



## Jupiter Mines Ltd (JMS.ASX)

*Restrictions impact volumes but Mn price easing pain*

### Event:

- FY20 Result review; PT and earnings changes.

### Investment Highlights:

- Jupiter Mines Ltd (JMS) reported NPAT of \$95M, or adjusted \$98M, the latter 6% below our forecast of \$108M, mostly due to lower Mn prices in the 4QFY20.** Tshipi shipments of 3.4Mt exceeded target of 3.0Mt, albeit high grade was only 2.9Mt, the balance being low grade.
- The company ended FY20 with \$84M attributable cash, comprising \$29M consolidated and \$55M as a share of Tshipi's cash.** Debt remains nil. The strong balance sheets of both JMS and Tshipi e Ntle positions them favourably in the current COVID-19 environment.
- JMS declared a final dividend of 0.75cps vs our estimate of 1.6c, a payout of 61% on 2H profit.** We expect that the a) High interim payout of 112%, b) Uncertainty surrounding COVID-19 and c) Weak Mn prices in the late 2HFY20 instigated a degree of caution. Payout for the full year was 95%, still above the company's target of 70%.
- Lockdown restrictions to impact 1QFY21 production.** As part of RSA Government directives to curb COVID-19 propagation, Tshipi shutdown operations on 26<sup>th</sup> March; restarted at 50% rate on 14<sup>th</sup> April; and resumed full production on 1<sup>st</sup> May. We believe 1Q production will be 0.4Mt vs 0.8Mt previously, while our estimates for subsequent quarters are unchanged at 0.8Mt, prompting us to cut production to 2.9Mt for FY21e (prior 3.3Mt).
- We believe that Tshipi may be benefiting from current restrictions on underground Kalahari Mn mines, which are producing at only 50% capacity.** This may support Mn price in short-term - currently at US\$6.16/dmtu and well above both our and consensus estimates. Reduced underground output may free up more Transnet capacity which may advantage Tshipi in volumes and costs.
- We have reviewed our Mn price forecasts, and cut the 37% Mn CIF price by -6% to -8% over FY21e to FY23e, which we believe are in-line with consensus.** Our LT 37% China CIF price is US\$4.24/dmtu and RSA FOB price \$3.88/dmtu. However upside risk remains in the short-term while RSA supply remains restricted.

### Earnings and Valuation:

- We have downgraded JMS adjusted NPAT -28% in FY21e to \$63M based on lower shipments, while earnings from FY22e onwards are cut on lower Mn prices and higher low grade product selling costs.**
- Our NPV<sub>10</sub> share valuation reduces to \$0.50 from \$0.60 based on earnings downgrades.** We include a 25% weighting on the expansion case.

### Recommendation:

- We maintain our Buy recommendation with a revised 12-month price target of \$0.50 (prior \$0.60) based on our 1.0x Price/NPV.** Catalysts for the share price include higher Mn prices; cost reductions; increased shipments; results of expansion feasibility study; realisation of value for iron ore assets; and corporate activity.

### Disclosures

The analyst owns 386,746 JMS shares.  
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 10,426,100 JMS shares.  
Cranport Pty Ltd owns 6,804,119 JMS shares.  
Refer details end of report.

Recommendation		Buy			
Previous		Buy			
Risk		High			
Price Target		\$ 0.50			
Previous		\$0.60			
Share price (A\$)		\$ 0.280			
ASX code		JMS			
52 week low-high		0.19-0.43			
JMS Valuation (A\$/share)		\$ 0.50			
Methodology		risked NPV			
JMS Capital structure					
Shares on Issue (M)		1,959			
Market cap (A\$M)		549			
Net cash (debt) attributable (A\$M)		84			
EV (A\$M)		465			
Ave daily volume ('000)		5,658			
Earnings Y/e Feb A\$M		FY20a	FY21e	FY22e	FY23e
Sales adj*#		411	314	345	331
EBITDA adj.*		152	101	97	83
NPAT reported		95	63	62	59
NPAT adj*		98	63	62	59
EPS adj. \$*		0.050	0.032	0.032	0.030
PE x		3.0	5.5	6.3	7.6
EV/EBITDA x		1.7	3.0	3.4	4.0
DPS \$		0.048	0.026	0.026	0.025
Yield %		17%	9%	9%	9%

\* Adj =underlying including attributable share of Tshipi

#CIF basis

### JMS Board

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

### Share price graph



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