



Jupiter Mines Ltd (JMS.ASX)

Low costs assist in navigating dour market

Event:

- June 4QFY23 result review.

Investment Highlights:

- Mn price dampens Tshipi profit.** Tshipi (100%) reported 4Q end June NPAT of A\$34.1M, below our estimate of \$39.4M, mostly due to Mn prices lower than we had forecast. Mn 37% FOB and CIF realised was US\$3.17 and US\$4.00/dmtu respectively for the quarter, below our forecasts of US\$3.96 and US\$4.63/dmtu. JMS Marketing NPAT was A\$1.6M vs our forecast A\$1.9M, differing also due to lower prices. Soft China construction markets subdued Mn prices.
- Shipments in-line, production higher.** Sales for the quarter were 0.812Mt in-line with our forecast 0.825Mt, volumes returning to more typical levels after the markedly high sales (0.925Mt) of the March quarter. However, the company expects higher sales in the current quarter (1QFY24) with a 30kt shipment rolled over. Production was strong at 0.921Mt vs our 0.825Mt, and wholly comprised high-grade product. Low-grade product will be opportunistically produced and sold dependent on market conditions.
- Costs fall below US\$2.00/dmtu.** Lower mining costs underpinned by higher production, lower royalty, and a weaker Rand contributed to C1 FOB high-grade costs falling to US\$1.88 from US\$2.04/dmtu of the March quarter. The Rand averaged 18.67 during the quarter vs 17.73 in the 3Q.
- JMS attributable cash A\$83M at end June.** This comprised 49.9% share of Tshipi cash (A\$55.4M) and consolidated cash of A\$27.7M.
- Next declared dividend to be for 1HFY24, but will include transition.** Due to changing its financial year end to June from February, JMS announced it would declare its next dividend for the 1HFY24e. However, this will also include the four-month transitional period - March-June 2023 - making the dividend effectively a payout over ten months of profit (March-December 2023).
- Strategy – update expected soon.** On its 4Q conference call, JMS stated that it expected to present a webinar this month to provide an update on strategy. We expect further details on the initiatives previously enunciated by the company.

Earnings and Valuation:

- Year-end adjustment.** We have amended our earnings forecasts to a June year end, reflecting JMS's new financial year end.
- We forecast JMS adj. June year-end NPAT for FY23e and FY24e of A\$85M and A\$72M,** vs prior February-year end FY23e and FY24e of A\$81M and A\$76M.
- Our JMS valuation has reduced to \$0.54 (1.0x NPV₁₀ nominal) from \$0.60,** mostly from downgrading our short and long-term 37% Mn RSA FOB dmtu price forecasts: US\$3.35, US\$3.50, and US\$3.66 in CY23e, CY24e, and CY25e vs prior US\$3.87, US\$4.01, and US\$4.09. Our long-term forecast (real 2023) is now US\$3.58 vs US\$4.01. The impact has been partially offset by lower AISC.

Recommendation:

- We maintain our Buy and cut our 12-month price target to \$0.54 from \$0.60 based on 1.0x 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 other staff own 7,876,285 shares. Cranport Pty Ltd owns 11,711,960 JMS shares. Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.54
Previous	\$0.60
Share price (A\$)	\$ 0.200
ASX code	JMS
52 week low-high	0.175-0.255
JMS Valuation (A\$/share)	\$ 0.54
Methodology	NPV

JMS Capital structure

Shares on Issue (M)	1,959
Market cap (A\$M)	392
Net cash (debt) attributable (A\$M)	83
EV (A\$M)	309
Ave daily volume ('000)	1,259

Y/e Jun A\$M	FY23e	FY24e	FY25e	FY26e
Sales adj*#	393	336	329	334
EBITDA adj.*	128	109	110	110
NPAT reported	85	72	69	69
NPAT adj*	85	72	69	69
EPS adj. c*	4.3	3.7	3.5	3.5
P/E x	4.6	5.4	5.7	5.7
EV/EBITDA x	2.4	2.8	2.8	2.8
DPS c	2.2	3.5	2.4	2.5
Yield %	11.0%	17.3%	12.2%	12.3%

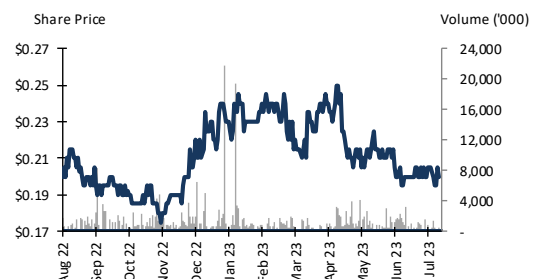
* Adj = underlying including attributable share of Tshipi

#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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