

30 August 2024

Metro Mining Limited (MMI)

BUY

Share Price: A\$0.04

Anticipating a strong second half

Target Price: A\$0.09

MMI reported a 1H24 loss of A\$37M and negative operating cashflow of A\$17M reflecting an extended wet season, higher fixed and one-off commissioning costs (reported in June qtr). Full year guidance was reiterated at 6.0-6.4M WMT of bauxite shipped. Bauxite prices continue to rise driven by lower Guinea exports and strong Chinese import demand providing ongoing tailwinds for MMI. We forecast Sept quarter shipments of 2.3Mt which combined with rising bauxite prices, should provide strong cashflow and alleviate balance sheet concerns. MMI is the only pure play ASX bauxite producer providing attractive exposure to a strong bauxite pricing environment. BUY with PT of 8.8c/sh.

1H24 Result (Fig. 1) and Outlook

- 1H24 bauxite shipped of 1.5WMT rising to 4.7WMT in 2H24 (Petra).
- We forecast 2.3Mt for the Sept quarter at EBITDA margins of A\$17/t for A\$40M, free cashflow of A\$35M.
- Rising shipping rates and a strong bauxite price environment support a strong 2H24.

Balance sheet

- Cash at end of June of A\$13.4M after debt repayments of A\$16.6M, A\$18.7M in receivables.
- Debt of A\$87M comprising A\$23M junior debt, A\$50M Senior debt (Nebari) and an option to buy back the Nebari royalty for A\$14M (March 2025).
- Junior debt expected to be repaid 2H24.
- Senior debt repayments to commence March 2025 (US\$1.46M per month for 2 years).

Bauxite prices continue to rise (Fig. 3)

- A stronger than usual wet season is impacting Guinea exports (down 33% in recent weeks).
- Chinese import demand remains strong with 1H24 of 77.4Mt (up 7.4% vs 1H23).
- Guinea and Australian bauxite prices have risen 38% and 51% respectively since Jan 2022.

Attractive on valuation & multiples basis

- Valuation – 8.8c/share based on 1xP/NPV10.
- PE (CY24/25) – 6.3x & 2.0x.
- EV/EBITDA (CY24/25) – 3.2x & 0.7x.

Key Dates Ahead

- 2H24 – Additional offtake for CY25.
- 2H24 – Ongoing debottlenecking studies.

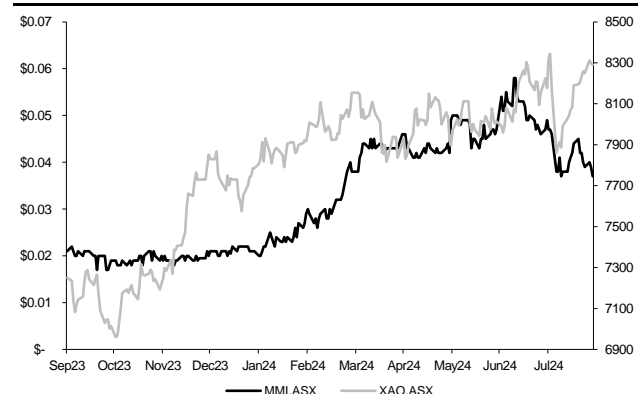
Company Data

| | |
|--------------------------------|-----------------|
| Shares – ordinary (M) | 5939.7 |
| Dilution (M) | 240.7 |
| Total (fully diluted) (M) | 6180.4 |
| Market capitalisation (\$M) | 213.8 |
| 12 month low/high (\$) | 0.02/ 0.06 |
| Average monthly turnover (\$M) | 21.5 |
| GICS Industry | Metals & Mining |

Financial Summary (fully diluted/normalised)

| Year End Dec | CY23A | CY24F | CY25F | CY26F | CY27F |
|------------------|-------|-------|-------|-------|-------|
| Revenue (\$M) | 236.2 | 349.9 | 440.8 | 429.7 | 419.3 |
| Costs (\$M) | 214.4 | 283.0 | 300.1 | 285.8 | 284.3 |
| EBITDA (\$M) | 21.8 | 66.8 | 140.8 | 143.9 | 135.0 |
| NPAT (A\$M) | -9.3 | 35.5 | 110.1 | 82.7 | 81.4 |
| EPS (cps) | -0.2 | 0.6 | 1.8 | 1.3 | 1.3 |
| EPS Growth (%) | 83.3 | 368.9 | 210.0 | -24.8 | -1.7 |
| PER (x) | na | 6.3 | 2.0 | 2.7 | 2.7 |
| Cashflow (A\$M) | 8.3 | 56.5 | 139.1 | 149.4 | 109.8 |
| CFPS (c/sh) | 0.2 | 0.9 | 2.3 | 2.4 | 1.8 |
| PCFPS | 11.0 | 3.9 | 1.6 | 1.5 | 2.0 |
| EV | 159.0 | 214.8 | 98.3 | -2.2 | -41.9 |
| EV/EBITDA | 7.3 | 3.2 | 0.7 | 0.0 | -0.3 |
| Payout ratio (%) | na | na | na | 50% | 80% |
| DPS | 0.0 | 0.0 | 0.0 | 0.7 | 1.1 |
| Yield (%) | 0.0 | 0.0 | 0.0 | 18.6 | 29.3 |
| Franking (%) | 0.0 | 0.0 | 0.0 | 100.0 | 100.0 |

MMI – performance over one year



Disclosure and Disclaimer

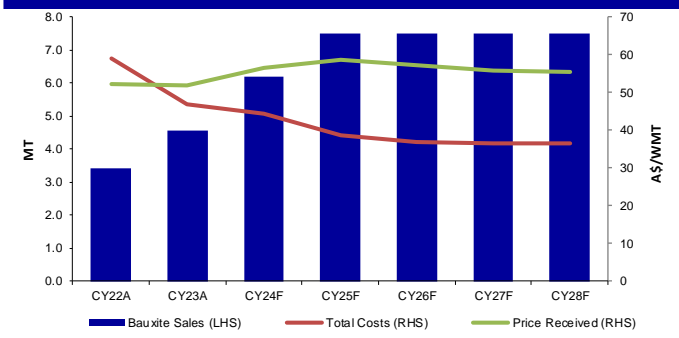
This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was Co-Lead Manager for this company's placement to raise \$40.0m by way of a placement at A\$0.041/sh on 1st May 2024, for which fees were received.

Andrew Richards
+61 2 9239 9600

Analysis

METRO MINING LIMITED (MMI)

| 29-Aug-24 Year End Dec | | A\$ | CY23A | CY24F | CY25F | CY26F | CY27F | Share Price (\$) | 0.036 |
|---------------------------|------------|-----|----------------|----------------|---------------|---------------|---------------|----------------------------------|-----------------|
| PROFIT & LOSS | | | | | | | | Iss. Shares (M) | 5,939.7 |
| Sales Revenue | \$M | | 235.8 | 349.9 | 440.8 | 429.7 | 419.3 | Options/Warrants/Other (M) | 240.7 |
| Other Income | \$M | | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | Mkt Cap. (\$M) | 213.8 |
| Operating Costs | \$M | | 214.4 | 283.0 | 300.1 | 285.8 | 284.3 | RESERVES & RESOURCES | |
| Exploration | \$M | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Reserves | |
| Other | \$M | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Tonnes | Mt |
| EBITDA | \$M | | 21.8 | 66.8 | 140.8 | 143.9 | 135.0 | Grade Al2O3 | % |
| Dep. & Amort. | \$M | | 16.7 | 21.0 | 30.7 | 31.2 | 29.0 | Grade SiO2 | % |
| EBIT | \$M | | 5.1 | 45.8 | 110.1 | 112.7 | 106.0 | M & I Resources | |
| Net Interest | \$M | | 14.4 | 10.3 | 1.6 | (5.5) | (10.3) | Tonnes | Mt |
| Pre-Tax Profit | \$M | | (9.3) | 35.5 | 110.1 | 118.2 | 116.2 | Grade Al2O3 | % |
| Tax | \$M | | 0.0 | 0.0 | 0.0 | 35.5 | 34.9 | Grade SiO2 | % |
| Minorities | \$M | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | PRODUCTION (100%) | |
| Net Profit | \$M | | (9.3) | 35.5 | 110.1 | 82.7 | 81.4 | Bauxite Mined | Mt |
| Abnormal | \$M | | (4.2) | 0.0 | 0.0 | 0.0 | 0.0 | Bauxite Sales (Shipped) | Mt |
| Reported Profit | \$M | | (9.3) | 35.5 | 110.1 | 82.7 | 81.4 | REVENUE (attributable) | |
| Dividends Paid | \$M | | 0.0 | 0.0 | 0.0 | 41.4 | 65.1 | Bauxite Hills | \$M |
| Adjustments | \$M | | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | Other | \$M |
| Retained Earnings | \$M | | (232.5) | (197.0) | (86.9) | (45.5) | (29.3) | Total | \$M |
| CASH FLOW | | | | | | | | COSTS | |
| Revenue | \$M | | 226.9 | 349.9 | 440.8 | 429.7 | 419.3 | Site Costs | A\$/WMT |
| Costs | \$M | | (214.6) | (283.0) | (300.1) | (285.8) | (284.3) | Royalties | A\$/WMT |
| Net Interest | \$M | | (3.9) | (10.3) | (1.6) | 5.5 | 10.3 | Total Costs | A\$/WMT |
| Tax Paid | \$M | | 0.0 | 0.0 | 0.0 | 0.0 | (35.5) | Total costs | \$M |
| Gross Cash Flow | \$M | | 8.3 | 56.5 | 139.1 | 149.4 | 109.8 | Corp / Other | \$M |
| Net Capex | \$M | | (11.6) | (30.8) | (7.5) | (7.5) | (5.0) | Total | \$M |
| Exploration | \$M | | (0.9) | 0.0 | 0.0 | 0.0 | 0.0 | CAPEX | |
| Dividends | \$M | | 0.0 | 0.0 | 0.0 | (41.4) | (65.1) | Bauxite Hills | \$M |
| Other | \$M | | (23.5) | (2.7) | (15.2) | 0.0 | 0.0 | Other | \$M |
| Free Cashflow | \$M | | (27.6) | 23.1 | 116.5 | 100.5 | 39.7 | Total | \$M |
| Equity Issues | \$M | | 0.0 | 51.9 | 0.0 | 0.0 | 0.0 | DEPRECIATION | |
| Net Borrowings | \$M | | 39.3 | (27.3) | (19.4) | (25.7) | (6.9) | Bauxite Hills | \$M |
| Net Investments | \$M | | (11.7) | 0.0 | 0.0 | 0.0 | 0.0 | Other | \$M |
| Surplus Cash Flow | \$M | | (0.0) | 47.7 | 97.0 | 74.8 | 32.8 | Total | \$M |
| BALANCE SHEET | | | | | | | | EBITDA | |
| Cash | \$M | | 12.1 | 59.8 | 156.8 | 231.6 | 264.4 | Bauxite Hills | \$M |
| Other Current | \$M | | 23.2 | 52.5 | 66.1 | 64.5 | 62.9 | Other (incl. writedowns) | \$M |
| Total Current | \$M | | 35.3 | 112.3 | 222.9 | 296.1 | 327.3 | Total | \$M |
| Fixed Assets | \$M | | 132.2 | 142.0 | 118.7 | 95.0 | 71.0 | ASSUMPTIONS | |
| Exploration | \$M | | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | Exchange Rate | A\$/US\$ |
| Intangibles | \$M | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Bauxite Price CIF | US\$/DMT |
| Other | \$M | | 0.0 | 2.7 | 17.8 | 17.8 | 17.8 | Bauxite Price CIF | US\$/WMT |
| Total NC Assets | \$M | | 133.7 | 144.6 | 136.6 | 112.9 | 88.9 | Bauxite Price CIF | A\$/WMT |
| TOTAL ASSETS | \$M | | 169.0 | 256.9 | 359.5 | 409.0 | 416.2 | Bauxite Price FOB | A\$/WMT |
| Total Debt | \$M | | 79.4 | 52.1 | 32.6 | 6.9 | 0.0 | Av Price Received | A\$/WMT |
| Current Liab | \$M | | 56.2 | 56.2 | 56.2 | 91.6 | 91.0 | VALUATION (fully diluted) | |
| Non Current Liab | \$M | | 23.5 | 51.2 | 63.2 | 61.6 | 60.0 | Bauxite Hills Mine (NPV10) | \$M |
| TOTAL LIAB | \$M | | 159.0 | 159.5 | 152.1 | 160.1 | 151.1 | Exploration | \$ |
| NET ASSETS | \$M | | 10.0 | 97.4 | 207.5 | 248.8 | 265.1 | Corporate / Other | \$ |
| SH/HLDRS FUNDS | \$M | | 10.0 | 97.4 | 207.5 | 248.8 | 265.1 | Net Cash (Debt) | \$ |
| RATIO ANALYSIS | | | | | | | | Total | \$541.3 |
| EPS | ¢ | | (0.2) | 0.6 | 1.8 | 1.3 | 1.3 | | \$ 0.088 |
| PER | x | | na | 6.3 | 2.0 | 2.7 | 2.7 | | |
| EPS Growth | % | | (83.3) | (368.9) | 210.0 | (24.8) | (1.7) | | |
| EBITDA per share | ¢ | | 0.5 | 1.1 | 2.3 | 2.3 | 2.2 | | |
| EBITDA Multiple | x | | 4.2 | 3.3 | 1.6 | 1.5 | 1.6 | | |
| EV/EBITDA | x | | 7.3 | 3.2 | 0.7 | (0.0) | (0.3) | | |
| CFPS | ¢ | | 0.2 | 0.9 | 2.3 | 2.4 | 1.8 | | |
| PCFR | x | | 11.0 | 3.9 | 1.6 | 1.5 | 2.0 | | |
| DPS | ¢ | | 0.0 | 0.0 | 0.0 | 0.7 | 1.1 | | |
| Yield | % | | 0.0 | 0.0 | 0.0 | 18.6 | 29.3 | | |
| Franking | % | | 0.0 | 0.0 | 0.0 | 100.0 | 100.0 | | |
| Payout Ratio | % | | 0.0 | 0.0 | 0.0 | 50.0% | 80.0% | | |
| Gearing ND/E | % | | 676 | na | na | na | na | | |
| Interest Cover | x | | 0.4 | 4.4 | 0.0 | na | na | | |
| EBITDA Margin | % | | 9.2 | 19.1 | 31.9 | 33.5 | 32.2 | | |
| EBIT Margin | % | | 2.2 | 13.1 | 25.0 | 26.2 | 25.3 | | |
| Return On Assets | % | | 3.0 | 17.8 | 30.6 | 27.6 | 25.5 | | |
| Return On Equity | % | | na | 36.5 | 53.1 | 33.2 | 30.7 | | |
| Eff Tax rate | % | | 0.0 | 0.0 | 0.0 | 30.0 | 30.0 | | |



Source: Petra Capital

1H24 Result

The 1H24 loss of A\$37M reflects the negative impacts of (i) a prolonged monsoon season which extended into May, (ii) commissioning delays to the wobbler screening circuit and (iii) a failure of the conveyor stacker at the barge loading facility on May 31st.

Figure 1: 1H24 Result

| 1H24 Results | | MMI | MMI | Petra | % var |
|-------------------|-------|-------|-------|-------|-------|
| | | 1H 23 | 1H 24 | 1H 24 | |
| Revenue | A\$M | 62 | 81 | 83 | -2% |
| Operating Costs | A\$M | 65 | 96 | 92 | 5% |
| EBITDA | A\$M | -2 | -15 | -9 | -75% |
| EBIT | A\$M | -9 | -23 | -21 | -9% |
| Net Profit (A\$M) | A\$M | -17 | -37 | -25 | -46% |
| Net Op Cashflow | A\$/M | -9 | -17 | -27 | 37% |
| Bauxite Shipped | WMT | 1.27 | 1.50 | 1.50 | 0% |
| Cash end June | A\$M | 20.2 | 13.4 | 13.4 | 0% |
| Debt end June | A\$M | 79.3 | 87.2 | 87.8 | -1% |

Source: MMI, Petra Capital.

Operations are trending up

All elements of the expansion (7.5Mtpa) are now in place and ramping up towards target capacity. The wobbler screening circuit and barge loading facility are operating reliably above the target of 1,500tph. The Offshore Floating Terminal (Ikamba) continues to ramp up and is demonstrating average barge unloading rates of 1,850tph, 93% of target capacity. Daily shipment rates are trending up (Fig. 2) to ~28ktpd (7Mtpa rates).

Figure 2: MMI Daily shipments (2022, 2023 & 2024 year to date)

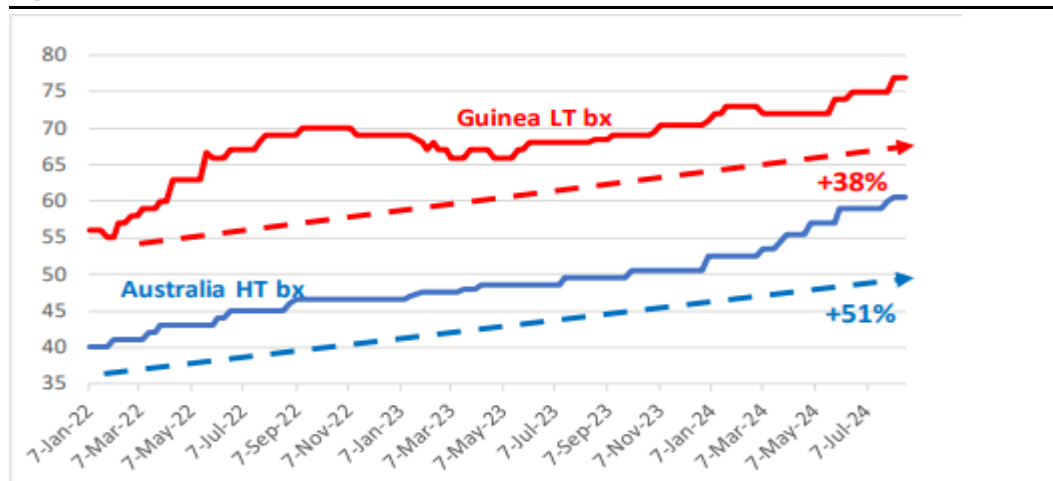


Source: MMI.

Bauxite price continues to rise

Bauxite prices have continued to rise primarily driven by Chinese imports of 77.4Mt 1H24 (+7.4% pcp). Chinese domestic supply remains very tight with production falling and imports rising. Additionally, Guinea exports are down by around 33% in recent weeks due to a heavy wet season. This has resulted in higher bauxite prices (Fig. 3) with spot Guinea (US\$77/DMT) and Australian bauxite (US\$60.5/DMT) rising 38% and 51% respectively since January 2022. A significant rise (21%) in the Australian bauxite price has occurred over the past 8 months.

Figure 3: Bauxite Prices continue to rise (US\$/DMT CIF China)



Source: CM Group, MMI.

Changes to valuation and earnings

- We have increased CY24 costs by ~\$3M and CY25-26 costs by \$1M.

Figure 4: Summary of changes

| | | CY24F | | | CY25F | | | CY26F | | |
|-----------------------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | New | Old | % var | New | Old | % var | New | Old | % var |
| Revenue | A\$m | 349.9 | 351.7 | -1% | 440.8 | 440.8 | 0% | 429.7 | 429.7 | 0% |
| Operating Costs | A\$m | 283.0 | 279.9 | 1% | 300.1 | 299.1 | 0% | 285.8 | 284.8 | 0% |
| EBITDA | A\$m | 66.8 | 71.8 | -7% | 140.8 | 141.8 | -1% | 143.9 | 144.9 | -1% |
| EBIT | A\$m | 45.8 | 46.3 | -1% | 110.1 | 111.8 | -2% | 112.7 | 114.4 | -1% |
| NPAT | A\$m | 35.5 | 38.2 | -7% | 110.1 | 111.8 | -2% | 82.7 | 84.2 | -2% |
| EPS | A\$/sh | 0.6 | 0.6 | -7% | 1.8 | 1.8 | -2% | 1.3 | 1.4 | -2% |
| DPS | A\$/sh | 0.0 | 0.0 | | 0.0 | 0.0 | | 0.7 | 0.7 | |
| Valuation | A\$m | 541 | 542 | 0% | | | | | | |
| Price Target | A\$/sh | 0.088 | 0.088 | 0% | | | | | | |
| Shares Issued | M | 5940 | 5940 | 0% | | | | | | |
| Shares Fully Diluted | M | 6180 | 6180 | 0% | | | | | | |
| Bauxite Mined | Mt | 6.2 | 6.2 | 0% | 7.5 | 7.5 | 0% | 7.5 | 7.5 | 0% |
| Bauxite Price CIF | US\$/DMT | 49.0 | 49.0 | 0% | 52.0 | 52.0 | 0% | 50 | 50.0 | 0% |
| Bauxite Price CIF | US\$/WMT | 43.1 | 43.1 | 0% | 45.8 | 45.8 | 0% | 44 | 44.0 | 0% |
| AUD/USD | # | 0.66 | 0.66 | 0% | 0.7 | 0.68 | 0% | 0.68 | 0.68 | 0% |
| Bauxite Price CIF | A\$/WMT | 65.2 | 65.2 | 0% | 67.8 | 67.8 | 0% | 64.7 | 64.7 | 0% |
| Av Price Received | A\$/WMT | 56 | 56 | 0% | 59 | 59 | 0% | 57 | 57 | 0% |
| AISC | A\$/WMT | 45 | 44 | 1% | 40 | 40 | 0% | 38 | 38 | 0% |

Source: Company reports, Petra Capital.



Petra Capital

Level 17, 14 Martin Place, Sydney NSW 2000 Office: +61 2 9239 9600
Level 5, 1 Collins Street, Melbourne VIC 3000 Office: +61 3 9123 3000

ABN 95 110 952 782
ACN 110 952 782
AFSL 317 944

Disclosure

This document has been prepared in Australia by Petra Capital Pty Ltd which holds an Australian Financial Services License AFSL 317 944. Petra Capital Pty Ltd is an ASX and Chi-X Market Participant. Petra Capital Pty Ltd and its associates, officers, directors, employees and agents, from time to time, may receive brokerage, commissions, fees or other benefits or advantages, hold securities in companies researched by Petra Capital Pty Ltd and may trade in these securities either as principal or agent. Petra Capital was Co-Lead Manager for this company's placement to raise \$40.0m by way of a placement at A\$0.041/sh on 1st May 2024, for which fees were received.

Disclaimer

The information or advice contained in this report has been obtained from sources that were accurate at the time of issue, however the information has not been independently verified and as such, Petra Capital Pty Ltd cannot warrant its accuracy or reliability. Persons relying on this information do so at their own risk. To the extent permitted by law, Petra Capital Pty Ltd disclaims all liability or responsibility for any direct or indirect loss or damage (including consequential loss or damage) caused by any error or omission within this report, or by persons relying on the contents of this report.

This report is published by Petra Capital Pty Ltd by way of general information or advice only. This report does not take into account specific investment needs or other considerations that may be pertinent to individual investors. Before making any investment decisions based on this report, parties should consider, with or without an investor adviser, whether any relevant part of this report is appropriate to their financial circumstances and investment objectives. Petra Capital Pty Ltd is a licensed institutional/wholesale stockbroking firm. The report is only intended for institutional and sophisticated clients to whom Petra Capital Pty Ltd has issued the report. Petra Capital Pty Ltd is not licensed to advise retail investors – retail investors should contact their own stockbroker or financial adviser/planner for advice.

Ratings

Information regarding the scope and expertise of our research services, processes for selection for coverage, and the management of conflicts of interest can be found on Petra Capital's website at <http://www.petracapital.com.au/research-disclosures>. Petra Capital uses the following ratings system and definitions: Buy - Forecast to re-rate by more than 5% in 12 months; Hold - Forecast to perform up to 5% above or below the current market price in 12 months, or alternatively, where a share price exceeds Petra Capital's valuation but there is a belief that business growth opportunities or commodity price moves, may result in material valuation and share price upside within 12 months; Sell - Forecast to underperform by more than 5% in 12 months; Speculative Buy - Speculative Investment; Take Profits - Recommend taking short term profits in a stock we remain fundamentally positive on a medium term view; Accept Offer - For a company under takeover where we see the offer as a fair price with low risk of a competing offer; No Rating - No rating at this time.

US Investors

This material is intended for use in the US only by major US Institutional Investors, as that term is defined by the SEC Rule 15a-6. Transactions with US Institutional Investors and major US Institutional Investors, as those terms are defined by SEC Rule 15a-6, are chaperoned by Global Alliance Securities, LLC, ("Global Alliance"), a SEC-registered broker-dealer and FINRA member (web: www.globalalliancecurities.com) in accordance with the agreement between Global Alliance and Petra Capital Pty Ltd. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore, its accuracy is not guaranteed. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or to make any investment. Any opinion or estimate constitutes the preparer's best judgement as of the date of preparation and is subject to change without notice. Petra Capital Pty Ltd or Global Alliance and their associates or affiliates, and their respective officers, directors and employees may buy or sell securities mentioned herein as agent or principal for their own account.

Canadian Investors

Petra Capital Pty Ltd is not registered as an adviser in Canada and is relying upon the international adviser exemption in British Columbia, Ontario and Quebec as permitted under National Instrument 31-103. Petra Capital is incorporated and headquartered in Australia and has an Australian Financial Services License. All its assets are situated outside Canada and, as a result, there may be difficulty enforcing any legal rights against Petra Capital. Its agents for service of process are: Lawdell Corporate Services Limited, 1600, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2; ToryCo Services c/o Torys LLP, 79 Wellington Street West, Suite 3000, Toronto, Ontario, M5K 1N2; and Torys Law Firm LLP, 1 Place Ville Marie, Suite 2880, Montréal, Québec H3B 4R4.

Other International

International investors are encouraged to contact their local regulatory authorities to determine whether restrictions apply in buying/selling this investment.