APS 1016 GROUP PROJECT

VALUATION OF BARRICK GOLD AND NEWMONT GOLDCORP

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1 EXECUTIVE SUMMARY

At the end of 2018, two giant mining companies were in largely different situations. Barrick Gold, the former largest gold mining company in the world, was in the midst of downsizing to reduce debt and not performing as well as it once had. However, it was also poised to acquire Randgold through a merger on January 1, 2019. Newmont Mining was also preparing its own merger with Goldcorp (creating Newmont Goldcorp) to surpass Barrick as the largest gold mining company in the world. This report examines the true market value of each company to determine whether the stock is under or over-valued by the market, and evaluate potential investment opportunities in the two companies.

First, the gold mining industry was analyzed using Porter's Five-Forces model to define the high-power forces within the industry. The analysis concluded that mines have very little control over their profits, with the price of gold being the highest force directly influencing revenues and indirectly impacting production and cost of goods sold. Financial ratios of each company were also analysed revealing that Newmont Goldcorp was a healthier company than Barrick by the end of 2018.

Financial statements were also analysed and forecasted for the next three years from 2019 to 2021. Analysis of common-size statements identified that the major drivers for most cash flow items were revenues, which are tied to the price of gold. Forecasted income statements and balance sheets suggest that the anticipated increase in the price of gold will greatly benefit the performance of each company, with Newmont having larger more positive forecasted net incomes and free cash flows. Stock prices were also forecasted using various methods, including the discounted free cash flow method. The stock price forecasts suggest that the market is currently undervaluing the Newmont and Barrick shares by approximately 50%.

Based on the above analyses, the report recommends the purchase of either stock, with Newmont Goldcorp being the favored choice based on previous historical performance, company structure, as well as forecasted free cash flows. It is important to note that the analyses and recommendations are largely reliant on the anticipated rise in price of gold; thus, if the price does not increase accordingly, the company valuations and forecasts would be inaccurate.

2 INDUSTRY ANALYSIS

Two gold mining companies, Barrick Gold and Newmont Goldcorp, are examined in this report. Porter's Five Forces Analysis were applied to analyze the gold mining industry. The five forces are: competition in the industry, potential of new entrants into the industry, power of suppliers, power of customers, and threat of substitute products.

In the mining industry, competition is rather unique. Mining companies do not set the price of gold, thus, there is no danger of being 'undercut' by competitors. However, the main area of competition is discovery and acquisition of gold reserves. As a 'first-come-first-serve' model, discovery and acquisition of new gold reserves and mining properties are competitive and costly activities undertaken annually by every mining company.

With regards to industry entry barriers, mines require large amounts of capital to acquire land and equipment, as well as build and develop the mine and operations. In addition, there are many legal and political challenges that arise during new mine start-ups. As a result, it can be very difficult for a new mining company to enter the industry.

The main "supply" force is the acquired land or gold reserves to be mined. This is usually owned by the mining company and as such, is considered low power. Another potential "supply" force to be considered from an operational point of view is government regulations. Governments could revoke permits, delay permits, and hinder or facilitate mining operations to great extents.

Buyer power in this industry is very high. As a commodity market where every company produces the same product (gold), buyers will simply favor lowest prices.

Gold has minimal threats from substitute products. Since the dawn of mankind, gold has always been highly valued. Not only has it been a staple for currency, trading, and jewellery, but in recent times has also become very important in high-powered electronics. While other precious metals such as silver, copper, and platinum exist, they do not pose a threat to gold.

3 FINANCIAL ANALYSIS

3.1 Ratio Analysis

Financial ratios are means of comparing companies of different sizes. Five categories of financial ratios were calculated for both Barrick and Newmont based on financial information from the past three years (2016 to 2018) to examine and compare the companies' health, standing in industry, and future trends. The financial ratios are presented in Tables 1 and 2 in the Appendix.

Short-term solvency ratios are intended to provide information about a company's liquidity. In general, both companies have relatively high short-term liquidity ratios compared to industry averages. Newmont has higher ratios than Barrick, which means that the company has more current assets in relation to current liabilities and more liquid assets. Therefore, Newmont would be more favored by short-term creditors. Higher quick ratio implies that Newmont is performing better in selling its goods produced as it has fewer inventories than its competitors. Furthermore, the high interval measure indicates that Newmont could last longer than Barrick should cash inflows start to dry up, and it would be able to keep the business running for more than a year assuming everything else is equal. Newmont shows strength in short-term liquidity.

A number of long-term solvency or financial leverage measures are intended to illustrate a firm's long-term ability to meet its obligations. Both firms have higher value in total debt ratio and debt to equity ratio than industry averages, indicating that both companies are overleveraged compared to their competitors. This could indicate a non-optimal debt to equity ratio, resulting in higher cost of capital.

Turnover ratios interpret the efficiency with which each company uses its assets. For Barrick, its inventory turnover ratio is about half of the industry average, whereas the days sales in inventory is double the industry average. This implies that Barrick is not selling its products efficiently and there is room for improvement to increase the company's sales and overall revenue. On the contrary, Newmont is above average in terms of inventory turnover and below average in terms of days sales in inventory. These are good indicators that Newmont is selling its product efficiently. Both companies have lower than average values in receivable measures, implying that they are slower than their competitors in collecting those sales. With regards to asset utilization efficiency and work efficiency, we see that both companies are below the industry average and have room for improvement.

Profitability measures provide indications on the bottom line – net income. Based on historical values, both companies are generating profit margins below the industry average. Barrick was doing relatively well in 2016 and 2017, however, it has negative net income (i.e. net loss) in 2018. This could be caused by increase in cost of goods sold and interest expenses.

Last but not the least, the market value measures give real-time indication of how the companies are doing in the market. Although the market-to-book ratio is below industry average for both companies, they are greater than 1 which means that the firms have been successful in creating value for their shareholders. Positive and above average EV to EBITDA values suggest that both companies are performing well. Based on the results, Newmont has stronger market value ratios in comparison to Barrick. With high P/E values, Newmont is considered to have significant prospects for future growth. All in all, these financial ratios suggest that Newmont could have positive growth in future stock price.

3.2 Common Size Analysis

Common-size statements were prepared for Newmont and Barrick using financial statements from the last three years. The common-size statement of financial position was constructed by expressing each item from the balance sheet as a percentage of total assets. The common-size income statement was constructed by expressing each item from the comprehensive income statement as a percentage of total sales. The constructed common-size statements for Newmont and Barrick are shown in Table 3 to 6 in the Appendix.

Comparison of the common-size statements of financial position shows that the two gold mining companies have similar capital structures. In terms of assets, both companies have large non-current (fixed) assets accounting for more than 75% of the total assets, with Property, Plant & Equipment (PP&E) being the largest item relating to gold mines. In terms of liabilities, both companies also have large non-current liabilities, with Long-term Debt being the largest liability. However, review of the liability and equity portions reveals that Newmont favors higher equity (at

~56% average) in comparison to Barrick (at ~41% average). This difference is mainly the result of Barrick's higher Accounts Payable item, which could negatively affect its free cash flows.

Comparison of the common-size income statements also shows that the two gold mining companies have similar cash flow breakdowns. Costs Applicable to Sales (or COGS) and Depreciation and Amortization are the largest expense items relating to gold extraction and mine depreciation. However, the statements reveal that Barrick's COGS (at ~68% average) is significantly higher than Newmont's (at ~55% average). This difference in COGS, as well as Barrick's higher interest expenses, negatively affect its EBIT, net income, and thus free cash flows.

3.3 Pro Forma Financial Statements

Forecasted financial statements, including income statements and balance sheets, were prepared for Newmont Goldcorp and Barrick Gold for the next three years, 2019 to 2021. The forecasted financial statements are included within Table 7 to 10 in the Appendix.

The first step in forecasting performance is forecasting revenues and COGS. As gold mining companies, the major forecast driver for revenues and COGS was identified to be the price of gold. For the next three years, the price of gold is forecasted to increase by 11.4%, 18.3% and 3.7% respectively. Consequently, revenues of both gold mining companies are also expected to grow significantly. To estimate the growth in revenue, gold production was assumed to increase by approximately a quarter of growth in price of gold. As such, the total revenue growth of each year would be the product of growth in price of gold and increase in gold production. This resulted in revenue growth factors of 14.6%, 23.7% and 4.7%.

Furthermore, to account for the change in revenue due to the mergers completed in 2019 (Newmont + Goldcorp and Barrick + Randgold), the growth factors were applied to the sum of the 2018 end-of-year revenues for the merged companies. The forecasted revenues are used to complete the income statement and balance sheet forecasts.

3.3.1 Income Statement

In forecasting the income statement, the selected driving factor for most line items, including COGS, was revenues. Forecast ratios were determined using an average of historical ratios of each line item to revenue, and then multiplied by the forecasted revenues for 2019 to 2021. Depreciation & Amortization was also forecasted using revenues (instead of PP&E) as future capital expenditure is expected to grow smoothly with rising gold prices.

Interest expense was forecasted using an average historical ratio of interest to Total Debt (short and long term). The ratio is multiplied by forecasted 2019 to 2021 Total Debt from the forecasted balance sheets. With regards to taxes, an effective tax rate ~52% was applied to revenues for both companies. It should be noted that the latest 2018 rate was used following the Tax Cuts and Jobs Act which dropped corporate tax rates to 21% at the end of 2017.

The forecasted income statements are included in Appendix Table 7 and 8, showing EBIT and net income for each company for the next three years. Review of the forecasted statements suggests that Newmont Goldcorp will have a positive and growing net income in comparison to Barrick's income loss from 2019 to 2021. With rising gold prices and revenues, dividend payouts are expected to grow smoothly.

3.3.2 Balance Sheets

In forecasting the balance sheets, operating working capital items, including accounts receivable, inventories and accounts payable, were forecasted first. A stock approach forecast was used to forecast these items as percentages of revenue or COGS. PP&E was forecast using the three-step approach as a percentage of revenues; however, the major increase was due to the mergers completed in 2019.

Next, non-operating assets, debt and equity were forecasted using a variety of driving factors. For example, deferred tax assets and liabilities were forecasted as percentages of revenue. Other items, including investments, on the balance sheet were forecasted using a straight-line estimate as appropriate. Taxes payable were forecast based on historical growth in taxes paid during the past three years.

To complete the forecasted balance sheets, retained earnings were forecast as previous year retained earnings plus forecasted net income less forecasted dividend payouts. Finally, the remaining amounts were estimated to balance assets to liabilities and equity. Short-term debt was determined from each company's annual report debt repayment schedules. Long-term debt was calculated as the sum of debts from the merged companies and kept relatively constant over the next three years. Cash and cash equivalents were forecasted as a percentage of revenues and adjusted to balance the sheets.

The forecasted balance sheets are included in Appendix Tables 9 and 10. Review of the forecasted balance sheets suggest that there are significant increases in PP&E, investments, and retained earnings. These increases can be partially explained by the merger, but also by the significant growth in anticipated revenues.

4 FORECASTING STOCK VALUE

4.1 WACC Calculation

The cost of capital estimation was calculated using the Weighted Average Cost of Capital (WACC) method. The cost of debt was estimated by calculating the current yield to maturity of each company's most recently publicly traded bond. This best represents the company's cost to raise new debt.

The cost of equity was estimated by using the Capital Asset Pricing Model (CAPM) method. The Beta values for each company were extracted using a Bloomberg Terminal. The risk-free and market risk premiums used were appropriate for each country (Canada for Barrick, USA for Newmont Goldcorp).

The Debt vs. Equity ratio was also estimated. For the total debt, the book value of each company's latest issued long-term debt was used. The market value of equity was calculated using the number of outstanding shares and the market price of each share.

Lastly, the WACC is calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and adding the products to determine the value.

The final calculated values were:

Table 1. Results of WACC calculations, Barrick Gold and Newmont Goldcorp

Company	Cost of Equity	Cost of Debt	Weight of Equity	Weight of Debt	WACC
Barrick Gold	4.02%	7.01%	84.74%	15.26%	4.47%
Newmont Goldcorp	3.53%	8.20%	66.39%	33.61%	5.10%

4.2 Forecasting Stock Value

Six different methods for forecasting the stock value for Barrick were used. A brief explanation and results of each are shown below:

Table 2. Results of various stock forecasting methods, Barrick Gold and Newmont Goldcorp

Method	Barrick Gold Value	Newmont Goldcorp Value
Dividend Growth Model	$6.02	$(2.85)
P/E Multiple:	$(0.27)	$63.67
P/CF Multiple:	$10.52	$90.23
P/Sales Multiple:	$25.56	$61.09
P/Book Value:	$44.36	$72.67
Discounted Free Cash Flows:	$34.45	$70.25

For discounting free cash flows, free cash flows were calculated for the next three years as follows:

Free Cash Flows = Net Income + Noncash Expenses – Increase in Noncash NWC – Capital Expenditure

Following calculation of the free cash flows from 2019 to 2021, a terminal value was estimated using WACC and a growth rate. The terminal growth rate was assumed at 1% in anticipation of a stabilizing gold market following three years of exponential growth.

Total cash flows were discounted to present value using estimated WACC values for each company. Finally, the equity value per share was calculated. The forecasted stock prices were $70.25 for Newmont Goldcorp and $34.45 for Barrick Gold. Stock prices are expected to rise significantly with the anticipated increase in price of gold. Discounted cash flow calculations are included in Tables 11 and 12 in the Appendix.

5 CONCLUSION

Both Barrick Gold and Newmont Goldcorp represent really unique businesses to forecast. Each company had their own form of merger within the past calendar year, which poses challenges to forecasting. These challenges come two-fold. First that there may be changes to operations and capital structure based on the merger, and second, that operations may impacted by merger complications.

While evaluating historical financial data from annual reports, it became obvious that Newmont was the stronger company pre-2019. Newmont had a lower debt-equity ratio, higher revenues, a better cash-flow, and lower expenses for PP&E relative to revenue compared to Barrick Gold. However, Barrick had been making very large strides to reduce their debt load over recent years. Interestingly though, Barrick had a lower calculated WACC based on a lower cost of debt through its most recently issued debt.

Through our forecast analysis, the price of gold had the largest impact on revenues and overall strength for each company. Based our net income and free cash flow results, Newmont is better prospects for the next three years.

6 RECOMMENDATIONS

Our stock price analysis suggests that the market is currently undervaluing the price of each stock. This may be due to a couple factors, the first depends on how the market perceives the change in price of gold act over future years, as well as how the market perceives performance of the mergers.

Discounted free cash flows, the most accurate forecast method, suggests that actual stock values of Newmont and Barrick are undervalued by approximately 50%. This represents a very lucrative opportunity for investment in both stocks, with Newmont stock being the favored choice.

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8 APPENDIX

Table 1: Selected Financial Ratios for Barrick Gold

Short-Term Solvency (Liquidity)	2018	2017	2016	Industry	Rating
Current ratio	2.38	2.68	2.68	1.73	OK
Quick ratio	1.27	1.60	1.62	0.8	OK
Cash ratio	0.94	1.28	1.31	0.72	OK
Net working capital to Total assets	10.21%	11.61%	12.09%	-	-
Interval measure (days)	268.63	322.58	340.81	-	-
Turnover Ratios					
Inventory turnover	2.80	2.77	2.75	5.27	-
Days sales in inventory	130.52	131.78	132.94	69	OK
Receivables turnover	29.21	35.04	34.37	49.51	-
Days' sales in receivables	12.50	10.42	10.62	7	-
NWC turnover	3.14	2.85	2.80	-	-
Fixed asset turnover	1.80	1.68	1.68	0.84	OK
Total asset turnover	0.32	0.33	0.34	0.46	-
Financial Leverage Ratios					
Total debt ratio	0.59	0.56	0.59	0.26	++
Debt/equity	1.41	1.29	1.45	0.48	++
Equity multiplier	2.41	2.29	2.45	2.32	+
Long-term debt ratio	0.38	0.37	0.43	0.31	+
Times interest earned	0.63	7.93	4.88	-	-
Cash coverage ratio	4.79	11.81	7.95	-	-
Profitability Ratios					
Profit margin	-19.81%	18.10%	10.06%	7.65%	++
Return on assets (ROA)	-6.34%	5.99%	3.41%	3.32%	+
Return on equity (ROE)	-15.29%	13.70%	8.35%	4.24%	+
Market Value Ratios					
Price-earnings ratio (P /E)	-10.26	11.76	28.54	41.25	++
Market-to-book ratio	1.68	1.53	1.81	2.78	++
EV/EBITDA	8.05	3.03	3.85	6.15	++

Table 2: Selected Financial Ratios for Newmont Goldcorp

Short-Term Solvency (Liquidity)	**2018**	**2017**	**2016**	**Industry**	**Rating**
Current ratio	2.95	3.62	2.67	1.73	OK
Quick ratio	2.60	3.14	2.32	0.8	OK
Cash ratio	1.90	2.33	1.57	0.72	OK
Net working capital to Total assets	0.17	0.18	0.14	-	-
Interval measure (days)	470.59	455.22	456.69	-	-
Turnover Ratios					
Inventory turnover	6.50	5.98	6.06	5.27	OK
Days sales in inventory	56.18	61.01	60.25	69	OK
Receivables turnover	20.96	31.14	19.48	49.51	-
Days' sales in receivables	17.41	11.72	18.74	7	-
NWC turnover	2.08	2.01	2.28	-	-
Fixed asset turnover	0.59	0.60	0.54	0.84	-
Total asset turnover	0.35	0.36	0.32	0.46	-
Financial Leverage Ratios					
Total debt ratio	0.45	0.44	0.44	0.26	++
Debt/equity	0.80	0.79	0.77	0.48	++
Equity multiplier	1.81	1.79	1.77	2.32	+
Long-term debt ratio	0.23	0.26	0.25	0.31	+
Times interest earned	18.17	7.02	0.26	-	++
Cash coverage ratio	38.56	13.48	5.87	-	++
Profitability Ratios					
Profit margin	5.24%	1.48%	14.12%	7.65%	++
Return on assets (ROA)	1.83%	0.53%	-4.48%	3.32%	+
Return on equity (ROE)	3.31%	0.95%	-7.94%	4.24%	+
Market Value Ratios					
Price-earnings ratio (P /E)	65.38	268.00	-81.12	41.25	+
Market-to-book ratio	1.61	1.74	1.53	2.78	+
EV/EBITDA	8.87	8.07	15.81	6.15	+

Table 3: Common Size Income Statement - Newmont Mining Corp

Common - Size Statement of Income			
Year	**2016**	**2017**	**2018**
Revenue (Sales + Other Income)	**100.0%**	**100.0%**	**100.0%**
Sales	99.2%	70.9%	96.5%
Other Income	0.8%	29.1%	3.5%
Cost and Expenses	**104.2%**	**88.0%**	**97.6%**
Cost Applicable to Sales	74.0%	70.0%	60.4%
Depreciation and amortization	21.6%	21.7%	16.8%
General and administrative expenses	3.5%	3.3%	3.1%
Exploration, evaluation and project expenses	3.2%	4.7%	4.4%
Impairment (reversals) charges	-3.4%	-2.8%	10.4%
Loss on currency translation	2.7%	1.0%	1.6%
Closed mine rehabilitation	1.8%	0.7%	-0.2%
Other expense	0.8%	-10.5%	1.0%
EBIT	**-4.2%**	**12.0%**	**2.4%**
Interest Expense	10.6%	9.1%	6.3%
Taxable Income	**-14.8%**	**2.9%**	**-3.9%**
Taxes	12.6%	16.3%	13.9%
After Tax Income	-27.4%	-13.4%	-17.7%
Equity Income (Loss)	9.0%	19.0%	17.9%
Noncontrolling Interest (Loss)	2.8%	1.0%	1.3%
Net Income	**-15.6%**	**6.7%**	**1.4%**
Dividends	**9.0%**	**19.0%**	**17.9%**

Table 4: Common Size Income Statement – Barrick Gold

Common - Size Statement of Income			
Year	**2016**	**2017**	**2018**
Revenue (Sales + Other Income)	**100.0%**	**100.0%**	**100.0%**
Sales	99.0%	99.3%	97.9%
Other Income	1.0%	0.7%	2.1%
Costs and Expenses	**99.2%**	**82.3%**	**87.2%**
Cost Applicable to Sales	55.4%	54.6%	55.3%
Depreciation and amortization	18.0%	17.0%	16.4%
Reclamation and remediation	2.5%	2.6%	2.2%
Exploration	2.2%	2.4%	2.7%
Advanced projects, research and development	2.0%	1.9%	2.1%
General and administrative	3.5%	3.2%	3.3%
Impairment of long-lived assets	14.9%	0.2%	5.0%
Other expense	0.9%	0.4%	0.4%
EBIT	**0.8%**	**17.7%**	**12.8%**
Interest Expense	4.0%	3.2%	2.8%
Taxable Income	**-3.3%**	**14.4%**	**10.0%**
Taxes	8.6%	15.2%	5.2%
After Tax Income	-11.8%	-0.7%	4.8%
Equity Income (Loss)	-0.2%	-0.2%	-0.4%
Discontinued Operations Income (Loss)	-1.9%	-0.5%	0.8%
Noncontrolling Interest (Loss)	4.7%	-0.1%	-0.5%
Net Income	**-9.3%**	**-1.5%**	**4.6%**
Dividends	**1.0%**	**1.8%**	**4.0%**

Table 5: Common Size Financial Position – Barrick Gold

Common - Size Statement of Financial Position			
Year	**2018**	**2017**	**2016**
Assets			
Current Assets	**17.6%**	**18.5%**	**19.3%**
Cash and cash equivalents	6.9%	8.8%	9.5%
Accounts receivables	1.1%	0.9%	1.0%
Inventories	8.2%	7.5%	7.6%
Other current assets	1.4%	1.3%	1.2%
Non-Current (Fixed) Assets	**82.4%**	**81.5%**	**80.7%**
Non-current portion of inventory	7.5%	6.6%	6.1%
Equity in investees	5.5%	4.8%	4.7%
Property, plant and equipment	56.7%	54.6%	55.8%
Intangible assets	1.0%	1.0%	1.1%
Goodwill	5.2%	5.3%	5.4%
Deferred Income Tax Assets	1.1%	4.2%	3.9%
Other assets	5.5%	5.0%	3.7%
Total Assets	**100.0%**	**100.0%**	**100.0%**
Liabilities and Owner's Equity			
Current Liabilities	**13.7%**	**12.5%**	**11.8%**
Accounts Payable	4.9%	4.2%	4.3%
Debt	0.2%	0.2%	0.6%
Deferred Income Tax Liabilities	0.9%	1.2%	1.1%
Other Liabilities	7.7%	6.9%	5.8%
Non-Current Liabilities	**46.6%**	**45.7%**	**47.1%**
Debt	25.2%	25.1%	30.8%
Provisions	12.8%	12.5%	9.4%
Deferred income tax liabilities	0.9%	1.2%	1.1%
Other liabilities	7.7%	6.9%	5.8%
Equity	**116.5%**	**124.2%**	**113.1%**
Capital Stock	92.3%	82.6%	82.6%
Deficit	-59.4%	-46.5%	-51.7%
Accumulated other comprehensive loss	-0.7%	-0.7%	-0.7%
Other	1.4%	1.3%	1.3%
Total equity attributable to Barrick Gold Corporation Shareholders	33.6%	36.7%	31.4%
Non-controlling interests	7.9%	7.0%	9.4%
Total equity	41.5%	43.7%	40.8%
Total liabilities and equity	**176.7%**	**182.3%**	**171.9%**

Table 6: Common Size Financial Position – Newmont Goldcorp

Common - Size Statement of Financial Position			
Year	**2016**	**2017**	**2018**
Assets			
Current Assets	**22.2%**	**24.5%**	**25.5%**
Cash and cash equivalents	13.1%	15.8%	16.4%
Trade receivables	0.6%	0.6%	1.2%
Other accounts receivables	1.0%	0.5%	0.4%
Investments	0.3%	0.3%	0.2%
Inventories	2.9%	3.3%	3.0%
Stockpiles and ore on leach pads	3.6%	3.3%	3.4%
Other current assets	0.7%	0.7%	0.8%
Non-Current (Fixed) Assets	**77.8%**	**75.5%**	**74.5%**
Property, plant and mine development	59.4%	59.8%	59.2%
Investments	1.1%	1.4%	1.3%
Stockpiles and ore on leach pads	8.9%	9.0%	9.0%
Deferred income tax assets	6.3%	2.7%	1.9%
Other non-current assets	2.1%	2.7%	3.1%
Total Assets	**100.0%**	**100.0%**	**100.0%**
Liabilities and Owner's Equity			
Current Liabilities	**8.3%**	**6.8%**	**8.6%**
Debt	2.7%	0.0%	3.0%
Accounts payable	1.5%	1.8%	1.5%
Employee-related benefits	1.4%	1.5%	1.5%
Income and mining taxes payable	0.7%	1.2%	0.3%
Lease and other financing obligations	0.0%	0.0%	0.1%
Other current liabilities	1.9%	2.2%	2.2%
Non-Current Liabilities	**35.2%**	**37.4%**	**35.8%**
Debt	19.3%	19.6%	16.5%
Reclamation and remediation liabilities	9.6%	11.4%	12.0%
Deferred income tax liabilities	2.8%	2.9%	3.0%
Employee-related benefits	2.0%	1.9%	1.9%
Lease and other financing obligations	0.0%	0.1%	0.9%
Other non-current liabilities	1.6%	1.7%	1.5%
Equity	**56.5%**	**55.8%**	**55.6%**
Common stock	4.0%	4.1%	4.1%
Treasury stock	0.0%	-0.1%	-0.3%
Additional paid-in capital	45.1%	46.5%	46.4%
Accumulated other comprehensive income	-1.6%	-1.4%	-1.4%
Retained earnings	3.4%	2.0%	1.8%
Noncontrolling interests	5.5%	4.8%	4.6%
Contingently redeemable noncontrolling interest	0.0%	0.0%	0.2%
Total Liabilities and Equity	**100.0%**	**100.0%**	**100.0%**

Table 7: Forecasted Income Statement- Barrick Gold

Forecast Income Statement					
Year	**Forecast Driver**	**Percentage**	**2019**	**2020**	**2021**
Growth Factor			14.6%	23.7%	4.7%
2018 Merger Revenue			$ 8,310		
Revenue (Sales + Other Income)			**$ 9,524**	**$ 11,781**	**$ 12,334**
Sales	Price of Gold	88.9%	$ 8,463	$ 10,469	$ 10,961
Other Income	Price of Gold	0.9%	$ 86	$ 106	$ 111
Costs and Expenses			**$ 9,530**	**$ 11,788**	**$ 12,342**
Cost Applicable to Sales	Revenue	68.1%	$ 6,487	$ 8,024	$ 8,401
Depreciation and amortization	Revenue	20.0%	$ 1,909	$ 2,362	$ 2,473
General and administrative expenses	Revenue	3.3%	$ 312	$ 387	$ 405
Exploration, evaluation and project expenses	Revenue	4.1%	$ 392	$ 485	$ 508
Impairment (reversals) charges	Revenue	1.4%	$ 133	$ 164	$ 172
Loss on currency translation	Revenue	1.4%	$ 133	$ 164	$ 172
Closed mine rehabilitation	Revenue	0.8%	$ 75	$ 93	$ 97
Other expense	Revenue	0.9%	$ 89	$ 110	$ 115
EBIT			**$ (6)**	**$ (8)**	**$ (8)**
Interest Expense	Total Debt	8.7%	$ 91	$ 320	$ 435
Taxable Income			**$ (97)**	**$ (327)**	**$ (443)**
Taxes	Effective Rate	51.5%	$ (50)	$ (168)	$ (228)
After Tax Income			$ (47)	$ (159)	$ (215)
Equity Income (Loss)	Equity Method Invest	15%	$ -		
Noncontrolling Interest (Loss)	Noncontrolling Interest	0.0%	$ -		
Net Income			**$ (47)**	**$ (159)**	**$ (215)**

Table 8: Forecasted Income Statement- Newmont Goldcorp

Forecast Income Statement					
Year	**Forecast Driver**	**Percentage**	**2019**	**2020**	**2021**
Growth Factor			14.6%	23.7%	4.7%
2018 Merger Revenue			$ 10,901		
Revenue (Sales + Other Income)			**$ 12,493**	**$ 15,454**	**$ 16,180**
Sales	Price of Gold	98.7%	$ 12,333	$ 15,256	$ 15,973
Other Income	Price of Gold	1.3%	$ 160	$ 198	$ 207
Costs and Expenses			**$ 11,193**	**$ 13,846**	**$ 14,497**
Cost Applicable to Sales	Revenue	55.1%	$ 6,883	$ 8,514	$ 8,914
Depreciation and amortization	Revenue	17.1%	$ 2,138	$ 2,645	$ 2,769
Reclamation and remediation	Revenue	2.4%	$ 303	$ 375	$ 393
Exploration	Revenue	2.4%	$ 302	$ 374	$ 392
Advanced projects, research and development	Revenue	2.0%	$ 249	$ 308	$ 322
General and administrative	Revenue	3.3%	$ 414	$ 512	$ 536
Impairment of long-lived assets	Revenue	6.7%	$ 834	$ 1,032	$ 1,080
Other expense	Revenue	0.6%	$ 70	$ 87	$ 91
EBIT			**$ 1,300**	**$ 1,608**	**$ 1,683**
Interest Expense	Total Debt	-5.2%	$ 209	$ 348	$ 315
Taxable Income			**$ 1,090**	**$ 1,260**	**$ 1,368**
Taxes	Effective Rate	52.0%	$ 567	$ 655	$ 711
Net Income			**$ 523**	**$ 605**	**$ 657**

Table 9: Forecasted Balance Sheet - Barrick Gold

Barrick Gold					
	Forecast Driver	**Percentage**	**2019**	**2020**	**2021**
Assets					
Current Assets			**$ 6,475**	**$ 8,010**	**$ 8,386**
Cash and equivalents	Revenues	25.43%	$ 2,422	$ 2,996	$ 3,136
Accounts Receivable	Revenues	3.06%	292	361	378
Inventories	COGS	35.62%	3,392	4,196	4,393
Other Current Assets	Revenues	3.88%	370	457	479
Non-Current Assets					
Non-current portion of inventory	Revenues	20.48%	1,950	2,413	2,526
Equity in investees	Revenues	15.12%	1,440	1,782	1,865
Property, plant and equipment	Revenues	2.46	23,400	28,946	30,307
Intangible assets	Revenues			390	408
Goodwill	straight line			1,000	907
Deferred Income Tax Assets	Operating taxes				
Other assets	Revenues	14.42%	1,374	1,699	1,779
Total Assets			**$ 36,048**	**$ 44,239**	**$ 46,179**
Liabilities and Equity					
Current Liabilities			$ 5,193	$ 6,413	$ 6,712
Accounts Payable	Revenues	12.97%	$ 1,235	$ 1,528	$ 1,599
Debt	constant	0.58%	43	43	42
Deferred Income Tax Liabilities	Revenues	27.00%	$ 2,571	$ 3,181	$ 3,330
Other Liabilities	Revenues	14.11%	$ 1,344	$ 1,662	$ 1,740
Non-Current Liabilities					
Debt	straight line		1,003	3,640	4,971
Provisions	Revenues	35.15%	3,348	4,141	4,336
Deferred income tax liabilities	Revenues	8.04%	766	947	992
Other liabilities	Revenues	8.49%	808	1,000	1,047
Total Liabilities			**$ 11,117**	**$ 16,141**	**$ 18,057**

Total equity attributable to Barrick Gold Corporation Shareholders			22,588	25,199	25,088
Non-controlling interests	Revenues	24.60%	2,343	2,898	3,034
Total equity			**$ 24,931**	**$ 28,097**	**$ 28,122**
Total liabilities and equity			**$36,048**	**$44,239**	**$46,179**

Table 10: Forecasted Balance Sheet- Newmont Goldcorp

Forecast of Balance Sheet					
Year	**Forecast Driver**	**Percentage**	**2019**	**2020**	**2021**
Assets					
Current Assets			**$ 8,112**	**$ 9,774**	**$ 10,142**
Cash and cash equivalents	Revenues	43.5%	$ 5,436	$ 6,724	$ 7,040
Trade receivables	Revenues	2.3%	$ 291	$ 359	$ 376
Other accounts receivables	Revenues	2.0%	$ 248	$ 307	$ 322
Investments	Merger + Straight Line		$ 227	$ 211	$ 196
Inventories	COGS	16.2%	$ 1,115	$ 1,380	$ 1,445
Stockpiles and ore on leach pads	Straight Line		$ 650	$ 613	$ 575
Other current assets	Revenues	2.1%	$ 145	$ 179	$ 187
Non-Current (Fixed) Assets			**$ 33,751**	**$ 33,998**	**$ 34,135**
Property, plant and mine development	Merger + Straight line	172.1%	$ 27,327	$ 27,053	$ 26,783
Investments	Straight Line		$ 3,070	$ 3,316	$ 3,581
Stockpiles and ore on leach pads	Straight Line		$ 1,863	$ 1,862	$ 1,862
Deferred income tax assets	Revenues	10.8%	$ 746	$ 923	$ 966
Other non-current assets	Straight Line		$ 745	$ 844	$ 943
Total Assets			**$ 41,863**	**$ 43,772**	**$ 44,277**
Liabilities and Owner's Equity					
Current Liabilities			**$ 2,841**	**$ 2,566**	**$ 2,742**
Debt	Given (Note 22)		$ 626	$ -	$ -
Accounts payable	COGS	8.4%	$ 578	$ 715	$ 749
Employee-related benefits	SG&A	128.6%	$ 532	$ 658	$ 689
Income and mining taxes payable	Tax Growth	147.0%	$ 104	$ 153	$ 226
Lease and other financing obligations	Straight Line		$ 38	$ 51	$ 64
Other current liabilities	Straight Line + Merger		$ 962	$ 989	$ 1,015
Non-Current Liabilities			**$ 15,024**	**$ 15,912**	**$ 16,565**
Debt	Merger + Constant		$ 6,096	$ 6,096	$ 6,096
Reclamation and remediation liabilities	Merger + Straight Line		$ 3,429	$ 3,738	$ 4,037

Deferred income tax liabilities	Revenues + Merger	8.3%	$ 2,411	$ 2,548	$ 2,581
Employee-related benefits	SG&A	167.9%	$ 694	$ 859	$ 899
Lease and other financing obligations	Merger + Straight Line		$ 604	$ 888	$ 1,172
Other non-current liabilities	Straight Line + Merger		$ 1,789	$ 1,784	$ 1,780
Equity			**$ 23,998**	**$ 25,293**	**$ 24,969**
Common stock	Revenues	11.9%	$ 1,483	$ 1,835	$ 1,921
Treasury stock	Straight Line		$ (110)	$ (150)	$ (190)
Additional paid-in capital	Merger + Constant		$ 19,074	$ 19,074	$ 19,074
Accumulated other comprehensive income	Straight Line		$ (255)	$ (228)	$ (202)
Retained earnings	Equation		$ 2,910	$ 3,967	$ 3,672
Noncontrolling interests	Straight Line		$ 849	$ 748	$ 647
Contingently redeemable noncontrolling interest	Based on Previous		$ 47	$ 47	$ 47
Total Liabilities and Equity			**$ 41,863**	**$ 43,772**	**$ 44,277**

Table 11: Forecasted Stock Price using Discounted NPV Method – Barrick Gold

Stock Price Forecast			
Year	**2019**	**2020**	**2021**
Net Income	$ 523	$ 605	$ 657
Depreciation & Amortization	$ 2,138	$ 2,645	$ 2,769
Impairment Charges	$ 834	$ 1,032	$ 1,080
Non-Cash Expenses	$ 2,972	$ 3,676	$ 3,849
Change in Accounts Receivable	$ 193	$ 128	$ 31
Change in Accounts Payable	$ 275	$ 137	$ 34
Change in Inventory	$ 485	$ 264	$ 65
Changes in Non-Cash NWC	$ 953	$ 529	$ 130
Free Cash Flows	$1,744	$2,399	$2,532
Growth Rate	0.01		
Terminal Value			$ 69104.76
Total Flows	$ 1,744	$ 2,399	$ 71,636
Present Value	$ 1,666	$ 2,189	$ 62,416
NPV			$ 66,270.60
Total Outstanding Debt			$ 5,013.26
Equity Value			$ 61,257.35
Number of Shares			1,778
Equity Value Per Share			$ 34.45

*Note: values in millions unless otherwise stated.

Table 12: Forecasted Stock Price using Discounted NPV Method - Newmont Goldcorp

Stock Price Forecast			
Year	**2019**	**2020**	**2021**
Net Income	$ 523	$ 605	$ 657
Depreciation & Amortization	$ 2,138	$ 2,645	$ 2,769
Impairment Charges	$ 834	$ 1,032	$ 1,080
Non-Cash Expenses	$ 2,972	$ 3,676	$ 3,849
Change in Accounts Receivable	$ 193	$ 128	$ 31
Change in Accounts Payable	$ 275	$ 137	$ 34
Change in Inventory	$ 485	$ 264	$ 65
Changes in Non-Cash NWC	$ 953	$ 529	$ 130
CapEx	$ 1,907	$ 2,359	$ 2,470
Free Cash Flows	$ 635	$ 1,393	$ 1,906
Terminal Value			$ 46,956
Total Flows	$ 635	$ 1,393	$ 48,862
Present Value	$ 604	$ 1,261	$ 42,089
NPV			$ 43,954
Total Outstanding Debt			$ 6,722
Equity Value			$ 37,232
Number of Shares			530
Equity Value Per Share			$ 70.25