

Northern Star Resources Limited

Materials

HOLD

NST A\$10.60

TARGET PRICE A\$9.45

Northern Star is a global-scale Australian gold producer with world class projects located in highly prospective and low sovereign risk regions of Australia and North America. The Company has a portfolio of high-quality, high-margin underground and open pit gold mines, and is firmly focused on delivering superior shareholder returns. Northern Star is listed on the Australian Securities Exchange (ASX: NST).

Company Data

Number of shares	1,164M
Market Capitalisation	\$12,344.9M
Free float (%)	98.6
12-month high/low	\$11.7/\$8.26
Average Daily Turnover (\$m)	90.79
% S&P/ASX200	0.570%
DDM Ranking	252
% All Ordinaries	0.486%
GICS Industry Group	Metals & Minings

Source: FactSet, Barclay Pearce Capital

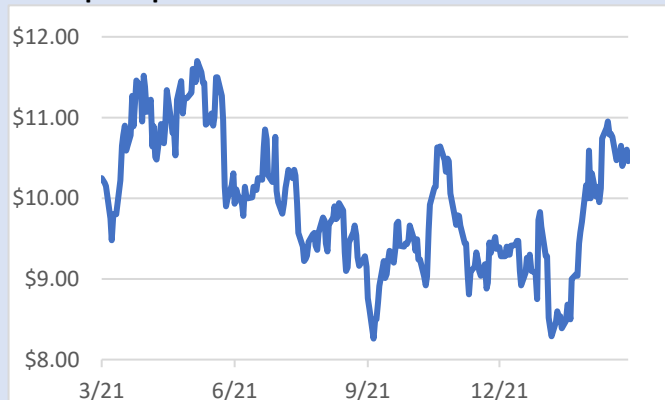
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	2,760.5	3,841.8	4,234.0	4,382.5
Reported NPAT (\$M)	1,032.5	427.1	619.6	684.8
Adjusted NPAT (\$M)	371.6	446.8	555.9	598.8
Reported EPS (¢)	114.3	40.9	59.2	63.1
Adjusted EPS (¢ - FD)	41.1	38.4	51.3	55.1
Adjusted EPS growth (%)	10.3	-6.6	33.6	7.3
Adjusted P/E (x)	25.8	27.6	20.7	19.2
Dividend (¢/sh)	19.0	23.7	27.6	29.4
Gross yield (%)	2.6	3.2	3.7	4.0
Net yield (%)	1.8	2.2	2.6	2.8
ROIC (%)	13.0	5.3	7.4	8.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY22 Half Year Results

On 10th of February 2022, Northern Star Resources Limited (NST) announced its 1H FY22 Financial Report with the following highlights:

Highlights:

- Reported net profit after tax (NPAT) of A\$261 million (up 43%) driven by higher production and portfolio optimisation;
- Revenue of A\$1,807 million was up 63% from the prior half year, primarily due to higher gold volumes, with gold sales 289,786 ounces higher;
- The acquisition of Newmont's power business was also completed in the period for total purchase consideration of A\$130 million and the Group made a C\$154 million (A\$170 million) investment in a Convertible Debenture with Osisko Mining Inc;
- Operating cash flows for the period were A\$622 million;
- Investing cash flows excluding payments or receipts related to business development activities (including investments and divestments) were 106 per cent higher (H1 2022: A\$447 million, H1 2021: A\$217 million);
- Financing cash flows for the period resulted in a net outflow of A\$551 million (H1 2021: outflow of A\$560 million);
- Underlying NPAT of A\$108 million, excluding significant items of A\$153 million. Underlying EBITDA of A\$699 million, up 47% from pcp. Group Underlying EBITDA margin of 39%;
- Cash earnings of A\$430 million;
- Cash and bullion of A\$588 million;
- Net cash2 of A\$288 million;
- Board declares fully franked interim dividend of 10 cents per share, up 5% from pcp; and
- Key growth projects progressing in line with strategy to become a 2Mozpa producer by FY26, including KCGM open pit development (Kalgoorlie) and Thunderbox mill expansion (Yandal).

Outlook:

There is no change on FY22 guidance and remain on track to meet our FY22 production guidance:

- Gold Production remains on the range of 1,550-1,560 koz;
- AISC: A\$1,475-1575/oz; and
- Exploration: A\$140M.

NST MD Stuart Tonkin said: "These results cover the first full reporting period since our merger with Saracen in February 2021 and demonstrate the potential that exists within Northern Star as we work towards our strategy to become a 2Mozpa gold producer by FY26. This production growth, alongside a declining cost base, will be delivered organically and with one of the lowest capital intensities in the industry. "We delivered strong half year cash earnings1 of A\$430 million and invested in our growth initiatives. The Board declared a fully franked interim dividend of 10 cents per share, a return to shareholders of 27% of cash earnings. This return is consistent with our capital management framework while having regard to the need of maintaining a strong balance sheet and the ability to pursue value-adding investment opportunities."

Earnings changes

NST's management state that there is no change on FY22 guidance and that they are on track to achieve it. Hence, we don't expect any significant earnings revisions for FY22 and future periods.

Valuation

We are initiating research on NST with a 12-month target price of \$9.45 and a HOLD recommendation. The price target is underpinned by our valuation.

23 March 2022

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

23 March 2022

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	39.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	38.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)