FOSTER STOCKBROKING

EQUITY RESEARCH

Materials

11 March 2024

Jupiter Mines Ltd (JMS.ASX)

Dividend resumption underlines value

Event:

- **Interim FY24 result review.**

Investment Highlights:

- **Underlying NPAT in-line**. We estimate JMS's interim FY24 underlying NPAT was $17.0M, just above our forecast of $15.2M. Headline reported NPAT was $10.4M, the difference to underlying attributable to forex loss and tax timing difference. There were no other surprises given the pre-reported quarterly profits for Tshipi and JMS Marketing.
- **Tshipi dividend resumes, albeit lower than expected.** Tshipi declared a dividend of ZAR300M, equivalent to only a 30% payout ratio over the 10-month trading period that it was previously flagged to be based on (JMS presentation 29 November 2023), lower than our estimate. However, based on the six-month interim period only, the payout ratio was 76%.
- **JMS payout 172% of Tshipi.** JMS in turn declared a 172% payout of the Tshipi dividend received – well exceeding its 70% target - resulting in a dividend of 1.0cps. While lower than our estimate of 1.5cps - due to the lower than expected Tshipi distribution - it nevertheless represented an annualised yield of 11.8%.
- **Better second half looming so far.** Manganese prices have firmed following 1H FY24 weakness from China inventory overhang, with Mn 37% RSA FOB averaging US$2.91/dmtu in the 2H to date vs the US$2.82/dmtu of the interim. Spot is at US$3.01/dmtu, around a nine-month high.
- **Yield attractive, but market may impatient for growth.** While the share price floor is supported by double-digit yield, we surmise the market is waiting for growth initiatives to be delivered before any significant re-rating of the stock, especially given lacklustre Mn price. Tshipi and Kalahari consolidation, and downstream HPMSM – for which the scoping study is yet to be released – are potentially such catalysts.

Earnings and Valuation:

- **We forecast JMS adj. NPAT for FY24e and FY25e of A$45M and A$87M**, vs A$44M and A$82M previously, on slightly lower operating costs.
- **Our JMS valuation $0.57 (1.0x NPV$_{10}$ nominal) is unchanged,** with revised higher capex offsetting lower costs.
- **Spot scenario yields $0.35/share.** Running spot prices (Mn 37% RSA FOB US$3.01/dmtu, A$=US$0.66, and Rand 18.69), using only JORC Reserves, and no expansion or downstream in our model, yields NPV$_{10}$ nominal of $0.35/share**.**
- **On 10% yield.** We forecast 0.7c dividend in 2H, assuming Tshipi pays 70% of its 2H profit and JMS pays 70% of its Tshipi distribution. This would result in a 10% yield for FY24e.

Recommendation:

- **We maintain our Buy and 12-month price target of $0.57 based on 1.0x NPV.** Share price catalysts include: Lower freight rates; Gaining control of Tshipi; HPMSM scoping study; Tshipi expansion; and Kalahari M&A activity.

Disclosures

The analyst owns 582,276 JMS shares.
Foster Stockbroking and other staff own 7,376,285 shares. Cranport Pty Ltd owns 11,711,960 JMS shares.
Refer details end of report.

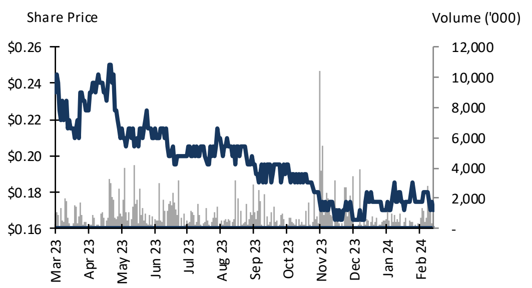
Recommendation	**Buy**
Previous	Buy
Risk	High
Price Target	**$0.57**
Previous	$0.57
Share price (A$)	**$ 0.170**
ASX code	JMS
52 week low-high	0.165-0.255
JMS Valuation (A$/share)	**$0.57**
Methodology	NPV
JMS Capital structure	
Ordinary shares (M)	1,959
Options (M)	1
Market cap (A$M)	333
Net cash (debt) attributable (A$M)	73
EV (A$M)	260
Ave daily volume ('000)	945

Y/e Jun A$M	FY23e	FY24e	FY25e	FY26e
Sales adj*#	393	309	359	355
EBITDA adj.*	136	85	143	141
NPAT reported	76	43	87	86
NPAT adj*	**87**	**45**	**87**	**86**
EPS adj. c*	**4.4**	**2.3**	**4.4**	**4.4**
P/E x	**3.6**	**7.4**	**3.8**	**3.9**
EV/EBITDA x	2.0	3.6	2.0	2.0
DPS c	**2.2**	**1.7**	**2.2**	**2.2**
Yield %	**12.9%**	**10.0%**	**12.8%**	**12.7%**

** Adj =underlying inlcuding 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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