



## Jupiter Mines Ltd (JMS.ASX)

### High freight rates crimp earnings

#### Event:

- 1Q FY22 Quarterly Report; PT change.

#### Investment Highlights:

- Tshipi (100%) reported an NPAT of \$16M, below our estimate and the preceding 4Q FY21 NPAT, both of which were \$26M.** The key difference was higher realisation (CIF) costs of US\$1.21/dmtu vs our estimate of US\$0.38 and 4Q of US\$0.36. So while Mn 37% CIF during the quarter was US\$4.56/dmtu – up 16% on the 4Q – the FOB price was only US\$3.35/dmtu, down -6%. This translated to lower net sales and NPAT.
- CIF likely to remain high for next few months.** The spike in CIF costs is reflective of the current strong commodity demand environment and relative tight vessel supply. JMS management stated that they expect this to remain elevated for the next three to six months.
- Production higher than expected, but mine volumes below target.** Tshipi produced 1.05Mt of ore for the quarter, well above our estimate of 0.89Mt, while shipments of 0.85Mt were in-line (FSBe 0.83Mt). Total mined material was 4Mbcm for the quarter, but could have been higher if not for disruptions such as COVID and improper drill and blast. The company is seeking to achieve at least 4.5Mbcm per quarter, a key prerequisite before considering any expansion at Tshipi.
- Costs reduction initiatives.** Tshipi is examining new mining equipment, owner-operator mining, and shipping on larger vessels via Coega as part of a drive to achieve cost reduction and improving productivity. Recent implemented savings include owner-operator of secondary crusher, connecting to Eskom grid, and consistent shipment through Luderitz.
- The company ended 1QFY22 with \$51M attributable cash,** comprising \$24M consolidated and \$27M as share of Tshipi cash.

#### Earnings and Valuation:

- We downgrade JMS earnings -13% to \$48M from \$55M in FY22e based on higher CIF and lower FOB price.** Our FY23e NPAT rises 9% to \$70M based on a weaker Rand.
- Our NPV<sub>10</sub> share valuation reduces to \$0.52 from \$0.54.** This is mostly based on downgrade to our long-term 37% Mn FOB price to US\$3.87/dmtu from \$4.02/dmtu, and downgrade to FY22e earnings, offset by FY23e-FY24e earnings upgrades.

#### Recommendation:

- We maintain our Buy recommendation, lowering our 12-month price target of \$0.52 (prior \$0.54) based on 1.0x Price/NPV.**
- Catalysts for the share price** include higher Mn prices; lower freight rates; cost reductions; Tshipi expansion FID; and corporate activity.

#### 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 6,000,000 JMS shares.  
Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.52			
Previous	\$0.54			
Share price (A\$)	\$ 0.290			
ASX code	JMS			
52 week low-high	0.248-0.365			
JMS Valuation (A\$/share)	\$ 0.52			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	568			
Net cash (debt) attributable (A\$M)	51			
EV (A\$M)	517			
Ave daily volume ('000)	4,933			
Earnings Y/e Feb A\$M	FY21a	FY22e	FY23e	FY24e
Sales adj*#	313	329	331	335
EBITDA adj.*	100	78	104	104
NPAT reported	68	48	70	66
NPAT adj*	68	48	70	66
EPS adj. c*	3.5	2.8	3.3	3.2
PE x	9.8	12.0	10.4	10.5
EV/EBITDA x	5.9	6.6	6.4	6.1
DPS c	3.0	2.2	3.2	3.0
Yield %	10.3%	7.6%	10.9%	10.4%

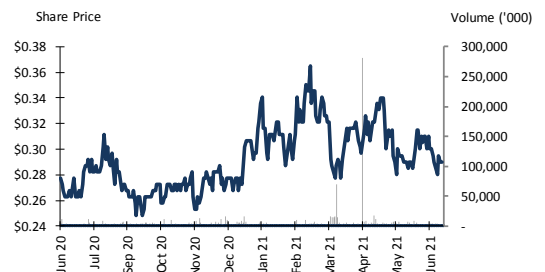
\* Adj = underlying including attributable share of Tshipi

#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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