



## Jupiter Mines Ltd (JMS.ASX)

*The re-boot begins*

### Event:

- Board changes; Interim review; Earnings and PT changes.

### Investment Highlights:

- Changes to Board.** Following the Spill Meeting last month, JMS' CEO Mr Priyank Thapliyal was removed both as Managing Director and later as CEO, while Mr Brian Gilbertson was not re-elected and removed as Chair. The company has initiated a process to appoint both a new Chair and CEO, while in the interim Mr Peter North and Mr Scott Winter are Acting Chair and CEO respectively.
- Current Board members reinforce our rationale for change.** We had previously outlined the reasons for the Board spill in our previous report. Since then, statements from Mr Hans Mende and Mr Scott Winter in the Notice of Meeting echoed our reasoning. We summarise key issues investors should expect going to be addressed going forward below.
- Consolidation of Tshipi.** We expect greater progress on JMS owning more than 50% of, and controlling, Tshipi. This should lead to value accretion as the company would be then viewed as an operating entity, rather than a passive investment vehicle without control, with corresponding more transparent and detailed accounts.
- Growth and consolidation opportunities.** We expect JMS will examine opportunities to consolidate its leading position in the Kalahari belt. We also expect the company may contemplate acquiring other strategic commodity projects or mines.
- Examination of downstream ventures for battery markets.** Manganese is a key ingredient in lithium ion batteries, and we note other manganese ore miners are investigating downstream processing or ventures to add value by moving down the battery chain. We anticipate JMS to investigate opportunities.
- Better shareholder communications.** We expect there will be a stronger investor relations and access to Board or senior management, especially in Australia, with likely improved marketing.
- Higher freight cost deflate earnings.** JMS's 1H FY22 reported NPAT of \$27.6M included \$12.6M non-cash profit from demerger of its iron ore business. Excluding the after-tax impact of both it and forex losses, we estimate underlying NPAT of \$16.1M, 10% below our forecast of \$17.9M. The result was down 50% on the 2HFY21, mostly due to weaker Tshipi revenue. This was brought on by higher freight charges, manifested in lower FOB prices.

### Earnings and Valuation:

- We downgrade JMS adj. NPAT -22% to \$38M from \$48M in FY22e, -20% to \$56M from \$70M in FY23, and -11% to \$59M from \$66M in FY24 based on lower FOB prices.
- Our NPV<sub>10</sub> share valuation reduces to \$0.48 from \$0.52 due to lower Mn prices.

### Recommendation:

- We maintain our Buy recommendation, lowering our 12-month price target of \$0.48 (prior \$0.52) based on 1.0x Price/NPV. Catalysts for the share price include higher Mn prices; Lower freight rates; Control of Tshipi; Mn downstream opportunities; Tshipi expansion; and M&A activity.

### Disclosures

The analyst owns 476,276 JMS shares.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 11,447,061 JMS shares.

Cranport Pty Ltd owns 9,005,975 JMS shares.

Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.48			
Previous	\$0.52			
Share price (A\$)	\$ 0.210			
ASX code	JMS			
52 week low-high	0.2025-0.3648			
JMS Valuation (A\$/share)	\$ 0.48			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	411			
Net cash (debt) attributable (A\$M)	69			
EV (A\$M)	342			
Ave daily volume ('000)	5,587			
Earnings Y/e Feb A\$M	FY21a	FY22e	FY23e	FY24e
Sales adj*#	313	343	319	326
EBITDA adj.*	100	66	88	93
NPAT reported	68	49	56	59
NPAT adj*	68	38	56	59
EPS adj. c*	3.5	1.9	2.9	3.0
PE x	6.1	10.9	7.4	6.9
EV/EBITDA x	3.4	5.2	3.9	3.7
DPS c	3.0	1.7	2.5	2.6
Yield %	14%	8%	12%	12%

\* Adj =underlying including attributable share of Tshipi

#CIF basis

### JMS Board

Peter North	Acting Chair
Scott Winter	Acting CEO
Hans Mende	Non-Executive Director
Yeongjin Heo	Non-Executive Director

### Share price graph



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