

# INCOMET RESEARCH

2020 - Gold Miners are not only benefiting from higher gold prices...



	Demand & Supply	Costs	Prices	Gold Miners
2020	Jewellery demand decline has largely been offset by growth in investments Supply Decreased due to mine curtailments and production stops due to Covid19	Costs have seen a decrease during 2020 mostly driven by lower energy costs and weakness of currencies in many developing countries compared to the US\$	Not only the impact of Covid19 has led to significant uncertainties regarding global economic recovery Continued record low (negative) interest rates and unprecedented QE measures	Significantly improved and record setting cash flows, also favoured by the industry having de-leveraged during the last bear-market
Impact	Flat Demand and lower Mine Production continues to tighten the market	Average and C90 AISC declined by 2-3% YTD 2020 over 2019 with Cash Costs witnessing an even stronger decrease of ~3-5% over the same period	Significantly Higher Gold Prices (+25% YTD price increase)	Free Cash Flow growth to levels that have rarely been achieved resulting in attractive Free Cash Flow yields
Expectations	Market could be squeezed further if jewellery sees a resurgence in 2021 and buying from Investments (ETFs) and Central Banks continues at this Pace	Costs are expected to remain at comparably low levels	All macroeconomic factors point to a rising gold price	With continued efforts to keep costs under control and a strong gold price this trend is expected to continue

... but also from costs at rather low levels, boosting operating margins – An effect we expect to become even stronger in 2021!

Source: World Gold Council; S&P Global Market Intelligence, Incomet Research