

JUPITER MINES LTD (JMS)

Tshipi to distribute ~A\$71m net to JMS

Jupiter Mines Ltd (JMS) has announced that it expects Tshipi to pay a dividend distribution of ZAR1500m (~A\$150m), less withholding taxes, in September 2018, of which JMS will receive 49.9%. JMS expects to distribute well in excess of 70% income received to shareholders. We calculate this implies a 1H DPS of ~2.7-3.5cps (unfranked), payable in September / October 2018.

We had assumed a 1H DPS of 4.5cps. Note though, JMS announced today that it expects Tshipi cash at end August is ZAR2b, versus ZAR0.2b at end February, which implies ~ZAR1.8b cash generation (equivalent to ~4.5cps JMS). Additionally, cash generation between end May (based on announcement 17 April) and August (based on today's announcement) is only ZAR500m, which appears conservative.

We have lowered our DPS assumption to 3.5cps, but given the cash generation, and given the dividend won't be declared until September, we believe that there is still some upside risk to the upper end 3.5cps assumption.

No change to underlying earnings estimates

We have not changed our Tshipi earnings estimates. The Company says that production to date is above 3.3Mtpa run-rate, but we have maintained our production estimate for FY19 at 3.3Mt. We assume Mn prices continue to decline in our earnings estimates. The distribution is lower than we had expected, but implied cash generation is in-line, production is better and selling prices remain robust. Hence, we see no reason to change our Tshipi FY19 earnings estimates and presumably the cash balance at Tshipi is being increased for an eventual larger distribution to shareholders.

Maintain our Buy recommendation with 55cps target

JMS has a strong history of capital management. Guidance is for DPS "in excess of 70%" and we interpret that to mean close to 100% of income received. We maintain our Buy recommendation and have a \$0.55 twelve month target + 6cps DPS.

Fig. 1: Earnings Changes

Tshipi (49.9%)	Unit	28 Feb 18	28 Feb 19			29 Feb 20		
			Old	New	% chg	Old	New	% chg
Production (100%)	Mtpa	3.4	3.3	3.3	0.0%	3.3	3.3	0.0%
Received Price	US\$/dmtpu	4.6	5.5	5.5	0.0%	4.2	4.2	0.0%
Tshipi Revenue (49.9%)	A\$m	372.0	430.5	430.5	0.0%	332.7	332.7	0.0%
	ZARm	3659.7	4007.9	4007.9	0.0%	3460.6	3460.6	0.0%
Tshipi Cash Costs (49.9%)	A\$m	-214.5	-217.8	-217.8	0.0%	-205.5	-205.5	0.0%
	ZARm	-2110.8	-2027.4	-2027.4	0.0%	-2137.2	-2137.2	0.0%
Tshipi EBITDA (49.9%)	A\$m	157.4	212.7	212.7	0.0%	127.2	127.2	0.0%
- margin			49%			38%		
Tshipi, 100%, EBITDA	A\$m	315.5	426.3	426.3	0.0%	255.0	255.0	0.0%
Tshipi, 100%, Cash dist	A\$m	161.2	315.1	271.9	-13.7%	195.6	195.6	0.0%
% of EBITDA		51%	74%	64%	-13.7%	77%	77%	0.0%
Tshipi, 100%, EBITDA	ZARm	3104.0	3968.9	3968.9	0.0%	2652.1	2652.1	0.0%
Tshipi, 100%, EBITDA	US\$	244.6	324.0	324.0	0.0%	194.3	194.3	0.0%
Pro forma D&A	A\$m	-11.7	-11.7	-11.7	0.0%	-11.7	-11.7	0.0%
Tshipi EBIT	A\$m	133.9	191.7	191.7	0.0%	106.5	106.5	0.0%
Tshipi Net Interest	A\$m	1.1	0.0	0.0		0.0	0.0	
Pro Forma PBT	A\$m	135.0	191.7	191.7	0.0%	106.5	106.5	0.0%
Tshipi Tax Expense	A\$m	-38.6	-53.7	-53.7	0.0%	-29.8	-29.8	0.0%
Tshipi NPAT (49.9%)	A\$m	96.4	138.0	138.0	0.0%	76.7	76.7	0.0%
payout		84%	114%	99%	-13.6%	128%	128%	0.0%
DPS		-	0.07	0.06	-14.3%	0.04	0.04	0.0%

Source: Hartleys Estimates.

18 Jun 2018

Share Price	\$0.370
Valuation	\$0.47
12mth price target	\$0.55

Brief Business Description:
Manganese producer in Sth Africa (via 49.9% interest in Tshipi mine)

Hartleys Brief Investment Conclusion
Long mine life, low cost and highly incentivised management for shareholder friendly capital management. Risk is Sth Africa sovereign risk & manganese price volatility.

Chairman & MD
Brian Gilbertson (Chairman)
Priyank Thapliyal (CEO)

Top Shareholders

Stichting Pensioenfond	14.8%
Investec	13.4%
Pallinghurst	7.5%
Posco	6.9%
HJM Jupiter LP	5.0%

Company Address
Level 10, 16 St Georges Terrace
Perth WA, 6000, Australia

Issued Capital 1948.3m
- fully diluted 1948.3m

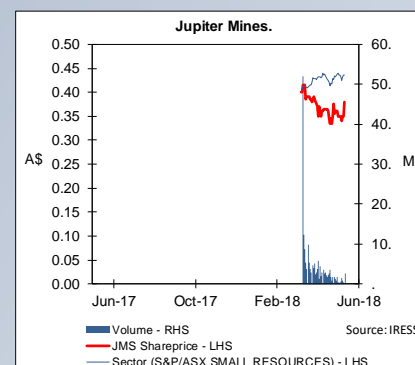
Market Cap A\$720.9m
- fully diluted A\$720.9m

Cash (31 May 18p) A\$93.0m

Debt (31 May 18p) A\$0.0m

EV A\$627.9m

	Mt	Mn grade
Resources (Mt)	459.5	33%
Reserves (Mt)	86.41	36.32



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Hartleys has assisted Jupiter Mines Limited ("Jupiter") in the completion of its Initial Public Offering, for which it has earned fees.

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Tshipi NPAT (49.9%)	A\$m	96.4	138.0	138.0	0.0%	76.7	76.7	0.0%
payout		84%	114%	99%	-13.6%	128%	128%	0.0%
DPS		-	0.070	0.060	-14.3%	0.040	0.040	0.0%

Source: Hartleys Estimates

Fig. 3: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Mine life	Low	High	We assume a long mine life. The mining right expires in 2040 but we assume it is extended.
Discount rate	Moderate	Upside	We assume a discount rate of 10%, real.
FX	Moderate	Meaningful	We assume that the Rand depreciates modestly.
Selling prices fall from current prices	Moderate	Most significant	We assume manganese selling prices retrace but remain above cash costs.
Project interest	Low	Modest	We assume JMS retains its 49.9% interest in Tshipi.
<i>Conclusion</i>	<i>We believe our assumptions around manganese selling prices are the most important for our valuation.</i>		

Source: Hartleys

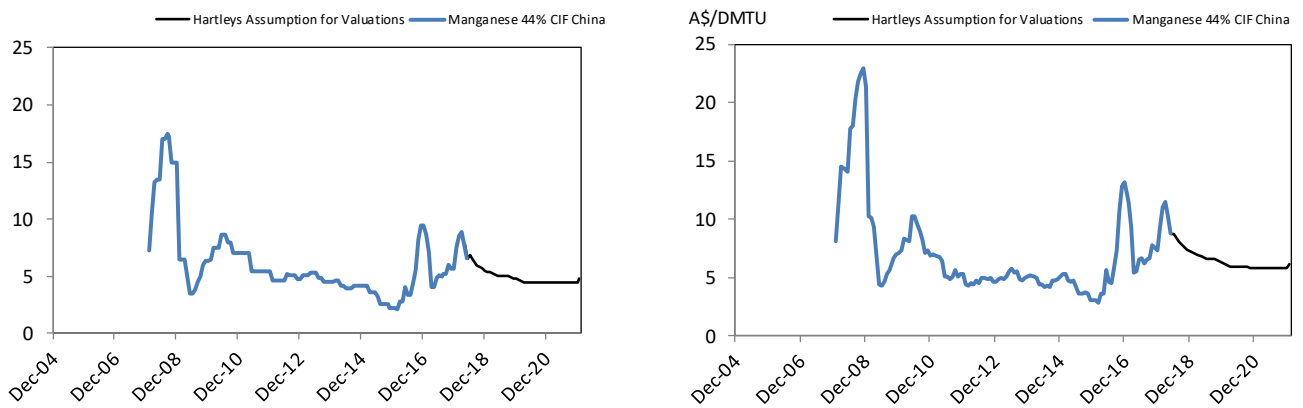
PRICE TARGET

We have a twelve month price target of \$0.55 (unchanged from previous).

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case valuation	25%	\$0.47	\$0.43
NPV spot valuation	15%	\$0.97	\$0.99
4x EV/EBITDA	20%	\$0.43	\$0.29
10x EV/EBITDA	15%	\$1.00	\$0.65
Dividend yield 9.1% base case	20%	\$0.60	\$0.42
Dividend yield 9.1% spot prices	5%	\$1.08	\$1.08
Risk weighted composite		\$0.67	
12 Months Price Target		\$0.55	
Shareprice - Last		\$0.3700	
12 mth total return		48%	

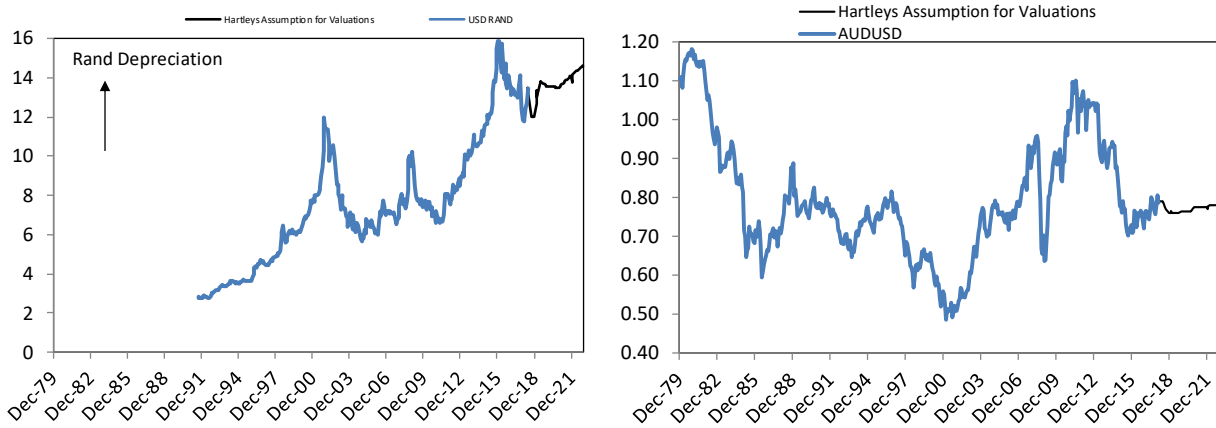
Source: Hartleys Research Estimates

Fig. 4: Manganese Price Assumptions



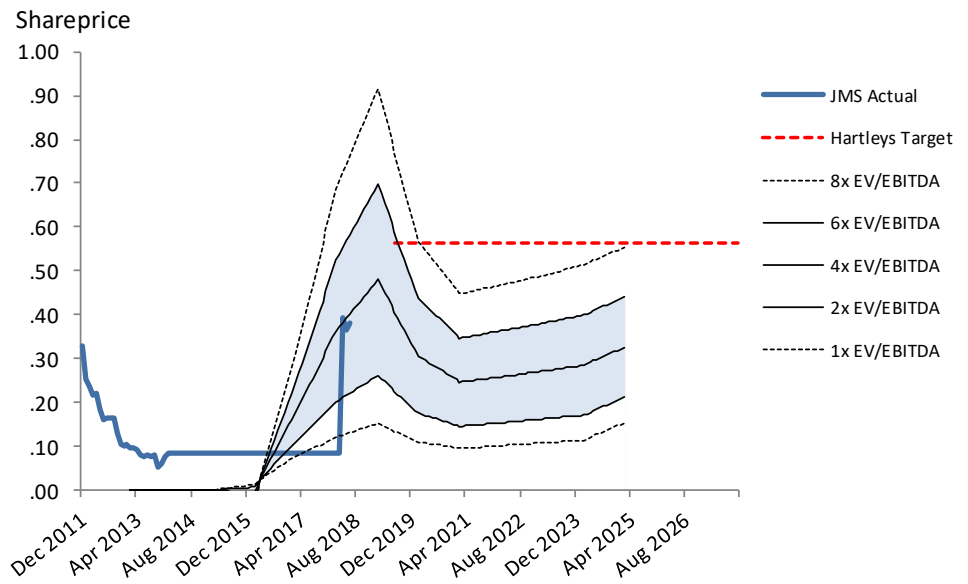
Source: Asian Metal, Hartleys estimates

Fig. 5: FX Assumptions



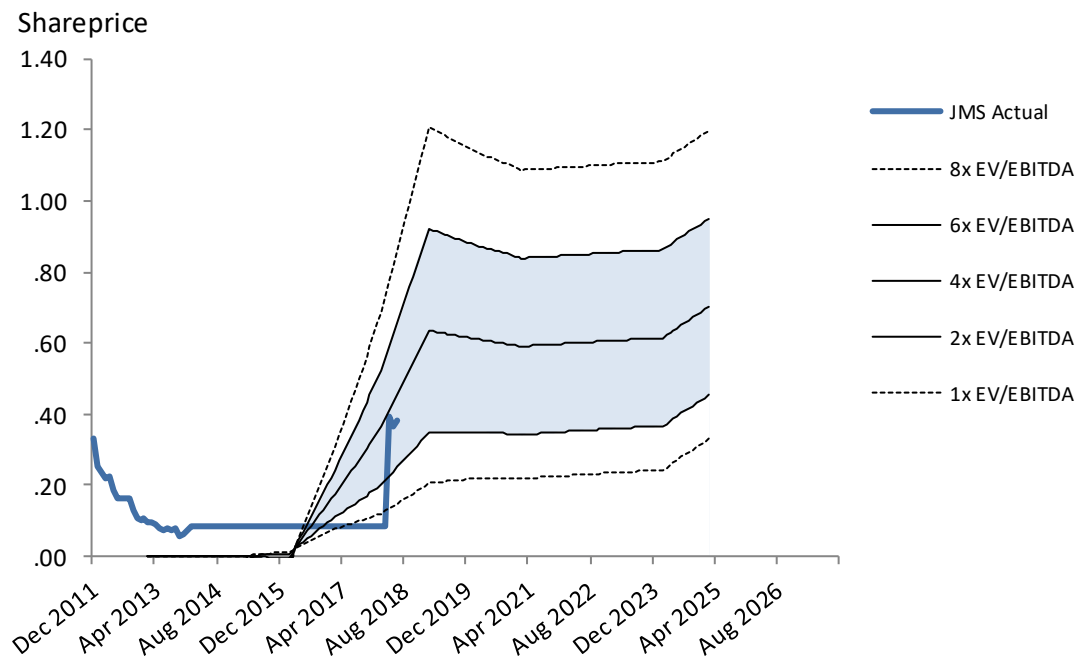
Source: Iress, Hartleys estimates

Fig. 2: Using Hartleys base case commodity forecasts



Source: Hartleys Estimates, IRESS

Fig. 2: Using spot commodity prices



Source: Hartleys Estimates, IRESS

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has assisted Jupiter Mines Limited ("Jupiter") in the completion of its Initial Public Offering, for which it has earned fees.

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