ShawandPartners
Financial Services

Metro Mining (MMI)

Rating: Buy | Risk: High | Price Target: $0.14

27 November 2024

Bauxite flying – debt restructure – Metro set to soar

Key Information

Current Price ($ps)	0.06
12m Target Price ($ps)	0.14
52 Week Range ($ps)	0.02 - 0.06
Target Price Upside (%)	146.6%
TSR (%)	146.6%
Reporting Currency	AUD
Market Cap ($m)	328
Sector	Materials
Avg Daily Volume (m)	14.2
ASX 200 Weight (%)	0%

Fundamentals

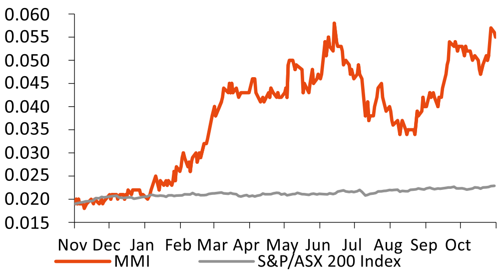
YE 31 Dec (AUD)	FY23A	FY24E	FY25E	FY26E
Sales ($m)	236	324	455	485
NPAT ($m)	(13)	19	101	115
EPS (cps)	(0.3)	0.4	1.7	1.9
EPS Growth (%)	77.3%	218.7%	364.7%	13.1%
DPS (cps) (AUD)	0.0	0.0	1.0	1.0
Franking (%)	0%	0%	0%	100%

Ratios

YE 31 Dec	FY23A	FY24E	FY25E	FY26E
P/E (x)	(6.8)	15.0	3.2	2.9
EV/EBITDA (x)	17.8	6.3	2.2	2.1
Div Yield (%)	0.0%	0.0%	18.2%	18.2%
Payout Ratio (%)	0.0%	0.0%	58.7%	51.9%

Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	2.0%	35.6%	34.1%	156.3%
Absolute (%)	3.8%	37.5%	37.5%	175.0%
Benchmark (%)	1.8%	1.9%	3.4%	18.7%



Price performance indexed to 100 *Source: FactSet*

Major Shareholders

Greenstone Resources LLP	14.0%
Willims Group	8.3%
Balanced Property Pty Ltd.	5.6%

Event

Metro Mining has announced that it has successfully restructured the Nebari debt and royalty facilities. It was a competitive process with Nebari agreeing to convert the royalty into a senior debt tranche, reduce the interest rate by 2% and extend the first amortization date to July 2025. This removes any near-term funding pressure and eliminates the expensive royalty. At the same time, bauxite prices are hitting new record highs due to supply constraints from Guinea and China. The Guinea CIF price is almost at US$100/t, and the Australian price is likely to lift into the ~US$85-90/t range. Although the stock is up ~150% this year, we are surprised that Metro hasn't been even stronger given the bauxite/alumina price moves. With balance sheet concerns gone, we expect the stock to soar. MMI is trading on a FCF yield of 51% in CY25.

Highlights

- Metro and Nebari have agreed to convert Nebari's private royalty into a Tranche 3 Financing Facility of US$11.5M (A$18M). Nebari has also agreed to provide a Tranche 4 'standby' facility of US$10m, which adds to the existing US$35m Tranche 1 and 2 facilities. We expect the standby facility to be drawn by US$5m by year end. Metro will fully repay its junior debt facility in early December, and so post the restructure will have a total debt position of US$51.5m.

- The debt restructure was a competitive process, and we understand Metro was offered term sheets from traditional lenders at competitive terms. Metro has stayed with Nebari due to their flexibility and competitiveness, which avoids any 'friction costs' in changing lenders. The fact that Nebari has agreed to a 2% reduction in the coupon rate across the new and existing senior debt tranches is a significant endorsement of Metro's improved outlook and financial strength.

- Debt due and payable in CY2025 has reduced from A$39m to A$23m and the interest payments for 2025 are projected to be $9m vs previous interest and royalty payments of $13m. We were already comfortable with Metro's balance sheet, but this restructure completely removes any questions about Metro's liquidity. At year end, Metro should have a cash and receivables position of about A$46m which is more than enough to see the company through the March quarter shutdown.

- Last week, CM Group reported that the Guinea bauxite price had increased to US$97/t (cif China) which is a record high. The price has lifted US$20/t in the past month due to supply constraints in Guinea and China. The Australian price has lagged the rally, but this is only because of a lack of spot cargo sales from RIO which allow for 'price discovery'. We understand that RIO has made spot sales this week and we expect the Australian bauxite price to gap up into the range of US$85-90/t to maintain its historic average US$10/t price differential with Guinea. A US$5/t change in the ABIX index increases MMI's CY25 EBITDA by A$25m and our DCF valuation by 3.5cps.

- 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 Australian supply is at risk (WA environmental issues, Gove planned closure). 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 this year would normally have seen Chinese alumina refineries increase production and export take advantage of high export prices. A key reason this has not happened is that refineries in China cannot source enough bauxite.

- We make modest adjustments to our forecasts to reflect the debt restructure and higher bauxite prices. Our CY24 EBITDA forecast lifts 3% to A$61m. Our CY25 EBITDA forecast lifts by 7% to A$176m and we model Metro generating A$166m of free cash flow in CY25.

Recommendation

Metro Mining remains one of our best ideas. We retain our BUY recommendation and 14cps price target, which is unchanged.

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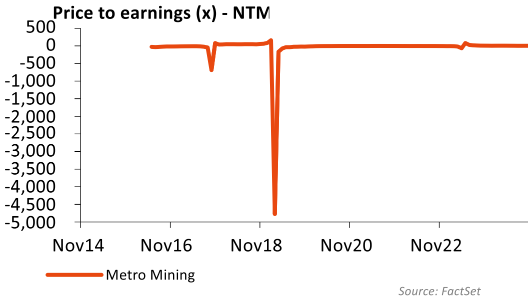
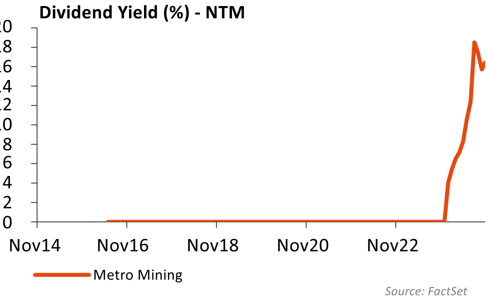
Metro Mining
Materials
Materials
FactSet: MMI-AU / Bloomberg: MMI AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price ($ps)	0.06
Target Price ($ps)	0.14
52 Week Range ($ps)	0.02 - 0.06
Shares on Issue (m)	5,955
Market Cap ($m)	328
Enterprise Value ($m)	388
TSR (%)	146.6%
Valuation per share (cps) (AUD)	0.14
Valuation ($m)	823.35

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)**	**0.4**	**1.7**	**1.9**
EPS (Underlying) (cps)	**(1.4)**	**(0.3)**	**0.4**	**1.7**	**1.9**
EPS (Underlying) Growth (%)	71.7%	77.3%	218.7%	364.7%	13.1%
PE (Underlying) (x)	**(1.0)**	**(6.8)**	**15.0**	**3.2**	**2.9**
EV / EBIT (x)	**(10.6)**	**76.4**	**9.2**	**2.6**	**2.4**
EV / EBITDA (x)	**(17.1)**	**17.8**	**6.3**	**2.2**	**2.1**
DPS (cps) (AUD)	0.0	0.0	0.0	1.0	1.0
Dividend Yield (%)	0.0%	0.0%	0.0%	18.2%	18.2%
Franking (%)	0%	0%	0%	0%	100%
Payout Ratio (%)	0.0%	0.0%	0.0%	58.7%	51.9%
Free Cash Flow Yield (%)	(7.8%)	(0.2%)	10.4%	50.6%	56.8%

Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	178	236	324	455	485
Sales Growth (%)	*11.1%*	*32.6%*	*37.5%*	*40.4%*	*6.6%*
Other Operating Income	1	0	2	0	0
EBITDA	**(23)**	**22**	**61**	**176**	**188**
EBITDA Margin (%)	*(12.7%)*	*9.2%*	*18.9%*	*38.8%*	*38.7%*
Depreciation & Amortisation	(14)	(17)	(19)	(26)	(29)
EBIT	**(36.6)**	**5.1**	**41.9**	**150.2**	**159.4**
EBIT Margin (%)	*(20.6%)*	*2.2%*	*12.9%*	*33.0%*	*32.9%*
Net Interest	(14)	(19)	(23)	(13)	(4)
Pretax Profit	(50)	(13)	19	137	155
Tax	0	0	0	(36)	(40)
Tax Rate (%)	*0.0%*	*0.0%*	*0.0%*	*(26.0%)*	*(26.0%)*
NPAT Underlying	**(50)**	**(13)**	**19**	**101**	**115**
Significant Items	0	0	0	0	0
NPAT Reported	**(50)**	**(13)**	**19**	**101**	**115**

Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	(37)	5	42	150	159
Tax Paid	0	0	0	0	0
Net Interest	0	0	0	1	3
Change in Working Capital	0	0	(6)	(7)	(0)
Depreciation & Amortisation	14	17	19	26	29
Operating Cashflow	**(1)**	**12**	**55**	**171**	**191**
Capex	(3)	(12)	(25)	(4)	(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)**	**(5)**	**(5)**
Free Cashflow	**(4)**	**(0)**	**29**	**166**	**186**
Equity Raised / Bought Back	20	0	42	0	0
Dividends Paid	0	0	0	0	(60)
Change in Debt	9	39	(17)	(62)	0
Other	(21)	(15)	(23)	(32)	(8)
Financing Cashflow	**8**	**24**	**2**	**(95)**	**(67)**
Net Change in Cash	**(0)**	**12**	**31**	**71**	**119**

Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	12	17	39	110	229
Accounts Receivable	4	9	12	17	18
Inventory	3	3	9	12	13
Other Current Assets	4	6	6	6	6
PPE	79	87	93	70	46
Total Assets	**130**	**157**	**195**	**253**	**351**
Accounts Payable	28	24	27	28	30
Short Term Debt	36	33	62	0	0
Long Term Debt	3	46	0	0	0
Total Liabilities	**99**	**156**	**142**	**63**	**65**

Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	(164.5%)	(93.3%)	46.8%	83.4%	57.4%
Gearing (%)	58.0%	86.2%	24.4%	(178.6%)	12,999.1%
Net Debt / EBITDA (x)	(1.2)	2.8	0.4	(0.6)	(1.2)

Debt Restructure

Metro and Nebari have agreed to convert Nebari's private royalty into a Tranche 3 Financing Facility of US$11.5M (A$18M). Nebari has also agreed to provide a Tranche 4 'standby' facility of US$10m, which adds to the existing US$35m Tranche 1 and 2 facilities. We expect the standby facility to be drawn by US$5m by year end. Metro will fully repay its junior debt facility in early December, and so post the restructure will have a total debt position of US$51.5m.

The debt restructure was a competitive process, and we understand Metro was offered term sheets from traditional lenders at competitive terms. Metro has stayed with Nebari due to their flexibility and competitiveness, which avoids any 'friction costs' in changing lenders. The fact that Nebari has agreed to a 2% reduction in the coupon rate across the new and existing senior debt tranches is significant endorsement of Metro's improved outlook and financial strength.

Debt due and payable in CY2025 has reduced from A$39m to A$23m and the interest payments for 2025 are projected to be $9m vs previous interest and royalty payments of $13m. We were already comfortable with Metro's balance sheet, but this restructure completely removes any questions about Metro's liquidity. At year end, Metro should have a cash position of about A$43m which is more than enough to see the company through the March quarter shutdown.

Figure 1: Metro Mining Debt – Post Restructure.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4 Standby
Purpose	Expansion Funding	Expansion Funding	Royalty Buy-Out	Standby Facility
Lender	Nebari Natural Resources Credit Fund I, LP & Nebari Natural Resources Credit Fund II, LP	Nebari Natural Resources Credit Fund I, LP & Nebari Natural Resources Credit Fund II, LP	Nebari Natural Resources Credit Fund II, LP	Nebari Natural Resources Credit Fund II, LP
Principal	US$17.5M	US$17.5M	US$11.5M	Up to US$10M
Interest	SOFR + 7% (Reduced from SOFR + 9%)	SOFR + 7% (Reduced from SOFR + 9%)	SOFR + 7%	SOFR + 7%
Upfront Fees	No restructuring fees	No restructuring fees	Original Issue Discount of 2% and Closing Fee of 0.5%	Original Issue Discount of 4% and Closing Fee of 1%

Source: MMI ASX release 27 Nov 2024

Commencement of principal repayments deferred from March 2025 to July 2025, with 21 equal monthly payments until maturity in March 2027.

Prepayment in part of full at any time. No attaching royalty, offtake-tied, or production linked instruments.

Tranche 4 has a minimum draw of US$5M by 16 December 2024, with the remaining US$5M available until 31 December 2025 at MMI's option.

Bauxite Prices – hitting record highs

The aluminium, alumina and bauxite industries have been through substantial change in the past 20 years as a result of four major trends:

1. **The disaggregation of the industry**: The value chain from bauxite to alumina to aluminium has become increasingly disaggregated with 3rd party sales of bauxite and alumina to Chinese and other customers. Historically, the industry was largely integrated with companies such as Rio Tinto, Alcoa and Norsk Hydro producing aluminium from their own sourced bauxite and alumina. As a result, the prices of bauxite and alumina now trade on their own supply/demand fundamentals.

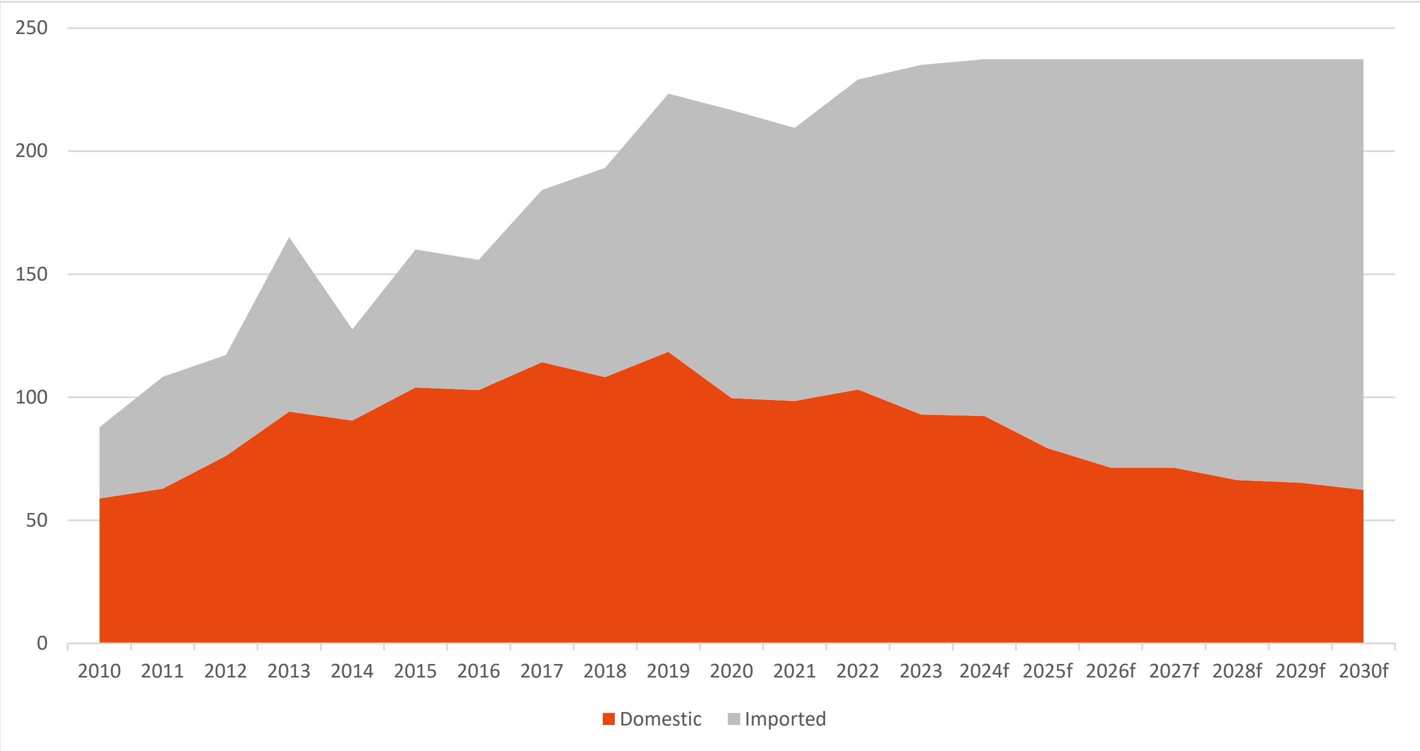
2. **The emergence and subsequent decline of China bauxite production:** China is a major consumer and producer of bauxite, alumina and aluminium. China ramped-up domestic bauxite production to support downstream alumina and aluminium production from the early 2000. By 2019 China was the world's largest producer of bauxite. However, it has begun to exhaust its reserves of quality bauxite, much the same way as it did with iron ore in the 2000's. As a result, China domestic production has been in decline since 2019, a trend which is expected to continue.

3. **Increased demand by China for imported bauxite**: Chinese alumina refineries have begun to source bauxite from outside China due to declining quality and quantity of domestic production. Chinese domestic production is expected to continue to decline, and China will become further reliant on imports.

4. **The emergence of Guinea as a major bauxite producer:** The growth in Guinean exports has been phenomenal in the past decade due to Chinese investment. The shipping cost to transport bauxite from West Africa is approximately US$25/t and so this forms a significant proportion of the landed cost of bauxite in China.

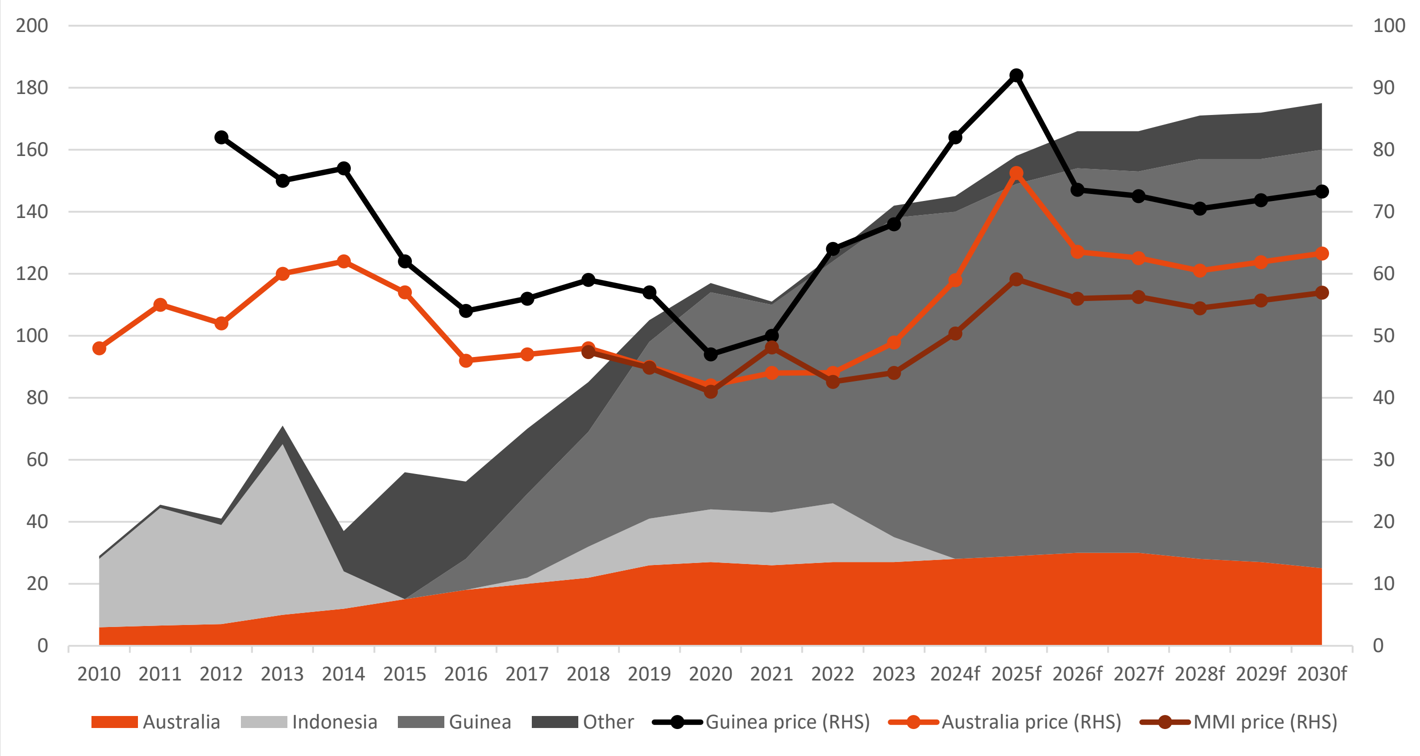
Historically there have been three major exporters of bauxite to China; Guinea, Indonesia and Australia. In January 2014 Indonesia banned the export of all low value commodities, a policy designed to encourage downstream processing investment. In Jan 2017, the government granted a five-year exemption to nickel and bauxite exporters to continue to until 11 January 2022. The exemption was repealed for nickel in 2019, and bauxite in mid-2023.

Figure 2: China bauxite consumption (Mt) – Domestic v Imports



Source: Alumina Ltd Mar 2023 presentation, CM Group, Shaw and Partners forecasts

Figure 3: China bauxite imports (Mt) & bauxite price (US$/dmt)

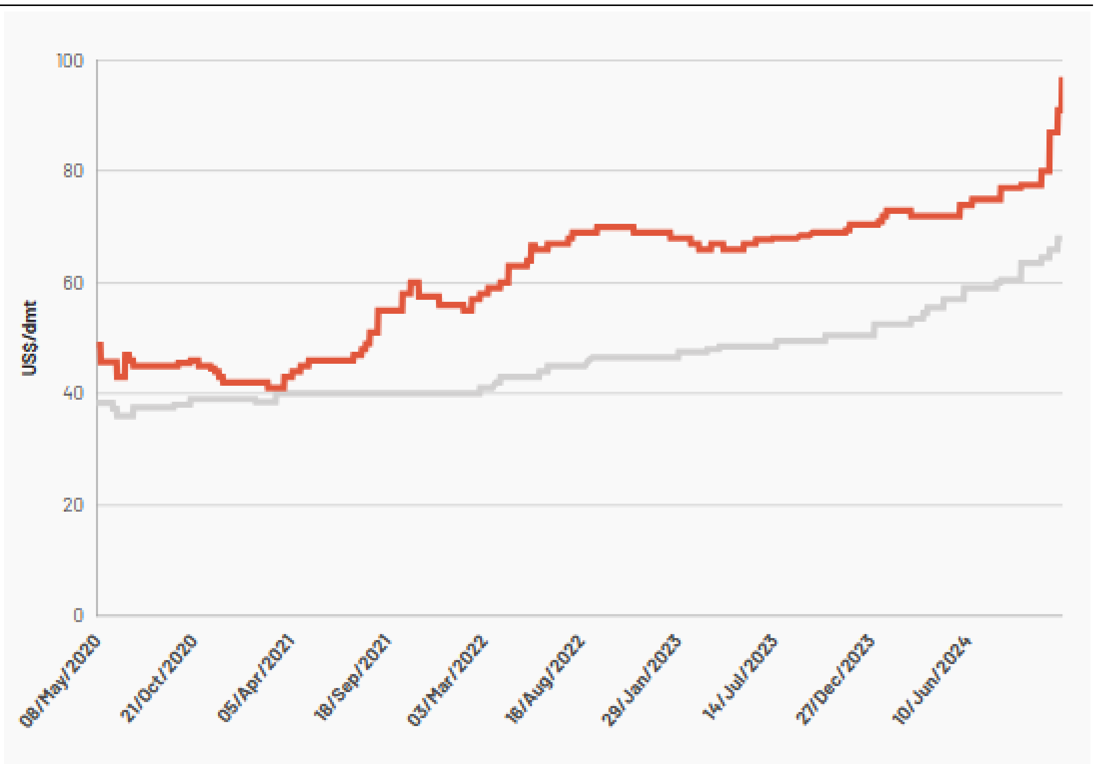


Source: Alumina Ltd Mar 2023 presentation, CM Group, Shaw and Partners forecasts

CM Group provides a weekly index of bauxite prices and updates them on Wednesday afternoon each week (Australian time).

Last week CM Group reported that the Guinea price continues to gap up and is going vertical. The GBIX index jumped US$6/t to US$97/t and is up US$20/t in the past month.

Figure 4: Bauxite (US$/t) – Guinea (GBIX red), Australia (ABIX grey)



Source: CM Group

The Australian price is lagging, it didn't move last week and remained at US$68/t. That's probably because there were no spot cargos sold (so no price discovery) and not because there's anything wrong with Australian bauxite. We understand that Rio Tinto has sold spot cargos this week, and so these may be reported in CM Group's weekly update and could see the ABIX index also gap up.

Guinea and Australian bauxite is not interchangeable – different alumina refineries are set-up to process different bauxites, but there is a 'value-in-use' link between the two. Guinea has averaged a US$10/t premium to Australian bauxite since it came into the market due to its lower silica content. The current gap between the two prices is unsustainable and we expect the gap to come back to US$10/t once the market settles.

In our modelling, we assume that the current tightness in the bauxite eases in 2H 2025 with new supply from Guinea arriving in the market. Nonetheless, we expect prices to remain elevated relative to historic averages. The backdrop appears very similar to what happened to iron ore over the past two decades with the price of iron ore lifting from US$20/t to over US$100/t due to strong demand from China and constrained supply.

Guinea supply constraints

Guinea Alumina Corporation (GAC) produces about 12Mt of bauxite per annum, about 10% of production from Guinea. GAC is a subsidiary of Emirates Global Aluminium (EGA) which operates the 2.3Mt Al Taweelah alumina refinery in Abu Dhabi.

Bauxite exports from GAC have been suspended for the past seven weeks. It is not clear what the issue is, or how long the disruption will last. There has been no public commentary from either the Guinean Government or GAC. We speculate that it may be due to a lack of progress from GAC in advancing plans for the construction of a downstream alumina refinery in Guinea.

It is interesting to note that EGA has recently purchased a bauxite shipment from Metro Mining for a trial. We understand that the shipment will be made this quarter at current spot bauxite prices on a FOB basis.

China has become increasingly reliant on bauxite from Guinea. China is the largest importer of bauxite (~142Mt in 2023), with imports expected to grow a further ~40Mt over the next decade due to growth in alumina refining capacity and decline in Chinese domestic production. The same dynamic which impacted iron ore in the period from 2005-15 is now impacting bauxite – Chinese demand has overwhelmed the country's ability to supply itself from domestic sources.

The reliance on production from Guinea is a significant global risk. Aluminium is a critical metal for the energy transition and with China producing ~50% of global supply, sourced ~50% from Guinean bauxite, around 25% of global aluminium supply originates with Guinean bauxite.

Guinea is under-going a period of political turmoil. In September 2021 the President of Guinea, Alpha Conde was captured by the country's armed forces in a coup d'état. The head of the military junta, Colonel Mamady Doumbouya has promised to return the country to democracy within three years – but Guinea remains suspended from the Economic Community of West African States (ECOWAS).

Indonesian export bans

In January 2014 Indonesia banned the export of all low value commodities, a policy designed to encourage downstream processing investment. In Jan 2017, the government granted a five-year exemption to nickel and bauxite exporters to continue to until 11 January 2022. The exemption was repealed for nickel in 2019, and bauxite in mid-2023.

There has been some speculation that Indonesia may again grant an exemption to bauxite producers who are showing progress on construction of downstream alumina refineries. If so, this could see a limited amount (~10-15Mt) of bauxite return to the seaborne market from Indonesia in 2025.

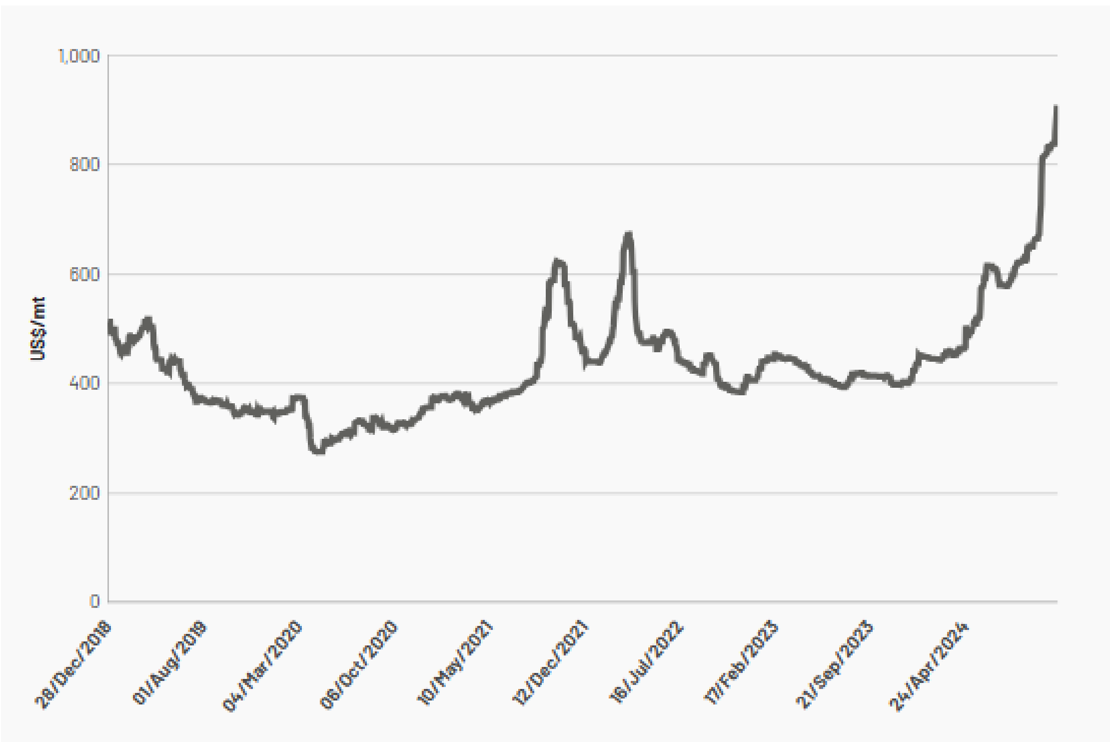
In our view, the Indonesian government is unlikely to relax the ban. They have seen how successful the policy has been in nickel, and we understand this is having a similar impact in bauxite/alumina with about 5Mt of alumina refining capacity currently under construction in the country.

Alumina prices also setting record highs

The alumina price is also setting record highs. The Australian CIF price has gone through U$900/t. That is an all-time high. Alumina is now trading at 35% of the aluminium price. Back in the days when alumina was priced off aluminium, the rule of thumb was that alumina traded at 12-15% of the aluminium price.

In an unconstrained world, the surge in the alumina price would typically see Chinese alumina refineries ramp up production and export into the high seaborne price. This would normally result in the alumina price quickly retreating to US$350-400/t. That’s not happening this time a key reason – China doesn’t have enough bauxite. Guinea is constrained, Indonesia is holding firm on its export bans, Chinese domestic supply is dwindling and being constrained by safety and environmental audits and there is no spare capacity in Australia (which will get worse when Gove closes). So, it looks like we could be in for a period of elevated prices until the GAC situation in Guinea resolves, or new capacity in Guinea comes online later next year.

Figure 5: Alumina (US$/t) – WA CIF equivalent



Source: CM Group

Metro Mining Production and Earnings Revisions

We have made a number of minor revisions to our forecasts:

1. We have updated our forecasts for the debt restructure which removes the royalty and reduces financing costs.
2. We have increased our assumption on Metro Mining's achieved bauxite price in Dec24 from A$67/wmt (CIF) to A$69wmt and in CY25 from A$69/wmt to A$73.30/wmt. We note that this is substantially below the current spot price because we allow for sales into Metro's existing contract book, lags in price negotiations, and a view that the spot price will begin to pull back in second half 2025.
3. We have reduced our shipping forecast for CY25 from 7.0Mt to 6.9Mt to align with contract book (announced on Nov 8th) and to be conservative.
4. We have slightly increased our assumed unit costs to allow for the lower volume, and to be conservative.
5. We have trimmed our CY24 shipping forecast from 6.1Mt to 6.0Mt, again to be conservative.

The net effect is to increase our CY24/25 EBITDA forecasts by 3%/7% to A$61m/A$176m.

Figure 6: Quarterly operational and financial results – a significant increase in EBITDA expected in September 2024.

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	2,505	0	1,900	2,500	2,500
Bauxite shipped (kt)	0	1,269	1,610	1,688	80	1,418	2,130	2,372	0	1,900	2,500	2,500
Revenue A$/wmt - CIF	0.0	53.8	57.4	56.5	60.2	63.8	65.3	69.0	0.0	77.0	74.0	70.0
Revenue (A$m) - CIF	0.0	68.3	92.4	95.4	4.8	90.5	139.1	163.7	0.0	146.3	185.0	175.0
Revenue A$/wmt - FOB	0.0	41.1	40.8	38.5	0.0	43.4	44.0	49.0	0.0	61.0	58.0	54.0
Revenue (A$m) - FOB	0.0	52.2	65.7	65.0	0.0	61.5	93.7	116.2	0.0	115.9	145.0	135.0
Costs												
Site cost (A$/wmt)	0.0	26.2	24.7	26.0	0.0	31.8	23.6	22.0	0.0	24.0	20.0	20.0
Freight (A$/wmt)	0.0	16.5	19.2	18.0	0.0	20.4	21.3	20.0	0.0	16.0	16.0	16.0
Royalty (A$/wmt)	0.0	5.9	6.0	5.5	0.0	6.3	6.6	6.6	0.0	8.3	8.3	8.3
Total cost (A$/wmt)	0.0	48.6	49.9	49.5	0.0	58.5	51.5	48.6	0.0	48.3	44.3	44.3
Total cost (ex freight)	0.0	32.1	30.7	31.5	0.0	38.1	30.2	28.6	0.0	32.3	28.3	28.3
Site cost (A$m)	20.0	33.2	39.8	43.9	15.0	45.1	50.3	52.2	15.0	45.6	50.0	50.0
EBITDA (A$/wmt)	0.0	9.0	10.1	7.0	0.0	5.3	13.8	20.4	0.0	28.7	29.7	25.7
Site EBITDA (A$m)	-20.0	11.4	16.3	11.8	-15.0	7.5	29.4	48.4	-15.0	54.5	74.2	64.2
Other costs (A$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$m)	0.0	0.0	0.0	0.0	0.0	-3.2	-6.0	-6.8	0.0	0.0	0.0	0.0
Quarterly cash flows (A$m)												
Operating cash flow	-22.9	15.8	17.2	6.8	-17.9	1.3	29.3	38.6	-18.0	51.5	71.2	61.2
Investing cash flow	-2.9	-7.1	-9.8	-11.7	-9.6	-12.9	-6.7	-1.0	0.0	-0.7	-0.7	-0.7
Financing cash flow	26.0	-0.5	-6.1	-4.8	18.4	23.4	-18.4	-8.5	0.0	-4.0	-13.9	-13.9
Cash balance	11.6	20.2	21.6	12.0	2.8	13.4	16.9	46.0	28.0	74.9	131.5	178.2

Source: Company reports, Shaw and Partners forecasts

Figure 7: Earnings Revisions

Revisions	2024f			2025f			2026f			2027f		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Sales (kt)	6,000	6,100	-2%	6,900	7,000	-1%	7,500	7,500	0%	7,500	7,500	0%
Revenue (A$m)	324	326	-1%	455	434	5%	485	485	0%	488	488	0%
EBITDA (A$m)	61	59	3%	176	165	7%	188	188	0%	190	190	0%
NPAT (A$m)	19	17	14%	101	93	9%	115	114	1%	121	121	1%

Source: Company reports, Shaw and Partners forecasts

Figure 8: Metro Mining P&L (A$m)

Profit & Loss (A$m)	2019	2020	2021	2022	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f
Sales (kt)	3,504	2,481	2,798	3,432	4,567	6,000	6,900	7,500	7,500	7,500	7,500	7,500
% FoB	0%	0%	0%	13%	55%	62%	46%	31%	31%	31%	31%	31%
Revenue	**199**	**128**	**160**	**178**	**236**	**324**	**455**	**485**	**488**	**470**	**481**	**492**
per tonne (A$/t)	57	52	57	52	52	54	66	65	65	63	64	66
Revenue (adj for CIF)	199	128	160	186	264	399	506	520	523	506	518	529
per tonne (A$/t)	57	52	57	54	58	67	73	69	70	67	69	71
Other income	0	0	0	1	0	2	0	0	0	0	0	0
Operating expenses	-143	-108	-167	-178	-179	-212	-208	-223	-223	-228	-233	-239
Royalties	-20	-12	-11	-17	-26	-39	-57	-59	-60	-57	-58	-59
Admin & other expenses	-9	-5	-6	-6	-9	-14	-14	-15	-16	-16	-16	-17
Total costs	**-172**	**-126**	**-184**	**-201**	**-214**	**-265**	**-279**	**-298**	**-298**	**-301**	**-308**	**-315**
per tonne (A$/t)	49	51	66	59	47	44	40	40	40	40	41	42
Customer paid freight costs	0	0	0	-8	-28	-75	-50	-35	-35	-36	-37	-38
Adjusted total cost (A$/t)	49	51	66	61	53	57	48	44	45	45	46	47
EBITDA	**27**	**2**	**-79**	**-23**	**22**	**61**	**176**	**188**	**190**	**170**	**173**	**177**
per tonne (A$/t)	8	1	-28	-7	5	10	26	25	25	23	23	24
Depreciation & Amortisation	-10	-10	-12	-14	-17	-19	-26	-29	-29	-29	-29	-29
EBIT	**17**	**-8**	**-91**	**-37**	**5**	**42**	**150**	**159**	**161**	**141**	**145**	**149**
Net Finance Expense	-11	-8	-5	-14	-19	-23	-13	-4	3	8	12	17
Profit before tax	**6**	**-15**	**-96**	**-50**	**-13**	**19**	**137**	**155**	**164**	**149**	**157**	**166**
Income tax (expense)/benefit	-2	4	-9	0	0	0	-36	-40	-43	-39	-41	-43
Reported NPAT	**4**	**-11**	**-106**	**-50**	**-13**	**19**	**101**	**115**	**121**	**110**	**116**	**123**

Source: Company reports, Shaw and Partners forecasts

Figure 9: Metro Mining Cash Flow (A$m)

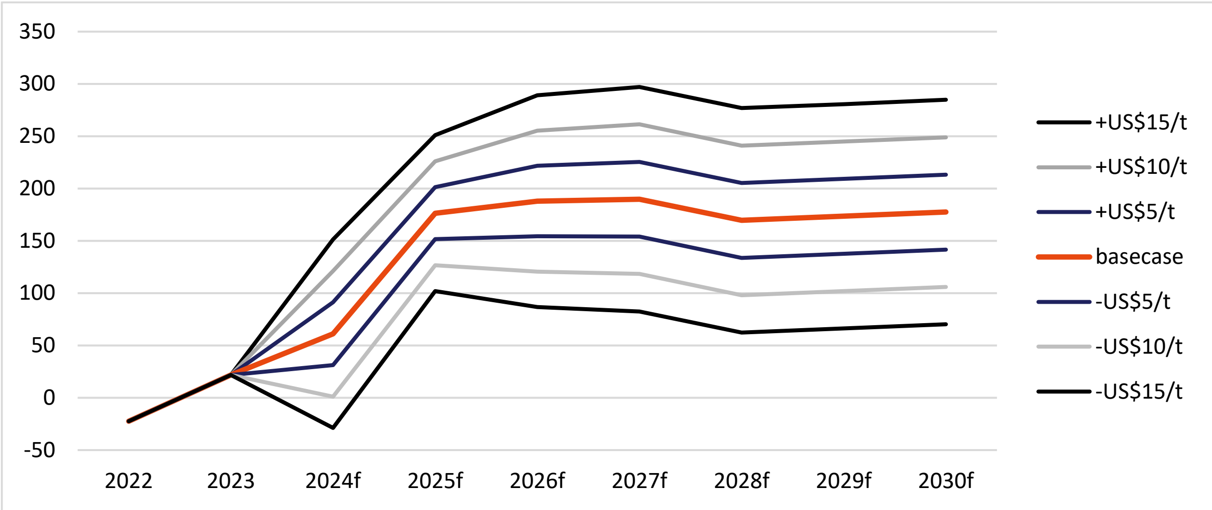
CASH FLOW (AS$m)	2019	2020	2021	2022	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f
Operating activities												
Receipts from customers	209	135	145	191	227	324	455	485	488	470	481	492
Payments to suppliers and employees	-171	-135	-163	-193	-215	-263	-279	-297	-298	-301	-307	-314
Income taxes paid	0	0	0	0	0	0	0	0	-40	-43	-39	-41
Net cash flow from operating activities	**38**	**0**	**-18**	**-1**	**12**	**55**	**171**	**191**	**156**	**138**	**146**	**151**
Investing activities												
Payments for PPE	-7	-1	0	-3	-12	-25	-4	-4	-4	-4	-4	-5
Other	-3	6	-3	-4	-25	-10	-1	-1	-1	-1	-1	-1
Net cash flow from investing activities	**-10**	**4**	**-4**	**-7**	**-36**	**-35**	**-5**	**-5**	**-5**	**-5**	**-5**	**-5**
Free cash flow	**28**	**-3**	**-18**	**-4**	**0**	**29**	**166**	**186**	**151**	**133**	**141**	**145**
Financing activities												
Proceeds from Equity	0	0	25	20	0	42	0	0	0	0	0	0
Proceeds from borrowings	18	0	0	10	42	0	0	0	0	0	0	0
Repayments of borrowings	-23	-1	-1	-1	-3	-17	-62	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	-60	-60	-60	-60	-60
Other	-12	-10	10	-1	-15	19	-32	-8	-4	-1	1	3
Net cash flow from financing activities	**-17**	**-11**	**9**	**8**	**24**	**2**	**-95**	**-67**	**-64**	**-61**	**-59**	**-56**
Net increase/(decrease) in cash	11	-6	-12	0	0	22	71	119	87	71	82	89

Source: Company reports, Shaw and Partners forecasts

Metro Mining sensitivity to bauxite prices

Metro Mining is extremely sensitive to moves in the bauxite price. On our modelling, a US$5/t in the ABIX index will flow through into a A$25m change in EBITDA in 2025 and A$35m in 2026.

Figure 10: Metro Mining EBITDA – sensitivity to bauxite price changes (A$m).

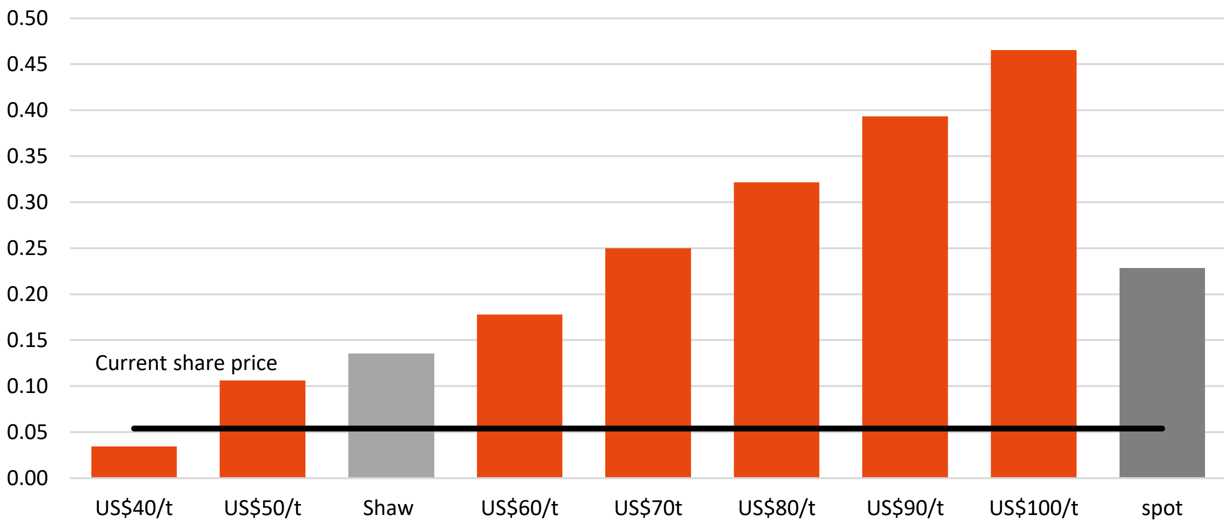


Source: Company reports, Shaw and Partners forecasts

A US$10/t change in the ABIX index results in a A$0.07ps change in our DCF valuation.

If the spot ABIX index of US$67/t was maintained in perpetuity our DCF valuation would lift from 14cps to 23cps.

Figure 11: Metro Mining DCF Valuation – sensitivity to bauxite price changes (A$ps).



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 transhipping operations. The transhipper may not operate as expected.
- Metro operates in Far North Queensland and transhipping 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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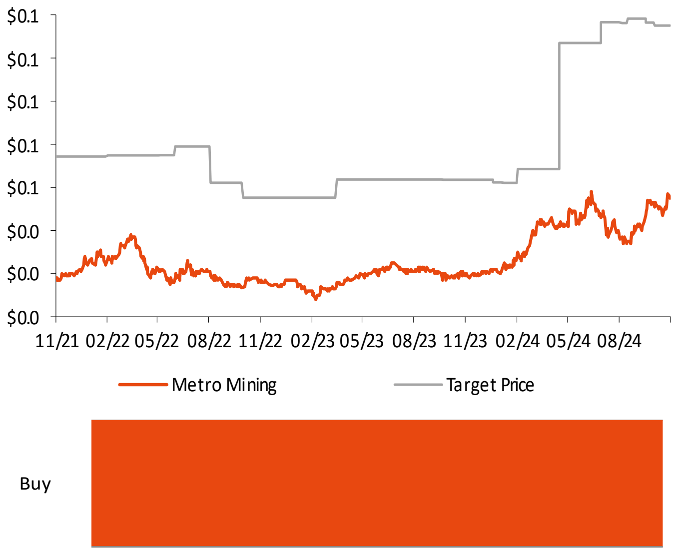
Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	72	92%
Hold	6	8%
Sell	0	0%

History of Investment Rating and Target Price - Metro Mining

Date	Closing Price ($)	Target Price ($)	Rating
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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