



Jupiter Mines Ltd (JMS.ASX)

Keeping a lid on costs

Event:

- FY22a result and 4Q review; Commodity upgrades; Earnings and PT changes.

Investment Highlights:

- Costs another leg down.** JMS finished FY22 on a strong note, most notable being Tshipi's FOB cost of production down to another record low (since JMS relisting) of ZAR24.66/dmtu, or US\$1.59/dmtu in the 4Q vs US\$1.75/dmtu in the 3Q. This was well below the general target of \$2.00-\$2.20/dmtu. JMS cited costs improvement was not due to a single factor, but across all operational elements.
- 1.4Mt of high-grade Tshipi ore exposed from barrier pillar.** This ore will not be used to high grade the mine, but rather be blended, with strip to be maintained around LOM average (10.4x).
- Tshipi NPAT lifts slightly in 4Q, sales guidance met.** Tshipi 4Q NPAT was up slightly to \$27.5M vs the \$26.6M of the 3Q, the lower costs more than offsetting both lower shipments (0.752Mt vs 0.845Mt) and lower realised 37% CIF price (\$4.55 vs \$4.60/dmtu). 4Q shipments were impacted by logistics, rainfall, and material movement. Nevertheless full year sales still came in with prior guidance of 3.3Mt, while production was 3.7Mt.
- JMS adj. NPAT was \$42.7M for FY22, in-line with our estimate of \$43.7M,** with the lower shipments reported offset by lower costs than we had forecast. Reported NPAT was \$50.0M, difference to adj. NPAT mostly due to inclusion of profit on the Juno (JNO) iron ore demerger.
- Final JMS dividend of 1.0cps, lower than our forecast 1.4cps.** This equated to payout of 70% for full year - lower than our 88% forecast and the 87% and 95% of FY21 and FY20 – but meeting the company's minimum 70%. JMS cash end FY22 was \$75M, comprising \$39M own balance sheet and \$36M Tshipi share.
- Market outlook improves.** JMS noted strengthening of manganese market post China Spring Festival, with restocking by alloy plants. Freight rates also continued to decline from elevated levels, witnessed by improving FOB prices and contraction of the CIF differential.
- CEO appointment expected in current quarter.** JMS recently stated its well down the track of appointing a new CEO, expected to be in the current quarter. This should be a catalyst for company to further detail and progress strategic growth options.
- Mn price forecasts upgraded.** We upgrade 37% FOB prices by 4% to 7% over FY23e to FY26e, expecting easing of freight rates to continue. Our LT Mn 37% FOB dmtu price is now US\$4.10 up 7% from US\$3.85 prior and \$3.80 spot.

Earnings and Valuation:

- We upgrade JMS adj. NPAT 9% to \$75M from \$71M in FY23e and FY24e (prior \$58M and \$64M) on higher Mn prices and lower unit costs. Our NPV₁₀ share valuation rises to \$0.57 from \$0.51 on our higher earnings.

Recommendation:

- We maintain our Buy, raising our 12-month price target to \$0.57 from \$0.51 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; M&A activity; new CEO.

Disclosures

The analyst owns 476,276 JMS shares.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 8,940,061 JMS shares.

Cranport Pty Ltd owns 7,955,858 JMS shares.

Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.57			
Previous	\$0.51			
Share price (A\$)	\$ 0.240			
ASX code	JMS			
52 week low-high	0.18-0.345			
JMS Valuation (A\$/share)	\$ 0.57			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	470			
Net cash (debt) attributable (A\$M)	76			
EV (A\$M)	394			
Ave daily volume ('000)	3,976			
Earnings Y/e Feb A\$M				
	FY22a	FY23e	FY24e	FY25e
Sales adj*#	351	389	358	344
EBITDA adj.*	76	114	108	106
NPAT reported	54	75	71	68
NPAT adj*	43	75	71	68
EPS adj. c*	2.2	3.8	3.6	3.5
PE x	11.0x	6.3x	6.7x	6.9x
EV/EBITDA x	5.2x	3.5x	3.7x	3.7x
DPS c	1.5	2.7	2.5	2.4
Yield %	6.3%	11.1%	10.5%	10.2%

* Adj = underlying including attributable share of Tshipi

#CIF basis

JMS Board

Peter North	Acting Chair
Scott Winter	Acting CEO
Ian Murray	Non-Executive Director
Patrick Murphy	Non-Executive Director
Ben Kim	Non-Executive Director

Share price graph



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