Metro Mining (ASX: MMI)

ShawandPartners
Financial Services

Recommendation: BUY

Price Target: $3.00, (last $1.42)

EVENT

Metro Mining has released its June quarter review. It was a record June quarter for production (previously released) and it is pleasing to see Metro Mining with positive margins at what is arguably the bottom of the bauxite market. This highlights the robust changes that have been implemented in the past three years – Metro used to be loss-making at cycle lows. Bauxite prices are now increasing again with Metro negotiating a 9% increase in price for the September quarter – that is ahead of our 5% expectation. The cash balance increased from A$9.6m at 31-Mar to $24m at 30-June, which is $13m ahead of our forecast.

HIGHLIGHTS

1. Record Q2 bauxite shipments of 1.8m wmt, up 7%yoy. June shipments of 779k wmt was also a record.
2. June quarter operating cash flow of A$24.1m was ahead of our A$18.6m forecast.
3. Metro has finished the quarter with A$24m in cash, which is ahead of our A$11m forecast – half the difference was the higher operating cashflow, half was lower financing cost (lower debt repayment). The company expects to commence its previously announced share buy-back in 3Q26.
4. Bauxite prices were weak in the quarter, but Metro's achieved CIF price of A$63.2/wmt was slightly ahead of our A$62/t forecast. Metro is reporting that it has negotiated a 9% increase in price for the September quarter – and we expect the price to strengthen again in the December quarter. Metro agrees, with a comment that "*Once the excess stock at Chinese ports is exhausted this is likely to have a further upward impact on bauxite market pricing*"
5. The only disappointing feature of the result was higher costs than expected with site costs at A$33.7/t (Shawf A$27/t) and shipping costs at A$19.3/t (Shawf A$17/t) – these were largely driven by one-off increases associated with additional demurrage costs associated with Cyclone Narelle, the extended outage of the Ikamba early in the quarter, the use of self-loading ships, and larger clearing/stripping costs. We expect site costs to reduce back into the mid-20s in 2H26.

RECOMMENDATION

Metro is one of Shaw's top emerging company picks for 2026 and we retain our BUY recommendation and A$3.00 price target. Despite the softer margin, there was a lot to like in the June quarter result, and Metro is now well set-up for a strong second half as production increases, costs reduce and the bauxite price increases. A US$10/t increase in the bauxite price adds A$100m to MMI's annual cash flow.

Metro June 2026 quarter	Jun-25a	Jun-26f	Jun-26a	Diff	Diff %	YoY%
Bauxite mined (kt)	1,713	1,799	1,919	120	6%	12%
Bauxite shipped (kt)	1,686	1,799	1,799	0	0%	7%
Revenue A$/wmt - CIF	81.3	62.0	63.2	1.2	2%	-22%
Revenue (A$m) - CIF	137.0	111.5	113.7	2.2	2%	-17%
Revenue A$/wmt - FOB	71.9	45.0	43.9	-1.1	-3%	-39%
Revenue (A$m) - FOB	121.2	81.0	79.0	-2.0	-3%	-35%
Costs						
Site cost (A$/wmt)	31.0	27.0	33.7	6.7	20%	9%
Freight (A$/wmt)	9.4	17.0	19.3	2.3	12%	105%
Royalty (A$/wmt)	9.0	6.0	5.8	-0.2	-3%	-36%
Total cost (A$/wmt)	49.4	50.0	58.8	8.8	15%	19%
Total cost (ex freight)	40.0	33.0	39.5	6.5	16%	-1%
Site cost (A$m)	52.3	48.6	60.6	12.1	20%	16%
EBITDA (A$/wmt)	31.9	12.0	4.4	-7.6	-173%	-86%
Site EBITDA (A$m)	53.8	21.6	7.9	-13.7	-173%	-85%
Quarterly cash flows (A$m)						
Operating cash flow	25.8	18.6	24.1	5.5	23%	-6%
Investing cash flow	-4.5	-1.0	-0.2	0.8	-400%	-96%
Financing cash flow	-6.2	-16.0	-10.0	6.0	-60%	61%
Cash balance	28.7	11.2	23.8	12.6	53%	-17%

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