

Jupiter Mines Ltd

(JMS \$0.32) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	23 rd April 2021	\$0.40/sh ▼ from \$0.47/sh

Jupiter Mines Ltd	Year End 30 June	
Share Price	0.32	A\$/sh
Price Target	0.40	A\$/sh
Valuation (DCF)	0.35	A\$/sh
WACC	10.0%	
Terminal Growth	n/a	
Shares on issue	1,959 m,	diluted
Market Capitalisation	631.8	A\$m
Enterprise Value	571.2	A\$m
Cash (28 Feb 21p)	60.6	A\$m
Debt (28 Feb 21p)	-	A\$m

2cps final DPS. We expect FY22 DPS of 2.5cps

Investment case

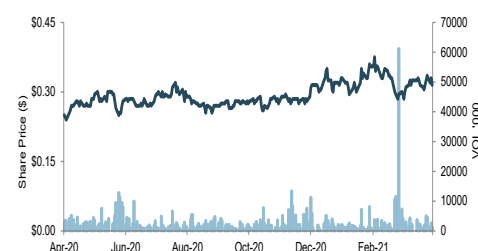
JMS is a low cost manganese producer with a long track record of distributing cash to shareholders and minimising capex. Even on current manganese prices it can distribute a solid dividend yield, but if prices spoke the dividends will increase quickly. Over the past five years, there have been three big price spikes in the manganese ore price. It appears we are currently in a price trough. Given how regularly that price spikes seem to appear, could another one be due reasonably soon? The largest half yearly dividend was 5cps in September 2018 and the smallest was 0.75cps in May 2020.

Key points

- JMS declared a final DPS of 2cps, unfranked, as expected;
- The company also released financial results, although unaudited results had already been released;
- We have updated our model. We have increased costs, assumed an appreciating Rand and modestly lowered production. This has resulted in a lower DPS estimate for FY22 (to 2.5cps);
- We believe our estimate has the potential to be increased over time, but for now we are happy to be conservative, especially as current manganese prices are soft;
- On spot prices, we estimate FY22 DPS of 1.5cps;
- Given the strong price of steel and increasing interest in battery metals, plus the weak commodity price making expansions of new mines difficult, we would hope to see increasing manganese prices through FY22;
- We retain our Buy on JMS. The attraction of JMS is that it has very low costs, and distributes cashflow to shareholders. Hence, shareholders are protected from dilution in weak price environments, but benefit from increases;

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	304.5	311.4	352.2
EBITDA (A\$m)	85.0	92.8	118.7
Reported NPAT (A\$m)	67.8	nm	nm
Normalised NPAT (A\$m)	73.2	59.6	78.2
Operating Cashflow (A\$m)	73.4	52.2	56.2
Capex (A\$m)*	-0.2	-28.5	-28.5
Op. Free Cashflow (A\$m)	73.2	23.7	27.7
Revenue Growth (%)	-19%	2%	13%
EBITDA Growth (%)	-37%	9%	28%
Norm. NPAT Growth (%)	-26%	-19%	31%
Normalised EPS (Ac)	3.7	3.0	4.0
Norm. EPS growth (%)	-26%	-19%	31%
PER (x)	8.6	10.5	8.0
EV:EBITDA (x)	6.7	6.2	4.8
DPS (Ac)	3.0	2.5	2.5
Dividend Yield (%)	9.4%	7.8%	7.8%
Net Debt (A\$m)	-60.6	-49.2	-56.4
Net Debt:Equity (%)	nm	nm	nm
Interest Cover (x)	nm	nm	nm

Share Price Chart



Jupiter Mines Ltd

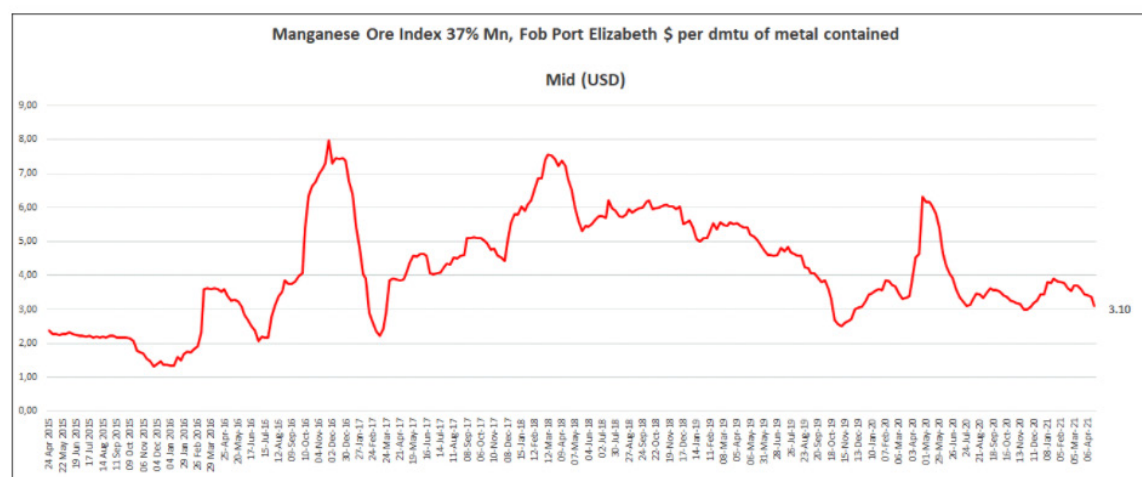
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Analysis

We have made earnings changes, as per below.

Tshipi (49.9%)	Unit	29 Feb 20 actual	28 Feb 21			28 Feb 22			28 Feb 23		
			Old	New	% chg	Old	New	% chg	Old	New	% chg
Production (100%)	Mtpa	3.4	3.1	3.4	8.0%	3.2	3.1	-2.1%	3.4	3.4	0.0%
Sales (100%)		3.4	2.8	3.4	22.5%	3.2	3.1		3.4	3.4	0.0%
Received Price	US\$/dmu	4.1	3.8	3.5	-7.3%	4.1	4.0	-2.5%	4.2	4.1	-1.8%
AUD	US\$/A\$	0.67	0.73	0.73	0.0%	0.76	0.76	0.0%	0.74	0.74	0.0%
ZAR	Rand/US\$	15.3	16.5	16.5	0.0%	15.0	15.0	0.0%	15.4	15.4	0.0%
Tshipi Revenue (49.9%)	A\$m	376.4	268.0	304.5	13.6%	317.9	303.4	-4.6%	352.2	345.7	-1.8%
	ZARm	3870.5	3219.2	3656.9	13.6%	3600.6	3436.4	-4.6%	4027.7	3953.9	-1.8%
Tshipi Cash Costs (49.9%)	A\$m	-241.2	-182.4	-219.5	20.3%	-204.5	-218.1	6.7%	-217.4	-233.1	7.2%
	ZARm	-2480.2	-2190.8	-2636.0	20.3%	-2315.9	-2470.5	6.7%	-2485.9	-2665.8	7.2%
	ZAR/t	-1461.9	-1573.8	-1545.7	-1.8%	-1457.2	-1588.5	9.0%	-1450.2	-1555.1	7.2%
Tshipi EBITDA (49.9%)	A\$m	135.2	85.6	85.0	-0.7%	113.4	85.3	-24.8%	134.8	112.6	-16.4%
- margin		36%	32%	28%	-12.6%	36%	28%	-21.2%	38%	33%	-14.9%
Tshipi, 100%, EBITDA	A\$m	271.0	171.6	170.3	-0.7%	227.3	170.9	-24.8%	270.2	225.7	-16.4%
Tshipi, 100%, Cash dist	A\$m	201.9	120.2	119.4	-0.7%	145.9	108.1	-25.9%	147.6	122.2	-17.2%
% of EBITDA		75%	70%	70%	0.0%	64%	63%	-1.5%	55%	54%	-0.9%
Tshipi, 100%, Cash dist	ZARm	2,077	1,444	1,434	-0.7%	1,652	1,224	-25.9%	1,688	1,398	-17.2%
Tshipi, 100%, EBITDA	ZARm	2786.3	2061.0	2045.9	-0.7%	2574.5	1935.8	-24.8%	3089.8	2581.5	-16.4%
Tshipi, 100%, EBITDA	US\$	182.4	124.6	123.7	-0.7%	171.6	129.1	-24.8%	200.6	167.6	-16.4%
Tshipi NPAT (49.9%)	A\$m	98.8	54.5	73.2	34.3%	74.5	54.2	-27.2%	89.9	73.9	-17.8%
payout		102%	110%	82%	-26.1%	98%	100%	1.8%	82%	83%	0.7%
DPS		0.0475	0.030	0.030	0.0%	0.030	0.025	-16.7%	0.030	0.025	-16.7%

Week commencing 19/04/2021 - US\$3.10 (Last week - US\$3.35)



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Price Target

We have lowered our price target to 40cps (from 47cps previously), given the weak spot manganese price.

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case valuation	50%	\$0.35	\$0.39
NPV spot valuation	15%	\$0.13	\$0.17
NPV no 4.5mtpa expansion (base case prices)	3%	\$0.30	\$0.33
NPV no 4.5mtpa expansion (spot case prices)	1%	\$0.11	\$0.15
4x EV/EBITDA	24%	\$0.44	\$0.55
10x EV/EBITDA	1%	\$1.02	\$1.28
Dividend yield 6.0% base case	5%	\$0.54	\$0.42
Dividend yield 6.0% spot prices	1%	\$0.25	\$0.25
Risk weighted composite		\$0.35	
12 Months Price Target		\$0.40	
Shareprice - Last		\$0.3200	
12 mth total return		34%	

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Key Variables

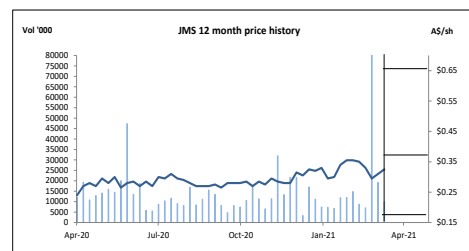
Val/sh		Manganese Ore (44%, CFR China)						
\$0.35		-15%	-10%	-5%	0%	5%	10%	15%
USDAUD	-15%	\$0.17	\$0.26	\$0.34	\$0.43	\$0.52	\$0.61	\$0.69
	-10%	\$0.15	\$0.24	\$0.32	\$0.40	\$0.48	\$0.57	\$0.65
	-5%	\$0.14	\$0.22	\$0.29	\$0.37	\$0.45	\$0.53	\$0.61
	0%	\$0.13	\$0.20	\$0.27	\$0.35	\$0.42	\$0.50	\$0.57
	5%	\$0.11	\$0.18	\$0.26	\$0.33	\$0.40	\$0.47	\$0.54
	10%	\$0.10	\$0.17	\$0.24	\$0.31	\$0.37	\$0.44	\$0.51
	15%	\$0.09	\$0.16	\$0.22	\$0.29	\$0.35	\$0.42	\$0.48

Val/sh		Manganese Ore (44%, CFR China)						
\$0.35		-15%	-10%	-5%	0%	5%	10%	15%
ZARUSD	-15%	\$0.00	\$0.08	\$0.15	\$0.22	\$0.30	\$0.37	\$0.45
	-10%	\$0.05	\$0.12	\$0.20	\$0.27	\$0.34	\$0.42	\$0.49
	-5%	\$0.09	\$0.16	\$0.24	\$0.31	\$0.39	\$0.46	\$0.53
	0%	\$0.13	\$0.20	\$0.27	\$0.35	\$0.42	\$0.50	\$0.57
	5%	\$0.16	\$0.23	\$0.31	\$0.38	\$0.46	\$0.53	\$0.60
	10%	\$0.19	\$0.26	\$0.34	\$0.41	\$0.49	\$0.56	\$0.63
	15%	\$0.22	\$0.29	\$0.36	\$0.44	\$0.51	\$0.59	\$0.66

Val/sh		USDAUD						
\$0.35		-15%	-10%	-5%	0%	5%	10%	15%
ZARUSD	-15%	\$0.29	\$0.26	\$0.24	\$0.22	\$0.21	\$0.19	\$0.18
	-10%	\$0.34	\$0.31	\$0.29	\$0.27	\$0.25	\$0.23	\$0.22
	-5%	\$0.39	\$0.36	\$0.33	\$0.31	\$0.29	\$0.27	\$0.25
	0%	\$0.43	\$0.40	\$0.37	\$0.35	\$0.33	\$0.31	\$0.29
	5%	\$0.47	\$0.44	\$0.41	\$0.38	\$0.36	\$0.34	\$0.32
	10%	\$0.51	\$0.47	\$0.44	\$0.41	\$0.39	\$0.36	\$0.34
	15%	\$0.54	\$0.50	\$0.47	\$0.44	\$0.41	\$0.39	\$0.37

Euroz Forecast	FY'21	FY'22	FY'23	FY'24
Manganese: 44% benchmark cfr	4.42	4.58	4.69	4.76
AUDUSD	0.73	0.76	0.74	0.74
USDZAR	16.54	15.00	15.40	16.15

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.35/sh
Target Price - \$0.40/sh

Bull Scenario - \$0.65/sh
Trades on premium to NAV given the very long mine life and interest in manganese.

Base Scenario - \$0.35/sh
Trades on base case DCF.

Bear Scenario - \$0.15/sh
Trades on spot prices DCF.

Company Summary

Manganese producer in Sth Africa (via 49.9% interest in Tshipi mine). Long mine life, low cost and highly incentivised management for shareholder friendly capital management. Risks are Sth Africa sovereign risk & manganese price volatility.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz.

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Financial Statements	2020A	2021A	2022F	2023F	Performance Ratios	2020A	2021A	2022F	2023F
Cash	29	61	44	48	Growth & Margins				
Other Current Assets	40	64	46	46	Revenue Growth	-24%	-19%	0%	14%
Total Current Assets	70	124	91	95	EBITDA Growth	-48%	-37%	0%	32%
Property, Plant & Equip.	0	0	0	0	EBIT Growth	-32%	-22%	1%	16%
Exploration	12	0	0	0	Reported NPAT Growth	-33%	-29%	nm	nm
Investments/other	439	432	432	432	Normalized Net Profit Growth	-48%	-26%	-26%	36%
Tot Non-Curr. Assets	450	432	432	432	EBITDA margin	35.9%	27.9%	28.1%	32.6%
Total Assets	520	556	522	526	Normalized net profit margin	26.2%	24.0%	17.9%	21.4%
Short Term Borrowings	0	0	0	0	Effective tax rate			28%	28%
Other	38	43	43	43	Liquidity				
Total Curr. Liabilities	38	43	43	43	Capex/depreciation (x)	nm	nm	nm	nm
Long Term Borrowings	0	0	0	0	Current ratio (x)	1.8	2.9	2.1	2.2
Other	56	54	54	54	Quick ratio (x)	1.8	2.5	2.1	2.2
Total Non-Curr. Liabil.	56	54	54	54	Receivable days	nm	nm	nm	nm
Total Liabilities	94	97	97	97	Payable days	nm	nm	nm	nm
Net Assets	426	459	426	430	Risk Measures				
Net Debt (net cash)	-29	-61	-44	-48	Payout ratio (%)	94.2%	80.3%	90.3%	66.3%
					Net interest cover (x)	nm	nm	nm	nm
					Net debt/equity (%)	nm	nm	nm	nm
Cash flow (A\$m)	2020A	2021A	2022F	2023F	Returns				
Operating Cashflow	85	75	50	57	ROIC (pre-tax)	35.6%	21.4%	20.9%	28.4%
Income Tax Paid	-3	-2	-3	-4	Return on Assets	17.1%	12.6%	10.1%	14.1%
Interest & Other	1	0	0	0	Return on Equity	22.8%	15.3%	12.3%	17.3%
Operating Activities	83	73	47	53	Implied Asset Life (PPE/Depr.)	nm	nm	nm	nm
Property, Plant & Equip.	0	0	0	0	Share Data/Valuation	2020A	2021A	2022F	2023F
- off JMS b/s (ie 50% Tshipi)	0	0	-29	-29	Share Data				
Exploration and Devel.	-1	0	0	0	Issued shares (m)	1959	1959	1959	1959
Other	0	0	0	0	Weighted ave shares (m)	1959	1959	1959	1959
Investment Activities	-1	0	0	0	Fully diluted shares (m)	1959	1959	1959	1959
Borrowings	0	0	0	0	Basic EPS (c)	4.9	3.5	nm	nm
Equity or "tbc capital"	0	0	0	0	YoY change (%)	-33%	-29%	nm	nm
Dividends Paid	-127	-34	-64	-49	Fully diluted EPS (c)	7.2	4.9	nm	nm
Financing Activities	-127	-34	-64	-49	YoY change (%)	70%	-33%	nm	nm
Net Cashflow	-45	39	-16	4	Fully diluted normalised EPS (c)	5.0	3.7	2.8	3.8
					YoY change (%)	-48%	-26%	-26%	36%
					Dividend/share (c)	4.75	3.00	2.50	2.50
					Franking (%)	0%	0%	0%	0%
					Gross cashflow/share (c)	4.3	3.7	2.4	2.7
					NBV/share (\$)	0.22	0.23	0.22	0.22
					NTA/Share (\$)	0.22	0.23	0.22	0.22
					Valuation				
					PER (Basic) (x)	6.6	9.3	nm	nm
					PER (Fully diluted) (x)	4.5	6.6	nm	nm
					PER (Fully diluted, normalized) (x)	6.4	8.6	11.7	8.5
					P/CFPS (x)	7.6	8.6	13.3	11.9
					Price/NBV (x)	1.5	1.4	1.5	1.5
					Price/NTA (x)	1.5	1.4	1.5	1.5
					Dividend Yield (%)	15%	9%	8%	8%
					EV/EBITDA (x)	4.5x	6.7x	6.9x	5.2x
					EV/Revenue (x)	1.6x	1.9x	1.9x	1.7x
					Other Information				
					Estimated free float:				56%
					12-mth High/Low (A\$/sh)				\$0.375 - \$0.235
					Average daily volume (A\$m)				1.5
					ASX Code				JMS
					Next result				Apr-21
					Company Description				
					Manganese producer in Sth Africa (via 49.9% interest in Tshipi mine). Long mine life, low cost and highly incentivised management for shareholder friendly capital management. Risks are Sth Africa sovereign risk & manganese price volatility.				

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