



Jupiter Mines Ltd (JMS.ASX)

No surprises as 4Q mostly delivers

Event:

- 4Q FY19 result; Formal process to review iron ore assets.

Investment Highlights:

- Jupiter Mines Ltd (JMS) unaudited 4Q report largely met our expectations.** Tshipi (100%) generated NPAT of \$88.5M in-line with our forecast of \$91.2M, while JMS Marketing reported NPAT of \$3.4M vs our estimate of \$3.5M.
- We deduced that JMS's attributable NPAT – comprising 49.9% Tshipi share, Marketing, and Corporate (not reported) – for the 4Q was \$44.2M in-line with our forecast of \$45.6M.**
- 4Q shipments were 0.85Mt in-line with our 0.83Mt estimate, and resulted in total of 3.5Mt for FY19e, as per previous company guidance.** 4Q FOB costs of US\$2.27/dmtu were slightly higher than our forecast of \$2.16 due to higher strip ratio and greater proportion of product trucked vs railed.
- JMS had attributable cash of \$100M end 4QFY19 (\$73M consolidated plus \$27M share of Tshipi).** \$49M of cash has been earmarked for payment in May 2019 of the recently declared 2.5 cps dividend.
- The company recently announced it has initiated a process to review strategic options for its Central Yilgarn Iron Ore projects.** We believe that the market is not ascribing any value to the assets, especially given the recent rally in iron ore markets. We expect the preference of JMS is to divest the assets, as it does not want to contribute further funds to their development.
- We currently value JMS's iron ore assets at \$47M, or \$0.02/share, based on EV per JORC Resource tonne of contained Fe multiple.** We use a multiple of \$0.07/t contained Fe which is the average of select ASX listed pure iron ore explorers.

Earnings and Valuation:

- Earnings revisions.** We have made only slight changes with FY19e NPAT reduced -1% to \$190M, FY20e -2% to \$125M, and FY21e -2% to \$103M on modest cost revisions.
- Our share valuation has reduced slightly to \$0.61 from \$0.63 based on earnings changes.**
- JMS has mitigated its marked discount to manganese peers over the past month, and is now trading at 5.3x PE and 3.1x EV/EBITDA on FY20e earnings, which are at 36% and 13% discount to peers' average of 8.3x and 3.6x.**

Recommendation:

- We maintain our Buy recommendation with a revised 12-month price target of \$0.61 (prior \$0.63) based on our 1.0x Price/NPV.** Catalysts for the share price include final FY19e earnings report; higher Mn prices; cost reductions; further dividends; realisation of value for iron ore assets; and corporate activity.

Disclosures

The analyst owns 302,000 JMS shares.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 9,272,604 JMS shares.
Cranport Pty Ltd owns 10,500,000 JMS shares.
Refer details end of report.

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.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.61			
Previous	\$0.63			
Share price (A\$)	\$ 0.340			
ASX code	JMS			
52 week low-high	0.23-0.43			
JMS Valuation (A\$/share)	\$ 0.61			
Methodology	DCF			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	666			
Net cash (debt) attributable (A\$M)	100			
EV (A\$M)	566			
Ave daily volume ('000)	4,777			
Earnings Y/e Feb A\$M	FY18a	FY19e	FY20e	FY21e
Sales adj*#	372.2	523.7	412.6	377.9
EBITDA adj.*	154.5	282.7	180.2	147.4
NPAT reported	92.0	188.5	125.1	102.7
NPAT adj*	96.1	190.3	125.1	102.7
EPS adj. \$*	0.045	0.097	0.064	0.052
PE x	7.6	3.5	5.3	6.5
EV/EBITDA x	3.7	2.0	3.1	3.8
Distribution \$/sh^	0.038	0.075	0.052	0.043
Yield %	11%	22%	15%	13%

* Adj =underlying including attributable share of Tshipi

#CIF basis

^ Incl. share buyback in FY18.

JMS Board

Brian Gilbertson	Non-Executive Chairman
Priyank Thapliyal	CEO and Executive Director
Melissa North	Executive Director
Paul Murray	Non-Executive Director
Andrew Bell	Non-Executive Director
Yeongjin Heo	Non-Executive Director

Share price graph



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