

MORNING COMMENT

CORPORATE

Share Price 7p

Reuters/BBG	JLP.L / JLP.LN
Index	FTSE AIM
Sector	Mining
Market Cap	£147m

Jubilee Metals

Audited annual results (year ending June 30) – real progress made

Jubilee today releases its audited annual accounts for the year ending June 30 2020. As expected, the results show the real progress made through the year. Production up, revenues up (132% to £54.8), Operating profit up (226% to £15.9m and EPS up (96% to 0.94/sh). We have seen solid progress on the expansion in the chrome and PGM projects in South Africa and consolidation of ownership of the projects against a background of Covid – which Jubilee successfully navigated. The year also saw robust plans for expansion in Zambia at the Sable Refinery in Kabwe. Security of supply has been achieved by three transactions which tie up dump resources all set to feed into the (to be) expanded Sable Refinery and making Jubilee a producer of scale in Zambia. We see fair value in Jubilee at 12p and present our first forecasts for the company (FY2021E).

- Record production at operations** A consolidation of ownership at Inyoni and the ramp-up at Windsor led to record production of chrome (378kt) and PGMs (41koz PGM 6E), roughly doubling the attributable production from the prior year. First production of copper was recorded from Sable at Kabwe in Zambia following the purchase and recommissioning of the plant in year.
- Post-period end aggressive expansion of supply of raw material** Jubilee relies on supplementing its own feed with that from third party sources. Post-period (during Covid) Jubilee signed three agreements in Zambia for copper sources fully to supply (and enable an expansion at) Sable in Zambia. These are sensible joint ventures with Jubilee building and operating an upgrade plant with repayment of the capital out of profits. In South Africa, a new plant (Windsor 8) has been added to the production stable with three year contracts on supply into the Windsor circuits signed – we see the potential for additional material being made available to Jubilee in year (and indeed potentially for further, additional plants as well).
- Financial progression** As the table below shows, by every metric Jubilee is hitting the right targets. For the first time we present a forecast for 2021 from our understanding of the operations which shows that we expect Jubilee's growth to continue.
- The "Jubilee Way"** is the business model as described by Jubilee – taking its in-house technical expertise and applying it to the unique reprocessing situations it finds. We see further applications of this "Jubilee Way" in wider Southern Africa in time and see the company with organic growth and M&A opportunities.
- This is just the beginning** Jubilee has shown its ability to get things done, especially during Covid. We see fair value at 12p from our underlying DCF analysis, but note that forward PEs and EV/EBITDA ratios are significantly lower than those of its peers. In our opinion a company generating cash from multiple operations in a strong commodity price environment should be seen favourably by the market as it hits its production and revenue targets. Q1 FY2021 already shows the progression required.

Y/E June	2018A	2019A	2020A	2021E
Revenue (£m)	14.1	23.6	54.8	142.4
Gross Profit (£m)	5.5	12.9	25.1	76.3
PBT (£m)	(2.4)	7.2	13.7	60.8
EPS (p)	(0.2)	0.5	0.9	2.1
P/E (x)	(38.6)x	14.5x	7.4x	3.3x
EV/EBITDA (x)	44.7x	19.7x	7.1x	2.3x
Div (p)	-	-	-	-
Dividend Yield (%)	NA	NA	NA	NA
Net Cash (Debt) (£m)	6.4	18.9	9.9	38.1

Source: Company accounts, WHIreland estimates

Marketing Communication

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Analyst

Paul Smith
+44 (0) 113 394 6609
paul.smith@whirelandcb.com

WH Ireland Limited, 24 Martin Lane, London, EC4R 0DR, tel. 020 7220 1666

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Contacts

Research

John Cummins		020 7220 1755	john.cummins@whirelandcb.com
Matthew Davis		0113 394 6620	matthew.davis@whirelandcb.com
Brendan Long	Oil & Gas	020 7220 1694	brendan.long@whirelandcb.com
Paul Smith	Mining	0113 394 6609	paul.smith@whirelandcb.com
Nick Spoliar		020 7220 1761	nick.spoliar@whirelandcb.com
Jason Streets		020 7220 1693	jason.streets@whirelandcb.com
Susanna Virtanen		020 7220 1674	susanna.virtanen@whirelandcb.com

Sales & Trading

David Kilbourn		020 7398 1106	david.kilbourn@whirelandcb.com
Harry Ansell		020 7220 1670	harry.ansell@whirelandcb.com
Dan Bristowe		020 7220 1648	daniel.bristowe@whirelandcb.com
Melvyn Brown		020 7220 1688	melvyn.brown@whirelandcb.com

Corporate Broking & Investor Relations

Adam Pollock		020 7220 0482	adam.pollock@whirelandcb.com
Jasper Berry		020 7220 1690	jasper.berry@whirelandcb.com
Hayley Mullens		020 7220 1695	hayley.mullens@whirelandcb.com
Aimee McCusker		020 7398 1136	aimee.mccusker@whirelandcb.com
Alex Carroll		0207 220 1663	alex.carroll@whirelandcb.com

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Recommendation	Total Stocks	Percentage %	Corporate	Percentage %
Corporate	58	96.7	58	100.0
Buy	0	0.0	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	2	3.3	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	60.0	100.0	58.0	100.0

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A draft of this research report has been shown to the company following which factual amendments have been made.

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Company Name	Table of interest number	12-month recommendation history	Date
Jubilee Metals (JLP)	2,3,4,5,7	Corporate	28.01.20

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