

Metro Mining (MMI)

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

28 February 2025

2024 just a taster for 2025

Key Information

Current Price (\$ps)	0.05
12m Target Price (\$ps)	0.17
52 Week Range (\$ps)	0.03 - 0.07
Target Price Upside (%)	214.1%
TSR (%)	232.9%
Reporting Currency	AUD
Market Cap (\$m)	322
Sector	Materials
Avg Daily Volume (m)	8.8
ASX 200 Weight (%)	0%

Fundamentals

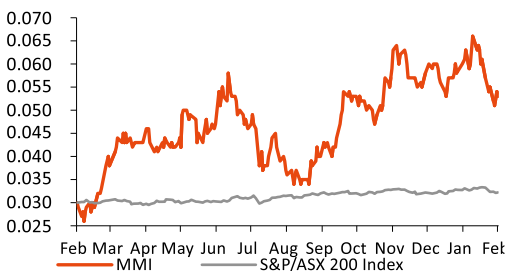
YE 31 Dec (AUD)	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	307	484	536	537
NPAT (\$m)	1	106	130	137
EPS (cps)	(0.4)	1.7	2.1	2.3
EPS Growth (%)	(36.5%)	515.0%	22.6%	5.3%
DPS (cps) (AUD)	0.0	1.0	1.0	1.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 31 Dec	FY24A	FY25E	FY26E	FY27E
P/E (x)	(14.2)	3.0	2.5	2.3
EV/EBITDA (x)	8.8	2.0	1.8	1.8
Div Yield (%)	0.0%	18.9%	18.9%	18.9%
Payout Ratio (%)	0.0%	57.2%	46.6%	44.3%

Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(12.8%)	(13.0%)	(13.9%)	69.3%
Absolute (%)	(15.9%)	(11.7%)	(15.9%)	76.7%
Benchmark (%)	(3.1%)	1.3%	(2.0%)	7.4%



Price performance indexed to 100

Source: FactSet

Major Shareholders

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

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Event

Metro Mining has reported its 2024 result. Underlying EBITDA of \$39m is up 108% on CY23 and set to significantly increase again in 2025. 2024 was the transition year for Metro Mining as the flow sheet was fully implemented and the balance sheet repaired. The real benefits from the improvements made in 2024 will come in 2025. The headline result of a \$22m net loss was worse than expected but includes \$23m in one-off items (including unrealized FX losses). Guidance for CY25 is unchanged, and we have not made any significant changes to our forecasts.

Highlights

- The result itself was not as strong as we were forecasting, but nothing in the result causes us to reduce our forecasts. We were \$17m too high with our underlying EBITDA forecast of A\$56m. This is mainly due to revenue being \$9m below expectations (\$307m v \$316m) which looks to be a timing difference on when revenue is recognised. Receipts from customers of A\$315m aligned with our forecast. The other points of difference were costs (\$2m higher than our \$264m forecast) and other revenue (\$2m v our \$4m forecast).
- We are now modelling finance leases as an operating item to align with way that Metro is reporting underlying EBITDA. This doesn't change our cash flow forecasts but brings our underlying EBITDA forecast down by ~\$5m.
- Metro Mining's financial position has significantly improved in 2024 (net debt down 35% to \$44m) with all of the junior debt repaid, so finance costs will reduce this year.
- 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.
- CM Group is reporting the Guinea bauxite price trading at US\$94/t (cif China) which is off its highs of US\$130/t, but still elevated. The Australian price is trading at US\$80/t. The pull back in price in the past month is not unexpected and we model the spike in prices reverting through the course of CY25 as supply from Guinea increases. We assume an 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.
- Metro MD Simon Wensley is currently negotiating price outcomes for the June quarter with his offtake partners, and we expect to see Metro's achieved bauxite price increase from A\$73/wmt in the Dec-24 quarter, to about A\$80/wmt in the Jun-25 quarter.

Revisions	2024a			2025f			2026f		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Sales (kt)	5,684	5,684	0%	6,600	6,600	0%	7,500	7,500	0%
Revenue (A\$m)	307	316	-3%	484	484	0%	536	536	0%
EBITDA (A\$m)	39	56	-31%	182	192	-5%	205	208	-2%
NPAT (A\$m)	1	15	-93%	106	114	-7%	130	130	0%

Recommendation

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

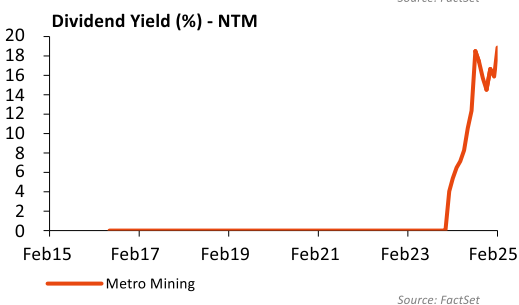
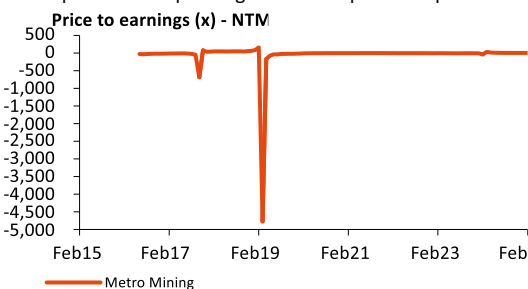
**Metro Mining
Materials**

FactSet: MMI-AU / Bloomberg: MMI AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.05
Target Price (\$ps)	0.17
52 Week Range (\$ps)	0.03 - 0.07
Shares on Issue (m)	6,072
Market Cap (\$m)	322
Enterprise Value (\$m)	382
TSR (%)	232.9%
Valuation per share (cps) (AUD)	0.17
Valuation (\$m)	1,012.86

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)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS (Reported) (cps)	(0.3)	0.0	1.7	2.1	2.3
EPS (Underlying) (cps)	(0.3)	(0.4)	1.7	2.1	2.3
EPS (Underlying) Growth (%)	77.3%	(36.5%)	515.0%	22.6%	5.3%
PE (Underlying) (x)	(6.8)	(14.2)	3.0	2.5	2.3
EV / EBIT (x)	75.3	15.1	2.4	2.1	2.1
EV / EBITDA (x)	17.5	8.8	2.0	1.8	1.8
DPS (cps) (AUD)	0.0	0.0	1.0	1.0	1.0
Dividend Yield (%)	0.0%	0.0%	18.9%	18.9%	18.9%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	57.2%	46.6%	44.3%
Free Cash Flow Yield (%)	(0.2%)	9.3%	52.6%	65.4%	51.6%
Profit and Loss (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	236	307	484	536	537
Sales Growth (%)	32.6%	30.3%	57.5%	10.7%	0.2%
Other Operating Income	0	2	0	0	0
EBITDA	22	43	186	209	210
EBITDA Margin (%)	9.2%	14.1%	38.5%	39.1%	39.1%
Depreciation & Amortisation	(17)	(18)	(25)	(29)	(29)
EBIT	5.1	25.2	161.4	180.8	181.1
EBIT Margin (%)	2.2%	8.2%	33.3%	33.7%	33.8%
Net Interest	(19)	(47)	(18)	(5)	4
Pretax Profit	(13)	(22)	144	176	185
Tax	0	0	(37)	(46)	(48)
Tax Rate (%)	0.0%	0.0%	(26.0%)	(26.0%)	(26.0%)
NPAT Underlying	(13)	1	106	130	137
Significant Items	0	(23)	0	0	0
NPAT Reported	(13)	(22)	106	130	137
Cashflow (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
EBIT	5	25	161	181	181
Tax Paid	0	0	0	0	(46)
Net Interest	0	0	1	5	8
Change in Working Capital	0	0	(3)	1	0
Depreciation & Amortisation	17	18	25	29	29
Operating Cashflow	12	47	184	216	171
Capex	(12)	(17)	(14)	(4)	(4)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	(13)	(8)	(1)	(1)	(1)
Investing Cashflow	(25)	(26)	(15)	(5)	(5)
Free Cashflow	(0)	29	169	210	166
Equity Raised / Bought Back	0	51	0	0	0
Dividends Paid	0	0	0	(61)	(61)
Change in Debt	39	(12)	(24)	(51)	0
Other	(15)	(27)	(19)	(10)	(3)
Financing Cashflow	24	12	(43)	(122)	(64)
Net Change in Cash	12	33	127	88	102
Balance Sheet (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	17	36	163	252	354
Accounts Receivable	9	7	12	13	13
Inventory	3	5	8	9	9
Other Current Assets	6	8	8	8	8
PPE	87	100	89	64	40
Total Assets	157	220	344	411	490
Accounts Payable	24	32	36	40	40
Short Term Debt	33	24	51	0	0
Long Term Debt	46	51	0	0	0
Total Liabilities	156	202	182	134	134
Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE (%)	(93.3%)	4.0%	113.4%	71.7%	53.9%
Gearing (%)	86.2%	48.8%	(319.1%)	711.7%	579.6%
Net Debt / EBITDA (x)	2.8	0.9	(0.6)	(1.2)	(1.7)

Figure 1: Metro Mining 2024 result (A\$m)

Profit & Loss (A\$m)	2024a	Shaw f'cast	Difference	2023a	YoY Chg (%)
Sales (kt)	5,684	5,684		4,567	24%
Revenue	307	316	-9	236	30%
Other income	2	4	-2	0	
Operating expenses	-215	-212		-179	
Royalties	-38	-38		-26	
Admin & other expenses	-13	-14		-9	
Total costs	-266	-264	-2	-214	24%
EBITDA	43	56	-13	22	98%
finance leases	-5			-3	
Underlying EBITDA	39	56	-17	19	112%
Depreciation & Amortisation	-18	-18	0	-17	
EBIT	25	38	-13	5	397%
Net Finance Expense	-47	-23	-24	-19	
Profit before tax	-22	15	-37	-13	
Income tax (expense)/benefit	0	0		0	
Reported NPAT	-22	15	-37	-13	
Exceptional items	-23	0	-23	0	
Underlying NPAT	1	15	-14	-13	

Source: Company reports, Shaw and Partners forecasts

Figure 2: Quarterly operational and financial results.

Quarterly operations	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Bauxite mined (kt)	40	1,407	2,148	2,046	0	1,900	2,400	2,300
Bauxite shipped (kt)	80	1,418	2,130	2,056	0	1,900	2,400	2,300
Revenue A\$/wmt - CIF	60.2	63.8	65.3	72.7	0.0	79.7	79.7	79.7
Revenue (A\$m) - CIF	4.8	90.5	139.1	149.5	0.0	151.5	191.4	183.4
Revenue A\$/wmt - FOB	0.0	43.4	44.0	51.0	0.0	65.7	65.7	65.7
Revenue (A\$m) - FOB	0.0	61.5	93.7	104.9	0.0	124.9	157.8	151.2
Costs								
Site cost (A\$/wmt)	0.0	31.8	23.6	26.2	0.0	27.0	22.0	23.0
Freight (A\$/wmt)	0.0	20.4	21.3	21.7	0.0	14.0	14.0	14.0
Royalty (A\$/wmt)	0.0	6.3	6.6	7.2	0.0	9.2	9.2	9.2
Total cost (A\$/wmt)	0.0	58.5	51.5	55.1	0.0	50.2	45.2	46.2
Total cost (ex freight)	0.0	38.1	30.2	33.4	0.0	36.2	31.2	32.2
Site cost (A\$m)	15.0	45.1	50.3	53.9	15.0	51.3	52.8	52.9
EBITDA (A\$/wmt)	0.0	5.3	13.8	17.6	0.0	29.5	34.5	33.5
Site EBITDA (A\$m)	-15.0	7.5	29.4	36.2	-15.0	56.1	82.9	77.1
Other costs (A\$m)	-2.9	-3.0	5.9	-3.0	-3.0	-3.0	-3.0	-3.0
Queensland royalty deferred payments (A\$m)	0.0	-3.2	-6.0	-6.8	0.0	0.0	0.0	0.0
Quarterly cash flows (A\$m)								
Operating cash flow	-17.9	1.3	29.3	33.7	-18.0	53.1	79.9	74.1
Investing cash flow	-9.6	-12.9	-6.7	-8.1	0.0	-2.0	-6.0	-6.0
Financing cash flow	18.4	23.4	-18.4	-11.1	0.0	-4.0	-14.9	-14.9
Cash balance	2.8	13.4	16.9	31.2	13.2	60.3	119.3	172.6

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

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

Risk Rating

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

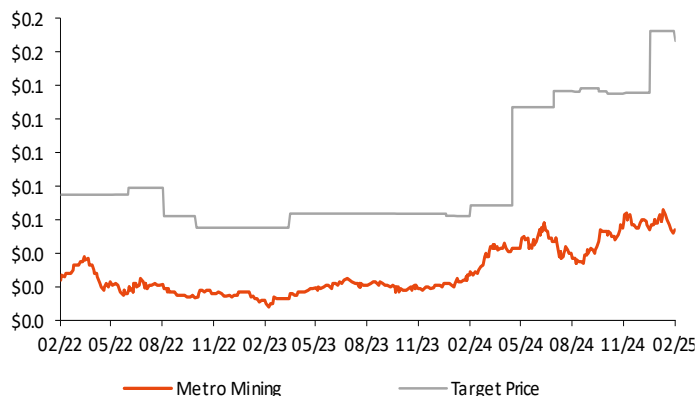
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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	74	91%
Hold	7	9%
Sell	0	0%

History of Investment Rating and Target Price - Metro Mining

Date	Closing Price (\$)	Target Price (\$)	Rating
28-Feb-25	0.05	0.17	Buy
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



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