



Jupiter Mines Ltd (JMS.ASX)

Shedding light on EBITDA and share of JV profits.

Event:

- Restatement of adjusted EBITDA.

Investment Highlights:

- We have received queries following our initiation report concerning JMS' EBITDA. We have taken the opportunity to clarify the reporting of EBITDA.
- In its prospectus, JMS reported its share of the profit from Tshipi JV above the EBITDA line. This share of profit is JMS' 49.9% share of Tshipi's NPAT, and not its 49.9% share of Tshipi's EBITDA. This was a conservative approach which undercooked the true look-through EBITDA for JMS. It is this non-alignment between Tshipi's and JMS's EBITDA that has caused confusion for some investors. We had adopted JMS' conservative approach in our presentation of EBITDA in our initiation.
- We have now restated our presentation of JMS' EBITDA to more accurately reflect its share of Tshipi EBITDA. We now show JMS' EBITDA to include 49.9% of Tshipi EBITDA - as opposed to 49.9% share of Tshipi profit (NPAT) that was presented in the prospectus. On this basis, we now show a forecast adjusted EBITDA for JMS of \$221M for FY19e vs \$147M previously.
- No impact on earnings, cash flow, or valuation. It is important to note that our restatement of JMS' EBITDA is only cosmetic, there being no changes to our forecast NPAT, EPS, and cash flows for both JMS and Tshipi, nor to our valuation of both JMS and Tshipi. These are all underpinned by our forecasts of Tshipi's EBITDA, which remain unchanged.

Earnings and Valuation:

- No changes to earnings forecasts or valuation.

Recommendation:

- We maintain our Buy recommendation and 12-month price target of \$0.64/share based on our DCF (NPV₁₀) valuation.
- Catalysts for the share price include continued generation of earnings; receipt of Tshipi distributions; payment of dividends and/or share buyback by JMS.

Recommendation		Buy		
Previous		Buy		
Risk		High		
Price Target		\$ 0.640		
Previous		\$0.64		
Share price (A\$)		\$ 0.360		
ASX code		JMS		
52 week low-high		0.325-0.43		
JMS Valuation risked (A\$/share)		\$ 0.640		
Methodology		DCF		
JMS Capital structure				
Shares on Issue (M)			1,948	
Market cap (A\$M)			701	
Net cash (debt) attributable (A\$M)			36	
EV (A\$M)			665	
Ave daily volume ('000)			5,622	
JMS Earnings FY* A\$M				
	FY18a	FY19e	FY20e	FY21e
Sales	-0.4	0.0	0.0	0.0
EBITDA adj.**	160.1	221.4	123.9	124.0
NPAT reported	92.2	143.0	74.9	75.4
NPAT adj	95.3	143.0	74.9	75.4
EPS adj. \$	0.044	0.080	0.044	0.046
PE x	8.1	4.5	8.2	7.8
EV/EBITDA x	4.2	3.0	5.4	5.4
Dist'n decl. \$/share	0.05	0.05	0.04	0.03
Yield %	13%	14%	10%	9%

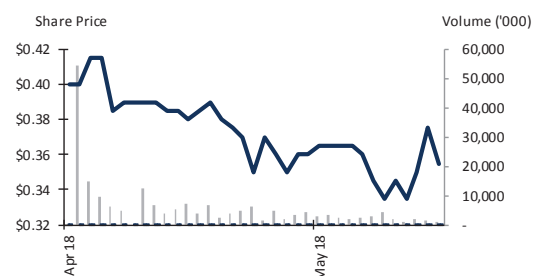
* Y/end Feb

**Incl share of Tshipi EBITDA

JMS Board

Brian Gilbertson	Non-Executive Chairman
Priyank Thapliyal	CEO and Executive Director
Paul Murray	Non-Executive Director
Andrew Bell	Non-Executive Director
Sungwoon Yoon	Non-Executive Director

Share price graph



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The analyst does not own JMS securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 10,949,091 JMS shares. Cranport Pty Ltd owns 10,800,000 JMS shares.

Foster Stockbroking was Co-Manager to the \$240M IPO of 600M JMS shares at \$0.40 in April 2018. Foster Stockbroking received fees for this service, including a discretionary fee. Refer to prospectus for details.