



## Jupiter Mines Ltd (JMS.ASX)

*Still at marked discount to peers*

### Event:

- 3Q report review; Tshipi final dividend; Earnings and Price Target changes.

### Investment Highlights:

- JMS' 3Q report showed Tshipi generated NPAT of \$76M (100%) which was 16% below our forecast of \$90M.** Together with Corporate and Marketing, we deduce that JMS attributable NPAT for the 3Q was \$38M, or 16% below our forecast of \$46M.
- Lower FOB costs likely offset by higher realisation costs.** We believe the reason for lower than attributable JMS NPAT was higher Tshipi costs. We estimate this derived principally from higher realisation costs, given that reported FOB cash costs of US\$2.00/dmtu came in under our forecast of US\$2.19/dmtu. We believe depreciation of the Rand contributed to lower FOB costs.
- Shipments of 3.5Mt reaffirmed for FY19e.** Tshipi shipments were 0.79Mt, just shy of our forecast of 0.83Mt. Reasons included disruptions due to excavator breakdowns, Port Elizabeth crane collapse, and reallocation of Durban tonnage deferred into the 4Q. We expect JMS to ship 0.8Mt in the final quarter, which would result in the company achieving its FY19e 3.5Mt sales guidance.
- Attributable cash in-line.** JMS's attributable cash at end of 3Q was \$96M, in-line with our forecast of \$97M, comprising \$18M consolidated cash and 49.9% share of Tshipi (\$78M).
- Tshipi final dividend higher than previously flagged.** Tshipi e Ntle has resolved to distribute final FY19e dividend of ZAR1.1b, which is greater than the previously announced ZAR1.0b, but lower than our prior forecast of ZAR1.5b. JMS intends to distribute close to 100% of Tshipi dividend and Marketing NPAT, which we estimate equates to \$57.6M, or \$0.029/share.
- We have made upgrades to our forecast 37% Mn price forecasts in FY19e to FY21e, upgrading these by 7%, 13%, and 2%.** Our long-term price has been downgraded by -9% to US\$4.00/dmtu, maintaining these in-line with consensus.

### Earnings and Valuation:

- Earnings revisions.** We have upgraded our forecast JMS underlying attributable FY19e NPAT by 6% to \$192M, while downgrading FY20e and FY21e by -2% and -16% to \$128M and \$105M. Our upgrade in FY19e is due to higher Mn price and revenues, while downgrades in FY20e & FY21e are from higher realisation costs offsetting Mn price increases.
- Our share valuation of JMS reduces to \$0.63 from \$0.69 as a result of lower long-term Mn price and higher realisation costs.**
- JMS is still trading at 4.2x PE and 2.4X EV/EBITDA on FY20e earnings, which are at 56% and 43% discount to peers' average of 9.5x and 4.2x.** We note our DCF valuation would place JMS on the average peer PE multiple.

### Recommendation:

- We maintain our Buy recommendation and cut our 12-month price target to \$0.63 based on our 1.0x Price/NPV from \$0.69.** Catalysts for the share price include Tshipi distributions; JMS dividends, share buyback; higher Mn prices; and cost reductions.

### Disclosures

The analyst owns 302,000 JMS shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 11,322,604 JMS shares. Cranport Pty Ltd owns 11,000,000 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	\$ 0.63			
Previous	\$0.69			
Share price (A\$)	\$ 0.275			
ASX code	JMS			
52 week low-high	0.23-0.43			
JMS Valuation (A\$/share)	\$ 0.63			
Methodology	DCF			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	539			
Net cash (debt) attributable (A\$M)	96			
EV (A\$M)	443			
Ave daily volume ('000)	4,780			
Earnings Y/e Feb A\$M	FY18a	FY19e	FY20e	FY21e
Sales adj*#	361.7	507.9	400.6	366.9
EBITDA adj.*	154.5	284.7	183.4	150.6
NPAT reported	92.0	189.9	127.7	105.2
<b>NPAT adj*</b>	<b>96.1</b>	<b>191.7</b>	<b>127.7</b>	<b>105.2</b>
<b>EPS adj. \$*</b>	<b>0.045</b>	<b>0.098</b>	<b>0.065</b>	<b>0.054</b>
PE x	6.1	2.8	4.2	5.1
EV/EBITDA x	2.9	1.6	2.4	2.9
Distribution \$/sh^	0.038	0.079	0.046	0.038
Yield %	14%	29%	17%	14%

\* 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
Paul Murray	Non-Executive Director
Andrew Bell	Non-Executive Director
Yeongjin Heo	Non-Executive Director

### Share price graph



Analyst: Mark Fichera  
[mark.fichera@fostock.com.au](mailto:mark.fichera@fostock.com.au)

+612 9993 8162



**Jupiter Mines Ltd**

Full Year Ended 28/29 February

Profit and Loss A\$M	2018a	2019e	2020e	2021e
Sales adj.*	361.7	507.9	400.6	366.9
Other revenue	10.8	13.8	12.9	11.9
Operating Costs adj.*	218.1	237.0	230.1	228.2
<b>EBITDA adj.</b>	<b>154.5</b>	<b>284.7</b>	<b>183.4</b>	<b>150.6</b>
D&A adj.	13.1	13.3	3.8	3.8
<b>EBIT adj.</b>	<b>141.4</b>	<b>270.3</b>	<b>179.9</b>	<b>147.1</b>
Net Interest exp / (income) adj.	2.6	-3.6	-2.5	-3.2
Profit before tax adj	138.8	273.9	182.4	150.3
Tax exp / (benefit) adj	42.5	82.2	54.7	45.1
<b>NPAT adj.</b>	<b>96.1</b>	<b>191.7</b>	<b>127.7</b>	<b>105.2</b>
Non-recurring gain/(loss)	-4.1	-1.8	0.0	0.0
<b>NPAT reported</b>	<b>92.0</b>	<b>189.9</b>	<b>127.7</b>	<b>105.2</b>

<b>EPS diluted adj. (\$)</b>	<b>0.045</b>	<b>0.098</b>	<b>0.065</b>	<b>0.054</b>
Distribution per share (\$)^	0.038	0.079	0.046	0.038

All figures shown include JMS attributable share of Tshipi.

\*CIF basis

^Includes share buyback in FY18.

Cashflow A\$M	2018a	2019e	2020e	2021e
EBITDA adj.	212.3	284.7	183.4	150.6
Equity accounting	-147.7	-277.8	-178.8	-147.0
Change in WC	9.5	-20.5	3.6	3.9
Tax paid	0.0	-4.8	-2.0	-1.4
Net interest	0.3	0.6	0.1	0.3
Other	-63.6	5.7	0.0	0.0
<b>Operating Cashflow</b>	<b>10.7</b>	<b>-12.1</b>	<b>6.4</b>	<b>6.5</b>
PPE	0.0	0.0	0.0	0.0
Exploration	-0.9	0.1	0.1	0.1
Investments	3.1	0.0	0.0	0.0
<b>Investing Cashflow</b>	<b>2.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</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	102.8	92.6
Share buyback	-93.6	-26.7	0.0	0.0
Dividends paid	-8.8	-122.3	-102.3	-81.5
<b>Financing Cashflow</b>	<b>-22.2</b>	<b>-51.3</b>	<b>0.5</b>	<b>11.1</b>
<b>Net Cashflow</b>	<b>-9.3</b>	<b>-63.2</b>	<b>7.0</b>	<b>17.7</b>

Balance Sheet A\$M	2018a	2019e	2020e	2021e
Cash	76.5	6.0	13.0	30.8
Receivables	45.9	50.5	46.9	43.0
PPE	0.0	0.0	0.0	0.0
Capitalised exploration	8.7	9.3	9.3	9.3
Investments	385.3	479.7	504.5	517.1
Other	1.4	9.0	9.0	9.0
<b>Total Assets</b>	<b>517.8</b>	<b>554.4</b>	<b>582.8</b>	<b>609.1</b>
Accounts payable	49.0	26.0	26.0	26.0
Provisions	0.0	19.9	18.9	18.8
Debt	0.0	0.0	0.0	0.0
Other	2.6	1.0	4.9	7.7
<b>Total Liabilities</b>	<b>51.6</b>	<b>46.8</b>	<b>49.7</b>	<b>52.4</b>
Reserves and capital	434.1	406.6	406.6	406.6
Retained earnings	32.0	101.1	126.5	150.2
<b>Total Equity</b>	<b>466.2</b>	<b>507.6</b>	<b>533.0</b>	<b>556.7</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	5.51	6.32	5.89
Total Mn ore shipments Mt	1.6	1.8	1.9	1.6
Sales adj.*	143.3	217.7	273.0	234.9
EBITDA adj.	57.3	155.0	160.6	124.0
<b>NPAT adj.</b>	<b>35.1</b>	<b>109.8</b>	<b>108.5</b>	<b>83.2</b>

All figures shown include JMS attributable share of Tshipi.

\*CIF basis

Financial Metrics	2018a	2019e	2020e	2021e
EPS growth %	125%	119%	-34%	-18%
Gearing (ND/ND+E)	-20%	-1%	-3%	-6%
Interest Cover (EBIT/net int)	nm	nm	nm	m
Average ROE %	20%	39%	25%	19%
Average ROA %	28%	50%	32%	25%

Earnings multiples	2018a	2019e	2020e	2021e
P/Ex	6.1	2.8	4.2	5.1
EV/EBITDA x	2.9	1.6	2.4	2.9
Dividend Yield %	14%	29%	17%	14%

Company Valuation	A\$M	A\$/share
<b>Segment</b>		
Tshipi (49.9%)	1,054	\$ 0.54
Marketing	76	\$ 0.04
Iron Ore	47	\$ 0.02
Corporate	-47	-\$ 0.02
Net cash - Tshipi attributable	78	\$ 0.04
Net cash - JMS consolidated	18	\$ 0.01
<b>Equity</b>	<b>1,225</b>	<b>\$ 0.63</b>

Tshipi - Assumptions	2018a	2019e	2020e	2021e
Mn 44% China, CIF, US\$/dmu	6.20	7.16	5.73	5.28
Mn 37% RSA, FOB, US\$/dmu	4.74	6.10	4.82	4.37
JMS Mn realised, FOB, US\$/dmu	4.65	5.36	5.10	4.68
A\$:US\$	0.77	0.74	0.74	0.74
Rand:US\$	13.08	13.62	14.47	14.88
Mn ore production	3.64	3.47	3.30	3.30
Mn ore shipments Mt	3.34	3.49	3.30	3.30
Cash costs US\$/dmu, FOB	1.96	2.19	2.12	2.10

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.



### 3Q REPORT REVIEW

#### NPAT likely lower than our forecast on higher costs

- Jupiter Mines Ltd's (JMS) 3Q report showed Tshipi generated NPAT of \$76M (100%), 16% below our forecast of \$90M. Together with JMS Corporate and Marketing, we deduce that JMS attributable NPAT for the 3Q was \$38M, or 16% below our forecast of \$45M.

#### FOB costs lower but realisation costs likely higher

- We believe the reason for JMS attributable NPAT being lower than our estimate was higher attributable Tshipi cash costs. We estimate these were \$58M vs our forecast of \$39M. We presume this mostly derived from Tshipi incurring higher realisation costs than we anticipated, given that reported FOB cash costs were actually 9% lower than our forecast (US\$2.00/dmtu vs FSBe US\$2.19/dmtu). The depreciation of the Rand during the quarter was a tailwind in the 3Q for lower FOB costs in US\$ terms, albeit to a lesser extent than it was in the 2Q. We believe lower diesel prices also benefited mining costs.

Figure 1: JMS and Tshipi 3QFY19 Performance

	3Qa/e	2Qa/e	3Q FSBe	Diff vs FSBe
Tshipi Production Mt	0.86	0.87	0.83	4%
<b>Tshipi Shipments Mt</b>	0.79	0.95	<b>0.83</b>	-5%
Mn price 37% FOB US\$/dmtu	6.02	5.91	5.63	7%
Mn price 37% CIF US\$/dmtu	6.43	5.98	6.31	2%
Cash costs FOB US\$/dmtu	2.00	2.23	2.19	-9%
<b>JMS Profit &amp; Loss A\$M:</b>				
Tshipi attrib.*	111.3	148.5	100.9	10%
Marketing	2.7	3.5	3.0	-9%
<b>Sales adj.</b>	<b>114.3</b>	<b>152.3</b>	<b>104.0</b>	<b>10%</b>
Tshipi attrib.*	56.1	68.6	37.8	48%
Marketing	0.2	0.3	0.3	-33%
Corporate & other	1.9	1.9	1.1	77%
<b>Total cash costs adj.</b>	<b>58.2</b>	<b>70.8</b>	<b>39.2</b>	<b>49%</b>
Tshipi attrib.	55.3	78.7	63.1	-12%
Marketing	2.5	3.2	2.7	-7%
Corporate & other	-1.9	-1.9	-1.1	77%
<b>EBITDA adj.</b>	<b>56.1</b>	<b>81.4</b>	<b>64.7</b>	<b>-13%</b>
Tshipi attrib.	38.0	55.5	45.1	-16%
Marketing	1.5	3.0	2.0	-25%
Corporate & other	-1.9	-3.3	-0.9	nm
<b>NPAT adj</b>	<b>37.6</b>	<b>55.2</b>	<b>46.2</b>	<b>-16%</b>
Non-recurring items	0.0	-4.6	0.0	nm
<b>NPAT reported</b>	<b>37.6</b>	<b>52.1</b>	<b>46.2</b>	<b>-19%</b>
Cash consolidated A\$M	18	16	29	-38%
Cash Tshipi attrib. A\$M	78	131	68	14%
Total JMS attrib. cash A\$M	96	146	97	-1%
Operating cash flow(Tshipi 100%) A\$M	82	101	104	-19%

Source: Company; Foster stockbroking estimates.

\*Tshipi attributable sales and costs shown on CIF basis.



- Marketing NPAT was \$1.5M for the 3Q, slightly below our forecast of \$2.0M.

### Shipments of 3.5Mt reaffirmed for FY19e

- Tshipi shipments were 0.79Mt, just 5% below our forecast of 0.83Mt. Reasons included a 100k deficit in mining of high grade ore due to a breakdown in excavators, while a crane collapse at Port Elizabeth and reallocation of Durban tonnes to road from rail also meant 0.138Mt of shipments would be deferred into the 4QFY19e. The tonnes reallocated from Durban rail were excess to Tshipi's obligated MECA allocation.
- Pricing – as measured by the Port Elizabeth (PE) fob 37% - was 7% better than we had forecast during the period being US\$6.02/dmtu vs our estimate of US\$5.63/dmtu.
- JMS reaffirmed Tshipi's sales were on track per the FY19e plan of 3.5Mt. As was flagged by JMS previously, 2H shipments would be lower than the 1H, especially as low grade stockpiles were being run down. The company intends to reduce the 3Q deficit by year end. We forecast Tshipi only needs to ship 0.8Mt in the 4QFY19e to achieve the 3.5Mt target.

### FY20e forecast in-line with our expectations

- For FY20e, the company commented it would ship 3Mt of high grade ore, complemented by low grade ore when available. We expect as stockpiles of low grade ore build up again over 2HFY19 and FY20e, Tshipi should ship 0.3Mt of low grade ore in FY20e, resulting in 3.3Mt of total shipments.

### Attributable cash in-line

- JMS' attributable cash at the end of the period was \$96M, in-line with our estimate of \$97M. Cash comprised \$78M attributable from Tshipi (49.9% of Tshipi's \$156M cash balance) and \$18M from JMS' consolidated balance sheet.

### TSHIPI FINAL FY19e DISTRIBUTION of ZAR1.1b

#### Higher than previously flagged ZAR1B

- JMS announced on 11<sup>th</sup> February that Tshipi e Ntle resolved to distribute ZAR1.1b dividend to shareholders, which was higher than the ZAR1B previously flagged at the time of the 3Q report, but less than our forecast of ZAR1.5B.
- In terms of payout ratio we estimate it equates to 64% of 2HFY19e NPAT vs our prior assumption of 97%, and the 94% payout in 1HFY19a. We understand that part of the reason for the lower Tshipi payout ratio includes the JV reserving cash for reconciliations at financial year end for Tshipi's taxes and royalties payable.

**Figure 2: Payout ratios for JMS and Tshipi**

	1HFY18a	2HFY18a	1HFY19a	2HFY19e	Average
JMS	88%*	46%*	90%	63%	72%
Tshipi	71%	90%	94%	69%	81%

Source: Companies; Foster Stockbroking estimates.

\* Includes distributions undertaken as share buybacks.

Payout ratios determined on underlying NPAT.

### JMS to distribute close to 100% of Tshipi dividend and Marketing profits

- In contrast to Tshipi, JMS stated it intended to distribute as close to 100% of its share of the Tshipi dividend (ZAR521M net of withholding taxes, or \$53.9M), as well as the profits from its Marketing operation (ZAR36M, or \$3.7M is the NPAT generated by Marketing in 2HFY19e). This would equate to \$57.6M, or \$0.029/share, or a payout ratio of 69% on JMS attributable 2HFY19e NPAT. We note that for both JMS and Tshipi the ratio is averaging >70% over FY18a to FY19e, and at least for JMS, satisfying its stated prospectus desire to distribute at last 70% of profits.

### Share buyback to be considered

- We expect the final distribution amount by JMS will be determined by end February 2019. On its 3Q conference call, JMS stated it would give consideration whether the distribution will comprise a share buyback component, which is unsurprising giving the disconnect between the share price and valuation.

## MANGANESE PRICE REVISIONS

### Upgrades to Mn price over FY19e to FY21e, downgrade to long-term

- We have made revisions to our manganese and currency forecasts. We have made upgrades to Mn 37% FOB prices in FY19e, FY20e, and FY21e by 7%, 13%, and 2%, while downgrading our long-term by -9% to US\$4.00/dmtu, maintaining these in-line with consensus.
- We have also made slight revisions to our currency forecasts.

**Figure 3: Commodity price changes**

Y/e Feb		2019e	2020e	2021e	2022e	LT
Mn 44% CIF China, US\$/dmtu	new	6.83	5.73	5.28	4.90	4.91
	old	6.18	5.17	5.18	5.24	5.34
	chg	11%	11%	2%	-6%	-8%
Mn 37% FOB RSA, US\$/dmtu	new	6.10	4.83	4.37	3.99	4.00
	old	5.69	4.26	4.27	4.33	4.42
	chg	7%	13%	2%	-8%	-9%
ZAR:US\$	new	13.62	14.47	14.88	15.00	15.00
	old	12.92	13.78	14.46	15.16	15.16
	chg	5%	5%	3%	-1%	-1%
A\$:US\$	new	0.74	0.74	0.74	0.74	0.75
	old	0.76	0.75	0.74	0.74	0.74
	chg	-3%	-1%	0%	0%	1%

Source: Foster Stockbroking estimates



**EARNINGS FORECASTS REVISIONS**

- We have revised our earnings forecasts for JMS post the 3Q report and our commodity price revisions. We have upgraded FY19e underlying attributable NPAT by 6% to \$192M, while downgrading FY20e and FY21e NPAT by -2% and -16% to \$128M and \$105M.
- The key drivers of our upgrade in FY19e are higher manganese prices and revenues, which more than offset higher attributable realisation costs for Tshipi. For FY20e and FY21e, the latter has more than offset the rise in prices and sales, resulting in downgrades, while our longer-term earnings have declined based on lower long-term Mn prices and higher costs.

**Figure 4: JMS Earnings Forecasts A\$M**

	FY19e			FY20e			FY21e		
	new	old	chn	new	old	chn	new	old	chn
Tshipi attrib.*	508	417	22%	401	347	16%	367	341	-11%
Marketing	13	12	8%	12	10	20%	11	10	-11%
<b>Sales adj.</b>	<b>522</b>	<b>429</b>	<b>22%</b>	<b>414</b>	<b>357</b>	<b>16%</b>	<b>379</b>	<b>351</b>	<b>-11%</b>
Tshipi attrib.*	229	166	38%	222	169	32%	220	171	-13%
Marketing	1	1	0%	1	1	0%	1	1	nm
Corporate & other	7	4	58%	7	4	58%	7	4	60%
<b>Cash costs adj.</b>	<b>237</b>	<b>171</b>	<b>39%</b>	<b>230</b>	<b>174</b>	<b>32%</b>	<b>228</b>	<b>176</b>	<b>-11%</b>
Tshipi attrib.	278	251	11%	179	178	1%	147	170	-9%
Marketing	12	11	10%	11	9	19%	10	9	-12%
Corporate & other	-7	-4	57%	-7	-4	58%	-7	-4	60%
<b>EBITDA adj.</b>	<b>285</b>	<b>258</b>	<b>10%</b>	<b>183</b>	<b>183</b>	<b>0%</b>	<b>151</b>	<b>175</b>	<b>-11%</b>
D&A adj.	13	4	242%	4	4	0%	4	4	0%
EBIT adj.	270	255	7%	180	179	1%	147	171	-11%
Net interest	-4	-2	nm	-2	-3	nm	-3	-34	2%
PBT adj.	274	256	7%	182	182	0%	150	175	-10%
Tax adj.	82	72	10%	55	51	7%	45	50	-9%
Tshipi attrib.	193	179	8%	128	127	1%	105	122	-14%
Marketing	9	8	18%	8	7	14%	7	7	0%
Corporate & other	-10	-3	nm	-8	-4	nm	-7	-3	nm
<b>NPAT adj</b>	<b>192</b>	<b>184</b>	<b>4%</b>	<b>128</b>	<b>130</b>	<b>-2%</b>	<b>105</b>	<b>126</b>	<b>-16%</b>
Non-recurring items^	-2	34	nm	0	0	0%	0	0	0%
<b>NPAT reported</b>	<b>190</b>	<b>218</b>	<b>-13%</b>	<b>128</b>	<b>130</b>	<b>-2%</b>	<b>105</b>	<b>126</b>	<b>-16%</b>

\*Tshipi attrib. sales and costs shown on CIF basis.

^Non-Recurring Items includes foreign exchange gains & losses, impairments, and reversal of tax deferrals.

Adj = underlying estimate.

Source: Foster Stockbroking estimates.

**VALUATION****Share valuation decreases to \$0.63 from \$0.69**

- Our share valuation of JMS has fallen to \$0.63 from \$0.69, post our earnings revisions. We employ a DCF model using WACC of 10%. The decline is due to lower long-term Mn prices and higher realisation costs, which have offset the increases to our forecast short-term manganese prices.

**Figure 5: JMS Valuation**

	A\$M	A\$/share
Tshipi (49.9%)	1,054	\$0.54
Marketing	76	\$0.04
Iron Ore	47	\$0.02
Corporate	-47	-\$0.02
Net cash - Tshipi attributable	78	\$0.04
Net cash - JMS consolidated	18	\$0.01
<b>Equity</b>	<b>1,225</b>	<b>\$0.63</b>
<b>Shares M</b>	<b>1,959</b>	

Source: Foster Stockbroking estimates.

**Peer multiple comparison still highlights major discount**

- We have revisited our peer multiple comparison with other Mn exposed miners in Figure 6. On our one-year forward (year end February 2020, or FY20e) earnings estimates, JMS is trading at 4.2x PE and EV/EBITDA of 2.4x. These multiples are at 56% and 43% discount to earnings adjusted over the same period for other Mn exposed peer companies. Not only are they below the average, but both multiples are below the lowest of the peer group.

**Figure 6: JMS Peer Multiple Comparison**

Company	Currency	Mkt cap M	Net cash M	NPAT M	EBITDA M	PE x	EV/ EBITDA x
Assore	Rand	49,002	7,865	4,465	na	11.0	na
Eramet	Euro	1,638	(735)	156	778	10.5	3.1
Minera Autlan	USD	223	(98)	45	116	4.9	2.8
MOIL	INR	41,591	21,624	4,828	6,186	8.6	3.2
S32	A\$	18,387	2,044	1,126	2,280	16.3	7.2
African Rainbow Minerals	Rand	33,734	995	5031	na	6.7	na
Vale	BRL	219,781	(35,561)	29,075	52,138	7.6	4.9
<b>Average</b>						<b>9.5</b>	<b>4.2</b>
JMS						4.2	2.4
<b>JMS discount to peer ave.</b>						<b>56%</b>	<b>43%</b>

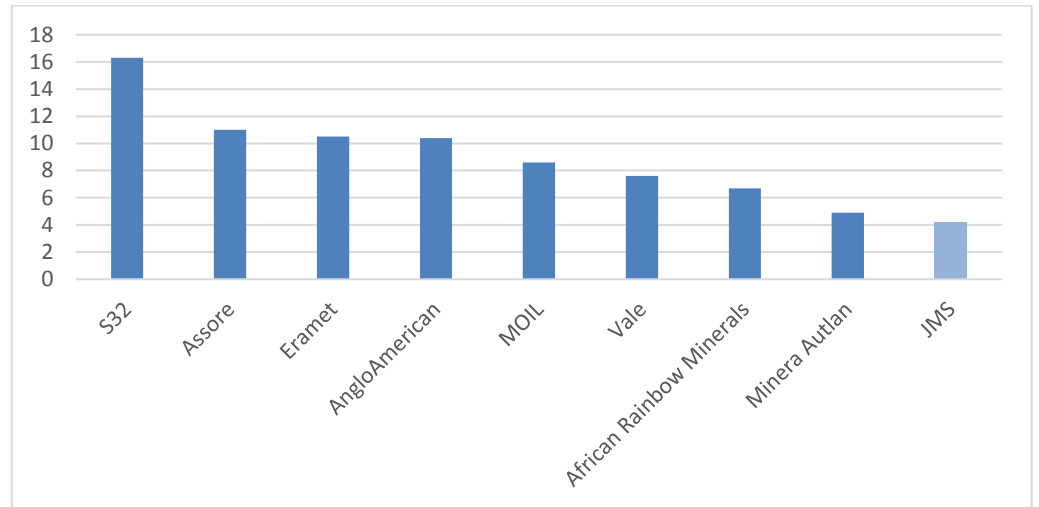
Source: Foster Stockbroking estimates; Bloomberg consensus.

All earnings adjusted to FY20e y/end February

- We note our DCF share valuation of \$0.63 would put JMS on an FY20e PE of 9.6x FY20e, putting it in-line with the peer average multiple of 9.5x.

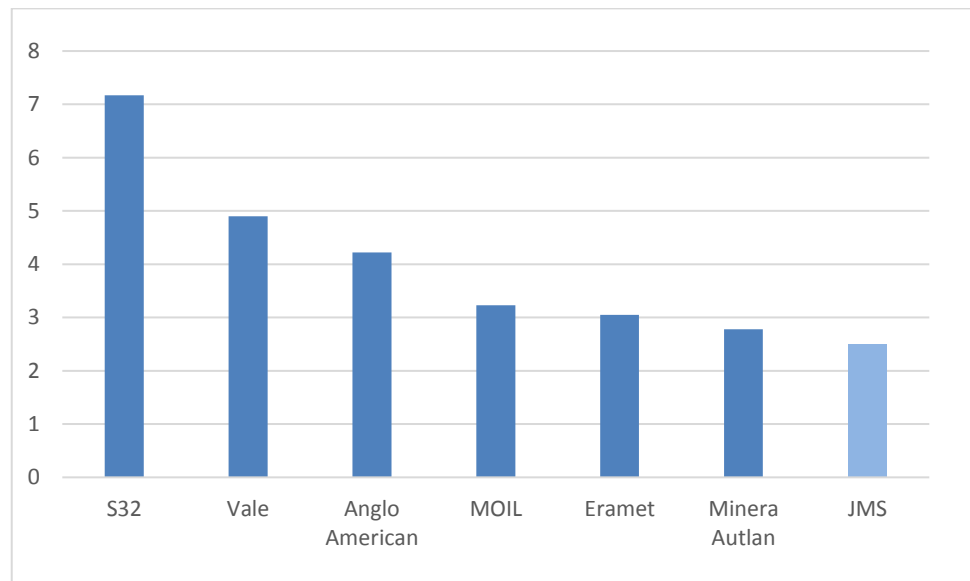


Figure 7: Peer 1-year forward PE comparison (x)



Source: Foster Stockbroking estimates; Bloomberg consensus.

Figure 8: Peer 1-year forward EV/EBITDA comparison (x)



Source: Foster Stockbroking estimates; Bloomberg consensus.





**RECOMMENDATION – BUY, 12-MONTH SHARE PRICE TARGET \$0.63**

- We maintain our Buy recommendation on JMS, cutting our 12-month share price target to \$0.63 from \$0.69, based on 1.0x P/NPV revised DCF valuation.
- We expect catalysts for the share price to be positive mine performance, Tshipi distributions, costs reductions, mining of boundary pillar, JMS dividends, and share buybacks.



## 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 302,000 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 8 February 2019, Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) owned 11,322,604 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.