

31 October 2024

Metro Mining Limited (MMI)

BUY

Share Price: A\$0.05

Strong quarter with margins rising

Target Price: A\$0.093

MMI reported a strong Sep. Q'24 with record bauxite shipped of 2.13M WMT including a record month of 780k WMT in September. Economies of scale are now beginning to be realised, with quarterly EBITDA site margin of A\$13.8/WMT (A\$5.3/WMT Jun. Q'24). MMI expect ongoing optimisation activities will drive site costs down over the remainder of the year. We forecast a strong finish to the year of 2.4M WMT in Dec. Q'24 to meet the low end of CY24 guidance of 6.0M WMT. MMI is the only pure play ASX bauxite producer providing attractive exposure to a strong pricing environment. BUY with PT of 9.3c/sh (down from 9.6c).

Sep. Q'24 key points (Figs. 1-2)

- Record production of 2.13M WMT (previously reported).
- Monthly record of 780k WMT shipped in Sept. despite temporary restrictions due reduced channel depth.
- EBITDA site margin of A\$13.8/WMT (+160% qoq).
- Net operating cashflow of A\$29.3M (A\$1.3M Jun. Q'24), A\$11.7M debt repaid.
- Free cashflow of A\$15.2M with cash at end of September of A\$16.9M (A\$13.4M end June).
- Debt A\$61.7M (A\$50M senior, A\$11.7M junior).

Outlook

- MMI on track for low end of CY24 guidance at 6.0-6.4Mt (Petra 6.0Mt).
- We have reduced CY25 production from 7.5Mt to 7.0Mt in line with MMI's minimum target.
- Short term debt of A\$11.7M to be repaid this quarter.
- Senior debt repayments commence on a monthly basis from March 2025 over two years.

Bauxite market remains tight

- Chinese domestic bauxite market remains tight (Fig. 3) forcing domestic alumina prices higher (Fig. 4).
- This is pushing Australian seaborne bauxite prices higher (Fig. 5).
- MMI in position to benefit from a high price environment.

Financial Summary

- Valuation – 9.3c/share based on 1xP/NPV10.
- PE (CY24/25) – 20.2x & 3.1x.
- EV/EBITDA – 7.4x & 1.7x.

Key Dates Ahead

- Dec. Q'24 – Ongoing debottlenecking studies.
- Dec. Q'24 – Potential Senior debt refinancing.

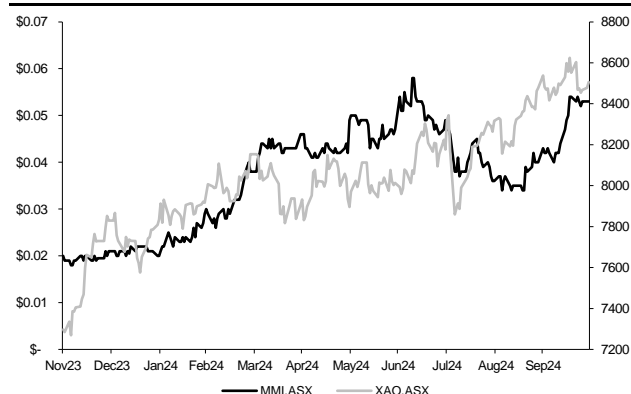
Company Data

Shares – ordinary (M)	5955.4
Dilution (M)	240.7
Total (fully diluted) (M)	6196.1
Market capitalisation (\$M)	303.7
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	339.4	422.7	468.6	444.2
Costs (\$M)	214.4	294.6	288.4	295.2	291.7
EBITDA (\$M)	21.8	44.9	134.3	173.4	152.5
NPAT (A\$M)	-9.3	15.7	102.9	102.1	92.8
EPS (cps)	-0.2	0.3	1.7	1.6	1.5
EPS Growth (%)	83.3	218.4	556.5	-0.8	-9.2
PER (x)	na	20.2	3.1	3.1	3.4
Cashflow (A\$M)	8.3	34.1	131.5	178.0	118.5
CFPS (c/sh)	0.2	0.6	2.1	2.9	1.9
PCFPS	11.0	9.3	2.4	1.8	2.7
EV	159.0	330.7	221.9	102.5	63.2
EV/EBITDA	7.3	7.4	1.7	0.6	0.4
Payout ratio (%)	na	na	na	50%	80%
DPS	0.0	0.0	0.0	0.8	1.2
Yield (%)	0.0	0.0	0.0	16.2	23.5
Franking (%)	0.0	0.0	0.0	50.0	100.0

MMI – performance over one year



Disclosure and Disclaimer

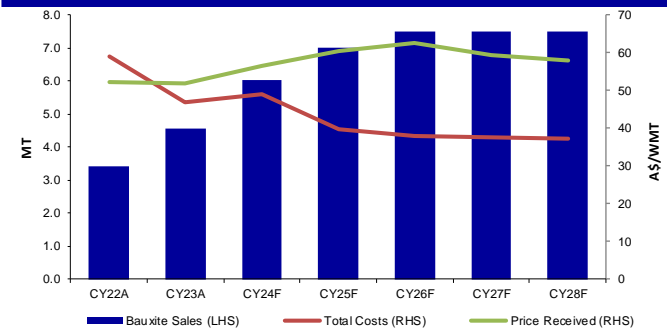
This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was Co-Lead Manager for this company's placement to raise \$40.0m by way of a placement at A\$0.041/sh on 1st May 2024, for which fees were received.

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Analysis

METRO MINING LIMITED (MMI)

30-Oct-24													
Year End Dec													
A\$													
							Share Price	(\$)	0.051				
							Iss. Shares	(M)	5,955.4				
							Options/Warrants/Other	(M)	240.7				
							Mkt Cap.	(\$M)	303.7				
PROFIT & LOSS							RESERVES & RESOURCES						
		CY23A	CY24F	CY25F	CY26F	CY27F	Reserves						
Sales Revenue	\$M	235.8	339.4	422.7	468.6	444.2	Tonnes	Mt	84.8	78.8	71.8	64.3	56.8
Other Income	\$M	0.4	0.0	0.0	0.0	0.0	Grade Al ₂ O ₃	%	49.9	49.9	49.9	49.9	49.9
Operating Costs	\$M	214.4	294.6	288.4	295.2	291.7	Grade SiO ₂	%	12.9	12.9	12.9	12.9	12.9
Exploration	\$M	0.0	0.0	0.0	0.0	0.0	M & I Resources						
Other	\$M	0.0	0.0	0.0	0.0	0.0	Tonnes	Mt	118.7	112.7	105.7	98.2	90.7
EBITDA	\$M	21.8	44.9	134.3	173.4	152.5	Grade Al ₂ O ₃	%	49.2	49.2	49.2	49.2	49.2
Dep. & Amort.	\$M	16.7	18.4	28.6	32.1	29.8	Grade SiO ₂	%	14.1	14.1	14.1	14.1	14.1
EBIT	\$M	5.1	26.5	105.7	141.3	122.7	PRODUCTION (100%)						
Net Interest	\$M	14.4	10.8	2.8	(4.6)	(9.8)	Bauxite Mined	Mt	4.61	6.02	7.00	7.50	7.50
Pre-Tax Profit	\$M	(9.3)	15.7	102.9	145.9	132.5	Bauxite Sales (Shipped)	Mt	4.57	6.02	7.00	7.50	7.50
Tax	\$M	0.0	0.0	0.0	43.8	39.8	REVENUE (attributable)						
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	Bauxite Hills	\$M	235.8	339.4	422.7	468.6	444.2
Net Profit	\$M	(9.3)	15.7	102.9	102.1	92.8	Other	\$M	0.0	0.0	0.0	0.0	0.0
Abnormal	\$M	(4.2)	0.0	0.0	0.0	0.0	Total	\$M	235.8	339.4	422.7	468.6	444.2
Reported Profit	\$M	(9.3)	15.7	102.9	102.1	92.8	COSTS						
Dividends Paid	\$M	0.0	0.0	0.0	51.1	74.2	Site Costs	\$/WMT	28	25	21	19	19
Adjustments	\$M	(0.0)	0.0	0.0	0.0	0.0	Royalties	\$/WMT	6	7	8	8	8
Retained Earnings	\$M	(232.5)	(216.8)	(113.9)	(62.8)	(44.3)	Total Costs	\$/WMT	47	49	40	38	37
CASH FLOW							Total costs	\$M	214.4	294.6	278.4	284.2	280.7
Revenue	\$M	226.9	339.4	422.7	468.6	444.2	Corp / Other	\$M	0.0	0.0	10.0	11.0	11.0
Costs	\$M	(214.6)	(294.6)	(288.4)	(295.2)	(291.7)	Total	\$M	214.4	294.6	288.4	295.2	291.7
Net Interest	\$M	(3.9)	(10.8)	(2.8)	4.6	9.8	CAPEX						
Tax Paid	\$M	0.0	0.0	0.0	0.0	(43.8)	Bauxite Hills	\$M	11.6	30.8	7.5	7.5	5.0
Gross Cash Flow	\$M	8.3	34.1	131.5	178.0	118.5	Other	\$M	0.0	0.0	0.0	0.0	0.0
Net Capex	\$M	(11.6)	(30.8)	(7.5)	(7.5)	(5.0)	Total	\$M	11.6	30.8	7.5	7.5	5.0
Exploration	\$M	(0.9)	0.0	0.0	0.0	0.0	DEPRECIATION						
Dividends	\$M	0.0	0.0	0.0	(51.1)	(74.2)	Bauxite Hills	\$M	16.7	18.4	28.6	32.1	29.8
Other	\$M	(23.5)	(2.7)	(15.2)	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0
Free Cashflow	\$M	(27.6)	0.6	108.8	119.4	39.3	Total	\$M	16.7	18.4	28.6	32.1	29.8
Equity Issues	\$M	0.0	51.9	0.0	0.0	0.0	EBITDA						
Net Borrowings	\$M	39.3	(27.3)	(19.4)	(25.7)	(6.9)	Bauxite Hills	\$M	21.4	44.9	134.3	173.4	152.5
Net Investments	\$M	(11.7)	0.0	0.0	0.0	0.0	Other (incl. writedowns)	\$M	0.4	0.0	0.0	0.0	0.0
Surplus Cash Flow	\$M	(0.0)	25.3	89.4	93.7	32.4	Total	\$M	21.8	44.9	134.3	173.4	152.5
BALANCE SHEET													
Cash	\$M	12.1	37.4	126.7	220.4	252.8	ASSUMPTIONS						
Other Current	\$M	23.2	50.9	63.4	70.3	66.6	Exchange Rate	A\$/US\$	0.66	0.66	0.68	0.68	0.70
Total Current	\$M	35.3	88.3	190.1	290.7	319.4	Bauxite Price CIF	US\$/DMT	42.2	49	55	54	53
Fixed Assets	\$M	132.2	144.6	123.5	98.9	74.1	Bauxite Price CIF	US\$/WMT	37.1	43	48	48	47
Exploration	\$M	1.5	0.0	0.0	0.0	0.0	Bauxite Price CIF	A\$/WMT	55.9	64	72	70	67
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Bauxite Price FOB	A\$/WMT	40.1	48	57	55	52
Other	\$M	0.0	2.7	17.9	17.9	17.9	Av Price Received	A\$/WMT		56	60	62	59
Total NC Assets	\$M	133.7	147.2	141.4	116.8	92.0	VALUATION (fully diluted)						
TOTAL ASSETS	\$M	169.0	235.5	331.5	407.4	411.4	Bauxite Hills Mine (NPV10)	\$M	\$684.0	\$ 0.110			
Total Debt	\$M	79.4	52.1	32.6	6.9	0.0	Exploration	\$	-	\$ -			
Current Liab	\$M	56.2	56.2	56.2	99.9	95.9	Corporate / Other	\$	(64.1)	\$ (0.010)			
Non Current Liab	\$M	23.5	49.7	62.2	69.0	65.4	Net Cash (Debt)	\$	(44.8)	\$ (0.007)			
TOTAL LIAB	\$M	159.0	157.9	151.0	175.9	161.3	Total	\$M	\$575.1	\$ 0.093			
NET ASSETS	\$M	10.0	77.6	180.5	231.6	250.1	RATIO ANALYSIS						
SH/HLDRS FUNDS	\$M	10.0	77.6	180.5	231.6	250.1	EPS	¢	(0.2)	0.3	1.7	1.6	1.5
RATIO ANALYSIS													
EPS	¢	(0.2)	0.3	1.7	1.6	1.5	PER	x	na	20.2	3.1	3.1	3.4
PER	x	na	20.2	3.1	3.1	3.4	EPS Growth	%	(83.3)	(218.4)	556.5	(0.8)	(9.2)
EPS Growth	%	(83.3)	(218.4)	556.5	(0.8)	(9.2)	EBITDA per share	¢	0.5	0.7	2.2	2.8	2.5
EBITDA per share	¢	0.5	0.7	2.2	2.8	2.5	EBITDA Multiple	x	4.2	7.0	2.4	1.8	2.1
EBITDA Multiple	x	4.2	7.0	2.4	1.8	2.1	EV/EBITDA	x	7.3	7.4	1.7	0.6	0.4
EV/EBITDA	x	7.3	7.4	1.7	0.6	0.4	CFPS	¢	0.2	0.6	2.1	2.9	1.9
CFPS	¢	0.2	0.6	2.1	2.9	1.9	PCFR	x	11.0	9.3	2.4	1.8	2.7
PCFR	x	11.0	9.3	2.4	1.8	2.7	DPS	¢	0.0	0.0	0.0	0.8	1.2
DPS	¢	0.0	0.0	0.0	0.8	1.2	Yield	%	0.0	0.0	0.0	16.2	23.5
Yield	%	0.0	0.0	0.0	16.2	23.5	Franking	%	0.0	0.0	0.0	50.0	100.0
Franking	%	0.0	0.0	0.0	50.0	100.0	Payout Ratio	%	0.0	0.0	0.0	50.0%	80.0%
Payout Ratio	%	0.0	0.0	0.0	50.0%	80.0%	OTHER DATA						
Gearing ND/E	%	67.6	19	na	na	na	Share Price	\$/sh.	0.021	0.051	0.051	0.051	0.051
Interest Cover	x	0.4	2.5	0.0	na	na	Number of shares	M	4365.9	6196.1	6196.1	6196.1	6196.1
EBITDA Margin	%	9.2	13.2	31.8	37.0	34.3	Market Capitalisation	\$M	91.7	316.0	316.0	316.0	316.0
EBIT Margin	%	2.2	7.8	25.0	30.2	27.6	EV	\$M	159.0	330.7	221.9	102.5	63.2
Return On Assets	%	3.0	11.2	31.9	34.7	29.8							
Return On Equity	%	na	20.2	57.0	44.1	37.1							
Eff Tax rate	%	0.0	0.0	0.0	30.0	30.0							



Source: Petra Capital

Sep. Q'24 key points

MMI delivered record quarterly shipments of 2.13M WMT (previously reported 3 Oct) which was 50% above Jun. Q'24 and 32% above Sep. Q'23 (Figure 1). This takes year to date (end Sept.) output to 3.7M WMT with MMI on track to deliver at the lower end of previous full year guidance at 6.0-6.4M WMT. Economies of scale are now beginning to be realised, with site operating unit costs at A\$23.6/WMT (-26% qoq). Quarterly EBITDA site margin was A\$13.8/WMT (+160% qoq) despite some one-off expansion related costs. MMI expect the ongoing optimisation activities will continue to drive site costs down over the remainder of the year. MMI's average delivered prices for Sep. Q'24 rose 2.5% vs Jun. Q'24. This was offset by increased demurrage caused by a difficult to predict ramp up profile as MMI endeavoured to have ships available for the two transhippers.

A record month of 780k WMT bauxite shipped was achieved in the September month despite a reduction in channel depth from 1.8m to 1.5m which temporarily decreased cargo capacity and productivity. The marine team effectively managed the issue with a bed levelling campaign, completing the work in 15 days and restoring channel depth to 1.8m.

Post Sep. Q'24, mining, screening, barge loading and transhipping have operated above budgeted rates indicating "MMI should be able to deliver at or above 7M WMT rates in 2025."

Figure 1: Sept. Quarterly Actuals vs Petra Forecast

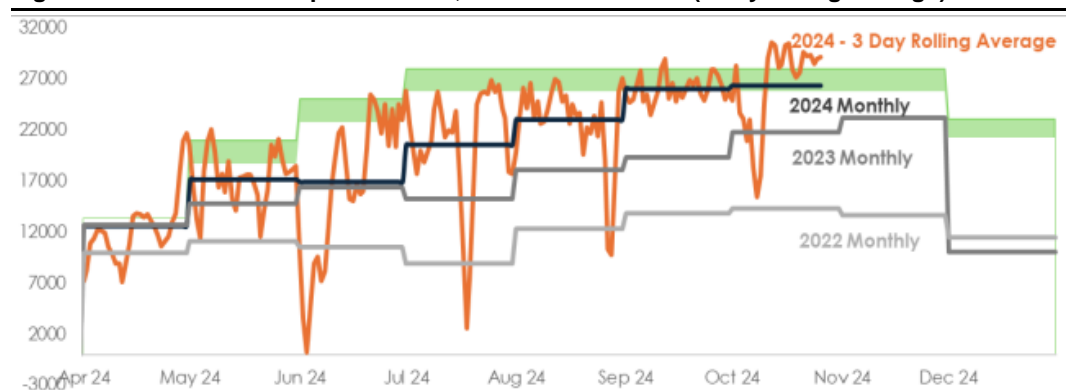
		MMI Q2 24	MMI Q3 24	Petra Q3 24	% var
Bauxite Mined	Mt	1.41	2.15	2.13	1%
Bauxite Shipped	Mt	1.42	2.13	2.13	0%
CIF Pricing	A\$/WMT	63.8	65.3	64.2	2%
FOB Pricing	A\$/WMT	43.4	44.0	47.5	-7%
Site Costs	A\$/WMT	31.8	23.6	22.0	7%
Royalties	A\$/WMT	6.3	6.6	7.5	-12%
Total	A\$/WMT	38.1	30.2	29.5	3%
Site EBITDA	A\$/WMT	5.3	13.8	16.0	-14%
Site EBITDA	A\$M	7.5	29.4	34.1	-14%

Source: MMI, Petra Capital.

Shipping rates continue to rise

Shipping rates continue to rise (Figure 2) supported by loading rates stabilising at 1,800tph by September (peak rates of 2,500tph achieved). Current shipping rates are averaging ~28kt per day which equates to 7Mtpa rates.

Figure 2: MMI Bauxite Shipments 2022, 2023 and 2024 YTD (5 day rolling average)

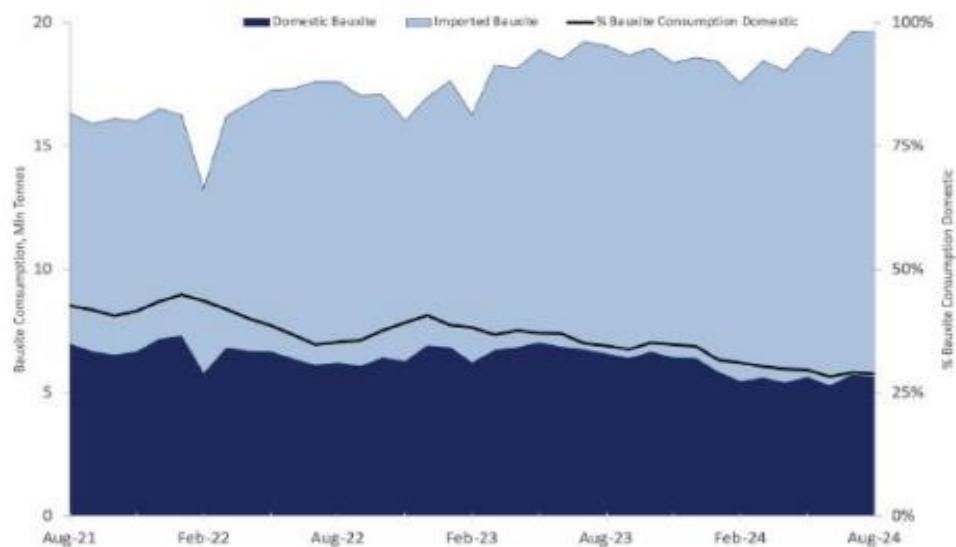


Source: MMI.

Bauxite Market remains tight

Demand from alumina production and traded bauxite continues to be strong with year to date Chinese imports in September up 12.7% over 2023 (Figure 3). Alumina prices have risen strongly to near record levels (Fig. 4). This is having a positive effect on the bauxite market (Figure 5) with recent spot pricing for Guinea bauxite at US\$80/t DMT (+43% since Jan 22) and Australian high temperature (HT) bauxite at US\$65/DMT (+61% since Jan 22). MD Simon Wensley "expects to see the momentum continuing and the recent tightening of the traded bauxite market will start to flow through this coming quarter and into 2025." China is not the only player looking for bauxite with MMI shipping a capesize cargo to EGA's Al Taweelah refinery in Abu Dhabi this month.

Figure 3: China Bauxite Consumption – Imports & Domestic (Mt per month)



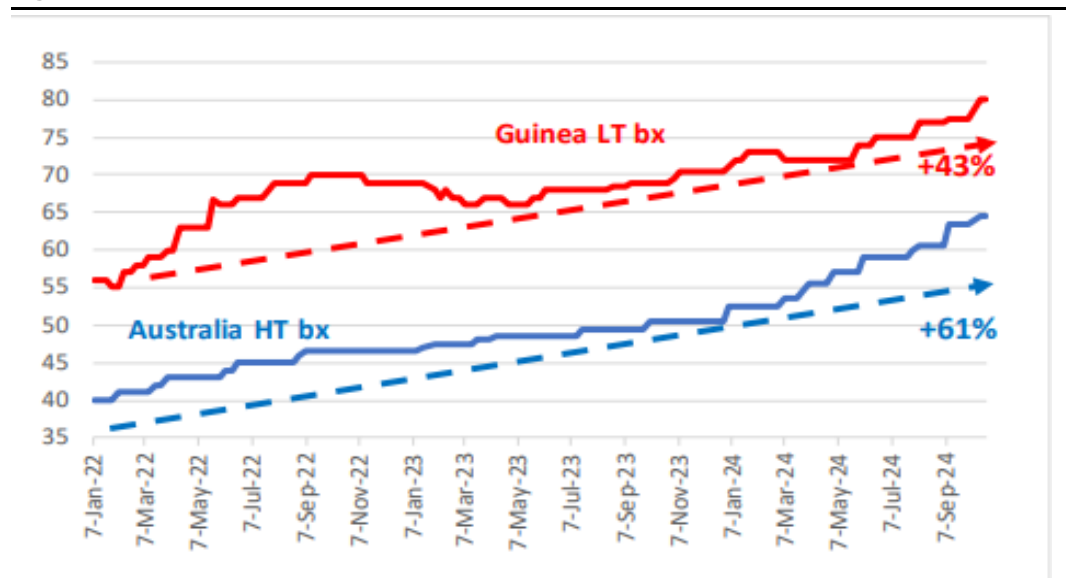
Source: MMI, CM Group.

Figure 4: Traded Alumina Price – China and International (RMB/t)



Source: MMI, CM Group.

Figure 5: Traded Bauxite Prices (US\$/DMT CIF China)



Source: MMI, CM Group.

Changes to valuation and earnings

- We have increased CY24 operating costs by A\$6M (A\$1/t) and added A\$6M in deferred royalties to be paid this quarter.
- We have reduced CY25 forecast production from 7.5M WMT to 7.0M WMT.

Figure 6: Summary of changes

		CY24F			CY25F			CY26F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	339.4	339.4	0%	422.7	452.5	-7%	468.6	468.6	0%
Operating Costs	A\$m	294.6	282.2	4%	288.4	303.2	-5%	295.2	295.2	0%
EBITDA	A\$m	44.9	57.3	-22%	134.3	149.3	-10%	173.4	173.4	0%
EBIT	A\$m	26.5	38.9	-32%	105.7	119.0	-11%	141.3	141.6	0%
NPAT	A\$m	15.7	28.3	-45%	102.9	117.1	-12%	102.1	103.2	-1%
EPS	A\$/sh	0.3	0.5	-45%	1.7	1.9	-12%	1.6	1.7	-1%
DPS	A\$/sh	0.0	0.0		0.0	0.0		0.8	0.8	-1%
Valuation	A\$m	575	597	-4%						
Price Target	A\$/sh	0.093	0.096	-4%						
Shares Issued	M	5955	5955	0%						
Bauxite Mined	Mt	6.0	6.0	0%	7.0	7.5	-7%	7.5	7.5	0%
Bauxite Price CIF	US\$/DMT	49	49	0%	55	55	0%	54	54	0%
Bauxite Price CIF	US\$/WMT	43	43	0%	48	48	0%	48	48	0%
AUD/USD	#	0.66	0.66	0%	0.68	0.68	0%	0.68	0.68	0%
Bauxite Price CIF	A\$/WMT	64	64	0%	72	72	0%	70	70	0%
Av Price Received	A\$/WMT	56	56	0%	60	60	0%	62	62	0%
AISC	A\$/WMT	50	48	4%	41	40	2%	39	39	0%

Source: Company reports, Petra Capital.



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