

Australian Equity Research
 17 April 2018

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BUY

unchanged

PRICE TARGET A\$1.25↓

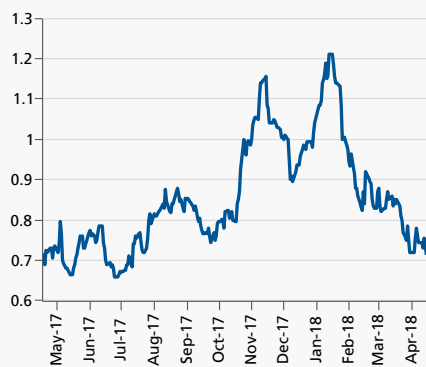
from A\$1.30

Price (17-Apr) A\$0.72

Ticker MLX-ASX

52-Week Range (A\$):	0.65 - 1.23
Avg Daily Vol (M) :	2.8
Market Cap (A\$M):	433
Shares Out. (M) :	606.0
Dividend /Shr (AUc):	1.0
Dividend Yield (%) :	1.4
Enterprise Value (A\$M):	385
NAV /Shr (AUc):	1.23
Net Cash (A\$M):	48.6
P/NAV (x) (A\$):	0.57
Major Shareholders:	APAC Resources 9.2% BlackRock 8.2%

FYE Jun	2017A	2018E	2019E	2020E
Sales (A\$M)	264.5	236.0↑	389.2↑	409.8↓
Previous	-	233.3	388.6	415.2
EBITDA (A\$M)	26.5	31.3↑	104.0↑	131.6↓
Previous	-	29.2	102.6	135.4
Net Income (A\$M)	(103.8)	7.7↑	89.1↑	119.7↓
Previous	-	5.2	88.0	123.6
EV/EBITDA (x)	14.5	12.5	3.0	1.6



Source: FactSet

Priced as of close of business 17 April 2018

Metals X Limited (MLX:ASX) is a tin producer from its 50% owned Renison Mine in Tasmania and also ramping up production to ~40ktpa of copper at its Nifty Copper mine.

Lowering Target Price

MarQ'18 report

MarQ'18 result in line at Nifty, JunQ'18 marks the inflection point. Copper production for the MarQ'18 at Nifty was 5.03kt at an AISC of A\$3.87/lb copper, in line with our expectations (CG est. 5.18kt at an AISC of A\$4.04/lb). While the result represents a relatively flat QoQ outcome, the implementation of a business improvement plan and the mobilisation of additional equipment (2x new loaders, 2x new charge-up machines, 1x new jumbo) remains on track, with the company re-iterating hitting a targeted production run-rate of 35ktpa by mid-2018. This implies a step-change in copper production, and we forecast an increase to ~7.4kt in the JunQ'18 (48% QoQ increase) and 8.5kt in the SepQ'18 (20% QoQ increase). We continue to see the long-stated 40ktpa production rate target as achievable in early 2019 – a view compounded by the diminishing reliance on the dilution-impacted checkerboard area of the orebody over the next 12 months.

Renison production in line, and set to increase in FY19. Tin production at Renison (100% basis, MLX 50%) was 1.7kt at an AISC of A\$17,196/t (CG est. 1.7kt at and AISC of A\$18,155/t) for the MarQ'18, a solid beat on the cost side and an improvement QoQ, albeit largely driven by stockpile adjustments. Construction of the ore sorting circuit remains on time and on budget for practical completion in the JunQ'18, and the commensurate 15-20% increase anticipated in tin production (~8-8.5ktpa) should be realised during FY19. MLX also completed a tailing dam expansion and additional mine development to accommodate the more aggressive mining rates required once the ore sorter is tied into the processing circuit. With minimal "one-off" capital required at Renison (outside of the Rentails expansion if it goes ahead) from FY19E, we expect the asset to contribute ~A\$40m pa FCF for MLX's 50% once at steady state (mid-FY19E).

Wingellina still the X factor. Exploration at Wingellina during the Q returned solid results, including: 86m at 0.22% cobalt and 1.04% nickel from 12m, 24m at 0.28% cobalt and 1.5% nickel from surface, 60m at 0.17% cobalt and 1.2% nickel from surface, and 38m at 0.31% cobalt and 1.3% nickel from surface. MLX has now tested six of 15 high-grade domains within the broader orebody, all of which demonstrated the potential for high-grade, low-strip open pits (CG est. combined tonnage ~15Mt of ore for 170kt nickel and 15kt cobalt). In our view, this is adequate for Engineering and Scoping Studies to be progressed with a view to establishing a low-capex, starter project. The next key news flow on Wingellina will be outcomes of metallurgical test work for the production of high-quality cobalt and nickel sulphate, which are expected during April 2018.

Valuation and recommendation. Our price target for MLX shares has reduced slightly to A\$1.25/sh (previously A\$1.30/sh) on account of refining the unit costs modeled at Renison and Nifty; however, we retain a bullish outlook for the stock, and highlight the imminent production step-change at Nifty as a significant near-term catalyst. Our NAV is underpinned by Renison and Nifty (NPV8%), net of corporate, balance sheet adjustments and nominal exploration value. MLX has healthy fundamental valuation upside (P/NAV 0.57x) and an undemanding FY19 EV/EBITDA of 3.0x, both of which are significantly cheaper than peer base metal producers.

FINANCIAL SUMMARY

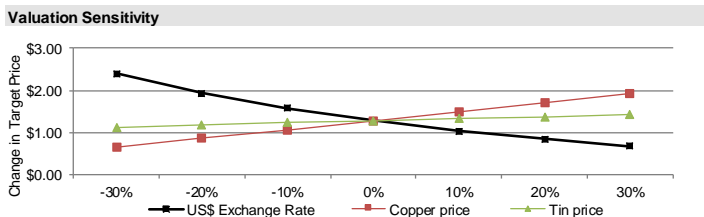
Metals X Limited **ASX:MLX**
Analyst: Tim McCormack
Date: 17/04/2018
Year End: June

Rating: **BUY**
Target Price: **\$1.25**

Market Information		
Share Price	A\$	0.72
Market Capitalisation	A\$m	433.3
12 Month Hi-Lo	A\$	1.93-0.62
Issued Capital	m	605.95
Options	m	1.64
Fully Diluted	m	607.59

Valuation	A\$m	Risk Adj.	A\$/share
Renison (MLX 50% owner)	NPV @ 8%	200.1	0.33
Nifty	NPV@ 8%	376.0	0.62
Exploration/Development assets		140.0	0.23
Hedging (against CG price deck)		(3.3)	(0.01)
Cash		48.6	0.08
Debt		-	-
Investments		8.3	0.01
Less: Corporate & O'heads		(26.5)	(0.04)
TOTAL NAV		743.2	1.23
Price:NAV			0.57
NAV at spot (copper, tin, FX)			1.29
Target Price (rounded)			1.25

Assumptions	2017a	2018e	2019e	2020e
Tin Price (US\$/t)	20,372	20,793	20,716	20,750
Copper Price (US\$/lb)	2.40	2.90	3.00	3.00
AUD:USD	0.75	0.80	0.79	0.79



Production Metrics	2017a	2018e	2019e	2020e
Renison Tin (MLX 50%)				
Tin production (tonnes)	6,972	7,345	8,492	8,544
AISC (A\$/t)	18,776	17,850	16,886	16,951
Nifty Copper Mine (MLX 100%)				
Copper production (tonnes)	23,429	20,421	37,271	39,480
C1 cost (A\$/lb)	2.45	3.93	2.96	2.70
AISC (A\$/lb)	3.31	4.45	3.17	2.90

Reserves & Resources				
Tin		Mt	Sn %	Sn (kt)
Resources - MLX 50%	Renison (M+H+I)	15	1.35	203
Reserves - MLX 50%	Renison (P+P)	7	1.06	72
Nickel		Mt	Ni%	Ni(kt)
Resources	Total	217	0.95	2,067
Reserves	Total	167	0.98	1,645
Copper (Nifty only)		Mt	Cu%	Cu(kt)
Resources	Total	42	1.50	622
Reserves	Total	14	1.71	238

Directors & Management	
Name	Position
Peter Newton	NE Chairman
Warran Hallam	Managing Director
Stephen Robinson	Executive Director
Allan King	COO
Simon Heggen	NE Director
Yimin Zhang	NE Director
Milan Jerkovic	NE Director

Substantial Shareholders		%
APAC		9.2%
BlackRock		8.2%
Jinchuan		7.2%
Ausbil		5.3%

Source: MLX & Canaccord Genuity estimates

Company Description
Metals X Ltd (MLX:ASX) is a tin and copper producer from its 50% owned Renison tin mine (Tasmania) and the Nifty copper mine (WA). The company demerged its gold business to form Westgold (WGX:ASX) in December 2016, and as such we only model continuing base metals operations from 2017.

Profit & Loss (A\$m)	2017a	2018e	2019e	2020e
Revenue	264.5	236.0	389.2	409.8
Operating Costs	-219.1	-195.4	-274.2	-267.1
Corporate & O'heads	-17.6	-6.8	-6.1	-6.1
Exploration (Expensed/WO)	-1.2	-2.5	-5.0	-5.1
EBITDA	26.5	31.3	104.0	131.6
Dep'n	-38.0	-10.7	-17.4	-18.0
EBIT	-11.5	20.6	86.6	113.6
Net interest	4.2	1.5	2.5	6.1
Tax	-36.1	0.6	0.0	0.0
Abnormals (pre-tax)	-60.3	-14.9	0.0	0.0
NPAT (continuing ops)	-103.8	7.7	89.1	119.7
Abnormals (incl. asset disp)	237.8	-14.9	0.0	0.0
NPAT (reported)	134.0	7.7	89.1	119.7

Cash Flow (A\$m)	2017a	2018e	2019e	2020e
Cash Receipts	385.0	258.5	389.2	409.8
Cash paid to suppliers & em	-364.1	-216.6	-280.2	-273.2
Tax Paid	0.0	0.0	0.0	0.0
Net Interest	1.1	0.9	2.5	6.1
Other (WC etc)	4.8	-5.0	0.0	0.0
Operating Cash Flow	26.8	37.8	111.5	142.8
Exploration and Evaluation	-14.1	-9.7	-10.0	-10.0
Capex	-50.3	-30.6	-18.5	-18.5
Other	-58.3	-0.3	0.0	0.0
Investing Cash Flow	-122.6	-40.6	-28.5	-28.5
Debt (repayment)/ gold prep:	0.0	-1.5	0.0	0.0
Share capital	115.6	0.0	0.0	0.0
Dividends	0.0	-4.5	-6.1	-11.2
Financing Expenses	-8.9	0.9	0.0	0.0
Financing Cash Flow	106.7	-5.1	-6.1	-11.2
Opening Cash	39.2	50.1	42.2	119.2
Increase / (Decrease) in cas	10.9	-7.9	77.0	103.0
FX Impact	0.0	0.0	0.0	0.0
Closing Cash	50.1	42.2	119.2	222.2

Balance Sheet (A\$m)	2017a	2018e	2019e	2020e
Cash + S/Term Deposits	50.1	42.2	119.2	222.2
Other current assets	100.8	47.7	62.7	66.6
Current Assets	150.9	89.9	181.8	288.7
Property, Plant & Equip.	40.5	36.5	36.4	36.3
Exploration & Develop.	4.9	9.9	14.9	19.9
Other Non-current Assets	86.8	128.1	164.0	200.5
Payables	29.3	23.7	39.2	41.6
Short Term debt	3.2	0.0	0.0	0.0
Long Term Debt	5.3	0.0	0.0	0.0
Other Liabilities	46.5	40.2	79.6	141.1
Net Assets	198.7	200.4	278.3	362.8
Shareholders Funds	252.5	252.5	252.5	252.5
Reserves	29.1	29.1	29.1	29.1
Retained Earnings	-82.9	-81.2	-3.3	81.2
Total Equity	198.7	200.4	278.3	362.8

Ratios & Multiples	2017a	2018e	2019e	2020e
EBITDA Margin	10%	13%	27%	32%
EV/EBITDA	14.5x	12.5x	3.0x	1.6x
FCF	-95.8	-2.8	83.0	114.2
EV/FCF	-4.0x	-137.3x	4.6x	3.4x
Op. Cashflow/Share	\$0.04	\$0.06	\$0.18	\$0.24
P/CF	16.1x	11.5x	3.9x	3.0x
EPS	-\$0.17	\$0.01	\$0.15	\$0.20
EPS Growth	nm	-107%	1058%	34%
PER	-4.2x	56.3x	4.9x	3.6x
Dividend Per Share	\$0.01	\$0.01	\$0.02	\$0.06
Dividend Yield	1.4%	1.4%	2.6%	8.1%
ROE	67%	4%	32%	33%
ROIC	-18%	7%	32%	41%
Debt/Equity	3%	0%	0%	0%
Net Interest Cover	nm	nm	nm	nm
Book Value/share	\$0.33	\$0.33	\$0.46	\$0.60
Price/Book Value	2.2x	2.2x	1.6x	1.2x

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Investment Recommendation

Date and time of first dissemination: April 17, 2018, 04:54 ET

Date and time of production: April 17, 2018, 04:54 ET

Target Price / Valuation Methodology:

Metals X Limited - MLX

Our valuation is underpinned by Renison and Nifty (NPV8%), net of corporate, balance sheet adjustments and nominal exploration value.

Risks to achieving Target Price / Valuation:

Metals X Limited - MLX

The key investment risks for MLX include: Operating Risks - The Company is subject to risk of such as plant breakdowns, rock falls, seismic activity and other technical issues. Increased extraction costs can severely impact the operating activities of the company and its share price. Adverse weather conditions restricting the company from operating activities could also result in encountering unexpected and costly delays. Exploration risks - Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks are associated in operating in remote areas that lack necessary infrastructure to support a mine life. Uncertainties associated with mining techniques and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. Commodity price fluctuations - The Company as a producer is exposed to commodity price fluctuations. Commodity price fluctuations are driven by many macro-economic forces including inflationary pressures, interest rates and supply and demand of commodities. These factors could reduce the profitability, costing and prospective outlook for the business upon changes in the pricing. Licenses, permits and environment risk - Metals X is subject to licensing and permit approvals which may require renewing of lease on certain tenements. This can result in the risk of lease renewal not being met within a timeframe convenient to the company or alternatively being seen as not meeting satisfactory environmental standards. Such a risk could result in considerable financial resources being drawn upon.

Distribution of Ratings:

Global Stock Ratings (as of 04/17/18)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	572	61.51%	40.38%
Hold	237	25.48%	26.16%
Sell	17	1.83%	11.76%
Speculative Buy	104	11.18%	61.54%
	930*	100.0%	

*Total includes stocks that are Under Review

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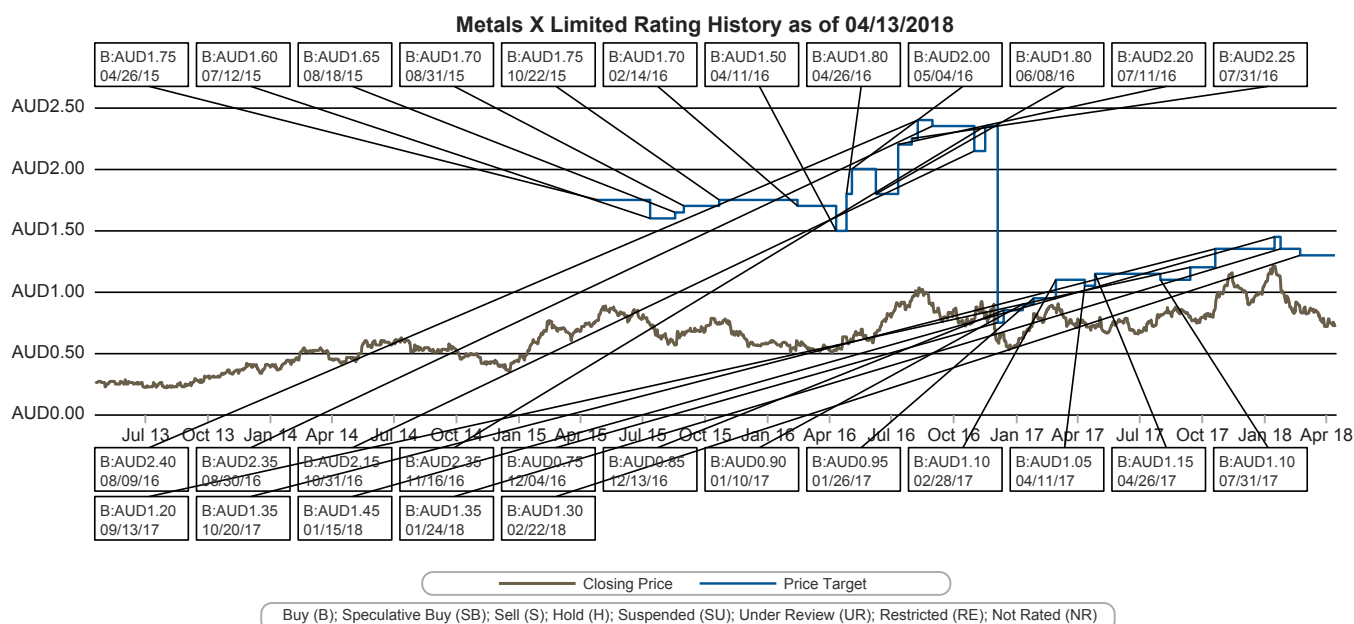
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An analyst has visited the material operations of Metals X Limited. Full payment was received for the related travel costs.



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