

# Metro Mining (MMI)

Rating: Buy | Risk: High | Price Target: \$0.17

28 January 2025

## Record EBITDA and margins to improve further in 2025

### Key Information

Current Price (\$ps)	0.06
12m Target Price (\$ps)	0.17
52 Week Range (\$ps)	0.02 - 0.06
Target Price Upside (%)	197.1%
TSR (%)	197.1%
Reporting Currency	AUD
Market Cap (\$m)	352
Sector	Materials
Avg Daily Volume (m)	5.9
ASX 200 Weight (%)	0%

### Fundamentals

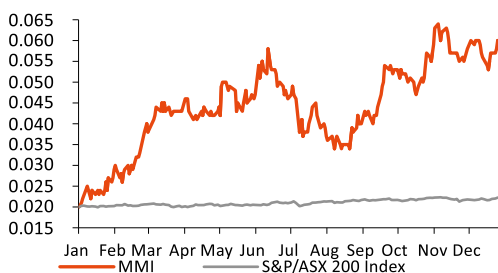
YE 31 Dec (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	236	316	475	533
NPAT (\$m)	(13)	15	110	140
EPS (cps)	(0.3)	0.3	1.8	2.3
EPS Growth (%)	77.3%	194.9%	515.5%	27.4%
DPS (cps) (AUD)	0.0	0.0	1.0	1.0
Franking (%)	0%	0%	0%	100%

### Ratios

YE 31 Dec	FY23A	FY24E	FY25E	FY26E
P/E (x)	(6.8)	19.8	3.2	2.5
EV/EBITDA (x)	18.9	7.3	2.2	1.9
Div Yield (%)	0.0%	0.0%	17.2%	17.2%
Payout Ratio (%)	0.0%	0.0%	55.4%	43.5%

### Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	3.2%	1.6%	9.0%	164.4%
Absolute (%)	5.5%	1.8%	11.5%	176.2%
Benchmark (%)	2.3%	0.2%	2.5%	11.8%



### Major Shareholders

Virtue Investments	9.9%
Willims Group	8.3%
Balanced Property Pty Ltd.	5.6%

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### Event

Metro Mining has reported its 4Q24 quarterly activities report. It was a record quarter for EBITDA (A\$36.2m) and margin (A\$17.4/wmt). The record was achieved despite weather disruptions in December, and these results are likely to be beaten in 2025. Bauxite prices remain elevated, and Metro has yet to see the full impact of recent price rises. Metro Mining is one of Shaw and Partners top picks for 2025. We make no changes to forecasts.

### Highlights

- Metro Mining has reported a record quarter and has finished the year with a cash balance of A\$31mm with a further A\$11m in trade receivables. Net debt is now only A\$51.8m, and we project Metro heading to a net cash position of ~A\$130m by the end of CY25. The balance sheet is no longer an area for investor concern. All of the junior debt to Lambhill and Ingatatus has been repaid and the debt facility with Nebari has been refinanced (including the royalty) with no payments due until 2H25.
- The December quarter was impacted by adverse weather (as previously disclosed), so although volumes were below expectations, cash flow was boosted by the strengthening bauxite price. Metro reported that it achieved a CIF China price of A\$72.7/wmt (A\$51/wmt FOB), which is slightly ahead of our forecast A\$71/wmt (A\$48/wmt FOB). The price is up 11% on 3Q24 and is expected to further increase in CY25. The current ABIX bauxite index is US\$90/dmt, and at that price (and 62c AUD), Metro should expect to achieve a price of ~A\$95/wmt for its Bauxite Hills product. MD Simon Wensley will head to China in February to negotiate prices for the June quarter and will be negotiating from a position of strength in a tight bauxite market.
- Site costs (A\$26.2/wmt) were slightly higher than our forecast (A\$24.5/wmt) which has offset the higher-than-expected pricing. The higher costs were mainly due to the lower throughput and wet weather, and we expect to see costs reducing towards A\$20/wmt in CY25. Freight costs (A\$21.7/wmt) were lower than forecast (A\$23/wmt) and is perhaps because we were conservatively factoring in high demurrage costs post the cancellation of the final cape size vessel.
- Metro has repeated its shipping guidance for CY25 of 6.5-7.0Mt and has 6.9Mt contracted with a range of customers including its new customer Emirates Global Aluminium (EGA) in Abu Dhabi. Metro now has a well-diversified customer base and is not reliant on its initial foundation customer Xinfra. Our modelling assumes shipments of 6.6Mt for CY25 and we have taken a conservative stance given the slow ramp-up and weather disruptions in 2024.
- Bauxite markets are tight due to strong demand growth from China at a time when supply is constrained. Indonesia has implemented export bans, Chinese domestic production is declining, and Guinea is experiencing supply disruptions. China has become reliant on supply from Guinea which now accounts for about 70% of China's bauxite imports. The big increase in alumina prices in 2024 would normally have seen Chinese alumina refineries increase production and export to take advantage of high export prices. A key reason this has not happened is that refineries in China cannot source enough bauxite.
- CM Group is reporting the Guinea bauxite price trading at US\$110/t (cif China) which is off its highs of US\$130/t, but still elevated. The Australian price is trading at US\$90/t. The pull back in price in the past two weeks is not unexpected and we model the spike in prices reverting through the course of CY25 as supply from Guinea increases. We assume and average ABIX bauxite index of US\$79/dmt in CY25, equating to an achieved bauxite price for Metro Mining of A\$80/wmt. Metro receives a discount to the ABIX price due to legacy contracts and its higher silica content. A US\$5/t change in the ABIX index increases MMI's CY25 EBITDA by A\$25m and our DCF valuation by 3.5cps.

### Recommendation

We retain our BUY recommendation and price target from of 17cps. Metro is one of Shaw and Partners top picks for 2025.

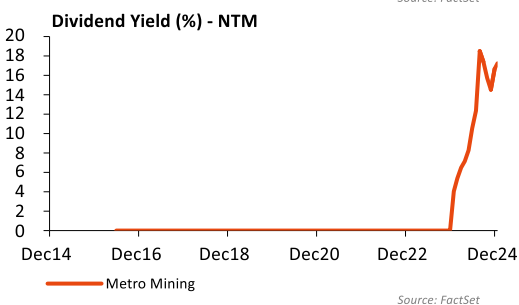
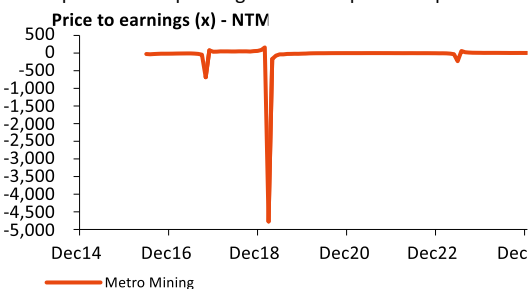
**Metro Mining  
Materials**

FactSet: MMI-AU / Bloomberg: MMI AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.06
Target Price (\$ps)	0.17
52 Week Range (\$ps)	0.02 - 0.06
Shares on Issue (m)	6,072
Market Cap (\$m)	352
Enterprise Value (\$m)	412
TSR (%)	197.1%
Valuation per share (cps) (AUD)	0.17
Valuation (\$m)	1,048.70

**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	1.8	2.3
EPS (Underlying) (cps)	(1.4)	(0.3)	0.3	1.8	2.3
EPS (Underlying) Growth (%)	71.7%	77.3%	194.9%	515.5%	27.4%
PE (Underlying) (x)	(1.0)	(6.8)	19.8	3.2	2.5
EV / EBIT (x)	(11.3)	81.3	10.8	2.6	2.1
EV / EBITDA (x)	(18.2)	18.9	7.3	2.2	1.9
DPS (cps) (AUD)	0.0	0.0	0.0	1.0	1.0
Dividend Yield (%)	0.0%	0.0%	0.0%	17.2%	17.2%
Franking (%)	0%	0%	0%	0%	100%
Payout Ratio (%)	0.0%	0.0%	0.0%	55.4%	43.5%
Free Cash Flow Yield (%)	(7.8%)	(0.2%)	8.3%	46.8%	62.0%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	178	236	316	475	533
Sales Growth (%)	11.1%	32.6%	34.2%	50.1%	12.3%
Other Operating Income	1	0	4	0	0
EBITDA	(23)	22	56	186	222
EBITDA Margin (%)	(12.7%)	9.2%	17.9%	39.2%	41.6%
Depreciation & Amortisation	(14)	(17)	(18)	(25)	(29)
EBIT	(36.6)	5.1	38.3	161.3	193.3
EBIT Margin (%)	(20.6%)	2.2%	12.1%	34.0%	36.2%
Net Interest	(14)	(19)	(23)	(13)	(5)
Pretax Profit	(50)	(13)	15	148	189
Tax	0	0	0	(38)	(49)
Tax Rate (%)	0.0%	0.0%	0.0%	(26.0%)	(26.0%)
NPAT Underlying	(50)	(13)	15	110	140
Significant Items	0	0	0	0	0
NPAT Reported	(50)	(13)	15	110	140
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	(37)	5	38	161	193
Tax Paid	0	0	0	0	0
Net Interest	0	0	0	1	3
Change in Working Capital	0	0	(6)	(8)	(2)
Depreciation & Amortisation	14	17	18	25	29
Operating Cashflow	(1)	12	51	180	223
Capex	(3)	(12)	(25)	(14)	(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)	(15)	(5)
Free Cashflow	(4)	(0)	25	165	218
Equity Raised / Bought Back	20	0	42	0	0
Dividends Paid	0	0	0	0	(61)
Change in Debt	9	39	(17)	(62)	0
Other	(21)	(15)	(23)	(32)	(8)
Financing Cashflow	8	24	2	(95)	(69)
Net Change in Cash	(0)	12	27	70	150
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	12	17	35	105	255
Accounts Receivable	4	9	12	18	20
Inventory	3	3	9	13	15
Other Current Assets	4	6	6	6	6
PPE	79	87	94	83	58
Total Assets	130	157	191	262	392
Accounts Payable	28	24	27	30	32
Short Term Debt	36	33	62	0	0
Long Term Debt	3	46	0	0	0
Total Liabilities	99	156	142	64	66
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	(164.5%)	(93.3%)	39.6%	89.8%	64.5%
Gearing (%)	58.0%	86.2%	28.7%	(147.7%)	(58,295.3%)
Net Debt / EBITDA (x)	(1.2)	2.8	0.5	(0.6)	(1.2)

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	2,046	0	1,900	2,400	2,300
Bauxite shipped (kt)	0	1,269	1,610	1,688	80	1,418	2,130	2,056	0	1,900	2,400	2,300
Revenue A\$/wmt - CIF	0.0	53.8	57.4	56.5	60.2	63.8	65.3	72.7	0.0	77.0	74.0	70.0
Revenue (A\$m) - CIF	0.0	68.3	92.4	95.4	4.8	90.5	139.1	149.5	0.0	146.3	177.6	161.0
Revenue A\$/wmt - FOB	0.0	41.1	40.8	38.5	0.0	43.4	44.0	51.0	0.0	60.0	57.0	53.0
Revenue (A\$m) - FOB	0.0	52.2	65.7	65.0	0.0	61.5	93.7	104.9	0.0	114.0	136.8	121.9
<b>Costs</b>												
Site cost (A\$/wmt)	0.0	26.2	24.7	26.0	0.0	31.8	23.6	26.2	0.0	24.0	20.0	20.0
Freight (A\$/wmt)	0.0	16.5	19.2	18.0	0.0	20.4	21.3	21.7	0.0	17.0	17.0	17.0
Royalty (A\$/wmt)	0.0	5.9	6.0	5.5	0.0	6.3	6.6	7.2	0.0	9.1	9.1	9.1
Total cost (A\$/wmt)	0.0	48.6	49.9	49.5	0.0	58.5	51.5	55.1	0.0	50.1	46.1	46.1
Total cost (ex freight)	0.0	32.1	30.7	31.5	0.0	38.1	30.2	33.4	0.0	33.1	29.1	29.1
Site cost (A\$m)	20.0	33.2	39.8	43.9	15.0	45.1	50.3	53.9	15.0	45.6	48.0	46.0
EBITDA (A\$/wmt)	0.0	9.0	10.1	7.0	0.0	5.3	13.8	17.6	0.0	26.9	27.9	23.9
Site EBITDA (A\$m)	-20.0	11.4	16.3	11.8	-15.0	7.5	29.4	36.2	-15.0	51.1	67.0	55.0
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	33.7	-18.0	48.1	64.0	52.0
Investing cash flow	-2.9	-7.1	-9.8	-11.7	-9.6	-12.9	-6.7	-8.1	0.0	-2.0	-6.0	-6.0
Financing cash flow	26.0	-0.5	-6.1	-4.8	18.4	23.4	-18.4	-11.1	0.0	-4.0	-14.9	-14.9
Cash balance	11.6	20.2	21.6	12.0	2.8	13.4	16.9	31.2	13.2	55.3	98.4	129.6

Source: Company reports, Shaw and Partners forecasts

Figure 2: Metro Mining P&L (A\$m)

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	5,684	6,600	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>316</b>	<b>475</b>	<b>533</b>	<b>534</b>	<b>546</b>	<b>559</b>	<b>572</b>
per tonne (A\$/wmt)	57	52	57	52	52	56	72	71	71	73	75	76
ABIX bauxite (US\$/dmt)	51	40	40	44	49	61	79	65	64	65	66	68
Revenue (adj for CIF)	199	128	160	186	264	390	526	569	570	583	596	609
per tonne (A\$/t)	57	52	57	54	58	69	80	76	76	78	79	81
Other income	0	0	0	1	0	4	0	0	0	0	0	0
Operating expenses	-143	-108	-167	-178	-179	-212	-216	-231	-231	-236	-241	-247
Royalties	-20	-12	-11	-17	-26	-38	-60	-66	-66	-68	-69	-71
Admin & other expenses	-9	-5	-6	-6	-9	-14	-13	-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>-264</b>	<b>-289</b>	<b>-312</b>	<b>-313</b>	<b>-320</b>	<b>-327</b>	<b>-334</b>
per tonne (A\$/t)	49	51	66	59	47	46	44	42	42	43	44	45
Customer paid freight costs	0	0	0	-8	-28	-73	-51	-35	-35	-36	-37	-38
Adjusted total cost (A\$/t)	49	51	66	61	53	59	52	46	46	47	49	50
<b>EBITDA</b>	<b>27</b>	<b>2</b>	<b>-79</b>	<b>-23</b>	<b>22</b>	<b>56</b>	<b>186</b>	<b>222</b>	<b>222</b>	<b>227</b>	<b>232</b>	<b>238</b>
per tonne (A\$/t)	8	1	-28	-7	5	10	28	30	30	30	31	32
Depreciation & Amortisation	-10	-10	-12	-14	-17	-18	-25	-29	-29	-29	-29	-29
<b>EBIT</b>	<b>17</b>	<b>-8</b>	<b>-91</b>	<b>-37</b>	<b>5</b>	<b>38</b>	<b>161</b>	<b>193</b>	<b>194</b>	<b>199</b>	<b>204</b>	<b>209</b>
Net Finance Expense	-11	-8	-5	-14	-19	-23	-13	-5	4	11	15	19
<b>Profit before tax</b>	<b>6</b>	<b>-15</b>	<b>-96</b>	<b>-50</b>	<b>-13</b>	<b>15</b>	<b>148</b>	<b>189</b>	<b>198</b>	<b>210</b>	<b>218</b>	<b>228</b>
Income tax (expense)/benefit	-2	4	-9	0	0	0	-38	-49	-51	-55	-57	-59
<b>Reported NPAT</b>	<b>4</b>	<b>-11</b>	<b>-106</b>	<b>-50</b>	<b>-13</b>	<b>15</b>	<b>110</b>	<b>140</b>	<b>146</b>	<b>155</b>	<b>162</b>	<b>168</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

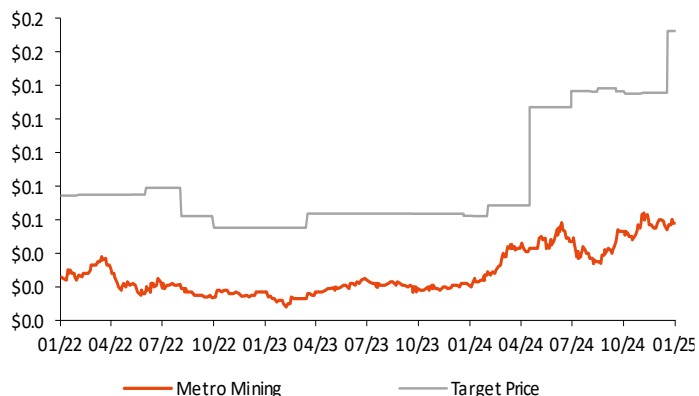
**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and 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	73	91%
Hold	7	9%
Sell	0	0%

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

Date	Closing Price (\$)	Target Price (\$)	Rating
14-Jan-25	0.05	0.17	Buy
27-Nov-24	0.06	0.14	Buy
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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