



## 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.

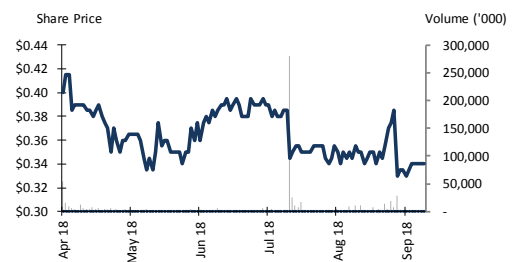
Recommendation		Buy			
Previous		Buy			
Risk		High			
Price Target		\$ 0.690			
Previous		\$0.64			
Share price (A\$)		\$ 0.340			
ASX code		JMS			
52 week low-high		0.315-0.43			
JMS Valuation (A\$/share)		\$ 0.690			
Methodology		DCF			
JMS Capital structure					
Shares on Issue (M)				1,959	
Market 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
NPAT adj*		137.7	183.6	130.3	125.6
EPS adj. \$*		0.064	0.094	0.066	0.064
PE x		5.3	3.6	5.1	5.3
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  
[mark.fichera@fostock.com.au](mailto:mark.fichera@fostock.com.au)

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.



**Jupiter Mines Ltd**

Full Year Ended 28/29 February

Profit and Loss A\$M	2018a	2019e	2020e	2021e
Sales adj.	351.6	416.8	346.5	341.0
Other revenue	10.8	12.0	10.4	10.2
Operating Costs adj.	166.7	171.1	174.4	176.2
<b>EBITDA adj.</b>	<b>195.7</b>	<b>257.7</b>	<b>182.5</b>	<b>175.1</b>
D&A adj.	7.1	3.9	3.8	3.8
<b>EBIT adj.</b>	<b>188.7</b>	<b>253.8</b>	<b>178.6</b>	<b>171.2</b>
Net Interest exp / (income) adj.	-2.9	-1.8	-2.9	-3.9
Profit before tax adj	191.6	255.7	181.6	175.1
Tax exp / (benefit) adj	53.9	72.1	51.3	49.5
<b>NPAT adj.</b>	<b>137.7</b>	<b>183.6</b>	<b>130.3</b>	<b>125.6</b>
Non-recurring gain/(loss)	-45.5	34.3	0.0	1.0
NPAT reported	92.2	217.9	130.3	126.6
<b>EPS diluted adj. (\$)</b>	<b>0.064</b>	<b>0.094</b>	<b>0.066</b>	<b>0.064</b>
Cashflow A\$M	2018a	2019e	2020e	2021e
EBITDA adj.	195.7	257.7	182.5	175.1
Equity accounting	-188.8	-251.3	-177.7	-170.4
Change in WC	9.5	8.5	4.9	0.5
Tax paid	-2.1	-2.5	-2.0	-2.3
Net interest	0.0	0.8	0.8	1.7
Other	-3.2	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>10.7</b>	<b>13.2</b>	<b>8.5</b>	<b>4.6</b>
PPE	0.0	0.0	0.0	0.0
Exploration	-0.9	0.0	0.0	0.0
Investments	3.1	0.0	0.0	0.0
<b>Investing Cashflow</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Equity issue	0.0	0.0	0.0	0.0
Loan repayment	52.5	0.0	0.0	0.0
Debt repayments/proceeds	0.0	0.0	0.0	0.0
Distributions received	27.7	97.8	130.3	118.8
Share buyback	-102.4	-26.7	0.0	0.0
Dividends paid	0.0	-122.3	-91.2	-83.1
<b>Financing Cashflow</b>	<b>-22.2</b>	<b>-51.3</b>	<b>39.1</b>	<b>35.6</b>
<b>Net Cashflow</b>	<b>-9.3</b>	<b>-38.1</b>	<b>47.5</b>	<b>40.2</b>
Balance Sheet A\$M	2018a	2019e	2020e	2021e
Cash	76.5	38.4	86.0	126.2
Receivables	45.9	37.3	32.4	31.9
PPE	0.0	0.0	0.0	0.0
Capitalised exploration	8.7	8.7	8.7	8.7
Investments	385.3	484.4	480.8	483.6
Other	1.4	1.4	1.4	1.4
<b>Total Assets</b>	<b>517.8</b>	<b>570.3</b>	<b>609.3</b>	<b>651.8</b>
Accounts payable	49.0	49.0	49.0	49.0
Provisions	0.0	12.7	14.3	14.5
Debt	0.0	0.0	0.0	0.0
Other	2.6	-9.3	-14.9	-21.5
<b>Total Liabilities</b>	<b>51.6</b>	<b>52.5</b>	<b>48.4</b>	<b>42.0</b>
Reserves and capital	434.1	407.4	407.4	407.4
Retained earnings	32.0	110.4	153.5	202.5
<b>Total Equity</b>	<b>466.2</b>	<b>517.8</b>	<b>560.9</b>	<b>609.8</b>
Capital structure				
Ordinary shares			1,959.0	
<b>Fully diluted equity</b>			<b>1,959.0</b>	

Half year splits	1H FY18a	2H FY18a	1H FY19e	2H FY19e
Mn 37% RSA, FOB, US\$/dmu	3.98	5.50	6.32	5.06
Total Mn ore shipments Mt	1.6	1.8	1.9	1.7
Sales adj.	152.3	209.8	240.9	187.8
EBITDA adj.	33.7	59.9	120.2	76.7
<b>NPAT adj.</b>	<b>39.8</b>	<b>104.6</b>	<b>105.0</b>	<b>78.6</b>

Financial Metrics	2018a	2019e	2020e	2021e
EPS growth %	222%	47%	-29%	-4%
Gearing (ND/ND+E)	-20%	-8%	-18%	-26%
Interest Cover (EBIT/net int)	nm	nm	nm	m
Average ROE %	29%	37%	24%	21%
Average ROA %	38%	47%	30%	27%
Wtd ave share diluted (M)	2,148	1,954	1,959	1,959
Dividend per share (\$)	0.048	0.088	0.044	0.040

Earnings multiples	2018a	2019e	2020e	2021e
P/E x	5.3	3.6	5.1	5.3
EV/EBITDA x	3.1	2.4	3.4	3.5
Dividend Yield %	14%	26%	13%	12%

Company Valuation	A\$M	A\$/share
<b>Segment</b>		
Tshipi (49.9%)	1,231	\$ 0.63
Marketing	69	\$ 0.04
Iron Ore	27	\$ 0.01
Corporate	-34	-\$ 0.02
Net cash - Tshipi attributable (ex-distn)	53	\$ 0.03
<b>Equity</b>	<b>1,346</b>	<b>\$ 0.69</b>

Tshipi - Assumptions	2018a	2019e	2020e	2021e
Mn 44% China, CIF, US\$/dmu	6.14	6.51	5.41	5.28
Mn 37% RSA, FOB, US\$/dmu	4.74	5.69	4.50	4.37
JMS Mn realised, FOB, US\$/dmu	4.51	4.92	4.34	4.22
A\$:US\$	0.77	0.75	0.75	0.74
Rand:US\$	13.08	13.31	14.43	15.03

Mn ore shipments:	2018a	2019e	2020e	2021e
36.5% lump	2.69	2.40	2.81	2.81
35.5% fines	0.52	0.42	0.50	0.50
Low grade	0.13	0.70	0.00	0.00
<b>Total Mn ore shipments Mt</b>	<b>3.34</b>	<b>3.53</b>	<b>3.30</b>	<b>3.30</b>

Cash costs US\$/dmu, FOB 2.09 2.16 2.12 2.11

JORC Resources and Reserves Mn	Ore Mt	Mn grade %
<b>Tshipi</b>		
<b>Total Reserves</b>	<b>86</b>	<b>36.3%</b>
Measured	103	34.1%
Indicated	119	33.5%
Inferred	237	32.5%
<b>Total Resource</b>	<b>460</b>	<b>33.1%</b>

Mt Ida & Mt Mason	Ore Mt	Fe grade %
<b>Total Resource</b>	<b>1852</b>	<b>36.8%</b>

Major shareholders	%
Stichting Penioenfunds ABP	14.8%
Pallinghurst Consolidated (Dutch) BV	7.4%
POSCO Australia GP Pty Ltd	6.9%
Regal Funds	5.0%
HJM Jupiter LP	5.0%

Source: Foster Stockbroking estimates.



**INTERIM PROFIT HIGHLIGHTS TSHIPI MINE PERFORMANCE**

**Implied underlying JMS 1HFY19e NPAT beats our forecast**

- Jupiter Mines Ltd (JMS) reported 2Q FY19 activities report, which included EBITDA results for both the Tshipi Borwa mine (Tshipi) and its Marketing business. From these figures – together with our own estimates for other metrics - we have pieced together our estimate of JMS 1HFY19e underlying profit, which was adjusted for its attributable share of Tshipi and excluded non-recurring items. Figure 1 summaries the profit performance for the half.
- We estimate JMS’s underlying, or adjusted, NPAT was \$105M for the half, significantly better than our prior forecast of \$74M. We estimate reported NPAT was higher at \$122M, mostly due to forex gain from the weakening of the ZAR, particularly in the 2Q.

**Tshipi costs lower than we had forecast**

- The key difference for the better underlying 1HFY19e NPAT vs our prior estimate resided in lower costs. Revenues from both Tshipi and Marketing were in-line with our estimate, with JMS’ attributable revenue being A\$240M, 3% above our forecast of \$233M.
- However JMS’s attributable underlying costs were 21% lower than we had forecast, being \$94M vs our forecast of \$119M. This was due to lower costs at Tshipi. This led to JMS’s share of attributable underlying EBITDA being \$144M for the half.

**Figure 1: JMS attributable Profit & Loss (including Tshipi attributable) A\$M**

	1Qa/e	2Qa/e	1Ha/e	FSBe	Diff	Comment
Tshipi attrib.	124.5	109.9	234.4	226.4	4%	
Marketing	3.0	3.5	6.5	6.8	-4%	
<b>Sales attrib.</b>	<b>127.5</b>	<b>113.4</b>	<b>240.9</b>	<b>233.2</b>	<b>3%</b>	
Tshipi attrib.adj.	49.6	41.2	90.8	116.6	-22%	<i>Lower than expected cash costs at Tshipi.</i>
Marketing	0.3	0.3	0.6	0	nm	
Corporate	1.1	1.1	2.2	2.2	-1%	
Cash costs adj. attrib.	51.0	42.6	93.6	118.8	-21%	
Tshipi attrib. adj.	74.9	68.8	143.7	109.8	31%	<i>Tshipi outperforms our expectation due to lower costs.</i>
Marketing	2.7	3.2	5.9	6.8	-13%	
Corporate	-1.1	-1.1	-2.2	-2.2	-1%	
<b>EBITDA adj. attrib.</b>	<b>76.5</b>	<b>70.9</b>	<b>147.4</b>	<b>114.4</b>	<b>29%</b>	
D&A attrib.	1.0	0.9	2.0	10.6	-81%	
EBIT adj.	75.5	69.9	145.4	104.1	40%	
Net interest attrib.	-0.4	-0.3	-0.8	-0.9	-11%	
PBT adj. attrib.	75.9	70.3	146.2	104.9	39%	
Tax adj. attrib.	21.4	19.8	41.2	30.9	33%	
<b>NPAT adj attrib.</b>	<b>54.5</b>	<b>50.5</b>	<b>105.0</b>	<b>74.0</b>	<b>42%</b>	
NRI attrib.	3.0	14.1	17.1	0.0	nm	<i>NRI mostly forex gain due to weakening ZAR.</i>
<b>NPAT rep. attrib.</b>	<b>57.6</b>	<b>64.6</b>	<b>122.1</b>	<b>74.0</b>	<b>65%</b>	

Source: Company; Foster Stockbroking estimates.

Adj. = adjusted for underlying estimate.



**LOWER COSTS, HIGHER SHIPMENTS**

**Shipping low grade ore to take advantage of market**

- Tshipi shipped 1.88Mt of Mn ore, above our forecast of 1.65Mt, the run-rate for the half being above its 3.5Mtpa target for shipments (Figure 2).
- Low grade ore was shipped in both quarters, although JMS did not disclose the quantity (other than at least 0.1Mt was shipped in the 1Q). For the half we estimate 0.3Mt of shipments were low grade and the 1.6Mt high grade. With continuing buoyant conditions in the manganese market, Tshipi is ensuring it exploits this window by shipping low grade ore when opportunities arise. Both road and rail were utilized, the former especially for low grade ore.

**Production lagging shipments**

- JMS has utilised stockpiles to achieve its shipments in FY19e to date. In the 1H mining of high grade ore was behind budget by approximately 0.24Mt, due to the wet season impact in the 1 and excavator mobilisation delays in the 2Q, with high grade ore production behind budget. However mining of low grade was ahead. Overall, production for the half was 1.79Mt, above the company’s 3.3Mtpa target production rate. The company intends to make up production of high grade ore in the 2H FY19e.

**US\$ cash costs decline on weaker rand**

- Cash costs of Tshipi fob in ZAR/t were fairly stable over the quarters, highlighting the company’s efforts to cut costs and mitigate the impact of both South African inflation and a higher effective royalty rate in the 2Q. In US\$ terms, costs declined to US\$2.10/t in the 2Q from US\$2.32/dmtu in the 1Q, with the tailwind of the decline in the rand in the 2Q offsetting higher effective royalty rate.
- The US\$2.18/dmtu achieved for the half was in-line with JMS stated budget target of US\$2.20/dmtu, and was 7% below our forecast cost of US\$2.35/dmtu.

**Figure 2: Tshipi Borwa Production and Shipments**

		1Qa/e	2Qa/e	1Ha/e	FSBe	Diff	Comment
High grade	Mt	0.56	0.71	1.27	1.65	-23%	
Low grade	Mt	0.35	0.16	0.51	0.00	nm	
<b>Mn production</b>	<b>Mt</b>	<b>0.92</b>	<b>0.87</b>	<b>1.79</b>	<b>1.65</b>	<b>8%</b>	
High grade	Mt	0.82	0.74	1.56	1.65	-5%	
Low grade	Mt	0.10	0.21	0.31	0.00	nm	Shipping low
<b>Mn shipments</b>	<b>Mt</b>	<b>0.92</b>	<b>0.95</b>	<b>1.88</b>	<b>1.65</b>	<b>14%</b>	<b>Grade</b>
Mn RSA fob 37%	US\$/dmtu	6.72	5.91	6.32	5.88	7%	
Ave realised price	US\$/dmtu	5.74	4.89	5.31	5.67	-6%	
ZAR	US\$	12.15	13.58	13.03	12.23	7%	
<b>Cash costs adj.</b>	<b>US\$/dmtu</b>	<b>2.32</b>	<b>2.10</b>	<b>2.18</b>	<b>2.35</b>	<b>-7%</b>	<i>US\$ cost decline due to weaker</i>
	ZAR/dmtu	28.24	28.48	28.35	28.74	-1%	ZAR

Source: Company; Foster Stockbroking estimates.  
Adj. = adjusted for underlying estimate.

**CORPORATE – INTERIM DIVIDEND EQUATES TO 15% YIELD****Payout ratio of 95% of Tshipi distribution**

- For the interim, JMS declared a dividend of \$0.05/share, equivalent to \$98M, which was well above our prior forecast of \$0.038/share. Chief source of the dividend comprised the \$103M distribution that JMS received from Tshipi e Ntle for its 49.9% shareholding of the latter, which was greater than the \$78M JMS had previously guided to. We estimate the dividend equated to a 93% payout ratio on JMS attributable underlying NPAT, and 95% of the total distribution received from Tshipi, both considerably higher than the 70% the company flagged in the prospectus.
- We believe the payout reflects the company's confidence in the business, lack of major capex, and focus on returning cash to shareholders given lack of compelling M&A opportunities. We believe the company may examine a share buyback also given the disconnect between valuation and the share price.

**\$53M attributable cash ex-dividend**

- We estimate post payment of the dividend, JMS' share of attributable cash is \$53M, comprising \$21M in the consolidated company and \$33M from its share of Tshipi e Ntle's cash balance post its distribution.

**Figure 3: JMS attributable cash balance ex-dividend**

	<b>A\$M</b>
Tshipi cash end 1HFY19a	262
Distribution paid	-196
<b>Tshipi cash ex-distn (A)</b>	<b>66</b>
JMS consolidated cash end 1HFY19e	16
Tshipi distribution received	103
Dividend paid	-98
<b>JMS consolidated cash ex-div (B)</b>	<b>21</b>
<b>JMS attributable cash (49.9% x A + B)</b>	<b>53</b>

Source: Company; Foster Stockbroking estimates.

**COMMODITY PRICE FORECASTS****Upgrade to Mn prices short-term, downgrade to Rand**

- We have upgraded our Mn prices in the short term by 5%, 5%, and 2% in FY19e, FY20e, and FY21e, bringing these in-line with consensus. Our long term price has instead declined by 8% to US\$4.91/dmtu (44%), also in-line with consensus, reflecting a reversion to more of a mid-cycle price.
- Our South African rand forecasts have reduced vs the US\$ by 3%, 5%, and 4% in FY19e, FY20e, and FY21e, again reflecting consensus. Our long term Rand forecast has declined 3% to 15.66. Our A\$ forecast vs US\$ has remain mostly unchanged, and we maintain our long-term at US\$0.74.



Figure 4: Commodity price forecast changes

Y/e Feb		2018a	2019e	2020e	2021e	2022e	LT
Mn 44% cif China, US\$/dmtu	<b>new</b>	<b>6.14</b>	<b>6.51</b>	<b>5.41</b>	<b>5.28</b>	<b>4.90</b>	<b>4.91</b>
	<i>old</i>	6.14	6.18	5.17	5.18	5.24	5.34
	<i>chng</i>	0%	5%	5%	2%	-6%	-8%
Mn 37% fob RSA, US\$/dmtu	<b>new</b>	<b>4.74</b>	<b>5.69</b>	<b>4.50</b>	<b>4.37</b>	<b>3.99</b>	<b>4.00</b>
	<i>old</i>	5.16	5.69	4.26	4.27	4.33	4.42
	<i>chng</i>	-8%	0%	6%	2%	-8%	-9%
ZAR:US\$	<b>new</b>	<b>13.08</b>	<b>13.31</b>	<b>14.43</b>	<b>15.03</b>	<b>15.52</b>	<b>15.66</b>
	<i>old</i>	13.08	12.92	13.78	14.46	15.16	15.16
	<i>chng</i>	-0%	-3%	-5%	-4%	-2%	-3%
A\$:US\$	<b>new</b>	<b>0.77</b>	<b>0.75</b>	<b>0.75</b>	<b>0.74</b>	<b>0.74</b>	<b>0.74</b>
	<i>old</i>	0.77	0.76	0.75	0.74	0.74	0.74
	<i>chng</i>	0%	-2%	0%	0%	0%	0%

Source: Foster Stockbroking estimates.

## NEW SOUTH AFRICA MINING CHARTER OFFERS NO SURPRISES

### No impact envisaged for JMS

- On 27 September the South African Mineral Resources gazetted the 2018 Mining Charter, following on from earlier drafts released in June and the initial draft from CY2017. The new Charter took into account comments from various interest groups on the earlier drafts.

### 26% BEE interest unchanged for existing mine right holders

- Our take on the revised Charter is that there are no surprises and in-line with expectations, especially for existing mining right holders such as Tshipi e Ntle. The previously flagged increase in Black Economic Empowerment (BEE) ownership interest to 30% for existing mining projects from the June draft has been jettisoned, and will remain at 26% (Tshipi has a BEE interest of 37%). Only applicants for new mining rights will be subjected to satisfying the 30% condition.

### Once empowered, always empowered - conditional

- The September draft recognises the “once empowered always empowered” policy for existing mine right holders. If a BEE partner is to exit, BEE empowerment is still recognised for the duration of the right. However there are two key exceptions. Recognition is not applicable upon renewal, and not transferrable to a new owner in case of transfer or sale. Tshipi e Ntle’s mining right expires in 2040. We understand this means that should Tshipi e Ntle’s existing BEE partner wish to divest a portion or all of its holding prior to 2040, no requirement is made to sell to new BEE investors.



## EARNINGS FORECASTS

### Upgrade to FY19e shipments, cash costs reduced

- Following the quarterlies we have made revisions to our shipments and costs for Tshipi Borwa. We have revised up our shipments for FY19e to 3.5Mt from 3.3Mt, and reduced our fob cash costs forecast to US\$2.16/dmtu from US\$2.82/dmtu.
- For future years we have left unchanged our forecast 3.3Mtpa shipment and production rates. However we have cut our forecast mine cash costs, chiefly because of the lower Rand.

Figure 5: Production and cost assumptions

	FY19e			FY20e			FY21e		
	new	old	chng	new	old	chng	new	old	chng
High grade	2.8	3.3	-14%	3.3	3.3	0%	3.3	3.3	0%
Low grade	0.7	0.0	nm	0.0	0.0	0%	0.0	0.0	0%
<b>Total shipments</b>	<b>3.5</b>	<b>3.3</b>	<b>7%</b>	<b>3.3</b>	<b>3.3</b>	<b>0%</b>	<b>3.3</b>	<b>3.3</b>	<b>0%</b>
Cash costs fob US\$/dmtu	2.16	2.82	-24%	2.12	2.63	-20%	2.11	2.66	-21%

Source: Foster Stockbroking estimates.

### Earnings upgrades to FY19e- FY21e

- We have revised up our forecast JMS attributable NPAT to \$184M, \$130M, and \$126M in FY19e, FY20e, and FY21e, up by 23%, 68%, and 60%. The upgrades are mostly based on lower cash costs stemming from weaker rand, as well as increase in our forecast short-term Mn prices.

Figure 6: JMS Earnings Forecasts A\$M

	FY19e			FY20e			FY21e		
	new	old	chng	new	old	chng	new	old	chng
Tshipi attrib.	416.8	438.1	-5%	346.5	328.0	6%	341.0	333.2	2%
Marketing	12.0	13.1	-9%	10.4	9.8	6%	10.2	10.0	2%
<b>Sales adj.</b>	<b>428.8</b>	<b>451.3</b>	<b>-5%</b>	<b>356.9</b>	<b>337.9</b>	<b>6%</b>	<b>351.3</b>	<b>343.2</b>	<b>2%</b>
Tshipi attrib.	165.5	225.4	-27%	168.8	209.5	-19%	170.6	214.8	-21%
Marketing	1.2	0.0	nm	1.2	0.0	nm	1.2	0.0	nm
Corporate	4.4	4.4	-1%	4.4	4.4	-1%	4.4	4.4	-1%
Cash costs adj.	171.1	229.8	-26%	174.4	214.0	-18%	176.2	219.2	-20%
Tshipi attrib.	251.3	212.7	18%	177.7	118.5	50%	170.4	118.4	44%
Marketing	10.8	13.1	-18%	9.2	9.8	-7%	9.0	10.0	-10%
Corporate	-4.4	-4.4	-1%	-4.4	-4.4	-1%	-4.4	-4.4	-1%
<b>EBITDA adj.</b>	<b>257.7</b>	<b>221.4</b>	<b>16%</b>	<b>182.5</b>	<b>123.9</b>	<b>47%</b>	<b>175.1</b>	<b>124.0</b>	<b>41%</b>
D&A adj.	3.9	21.1	-82%	3.8	21.1	-82%	3.8	21.1	-82%
EBIT adj.	253.8	200.8	26%	178.6	103.2	73%	171.2	103.3	66%
Net interest	-1.8	-2.0	-8%	-2.9	-2.4	20%	-3.9	-3.0	29%
PBT adj.	255.7	202.8	26%	181.6	105.7	72%	175.1	106.3	65%
Tax adj.	72.1	59.8	21%	51.3	31.1	65%	49.5	31.3	58%
<b>NPAT adj</b>	<b>183.6</b>	<b>148.7</b>	<b>23%</b>	<b>130.3</b>	<b>77.8</b>	<b>68%</b>	<b>125.6</b>	<b>78.5</b>	<b>60%</b>
NRI	34.3	0.0	nm	0.0	0.0	0%	0.0	0.0	0%
<b>NPAT reported</b>	<b>217.9</b>	<b>148.7</b>	<b>47%</b>	<b>130.3</b>	<b>77.8</b>	<b>68%</b>	<b>125.6</b>	<b>78.5</b>	<b>60%</b>

Source: Foster Stockbroking estimates. Adj = underlying.

**VALUATION****Valuation increases to \$0.69/share (prior \$0.64/share)**

- Our valuation of JMS has increased to \$0.69/share from \$0.64/share. We employ a DCF model using WACC of 10%. Increase in our valuation is due to lower costs, weaker rand, and higher Mn prices. These have more than offset cut to our long-term Mn price forecast. Our valuation is ex-dividend.

**Figure 7: JMS Valuation**

	A\$M	A\$/share
Tshipi (49.9%)	1,231	\$0.63
Marketing	69	\$0.04
Iron Ore	27	\$0.01
Corporate	-34	-\$0.02
Net cash - Tshipi attributable (ex-distn)	33	\$0.02
Net cash - JMS (ex-div)	21	\$0.01
<b>Equity</b>	<b>1,346</b>	<b>\$0.69</b>
<b>Shares M</b>	<b>1,959</b>	

Source: Foster Stockbroking estimates.

**Peer multiple comparison highlights major discount**

- We have revisited our peer multiple comparison, with other Mn exposed miners in Figure 8. On our earnings estimates, JMS's FY19e 3.6x and 2.4x PE and EBITDA multiples are at 72% and 42% discount to peer average of 9.3x and 4.1x. Not only are JMS' multiples at discount to the average, but even at discount to the lowest PE and EBITDA multiples of the peer group (40% and 8% vs ARM's 6.0x and Eramet's 2.6x).

**Figure 8: Peer multiple comparison**

Company	Currency	Mkt Cap M	NPAT M	EBITDA M	PE	EV/EBITDA	Net cash M
Anglo American	USD	29,289	3,077	8,680	9.5x	3.7x	-2,789
Assore	Rand	46,627	4,628	na	10.1x	Na	7,865
Eramet	Euro	2,355	264	992	8.9x	2.6x	-213
Minera Autlan	USD	236	32	103	7.3x	2.6x	-34
MOIL	INR	41,746	4,993	5,251	8.4x	3.4x	23,812
S32	A\$	18,987	1,343	2,597	14.1x	6.5x	2,044
African Rainbow Minerals	Rand	28,562	4,789	ma	6.0x	Na	995
Vale	BRL	310,727	30,176	60,794	10.3x	5.8x	-41,561
<b>Average</b>					<b>9.3x</b>	<b>4.1x</b>	
Jupiter Mines	A\$				3.6x	2.4x	
<b>JMS discount to peer ave</b>					<b>-72%</b>	<b>-42%</b>	

Source: Foster Stockbroking estimates. All earnings adjusted to FY19e y/end February





**RECOMMENDATION – BUY, 12-MONTH PRICE TARGET \$0.69/SHARE**

- We maintain our Buy recommendation on JMS and increase our 12-month price target to \$0.69/share, previously \$0.64/share, based on 1.0x P/NPV revised DCF valuation.
- We expect catalysts for the share price to be continuing positive mine performance, Tshipi distributions, costs reductions, mining of boundary pillar, JMS dividends, and buyback.



## FOSTER STOCKBROKING DIRECTORY

Name	Role	Phone	mail
<b>Stuart Foster</b>	Chief Executive Officer	+61 2 9993 8131	stuart.foster@fostock.com.au
<b>Martin Carolan</b>	Head of Institutional Sales	+61 2 9993 8168	martin.carolan@fostock.com.au
<b>Haris Khaliqi</b>	Institutional Sales	+61 2 9993 8152	haris.khaliqi@fostock.com.au
<b>James Gore</b>	Institutional Sales	+61 9993 8121	james.gore@fostock.com.au
<b>George Mourtzouhos</b>	Execution & Dealing	+61 2 9993 8136	george.mourtzouhos@fostock.com.au
<b>Mark Hinsley</b>	Head of Corporate Finance	+61 2 9993 8166	mark.hinsley@fostock.com.au
<b>Rob Telford</b>	Corporate - Perth	+61 2 9993 8121	rob.telford@fostock.com.au
<b>Mark Fichera</b>	Head of Research	+61 2 9993 8162	mark.fichera@fostock.com.au
<b>Matthew Chen</b>	Research	+61 2 9993 8130	matthew.chen@fostock.com.au

Foster Stockbroking Pty Ltd  
A.B.N. 15 088 747 148 AFSL No. 223687  
Level 25, 52 Martin Place, Sydney, NSW 2000 Australia  
General: +612 9993 8111 Equities: +612 9993 8100 Fax: +612 9993 8181  
Email: [contact@fostock.com.au](mailto:contact@fostock.com.au)  
PARTICIPANT OF ASX GROUP

**Foster Stockbroking recommendation ratings:** Buy = return >10%; Hold = return between -10% and 10%; Sell = return <-10%. Speculative Buy = return > 50% for stock with very high risk. All other ratings are for stocks with low-to-high risk. Returns quoted are annual.

**Disclaimer & Disclosure of Interests.** Foster Stockbroking Pty Limited (**Foster Stockbroking**) has prepared this report by way of general information. This document contains only general securities information or general financial product advice. The information contained in this report has been obtained from sources that were accurate at the time of issue, including the company's announcements and pathfinder prospectus which have been relied upon for factual accuracy. The information has not been independently verified. Foster Stockbroking does not warrant the accuracy or reliability of the information in this report. The report is current as of the date it has been published.

In preparing the report, Foster Stockbroking did not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. The report is published only for informational purposes and is not intended to be personal financial product advice. This report is not a solicitation or an offer to buy or sell any financial product. Foster Stockbroking is not aware whether a recipient intends to rely on this report and is not aware of how it will be used by the recipient. Before acting on this general financial product advice, you should consider the appropriateness of the advice having regard to your personal situation, investment objectives or needs. Recipients should not regard the report as a substitute for the exercise of their own judgment.

The views expressed in this report are those of the analyst named on the cover page. No part of the compensation of the analyst is directly related to inclusion of specific recommendations or views in this report. The analyst receives compensation partly based on Foster Stockbroking revenues, including any investment banking and proprietary trading revenues, as well as performance measures such as accuracy and efficacy of both recommendations and research reports. Any views and opinions expressed in the report are those of the research analyst and have not been influenced by corporate advisory, the issuing company, or its other advisers.

Foster Stockbroking believes that the information contained in this document is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of its compilation in an honest and fair manner that is not compromised. However, no representation is made as to the accuracy, completeness or reliability of any estimates, opinions, conclusions or recommendations (which may change without notice) or other information contained in this report. To the maximum extent permitted by law, Foster Stockbroking disclaims all liability and responsibility for any direct or indirect loss that may be suffered by any recipient through relying on anything contained in or omitted from this report. Foster Stockbroking is under no obligation to update or keep current the information contained in this report and has no obligation to tell you when opinions or information in this report change.

Foster Stockbroking seeks to do business with companies covered in research. As a result investors should be aware that the firm may have a conflict of interest which it seeks manage and disclose by a number of measures.



Foster Stockbroking and its directors, officers and employees or clients may have or had interests in the financial products referred to in this report and may make purchases or sales in those the financial products as principal or agent at any time and may affect transactions which may not be consistent with the opinions, conclusions or recommendations set out in this report. Foster Stockbroking and its Associates may earn brokerage, fees or other benefits from financial products referred to in this report. Furthermore, Foster Stockbroking may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant issuer or holder of those financial products.

For an overview of the research criteria and methodology adopted by Foster Stockbroking; the spread of research ratings; and disclosure of the cessation of particular stock coverage, refer to our website <http://www.fostock.com.au>.

**Specific disclosure:** The analyst owns 88,000 JMS shares at the time of this report. Diligent care has been taken care by the analyst to maintain honesty and fairness in writing the report and making the recommendation.

**Specific disclosure:** The analyst has received assistance from the company in preparing the report. This included attending a company site visit in January 2018, for which JMS paid for the analysts' flights and part of the accommodation.

**Specific disclosures:** As of close of business 5 October 2018, Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) owned 10,552,433 JMS shares. Cranport Pty Ltd owns 11,000,000 JMS shares. The position may change at any time and without notice. Foster Stockbroking and its employees may from time to time own shares in JMS, and trade them in ways different from those discussed in research. Foster Stockbroking may also make a market in securities of JMS, including buying and selling securities on behalf of clients.

**Specific disclosure:** Foster Stockbroking acted as Co-Manager to the \$240M IPO of 600M Jupiter Mines shares at \$0.40/share in April 2018. Foster Stockbroking earned fees for the service, including a discretionary fee. Refer to prospectus for full details.

**Review disclosure:** The report was authored by the analyst named on the front page of the report and was reviewed and checked by Matthew Chen, Research Analyst.

**Disclosure review.** All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance Committee Member.