



## Jupiter Mines Ltd (JMS.ASX)

*Tshipi delivering but JMS at massive discount to peers*

### Event:

- 2Q Activities Report; Earnings and Price Target changes.

### Investment Highlights:

- Underlying JMS NPAT for interim beats our forecast.** Jupiter Mines Ltd (JMS) reported its 2Q activities report, which included profit for both Tshipi Borwa and Jupiter Marketing. From these figures – together with our estimates of other metrics – we pieced together our own estimate of JMS underlying NPAT to be \$105M for the 1HFY19e, significantly higher than our prior estimate of \$74M. This includes JMS share of Tshipi and excludes foreign exchange gains.
- Tshipi costs lower due to weaker Rand.** The key difference for the better than expected profit was lower costs by Tshipi. We estimate JMS underlying attributable cash costs were \$94M for the interim, 21% lower than our forecast of \$119M. Attributable revenue of \$241M was only 3% higher than we had forecast (\$233M). A weaker rand was a key factor for Tshipi's lower costs, being US\$2.18/dmtu for the half vs our estimate of \$2.35/dmtu.
- Shipments and production both ahead of target rates.** Tshipi produced and shipped 1.79Mt and 1.88Mt of ore in the half, both ahead of the respective 3.3Mtpa and 3.5Mtpa target for FY19e. While no figure was provided by JMS, we estimate that there was significant amount of low grade ore shipped, while high grade ore was behind budget. JMS expects to make up for the latter in the 2H of the year.
- \$53M attributable cash ex-dividend.** JMS declared a 5cps share dividend, above our prior forecast of 3.8cps, and equivalent to \$98M, greater than the \$78M the company had previously flagged. We estimate JMS's attributable cash post payments of JMS's dividend and Tshipi's distributions is \$53M (\$21M JMS consolidated plus \$33M share of Tshipi cash). We forecast a 26% yield for FY19e.
- Upgrades to Mn prices short-term, downgrade to Rand.** We have upgraded Mn prices in FY19e, FY20e, and FY21e by 5%, 5%, and 2%, while downgrading Rand by 3%, 5%, and 4%.

### Earnings and Valuation:

- Earnings upgrades.** We have upgraded our forecast JMS underlying attributable NPAT by 23%, 68%, and 60% to \$184M, \$130M, and \$126M in FY19e, FY20e, FY21e. Our upgrades are due to higher Mn prices and lower US\$ costs for Tshipi. We have upgraded our forecast shipments for Mn to 3.5Mt in FY19e (previously 3.3Mt) but have left FY20e and afterwards unchanged at 3.3Mtpa.
- Our valuation of JMS increases to \$0.69/share (prior \$0.64) ex-dividend on lower US\$ costs, weaker rand, and higher short-term Mn prices.** We employ a DCF model and 10% WACC. JMS is trading at PE of 3.6x and EV/EBITDA of 2.4x, at 72% and 42% discounts to the average for manganese exposed peers, with yield of 26%.

### Recommendation:

- We maintain our Buy recommendation and increase our 12-month price target to \$0.69/share based on our 1.0x Price/NPV (previously \$0.64).
- Catalysts for the share price include continuing Tshipi performance and distributions; dividends, share buyback; and robust Mn prices.

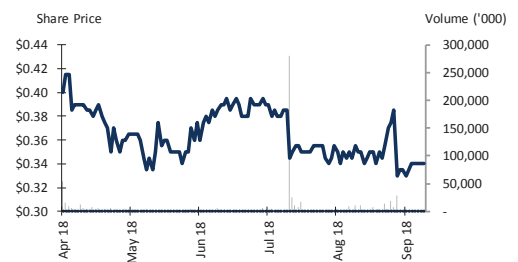
Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.690			
Previous	\$0.64			
Share price (A\$)	\$ 0.340			
ASX code	JMS			
52 week low-high	0.315-0.43			
JMS Valuation (A\$/share)	\$ 0.690			
Methodology	DCF			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	666			
Net cash (debt) attributable (A\$M)	53			
EV (A\$M)	613			
Ave daily volume ('000)	6,430			
Earnings Y/e Feb A\$M	FY18a	FY19e	FY20e	FY21e
Sales adj*	351.6	416.8	346.5	341.0
EBITDA adj.*	195.7	257.7	182.5	175.1
NPAT reported	92.2	217.9	130.3	125.6
<b>NPAT adj*</b>	<b>137.7</b>	<b>183.6</b>	<b>130.3</b>	<b>125.6</b>
<b>EPS adj. \$*</b>	<b>0.064</b>	<b>0.094</b>	<b>0.066</b>	<b>0.064</b>
<b>PE x</b>	<b>5.3</b>	<b>3.6</b>	<b>5.1</b>	<b>5.3</b>
EV/EBITDA x	3.1	2.4	3.4	3.5
Dividend \$/sh	0.048	0.088	0.044	0.040
Yield %	14%	26%	13%	12%

\* Adj =underlying including attributable share of Tshipi

### 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



Analyst: Mark Fichera +612 9993 8162  
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The analyst does own 88,000 JMS shares.  
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 10,552,433 JMS shares.  
 Cranport Pty Ltd owns 11,000,000 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.**