



Jupiter Mines Ltd (JMS.ASX)

4Q a strong finish; Strategic intent to be leader

Event:

- 4QFY23 review; Strategy release.

Investment Highlights:

- Tshipi 4Q NPAT (100%) of \$49M was above our estimate of \$46M, and a marked improvement over the 3Q's \$40M.**
- Higher FOB price key driver of improved profit.** We had anticipated easing of freight rates since the end of CY22 would lift FOB pricing. Tshipi achieved US\$3.41/dmtu for its high-grade product vs the US\$2.76/dmtu in the 3Q, while the RSA Port Elizabeth Mn 37% FOB benchmark averaged US\$3.31/dmtu during the 14 vs US\$3.11/dmtu in the 3Q.
- Lift in shipments also contributes as guidance achieved.** Another factor for the better earnings was shipments of 1.0Mt in the 4Q vs our estimate of 0.9Mt and the 0.8Mt of the 3Q. Full-year sales were 3.5Mt, above prior guidance of 3.4Mt and represented its second highest annual sales. However high-grade sales were the largest ever, being 3.4Mt, with only 60kt of low grade ore shipped in the year, all in the final quarter.
- Royalty lifts costs.** 4Q C1 costs FOB for high-grade was US\$2.20/dmtu, at the top-end of historical guidance and above the US\$2.11/dmtu of the 3Q. However most of the rise was from RSA's variable royalty rate percentage, which increases as prices rise, all else being equal.
- Five-year strategy: aiming to be largest global Mn producer.** JMS stated its intent to become the world's leading Mn producer by 2028. Key initiatives outlined included M&A/consolidation - especially in the Kalahari including Tshipi; Organic growth (eg Tshipi expansion); Better performance (eg rehandle) from Tshipi; and Logistics improvements. Additionally the company will seek to participate in downstream Mn for batteries to leverage growth from the decarbonisation theme and improve ESG credentials.
- Dividend policy to be maintained despite growth ambitions.** JMS stated it will at least maintain its existing dividend policy of at least a 70% payout ratio.
- Change of financial year date.** JMS announced it is moving its FY year/end to June from February, bringing it in-line with the majority of ASX-listed companies and no doubt making it user-friendly for Australian investors.

Earnings and Valuation:

- Our forecast FY23e JMS adj. NPAT increases to \$89M from \$87M on Tshipi's better 4Q, while FY24e and FY25e only slightly change: \$81M and \$76M from \$82M and \$77M.**
- Our JMS valuation is unchanged at \$0.60 (1.0x NPV₁₀ nominal).**

Recommendation:

- We maintain our Buy and 12-month price target of \$0.60 based on 1.0x Price/NPV.** Catalysts for the share price include: Lower freight rates; Strategy detail; Gaining 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 9,852,561 JMS shares.

Cranport Pty Ltd owns 11,711,960 JMS shares.

Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.60			
Previous	\$0.60			
Share price (A\$)	\$ 0.240			
ASX code	JMS			
52 week low-high	0.175-0.26			
JMS Valuation (A\$/share)	\$ 0.60			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	470			
Net cash (debt) attributable (A\$M)	84			
EV (A\$M)	386			
Ave daily volume ('000)	1,557			
Earnings Y/e Feb A\$M	FY22a	FY23e	FY24e	FY25e
Sales adj*#	348	410	384	364
EBITDA adj.*	80	130	128	122
NPAT reported	54	75	81	76
NPAT adj*	45	89	81	76
EPS adj. c*	2.3	4.5	4.1	3.9
PE x	10.3x	5.3x	5.8x	6.2x
EV/EBITDA x	4.7x	2.9x	2.9x	3.1x
DPS c	1.5	3.0	2.9	2.7
Yield %	6.3%	12.5%	12.1%	11.4%

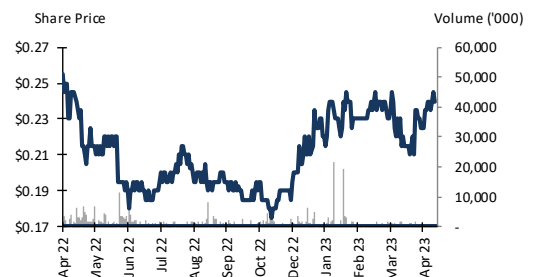
* Adj =underlying including attributable share of Tshipi

#CIF basis

JMS Board

Ian Murray	Non-Executive Chair
Brad Rogers	Managing Director
Scott Winter	Non-Executive Director
Peter North	Non-Executive Director
Patrick Murphy	Non-Executive Director
Ben Kim	Non-Executive Director

Share price graph



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