

9 December 2024

Metro Mining Limited (MMI)

BUY

Share Price: A\$0.06

Bauxite prices at record levels

Target Price: A\$0.117

Bauxite prices have risen to record levels with Guinean prices at US\$106/DMT and Australian prices at US\$88/t. The bauxite market is undergoing a structural change similar to the iron ore market in the early 2000s, driven by supply constraints and strong Chinese demand. Additional market tightness exists from the Oct. suspension of the Emirates Global Aluminium (EGA) bauxite mine (14Mtpa) by the Guinean government, which remains unresolved. The impact of the recent spike in bauxite prices will not flow through to MMI until after the wet season when production recommences in Jun. Q'25. The scene is set for a landmark year in CY25, with sales forecast to rise from 5.9Mt CY24 to 7.0Mt CY25 supported by strong bauxite prices. Leverage to bauxite price is significant with cashflow increasing by A\$190M to A\$322M in CY25 at spot prices. BUY with PT of 11.7c/share (prev. 11.8c).

MMI Webinar Dec 5th – key points

- Significant maintenance planned over the upcoming wet season (Jan-Mar 2025).
- Barge loading facility and pontoon to be refurbished.
- Ikamba offshore floating terminal to be modified including upgrading of the boom loader.
- Maintenance on the tug-boats and barges planned.
- Dec. month production subject to weather; historical days lost in Dec. vary between zero and eleven days.
- Wet season costs estimated at ~A\$20M.
- CY25 expected to be strong as operations are optimised further, backed by high bauxite prices.

MMI offers significant leverage to bauxite (Figs. 1-3)

- Our CY25 & CY26 forecasts are based on bauxite prices of US\$62/DMT & US\$61/t CIF respectively.
- Applying spot prices of US\$88/t CIF increases cashflow by A\$190M (145%) CY25 and A\$172M (98%) CY26.
- NPV rises from 11.7c/sh to 21.5c/sh at spot (CY25-27).
- PE (CY25/26) – 3.8x / 3.9x reduces to 1.3x / 1.4x spot.
- EV/EBITDA – 2.2x & 1.1x reduces to 0.3x & -0.2x spot.

Balance Sheet and Wet Season

- Cash – 31 Dec. '24F of A\$41M.
- Debt – 31 Dec. '24F of A\$76M (plus A\$7.5M undrawn).
- We have increased wet season costs from A\$32M to A\$35M; NPV reduced from 11.8c/sh to 11.7c/sh.

Key Dates Ahead

- Mar. Q'25 – Wet season shutdown.
- 1H 25 – Ongoing debottlenecking studies

Company Data

Shares – ordinary (M)	5955.7
Dilution (M)	287.3
Total (fully diluted) (M)	6243.0
Market capitalisation (\$M)	369.3
12 month low/high (\$)	0.02/ 0.06
Average monthly turnover (\$M)	76.1
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End Dec	CY23A	CY24F	CY25F	CY26F	CY27F
Revenue (\$M)	236.2	339.1	434.4	492.4	470.9
Costs (\$M)	214.4	295.8	298.3	321.3	323.9
EBITDA (\$M)	21.8	43.2	136.1	171.1	147.1
NPAT (A\$M)	-9.3	13.7	102.9	99.7	88.5
EPS (cps)	-0.2	0.2	1.6	1.6	1.4
EPS Growth (%)	83.3	202.4	653.3	-3.1	-11.2
PER (x)	na	28.3	3.8	3.9	4.4
Cashflow (A\$M)	8.3	30.7	131.7	174.8	113.7
CFPS (c/sh)	0.2	0.5	2.1	2.8	1.8
PCFPS	11.0	12.6	2.9	2.2	3.4
EV	159.0	421.6	297.3	179.9	142.1
EV/EBITDA	7.3	9.8	2.2	1.1	1.0
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	12.9	18.3
Franking (%)	0.0	0.0	0.0	50.0	100.0

MMI – performance over one year



Disclosure and Disclaimer

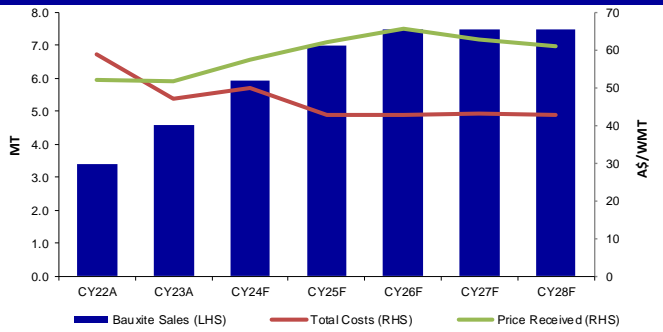
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Analysis

METRO MINING LIMITED (MMI)

6-Dec-24 Year End Dec							Share Price (\$)				
A\$							(\$)				
							Lss. Shares (M)				
							Options/Warrants/Other (M)				
							Mkt Cap. (\$M)				
							0.062				
							5,955.7				
							287.3				
							369.3				
							RESERVES & RESOURCES				
							CY23A CY24F CY25F CY26F CY27F				
							Reserves				
							Tonnes Mt				
							Grade Al2O3 %				
							Grade SiO2 %				
							M & I Resources				
							Tonnes Mt				
							Grade Al2O3 %				
							Grade SiO2 %				
							PRODUCTION (100%)				
							Bauxite Mined Mt				
							Bauxite Sales (Shipped) Mt				
							REVENUE (attributable)				
							Bauxite Hills \$M				
							Other \$M				
							Total \$M				
							COSTS				
							Site Costs A\$/WMT				
							Royalties A\$/WMT				
							Total Costs A\$/WMT				
							Total costs \$M				
							Corp / Other \$M				
							Total \$M				
							CAPEX				
							Bauxite Hills \$M				
							Other \$M				
							Total \$M				
							DEPRECIATION				
							Bauxite Hills \$M				
							Other \$M				
							Total \$M				
							EBITDA				
							Bauxite Hills \$M				
							Other (incl. writedowns) \$M				
							Total \$M				
							BALANCE SHEET				
							Cash \$M				
							Other Current \$M				
							Total Current \$M				
							Fixed Assets \$M				
							Exploration \$M				
							Intangibles \$M				
							Other \$M				
							Total NC Assets \$M				
							TOTAL ASSETS \$M				
							Total Debt \$M				
							Current Liab \$M				
							Non Current Liab \$M				
							TOTAL LIAB \$M				
							NET ASSETS \$M				
							SH/HLDRS FUNDS \$M				
							RATIO ANALYSIS				
							EPS ¢				
							PER x				
							EPS Growth %				
							EBITDA per share ¢				
							EBITDA Multiple x				
							EV/EBITDA x				
							CFPS ¢				
							PCFR x				
							DPS ¢				
							Yield %				
							Franking %				
							Payout Ratio %				
							Gearing ND/E %				
							Interest Cover x				
							EBITDA Margin %				
							EBIT Margin %				
							Return On Assets %				
							Return On Equity %				
							Eff Tax rate %				
							OTHER DATA				
							Share Price \$/sh.				
							Number of shares M				
							Market Capitalisation \$M				
							EV \$M				
							ASSUMPTIONS				
							Exchange Rate A\$/US\$				
							Bauxite Price CIF US\$/DMT				
							Bauxite Price CIF US\$/WMT				
							Bauxite Price CIF A\$/WMT				
							Bauxite Price FOB A\$/WMT				
							Av Price Received A\$/WMT				
							EBITDA Margin A\$/WMT				
							VALUATION (fully diluted)				
							Bauxite Hills Mine (NPV10) \$M				
							Exploration \$				
							Corporate / Other \$				
							Net Cash (Debt) CY25 \$				
							Total \$				



Source: Petra Capital

MMI offers significant leverage to bauxite price

MMI recently announced offtake agreements equating to 6.9M WMT CY25 and 6.1M WMT CY26 of which ~80% and ~93% respectively are based on short term contracts that can be negotiated on a quarterly basis. This highlights the significant leverage that MMI offers to bauxite prices. Figure 1 shows the significant positive impacts when applying spot prices and exchange rates to our MMI model over CY25-27.

Figure 1: Sensitivity to Spot Bauxite Prices and FX rates

		CY25F			CY26F			CY27F		
		Spot	Petra	% var	Spot	Petra	% var	Spot	Petra	% var
Revenue	A\$m	655.1	434.4	51%	789.7	492.4	60%	796.4	470.9	69%
Operating Costs	A\$m	332.5	298.3	11%	369.2	321.3	15%	376.3	323.9	16%
EBITDA	A\$m	322.5	136.1	137%	420.4	171.1	146%	420.1	147.1	186%
EBIT	A\$m	293.7	107.4	174%	388.1	138.8	180%	390.2	117.1	233%
NPAT	A\$m	280.2	102.9	172%	281.4	99.7	182%	288.8	88.5	226%
Operating Cashflow	A\$m	322.2	131.7	145%	346.2	174.8	98%	322.0	113.7	183%
EPS	A\$/sh	4.7	1.6	185%	4.5	1.6	182%	4.6	1.4	226%
DPS	A\$/sh	0.0	0.0	na	2.3	0.8	182%	3.7	1.1	226%
PE	x	1.3	3.8	-65%	1.4	3.9	-64%	1.4	4.4	-69%
EV/EBITDA	x	0.3	2.2	-84%	-0.2	1.1	-120%	-0.4	1.0	-143%
Valuation	A\$m	1,341	732	83%						
Price Target	A\$/sh	0.215	0.117	83%						
Shares Issued	M	5956	5956	0%						
Shares fully diluted	M	6243	6243	0%						
Bauxite Sales	Mt	7.0	7.0	0%	7.5	7.5	0%	7.5	7.5	0%
Benchmark Price CIF	US\$/DMT	88	62	42%	88	61	44%	88	60	47%
MMI Bauxite Price CIF	US\$/DMT	81	55	47%	81	54	50%	81	53	53%
MMI Bauxite Price CIF	US\$/WMT	71	48	47%	71	48	50%	71	47	53%
AUD/USD	#	0.64	0.68	-5%	0.64	0.68	-5%	0.64	0.70	-7%
MMI Bauxite Price CIF	A\$/WMT	111	72	55%	111	70	59%	111	67	65%
MMI Av Price Received	A\$/WMT	94	62	51%	105	66	60%	106	63	69%
AISC	A\$/WMT	48	43	11%	49	43	15%	50	43	16%
EBITDA Margin	A\$/WMT	46.1	19.4	137%	56.1	22.8	146%	56.0	19.6	186%

Source: Petra Capital. Spot assumes Australian Benchmark Bauxite Price of US\$88/t CIF and A\$/US\$ 0.643.

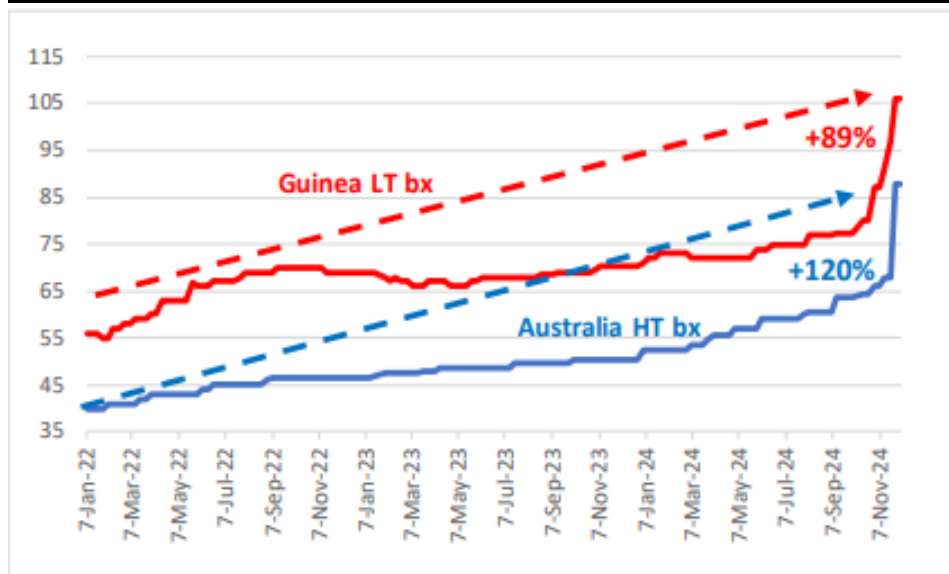
Bauxite prices at record levels

Bauxite prices have spiked to record levels with Guinean prices at US\$106/DMT and Australian benchmark prices at US\$88/t (Figure 2). Alumina prices in China have also risen to record levels (Figure 3). The bauxite market is undergoing structural change similar to that seen in the iron ore market in the early 2000s, with supply constraints and strong Chinese demand. Chinese bauxite imports are tracking towards ~145Mt this year (up 35% since 2021) and forecast to rise to 175Mtpa by 2030. Chinese domestic supply remains tight, with production falling due to reserve exhaustion.

MMI expects a supply response at some point, however bauxite demand continues to grow and outstrip supply. Additionally, the suspension of the EGA bauxite mine (14Mtpa or ~3-4% of supply) in October by the Guinean government is yet to be resolved.

The impact of the recent spike in bauxite prices will not flow through to MMI until Q2 2025 (after the Q1 wet season) noting contract prices for that quarter will be negotiated in March 2025.

Figure 2: Traded Bauxite Price (US\$/DMT CIF Chinese Port)



Source: MMI | December 2024

Market data from 7 January 2022 to 3 December 2024.
Sources: CM Group, SHFE

Source: MMI.

Figure 3: Alumina Prices in China (RMB/t)



Source: MMI.



Petra Capital

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