



Jupiter Mines Ltd (JMS.ASX)

Manganese price retracement an opportunity

Event:

- 4QFY24 report; HPMSM review.

Investment Highlights:

- Strong shipments take advantage of manganese (Mn) price rally.** 4QFY24 Tshipi sales and production both came in at 3.5Mt, above our estimates of 3.4Mt. Production in the quarter was 1.1Mt – highest for the year.
- Earnings a beat also.** 4QFY24 Tshipi EBITDA and NPAT were \$60M and \$39M, well above the \$5M and \$10M of the 3Q, reflecting both higher Mn price and higher sale volumes, and topped our own estimates of \$55M and \$38M. Tshipi's 4Q profit represented almost 50% of that of the full year.
- RSA royalty increases costs.** C1 FOB costs were higher at US\$2.50/dmtu vs US\$2.21/dmtu of the 3Q, due to Tshipi's higher profit (RSA royalties are not just a percentage of revenue but also of EBIT). Our forecast was US\$2.35/dmtu.
- Mn price pullback likely temporary – port stocks still low.** Mn RSA FOB 37% price has fallen 35% over the past seven weeks, currently US\$3.62/dmtu vs US\$5.55/dmtu at June peak. It has been impacted by rising RSA shipments (e.g. Tshipi and South32's Matawan), subdued China steel demand, and rush by steelmakers to secure supply post-Groote Eylandt shutdown. However, China port stocks are only 4.8Mt - down from 5.1Mt a month ago - and a four and half-year low. We expect steelmakers will have to restock sometime in near-term.
- New volumes can't meet loss of Groote Eylandt.** While supply has increased mostly from RSA and Ghana, the additional volumes may potentially max out ca. 2Mtpa, still below that lost to Groote Eylandt (>5Mtpa).
- Attributable cash only \$60M but expect 1QFY25 working capital reversal.** Cash rose only modestly from \$55M end 3QFY24 due to Tshipi working capital build in inventory and receivables totalling \$26M (JMS share \$13M). However, we anticipate a degree of reversal in 1QFY25.
- High purity manganese sulfate (HPMSM) - JMS best positioned of developers.** Most western peers either do not have a Mn mine or completed studies on HPMSM, leaving JMS in our opinion at the forefront to become major source of non-China HPMSM.

Earnings and Valuation:

- Slight change- we forecast JMS adj. FY24e NPAT of \$42M (prior \$41M), while FY25e unchanged (\$129M).** Our JMS valuation increases to \$0.65 (0.5x NPV₁₀ nominal), mostly accounting for the potential of the HPMSM opportunity.
- Spot scenario yields \$0.58/share.** Running spot prices (Mn 37% RSA FOB US\$3.62/dmtu, A\$=US\$0.65, and Rand 18.28) yields NPV₁₀ nominal of \$0.58/share.

Recommendation:

- We maintain our Buy and raise our 12-month price target to \$0.65 from \$0.62 based on risked valuation.** Share price catalysts include: Control of Tshipi; HPMSM PFS; Tshipi expansion; Kalahari consolidation; and M&A activity.

Disclosures

The analyst owns 582,276 JMS shares.

Foster Stockbroking, staff, and Cranport own 1.0% of JMS shares on issue. Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$0.65
Previous	\$0.62
Share price (A\$)	\$ 0.240
ASX code	JMS
52 week low-high	0.165-0.41
JMS Valuation (A\$/share)	\$0.65
Methodology	NPV
JMS Capital structure	
Ordinary shares (M)	1,961
Rights (M)	2
Options (M)	1
Market cap (A\$M)	471
Net cash (debt) attributable (A\$M)	60
EV diluted (A\$M)	411
Ave daily volume ('000)	4,598

Y/e Jun A\$M	FY23e	FY24e	FY25e	FY26e
Sales adj*#	408	341	462	410
EBITDA adj.*	133	63	192	161
NPAT reported	92	39	129	109
NPAT adj*	92	42	129	109
EPS adj. c*	4.7	2.1	6.6	5.6
P/E x	5.1	11.3	3.6	4.3
EV/EBITDA x	4.1	6.5	2.1	2.5
DPS c	2.2	1.6	3.3	2.8
Yield %	9.2%	6.7%	13.6%	11.5%

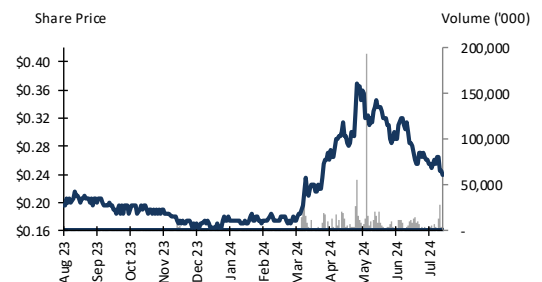
* Adj =underlying including attributable share of Tshipi

#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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