



Jupiter Mines Ltd (JMS.ASX)

Proposed distribution highlights confidence

Event:

- Proposed interim distribution; Tshipi mine and CEO updates.

Investment Highlights:

- JMS this week announced that Tshipi e Ntle's cash is expected to be ZAR2b at end August 2018 (end 1HFY19e), based on sales to July 2018.** Accordingly the Tshipi e Ntle board had resolved to distribute ZAR1.5b to its shareholders in September 2018, subject to there being no adverse conditions. This would entitle JMS – a 49.9% shareholder in Tshipi e Ntle – to ZAR750M.
- Exceeds our previous forecast.** JMS expects to distribute all the cash received from Tshipi e Ntle to shareholders in September 2018, the 100% payout ratio well exceeding our own assumption and that disclosed in the prospectus which were both 70%.
- We estimate JMS to distribute \$73.3M, which would equate to \$0.038/share, implying an interim yield of 10% on the current share price.** This surpassed our prior forecast interim distribution of \$0.028/share.
- We believe reasons JMS intends to pay a distribution well above the 70% payout ratio include the payout ratio assumed in the prospectus being conservative; absence of any compelling acquisition opportunities; low requirement for capex and investment; confidence in the Tshipi mine; and sending a message that it believes that the market is mispricing its shares.**
- Operationally, the company stated that Tshipi exceeded its – and our forecast – of the 3.3Mtpa target rate in both production and sales for the first three months (1QFY19e).** JMS reaffirmed FOB costs of US\$2.20/dmtu.
- Finally, the company stated that CEO Mr Priyank Thapliyal had been discharged from hospital and is now continuing his recovery at home.**
- No surprises from draft Mining Charter.** On 15 June 2018, the South African Government released its draft Mining Charter III. For existing mining right holders such as Tshipi e Ntle, there are no surprises. As was expected, BEE interest will increase to 30% from 26%, a threshold that Tshipi e Ntle already well exceeds (it being 37%). The “once empowered always empowered” policy is included, which prevents the issue of future dilution for non-BEE owners should BEE partners wish to divest or sell down.

Earnings and Valuation:

- We make no material changes to earnings forecasts or valuation.** However we have upgraded our interim distribution forecast to \$0.038/share and for the full year to FY19e to \$0.057/share (previously \$0.028/share and \$0.050/share).

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 quarterly report; interim profit result; receipt of Tshipi distributions; and payment of dividends and/or share buyback.**

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.640			
Previous	\$0.64			
Share price (A\$)	\$ 0.375			
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)	731			
Net cash (debt) attributable (A\$M)	36			
EV (A\$M)	695			
Ave daily volume ('000)	5,622			
JMS Earnings FY* A\$M	FY18a	FY19e	FY20e	FY21e
Sales adj**	352.1	438.1	328.0	333.2
EBITDA adj.**	160.1	221.4	123.9	124.0
NPAT reported	92.2	143.0	74.5	75.0
NPAT adj	95.3	143.0	74.5	75.0
EPS adj. \$	0.044	0.075	0.042	0.044
PE x	8.3	4.9	8.8	8.4
EV/EBITDA x	4.2	3.0	5.4	5.4
Dist'n decl. \$/share	0.048	0.057	0.034	0.030
Yield %	13%	15%	9%	8%

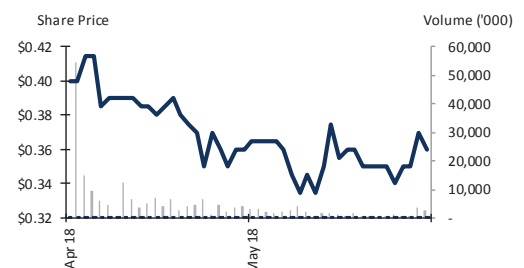
*Y/End Feb

**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.