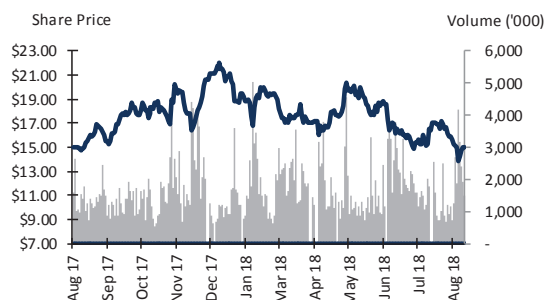




Mineral Resources Limited (MIN.ASX)

Major lithium milestones in upcoming half

Recommendation		Buy			
Previous		Buy			
Risk		High			
Price Target		\$ 20.15			
Previous Target		\$ 20.28			
Share Price (A\$)		\$ 15.01			
ASX Code		MIN			
52 week low - high (A\$)		13.85-22.01			
Forecast dividend yield (12 mth fwd)		4.3%			
Capital structure					
Shares on Issue (M)		188			
Market Cap (A\$M)		2,817			
Net Cash/(Debt) (A\$M)		1			
EV (A\$m)		2,816			
Options on issue (M)		0			
12mth Av Daily Volume ('000)		1,611			
June end (A\$M)		2018a	2019e	2020e	2021e
Sales		1,624.4	1,573.3	2,035.3	2,360.1
EBITDA, underlying		501.5	545.0	757.3	819.0
NPAT, underlying		266.3	276.1	409.6	441.6
Adj EPS diluted, \$		1.42	1.47	2.17	2.34
PER x diluted		10.6	10.2	6.9	6.4
EV/EBITDA x		5.6	5.2	3.7	3.4
DPS, \$		0.65	0.65	0.87	0.95
Dividend yield, %		4.3%	4.3%	5.8%	6.3%
Major Shareholders					
Chris Ellison		11.5%			
Perpetual		5.0%			
Share Price Graph					



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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 164,998 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:

- FY18 result; updated earnings and PT.

Analysis:

- MIN reported its FY18a result last week, with underlying EBITDA and revenue in line with guidance and FSBe, profit surprised to the upside. Underlying FY18a EBITDA was \$502M (-2% vs FSBe \$510M), while FY18a revenue of \$1,642M was a minor beat of 3% vs FSbe of \$1,572M. Underlying NPAT of \$266M was a 17% beat on FSBe of \$227M due to a lower D&A charge.
- Mining Services EBITDA contribution of \$260M continued to grow, with healthy support from Wodgina lithium DSO (\$173M EBITDA). The remainder of EBITDA comprised \$50M from Mt Marion spodumene and \$27M from iron ore operations.
- The Board declared a final dividend of 40cps, which takes the full year dividend to 65cps (a beat on FSBe 60cps).
- Management has provided FY19e export volume guidance only at this stage, reserving FY19e EBITDA guidance to the AGM. We note performance will be skewed to 2He due to a number of projects coming on line in the current half, including all 6% spodumene from Mt Marion, and the first of the three spodumene trains at Wodgina.

Earnings and Valuation:

- We have made a number of updates to export assumptions broadly in line with company guidance, and now forecast FY19e and FY20e EBITDA of \$545M and \$757M (previously \$579M and \$763M). Our forecast NPAT of \$276M and \$410M (\$263M and \$372M) has increased largely due to rebased D&A assumptions.
- We have unchanged commodity and currency forecasts, although have updated our price realisation for iron ore to reflect current persistent grade discounts.
- We have reduced FY19e volumes for DSO, iron ore, and Mt Marion spodumene, partially offset by higher % of 6% product for Mt Marion spodumene, and higher volumes of spodumene from Wodgina. We have reduced outer year crushing volumes in the near term and adjusted spodumene costs to reflect recent performance over the next two years.
- We derive a blended DCF (50%), EV/EBITDA (50%) valuation of \$20.15/share (previously \$20.28).

Recommendation:

- We maintain a Buy recommendation on MIN with a revised price target of \$20.15/share (previously \$20.28), in line with our valuation.
- We continue to hold the conviction MIN is an excellent near term buying opportunity as it rapidly progresses towards a large scale integrated lithium player, with a number of important lithium milestones in the current half, including all 6% spodumene at Mt Marion, construction of spodumene trains at Wodgina, feasibility study update on Wodgina hydroxide plant, and updates on Wodgina sell down.