

NEWMONT GOLDCORP CORP /DE/

Form 10-Q

April 25, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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Form 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from            to

Commission File Number: 001-31240

NEWMONT GOLDCORP CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization) 84-1611629  
(I.R.S. Employer  
Identification No.)

6363 South Fiddler's Green Circle  
Greenwood Village, Colorado 80111  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (303) 863-7414

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer Accelerated filer  
Non-accelerated filer (Do not check if a smaller reporting company.) Smaller reporting company  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act).    Yes    No

There were 819,633,497 shares of common stock outstanding on April 18, 2019.

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## NEWMONT GOLDCORP CORPORATION

## FIRST QUARTER 2019 RESULTS AND HIGHLIGHTS

(unaudited, in millions, except per share, per ounce and per pound)

	Three Months Ended March 31,	
	2019	2018
<b>Financial Results:</b>		
Sales	\$ 1,803	\$ 1,817
Gold	\$ 1,739	\$ 1,739
Copper	\$ 64	\$ 78
Costs applicable to sales (1)	\$ 978	\$ 1,029
Gold	\$ 935	\$ 982
Copper	\$ 43	\$ 47
Net income (loss) from continuing operations	\$ 145	\$ 169
Net income (loss)	\$ 119	\$ 191
Net income (loss) from continuing operations attributable to Newmont stockholders	\$ 113	\$ 170
Per common share, diluted:		
Net income (loss) from continuing operations attributable to Newmont stockholders	\$ 0.21	\$ 0.32
Net income (loss) attributable to Newmont stockholders	\$ 0.16	\$ 0.36
Adjusted net income (loss) (2)	\$ 176	\$ 185
Adjusted net income (loss) per share, diluted (2)	\$ 0.33	\$ 0.35
Earnings before interest, taxes and depreciation and amortization (2)	\$ 645	\$ 637
Adjusted earnings before interest, taxes and depreciation and amortization (2)	\$ 687	\$ 644
Net cash provided by (used in) operating activities of continuing operations	\$ 574	\$ 266
Free Cash Flow (2)	\$ 349	\$ 35
Cash dividends declared per common share	\$ 0.14	\$ 0.14
<b>Operating Results:</b>		
Consolidated gold ounces (thousands):		
Produced	1,337	1,286
Sold	1,338	1,312
Attributable gold ounces (thousands):		
Produced	1,230	1,209
Sold	1,234	1,231
Consolidated and attributable copper pounds (millions):		
Produced	21	26
Sold	22	27
Average realized price:		
Gold (per ounce)	\$ 1,300	\$ 1,326
Copper (per pound)	\$ 2.89	\$ 2.88
Consolidated costs applicable to sales: (1)(2)		
Gold (per ounce)	\$ 701	\$ 748
Copper (per pound)	\$ 1.94	\$ 1.74
All-in sustaining costs: (2)		

Gold (per ounce)	\$ 907	\$ 943
Copper (per pound)	\$ 2.26	\$ 2.07

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(1) Excludes Depreciation and amortization and Reclamation and remediation.

(2) See "Non-GAAP Financial Measures" beginning on page 56.

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### First Quarter 2019 Highlights

- Newmont Goldcorp update: On January 14, 2019, the Company entered into a definitive agreement to acquire all outstanding common shares of Goldcorp Inc. (Goldcorp) in a primarily stock transaction. On April 18, 2019, Newmont closed its acquisition of Goldcorp following receipt of all regulatory approvals and approval by Newmont's and Goldcorp's shareholders of the resolutions at the shareholder meetings on April 11 and April 4, 2019, respectively. As of the closing date, the combined company is known as Newmont Goldcorp Corporation, continuing to be traded on the New York Stock Exchange under the ticker NEM and listed on the Toronto Stock Exchange under the ticker NGT. The financial information included in this report represents results of Newmont Mining Corporation prior to the acquisition of Goldcorp. Results for the second quarter 2019 will reflect the financial performance of the combined company from the closing date of the Newmont Goldcorp transaction.
- Net income (loss): Delivered Net income (loss) from continuing operations attributable to Newmont stockholders of \$113 million or \$0.21 per diluted share, a decrease of \$57 million from the prior-year quarter primarily due to integration and transaction costs associated with the Newmont Goldcorp transaction and Nevada JV Agreement and lower average realized gold prices, partially offset by higher gold production.
- Adjusted net income (loss): Delivered Adjusted net income (loss) of \$176 million or \$0.33 per diluted share, a 6% decrease from the prior-year quarter (See "Non-GAAP Financial Measures" beginning on page 56).
- Adjusted EBITDA: Generated \$687 million in Adjusted EBITDA, a 7% increase from the prior-year quarter (See "Non-GAAP Financial Measures" beginning on page 56).
- Cash Flow: Reported Net cash provided by operating activities of continuing operations of \$574 million, a 116% increase from the prior-year quarter, and free cash flow of \$349 million (See "Non-GAAP Financial Measures" beginning on page 56).
- Attributable gold production: Increased 2% to 1.23 million ounces primarily due to a full quarter of mining at Subika Underground and higher grade at Merian and Yanacocha, partially offset by reduced mining and lower grade at Kalgoorlie.
- Portfolio improvements: Forged strategic joint venture agreement with Barrick to create the world's largest gold producing complex by combining the companies' respective mining operations, assets, reserves, and talent in Nevada; completed Tanami Power Project in Australia safely and on schedule, lowering power costs and carbon emissions by 20 percent.
- Financial Strength: Ended the quarter with net debt of \$0.8 billion and \$3.5 billion cash on hand supporting an investment-grade credit profile; declared a first quarter dividend of \$0.14 per share; declared a one-time special dividend of \$0.88 per share to be paid on May 1, 2019, to Newmont shareholders of record based on outstanding shares as of April 17, 2019, and not including any shares issued in connection with the recently completed Newmont Goldcorp transaction.

### Our global project pipeline

Newmont's capital-efficient project pipeline supports stable production with improving margins and mine life. Near-term development capital projects are presented below. Funding for Ahafo Mill Expansion and Quecher Main have been approved and these projects are in execution.

Ahafo Mill Expansion, Africa. This project is designed to maximize resource value by improving production margins and accelerating stockpile processing. The project also supports profitable development of Ahafo's highly prospective underground resources. The expansion is expected to have an average annual gold production of between 75,000 and 100,000 ounces per year for the first five years beginning in 2020. Development capital costs (excluding capitalized interest) since approval were \$133, of which \$14 related to the first quarter 2019. Both first production and commercial production are expected in the fourth quarter of 2019.

Quecher Main, South America. This project will add oxide production at Yanacocha, leverage existing infrastructure and enable potential future growth at Yanacocha. First production was achieved in late 2018 with commercial production expected in the fourth quarter of 2019. Quecher Main extends the life of the Yanacocha operation to 2027 with average annual gold production of about 200,000 ounces per year (on a consolidated basis) between 2020 and 2025. Development capital costs (excluding capitalized interest) since approval were \$126, of which \$25 related to the first quarter 2019.

We manage our wider project portfolio to maintain flexibility to address the development risks associated with our projects including permitting, local community and government support, engineering and procurement availability, technical issues, escalating costs and other associated risks that could adversely impact the timing and costs of certain opportunities.

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## NEWMONT GOLDCORP CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in millions except per share)

	Three Months Ended March 31,	
	2019	2018
Sales (Note 4)	\$ 1,803	\$ 1,817
Costs and expenses:		
Costs applicable to sales (1)	978	1,029
Depreciation and amortization	312	301
Reclamation and remediation (Note 5)	30	28
Exploration	41	40
Advanced projects, research and development	27	34
General and administrative	59	59
Other expense, net (Note 6)	68	11
	1,515	1,502
Other income (expense):		
Other income, net (Note 7)	45	21
Interest expense, net of capitalized interest	(58)	(53)
	(13)	(32)
Income (loss) before income and mining tax and other items	275	283
Income and mining tax benefit (expense) (Note 8)	(125)	(105)
Equity income (loss) of affiliates	(5)	(9)
Net income (loss) from continuing operations	145	169
Net income (loss) from discontinued operations (Note 9)	(26)	22
Net income (loss)	119	191
Net loss (income) attributable to noncontrolling interests (Note 10)	(32)	1
Net income (loss) attributable to Newmont stockholders	\$ 87	\$ 192
Net income (loss) attributable to Newmont stockholders:		
Continuing operations	\$ 113	\$ 170
Discontinued operations	(26)	22
	\$ 87	\$ 192
Net income (loss) per common share (Note 11):		
Basic:		
Continuing operations	\$ 0.21	\$ 0.32
Discontinued operations	(0.05)	0.04
	\$ 0.16	\$ 0.36
Diluted:		
Continuing operations	\$ 0.21	\$ 0.32
Discontinued operations	(0.05)	0.04

\$ 0.16

\$ 0.36

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(1) Excludes Depreciation and amortization and Reclamation and remediation.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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## NEWMONT GOLDCORP CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ 119	\$ 191
Other comprehensive income (loss):		
Change in marketable securities, net of tax of \$- and \$-, respectively	—	2
Foreign currency translation adjustments	3	(3)
Change in pension and other post-retirement benefits, net of tax of \$- and \$(1), respectively	4	5
Change in fair value of cash flow hedge instruments, net of tax of \$- and \$(1), respectively	8	4
Other comprehensive income (loss)	15	8
Comprehensive income (loss)	\$ 134	\$ 199
Comprehensive income (loss) attributable to:		
Newmont stockholders	\$ 102	\$ 200
Noncontrolling interests	32	(1)
	\$ 134	\$ 199

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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## NEWMONT GOLDCORP CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
Operating activities:		
Net income (loss)	\$ 119	\$ 191
Adjustments:		
Depreciation and amortization	312	301
Stock-based compensation (Note 13)	19	19
Reclamation and remediation	27	26
Loss (income) from discontinued operations (Note 9)	26	(22)
Deferred income taxes	21	10
Write-downs of inventory and stockpiles and ore on leach pads	44	82
Other operating adjustments	(4)	10
Net change in operating assets and liabilities (Note 23)	10	(351)
Net cash provided by (used in) operating activities of continuing operations	574	266
Net cash provided by (used in) operating activities of discontinued operations (Note 9)	(3)	(3)
Net cash provided by (used in) operating activities	571	263
Investing activities:		
Additions to property, plant and mine development	(225)	(231)
Purchases of investments	(53)	(6)
Other	3	1
Net cash provided by (used in) investing activities	(275)	(236)
Financing activities:		
Dividends paid to common stockholders	(76)	(76)
Distributions to noncontrolling interests	(44)	(31)
Payments for withholding of employee taxes related to stock-based compensation	(39)	(39)
Funding from noncontrolling interests	26	32
Payments on lease and other financing obligations	(10)	(1)
Repurchases of common stock	—	(64)
Net cash provided by (used in) financing activities	(143)	(179)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	—
Net change in cash, cash equivalents and restricted cash	150	(152)
Cash, cash equivalents and restricted cash at beginning of period	3,489	3,298
Cash, cash equivalents and restricted cash at end of period	\$ 3,639	\$ 3,146
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 3,545	\$ 3,111
Restricted cash included in Other current assets	2	1
Restricted cash included in Other noncurrent assets	92	34

Total cash, cash equivalents and restricted cash	\$ 3,639	\$ 3,146
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The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in millions)

	At March 31, 2019	At December 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,545	\$ 3,397
Trade receivables (Note 4)	209	254
Other accounts receivables	80	92
Investments (Note 16)	56	48
Inventories (Note 17)	634	630
Stockpiles and ore on leach pads (Note 18)	739	697
Other current assets	134	159
Current assets	5,397	5,277
Property, plant and mine development, net	12,264	12,258
Investments (Note 16)	336	271
Stockpiles and ore on leach pads (Note 18)	1,835	1,866
Deferred income tax assets	378	401
Other non-current assets	670	642
Total assets	\$ 20,880	\$ 20,715
<b>LIABILITIES</b>		
Accounts payable	\$ 287	\$ 303
Employee-related benefits	230	305
Income and mining taxes payable	96	71
Debt (Note 19)	626	626
Lease and other financing obligations (Note 20)	59	27
Other current liabilities (Note 21)	517	455
Current liabilities	1,815	1,787
Debt (Note 19)	3,420	3,418
Lease and other financing obligations (Note 20)	268	190
Reclamation and remediation liabilities (Note 5)	2,499	2,481
Deferred income tax liabilities	614	612
Employee-related benefits	415	401
Other non-current liabilities (Note 21)	330	314
Total liabilities	9,361	9,203
Contingently redeemable noncontrolling interest (Note 10)	48	47
<b>EQUITY</b>		
Common stock	860	855
Treasury Stock	(109)	(70)
Additional paid-in capital	9,632	9,618
Accumulated other comprehensive income (loss) (Note 22)	(269)	(284)
Retained earnings	385	383

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Newmont stockholders' equity	10,499	10,502
Noncontrolling interests	972	963
Total equity	11,471	11,465
Total liabilities and equity	\$ 20,880	\$ 20,715

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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## NEWMONT GOLDCORP CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in millions)

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Equity	
Balance at December 31, 2018	535	\$ 855	(2)	\$ (70)	\$ 9,618	\$ (284)	\$ 383	\$ 963	\$ 11,465	\$
Cumulative-effect adjustment of adopting ASU No. 2016-02	—	—	—	—	—	—	(9)	—	(9)	
Net income (loss)	—	—	—	—	—	—	87	31	118	
Other comprehensive income (loss)	—	—	—	—	—	15	—	—	15	
Dividends declared (1)	—	—	—	—	—	—	(76)	—	(76)	
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(44)	(44)	
Cash calls requested from noncontrolling interests (2)	—	—	—	—	—	—	—	22	22	
Withholding of employee taxes related to stock-based compensation	—	—	(1)	(39)	—	—	—	—	(39)	
Stock-based awards and related share issuances	2	5	—	—	14	—	—	—	19	
Balance at March 31, 2019	537	\$ 860	(3)	\$ (109)	\$ 9,632	\$ (269)	\$ 385	\$ 972	\$ 11,471	\$

Common Stock	Treasury Stock	Additional Paid-In	Accumulated Other Comprehensive	Retained	Noncontrolling	Total
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	Shares (in millions)	Amount	Shares	Amount	Capital	Income (Loss)	Earnings	Interests	Equity
Balance at December 31, 2017	534	\$ 855	(1)	\$ (30)	\$ 9,592	\$ (292)	\$ 410	\$ 984	\$