

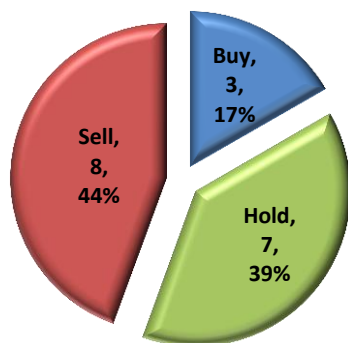


NEWCREST MINING FISCAL YEAR 2014 NUMBERS

Analyst: Evan Lucas
Code: NCM

Where the market is positioned

What the brokers think of NCM



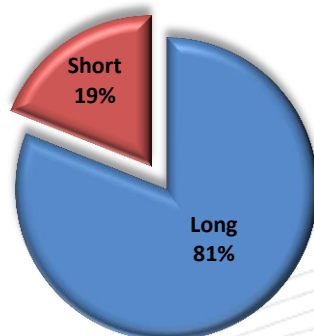
Source: Bloomberg

The market versus the brokers on NCM's share value

Previous Closing Price	Consensus Price Target	Premium or Discount
\$11.20	\$10.65	5.16% Premium

Source: Bloomberg

What IG clients think of NCM



KEY FINDINGS

1. Output guidance upped and FY14 output beats expectations
2. Cash cost and net debt falling versus an average gold price also falling
3. Cash flow positive, profit and margins still stranded

Matrix sees NCM as a NEUTRAL with a short bias

Matrix Impressions

Cash flow positive is certainly what NCM wants the market to take out of its results. The \$1 billion in free cash flow saw net debt falling substantially and beating estimates by 23%. This is an encouraging sign that NCM could be finding a floor in the structural nightmare that has been the Lihir takeover. The restructure at its problem mines has also seen all-in cash cost falling year-on-year to \$976 per ounce from \$1283 per ounce a year before. This is pleasing, however the average gold price fell 9% over the year to \$1250 an ounce showing margins remain under pressure from a falling gold price which is likely to increase over the coming period.

What is also surprising was gold output; 2.4 million ounces was a beat on the final downgraded estimates by 100,000 ounce, copper was in the same boat and this is baffling considering the pain the share price suffered as a result of the change in guidance through 2013 and 2014. FY15 guidance has increased to 2.2 to 2.4 million ounce. However, the fact capex has been constrained to \$660 million to \$740 million suggests that mine operations may struggle to reach full potential and this is likely to impact the figure.

What is also unclear from the results today is the state of the balance sheet, which is still under pressure from possible downgrades seen in the last 18 months. NCM has stated in its numbers that it still believes that Lihir is a problem; without clear guidance as to how it will approach Lihir, the market is still going to view NCM with suspicion.

Underlying this concern is the outlook for gold; with the US likely to raise its interest rates next year, gold on a fundamental basis is going to fall, putting added pressure on an already stranded figure and will further hamper its guidance expectations.

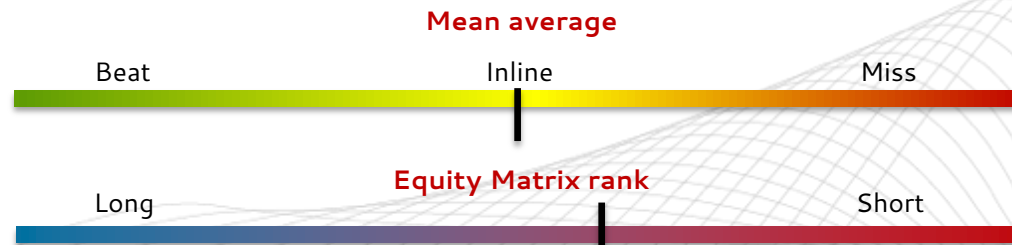
With the market still erring on the side of caution and the analysts seeing NCM under further structural issues, the in-line results were not enough to move the matrix's rating and it remains NEUTRAL with a short bias. In a space that demands a low cost structure, NCM has yet to reach this point on today's numbers.

NCM 2014 FISCAL YEAR NUMBERS – KEY FIGURE COMPARISONS

Actual Earnings	FY14 actuals	FY13 actuals	YoY Change	Comment	I G
Revenue (m)	\$4040.0	\$3775.0	7.02%	Increased production and cash flow positives in all operations, but Hidden Valley sees NCM increase revenue	B
Underlying Net Profit (m)	\$432.0	\$446.0	-3.14%	A 17% increase in gold volumes managed to offset most of the 9% fall in realised gold price	M
All-In Cash Cost (per oz)	\$976.0	\$1283.0	-23.9%	Mass cost reductions are Telfer, Hidden Valley and Bonikro, seeing cost lower	B

Actuals Vs Consensus	FY14 actuals	Consensus Estimates	Diff.	Comment	I G
Revenue (m)	\$4040.0	\$4,041	-0.02%	In-line with the June guidance numbers	I
EBITDA (m)	\$1514	\$1559.00	-2.89%	Earnings were slightly softer-than-expected on higher charges and a softer gold price	M
Underlying Net Profit (m)	\$432.0	\$431.57	0.10%	Stripping out the impairment charges, underlying profit is in-line with the June update although it appear soft	I
Dividend (full year)	\$0.00	\$0.00	-	As expected the pain at NCM is being experienced by all and no dividend has been declared	I

FY14 Output	Actuals	Company Guidance	Diff.	Comment	I G
Gold (m ounces)	2.4	2.0-2.3	Beat	Considering the three downgrades to guidance, the strong beat is a surprise	B
Copper (thousand tonnes)	86.0	75-85	Beat	Same situation as gold, a beat after several downgrades.	B



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*Sources: Actuals – NCM Media release Consensus numbers - Bloomberg

NCM 2014 FISCAL YEAR NUMBERS – THE INVESTMENT CASE



Technical View

From a price action perspective, NCM's most significant move in recent times was the rally from December lows near \$7 to March highs at \$12.50. This rally was short lived and it wasn't long before the stock dropped back to around the \$10 mark. Since then, it has been a fairly range-bound affair for NCM and the stock tested the 23.6% retracement of the move on Friday which comes in at \$11.19. However, there was no real conviction, showing the level of uncertainty around NCM's earnings. Should earnings disappoint, the next level to look out for will be the 38.2% retracement of the move at \$10.42.

Sector View

Gold miners continue to see increased risk of impairments in the upcoming earnings season. Cost structures remain elevated and long life mine sites are now under pressure from a falling gold price and increased costed blow outs to maintain life expectancy. In this sort of environment, cash flow will be key to survival; any signs for falling cash turn-over, single-digit falls are likely to amplify into double-digit falls.

DEFINITIONS:

INLINE: The author considers a result within +/-2% of estimates or comparable actuals as **INLINE** and are unlikely to be seen as materially different. That is not to say that under certain circumstances a beat or miss of 2% will would not be seen as a market sensitive but it is likely to be less material than a result outside of these boundaries.

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