



Jupiter Mines Ltd (JMS.ASX)

No surprises from Tshipi, iron ore on track for demerger

Event:

- 1HFY21 Result Review.

Investment Highlights:

- JMS reported 1H FY21 NPAT of \$30M**, or adjusted NPAT of \$36M (after stripping out tax timing difference of \$7M), in-line with our NPAT adj. forecast of \$37M. Besides the tax difference, no surprises were in the result given the 2Q pre-reporting of Tshipi and Marketing. The 1HFY21 profit was higher than that in 2HFY20a, despite sales being negatively impacted in the 1Q by the COVID lockdown. Higher Mn prices and both a lower Rand and A\$ provided tailwinds to overcome the COVID impact.
- JMS declared a final dividend of 1.0cps (\$20M) in-line with our 1.2cps estimate.** Tshipi previously declared its dividend ZAR330M (JMS share \$14M) last month, equating to a 39% payout ratio, low vs prior periods. The key factor for the conservatism was uncertainty over COVID. JMS' payout ratio was 66%. We expect both Tshipi and JMS to lift their payout ratios in the 2H, forecasting the full year to be 57% and 67% respectively.
- Iron ore to demerge in 1QCY21.** JMS stated it planned to undertake an IPO of its Central Yilgarn Iron Ore Project (CYIP) in 1QCY21 to crystallise some value, especially in light of the buoyant iron ore markets. We expect the initial focus of NewCo will be to fast-track the short mine life but low capex Mount Mason DSO into production, with infrastructure access being key. JMS expects further options to be pursued to grow the DSO resource base as well as progress Mount Ida magnetite.
- We have made changes to our long-term commodity forecasts:** Mn 37% fob RSA now US\$4.07/dmtu (\$3.86 previously); A\$ = US\$0.75 (US\$0.73); and ZARUSD of 14.93 (14.52).

Earnings and Valuation:

- We downgrade forecast FY21e JMS adj NPAT by 16% to \$67M, mostly on a higher A\$ in the 2H negatively impacting revenues, and higher costs.** Our forecast for FY22e adj NPAT has fallen 4% to \$58M also mostly on higher A\$.
- Our NPV₁₀ \$0.53 share valuation is unchanged, with higher long-term manganese price offsetting the impact of higher A\$.**

Recommendation:

- We maintain our Buy recommendation and 12-month price target of \$0.53 based on our 1.0x Price/NPV.**
- Our PT and NPV is underpinned** by JMS' exposure to Tshipi's long-life Reserves, lowest quartile cost cash position, potential for low-cost expansion, attractive dividend yield (9% in FY22e) reflecting Tshipi's underlying cash flows, and absence of debt on both Tshipi and JMS balance sheets.
- Catalysts for the share price include** higher Mn prices; cost reductions; increased shipments; results of expansion feasibility study; demerger of iron ore assets; and corporate activity.

Disclosures

The analyst owns 476,276 JMS shares.
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 9,415,630 JMS shares.
 Cranport Pty Ltd owns 5,604,461 JMS shares.
 Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.53			
Previous	\$0.53			
Share price (A\$)	\$ 0.285			
ASX code	JMS			
52 week low-high	0.19-0.355			
JMS Valuation (A\$/share)	\$ 0.53			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	558			
Net cash (debt) attributable (A\$M)	79			
EV (A\$M)	479			
Ave daily volume ('000)	4,964			
Earnings Y/e Feb A\$M				
	FY20a	FY21e	FY22e	FY23e
Sales adj*#	411	297	330	335
EBITDA adj.*	145	99	92	85
NPAT reported	95	61	58	60
NPAT adj*	98	67	58	60
EPS adj. c*	5.0	3.4	3.0	3.1
PE x	5.7	8.3	9.6	9.3
EV/EBITDA x	3.3	4.9	5.2	5.6
DPS c	4.8	2.3	2.4	2.5
Yield %	17%	8%	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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