

Jupiter Mines Ltd (JMS)				CASE:	BASE	DATE:	4/05/2021			
The Story										
JMS is in the process of becoming a pure play Manganese miner via it's 49.9% stake in the Tshipi Borwa manganese Mine in South Africa as it is about to demerge it's Iron Ore project in WA (JUNO - which is yet to begin production). The price of Manganese is critical to the valuation of JMS with a US\$3 break even point the valuation is based on the 2021 average price of US\$4.19, but price is very volatile. The Tshipi mine is a simple operation with low risk and upside production capacity and expected life through to 2047, so able to provide consistent and long term dividends at the right ore price but with some sovereign risk. Manganese is required for steel production which is in demand, but unlike the Iron Ore price the Manganese price is around the low point of it's historic range at US\$3.17. This is a dividend play but highly cyclical, so timing of entry and exit will be important to overall returns										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
KPI	-	-	N/A							
Revenue	-46.0%	0.0%	Flat revenue assumption based on production and pricing estimates (See price matrix)							
Gross Margin %	100.0%	100.0%	N/A							
EBITDA Margin %	93.7%	89.7%	5% growth in operating expenses Vs flat revenue							
Tax	8.6%	5.1%	Australia based, but there is an equity accounted adjustment on the Tshipi JV dividend							
Capital Spend	-	-	Negligible PPE spend							
Share Count Changes	1,959	2,059	No additional capital required but have allowed for 0.5% share count from ESOP							
Discount% : EV/EBITDA	10.0%	8.00	Average market risk, but low terminal multiple due to limited life of asset							
The Cash Flows (A\$'000)										
Year	Dilution	KPI	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	1,969	-	71,744	71,744	#####	66,984	93.4%	4,046	-	62,937
2	1,979	-	71,744	71,744	#####	66,746	93.0%	3,975	-	62,771
3	1,989	-	71,744	71,744	#####	66,496	92.7%	3,900	-	62,596
4	1,998	-	71,744	71,744	#####	66,233	92.3%	3,821	-	62,412
5	2,008	-	71,744	71,744	#####	65,958	91.9%	3,738	-	62,219
6	2,019	-	71,744	71,744	#####	65,668	91.5%	3,652	-	62,017
7	2,029	-	71,744	71,744	#####	65,365	91.1%	3,560	-	61,804
8	2,039	-	71,744	71,744	#####	65,046	90.7%	3,465	-	61,581
9	2,049	-	71,744	71,744	#####	64,711	90.2%	3,364	-	61,347
10	2,049	-	71,744	71,744	#####	64,359	89.7%	3,259	-	61,100
Terminal	2,059	-	71,744	71,744	#####	64,359	89.7%	3,259	-	61,100
The Value (A\$'000)										
Terminal Value (Diluted)		489,824		Cashflows discounted for dilution						
PV (Terminal Value)		174,482								
PV (FCFF of next 10yrs)		370,160								
Value of Operating Asset		544,642								
Adjustment for Distress		- 27,232		5% Failure is unlikely due to cash generation and operation, but some sovereign risk Option Case = 15% based on additional exploration upside & JUNO value						
Adjustment for Future Options		81,696								
- Debt & Minority Interest		-								
+ Cash & Equivalents		60,622								
Value of Equity		659,729								
Value per share (Base Currency)		\$ 0.34		Insider Holding%: 52.28% (Yahoo); 6p Remuneration Report; GlassDoor: N/A						
FX Rate		1.000		Current Price	%					
Value per share (A\$)		\$ 0.34		\$ 0.34	1%					
Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)										
Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.										

JMS Valuation Matrix based on FX and Manganese price changes

Average CIF price achieved (US\$ / dmtu)												
		2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	6.00	6.50	7.00
U S D / A U D	0.65	-0.12	0.02	0.16	0.31	0.45	0.60	0.74	0.89	1.03	1.18	1.32
	0.70	-0.17	-0.03	0.10	0.24	0.37	0.51	0.64	0.77	0.91	1.04	1.18
	0.75	-0.20	-0.08	0.05	0.17	0.30	0.43	0.55	0.68	0.80	0.93	1.05
	0.80	-0.23	-0.12	0.00	0.12	0.24	0.35	0.47	0.59	0.71	0.82	0.94
	0.85	-0.26	-0.15	-0.04	0.07	0.18	0.29	0.40	0.51	0.62	0.73	0.85
	0.90	-0.28	-0.18	-0.08	0.03	0.13	0.24	0.34	0.45	0.55	0.65	0.76
	0.95	-0.31	-0.21	-0.11	-0.01	0.09	0.19	0.29	0.39	0.48	0.58	0.68
	1.00	-0.33	-0.23	-0.14	-0.04	0.05	0.14	0.24	0.33	0.43	0.52	0.61