



Jupiter Mines Ltd (JMS.ASX)

4Q weak on prices, 3.3-3.5Mt sales guided for FY22e

Event:

- 4QFY21 report and conference call; Earnings, valuation, & PT change.

Investment Highlights:

- Tshipi 4Q NPAT of \$26M was below our estimate of \$36M and that of the 3Q, chiefly on lower Mn prices than we had forecast.** Realised RSA CIF and FOB 37% Mn US\$/dmu prices of \$3.93 and \$3.57 were 8% below our forecast of \$4.27 and \$3.89.
- FOB costs of US\$2.24/dmtu were higher than our forecast of US\$2.08/dmtu and US\$1.88/dmtu of the 3Q.** Besides a stronger Rand, disruption from heavy rainfall for several weeks impacted mining, although Tshipi fared better than Kalahari peers (UMK, S32, Assmang) by avoiding force majeure. JMS noted that these issues have now abated.
- Despite the impediments, shipments of 1.05Mt were greater than our forecast 0.83Mt.** Low grade product made up for high grade shortfall, and brought total year sales to 3.4Mt, enabling JMS to beat prior target of 3.1Mt.
- JMS targeting Tshipi sales of 3.3Mt to 3.5Mt in FY22e.** The lower end of the target is in-line with our FY22e forecast, suggesting upside risk. JMS guidance is comprised of 3Mt high grade and the balance low grade. Logistics channels are 2.1-2.4Mt through Transnet's MECA, 0.72Mt via Lüderitz port, and 0.5Mt on road.
- Expansion study completed, FID deferred.** The company stated that Tshipi concluded its feasibility study on the 4.5Mtpa expansion case. Tshipi has deferred FID until it first achieves material moment of 50k bcm/day over a rolling 3-month period, the rainfall disruption writing off the 4Q. No details on study results were disclosed, JMS citing expectations are in-line with prior guidance (3-year ramp up to 4.5Mtpa, ZAR1.02b capex).
- We raise final dividend forecast to 2.0cps, attributable cash now \$88M.** JMS finished the quarter with \$88M cash attributable comprising \$66M on its balance and 49.9% share of Tshipi's cash (\$22M). Given better cash position and 2H performance, we raise our final dividend forecast to 2.0cps from 1.5cps, with risk to upside.
- Iron ore demerger targeted for May 2021.** JMS recently approved the demerger of its Central Yilgarn Iron Ore Projects into a new company Juno Minerals Ltd, via an in-specie distribution an IPO, currently targeted for end May 2021.

Earnings and Valuation:

- We downgrade FY21e adj. NPAT by -7% to \$68M on the weaker 4Q, while upgrading FY22e NPAT 2% to \$64M on slightly lower costs.**
- Our NPV₁₀ of \$0.57/share valuation increases from \$0.56, with minor cost reductions from FY22e onwards offsetting downgrade to FY21e earnings.**

Recommendation:

- We maintain our Buy recommendation and increase our 12-month price target of \$0.57 (prior \$0.56) based on our 1.0x Price/NPV.**
- Catalysts for share price:** 1) Final dividend 2) Expansion FID; 3) Expansion ramp-up; 4) Corporate activity; 5) Iron ore demerger.

Disclosures

The analyst owns 476,276 JMS shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 8,647,061 JMS shares. Cranport Pty Ltd owns 5,104,461 JMS shares. Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.57			
Previous	\$0.56			
Share price (A\$)	\$ 0.325			
ASX code	JMS			
52 week low-high	0.20-0.375			
JMS Valuation (A\$/share)	\$ 0.57			
Methodology	NPV			
JMS Capital structure				
Shares on Issue (M)	1,959			
Market cap (A\$M)	637			
Net cash (debt) attributable (A\$M)	88			
EV (A\$M)	549			
Ave daily volume ('000)	3,973			
Earnings Y/e Feb A\$M				
	FY20a	FY21e	FY22e	FY23e
Sales adj*#	411	312	330	335
EBITDA adj.*	145	100	101	95
NPAT reported	95	62	64	66
NPAT adj*	98	68	64	66
EPS adj. c*	5.0	3.5	3.3	3.4
PE x	6.5	9.4	9.9	9.6
EV/EBITDA x	3.8	5.5	5.4	5.8
DPS c	4.8	3.0	2.7	2.8
Yield %	15%	9%	8%	9%

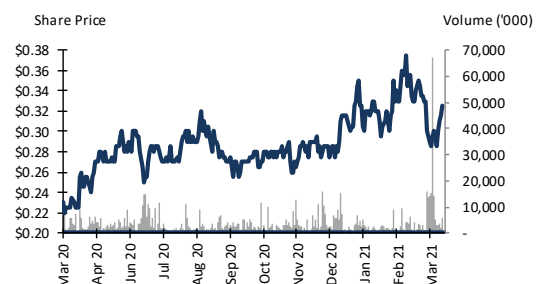
* Adj = underlying including attributable share of Tshipi

#CIF basis

JMS Board

Brian Gilbertson	Non-Executive Chairman
Priyank Thapliyal	CEO and Executive Director
Hans Mende	Non-Executive Director
Paul Murray	Non-Executive Director
Andrew Bell	Non-Executive Director
Yeongjin Heo	Non-Executive Director

Share price graph



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Jupiter Mines Ltd

Full Year End February

Profit and Loss A\$M	2020a	2021e	2022e	2023e
Sales adj.*	411	312	330	335
Other revenue	1	1	1	1
Operating Costs adj.*	267	213	230	241
EBITDA adj.	145	100	101	95
D&A adj.	14	10	15	5
EBIT adj.	131	90	86	90
Net Interest exp / (income) adj.	-9	-7	-5	-4
Profit before tax adj	141	97	92	94
Tax exp / (benefit) adj	42	29	27	28
NPAT adj.	98	68	64	66
Non-recurring gain/(loss)	-3	-6	0	0
NPAT reported	95	62	64	66

EPS diluted adj. (c)	5.0	3.5	3.3	3.4
DPS (c)	4.8	3.0	2.7	2.8

All figures shown include JMS attributable share of Tshipi.

*Includes realisation costs

Cashflow A\$M	2020e	2021e	2022e	2023e
EBITDA adj.	145	100	101	95
Equity accounting	-141	-96	-96	-89
Change in WC	-35	-4	-8	0
Tax paid	-1	-2	-1	-1
Net interest	1	0	1	0
Other	31	4	0	0
Operating Cashflow	0	2	-2	5

PPE	0	0	0	0
Exploration	-1	-2	-2	-2
Dividends received	84	74	25	52
Investments	0	0	0	0
Investing Cashflow	83	73	23	50

Equity issue	0	0	0	0
Loan repayment	0	0	0	0
Debt repayments/proceeds	0	0	0	0
Share buyback	0	0	0	0
Dividends paid	-127	-34	-66	-53
Financing Cashflow	-127	-34	-66	-53

Net Cashflow	-45	40	-45	2
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Balance Sheet A\$M	2020e	2021e	2022e	2023e
Cash	29	66	21	23
Receivables	40	35	42	43
PPE	0	0	0	0
Capitalised exploration	12	12	12	12
Investments	438	430	466	478
Other	1	1	1	1
Total Assets	520	545	544	558

Accounts payable	133	38	32	32
Provisions	0	0	20	19
Debt	0	0	0	0
Other	51	57	39	40
Total Liabilities	184	94	91	92

Reserves and capital	410	411	411	411
Retained earnings	16	43	41	54
Total Equity	426	454	452	465

Capital structure	
Ordinary shares	1,959
Fully diluted equity	1,959

Half year splits	1H	2H	1H	2H
	FY20a	FY20a	FY21e	FY21e
Mn 37% RSA, FOB, US\$/dmu	4.94	3.39	4.21	3.46
Total Mn ore shipments Mt	1.7	1.7	1.2	2.2
Sales adj.*	231	169	130	175
EBITDA adj.	106	39	51	49
NPAT adj.	75	24	36	32

All figures shown include JMS attributable share of Tshipi.

*Includes realisation

Financial Metrics	2020a	2021e	2022e	2023e
EPS growth %	-48%	-31%	-6%	3%
Gearing (ND/ND+E)	-7%	-17%	-5%	-5%
Interest Cover (EBIT/net int)	nm	nm	nm	m
Average ROE %	24%	15%	14%	14%
Average ROA %	24%	17%	16%	16%

Earnings multiples	2020a	2021e	2022e	2023e
P/E x	6.3	9.1	9.7	9.4
EV/EBITDA x	3.7	5.3	5.3	5.7
Dividend Yield %	15%	10%	8%	9%

Company Valuation	A\$M	A\$/share
Segment		
Tshipi (49.9%)	775	\$ 0.40
Expansion case (discounted by 75%)	172	\$ 0.09
Marketing	72	\$ 0.04
Iron Ore	32	\$ 0.02
Corporate	-27	-\$ 0.01
Net cash - Tshipi attributable	22	\$ 0.01
Net cash - JMS consolidated	66	\$ 0.03
Equity	1,113	\$ 0.57

Tshipi - Assumptions	2020e	2021e	2022e	2023e
Mn 44% China, CIF, US\$/dmu	5.63	5.00	4.69	4.82
Mn 37% RSA, FOB, US\$/dmu	4.16	3.83	3.89	4.02
Tshipi Mn realised, CIF, US\$/dmu	4.66	3.75	4.08	4.20
A\$:US\$	0.69	0.71	0.74	0.75
Rand:US\$	14.60	16.48	15.91	14.98

Mn ore production Mt	3.41	3.35	3.30	3.30
Mn ore shipments Mt	3.41	3.42	3.30	3.30
Cash costs US\$/dmu hi grade, FOB	2.05	2.00	2.06	2.22
Cash costs US\$/dmu total product, CIF	3.01	2.58	2.86	3.06

JORC Resources and Reserves Mn	Ore Mt	Mn grade %
Tshipi		
Total Reserves	94	36.5%
Measured	92	34.2%
Indicated	112	33.7%
Inferred	227	32.5%
Total Resource	432	33.2%

Mt Ida & Mt Mason	Ore Mt	Fe grade %
Total Resource	1,852	36.8%

Major shareholders	%
Stichting Pensioenfonds ABP	14.8%
Hans J Mende	12.9%
Fritz R Kundrun	12.3%
AMCI Euro Holdings BV	7.4%
POSCO Australia GP Pty Ltd	6.9%
Safika Resources	5.5%

Source: Foster Stockbroking estimates.

**TSHIPI 4QFY21 RESULT****Lower NPAT on Mn price impact**

- JMS's 4Q report showed Tshipi NPAT of \$26M, well below our estimate of \$36M (which also happened to be Tshipi's 3Q NPAT). The difference was mostly due to Mn prices being weaker than we had expected in the 4Q, with realised RSA CIF and FOB 37% Mn US\$/dmu prices of \$3.93 and \$3.57 being 8% below our estimates of \$4.27 and \$3.89.
- Higher FOB costs of US\$2.24/dmtu vs our forecast of US\$2.08/dmtu and the \$1.88/dmtu achieved in the 3Q also contributed to lower earnings. Besides the impact of a stronger Rand vs US\$, fleet mobilisation and heavy rainfall impacted mining cost. However Tshipi managed to avoid force majeure that fell upon Kalahari peers (S32, Assmang, UMK) Costs were also higher on a Rand basis as well (US\$33.44 vs US\$30.56 in the prior quarter). JMS noted that rainfall issues have now abated.
- Despite the impediments, shipments of 1.05Mt in the 4Q were better than our forecast of 0.83Mt, the company increasing its low-grade production to make up high grade shortfall and exploit buoyant market conditions. This brought total shipments for the year to 3.4Mt, enabling JMS to beat its prior target of 3.1Mt.
- Tshipi ended the quarter with A\$44M cash vs our estimate of A\$123M, the reason being timing: Tshipi had paid its declared ZAR1.1b (A\$94M) dividend by end of the quarter, whereas we had been expecting payment in 1QFY22.

Figure 1: Tshipi 4Q Performance (100%)

Metric	Unit	4QFY21	3QFY21	FSBe 4QFY21	Diff vs FSBe	Diff vs pcp
Production	Mt	0.89	0.93	0.83	8%	-4%
Shipments	Mt	1.05	1.15	0.83	27%	-9%
Mn RSA 37% FOB	US\$/dmu	3.57	3.34	3.89	-8%	7%
Mn China 37%, CIF	US\$/dmu	3.93	4.07	4.27	-8%	-3%
A\$:US\$		0.77	0.72	0.73	5%	7%
ZAR:US\$		14.92	16.23	16.03	-7%	-8%
Cash costs high-grade fob	US\$/dmu	2.24	1.88	2.08	8%	19%
	ZAR/dmtu	33.44	30.56	33.3	0%	9%
Sales	A\$M	131	157	163	-20%	-17%
EBITDA*	A\$M	41	51	65	-37%	-20%
NPAT	A\$M	26	36	36	-28%	-28%
Operating cash flow	A\$M	22	42	38	-42%	-48%
Cash	A\$M	44	123	162	-73%	-64%

*EBITDA excludes royalty.

Source: Company; Foster Stockbroking estimates.



JMS 4QFY21

Marketing result in-line, Juno IPO targeted for May

- JMS's Marketing division NPAT of \$1.6M for the 4Q was as per our estimate. The company also recently approved the demerger of its Central Yilgarn Iron Ore Projects into a new company Juno Minerals Ltd, via an in-specie distribution an IPO, currently targeted for end May 2021.

4.5Mtpa expansion study concluded but FID deferred

- JMS stated on its conference call that Tshipi had concluded its feasibility study on an expansion case of 4.5Mtpa. While still keen on the expansion, the company stated it had deferred considering a decision to commit to the expansion, with a desire to first see Tshipi achieve consistent material movement of 50kt bcm/day over a rolling three-month rolling period. While JMS did not disclose results of the study, it mentioned they were in-line with those previously disclosed (ZAR1.025b capex, 3-year ramp up).

JMS attributable cash \$87.6M, we raise our final dividend forecast to 2.0cps

- JMS finished the quarter with attributable cash of A\$87.6M, comprising A\$65.6M on its balance sheet (post receipt of the Tshipi dividend) and its 49.9% of Tshipi balance sheet cash (\$22.0M).
- Given the higher than expected Tshipi dividend, we now expect JMS to declare a final dividend of 2.0cps (previously 1.5cps), which would leave the company with consolidated cash of \$28M post payment to shareholders.

EARNINGS FORECASTS

- We reduce our forecast NPAT adj. by -7% to \$68M in FY21e due to the weaker 4Q than expected, while our that for FY22e is slightly revised up 2% to \$64M on lower costs.

Guidance of 3.3-3.5Mt sales in FY22e

- The company guided for 3.3Mt-3.5Mt sales in FY22e, with the lower end of the range being in-line with our current forecast. JMS stated sales would comprise 3.0Mt of high-grade product, with the balance low grade. In terms of logistics, 2.1-2.4Mt is targeted to be shipped via Transnet's MECA and 0.72Mt via Lüderitz, bringing total on rail to 2.8-3.1Mt, with approximately 0.5Mt to be shipped via road.



Figure 2: JMS Earnings Forecasts A\$M

Y/e February	FY21e new	old	chn ^g	FY22e new	old	chn ^g
Commodity assumptions:						
Mn 37% RSA fob, US\$/dm ^t u	3.83	3.91	-2%	3.89	3.89	0%
Mn 37% China cif, US\$/dm ^t u	4.33	4.31	1%	4.27	4.27	0%
A\$:US\$	0.71	0.70	1%	0.74	0.74	0%
ZAR:US\$	16.48	16.75	-2%	15.91	15.91	0%
Shipments, Mt	3.42	3.19	7%	3.30	3.30	0%
FOB costs, US\$/dm ^t u, HG product [^]	2.00	1.96	2%	2.06	2.06	-1%
JMS Profit & Loss \$M						
Tshipi attrib.	305	307	-1%	320	320	0%
Marketing	8	8	0%	10	10	0%
Sales adj.	312	315	-3%	330	330	0%
Other	1	1	0%	1	1	0%
Total revenue adj.	313	316	-1%	330	330	0%
Tshipi attrib.	208	205	2%	225	227	-1%
Marketing	1	1	0%	1	1	0%
Corporate	4	4	0%	4	4	-1%
Cash costs adj.*	213	210	1%	230	232	-1%
Tshipi attrib.	96	103	-7%	96	94	2%
Marketing	7	7	0%	9	9	-1%
Corporate	-3	-3	0%	-3	-3	12%
EBITDA adj.	100	106	-6%	101	99	2%
D&A adj.	10	10	0%	15	15	-1%
EBIT adj.	90	97	-7%	86	84	3%
Net interest	-7	-7	0%	-5	-6	-13%
PBT adj.	97	104	-6%	92	90	2%
Tax adj.	29	31	-6%	27	27	2%
Tshipi attrib.	67	72	-7%	61	61	0%
Marketing	5	5	0%	6	6	0%
Corporate	-4	-4	0%	-3	-4	-18%
NPAT adj.	68	73	-8%	64	63	2%
non-recurring items	-6	-6	0%	0	0	0%
NPAT reported	62	67	-8%	64	63	2%

*Tshipi sales and costs include realisation. ^HG= high grade product.

Adj = underlying estimate. Source: Foster Stockbroking estimates.

**VALUATION****\$0.57/share (previously \$0.56)**

- Our NPV₁₀ share JMS valuation increases to \$0.57 from \$0.56, due to minor cost reduction in FY22e onwards, offsetting our downgrade to FY21e.

Figure 5: JMS Valuation

Segment	A\$M	A\$/share
Tshipi (49.9%)	775	\$0.40
Expansion case (discounted by 50%)	172	\$0.09
Marketing	72	\$0.04
Iron Ore (0.5x NPV)	32	\$0.02
Corporate	-27	-\$0.01
Net cash - Tshipi attributable	22	\$0.01
Net cash - JMS consolidated	66	\$0.03
Equity	1,113	\$0.57
Shares M	1,959	

Source: Foster Stockbroking estimates. NPV₁₀ employed for all segments.

RECOMMENDATION – MAINTAIN BUY, 12-MONTH PT RAISED TO \$0.57

- We maintain our Buy recommendation, increasing our 12-month share price target to \$0.57, based on 1.0x Price/NPV, up from \$0.56.
- We expect catalysts for the share price to be higher Mn prices, positive mine performance, corporate activity, costs reductions, iron ore demerger, and commencement of mine expansion.



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For an overview of the research criteria and methodology adopted by Foster Stockbroking; the spread of research ratings; and disclosure of the cessation of particular stock coverage, refer to our website <http://www.fostock.com.au>.

Specific disclosure: The analyst owns 476,276 JMS securities at the time of this report. Diligent care has been taken care by the analyst to maintain honesty and fairness in writing the report and making the recommendation.

Specific disclosures: As of close of business 30 March 2021, Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) owned 8,647,061 JMS shares and Cranport Pty Ltd owned 5,104,461 JMS shares. The position may change at any time and without notice, including on the day that this report has been released. Foster Stockbroking and its employees may from time to time own shares in JMS, and trade them in ways different from those discussed in research. Foster Stockbroking may also make a market in securities of JMS, including buying and selling securities on behalf of clients.

Review disclosure: The report was authored by the analyst named on the front page of the report and was reviewed and checked by Keith Quinn, Compliance.

Disclosure review. All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance.