ShawandPartners
Financial Services

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

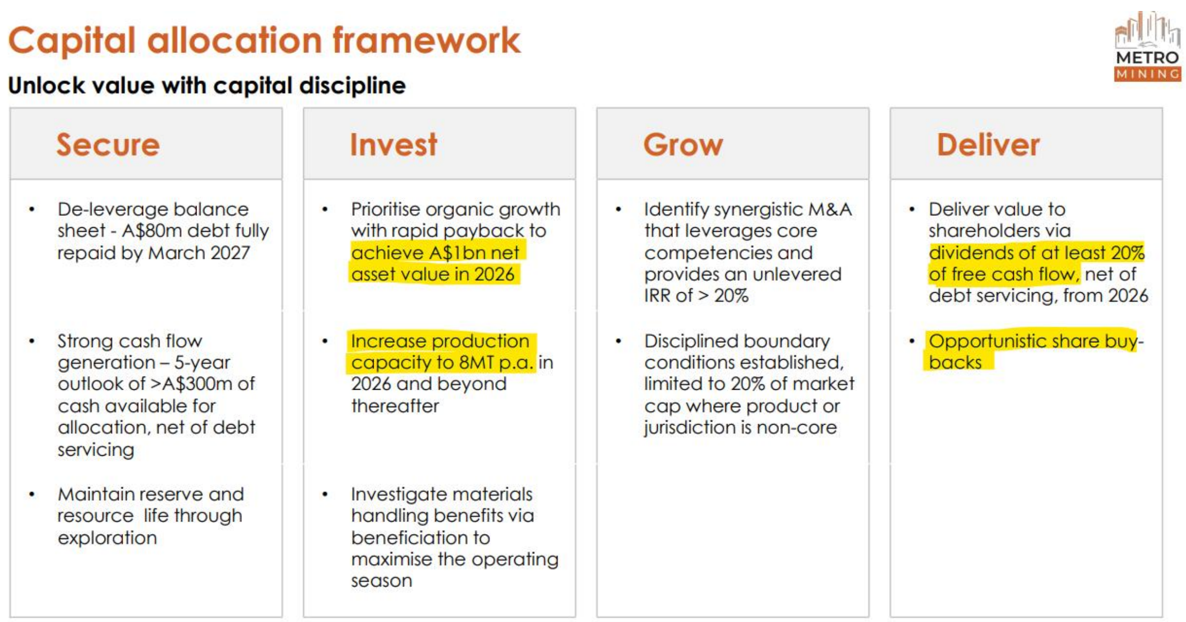
HIGHLIGHTS

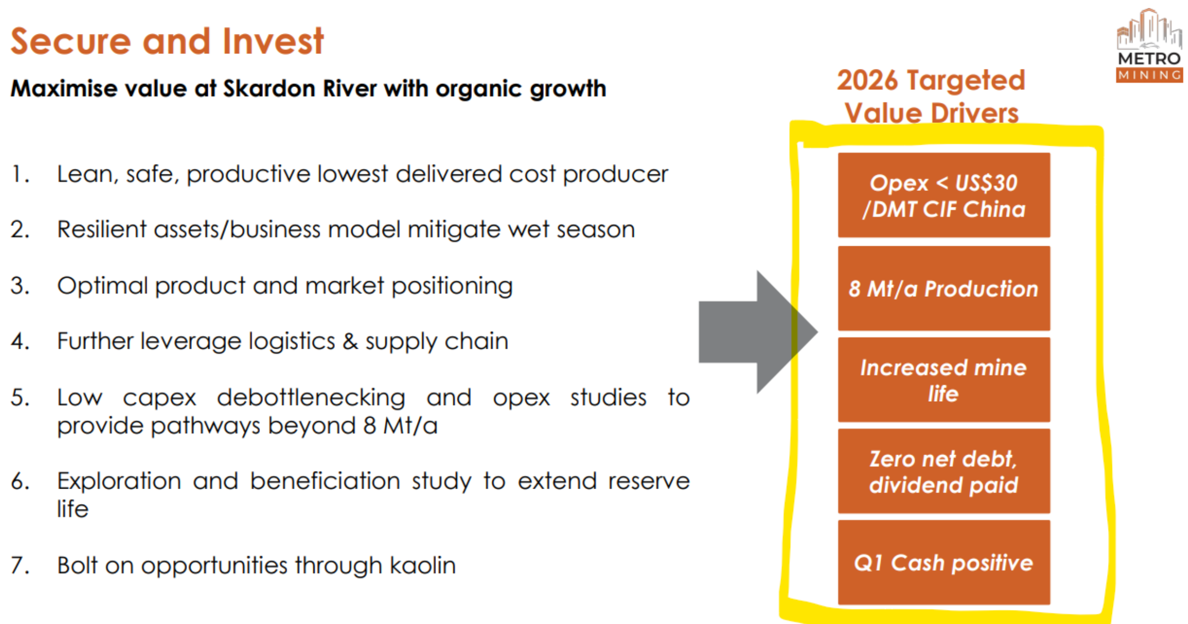
- Metro is targeting a net asset value of A$1b in 2026 – current market capitalisation is only A$323m. In his AGM address, CEO Simon Wensley noted that the cash flow they are projecting should support that valuation – we agree.
- Management has talked about the existing flowsheet being capable of being 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]





Profit & Loss (A$m)	2019	2020	2021	2022	2023	2024	2025f	2026f	2027f	2028f	2029f	2030f
Sales (kt)	3,504	2,481	2,798	3,432	4,567	5,684	6,600	7,500	7,500	7,500	7,500	7,500
% FoB	0%	0%	0%	13%	55%	62%	55%	31%	31%	31%	31%	31%
Revenue	**199**	**128**	**160**	**178**	**236**	**307**	**474**	**554**	**553**	**566**	**579**	**592**
per tonne (A$/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
Total costs	**-172**	**-126**	**-184**	**-201**	**-214**	**-266**	**-292**	**-329**	**-330**	**-332**	**-339**	**-347**
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$/t)	37	39	48	43	40	44	36	32	32	31	37	0
EBITDA	**27**	**2**	**-79**	**-23**	**22**	**43**	**183**	**225**	**223**	**234**	**240**	**245**
per tonne (A$/t)	8	1	-28	-7	5	8	28	30	30	31	32	33
finance leases					-3	-5	-5	-5	-5	-5	-5	-5
Underlying EBITDA	**27**	**2**	**-79**	**-23**	**19**	**39**	**178**	**220**	**219**	**230**	**235**	**241**
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
EBIT	**17**	**-8**	**-91**	**-37**	**5**	**25**	**158**	**196**	**195**	**206**	**211**	**217**
Net Finance Expense	-11	-8	-5	-14	-19	-47	-18	-5	5	12	16	20
Profit before tax	**6**	**-15**	**-96**	**-50**	**-13**	**-22**	**140**	**191**	**200**	**218**	**227**	**237**
Income tax (expense)/benefit	-2	4	-9	0	0	0	-36	-50	-52	-57	-59	-62
Reported NPAT	**4**	**-11**	**-106**	**-50**	**-13**	**-22**	**103**	**142**	**148**	**161**	**168**	**175**
Exceptional items	0	0	-54	0	0	-23	0	0	0	0	0	0
Underlying NPAT	**4**	**-11**	**-52**	**-50**	**-13**	**1**	**103**	**142**	**148**	**161**	**168**	**175**