

6 September 2024

Metro Mining Limited (MMI)**BUY****Share Price: A\$0.04****Expansion project delivers shipping record****Target Price: A\$0.088**

MMI has achieved a new monthly record (Fig. 1) in August of 0.72M WMT shipped (+29% on pcp) and 1.36M WMT for the Sep. Q'24 to date. This was despite a two day shutdown in August to replace conveyor belts at the barge loading facility (BLF). The higher rates reflect the integration/optimisation being undertaken with the expansion project delivering the anticipated increased production capacity. MMI expects to see further gains in monthly production and shipping rates in the coming months as the operations are optimised along with more favourable ore moisture and tides. 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.

Operational update

- August shipments +13% vs July 2024, +29% on pcp
- Sep. Q'24 shipments to date of 1.36M WMT compared to the full Jun. Q'24 of 1.42M WMT.
- We forecast 2.3M WMT for the full Sep. Q'24.
- CY24 guidance unchanged at 6.0-6.4Mt (Petra 6.2Mt).
- New daily record of 32,022t shipped was set during August (8mtpa annualised rates).
- Wobbler circuit and BLF operating at nameplate.
- Offshore floating terminal at 92% capacity and rising.
- Two new CAT 992 front end loaders operating with increased capacity of 23-27t (vs 13t with 988 loaders).
- Additional tug and Scania R770 prime movers with quad trailers (230t) mobilised this month.

Bauxite market fundamentals remain attractive

- Demand for alumina and aluminium appears robust with Chinese prices rebounding recently (Figs. 2-3).
- Bauxite demand remains strong with higher prices driven by Chinese imports of 77MT 1H24 (+7% pcp).
- A stronger than usual wet season has impacted Guinea exports recently – 2.3Mt per week, down 23%.

Attractive on valuation and multiples

- Valuation – 8.8c/share based on 1xP/NPV10 rising to 16.0c/share at spot prices & exchange rates.
- PE (CY24/25) – 6.3x & 2.0x.
- EV/EBITDA (CY24/25) – 3.2x & 0.7x.

Key Dates Ahead

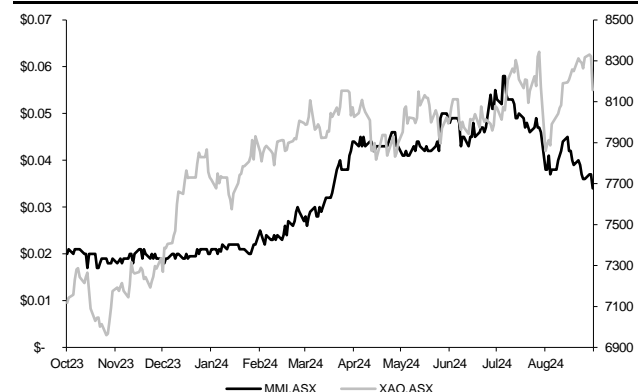
- 2H24 – Additional offtake for CY25.
- 2H24 – Ongoing debottlenecking studies.

Company Data

Shares – ordinary (M)	5955.4
Dilution (M)	240.7
Total (fully diluted) (M)	6196.1
Market capitalisation (\$M)	214.4
12 month low/high (\$)	0.02/ 0.06
Average monthly turnover (\$M)	22.4
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	368.2	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	2.2	2.4	1.8
PCFPS	11.0	3.9	1.6	1.5	2.0
EV	159.0	215.4	98.9	-1.6	-41.3
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	18.5	29.2
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.

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Analysis

METRO MINING LIMITED (MMI)

5-Sep-24							Share Price	(\$)					
Year End Dec							Iss. Shares	(M)					
A\$							Options/Warrants/Other	(M)					
							Mkt Cap.	(\$M)					
		CY23A	CY24F	CY25F	CY26F	CY27F							
PROFIT & LOSS													
Sales Revenue	\$M	235.8	349.9	440.8	429.7	419.3							
Other Income	\$M	0.4	0.0	0.0	0.0	0.0							
Operating Costs	\$M	214.4	283.0	300.1	285.8	284.3							
Exploration	\$M	0.0	0.0	0.0	0.0	0.0							
Other	\$M	0.0	0.0	0.0	0.0	0.0							
EBITDA	\$M	21.8	66.8	140.8	143.9	135.0							
Dep. & Amort.	\$M	16.7	21.0	30.7	31.2	29.0							
EBIT	\$M	5.1	45.8	110.1	112.7	106.0							
Net Interest	\$M	14.4	10.3	1.6	(5.5)	(10.3)							
Pre-Tax Profit	\$M	(9.3)	35.5	110.1	118.2	116.2							
Tax	\$M	0.0	0.0	0.0	35.5	34.9							
Minorities	\$M	0.0	0.0	0.0	0.0	0.0							
Net Profit	\$M	(9.3)	35.5	110.1	82.7	81.4							
Abnormal	\$M	(4.2)	0.0	0.0	0.0	0.0							
Reported Profit	\$M	(9.3)	35.5	110.1	82.7	81.4							
Dividends Paid	\$M	0.0	0.0	0.0	41.4	65.1							
Adjustments	\$M	(0.0)	0.0	0.0	0.0	0.0							
Retained Earnings	\$M	(232.5)	(197.0)	(86.9)	(45.5)	(29.3)							
CASH FLOW													
Revenue	\$M	226.9	349.9	440.8	429.7	419.3							
Costs	\$M	(214.6)	(283.0)	(300.1)	(285.8)	(284.3)							
Net Interest	\$M	(3.9)	(10.3)	(1.6)	5.5	10.3							
Tax Paid	\$M	0.0	0.0	0.0	0.0	(35.5)							
Gross Cash Flow	\$M	8.3	56.5	139.1	149.4	109.8							
Net Capex	\$M	(11.6)	(30.8)	(7.5)	(7.5)	(5.0)							
Exploration	\$M	(0.9)	0.0	0.0	0.0	0.0							
Dividends	\$M	0.0	0.0	0.0	(41.4)	(65.1)							
Other	\$M	(23.5)	(2.7)	(15.2)	0.0	0.0							
Free Cashflow	\$M	(27.6)	23.1	116.5	100.5	39.7							
Equity Issues	\$M	0.0	51.9	0.0	0.0	0.0							
Net Borrowings	\$M	39.3	(27.3)	(19.4)	(25.7)	(6.9)							
Net Investments	\$M	(11.7)	0.0	0.0	0.0	0.0							
Surplus Cash Flow	\$M	(0.0)	47.7	97.0	74.8	32.8							
BALANCE SHEET													
Cash	\$M	12.1	59.8	156.8	231.6	264.4							
Other Current	\$M	23.2	52.5	66.1	64.5	62.9							
Total Current	\$M	35.3	112.3	222.9	296.1	327.3							
Fixed Assets	\$M	132.2	142.0	118.7	95.0	71.0							
Exploration	\$M	1.5	0.0	0.0	0.0	0.0							
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0							
Other	\$M	0.0	2.7	17.8	17.8	17.8							
Total NC Assets	\$M	133.7	144.6	136.6	112.9	88.9							
TOTAL ASSETS	\$M	169.0	256.9	359.5	409.0	416.2							
Total Debt	\$M	79.4	52.1	32.6	6.9	0.0							
Current Liab	\$M	56.2	56.2	56.2	91.6	91.0							
Non Current Liab	\$M	23.5	51.2	63.2	61.6	60.0							
TOTAL LIAB	\$M	159.0	159.5	152.1	160.1	151.1							
NET ASSETS	\$M	10.0	97.4	207.5	248.8	265.1							
SH/HLDRS FUNDS	\$M	10.0	97.4	207.5	248.8	265.1							
RATIO ANALYSIS													
EPS	¢	(0.2)	0.6	1.8	1.3	1.3							
PER	x	na	6.3	2.0	2.7	2.7							
EPS Growth	%	(83.3)	(368.2)	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	1.7							
EV/EBITDA	x	7.3	3.2	0.7	(0.0)	(0.3)							
CFPS	¢	0.2	0.9	2.2	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	18.5	29.2							
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							
OTHER DATA													
Share Price	\$/sh.	0.021	0.036	0.036	0.036	0.036							
Number of shares	M	4365.9	6196.1	6196.1	6196.1	6196.1							
Market Capitalisation	\$M	91.7	223.1	223.1	223.1	223.1							
EV	\$M	159.0	215.4	98.9	-1.6	-41.3							
							Share Price	(\$)	0.036				
							Iss. Shares	(M)	5,955.4				
							Options/Warrants/Other	(M)	240.7				
							Mkt Cap.	(\$M)	214.4				
RESERVES & RESOURCES													
Reserves													
Tonnes	Mt	84.8	78.6	71.1	63.6	56.1							
Grade Al2O3	%	49.9	49.9	49.9	49.9	49.9							
Grade SiO2	%	12.9	12.9	12.9	12.9	12.9							
M & I Resources													
Tonnes	Mt	118.7	112.5	105.0	97.5	90.0							
Grade Al2O3	%	49.2	49.2	49.2	49.2	49.2							
Grade SiO2	%	14.1	14.1	14.1	14.1	14.1							
PRODUCTION (100%)													
Bauxite Mined	Mt	4.61	6.19	7.50	7.50	7.50							
Bauxite Sales (Shipped)	Mt	4.57	6.19	7.50	7.50	7.50							
REVENUE (attributable)													
Bauxite Hills	\$M	235.8	349.9	440.8	429.7	419.3							
Other	\$M	0.0	0.0	0.0	0.0	0.0							
Total	\$M	235.8	349.9	440.8	429.7	419.3							
COSTS													
Site Costs	A\$/WMT	28	23	19	18	18							
Royalties	A\$/WMT	6	7	7	7	7							
Total Costs	A\$/WMT	47	44	39	37	36							
Total costs	\$M	214.4	273.0	289.1	274.8	273.3							
Corp / Other	\$M	0.0	10.0	11.0	11.0	11.0							
Total	\$M	214.4	283.0	300.1	285.8	284.3							
CAPEX													
Bauxite Hills	\$M	11.6	30.8	7.5	7.5	5.0							
Other	\$M	0.0	0.0	0.0	0.0	0.0							
Total	\$M	11.6	30.8	7.5	7.5	5.0							
DEPRECIATION													
Bauxite Hills	\$M	16.7	21.0	30.7	31.2	29.0							
Other	\$M	0.0	0.0	0.0	0.0	0.0							
Total	\$M	16.7	21.0	30.7	31.2	29.0							
EBITDA													
Bauxite Hills	\$M	21.4	66.8	140.8	143.9	135.0							
Other (incl. writedowns)	\$M	0.4	0.0	0.0	0.0	0.0							
Total	\$M	21.8	66.8	140.8	143.9	135.0							
ASSUMPTIONS													
Exchange Rate	A\$/US\$	0.66	0.66	0.68	0.68	0.70							
Bauxite Price CIF	US\$/DMT	42.2	49	52	50	50							
Bauxite Price CIF	US\$/WMT	37.1	43	46	44	44							
Bauxite Price CIF	A\$/WMT	55.9	65	68	65	63							
Bauxite Price FOB	A\$/WMT	40.1	49	53	50	48							
Av Price Received	A\$/WMT		57	59	57	56							
VALUATION (fully diluted)													
Bauxite Hills Mine (NPV10)	\$M	\$655.4	\$ 0.106										
Exploration	\$	-	-										
Corporate / Other	\$	(74.0)	(0.012)										
Net Cash (Debt)	\$	(39.0)	(0.006)										
Total	\$M	\$542.3	\$ 0.088										

Source: Petra Capital

Shipping rates on the rise

All elements of the expansion (7.5Mtpa) are 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, 92% of target capacity. Daily shipment rates are trending up strongly (Fig. 2) towards 30ktpd (7.5Mtpa rates).

Figure 1: MMI Daily shipments (2022, 2023 & 2024 year to date)



Source: MMI.

Bauxite sector remains a standout

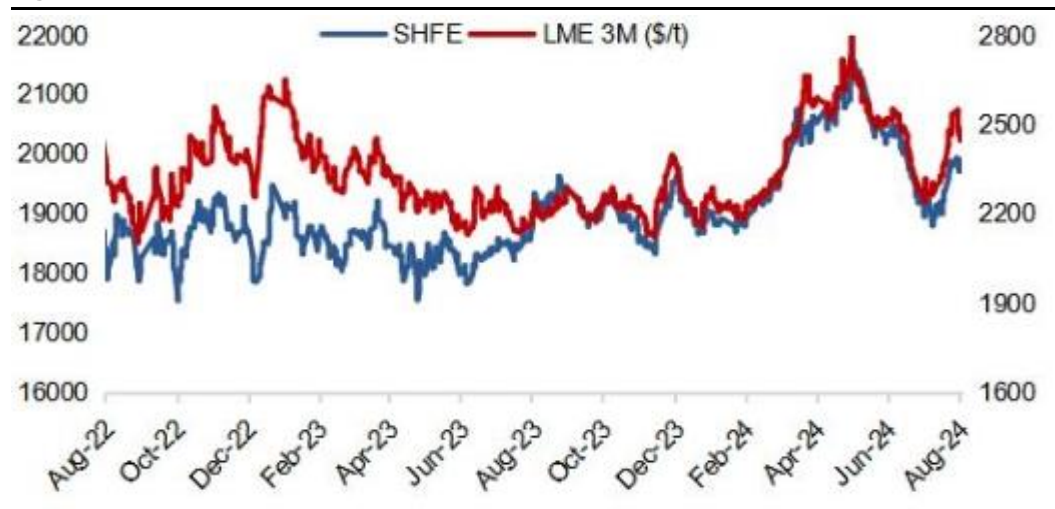
Demand for bauxite, alumina and aluminium appears to be robust and a point of difference when comparing to the recent weakness in the iron ore/steel sector. Approximately 4-6t of bauxite is used to produce ~2t of alumina which is refined into ~1t of aluminium. Price charts below show Chinese alumina and aluminium prices rebounding over the past month (Figs. 2-3). Bauxite demand remains very strong and prices have continued to rise primarily driven by Chinese imports (Fig. 4) of 77.4Mt 1H24 (+7.4% pcp). Chinese domestic supply remains very tight with production falling and imports rising. Additionally, Guinea exports are being impacted in recent weeks by a heavy wet season. This has resulted in higher bauxite prices (Fig. 5) 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 2: China Alumina Price (Yuan/t)



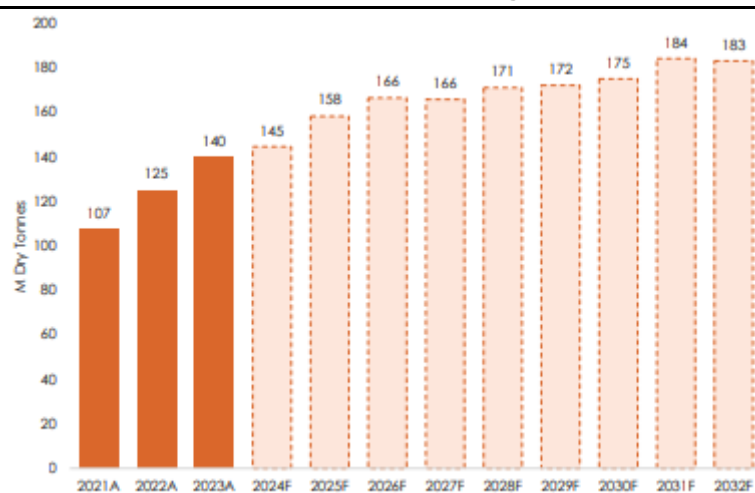
Source: Mysteel Global.

Figure 3: China Aluminium Price (LHS - Yuan/t, RHS US\$/t)



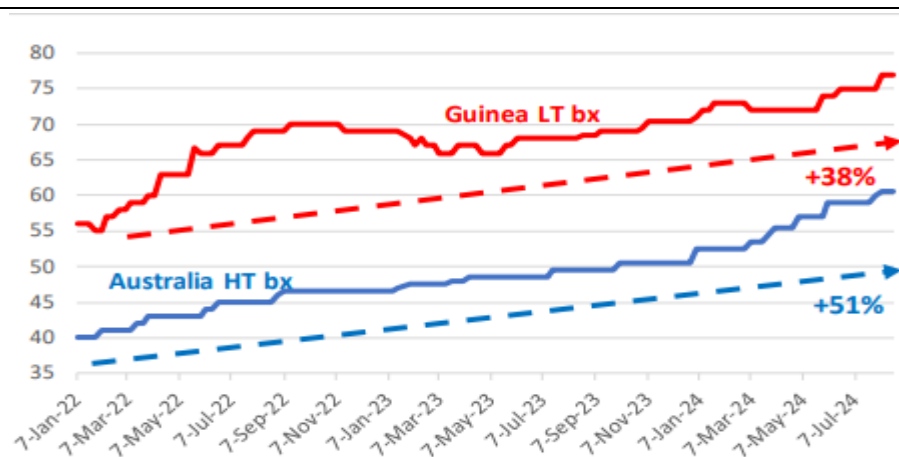
Source: Mysteel Global.

Figure 4: Chinese bauxite import demand remains strong and expected to rise (Mt)



Source: MMI presentation July 2024, CM Group.

Figure 5: Bauxite Prices continue to rise (US\$/DMT CIF China)



Source: MMI, CM Group.



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