



Jupiter Mines Ltd (JMS.ASX)

4Q weak on prices, 3.3-3.5Mt sales guided for FY22e

Event:

- 4QFY21 report and conference call; Earnings, valuation, & PT change.

Investment Highlights:

- Tshipi 4Q NPAT of \$26M was below our estimate of \$36M and that of the 3Q, chiefly on lower Mn prices than we had forecast.** Realised RSA CIF and FOB 37% Mn US\$/dmu prices of \$3.93 and \$3.57 were 8% below our forecast of \$4.27 and \$3.89.
- FOB costs of US\$2.24/dmtu were higher than our forecast of US\$2.08/dmtu and US\$1.88/dmtu of the 3Q.** Besides a stronger Rand, disruption from heavy rainfall for several weeks impacted mining, although Tshipi fared better than Kalahari peers (UMK, S32, Assmang) by avoiding force majeure. JMS noted that these issues have now abated.
- Despite the impediments, shipments of 1.05Mt were greater than our forecast 0.83Mt.** Low grade product made up for high grade shortfall, and brought total year sales to 3.4Mt, enabling JMS to beat prior target of 3.1Mt.
- JMS targeting Tshipi sales of 3.3Mt to 3.5Mt in FY22e.** The lower end of the target is in-line with our FY22e forecast, suggesting upside risk. JMS guidance is comprised of 3Mt high grade and the balance low grade. Logistics channels are 2.1-2.4Mt through Transnet's MECA, 0.72Mt via Lüderitz port, and 0.5Mt on road.
- Expansion study completed, FID deferred.** The company stated that Tshipi concluded its feasibility study on the 4.5Mtpa expansion case. Tshipi has deferred FID until it first achieves material moment of 50k bcm/day over a rolling 3-month period, the rainfall disruption writing off the 4Q. No details on study results were disclosed, JMS citing expectations are in-line with prior guidance (3-year ramp up to 4.5Mtpa, ZAR1.02b capex).
- We raise final dividend forecast to 2.0cps, attributable cash now \$88M.** JMS finished the quarter with \$88M cash attributable comprising \$66M on its balance and 49.9% share of Tshipi's cash (\$22M). Given better cash position and 2H performance, we raise our final dividend forecast to 2.0cps from 1.5cps, with risk to upside.
- Iron ore demerger targeted for May 2021.** JMS recently approved the demerger of its Central Yilgarn Iron Ore Projects into a new company Juno Minerals Ltd, via an in-specie distribution an IPO, currently targeted for end May 2021.

Earnings and Valuation:

- We downgrade FY21e adj. NPAT by -7% to \$68M on the weaker 4Q, while upgrading FY22e NPAT 2% to \$64M on slightly lower costs.**
- Our NPV₁₀ of \$0.57/share valuation increases from \$0.56, with minor cost reductions from FY22e onwards offsetting downgrade to FY21e earnings.**

Recommendation:

- We maintain our Buy recommendation and increase our 12-month price target of \$0.57 (prior \$0.56) based on our 1.0x Price/NPV.**
- Catalysts for share price:** 1) Final dividend 2) Expansion FID; 3) Expansion ramp-up; 4) Corporate activity; 5) Iron ore demerger.

Disclosures

The analyst owns 476,276 JMS shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 8,647,061 JMS shares. Cranport Pty Ltd owns 5,104,461 JMS shares. Refer details end of report.

| Recommendation | Buy | | | |
|-------------------------------------|------------|------------|------------|------------|
| Previous | Buy | | | |
| Risk | High | | | |
| Price Target | \$ 0.57 | | | |
| Previous | \$0.56 | | | |
| Share price (A\$) | \$ 0.325 | | | |
| ASX code | JMS | | | |
| 52 week low-high | 0.20-0.375 | | | |
| JMS Valuation (A\$/share) | \$ 0.57 | | | |
| Methodology | NPV | | | |
| JMS Capital structure | | | | |
| Shares on Issue (M) | 1,959 | | | |
| Market cap (A\$M) | 637 | | | |
| Net cash (debt) attributable (A\$M) | 88 | | | |
| EV (A\$M) | 549 | | | |
| Ave daily volume ('000) | 3,973 | | | |
| Earnings Y/e Feb A\$M | | | | |
| | FY20a | FY21e | FY22e | FY23e |
| Sales adj*# | 411 | 312 | 330 | 335 |
| EBITDA adj.* | 145 | 100 | 101 | 95 |
| NPAT reported | 95 | 62 | 64 | 66 |
| NPAT adj* | 98 | 68 | 64 | 66 |
| EPS adj. c* | 5.0 | 3.5 | 3.3 | 3.4 |
| PE x | 6.5 | 9.4 | 9.9 | 9.6 |
| EV/EBITDA x | 3.8 | 5.5 | 5.4 | 5.8 |
| DPS c | 4.8 | 3.0 | 2.7 | 2.8 |
| Yield % | 15% | 9% | 8% | 9% |

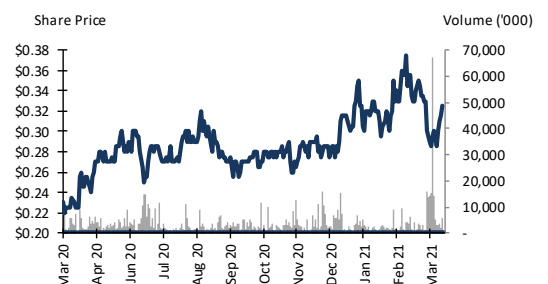
* Adj = underlying including attributable share of Tshipi

#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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