



No recommendation
Price 8.9p
Mining
United Kingdom

AIM	693.1
Reuters/Bloomberg	JLP
No. of shares in issue (m)	288
Market Cap (£m)	25.6
Website	www.jubileeplatinum.com

Jubilee Platinum⁺*

Taking golden opportunities in Olympic year

Jubilee reported multiple pieces of good news in an operations update released yesterday (Wednesday, August 8th). First, the 51%-owned power utility Power Alt has been awarded an initial 4-month ZAR12.4m (£0.97m) tender to supply surplus power (5.1MW) to a third party. Second, the new No.5 ferroalloy furnace had a record July, producing 905t and generating ZAR6.6m (£0.52m) of revenue; cumulative ferroalloy revenues for the first 7 months of CY2012 (ZAR37m, £2.9m) was more than double that of the preceding 7 months. Third, the board of Jubilee's 63%-owned Tjate flagship project approved the ZAR75m (£5.9m) sale of Quartzhill farm to a major mining company. Fourth, an agreement on IPR's earn-in into a non-core iron ore opportunity at Jubilee's Ambodilafa project in Madagascar should be concluded soon. The first two points underline the importance of cash generation as a key differentiator separating Jubilee from its explorer-developer peers. All-in-all, we believe there to be a strong case for a much higher valuation than currently attributed by the markets.

Review could see smaller, higher-margin Middelburg operations: Given No.5's performance, Jubilee is reviewing the operation of the older, smaller, less-efficient and higher-cost No.3 and No.4 furnaces. We would be unsurprised if the latter two furnaces were taken offline, removing the need to purchase expensive municipal electricity and reduce maintenance capital. Selling electricity should be a much simpler, and we believe potentially higher-margin, business.

Dilokong dump drilling commencement imminent: Drilling is to be conducted this quarter to finalise the mine plan for the Dilokong chrome dump. Given its relatively simple nature, we anticipate that drilling and plan should be quickly completed, possibly by around end Q3 or early Q4 CY2012.

Carpe diem – opportunities exist in adversity: For us, the most interesting item in Jubilee's announcement was a snippet wherein Jubilee CEO Leon Coetzer confirmed that Jubilee (as we expected) has been receiving more opportunities to develop its South African platinum group metals (PGE) mine-to-metal strategy as a result of the current adverse market conditions in the PGE and chrome industries. Consequently, we anticipate the company announcing further Dilokong-like (and other) deals in the coming weeks or months.

Valuation anomaly: We have opted to leave our model unchanged for the time being (Figures 1 and 2). Our sum-of-the-parts NPV for Jubilee of 87p/share fully diluted is significantly higher than the current share price. In our note dated April 2nd, 2012, we showed that peer average EV/oz values suggest at least c200% upside. We reiterate our belief that there is a strong case for a much higher valuation than currently attributed by the markets.

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Fig 1: Forecast financial statements* - excludes surplus electricity tender for now

Vital Statistics		FY2011A	FY2012F	FY2013F	FY2014F
EPS	p/share	(2.67)	(2.22)	(0.42)	0.13
P/E	x	n.m.	n.m.	n.m.	101.21x
CFPS	p/share	(2.70)	(1.04)	1.09	1.87
P/CFPS	x	n.m.	n.m.	11.78x	6.89x
Net Debt/(Cash)**	£m	(0.73)	(1.14)	38.62	259.41
Average Shares OS	m	255.84	272.33	290.60	293.08
Average Shares FD	m	255.84	305.08	320.87	320.87
INCOME STATEMENT		FY2011A	FY2012F	FY2013F	FY2014F
Net Revenue	£m	5.50	5.41	15.75	22.27
Operating Costs	£m	(9.51)	(9.01)	(12.79)	(16.57)
EBITDA	£m	(4.01)	(3.60)	2.96	5.70
Depreciation & Amortisation	£m	(2.50)	(2.47)	(3.01)	(3.45)
EBIT	£m	(6.51)	(6.07)	(0.05)	2.25
Finance Income	£m	(0.50)	(0.25)	(0.13)	(0.10)
Pre-Tax Profit	£m	(7.01)	(6.32)	(0.18)	2.15
Taxes	£m	(0.58)	0.00	(0.18)	(0.84)
Minorities	£m	0.77	0.27	(0.87)	(0.94)
Attributable Net Income	£m	(6.82)	(6.05)	(1.23)	0.37
EPS	p/share	(2.67)	(2.22)	(0.42)	0.13
BALANCE SHEET		FY2011A	FY2012F	FY2013F	FY2014F
Cash & Equivalents	£m	2.01	2.60	(37.16)	(257.95)
Other Current Assets	£m	3.95	1.68	2.26	3.38
Current Assets	£m	5.96	4.27	(34.91)	(254.58)
PP&E	£m	103.58	95.67	135.35	357.92
Other	£m	0.52	0.52	0.52	0.52
Total Assets	£m	110.06	100.47	100.96	103.86
Short-term Debt	£m	1.28	1.46	1.46	1.46
Other Current Liabilities	£m	4.18	2.25	2.56	3.57
Current Liabilities	£m	5.46	3.70	4.01	5.03
Long Term Debt	£m	0.00	0.00	0.00	0.00
Other Long Term Liabilities	£m	15.28	15.97	15.41	14.14
Total Liabilities	£m	20.744	19.6706	19.4202	19.1698
Shareholder Equity	£m	60.16	64.58	64.58	64.58
Retained Income	£m	(21.06)	(27.10)	(28.33)	(27.96)
Other	£m	50.21	43.32	45.29	48.07
Total Liabilities & Equity	£m	110.06	100.47	100.96	103.86
CASHFLOW STATEMENT		FY2011A	FY2012F	FY2013F	FY2014F
Net Income	£m	(6.82)	(6.05)	(1.23)	0.37
DD&A	£m	2.50	1.95	3.01	3.45
Other	£m	(10.09)	0.91	1.66	1.76
Change in Working Capital	£m	7.51	0.34	(0.27)	(0.10)
Cash Flow from Operations	£m	(6.91)	(2.84)	3.18	5.48
Capital Expenditure	£m	(3.76)	(6.02)	(42.68)	(226.02)
Other	£m	1.07	5.28	0.00	0.00
Cash Flow from Investments	£m	(2.68)	(0.74)	(42.68)	(226.02)
Equity Issues (Net of Costs)	£m	0.00	4.42	0.00	0.00
Net Borrowings	£m	0.00	0.00	0.00	0.00
Other	£m	(1.64)	(0.25)	(0.25)	(0.25)
Cash Flow from Financing	£m	(1.64)	4.17	(0.25)	(0.25)
Net Cashflow	£m	(11.23)	0.59	(39.76)	(220.79)
FX Adjustments	£m	0.16	0.24	0.00	0.00
Cash at End of Year	£m	2.01	2.60	(37.16)	(257.95)

* All GBP unless otherwise noted; fiscal year-end 30th June.

** FY2013 and FY2014 net debt reflects funding requirements, which could be met from equity and/or debt.

Source: Jubilee Platinum, Shore Capital estimates

Fig 2: Sum-of-the-parts FY2013F DCF valuation

Asset	Interest	Disc. Rate	£m	£/share	%NPV
Jubilee Smelting & Refining (Ferroalloys)	70%	10%	14.9	0.05	4.8%
Braemore Platinum Smelters	100%	10%	51.8	0.16	16.8%
Tjate (with ConRoast & CVMR)	63%	10%	156.2	0.49	50.7%
Sylvania JV (Volspruit)	50%	10%	34.4	0.11	11.1%
Kambalda	100%*	10%	39.4	0.12	12.8%
Leinster	100%*	10%	11.7	0.04	3.8%
Net Operating Assets			308.4	0.96	
Cash			2.6	0.01	
Debt			(1.5)	(0.00)	
Corporate G&A		10%	(35.1)	(0.11)	
Options			4.2	0.01	
Net Asset Value			278.6	0.87	

* We assume BHP exercises its 50% buy-in rights.

Source: Shore Capital estimates

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