

Metro Mining (MMI)

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

28 April 2025

March quarter - bauxite price up 20%

Key Information

Current Price (\$ps)	0.05
12m Target Price (\$ps)	0.17
52 Week Range (\$ps)	0.03 - 0.07
Target Price Upside (%)	256.3%
TSR (%)	277.5%
Reporting Currency	AUD
Market Cap (\$m)	285
Sector	Materials
Avg Daily Volume (m)	3.7
ASX 200 Weight (%)	0%

Fundamentals

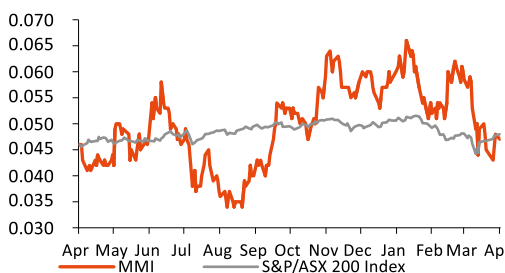
YE 31 Dec (AUD)	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	307	474	538	537
NPAT (\$m)	1	107	132	137
EPS (cps)	(0.4)	1.8	2.2	2.3
EPS Growth (%)	(36.5%)	516.1%	24.0%	4.1%
DPS (cps) (AUD)	0.0	1.0	1.0	1.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 31 Dec	FY24A	FY25E	FY26E	FY27E
P/E (x)	(14.2)	2.7	2.2	2.1
EV/EBITDA (x)	8.0	1.8	1.6	1.6
Div Yield (%)	0.0%	21.3%	21.3%	21.3%
Payout Ratio (%)	0.0%	57.0%	46.0%	44.2%

Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(19.5%)	(7.1%)	(16.6%)	4.1%
Absolute (%)	(19.7%)	(9.6%)	(21.7%)	9.3%
Benchmark (%)	(0.2%)	(2.5%)	(5.1%)	5.2%



Major Shareholders

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

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Event

Metro Mining has released its March quarter activities report. Metro shipped 184kt in the quarter at an average FOB price of A\$62/wmt. That bodes well for a very strong June quarter where the FOB price may exceed our A\$70/t forecast. As a result, our forecast of A\$61m site EBITDA in the June quarter may be conservative. We have not changed our forecasts.

Highlights

- Metro Mining shuts down its Bauxite Hills operation during the monsoon season. Heavy rains make handling bauxite difficult, and Metro uses this period for its annual scheduled maintenance. Metro Mining has significantly upgraded its equipment over the past year which allowed it to recommence operations earlier than normal. Mining recommenced on March 15th and ship loading on March 17th.
- The early start was impacted by inclement weather, with barge movements impacted by wave heights above 2m on a number of days. Nonetheless, the early start bodes well for Metro's ability to meet 2025 production guidance of 6.5-7.0 wmt (Shawf 6.6Mt). Metro has confirmed guidance and in our view the production guidance is conservative (as is our forecast), which is sensible given the slow ramp-up in 2024.
- Metro negotiates its pricing on a quarterly basis and the cargos shipped at the end of the March quarter are indicative of the price Metro will achieve in the June quarter. Of the 184kt shipped in the quarter, around 100kt was shipped in January at the lower Dec Qtr prices (A\$51/t) and ~84kt in March at the higher prices. The average was A\$62/kt which suggests that our forecast of A\$70/t for the June quarter may be slightly low.
- The bauxite market has been volatile in the past six months due to strong demand in China, volatility in the alumina price and supply disruptions in Guinea. The GBIX index spiked to US\$130/t and the ABIX index to US\$100/t in January. Since then, bauxite prices have retreated from their highs with the GBIX index currently at US\$81/t and the ABIX index at US\$74/t. It was pleasing to see the Guinea price tick-up US\$1/t last week which suggests that prices are stabilising well above historical levels.
- Metro finished the quarter with A\$12.2m in cash and A\$90m in debt. We forecast the company will be net cash positive post the September quarter.
- Operating costs are expected to reduce in 2025 due to economies of scale and lower freight costs. Our forecasts have the site EBITDA margin at ~A\$28/wmt in CY25. At these margins, the company is hugely cash flow positive – we forecast Metro generating ~A\$174m of free cash flow in CY25, which is not yet priced.

Quarterly operations	Dec-24	Mar-25	Jun-25f	Sep-25f	Dec-25f	CY25f
Bauxite shipped (kt)	2,056	184	1,800	2,366	2,250	6,600
Revenue A\$/wmt - FOB	51.0	62.0	70.0	66.0	62.0	65.6
Revenue (A\$m) - FOB	104.9	9.0	126.0	156.2	139.5	430.7
Costs (A\$m)	68.7	21.4	65.1	73.8	72.4	232.6
Site EBITDA (A\$m)	36.2	-12.4	60.9	82.4	67.1	198.0
Operating cash flow	33.7	-18.5	57.9	79.4	64.1	182.9
Investing cash flow	-8.1	-3.3	-2.0	-3.0	-2.0	-10.3
Financing cash flow	-11.1	3.1	-6.3	-17.1	-16.8	-37.1
Cash balance	31.2	12.2	61.8	121.1	166.4	166.4

Source: Company Reports, Shaw forecasts

Recommendation

Metro Mining is one of Shaw and Partners top picks for 2025 with a BUY recommendation and 17cps price target.

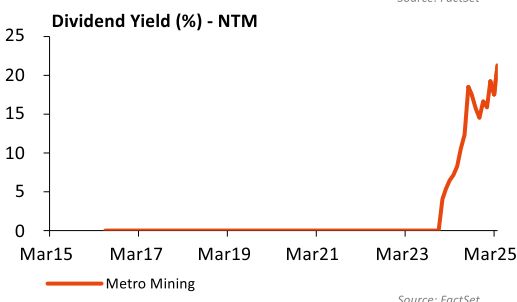
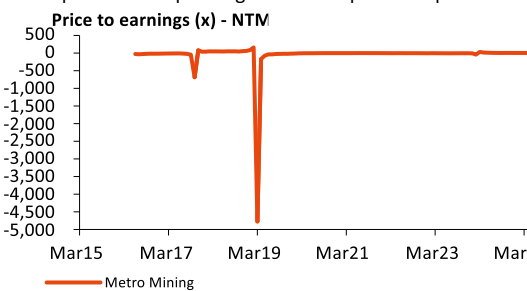
Metro Mining Materials

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)	285
Enterprise Value (\$m)	345
TSR (%)	277.5%
Valuation per share (cps) (AUD)	0.17
Valuation (\$m)	1,018.93

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	1.8	2.2	2.3
EPS (Underlying) (cps)	(0.3)	(0.4)	1.8	2.2	2.3
EPS (Underlying) Growth (%)	77.3%	(36.5%)	516.1%	24.0%	4.1%
PE (Underlying) (x)	(6.8)	(14.2)	2.7	2.2	2.1
EV / EBIT (x)	68.1	13.7	2.1	1.9	1.9
EV / EBITDA (x)	15.9	8.0	1.8	1.6	1.6
DPS (cps) (AUD)	0.0	0.0	1.0	1.0	1.0
Dividend Yield (%)	0.0%	0.0%	21.3%	21.3%	21.3%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	57.0%	46.0%	44.2%
Free Cash Flow Yield (%)	(0.2%)	9.3%	60.9%	74.8%	58.1%
Profit and Loss (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	236	307	474	538	537
Sales Growth (%)	32.6%	30.3%	54.4%	13.5%	(0.3%)
Other Operating Income	0	2	0	0	0
EBITDA	22	43	187	212	210
EBITDA Margin (%)	9.2%	14.1%	39.4%	39.3%	39.1%
Depreciation & Amortisation	(17)	(18)	(25)	(29)	(29)
EBIT	5.1	25.2	161.8	183.0	181.1
EBIT Margin (%)	2.2%	8.2%	34.1%	34.0%	33.8%
Net Interest	(19)	(47)	(18)	(5)	5
Pretax Profit	(13)	(22)	144	178	186
Tax	0	0	(37)	(46)	(48)
Tax Rate (%)	0.0%	0.0%	(26.0%)	(26.0%)	(26.0%)
NPAT Underlying	(13)	1	107	132	137
Significant Items	0	(23)	0	0	0
NPAT Reported	(13)	(22)	107	132	137
Cashflow (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
EBIT	5	25	162	183	181
Tax Paid	0	0	0	0	(46)
Net Interest	0	0	1	5	8
Change in Working Capital	0	0	(4)	2	0
Depreciation & Amortisation	17	18	25	29	29
Operating Cashflow	12	47	184	219	171
Capex	(12)	(17)	(9)	(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)	(10)	(5)	(5)
Free Cashflow	(0)	29	174	214	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	131	92	102
Balance Sheet (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	17	36	168	259	361
Accounts Receivable	9	7	11	13	13
Inventory	3	5	8	9	9
Other Current Assets	6	8	8	8	8
PPE	87	100	84	59	35
Total Assets	157	220	343	414	493
Accounts Payable	24	32	35	40	40
Short Term Debt	33	24	51	0	0
Long Term Debt	46	51	0	0	0
Total Liabilities	156	202	181	134	134
Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE (%)	(93.3%)	4.0%	113.5%	72.2%	53.5%
Gearing (%)	86.2%	48.8%	(377.5%)	632.1%	545.6%
Net Debt / EBITDA (x)	2.8	0.9	(0.6)	(1.2)	(1.7)

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 CY25. 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

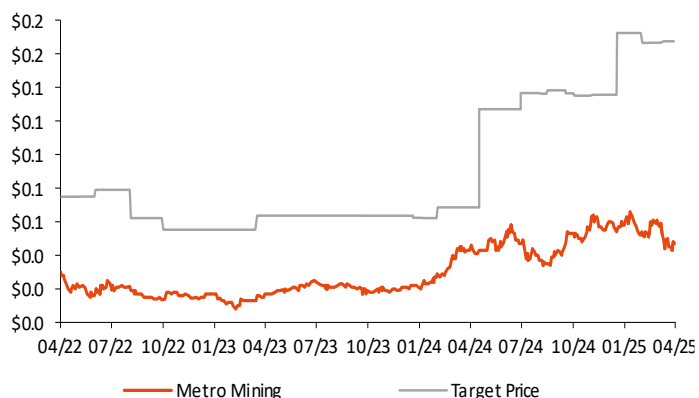
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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	77	90%
Hold	9	10%
Sell	0	0%

History of Investment Rating and Target Price - Metro Mining

Date	Closing Price (\$)	Target Price (\$)	Rating
2-Apr-25	0.06	0.17	Buy
13-Mar-25	0.05	0.17	Buy
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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