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Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?

Strategy is about making choices, trade-offs; it's about deliberately choosing to be different.

Michael E. Porter

- **Gold mining companies prioritize capital discipline over growth at any cost: Unlike during the last gold bull market, today's major producers focus on balance sheet strength, cash flow stability, and controlled growth.**
- **Despite high gold prices, production volumes have declined at four of the six largest producers since the 2011/12 peak, mainly due to asset sales and declining ore grades.**
- **CAPEX remains subdued despite the price rally: Since 2015, investments have significantly lagged the gold price trend – only Agnico and Newmont reached 2012 levels again by 2024.**
- **Sharp increases in production costs have significantly weighed on profitability. Only the strong rise in the gold price in 2024 brought a clear recovery.**
- **Long-term debt has been substantially reduced in most cases – a clear departure from the risk-heavy leverage seen in the last cycle.**
- **A new balance between stability and growth is needed: The sector faces the challenge of balancing short-term financial discipline with long-term reserve and production security – *"Grow or die"* no longer applies.**
- **The performance of gold mining companies clearly shows that an active investment strategy outperforms a passive buy-and-hold approach.**

Mining is like a search-and-destroy mission.
Stewart Udall

Like any asset, gold prices move in cycles. These fluctuations naturally affect gold miners, most visibly in their financial performance — but a deeper examination reveals broader impacts on their operational behavior. This chapter explores how gold mining companies have evolved over the years and whether they have changed since the last major gold bull market.

Due to data availability and consistency, it focuses on six major gold producers: Agnico Eagle Mines, Anglo Gold Ashanti, Barrick, Gold Fields, Kinross, and Newmont. We selected this group because they are among the largest gold producers, just as in 2009 at the beginning of the investigated period. We will look at the operational and financial results of the companies and their balance sheets.

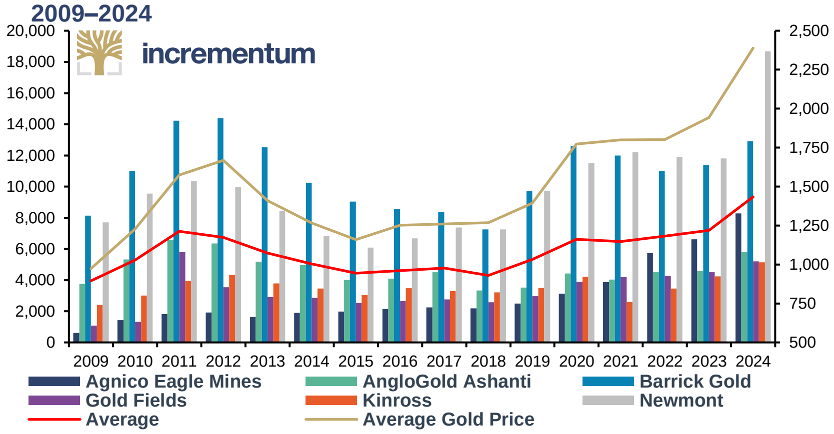
Revenue Trends: Following the Gold Price?

Let's start with revenues. As shown in the first chart, gold producer revenues followed the gold price relatively closely during 2009–2023. However, over the past year, a gap emerged, and revenues grew more slowly than the gold price. Although the first gold price peak during the period occurred in September 2011, at USD 1,920, the average gold price for the year – the average of daily closing prices, to be more precise – was only USD 1,573 in 2011. From this point of view, the gold price peaked a year later, in 2012, when the average amounted to USD 1,669.

Gold is a treasure, and he who possesses it does all he wishes to in this world.
Christopher Columbus

In 2024, the average gold price surged to USD 2,389, elevating average revenues to a new high. Looking at individual companies, Anglo Gold, Barrick, and Gold Fields were unable to come even close to the peak revenues reached in 2011 and 2012. Only Kinross, Agnico, and Newmont were able to beat them, as Agnico more than tripled its 2012 revenues, and by 2024, Newmont recorded an impressive growth in revenues. However, a large portion of the growth is attributable to the Newcrest acquisition, completed in Q4/2023.

Revenues (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024



Source: Macrotrends, Author's calculations, Incrementum AG

Production Volumes: The Output Paradox

Mining is one of the most dangerous jobs out there, and it shapes a particular type of person.
Robson Green

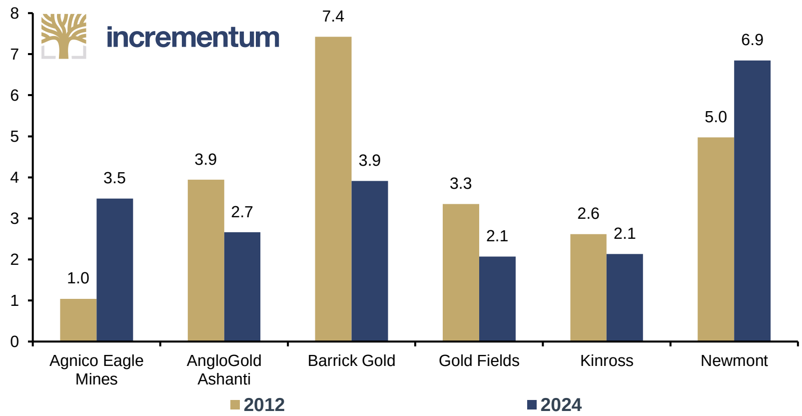
The sluggish revenue growth can be attributed to a simple factor: declining production volumes. While gold is their primary output, these companies also extract other metals—notably silver and copper—which contribute to their overall performance.

For example, Barrick produced 430mn lb. of copper in 2024. Still, gold remains the primary focus and revenue source for all six companies. The following chart shows that only Agnico Eagle and Newmont experienced production growth between 2012 and 2024. While Newmont grew its production by nearly 40%, Agnico achieved an impressive 230% growth during this period. Much of Agnico's growth is attributable to the 2022 merger with Kirkland Lake Gold. But even without the merger that gave Agnico the Detour Lake, Fosterville, and Macassa mines, production would still have increased by approximately 120%.

Know what you own, and know why you own it.
Peter Lynch

All the remaining four companies have experienced production declines. Barrick had to face the biggest one, falling from over 7.4 Moz produced in 2012 to less than 4 Moz in 2024. Barrick experienced this decline despite its 2019 acquisition of Randgold, which produced nearly 1.3 Moz of gold in 2018. Barrick also divested several less-profitable assets, and there were also issues like declining gold grades and the dispute over the Porgera mine. In the case of Gold Fields, the production decline is also attributable to asset divestments, as the company spun off some of its South African assets into Sibanye Gold in 2013.

Gold Production Volumes, in Moz, 2012 vs. 2024



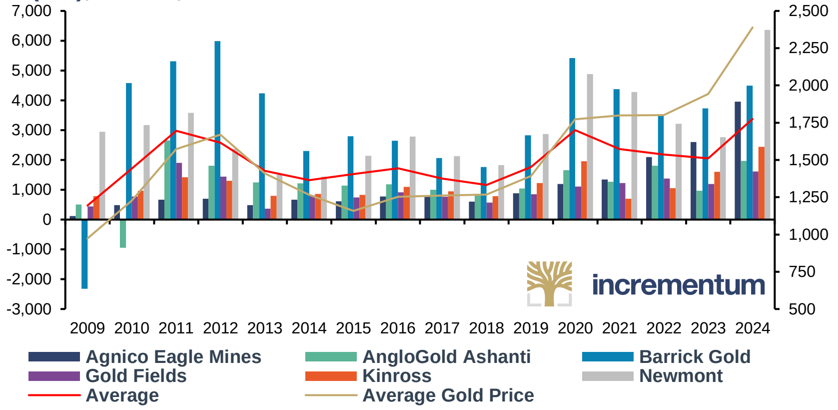
Source: Company Data, Author's calculations, Incrementum AG

Cash Flow and Profitability

The fact is that one of the earliest lessons I learned in business was that balance sheets and income statements are fiction; cash flow is reality.
Chris Chocola

A clear divergence can be observed when comparing gold prices with the gold miners' operating cash flows starting in 2021. In 2020, the average operating cash flow peaked slightly above USD 3bn. Since then, it has been declining, despite the average gold price remaining almost stagnant: USD 1,774 in 2020, USD 1,799 in 2021, and USD 1,802 in 2022. In 2023, it even jumped to USD 1,943. During the same period, the average cash flow generated by the six major gold miners declined by one-third, from USD 3.04bn to USD 2.05bn. The decline cannot be blamed on any one company. The remaining companies declined except Agnico (118% growth) and Gold Fields (7.4% growth). The steep gold price growth in 2024 was able to break the negative trend, and operating cash flows experienced a notable increase.

Operating Cash Flow (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024



Source: Macrotrends, Author's calculations, Incrementum AG

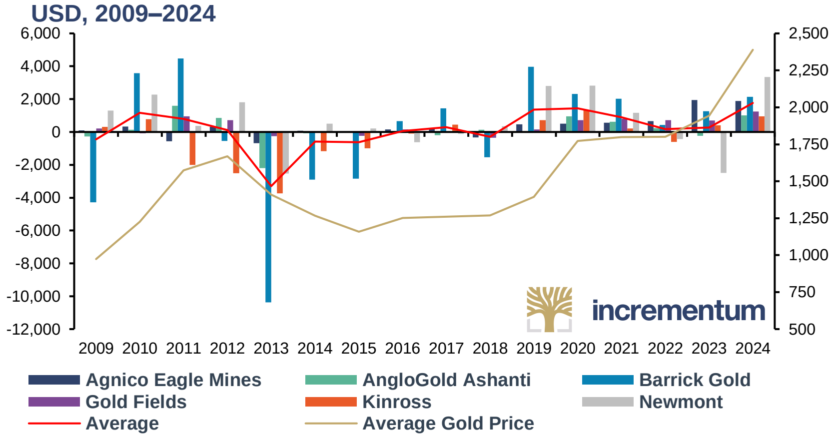
All a company report and balance sheet can tell you is the past and the present. They cannot tell future.
Nicolas Darvas

Net incomes followed a similar downward trend. Despite strong gold prices between 2020 and 2023, profitability steadily declined. The group's average net income plummeted from USD 1.45bn in 2020 to just USD 267mn in 2023—and this downturn was widespread. Only Agnico Eagle bucked the trend, with net income surging from USD 512mn to USD 1.94bn over the same period. The other five companies saw sharp profit declines, with the most severe drops at Anglo Gold Ashanti (falling from a USD 953mn profit in 2020 to a USD 235mn loss in 2023) and Newmont (plunging from USD 2.83bn in net income to a USD 2.5bn loss).

I call it the Rule of Three. If you read a company's financial statements three times, and you still can't figure out how they make their money, that's usually for a reason.
James Chanos

But in 2024, the record-high gold prices made all companies profitable again. Q4/2024 was the most profitable quarter in history. Nevertheless, as the numbers show, higher gold prices do not necessarily mean higher net incomes. The reasons for the fall in income are not only accounting practices, which are often used to artificially lower net income to reduce tax liabilities, but also growing costs.

Net Income (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024



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AISC and Cash Cost Evolution

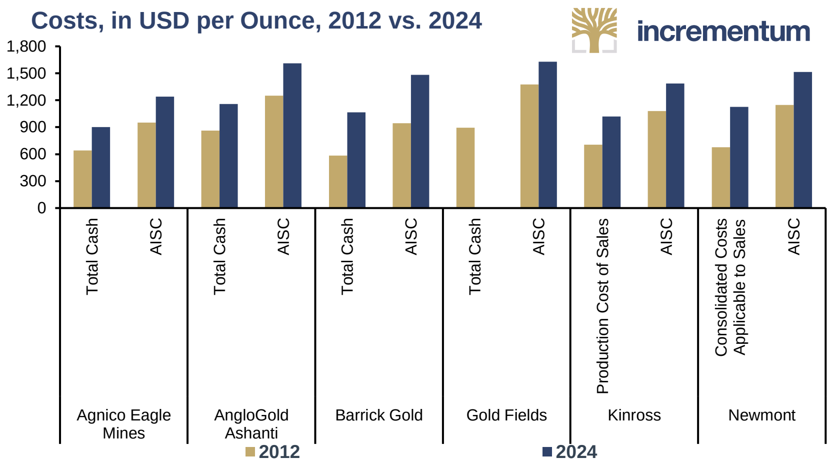
There are several ways of measuring production costs in the gold mining industry. The most common are cash costs and all-in sustaining costs (AISC). Cash costs include basic items such as mining, processing, refining, and transportation, royalties and production taxes, and labor and consumables costs. AISC is a broader category, as it includes cash costs and sustaining capital, G&A, exploration, and closure and reclamation expenses – in other words, the expenses needed to keep mining operations going. The long-term development of the AISC is shown in the next chart. AISC grew notably between 2012 and 2024.

Agnico, Anglo Gold, Kinross, and Newmont experienced approximately 30% growth in AISC, Gold Field's AISC grew by nearly 20%, and Barrick sustained a 57% increase. On average, AISC grew by 32.5% between 2012 and 2024, or by approximately 2.37% per year. That doesn't seem like much, but most of the growth occurred over the last 2–3 years. During the same period, average operating cash flows and net incomes lagged notably behind gold price growth.

Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hit man.
Ronald Reagan

For comparison, the following chart shows the evolution of cash costs. In all cases, cash costs and AISC experienced similar growth. However, it is essential to note that, unlike with AISC, cash cost reporting is not standardized. While Agnico, Anglo Gold, Barrick, and Gold Fields report total cash costs, Kinross reports the production cost of sales, and Newmont reports consolidated costs applicable to sales. Production cost of sales and consolidated costs applicable to sales are broader categories that include indirect costs.

Costs, in USD per Ounce, 2012 vs. 2024



Source: Company Data, Author's calculations, Incrementum AG

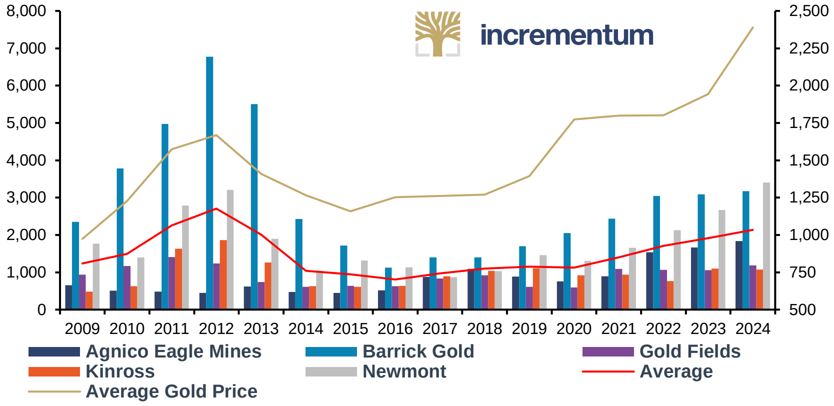
Capital Allocation: Learning from Past Mistakes?

Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.
Sam Ewing

Although AISC is a representative cost measure, it doesn't capture all the costs incurred by the mining companies. Besides various operating costs, AISC includes capital expenditures (CAPEX), though only the sustaining ones, which are the expenses for keeping current operations alive. Growth capital expenditures, which are mainly the expenses for the construction of new mines, are not included.

The following chart shows the changes in the six major gold producers' overall CAPEX. In general, the curve capturing the average annual volume of CAPEX for the whole group moves toward the gold price curve. However, between 2009 and 2014, both curves went steeply up and then steeply down. Then, starting in 2015, they began behaving more independently. Yet, except for 2015 and 2020, the direction of the curves is the same; both are growing. However, since 2015, the growth of CAPEX has lagged behind the growth of gold prices. **Only Agnico Eagle and Newmont had higher CAPEX in 2024 than in 2012. All the other companies are spending much less.**

Capital Expenditures (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024



Source: FinanceCharts, Author's calculations, Incrementum AG

Balance Sheet Management: Fiscal Discipline and Debt Control

There is only one side of the market and it is not the bull side or the bear side, but the right side.
Jesse Livermore

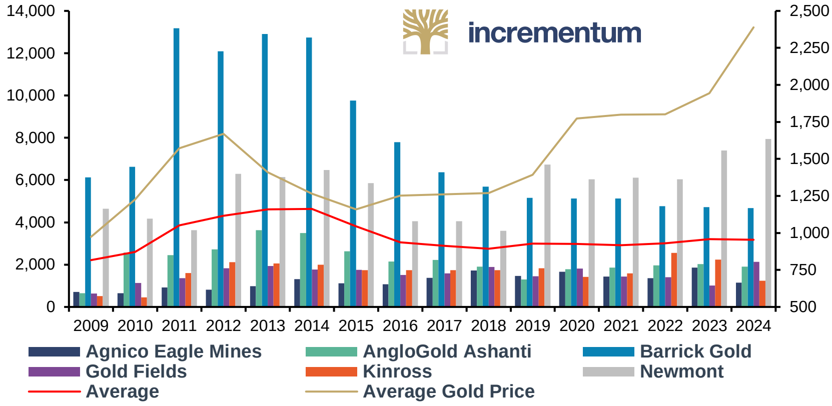
The current gold bull market reveals a distinct shift toward financial prudence among mining companies. This trend is most clearly illustrated by the sector's debt evolution, as shown in the accompanying chart. The data presents a striking departure from previous cycles, when miners prioritized aggressive expansion at the expense of balance sheet health, frequently accumulating significant debt to finance growth.

An analysis of long-term debt levels from 2016 to 2024 demonstrates this newfound discipline. Aggregate debt remained stable during this period, hovering consistently near the USD 3bn mark with minimal fluctuation. While individual company strategies varied, the sector-wide pattern reflects substantially more conservative financial management than historical norms.

Rather go to bed without dinner than to rise in debt.
Benjamin Franklin

This disciplined approach to leverage management contrasts sharply with previous bull market behavior. The deleveraging trend has been supported by reduced capital expenditures (see Figure Y), though this fiscal restraint may carry consequences. While stronger balance sheets represent a clear improvement, the concurrent decline in capital investment could potentially constrain future production growth, presenting a trade-off between current financial stability and long-term operational capacity.

Long-term Debt (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024

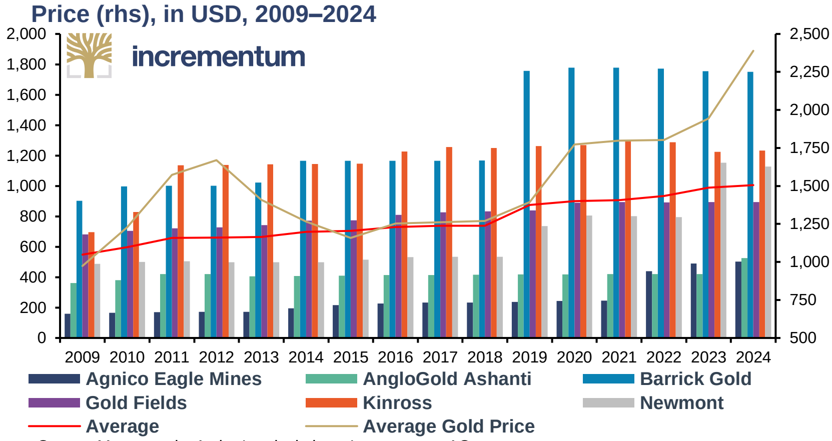


Source: Macrotrends, Author's calculations, Incrementum AG

Debt is like any other trap, easy enough to get into, but hard enough to get out of.
Henry Wheeler Shaw

It is possible to argue that the companies simply swapped debt financing for equity financing, but, as the next chart shows, that is not the case. The average volume of outstanding shares has kept on growing at a relatively stable pace, regardless of the phase of the gold market cycle. The stable pace of growth was interrupted only in 2019, when Barrick merged with Randgold and Newmont merged with Goldcorp, both in all-share transactions. In 2022, in another all-share deal, Agnico merged with Kirkland Lake Gold. Except for these three big deals, the share counts remain relatively stable. Kinross even reduced its share count by nearly 3% between 2020 and 2024. Also, between 2009 and 2011, the pace of average share count growth was quicker than it is now. In 2010 and 2011, the average share count grew by 8.8% and 10.5%, respectively. Between 2012 and 2018, it grew by 1.9% per year on average. In 2019, it jumped by 18.5%, and between 2020 and 2024, the average growth rate equaled 2.8%. In 2024, however, it was as low as 1.6%.

Number of Shares Outstanding (lhs), in mn, and Average Gold Price (rhs), in USD, 2009–2024



Source: Macrotrends, Author's calculations, Incrementum AG

Conclusion

The stock market is a device for transferring money from the impatient to the patient.
Warren Buffett

A marked evolution in strategic approach distinguishes today's gold mining majors from their 2011 counterparts. During the previous cycle, producers pursued aggressive expansion through high-risk greenfield projects in challenging jurisdictions, often with reckless disregard for capital efficiency. The current paradigm reveals fundamentally different priorities: disciplined capital allocation, conservative production targets, and sustained balance sheet strength – with sector-wide debt levels remaining notably below 2012 peaks.

This strategic transformation stems from two plausible drivers:

1. **Macroeconomic Conditions**: The era of ultra-cheap capital (2009–2015 federal funds rate near 0%) has given way to tighter monetary policy, with rates currently exceeding 4%. This structural shift has fundamentally altered capital availability.
2. **Industry Maturation**: Mining executives appear to have internalized the lessons of previous cycles. The conspicuous absence of billion-dollar greenfield gambles and the preference for strategic acquisitions through industry consolidation demonstrate more measured growth strategies.

The investor's chief problem – and even his worst enemy – is likely to be himself.
Benjamin Graham

Whatever the exact motivation may be, less leverage and more equity are undoubtedly positive developments. However, the temptation remains: if gold prices stay elevated, it's likely only a matter of time before the mantra of "*growth at any cost*" resurfaces. **It is now up to the management teams of the major producers to resist the siren calls and consistently prioritize the interests of their shareholders.**

Investment Implications
These market dynamics render passive investment approaches particularly ineffective for gold equities. Instead, they create ideal conditions for active strategies that can:

- Identify cyclical opportunities
- Adjust exposure based on fundamental indicators
- Capitalize on shifting industry dynamics

Our proprietary *Incrementum Active Aurum Signal* embodies this approach, combining cyclical analysis with fundamental metrics to optimize allocation throughout market phases. **The following chapter will detail our methodology for navigating these complex dynamics through disciplined, active management in the mining sector.**

About Us

Ronald-Peter Stöferle, CMT

Ronnie is managing partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied business administration and finance in the USA and at the Vienna University of Economics and Business Administration, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the research department of Erste Group, where in 2007 he published his first *In Gold We Trust* report. Over the years, the *In Gold We Trust* report has become one of the benchmark publications on gold, money, and inflation.

In 2014, Ronnie co-authored the international bestseller *Austrian School for Investors*, and in 2019 *The Zero Interest Trap*. He is a member of the board of directors at Tudor Gold Corp. (TUD), and Goldstorm Metals Corp. (GSTM). Moreover, he is an advisor to *Von Greyerz AG*, a global leader in wealth preservation in the form of physical gold stored outside the banking system. He is also a Member of the Advisory Board at *Monetary Metals*.

Mark J. Valek, CAIA

Mark is a partner of Incrementum AG and is responsible for Portfolio Management and Research.

While working full-time, Mark studied business administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of philoro Edelmetalle GmbH. Since 2024, he has been a Member of the Advisory Board at *Monetary Metals*. In 2014, he co-authored the book *Austrian School for Investors*.

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We evaluate investments not only on the basis of the global economic situation, but also always see them in the context of the current global monetary system. Independence and self-reliance are the cornerstones of our philosophy, which is why the five partners own 100% of the company.

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