



Jupiter Mines Ltd (JMS.ASX)

Record lower costs and higher sales make a better quarter

Event:

- 3QFY21 report; Earnings, valuation, & PT change.

Investment Highlights:

- **Tshipi profit beats our forecast on record higher shipments, lower costs.** JMS released its 3Q report which show Tshipi achieving NPAT of A\$36M, comfortably beating our estimate of A\$27M. Two key drivers were higher shipments (1.15Mt vs our forecast of 0.83Mt), and lower costs of US\$1.88/dmtu vs FSBe \$2.06/dmtu. The shipments and costs were notable in both being quarterly records for Tshipi since JMS' IPO. Low-grade ore was shipped in addition to high-grade, due to still favourable Mn price conditions.
- **Lower costs driven by higher volumes, improved logistics.** Tshipi's low costs were due to 1) Higher shipments engendering lower unit costs; 2) Lower royalties from a weaker Mn price; and 3) Improved logistics. The last entailed a return to almost pre-Covid levels of rail allocation by Transnet, as well as record volumes through Luderitz which lies outside MECA. Volumes are 60kt per month at Luderitz, equivalent to 0.7Mtpa. JMS is also trialling additional shipments through the Coega over December-February, which can accommodate larger ships, potentially driving unit costs lower.
- **Attributable cash of \$89M slightly above our A\$85M.** Cash comprised A\$28M consolidated and A\$61M share of Tshipi.
- **Iron ore spin-out still targeted for 1QCY21.** JMS reiterated its aim to spin-out its iron assets by end 1QCY21, with the NewCo to prioritise efforts to fast-track production from Mount Mason DSO, logical given its lower capex and shorter lead time vs Mount Ida magnetite.

Earnings and Valuation:

- **We upgrade our FY21e and FY22e NPAT by 9% to \$73M and \$63M, on the back of higher shipments in FY21e and lower costs in both years.** We now forecast sales of 3.2Mt for FY21e, just above JMS guidance of 3.1Mt.
- **Our NPV₁₀ \$0.56 share valuation has increased off the back of lower costs from \$0.53 previously.**

Recommendation:

- **We maintain our Buy recommendation and increase our 12-month price target of \$0.56 (prior \$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 8,809,561 JMS shares.

Cranport Pty Ltd owns 5,604,461 JMS shares.

Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.56			
Previous	\$0.53			
Share price (A\$)	\$ 0.285			
ASX code	JMS			
52 week low-high	0.19-0.32			
JMS Valuation (A\$/share)	\$ 0.56			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	558			
Net cash (debt) attributable (A\$M)	89			
EV (A\$M)	469			
Ave daily volume ('000)	4,964			
Earnings Y/e Feb A\$M	FY20a	FY21e	FY22e	FY23e
Sales adj*#	411	315	330	335
EBITDA adj.*	145	106	99	92
NPAT reported	95	67	63	65
NPAT adj*	98	73	63	65
EPS adj. c*	5.0	3.7	3.2	3.3
PE x	5.5	7.4	8.5	8.3
EV/EBITDA x	3.1	4.2	4.5	4.9
DPS c	4.8	2.5	2.6	2.7
Yield %	17%	9%	9%	10%

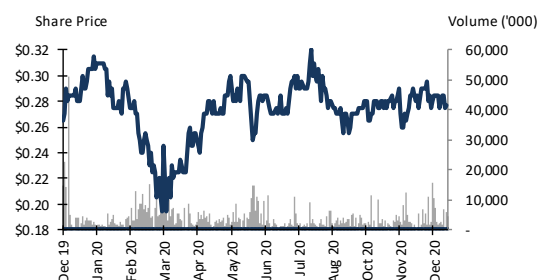
* Adj =underlying including attributable share of Tshipi

#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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