

# Metro Mining (MMI)

Rating: Buy | Risk: High | Price Target: \$0.14

30 October 2024

## Tantalisingly close

### Key Information

Current Price (\$ps)	0.05
12m Target Price (\$ps)	0.14
52 Week Range (\$ps)	0.02 - 0.06
Target Price Upside (%)	164.8%
TSR (%)	164.8%
Reporting Currency	AUD
Market Cap (\$m)	304
Sector	Materials
Avg Daily Volume (m)	5.5
ASX 200 Weight (%)	0%

### Fundamentals

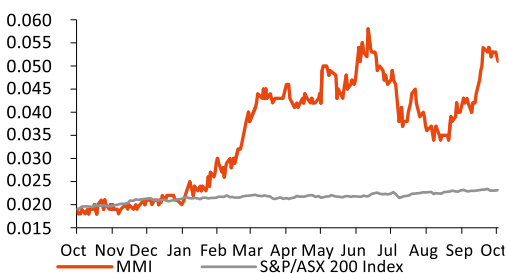
YE 31 Dec (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	236	324	435	496
NPAT (\$m)	(13)	14	94	121
EPS (cps)	(0.3)	0.3	1.6	2.0
EPS Growth (%)	77.3%	189.0%	471.8%	29.3%
DPS (cps) (AUD)	0.0	0.0	1.0	1.0
Franking (%)	0%	0%	0%	100%

### Ratios

YE 31 Dec	FY23A	FY24E	FY25E	FY26E
P/E (x)	(6.8)	18.5	3.2	2.5
EV/EBITDA (x)	16.7	6.4	2.2	1.8
Div Yield (%)	0.0%	0.0%	19.6%	19.6%
Payout Ratio (%)	0.0%	0.0%	63.6%	49.2%

### Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	18.8%	39.8%	0.4%	146.6%
Absolute (%)	18.6%	41.7%	4.1%	168.4%
Benchmark (%)	(0.2%)	1.9%	3.7%	21.8%



Price performance indexed to 100

Source: FactSet

### Major Shareholders

Greenstone Resources LLP	14.0%
Williams Group	8.3%
Balanced Property Pty Ltd.	5.6%

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### Event

Metro Mining has released its September quarter activities report. Site EBITDA of \$29.4m is a good result when you consider that the operation was still ramping up in the quarter and the recent increase in bauxite prices won't be fully seen until the December quarter. We forecast site EBITDA to increase to A\$45.5m in the December quarter and \$168m in CY25.

### Highlights

- In our view this was a very solid quarter from Metro Mining, although site EBITDA of \$29.4m was a touch below our \$32.3m forecast. The main difference was our assumed achieved bauxite price of A\$67/wmt (CIF) compared to the actual achieved price of A\$65.3/wmt. With the share price down 4% post the quarterly, the market was perhaps disappointed that the strong increase in bauxite prices was not captured this quarter.
- There were two reasons why the bauxite price was a touch lower than expected this quarter. Firstly, more volumes were delivered into the foundation Xinfra contract, which is at lower prices, and secondly Metro incurred demurrage charges in the quarter whilst vessels were waiting to load. Also, there is always a lag in when increases (or falls) in the bauxite price impact Metro's achieved prices. We expect the achieved price to increase to A\$67/wmt (CIF) in the December quarter and think this might be conservative.
- On the positive front, Metro is doing a very good job on managing costs. Site costs dropped from A\$31.8/t in the June quarter to A\$23.6/t in September, which implies absolute costs only increased from A\$45m to A\$50m despite the 50% increase in volume in the quarter. This demonstrates the high operating leverage in the business and gives us confidence that unit costs will fall further in CY25 as volumes increase.
- Also positive is that the operations have now fully ramped up to the target production rates consistent with achieving 7Mtpa annual production. Metro is guiding CY24 production to the lower end of its 6.0-6.4Mt guidance range (Shaw 6.1Mt) which implies shipments in the December quarter of 2.4-2.5Mt. The shipping rates in October appear consistent with that.
- Our Dec-24 quarter forecast is for 2.47Mt of shipments at a margin of A\$18.4/t for site EBITDA of A\$45.5m. In CY25 we forecast shipments of 7.0Mt at a margin of A\$26.1/t for site EBITDA of A\$168m. The improvement in the margin is being driven by higher prices, lower freight costs and increased volume.
- At 30-Sep-24 Metro had a net debt position of \$45.6m plus \$17.9m in the callable Nebari royalty. Metro expects to further reduce its debt in 2024 with additional debt repayments of \$11.7m which will fully repay the junior debt facility. Once the junior debt is repaid, Metro intends to refinance the Nebari loan and royalty.
- The cash position at 30-Sep was A\$16.9m, and we forecast this increasing to \$35.5m at 31-Dec (after paying \$11.7m in debt), which is more than enough to see Metro through the wet season shutdown which consumes A\$15-20m of cash.
- Operators of alumina refineries are sensibly looking for alternative sources of bauxite supply to Guinea. Metro has disclosed that it will be shipping a trial cargo to Emirates Global Aluminium which operates the Al Taweelah alumina refinery in Abu Dhabi. The Al Taweelah refinery is similar in design to the Yarwun refinery in Queensland and a Weipa style bauxite is likely to be a suitable feedstock.
- We have not made any significant changes to our forecasts following the September production update.

### Recommendation

Metro Mining is one of Shaw and Partners top picks for 2024. Our recommendation remains BUY with a 14cps price target.

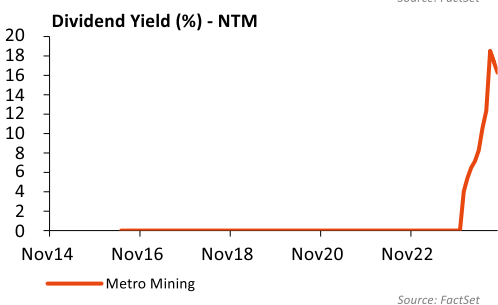
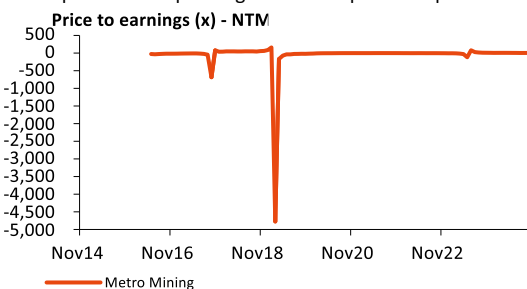
**Metro Mining  
Materials**

FactSet: MMI-AU / Bloomberg: MMI AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.05
Target Price (\$ps)	0.14
52 Week Range (\$ps)	0.02 - 0.06
Shares on Issue (m)	5,955
Market Cap (\$m)	304
Enterprise Value (\$m)	364
TSR (%)	164.8%
Valuation per share (cps) (AUD)	0.14
Valuation (\$m)	819.93

**Company Description**

Metro Mining operates the Bauxite Hills operation in Far North Queensland and exports bauxite to customers in China. The company commenced operations in 2018 and is in the process of expanding from 3.5Mtpa to 7Mtpa.



**Financial Year End: 31 December**

Investment Summary (AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (Reported) (cps)	(1.4)	(0.3)	0.3	1.6	2.0
EPS (Underlying) (cps)	(1.4)	(0.3)	0.3	1.6	2.0
EPS (Underlying) Growth (%)	71.7%	77.3%	189.0%	471.8%	29.3%
PE (Underlying) (x)	(1.0)	(6.8)	18.5	3.2	2.5
EV / EBIT (x)	(9.9)	71.7	9.8	2.6	2.2
EV / EBITDA (x)	(16.1)	16.7	6.4	2.2	1.8
DPS (cps) (AUD)	0.0	0.0	0.0	1.0	1.0
Dividend Yield (%)	0.0%	0.0%	0.0%	19.6%	19.6%
Franking (%)	0%	0%	0%	0%	100%
Payout Ratio (%)	0.0%	0.0%	0.0%	63.6%	49.2%
Free Cash Flow Yield (%)	(7.8%)	(0.2%)	9.7%	51.1%	64.0%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	178	236	324	435	496
Sales Growth (%)	11.1%	32.6%	37.3%	34.4%	14.1%
Other Operating Income	1	0	2	0	0
EBITDA	(23)	22	57	166	197
EBITDA Margin (%)	(12.7%)	9.2%	17.5%	38.3%	39.8%
Depreciation & Amortisation	(14)	(17)	(20)	(27)	(29)
EBIT	(36.6)	5.1	37.2	139.8	168.9
EBIT Margin (%)	(20.6%)	2.2%	11.5%	32.1%	34.0%
Net Interest	(14)	(19)	(23)	(13)	(5)
Pretax Profit	(50)	(13)	14	127	164
Tax	0	0	0	(33)	(43)
Tax Rate (%)	0.0%	0.0%	0.0%	(26.0%)	(26.0%)
NPAT Underlying	(50)	(13)	14	94	121
Significant Items	0	0	0	0	0
NPAT Reported	(50)	(13)	14	94	121
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	(37)	5	37	140	169
Tax Paid	0	0	0	0	0
Net Interest	0	0	0	1	3
Change in Working Capital	0	0	(6)	(7)	(1)
Depreciation & Amortisation	14	17	20	27	29
Operating Cashflow	(1)	12	51	160	199
Capex	(3)	(12)	(25)	(4)	(4)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	(4)	(13)	(1)	(1)	(1)
Investing Cashflow	(7)	(25)	(26)	(5)	(5)
Free Cashflow	(4)	(0)	25	155	194
Equity Raised / Bought Back	20	0	42	0	0
Dividends Paid	0	0	0	0	(60)
Change in Debt	9	39	(17)	(62)	0
Other	(21)	(15)	(23)	(32)	(8)
Financing Cashflow	8	24	2	(95)	(68)
Net Change in Cash	(0)	12	27	61	127
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	12	17	35	96	223
Accounts Receivable	4	9	12	16	19
Inventory	3	3	9	12	14
Other Current Assets	4	6	6	6	6
PPE	79	87	92	70	45
Total Assets	130	157	191	237	344
Accounts Payable	28	24	27	27	30
Short Term Debt	36	33	62	0	0
Long Term Debt	3	46	0	0	0
Total Liabilities	99	156	142	62	65
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	(164.5%)	(93.3%)	37.3%	82.9%	63.5%
Gearing (%)	58.0%	86.2%	28.9%	(150.8%)	15,975.4%
Net Debt / EBITDA (x)	(1.2)	2.8	0.5	(0.6)	(1.1)

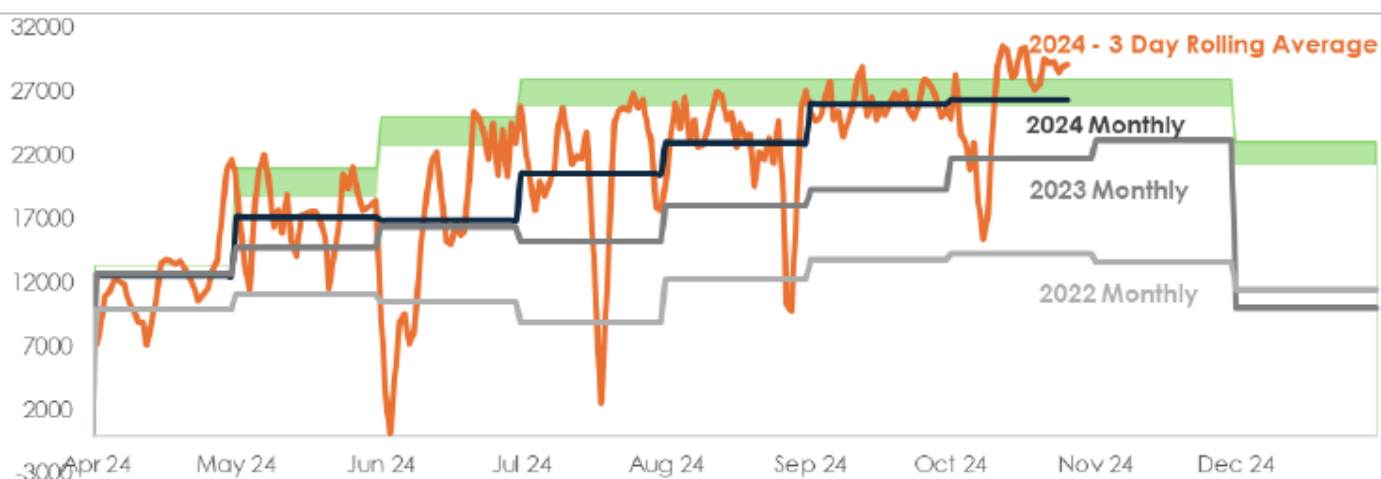
Figure 1: Quarterly operational and financial results.

Quarterly operations	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Bauxite mined (kt)	0	1,325	1,653	1,647	40	1,407	2,148	2,505	0	2,000	2,500	2,500
Bauxite shipped (kt)	0	1,269	1,610	1,688	80	1,418	2,130	2,472	0	2,000	2,500	2,500
Revenue A\$/wmt - CIF	0.0	53.8	57.4	56.5	60.2	63.8	65.3	67.0	0.0	69.0	69.0	69.0
Revenue (A\$m) - CIF	0.0	68.3	92.4	95.4	4.8	90.5	139.1	165.6	0.0	138.0	172.5	172.5
Revenue A\$/wmt - FOB	0.0	41.1	40.8	38.5	0.0	43.4	44.0	47.0	0.0	54.0	54.0	54.0
Revenue (A\$m) - FOB	0.0	52.2	65.7	65.0	0.0	61.5	93.7	116.2	0.0	108.0	135.0	135.0
<b>Costs</b>												
Site cost (A\$/wmt)	0.0	26.2	24.7	26.0	0.0	31.8	23.6	22.0	0.0	22.6	19.0	19.0
Freight (A\$/wmt)	0.0	16.5	19.2	18.0	0.0	20.4	21.3	20.0	0.0	15.0	15.0	15.0
Royalty (A\$/wmt)	0.0	5.9	6.0	5.5	0.0	6.3	6.6	6.6	0.0	7.8	7.8	7.8
Total cost (A\$/wmt)	0.0	48.6	49.9	49.5	0.0	58.5	51.5	48.6	0.0	45.4	41.8	41.8
Total cost (ex freight)	0.0	32.1	30.7	31.5	0.0	38.1	30.2	28.6	0.0	30.4	26.8	26.8
Site cost (A\$m)	20.0	33.2	39.8	43.9	15.0	45.1	50.3	54.4	15.0	45.2	47.5	47.5
EBITDA (A\$/wmt)	0.0	9.0	10.1	7.0	0.0	5.3	13.8	18.4	0.0	23.6	27.2	27.2
Site EBITDA (A\$m)	-20.0	11.4	16.3	11.8	-15.0	7.5	29.4	45.5	-15.0	47.1	67.9	67.9
Other costs (A\$m)	-2.9	4.4	0.9	-5.0	-2.9	-3.0	5.9	-3.0	-3.0	-3.0	-3.0	-3.0
Queensland royalty deferred payments (A\$m)	0.0	0.0	0.0	0.0	0.0	-3.2	-6.0	-6.8	0.0	0.0	0.0	0.0
<b>Quarterly cash flows (A\$m)</b>												
Operating cash flow	-22.9	15.8	17.2	6.8	-17.9	1.3	29.3	35.7	-18.0	44.1	64.9	64.9
Investing cash flow	-2.9	-7.1	-9.8	-11.7	-9.6	-12.9	-6.7	-1.0	0.0	-0.7	-0.7	-0.7
Financing cash flow	26.0	-0.5	-6.1	-4.8	18.4	23.4	-18.4	-16.0	-1.7	-15.7	-63.1	-3.0
Cash balance	11.6	20.2	21.6	12.0	2.8	13.4	16.9	35.5	15.8	43.6	44.7	106.0
<b>Debt position (A\$m)</b>												
Nebari loan						52.2	50.7	0.0	0.0	0.0	0.0	0.0
Nebari royalty						17.9	17.9	0.0	0.0	0.0	0.0	0.0
Junior debt						23.3	11.7	0.0	0.0	0.0	0.0	0.0
New debt facility						0.0	0.0	68.6	68.6	58.6	0.0	0.0
Total (A\$m)						93.5	80.3	68.6	68.6	58.6	0.0	0.0
Net debt (cash) (A\$m)						80.1	63.5	33.1	52.8	15.1	-44.7	-106.0
<b>Debt repayments</b>												
Nebari loan						0.0	0.0	50.7	0.0	0.0	0.0	0.0
Nebari royalty						0.0	0.0	17.9	0.0	0.0	0.0	0.0
Junior debt						0.0	0.0	11.7	0.0	0.0	0.0	0.0
New debt facility						0.0	0.0	-68.6	0.0	10.0	58.6	0.0
Total (A\$m)						0.0	0.0	11.7	0.0	10.0	58.6	0.0

Source: Company reports, Shaw and Partners forecasts

Figure 2: Metro Mining production – running at target capacity in September and October

Shipments: 2022, 2023, 2024 YTD (monthly and 3 day rolling average)



Source: Company reports, Shaw and Partners forecasts

Figure 3: Metro Mining Financials

Profit & Loss (A\$m)	2019	2020	2021	2022	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f
Sales (kt)	3,504	2,481	2,798	3,432	4,567	6,100	7,000	7,500	7,500	7,500	7,500	7,500
% FoB	0%	0%	0%	13%	55%	62%	46%	31%	31%	31%	31%	31%
<b>Revenue</b>	<b>199</b>	<b>128</b>	<b>160</b>	<b>178</b>	<b>236</b>	<b>324</b>	<b>435</b>	<b>496</b>	<b>488</b>	<b>470</b>	<b>481</b>	<b>492</b>
per tonne (A\$/t)	57	52	57	52	52	53	62	66	65	63	64	66
Revenue (adj for CIF)	199	128	160	186	264	400	483	532	523	506	518	529
per tonne (A\$/t)	57	52	57	54	58	66	69	71	70	67	69	71
Other income	0	0	0	1	0	2	0	0	0	0	0	0
Operating expenses	-143	-108	-167	-178	-179	-215	-200	-223	-223	-228	-233	-239
Royalties	-20	-12	-11	-17	-26	-39	-55	-61	-60	-57	-58	-59
Admin & other expenses	-9	-5	-6	-6	-9	-15	-14	-15	-16	-16	-16	-17
<b>Total costs</b>	<b>-172</b>	<b>-126</b>	<b>-184</b>	<b>-201</b>	<b>-214</b>	<b>-269</b>	<b>-269</b>	<b>-299</b>	<b>-298</b>	<b>-301</b>	<b>-308</b>	<b>-315</b>
per tonne (A\$/t)	49	51	66	59	47	44	38	40	40	40	41	42
Customer paid freight costs	0	0	0	-8	-28	-76	-48	-35	-35	-36	-37	-38
Adjusted total cost (A\$/t)	49	51	66	61	53	57	45	45	45	45	46	47
<b>EBITDA</b>	<b>27</b>	<b>2</b>	<b>-79</b>	<b>-23</b>	<b>22</b>	<b>57</b>	<b>166</b>	<b>197</b>	<b>190</b>	<b>170</b>	<b>173</b>	<b>177</b>
per tonne (A\$/t)	8	1	-28	-7	5	9	24	26	25	23	23	24
Depreciation & Amortisation	-10	-10	-12	-14	-17	-20	-27	-29	-29	-29	-29	-29
<b>EBIT</b>	<b>17</b>	<b>-8</b>	<b>-91</b>	<b>-37</b>	<b>5</b>	<b>37</b>	<b>140</b>	<b>169</b>	<b>161</b>	<b>141</b>	<b>145</b>	<b>149</b>
Net Finance Expense	-11	-8	-5	-14	-19	-23	-13	-5	2	7	12	17
<b>Profit before tax</b>	<b>6</b>	<b>-15</b>	<b>-96</b>	<b>-50</b>	<b>-13</b>	<b>14</b>	<b>127</b>	<b>164</b>	<b>164</b>	<b>149</b>	<b>157</b>	<b>166</b>
Income tax (expense)/benefit	-2	4	-9	0	0	0	-33	-43	-43	-39	-41	-43
<b>Reported NPAT</b>	<b>4</b>	<b>-11</b>	<b>-106</b>	<b>-50</b>	<b>-13</b>	<b>14</b>	<b>94</b>	<b>121</b>	<b>121</b>	<b>110</b>	<b>116</b>	<b>123</b>

Source: Company reports, Shaw and Partners forecasts

### Key risks

- The Chinese bauxite market is supplied by production from Guinea which is backed by Chinese investment. There is a risk that if Guinea continues to expand then MMI will not be able to sell its expanded production or be forced to discount the price.
- Metro Mining is expanding its operation from 3.5Mt to 7.0Mt. The mining and barging component of the expansion is straight-forward, but there are design and operating risks with the transshipping operations. The transhipper may not operate as expected.
- Metro operates in Far North Queensland and transshipping operations are weather dependent. Cyclonic activity or adverse wind conditions can prevent the barges from operating.

### Core drivers and catalyst

- The bauxite market is well supported by strong demand growth from China as Chinese alumina refineries increasingly rely on imported bauxite as domestic production declines. Chinese production of bauxite peaked in 2018.
- Metro Mining's Bauxite Hills project is well placed to supply the growing Chinese market due to the proximity to markets. As a low value product, freight costs make up almost half the cost of delivering bauxite to China.
- Metro Mining is expanding production from 3.5Mtpa to 7.0Mtpa in CY24. This will result in a significant step-up in free cash flow generation due to higher production and the associated economies of scale reduction in unit costs.

## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

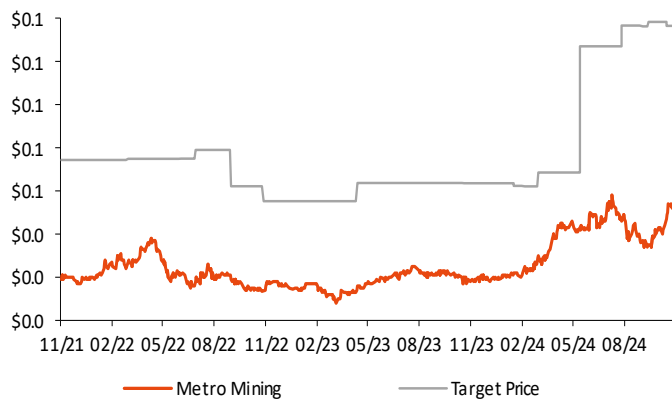
**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	75	96%
Hold	3	4%
Sell	0	0%

### History of Investment Rating and Target Price - Metro Mining

Date	Closing Price (\$)	Target Price (\$)	Rating
30-Oct-24	0.05	0.14	Buy
14-Oct-24	0.05	0.14	Buy
12-Sep-24	0.04	0.14	Buy
29-Aug-24	0.04	0.14	Buy
26-Jul-24	0.05	0.14	Buy
13-May-24	0.04	0.13	Buy
29-Feb-24	0.03	0.07	Buy
30-Jan-24	0.02	0.06	Buy
16-Jan-24	0.02	0.06	Buy
19-Oct-23	0.02	0.06	Buy
13-Apr-23	0.02	0.06	Buy
28-Oct-22	0.01	0.06	Buy
31-Aug-22	0.02	0.06	Buy
29-Jun-22	0.02	0.08	Buy
31-May-22	0.02	0.07	Buy
25-Feb-22	0.02	0.07	Buy



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