of 6.0-6.6 million ounces and 6.2-6.8 million ounces in 2024-2026.

All-in sustaining costs are expected to be about US\$1,050 per ounce this year and then drop to a range of US\$920-1,020 per ounce by 2024.

At the time of writing, gold trades for US\$1,870 per ounce, so Newmont is generating good margins, even after the recent pullback in the price of the yellow metal.

Gold outlook

Gold hit a 2022 high near US\$2,080 before giving back some of the gains in the past few weeks. A surge in the value of the U.S. dollar against a basket of international currencies is one reason for the drop. Gold is priced in American dollars, so a rising greenback makes gold more expensive for holders of other currencies.

Gold is also coming under pressure, as bond yields rise on the anticipation of aggressive interest rate hikes by the U.S. Federal Reserve. Investors can now get more attractive returns for their savings, and this can lead to a shift of funds from gold to fixed-income products. Gold is a zero-yield investment, so the opportunity cost of owning the precious metal increases when investors can get improved fixed-income returns.

On the bull side, gold remains a popular investment to hedge against inflation. Gold also serves as a safe-haven asset for investors who are concerned the global financial markets might be headed for a rough ride.

Should you buy Newmont stock now?

Newmont trades near \$93 on the TSX at the time of writing compared \$108 a couple of weeks ago. Ongoing volatility should be expected, so I wouldn't back up the truck, but gold bulls who think the price of gold will move back above US\$2,000 in the coming months might want to take advantage of the pullback to add some Newmont stock to their portfolios.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NEM (Newmont Mining Corporation)
2. TSX:NGT (Newmont Mining Corporation)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/18

Date Created

2022/05/02

Author

aswalker

default watermark

default watermark