



Jupiter Mines Ltd (JMS.ASX)

3Q – Tshipi beats our forecast as low costs buffer price fall

- 3rd Quarter FY20 report.

Investment Highlights:

- Jupiter Mines Ltd (JMS) released its 3Q report, with Tshipi delivering an NPAT (100%) of \$33.8M, beating our forecast of \$30.7M, mostly due to higher shipments.** As expected profit was down on the 2Q (\$62.5M) due to the fall in manganese prices. Average 37% Mn Port Elizabeth price declined from \$4.54 to \$3.32/dmtu from the 2Q to 3Q. We estimate JMS 3Q NPAT, inclusive Tshipi share, Marketing, and Corporate, was \$18M.
- Shipments for the quarter were 0.87Mt which were ahead of company plans and our estimate of 0.75Mt.** Both higher road and low grade volumes contributed to the outperformance, despite production being behind forecast YTD. Mining improved from October and barrier pillar mining is ahead of target.
- Tshipi's cash costs were US\$2.13/dmtu, above our forecast of US\$1.95/dmtu, the difference mostly due to higher strip ratio and road volumes.** Despite this, costs were still below the US\$2.21/dmtu of the 2Q, highlighting the tight cost control which has been critical during the past quarter when Mn prices (37% fob Port Elizabeth) reached US\$2.55/dmtu.
- Tshipi's cash (100%) end 3Q was \$99M as per our forecast, while JMS' attributable cash (share of Tshipi plus consolidated) was \$93M, better than our forecast of \$63M, likely due to better working capital position of Marketing.**
- JMS reiterated its sales target (3.0Mt) for FY20, and with 2.6Mt achieved YTD, it is highly likely to be exceeded in the final quarter.** We maintain our forecast of 3.3Mt for the full year FY20e.
- The company stated the expansion case study for Tshipi is progressing and due to be completed end FY20e, with results to be released to the market.**
- Overall the result was solid and highlighted JMS's ability to weather the recent fall in the Mn price.** Over the past weeks the RSA 37% fob price has gradually recovered from a low of \$2.55 to currently \$3.04/dmtu. As we highlighted previously, a focus on destocking was the impetus for the fall.
- However, supply has responded rapidly to the price decline, with volumes into China tightening.** Examples include reduction and exit of supply from Brazil, Zambia, and Ghana. We also suspect China domestic supply, typically highest cost, also has diminished. This resulted in the recent price recovery, which we expect to continue into CY2020.

Earnings and Valuation:

- We have made slight upgrades to forecast FY20e and FY21e JMS attributable NPAT by 2% to \$104M and FY21e by 3% to \$91M, mostly on lower costs.
- Our share valuation has remained unchanged at \$0.56, the upgrade in our earnings offset by the recent dividend payment.

Recommendation:

- We maintain our Buy recommendation with an unchanged 12-month price target of \$0.56 based on our 1.0x Price/NPV.
- Catalysts for the share price include: Recovery in Mn prices; Cost reductions; Results of expansion feasibility study; and corporate activity.

Disclosures

The analyst owns 302,000 JMS shares.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 8,841,354 JMS shares.
Cranport Pty Ltd owns 9,588,800 JMS shares.
Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.56
Previous	\$0.56
Share price (A\$)	\$ 0.270
ASX code	JMS
52 week low-high	0.23-0.43
JMS Valuation (A\$/share)	\$ 0.56
Methodology	DCF

JMS Capital structure

Shares on Issue (M)	1,959
Market cap (A\$M)	529
Net cash (debt) attributable (A\$M)	93
EV (A\$M)	436
Ave daily volume ('000)	4,777

Earnings Y/e	Feb A\$M	FY19a	FY20e	FY21e	FY22e
Sales adj*#		524	427	387	366
EBITDA adj.*		282	161	142	121
NPAT reported		142	104	91	76
NPAT adj*		188	104	91	76
EPS adj. \$*		0.10	0.05	0.05	0.04
PE x		3.4	6.1	7.0	8.4
EV/EBITDA x		1.9	3.4	3.8	4.5
DPS \$		0.075	0.056	0.039	0.032
Yield %		23%	17%	12%	10%

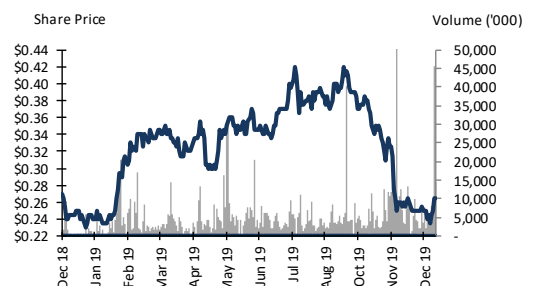
* Adj =underlying including attributable share of Tshipi

#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



Analyst: Mark Fichera
mark.fichera@fostock.com.au

+612 9993 8162



Jupiter Mines Ltd

Full Year Ended 28/29 February

Profit and Loss A\$M	2019a	2020e	2021e	2022e
Sales adj.*	524	427	387	366
Other revenue	1	1	1	1
Operating Costs adj.*	243	266	246	246
EBITDA adj.	282	161	142	121
D&A adj.	13	14	14	16
EBIT adj.	268	147	128	105
Net Interest exp / (income) adj.	-2	-2	-2	-3
Profit before tax adj	269	149	130	108
Tax exp / (benefit) adj	81	45	39	32
NPAT adj.	188	104	91	76
Non-recurring gain/(loss)	-46	-1	0	0
NPAT reported	142	104	91	76

EPS diluted adj. (\$)	0.10	0.05	0.05	0.04
DPS (\$)	0.075	0.056	0.038	0.032

All figures shown include JMS attributable share of Tshipi.

*CIF basis

Cashflow A\$M	2019a	2020e	2021e	2022e
EBITDA adj.	282	161	142	121
Equity accounting	-275	-156	-137	-116
Change in WC	-7	-3	0	2
Tax paid	-5	-2	-2	-2
Net interest	0	1	1	1
Other	8	30	0	0
Operating Cashflow	3	32	5	6

PPE	0	0	0	0
Exploration	-1	-1	-1	-1
Investments	0	0	0	0
Investing Cashflow	-1	-1	-1	-1

Equity issue	0	0	0	0
Loan repayment	0	0	0	0
Debt repayments/proceeds	0	0	0	0
Distributions received	151	83	64	67
Share buyback	-51	0	0	0
Dividends paid	-98	-127	-93	-69
Financing Cashflow	2	-44	-28	-1

Net Cashflow	4	-13	-24	4
---------------------	----------	------------	------------	----------

Balance Sheet A\$M	2019a	2020e	2021e	2022e
Cash	73	61	36	40
Receivables	85	42	42	40
PPE	0	0	0	0
Capitalised exploration	11	11	11	11
Investments	423	447	473	479
Other	1	1	1	1
Total Assets	594	562	563	571

Accounts payable	133	133	25	25
Provisions	0	0	21	20
Debt	0	0	0	0
Other	51	51	82	84
Total Liabilities	184	184	127	129

Reserves and capital	407	411	411	411
Retained earnings	3	24	23	30
Total Equity	409	435	433	440

Capital structure

Ordinary shares	1,959
Fully diluted equity	1,959

Half year splits	1H	2H	1H	2H
	FY19a	FY19a	FY20a	FY20e
Mn 37% RSA, FOB, US\$/dmu	6.32	5.70	4.94	3.47
Total Mn ore shipments Mt	1.9	1.6	1.7	1.6
Sales adj.*	273	238	231	184
EBITDA adj.	161	121	106	55
NPAT adj.	108	80	70	35

All figures shown include JMS attributable share of Tshipi.

*CIF basis

Financial Metrics	2019a	2020e	2021e	2022e
EPS growth %	116%	-45%	-13%	-17%
Gearing (ND/ND+E)	-22%	-16%	-9%	-10%
Interest Cover (EBIT/net int)	nm	nm	nm	m
Average ROE %	43%	25%	21%	17%
Average ROA %	48%	25%	23%	19%

Earnings multiples	2019a	2020e	2021e	2022e
P/E x	3.4	6.1	7.0	8.4
EV/EBITDA x	1.9	3.4	3.8	4.5
Dividend Yield %	23%	17%	12%	10%

Company Valuation

Segment	A\$M	A\$/share
Tshipi (49.9%)	914	\$ 0.47
Marketing	59	\$ 0.03
Iron Ore	47	\$ 0.02
Corporate	-17	-\$ 0.01
Net cash - Tshipi attributable	49	\$ 0.03
Net cash - JMS consolidated	44	\$ 0.02
Equity	1,097	\$ 0.56

Tshipi - Assumptions	2019a	2020e	2021e	2022e
Mn 44% China, CIF, US\$/dmu	7.16	5.68	5.25	4.97
Mn 37% RSA, FOB, US\$/dmu	6.01	4.20	3.76	3.57
JMS Mn realised, FOB, US\$/dmu	5.14	3.93	3.59	3.41
A\$:US\$	0.74	0.70	0.70	0.71
Rand:US\$	13.62	14.51	14.44	14.36

Mn ore production	3.45	3.36	3.30	3.30
Mn ore shipments Mt	3.51	3.35	3.30	3.30
Cash costs US\$/dmu HG, FOB	2.21	2.02	2.04	2.07

JORC Resources and Reserves Mn

Tshipi	Ore Mt	Mn grade %
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%

Source: Foster Stockbroking estimates.

FOSTER STOCKBROKING DIRECTORY

Foster Stockbroking Pty Ltd
A.B.N. 15 088 747 148 AFSL No. 223687
Level 25, 52 Martin Place, Sydney, NSW 2000 Australia
General: +612 9993 8111 Equities: +612 9993 8100 Fax: +612 9993 8181
Email: contact@fostock.com.au
PARTICIPANT OF ASX GROUP

Foster Stockbroking recommendation ratings: Buy = return >10%; Hold = return between -10% and 10%; Sell = return <-10%. Speculative Buy = return > 50% for stock with very high risk. All other ratings are for stocks with low-to-high risk. Returns quoted are annual.

Disclaimer & Disclosure of Interests. Foster Stockbroking Pty Limited (**Foster Stockbroking**) has prepared this report by way of general information. This document contains only general securities information or general financial product advice. The information contained in this report has been obtained from sources that were accurate at the time of issue, including the company's announcements and pathfinder prospectus which have been relied upon for factual accuracy. The information has not been independently verified. Foster Stockbroking does not warrant the accuracy or reliability of the information in this report. The report is current as of the date it has been published.

In preparing the report, Foster Stockbroking did not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. The report is published only for informational purposes and is not intended to be personal financial product advice. This report is not a solicitation or an offer to buy or sell any financial product. Foster Stockbroking is not aware whether a recipient intends to rely on this report and is not aware of how it will be used by the recipient. Before acting on this general financial product advice, you should consider the appropriateness of the advice having regard to your personal situation, investment objectives or needs. Recipients should not regard the report as a substitute for the exercise of their own judgment.

The views expressed in this report are those of the analyst named on the cover page. No part of the compensation of the analyst is directly related to inclusion of specific recommendations or views in this report. The analyst receives compensation partly based on Foster Stockbroking revenues, including any investment banking and proprietary trading revenues, as well as performance measures such as accuracy and efficacy of both recommendations and research reports. Any views and opinions expressed in the report are those of the research analyst and have not been influenced by corporate advisory, the issuing company, or its other advisers.

Foster Stockbroking believes that the information contained in this document is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of its compilation in an honest and fair manner that is not compromised. However, no representation is made as to the accuracy, completeness or reliability of any estimates, opinions, conclusions or recommendations (which may change without notice) or other information contained in this report. To the maximum extent permitted by law, Foster Stockbroking disclaims all liability and responsibility for any direct or indirect loss that may be suffered by any recipient through relying on anything contained in or omitted from this report. Foster Stockbroking is under no obligation to update or keep current the information contained in this report and has no obligation to tell you when opinions or information in this report change.

Foster Stockbroking seeks to do business with companies covered in research. As a result investors should be aware that the firm may have a conflict of interest which it seeks manage and disclose by a number of measures.

Foster Stockbroking and its directors, officers and employees or clients may have or had interests in the financial products referred to in this report and may make purchases or sales in those the financial products as principal or agent at any time and may affect transactions which may not be consistent with the opinions, conclusions or recommendations set out in this report. Foster Stockbroking and its Associates may earn brokerage, fees or other benefits from financial products referred to in this report. Furthermore, Foster Stockbroking may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant issuer or holder of those financial products.

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 302,000 JMS shares 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 18 December 2019, Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) owned 8,841,354 JMS shares. Cranport Pty Ltd owns 9,588,000 JMS shares. The position may change at any time and without notice. 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 Committee Member.

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