



Jupiter Mines Ltd (JMS.ASX)

Expansion concept study signals value uplift

- Completion of expansion concept study; PT change.

Investment Highlights:

- **Jupiter Mines Ltd (JMS) announced completion of its Tshipi expansion concept study, which we estimate to be akin to scoping level.** The key outcome was that an expansion to 4.5Mtpa (from the current 3.0Mtpa) was deemed to be the most favourable case in terms of short lead time, lower capex, less reliance on road transportation, and regulatory expedience. Constraints to go beyond 4.5Mtpa included lack of water, logistics (e.g. rail capacity), and mining.
- **Capex for the expansion was estimated as ZAR1,025M (\$104M, 100%), at ±30% level of confidence.** This would include some optionality for potential future expansion beyond 4.5Mtpa. Ramp up to the targeted 4.5Mtpa will take two years post commissioning. The company will commence a feasibility study shortly, which together with commercial process (e.g. approvals, FID) is expected to take one year.
- **We believe an expansion would be a logical initiative for Tshipi.** Its large JORC Reserves means there is significant cash flow that currently is long-dated in its 30 year life-of-mine (LOM) based on JORC Reserves, and bringing this forward by increasing the production rate is compelling. LOM would reduce to approximately 20 years.
- **Given Tshipi e Ntle generates approximately ZAR2b p.a. in net free cash flow, it could easily fund the expansion solely from internal cash flows.** However with its lazy balance sheet (nil borrowings), the JV could use debt to fully or partially fund the expansion, if it wishes to maintain its attractive dividend payout ratio.
- **We estimate that successful execution of a 4.5Mtpa expansion case would increase JMS share valuation by \$0.19 to \$0.75, unrisks, based on the estimated capex ZAR1b.** We estimate payback for the expansion would be two years.
- **At a long-term 37% fob price of US\$3.53/dmtu, we estimate JMS' attributable EBITDA would increase to \$184M at 4.5Mtpa (vs \$102M at 3Mtpa).**

Earnings and Valuation:

- **We have made no changes to our earnings forecasts.**
- **However we have increased our JMS share valuation to \$0.60 from \$0.56 by attributing 25% of the incremental value from an expansion case (i.e. discounting the value uplift of \$0.19 by 75%).** We will review our valuation once further details or studies on any expansion case are released.

Recommendation:

- **We maintain our Buy recommendation and increase our 12-month price target to \$0.60 from \$0.56 based on our 1.0x Price/riskd 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 9,554,119 JMS shares.
Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.60
Previous	\$0.56
Share price (A\$)	\$ 0.293
ASX code	JMS
52 week low-high	0.23-0.43
JMS Valuation (A\$/share)	\$ 0.60
Methodology	riskd NPV

JMS Capital structure

Shares on Issue (M)	1,959
Market cap (A\$M)	573
Net cash (debt) attributable (A\$M)	93
EV (A\$M)	480
Ave daily volume ('000)	5,658

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	3.0	5.5	6.3	7.6
EV/EBITDA x	1.7	3.0	3.4	4.0
DPS \$	0.075	0.056	0.039	0.032
Yield %	23%	17%	12%	10%

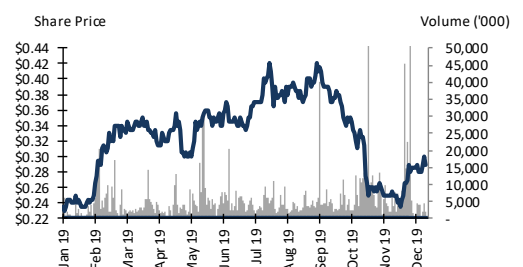
* Adj = underlying including attributable share of Tshipi

#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



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