

## **Metro Mining (MMI)**

### **EVENT**

Metro Mining (MMI) held its AGM and released an updated slide pack. Most of information is already well known, but the slides on capital management and 2026 value drivers are new.

<https://wcsecure.weblink.com.au/pdf/MMI/02949742.pdf>

### **HIGHLIGHTS**

- Metro is targeting a net asset value of A\$1b in 2026 – current market capitalisation is only A\$323m. In his AGM address, CEO Simon Wensley noted that the cash flow they are projecting should support that valuation – we agree.
- Management has talked about the existing flowsheet being capable of being debottlenecked, but this is the first time they've put 8Mtpa in writing as a target. We are at 7.5mtpa in 2026.
- Metro has outlined a dividend policy for the first time – they will pay at least 20% of free cash flow from 2026. We have a 1c dividend modelled in 2026 (20% dividend yield).
- The company is targeting zero net debt before paying dividends – we forecast that occurring in 3Q25. Gross debt will be fully repaid by March 2027, but could be repaid much earlier.
- The target is to reduce opex to <US\$30/dmt CIF China. In 2024 that number was US\$44/t and our model has it at US\$32/t. The long term sustainable price of bauxite delivered to China is set by Guinea. If that number is US\$70/t (spot currently US\$75/t) – then Metro will achieve a price of ~US\$53/t. That implies a margin of US\$23/t (A\$35/t). So at 8Mt, Metro will generate sustainable cash flow of A\$280mpa.
- Metro is now talking about growth options for the first time – some of it is organic (e.g. bauxite to 8mt, Kaolin) but the company is now looking at M&A. That reflects how comfortable management is with Skardon River hitting its straps.

## RECOMMENDATION

Metro is a stand-out opportunity and one of Shaw and Partner's top picks for 2025 – our price target of 17cps is based on a DCF valuation and is in-line with the company's stated A\$1b net asset value.

### Metro Mining - Chinese Bauxite Imports Surge Higher – up 45% yoy - 21 May 2025

## Capital allocation framework



### Unlock value with capital discipline

Secure	Invest	Grow	Deliver
<ul style="list-style-type: none"><li>De-leverage balance sheet - A\$80m debt fully repaid by March 2027</li><li>Strong cash flow generation – 5-year outlook of &gt;A\$300m of cash available for allocation, net of debt servicing</li><li>Maintain reserve and resource life through exploration</li></ul>	<ul style="list-style-type: none"><li>Prioritise organic growth with rapid payback to achieve A\$1bn net asset value in 2026</li><li>Increase production capacity to 8MT p.a. in 2026 and beyond thereafter</li><li>Investigate materials handling benefits via beneficiation to maximise the operating season</li></ul>	<ul style="list-style-type: none"><li>Identify synergistic M&amp;A that leverages core competencies and provides an unlevered IRR of &gt; 20%</li><li>Disciplined boundary conditions established, limited to 20% of market cap where product or jurisdiction is non-core</li></ul>	<ul style="list-style-type: none"><li>Deliver value to shareholders via dividends of at least 20% of free cash flow, net of debt servicing, from 2026</li><li>Opportunistic share buy-backs</li></ul>

## Secure and Invest

### Maximise value at Skardon River with organic growth

1. Lean, safe, productive lowest delivered cost producer
2. Resilient assets/business model mitigate wet season
3. Optimal product and market positioning
4. Further leverage logistics & supply chain
5. Low capex debottlenecking and opex studies to provide pathways beyond 8 Mt/a
6. Exploration and beneficiation study to extend reserve life
7. Bolt on opportunities through kaolin

### 2026 Targeted Value Drivers

Opex < US\$30 /DMT CIF China

8 Mt/a Production

Increased mine life

Zero net debt, dividend paid

Q1 Cash positive

Profit & Loss (A\$m)	2019	2020	2021	2022	2023	2024	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%	55%	31%	31%	31%	31%	31%
<b>Revenue</b>	<b>199</b>	<b>128</b>	<b>160</b>	<b>178</b>	<b>236</b>	<b>307</b>	<b>474</b>	<b>554</b>	<b>553</b>	<b>566</b>	<b>579</b>	<b>592</b>
per tonne (A\$/wmt)	57	52	57	52	52	54	72	74	74	75	77	79
ABIX bauxite (US\$/dmt)	51	40	40	44	49	61	71	65	64	65	66	68
Revenue (adj for CIF)	199	128	160	188	281	381	525	587	586	599	612	626
per tonne (A\$/t)	57	52	57	55	62	67	80	78	78	80	82	84
Other income	0	0	0	1	0	2	0	0	0	0	0	0
Operating expenses	-143	-108	-167	-178	-179	-215	-218	-247	-247	-247	-252	-258
Royalties	-20	-12	-11	-17	-26	-38	-61	-67	-67	-69	-71	-72
Admin & other expenses	-9	-5	-6	-6	-9	-13	-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>-266</b>	<b>-292</b>	<b>-329</b>	<b>-330</b>	<b>-332</b>	<b>-339</b>	<b>-347</b>
per tonne (A\$/t)	49	51	66	59	47	47	44	44	44	44	45	46
Customer paid freight costs	0	0	0	-10	-45	-73	-51	-33	-33	-33	-34	-35
Adjusted total cost (A\$/t)	49	51	66	62	57	60	52	48	48	49	50	51
Adjusted total cost (US\$/t)	37	39	48	43	40	44	36	32	32	31	37	0
<b>EBITDA</b>	<b>27</b>	<b>2</b>	<b>-79</b>	<b>-23</b>	<b>22</b>	<b>43</b>	<b>183</b>	<b>225</b>	<b>223</b>	<b>234</b>	<b>240</b>	<b>245</b>
per tonne (A\$/t)	8	1	-28	-7	5	8	28	30	30	31	32	33
finance leases					-3	-5	-5	-5	-5	-5	-5	-5
<b>Underlying EBITDA</b>	<b>27</b>	<b>2</b>	<b>-79</b>	<b>-23</b>	<b>19</b>	<b>39</b>	<b>178</b>	<b>220</b>	<b>219</b>	<b>230</b>	<b>235</b>	<b>241</b>
per tonne (A\$/t)	8	1	-28	-7	4	7	27	29	29	31	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>25</b>	<b>158</b>	<b>196</b>	<b>195</b>	<b>206</b>	<b>211</b>	<b>217</b>
Net Finance Expense	-11	-8	-5	-14	-19	-47	-18	-5	5	12	16	20
<b>Profit before tax</b>	<b>6</b>	<b>-15</b>	<b>-96</b>	<b>-50</b>	<b>-13</b>	<b>-22</b>	<b>140</b>	<b>191</b>	<b>200</b>	<b>218</b>	<b>227</b>	<b>237</b>
Income tax (expense)/benefit	-2	4	-9	0	0	0	-36	-50	-52	-57	-59	-62
<b>Reported NPAT</b>	<b>4</b>	<b>-11</b>	<b>-106</b>	<b>-50</b>	<b>-13</b>	<b>-22</b>	<b>103</b>	<b>142</b>	<b>148</b>	<b>161</b>	<b>168</b>	<b>175</b>
Exceptional items	0	0	-54	0	0	-23	0	0	0	0	0	0
<b>Underlying NPAT</b>	<b>4</b>	<b>-11</b>	<b>-52</b>	<b>-50</b>	<b>-13</b>	<b>1</b>	<b>103</b>	<b>142</b>	<b>148</b>	<b>161</b>	<b>168</b>	<b>175</b>