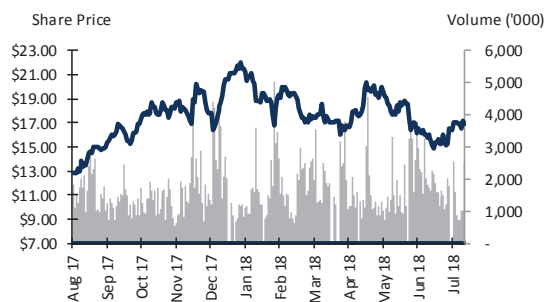




Mineral Resources Limited (MIN)

Looking ahead to FY19

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 20.28			
Previous Target	\$ 20.02			
Share Price (A\$)	\$ 16.89			
ASX Code	MIN			
52 week low - high (A\$)	12.78-22.01			
Forecast dividend yield (12 mth fwd)	3.7%			
Capital structure				
Shares on Issue (M)	188			
Market Cap (A\$M)	3,170			
Net Cash/(Debt) (A\$M)	94			
EV (A\$m)	3,077			
Options on issue (M)	0			
12mth Av Daily Volume ('000)	1,616			
June end (A\$M)	2017a	2018e	2019e	2020e
Sales	1,470.0	1,572.4	1,823.9	2,189.1
EBITDA, underlying	461.5	510.6	578.7	763.3
NPAT, underlying	205.7	227.3	262.7	371.6
Adj EPS diluted, \$	1.10	1.21	1.40	1.97
PER x diluted	15.4	13.9	12.1	8.6
EV/EBITDA x	6.7	6.0	5.3	4.0
DPS, \$	0.54	0.60	0.64	0.70
Dividend yield, %	3.2%	3.6%	3.8%	4.1%
Major Shareholders				
Chris Ellison	11.3%			
Perpetual	5.1%			
Share Price Graph				



Analyst: Matthew Chen +61 2 9993 8130

matthew.chen@fostock.com.au

The analyst does not own MIN securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) owns 2,000 MIN shares.

Cranport Pty Ltd owns 114,998 MIN shares.

Refer to end of report for details.

Talking Point mostly discusses stocks for which Foster Stockbroking does not provide formal research coverage. It combines both the dealing desk's market view and basic research analysis. The aim is to offer clients additional investment ideas that lie outside the firm's universe of formally covered stocks. Occasionally, some stocks under formal research coverage will also be discussed in Talking Point.

Event:

- **FY18Q4a quarterly report.**

Analysis:

- **MIN reported its FY18Q4a report on 31 July**, providing a mixed June quarter of production and shipments. While the company demonstrated QoQ improvements in production and shipments at Mt Marion and Iron Valley, these were offset by a well flagged lithium DSO pullback.
- **Minor misses on our estimates for FY18e shipments.** On balance, there were minor misses compared to FSBe estimates for FY18e sales volumes. FY18 lithium DSO shipments were 3.5Mt, -3% vs FSBe; Mt Marion spodumene shipments (100% basis) were 382kt, -4.7% on FSBe, while iron ore shipments were 9.4Mt, -4.6% on FSBe.
- **Wodgina spodumene trains on schedule:** A key positive from the quarterly was that Wodgina spodumene trains are on schedule, with commissioning of each of the three 250ktpa spodumene modules expected in successive quarters, from FY19Q2e to FY19Q4e. We note the tight timeframe for the commissioning, and view achievement of this milestone as a key upcoming catalyst for the stock.
- **Mt Marion faring well:** Mt Marion QoQ production and shipments were both up (3.8% and 10.5%, respectively). A further positive was the improved proportion of 6% spodumene, which was 65% of the quarter's production. The company reiterated upgrade works for all 6% spodumene are on track for Q2FY19e completion.
- **Koolyanobbing to replace tonnes out of Carina.** Recently acquired from Cleveland Cliffs for an undisclosed price, MIN expects first shipment in FY19Q1e, and ability to ship 6-6.25Mtpa through Esperance.

Earnings and Valuation:

- We have reduced lithium DSO volume in FY19e to 1Mt from 2.75Mt. We have included 5.5Mtpa 59% Fe product from the recently acquired Koolyanobbing over the next three years. We have updated our commodity price forecasts, and now have a long term forecast of US\$632/t for spodumene, US\$11,203/t for lithium carbonate, US\$61/t for iron ore, and AUDUSD of 0.74.
- We now **forecast FY18e-FY20e EBITDA of \$511M, \$579M, and \$763M** (previously \$530M, \$617M, \$720M), and **NPAT of \$227, \$263M, and \$372M** (\$241M, \$290M, and \$342M).
- We derive a blended DCF (50%), EV/EBITDA (50%) valuation of **\$20.28/share** (previously \$20.02).

Recommendation:

- We maintain a **Buy recommendation on MIN with a revised price target of \$20.28/share** (previously \$20.02), in line with our valuation.
- We note further updates on the Wodgina sale will be a major positive catalyst for the stock and expect timing for this late CY18e; we also consider the on-schedule delivery of the Wodgina spodumene trains to be another key upcoming catalyst.