Gold - Hedging Against Market Uncertainties

- Gold is seen as a safe haven asset. In times of market uncertainty, people buy gold as a hedge against risk.

- This is due to the fact that gold has been valued for thousands of years, it has intrinsic value, and has served as money. The US dollar was gold backed until 1971.

- Strongest negative correlations are to the US dollar and to major US stock market indices.

- IAC portfolio is very positively correlated to the US stock market, so if there is a recession/bear market gold could serve as a hedge.
Gold has been one of the best performing asset classes over the last 20 years because of market uncertainty.

- S&P 500 generated a 10.33% YoY return since 2003, with dividends included.
- Gold generated a 9.08% YoY return since 2000.
- 10 year treasury yield has been averaging at 3.84%.
Ways to Enter the Gold Market

- Physical gold: gold bullion, coins, jewelry
- Gold ETFs: IAC owns 30 shares of SPDR Gold ETF (NYSE:GLD)
- Gold mining companies (Newmont mining)
- Gold mining ETF’s ex. VanEck Vectors Gold Miners ETF (NYSE:GDX)
- Gold mutual fund ex. Tocqueville Gold Fund (TGLDX)
- Gold futures (not for us!)
- The value of all of these are largely a function of the spot (current) price of gold
Gold mining stocks are a great way to enter the gold market.
- They are dividend paying equities, whereas gold is all price.
- Their revenue is a function of the price of gold. Current revenue comes from spot price of gold and future revenue comes from future price of gold.
- People buy Gold Mining stocks to speculate about the future price of gold (speculating about macro).
- Therefore moves in gold result in bigger moves in gold mining stocks, average leverage of 1:3
- Gold mining stocks are risker than gold
Gold During Dollar Tank and Great Recession

- US dollar fell from 2002 to 2011
- During this period the S&P 500 averaged 3.95% YoY return
- Gold averaged 22% YoY return ($282/oz. to $1895/oz.)
- Newmont averaged 14.9% YoY return ($19/share to $72.13/share + $5.14 of dividends)
Recent Moves in Gold Market

- This trend indicates that uncertainty in either the stock market or the US dollar is enough to drive up the gold market.

<table>
<thead>
<tr>
<th>September ’18 – December ‘18</th>
<th>December ’18 – February ‘19</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index falls</td>
<td>S&amp;P 500 Index rises</td>
</tr>
<tr>
<td>Fed stays hawkish</td>
<td>Fed becomes dovish</td>
</tr>
<tr>
<td>USD rises</td>
<td>USD stays flat</td>
</tr>
<tr>
<td><strong>Gold &amp; Newmont rise</strong></td>
<td><strong>Gold &amp; Newmont rise</strong></td>
</tr>
</tbody>
</table>

**September ’18 – February ’19**
- Gold goes from $1185.4/share to 1343.75/share (13.36% increase)
- Newmont Mining goes from $29.63/share to $36.48/share (23.12% increase)
Fed Policy

Fed policy expected to be accommodating

- Fed announced that quantitative easing is a tool to use in the future

- Next recession or bear market will turn on the green light for the gold market

- If Fed is able to interrupt the bear market/recession by lowering interest rates and doing QE, the dollar should go south, which should drive up the gold market

*Source: Bloomberg target Federal funds rate upper bound shown. See endnote 10
**Expected federal funds rate represents the projections of Federal Reserve policymakers as to where short term interest rates are headed.
Newmont’s 2 main business segments

- Gold: 96%
- Copper: 4%

Portfolio divestment net >$2.5B cash to date

Geographic Locations

- Latin America: 27%
- Australia: 17%
- Canada: 17%
- South America: 19%
- Africa: 19%
- North America: 19%
- Asia: 19%
- Europe: 19%

Cumulative cash generated through asset sales at fair value since 2013 ($M)

Macro/Industry Overview  Business Overview  Competitors  Valuations  Q&A
Goldcorp Acquisition and Guidance

Strengthening Portfolio Reserves

- Combined Portfolio Reserves
  - USA 24%
  - Latin America 27%
  - Canada 14%
  - Australia 17%
  - Mexico 8%
  - Ghana 10%
  - Canada 14%
  - Suriname 6%
  - Peru 3%

- Newmont Reserves:
  - USA 42%
  - Latin America 27%
  - Canada 14%
  - Mexico 8%
  - Ghana 10%
  - Canada 14%
  - Suriname 6%
  - Peru 3%
  - Total: 68.5 Moz

- Goldcorp Reserves:
  - Latin America 56%
  - Canada 33%
  - Mexico 17%
  - Total: 52.8 Moz

Prioritizing on shareholders’ return

- Downside:
  - Reduce stripping and increase stockpile processing
  - Complete current projects
  - Mothball lowest margin operations
  - Reduce exploration
  - Re-evaluate dividend

- $1,200 gold price:
  - Optimize costs & capital
  - Finish current projects; progress projects with best returns
  - Pursue high grade, near-mine exploration prospects
  - Challenge support costs across business
  - Evaluate early debt repayment
  - Pay dividend at Board’s discretion

- Upside:
  - Maintain cost and capital discipline
  - Pursue profitable growth
    - Highest return projects
    - Most promising exploration prospects
  - Accelerate debt repayment
  - Higher shareholder returns
Newmont Goldcorp delivers compelling value

Synergy produced in the strategic combination

- Creating the world’s strongest portfolio of operating gold mines, and Reserves in favorable jurisdictions
- Targeting sustainable production of 6 to 7 million ounces of gold annually
- Industry-leading dividend and investment-grade B/S
- Transaction expected to close in second quarter ‘19

Total value creation potential of >$2.5 BN

- Expect $100 MM in annual pre-tax synergies through G&A and supply chain savings

Full potential leverages Newmont’s global operating model – 40% increase in Reserves and Resources

<table>
<thead>
<tr>
<th>Year</th>
<th>Attributable gold production (koz)</th>
<th>Sustaining costs (US$ / oz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>323</td>
<td>$1,163</td>
</tr>
<tr>
<td>2014</td>
<td>345</td>
<td>$1,021</td>
</tr>
<tr>
<td>2015</td>
<td>436</td>
<td>$722</td>
</tr>
<tr>
<td>2016</td>
<td>459</td>
<td>$722</td>
</tr>
<tr>
<td>2017</td>
<td>419</td>
<td>$786</td>
</tr>
<tr>
<td>2018</td>
<td>496</td>
<td>$763</td>
</tr>
</tbody>
</table>

Newmont Goldcorp

Sustaining costs (US$ / oz)

Attributable gold production (koz)
Newmont Goldcorp > Barrick’s Proposal

$365 million in cost and efficiency improvements identified

Demonstrate further opportunities:

- Applying Newmont technical fundamentals
- Improving stope performance in underground operations through reducing dilution
- Enhancing resource modeling to create greater production predictability
- Applying Full Potential program and fit-for-purpose digital initiatives
- Providing sulfide concentrate in Nevada for use as heat source
- Expanding near-mine exploration potential in districts with historically low exploration spend
- Leveraging Newmont’s proprietary exploration tools to see through alluvial cover

Goldcorp transaction is more accretive than Barrick’s proposal
Newmont has outperformed Barrick by ~90%

Management: Flexibility to execute capital priorities and focus on shareholder returns

Stable annualized dividend of $0.56 per share vs Barrack’s $0.28 per share (100% increase)

Macro/Industry Overview  Business Overview  Competitors  Valuations  Q&A
Performance vs industry average

- **Reserves per Kshare** vs gold sector average of 72oz/Kshares
- **Operating Reserves** vs gold sector average of 10 yrs
- **Reserves based in US, Australia, Canada and Western Europe** vs gold sector average of ~33%
- **Reserve grade** vs 2018 mined grade of 1.14 g/tonne

- 122oz
- 11 yrs
- 71%
- 1.20 g/t
Newmont vs Barrick vs Gold Price

Total Shareholder Return Since 2014

Newmont Peer Group Valuation

Macro/Industry Overview | Business Overview | Competitors | Valuations | Q&A
### Illustrative Discount Cash Flow Analysis

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>6,680.0</td>
<td>7,379.0</td>
<td>7,253.0</td>
<td>7,395.61</td>
<td>7,121.8</td>
<td>7,117.85</td>
<td>7,110.0</td>
</tr>
<tr>
<td><strong>% Growth</strong></td>
<td>9.8%</td>
<td>10.5%</td>
<td>(1.7%)</td>
<td>1.97%</td>
<td>(3.70%)</td>
<td>(0.06%)</td>
<td>(0.11%)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,434.0</td>
<td>1,552.0</td>
<td>1,151.0</td>
<td>1,048.0</td>
<td>1,051.48</td>
<td>1,201.0</td>
<td>1,300.0</td>
</tr>
<tr>
<td><strong>Margin %</strong></td>
<td>38.7%</td>
<td>38.4%</td>
<td>37.7%</td>
<td>33.91%</td>
<td>33.68%</td>
<td>34.76%</td>
<td>34.54%</td>
</tr>
<tr>
<td><strong>Unlevered FCF</strong></td>
<td>2,583</td>
<td>2,831</td>
<td>2,737</td>
<td>2,508</td>
<td>2,398</td>
<td>2,474</td>
<td>2,550</td>
</tr>
</tbody>
</table>

#### Sensitivity Analysis

<table>
<thead>
<tr>
<th></th>
<th>10.5</th>
<th>11.5</th>
<th>12.5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ETBIDA Exit Multiple</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14%</td>
<td>$40.23</td>
<td>$43.05</td>
<td>$45.87</td>
</tr>
<tr>
<td>16%</td>
<td>$38.24</td>
<td>$40.87</td>
<td>$43.50</td>
</tr>
<tr>
<td>17%</td>
<td>$37.30</td>
<td>$39.85</td>
<td>$42.39</td>
</tr>
</tbody>
</table>

#### Implied Share Price
Financial Forecast Assumptions

Key Valuation Assumptions And Implied Share Price

70% Comparable Companies

2019E EBITDA
$2058 MM
Multiple
11.5x
6.71%
Implied Upside Or $36.76 Implied Share Price

30% Discounted Cash Flow

WACC
16.0%
Enterprise Value/EBITDA Exit Multiple
11.5x
18.6%
Implied Upside Or $40.87 Implied Share Price

Conclusion

Given market uncertainty going into 2019, 2020, and onwards. Gold is an excellent investment vehicle, proven by historical data.

Newmont Goldcorp creating the biggest gold mining company, focusing on shareholder return – well positioned in uptrend of gold price.

Recommend buying 200 shares of $NEM, good long term hold. From a macro perspective, NEM fits IAC’s investment philosophy.

Current Price: $34.94
Target Price: $37.99
Implied Upside: 8.74% + dividends

$7000 Cash and 4% of IAC Portfolio
1. Macro/Industry Overview
   - Gold Market
   - S&P 500 vs USD vs GOLD

2. Business Overview
   - Management Guidance
   - Goldcorp Transaction

3. Competitors
   - Barrick
   - Performance vs industry average

4. Valuations
   - Public Market Perception
   - DCF Analysis
   - Executive Summary

Appendix
1. Financials
2. Revenue Projection
3. Comps
4. DCF