



Stock:	MLX AU
Name:	Metals X
Price:	A\$0.77 (At 06:10, 17 July 2017 GMT)
Recommendation:	Outperform
12mth price target:	A\$1.00
12-month TSR:	31.5%
Market Cap (m):	A\$469
Market Cap (m):	US\$362
Current valuation (DCF):	A\$1.10

Event

- MLX's 4QFY17 production result was mixed. Shipments from Nifty and Renison beat our forecasts by 22% and 4%, but were offset by higher cash costs at both operations. Cash and working capital fell marginally from the 3QFY17.

Impact

- Mixed performance at Nifty:** Copper production at Nifty of 5.9kt was 6% lower than we had forecast largely due to lower averaged milled grades. However copper shipments outpaced production at 7.9kt and were 22% higher than we forecast. AISC of A\$7,893/t (US\$2.70/lb) were 13% higher than we had anticipated, reflecting the lower grades.
- Renison delivered another solid quarter:** Renison produced 1.7kt of tin in the 4QFY17, 4% higher than we had forecast. Shipments were in line with production. AISC were 22% higher than we had expected due to higher project capital costs associated with the new tailings dam and the ore sorter.
- Cash flow slightly weaker:** MLX reported operating EBITDA of \$9.4m for the quarter, below our \$15.1m forecast with a beat from Renison offset by a marginal contribution from Nifty. Cash and working capital fell to \$111m, down from \$113m in the previous period.

Action and recommendation

- Maintain Outperform:** MLX's production result was mixed with higher costs offsetting a generally solid shipment result. Ramping up underground development and production at Nifty remains a core focus. Over the next two years we expect copper production to rise +70% to ~40ktpa, which should drive AISC back towards US\$2.00/lb. The release of an updated reserve estimate for Nifty, due in September, remains a key catalyst for the stock.

June		2016A	2017E	2018E	2019E
Revenue	m	351.0	255.1	350.3	434.5
EBIT	m	-28.4	3.9	31.0	64.9
Adjusted profit	m	-23.9	3.7	32.0	65.3
Gross cashflow	m	67.0	41.5	75.6	110.4
Capex	m	101.8	51.4	56.4	85.6
CFPS	¢	14.8	8.1	12.4	18.1
CFPS growth	%	-36.4	-45.0	52.7	46.0
PGCFPS	x	5.2	9.5	6.2	4.2
EPS adj	¢	-5.3	0.9	5.2	10.7
EPS adj growth	%			492.8	104.3
PER adj	x		87.0	14.7	7.2
Total DPS	¢	0.0	0.0	1.0	3.2
Total div yield	%	0.0	0.0	1.3	4.2
Franking	%			0	0
ROA	%	-5.2	0.9	11.5	20.5
ROE	%	-6.4	1.3	18.0	32.0
EV/EBIT	x	-11.7	114.9	14.5	6.9
EV/EBITA	x	-214.7	83.9	14.2	6.9
EV/EBITDA	x	5.3	10.8	6.0	4.1
Net debt/equity	%	1.2	-14.4	-3.2	2.5
ND/ND & equity	%	1.1	-16.8	-3.3	2.4
P/BV	x	0.9	2.7	2.6	2.1
EBITDA	m	62.6	41.7	74.7	110.0

Net Debt/EBITDA	x	0.1	-0.6	-0.1	0.1
Payout ratio	%		0.0	18.9	30.0
FCF Yield	%	-5.9	-5.3	-2.3	1.7

*All values are in AUD unless otherwise stated.

Source: Company data, Macquarie Research, Jul 2017.

MLX AU vs Small Ordinaries, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, July 2017

(all figures in AUD unless noted)

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