

11 November 2024

## Metro Mining Limited (MMI)

BUY

Share Price: A\$0.05

Offtake contracts highlight Chinese demand

Target Price: A\$0.094

Metro Mining Limited has finalised additional multi-cargo offtake agreements for bauxite shipments across CY25 and CY26. Agreements comprise a high quality customer portfolio including the world's largest alumina and aluminium producer, Chalco. Together with existing contract positions this takes contracted offtake to 6.9M and 6.1M WMT (wet metric tonnes) for CY25 and CY26 respectively. Detailed contract tenor, volume and pricing terms are confidential. The contracts are a blend of CIF and FOB with some contracts containing options for additional spot cargos. Freight risk has been minimised with forward freight agreements (FFAs) agreed for 89% and 85% of CIF shipments in CY25 and CY26 respectively. All contracts are with Chinese customers highlighting the strong, ongoing demand for bauxite from the world's biggest consumer. BUY with PT of 9.4c/sh (prev. 9.3c).

### Offtake contracts finalised for CY25/26

- New contract with global alumina/Al major Chalco.
- New contract with Shandong Lubei and a contract extension with Xinfa.
- CY25 – 6.9Mt contracted which equates to 98.5% of our forecast 7.0 Mt sales.
- CY26 – 6.1Mt contracted which equates to 81% of our forecast 7.5 Mt sales.
- We estimate CIF:FOB split 55:45 CY25, 70:30 CY26.
- CY25 offtake comprises 20% fixed price, 80% quarterly negotiations. CY26 comprises 5% fixed, 93% quarterly.
- Freight risk mitigated with new FFAs in place.
- High quality customer portfolio supports MMI as a robust, reliable and low risk supplier of bauxite.

### Financial Summary

- Valuation – 9.4c/share based on 1xP/NPV<sub>10</sub>, rising to 13.1c/share at spot.
- PE (CY24/25) – 20.2x & 3.0x.
- EV/EBITDA – 7.4x & 1.6x.
- Cash – A\$17M (end Sept.), debt – A\$61.7M.
- Short term debt of A\$11.7M to be repaid this quarter.
- Senior debt repayments commence on a monthly basis at ~A\$2.2M per month from March 2025 over two years.

### Key Dates Ahead

- Dec. Q'24 – Potential Senior debt refinancing.
- Mar. Q'24 – Wet season shutdown.
- 1H 25 – Ongoing debottlenecking studies.

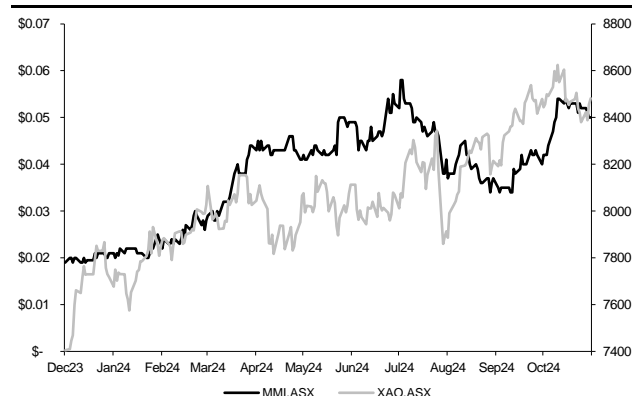
### Company Data

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)	27.8
GICS Industry	Metals & Mining

### Financial Summary (fully diluted/normalised)

Year End Dec	CY23A	CY24F	CY25F	CY26F	CY27F
Revenue (\$M)	236.2	345.0	434.4	492.4	467.6
Costs (\$M)	214.4	300.1	298.9	321.3	322.9
EBITDA (\$M)	21.8	44.8	135.5	171.1	144.6
NPAT (A\$M)	-9.3	15.6	104.2	100.5	87.2
EPS (cps)	-0.2	0.3	1.7	1.6	1.4
EPS Growth (%)	83.3	218.1	566.6	-3.5	-13.3
PER (x)	na	20.2	3.0	3.1	3.6
Cashflow (A\$M)	8.3	34.0	132.8	175.7	111.3
CFPS (c/sh)	0.2	0.5	2.1	2.8	1.8
PCFPS	11.0	9.3	2.4	1.8	2.8
EV	159.0	330.8	220.6	102.7	66.2
EV/EBITDA	7.3	7.4	1.6	0.6	0.5
Payout ratio (%)	na	na	na	50%	80%
DPS	0.0	0.0	0.0	0.8	1.1
Yield (%)	0.0	0.0	0.0	15.9	22.1
Franking (%)	0.0	0.0	0.0	50.0	100.0

### MMI – performance over one year



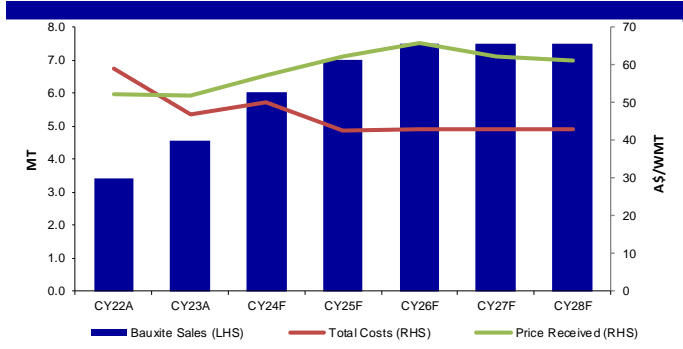
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This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was Co-Lead Manager for this company's placement to raise \$40.0m by way of a placement at A\$0.041/sh on 1<sup>st</sup> May 2024, for which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

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## Analysis

METRO MINING LIMITED (MMI)										
8-Nov-24							Share Price	(\$)	0.051	
Year End Dec	A\$						Iss. Shares	(M)	5,955.4	
							Options/Warrants/Other	(M)	240.7	
							Mkt Cap.	(\$M)	303.7	
<b>PROFIT &amp; LOSS</b>		<b>CY23A</b>	<b>CY24F</b>	<b>CY25F</b>	<b>CY26F</b>	<b>CY27F</b>	<b>RESERVES &amp; RESOURCES</b>			
Sales Revenue	\$M	235.8	345.0	434.4	492.4	467.6	<b>Reserves</b>			
Other Income	\$M	0.4	0.0	0.0	0.0	0.0	Tonnes	Mt	84.8	78.8
Operating Costs	\$M	214.4	300.1	298.9	321.3	322.9	Grade Al2O3	%	49.9	49.9
Exploration	\$M	0.0	0.0	0.0	0.0	0.0	Grade SiO2	%	12.9	12.9
Other	\$M	0.0	0.0	0.0	0.0	0.0	<b>M &amp; I Resources</b>			
<b>EBITDA</b>	<b>\$M</b>	<b>21.8</b>	<b>44.8</b>	<b>135.5</b>	<b>171.1</b>	<b>144.6</b>	Tonnes	Mt	118.7	112.7
Dep. & Amort.	\$M	16.7	18.4	28.6	32.1	29.8	Grade Al2O3	%	49.2	49.2
<b>EBIT</b>	<b>\$M</b>	<b>5.1</b>	<b>26.4</b>	<b>106.9</b>	<b>139.0</b>	<b>114.9</b>	Grade SiO2	%	14.1	14.1
Net Interest	\$M	14.4	10.8	2.8	(4.6)	(9.7)	<b>PRODUCTION (100%)</b>			
<b>Pre-Tax Profit</b>	<b>\$M</b>	<b>(9.3)</b>	<b>15.6</b>	<b>104.2</b>	<b>143.6</b>	<b>124.6</b>	Bauxite Mined	Mt	4.61	6.02
Tax	\$M	0.0	0.0	0.0	43.1	37.4	Bauxite Sales (Shipped)	Mt	4.57	6.02
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	<b>REVENUE (attributable)</b>			
<b>Net Profit</b>	<b>\$M</b>	<b>(9.3)</b>	<b>15.6</b>	<b>104.2</b>	<b>100.5</b>	<b>87.2</b>	Bauxite Hills	\$M	235.8	345.0
Abnormal	\$M	(4.2)	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0
<b>Reported Profit</b>	<b>\$M</b>	<b>(9.3)</b>	<b>15.6</b>	<b>104.2</b>	<b>100.5</b>	<b>87.2</b>	Total	\$M	235.8	345.0
Dividends Paid	\$M	0.0	0.0	0.0	50.3	69.8	<b>COSTS</b>			
Adjustments	\$M	(0.0)	0.0	0.0	0.0	0.0	Site Costs	A\$/WMT	28	25
<b>Retained Earnings</b>	<b>\$M</b>	<b>(232.5)</b>	<b>(216.8)</b>	<b>(112.7)</b>	<b>(62.4)</b>	<b>(45.0)</b>	Royalties	A\$/WMT	6	7
<b>CASH FLOW</b>							Total Costs	A\$/WMT	47	50
Revenue	\$M	226.9	345.0	434.4	492.4	467.6	Total costs	\$M	214.4	300.1
Costs	\$M	(214.6)	(300.1)	(298.9)	(321.3)	(322.9)	Corp / Other	\$M	0.0	0.0
Net Interest	\$M	(3.9)	(10.8)	(2.8)	4.6	9.7	Total	\$M	214.4	300.1
Tax Paid	\$M	0.0	0.0	0.0	0.0	(43.1)	<b>CAPEX</b>			
<b>Gross Cash Flow</b>	<b>\$M</b>	<b>8.3</b>	<b>34.0</b>	<b>132.8</b>	<b>175.7</b>	<b>111.3</b>	Bauxite Hills	\$M	11.6	30.8
Net Capex	\$M	(11.6)	(30.8)	(7.5)	(7.5)	(5.0)	Other	\$M	0.0	0.0
Exploration	\$M	(0.9)	0.0	0.0	0.0	0.0	Total	\$M	11.6	30.8
Dividends	\$M	0.0	0.0	0.0	(50.3)	(69.8)	<b>DEPRECIATION</b>			
Other	\$M	(23.5)	(2.7)	(15.1)	0.0	0.0	Bauxite Hills	\$M	16.7	18.4
<b>Free Cashflow</b>	<b>\$M</b>	<b>(27.6)</b>	<b>0.6</b>	<b>110.1</b>	<b>117.9</b>	<b>36.5</b>	Other	\$M	0.0	0.0
Equity Issues	\$M	0.0	51.9	0.0	0.0	0.0	Total	\$M	16.7	18.4
Net Borrowings	\$M	39.3	(27.3)	(19.4)	(25.7)	(6.9)	<b>EBITDA</b>			
Net Investments	\$M	(11.7)	0.0	0.0	0.0	0.0	Bauxite Hills	\$M	21.4	44.8
Surplus Cash Flow	\$M	(0.0)	25.2	90.7	92.2	29.6	Other (incl. writedowns)	\$M	0.4	0.0
<b>BALANCE SHEET</b>							Total	\$M	21.8	44.8
Cash	\$M	12.1	37.3	128.0	220.2	249.8	<b>ASSUMPTIONS</b>			
Other Current	\$M	23.2	51.7	65.2	73.9	70.1	Exchange Rate	A\$/US\$	0.66	0.66
<b>Total Current</b>	<b>\$M</b>	<b>35.3</b>	<b>89.0</b>	<b>193.2</b>	<b>294.1</b>	<b>320.0</b>	Bauxite Price CIF	US\$/DMT	42.2	49
Fixed Assets	\$M	132.2	144.6	123.5	98.9	74.1	Bauxite Price CIF	US\$/WMT	37.1	43
Exploration	\$M	1.5	0.0	0.0	0.0	0.0	Bauxite Price CIF	A\$/WMT	55.9	64
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Bauxite Price FOB	A\$/WMT	40.1	48
Other	\$M	0.0	2.7	17.8	17.8	17.8	Av Price Received	A\$/WMT	57	62
<b>Total NC Assets</b>	<b>\$M</b>	<b>133.7</b>	<b>147.2</b>	<b>141.3</b>	<b>116.7</b>	<b>91.9</b>	<b>VALUATION (fully diluted)</b>			
<b>TOTAL ASSETS</b>	<b>\$M</b>	<b>169.0</b>	<b>236.3</b>	<b>334.4</b>	<b>410.8</b>	<b>411.9</b>	Bauxite Hills Mine (NPV10)	\$M	\$660.3	\$ 0.107
Total Debt	\$M	79.4	52.1	32.6	6.9	0.0	Exploration	\$	\$ -	\$ -
Current Liab	\$M	56.2	56.2	56.2	99.2	93.5	Corporate / Other	\$	\$(64.1)	\$(0.010)
Non Current Liab	\$M	23.5	50.5	63.9	72.6	68.9	Net Cash (Debt) CY24	\$	\$(14.8)	\$(0.002)
<b>TOTAL LIAB</b>	<b>\$M</b>	<b>159.0</b>	<b>158.8</b>	<b>152.7</b>	<b>178.8</b>	<b>162.5</b>	<b>Total</b>	<b>\$M</b>	<b>\$581.4</b>	<b>\$ 0.094</b>
<b>NET ASSETS</b>	<b>\$M</b>	<b>10.0</b>	<b>77.5</b>	<b>181.7</b>	<b>232.0</b>	<b>249.4</b>				
<b>SH/HLDRS FUNDS</b>	<b>\$M</b>	<b>10.0</b>	<b>77.5</b>	<b>181.7</b>	<b>232.0</b>	<b>249.4</b>				
<b>RATIO ANALYSIS</b>										
EPS	¢	(0.2)	0.3	1.7	1.6	1.4				
PER	x	na	20.2	3.0	3.1	3.6				
EPS Growth	%	83.3	218.1	566.6	(3.5)	(13.3)				
EBITDA per share	¢	0.5	0.7	2.2	2.8	2.3				
EBITDA Multiple	x	4.2	7.1	2.3	1.8	2.2				
EV/EBITDA	x	7.3	7.4	1.6	0.6	0.5				
CFPS	¢	0.2	0.5	2.1	2.8	1.8				
PCFR	x	11.0	9.3	2.4	1.8	2.8				
DPS	¢	0.0	0.0	0.0	0.8	1.1				
Yield	%	0.0	0.0	0.0	15.9	22.1				
Franking	%	0.0	0.0	0.0	50.0	100.0				
Payout Ratio	%	0.0	0.0	0.0	50.0%	80.0%				
Gearing ND/E	%	67.6	19	na	na	na				
Interest Cover	x	0.4	2.4	0.0	na	na				
EBITDA Margin	%	9.2	13.0	31.2	34.7	30.9				
EBIT Margin	%	2.2	7.7	24.6	28.2	24.6				
Return On Assets	%	3.0	11.2	32.0	33.8	27.9				
Return On Equity	%	na	20.2	57.3	43.3	35.0				
Eff Tax rate	%	0.0	0.0	0.0	30.0	30.0				



Source: Petra Capital.

## Offtake contracts finalised

MMI has finalised additional offtake contracts for CY25 and CY26 taking contracted bauxite offtake to 6.9M and 6.1M WMT in CY25 and 2026 respectively. The key changes are:

- A new contract with China Aluminium International Trading Group, Co. Ltd.; the trading arm of Aluminium Corporation of China (Chalco) the largest alumina and aluminium producer in the world.
- A contract extension with Xinfa Aluminium Group; one of the China's largest private integrated aluminium companies and Metro's longest-term customer.
- A new contract with Shandong Lubei Enterprise Group General Company, a large diverse chemical manufacturing group from Shandong Province.

Detailed contract tenor, volume and pricing terms are confidential however, offtake based on shorter term pricing quotation period is 80% in 2025 and 93% in 2026 (Figure 1). The contracts are a blend of FOB and delivered (CIF) with some contracts containing options for additional spot cargos.

**Figure 1: Agreed Bauxite Offtake**

	2025	2026
<b>Agreed Sales Offtake</b>	<b>6.9 M WMT</b>	<b>6.1 M WMT</b>
- Legacy Fixed Price	20%	5%
- Short term pricing	80%	93%
<b>Contracted freight cover v CIF offtake</b>	<b>89%</b>	<b>85%</b>

Source: MMI.

## Summary of Changes

- We have adjusted CIF:FOB split from 50:50 to 55:45 CY25 and 70:30 from CY26 onwards.

**Figure 2: Summary of Changes**

		CY24F			CY25F			CY26F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	345.0	339.4	2%	434.4	422.7	3%	492.4	468.6	5%
Operating Costs	A\$m	300.1	294.6	2%	298.9	288.4	4%	321.3	295.2	9%
EBITDA	A\$m	44.8	44.9	0%	135.5	134.3	1%	171.1	173.4	-1%
EBIT	A\$m	26.4	26.5	0%	106.9	105.7	1%	139.0	141.3	-2%
NPAT	A\$m	15.6	15.7	0%	104.2	102.9	1%	100.5	102.1	-2%
EPS	A\$/sh	0.3	0.3	0%	1.7	1.7	1%	1.6	1.6	-2%
DPS	A\$/sh	0.0	0.0		0.0	0.0		0.8	0.8	-2%
<b>Valuation</b>	<b>A\$m</b>	581	575	1%						
<b>Price Target</b>	<b>A\$/sh</b>	0.094	0.093	1%						
<b>Shares Issued</b>	<b>M</b>	5955	5955	0%						
Bauxite Mined	Mt	6.0	6.0	0%	7.0	7.0	0%	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	57	56	2%	62	60	3%	66	62	5%
AISC	A\$/WMT	50	49	2%	43	41	4%	43	39	9%
EBITDA Margin	A\$/WMT	7.4	7.5	0%	19.4	19.2	1%	22.8	23.1	-1%

Source: MMI, Petra Capital.



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