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Nickel Industries Ltd (NIC)

Permit delays a speedbump

Recommendation
Buy (unchanged)
Price
$0.74
Target (12 months)
$1.50 (previously $1.53)

GICS Sector
Materials

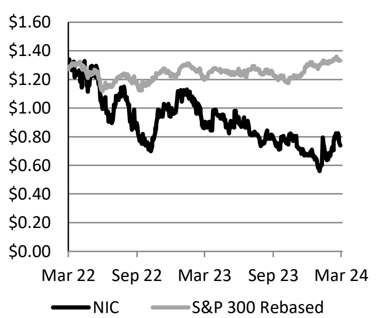
Expected Return	
Capital growth	**102.7%**
Dividend yield	**6.8%**
Total expected return	**109.5%**

Company Data & Ratios	
Enterprise value	**$3,273m**
Market cap	**$3,172m**
Issued capital	**4,286m**
Free float	**54%**
Avg. daily val. (52wk)	**$9.1m**
12 month price range	**$0.54-$1.01**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.65	0.68	0.88
Absolute (%)	13.8	8.8	-15.9
Rel market (%)	12.8	2.6	-25.4

Absolute Price



SOURCE: IRESS

Industry-wide licence delay impacts production

NIC has reported that, during the March 2024 quarter, there were industry-wide delays for the renewal of Rencana Kerja dan Anggaran Biaya mining licences (RKAB Licence), for the approval of annual nickel ore sales volumes. As a result, NIC's 80% owned Hengjaya Mine was unable to sell ore for the month of January and most of February. The RKAB Licence was issued in late February and ore sales have since re-commenced at record monthly rates. The ore supply disruption also impacted feed to NIC's Rotary Kiln Electric Furnace (RKEF) processing lines. Operations continued uninterrupted, but necessitated drawdown of lower grade, higher cost stockpiles, resulting in lower nickel production volumes and higher cash costs. NIC has guided that group EDITDA for the March quarter will be in the range of US$65m-US$75m. This compares with our March quarter forecast for group EBITDA of ~US$100m.

Any weakness a buying opportunity

These events have been largely outside NIC's control but now approved, with a more favourable 3 year renewal period and the endorsement of more stringent assessment conditions. We also note NIC applying for revised licence conditions covering ore sales of up to 22Mtpa, compared with our current modelled rate of 10Mtpa – signalling the potential of further aggressive production growth for what has become a significant and high margin contributor to NIC's operations. While the licence delay has impacted our short term earnings outlook, it has not materially altered our medium or long-term investment thesis and we view any share price weakness on this news as a buying opportunity.

Investment thesis – Buy, TP$1.50/sh (from Buy,TP$1.53/sh)

EPS changes in this report are: CY24: -12%; CY25: -1%; and CY26: 0%. Our NPV-based valuation is lowered 2% to $1.50/sh. NIC is trading on undemanding valuation multiples, offers a supportive (unfranked) dividend, has demonstrated its ability to make money through the nickel price cycle and is one of the world's only listed nickel producer offering exposure across nickel products and markets. Retain Buy.

Earnings Forecast

Year ending 31 December	**2023a**	**2024e**	**2025e**	**2026e**
Sales (US$m)	1,880	1,953	2,205	2,304
EBITDA (US$m)	403	450	646	698
Attributable NPAT (reported) (US$m)	122	157	295	338
Attributable NPAT (reported) (A$m)	183	230	421	483
EPS (adjusted) (A¢ps)	5.4	5.4	9.8	11.3
EPS growth (%)	-37%	0%	83%	15%
PER (x)	13.8	13.8	7.5	6.6
FCF Yield (%)	-55%	-5%	12%	25%
EV/EBITDA (x)	5.3	4.8	3.3	3.1
Dividend (A¢ps)	4.5	5.0	5.0	6.0
Yield (%)	6.1%	6.8%	6.8%	8.1%
Franking (%)	0%	0%	0%	0%
ROE (%)	9%	9%	15%	17%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Permit delays a speedbump

Industry-wide licence delay impacts production

NIC has reported that, during the March 2024 quarter, there were industry-wide delays for the renewal of Rencana Kerja dan Anggaran Biaya mining licences (RKAB Licence). The RKAB License is an annual licence approving nickel ore sales volumes. The delay was caused by changes to the approvals process and the recent Indonesian presidential elections. The delay meant that NIC's 80% owned Hengjaya Mine was unable to sell ore for the month of January and most of February.

In mid-February, the Hengjaya Mine received its licence for an extended renewal period of 3 years. Ore deliveries recommenced on 21 February 2024. The Hengjaya Mine was among the first 40 mines from 700+ applicants to be issued a RKAB Licence following the Indonesian elections. NIC has mobilised additional haul trucks to lift sales volumes across the June quarter to make up for the loss of ore sales in January and February.

These ore supply issues also impacted raw materials feed to NIC's Rotary Kiln Electric Furnace (RKEF) processing lines. While operations were able to continue uninterrupted, it necessitated the drawdown of lower grade, higher cost stockpile ore, resulting in lower nickel production volumes and slightly higher cash costs.

In combination, these events have led NIC management to guide that EDITDA from operations for the March quarter is expected to be in the range of US$65m-US$75m. This compares with our March quarter forecast for group EBITDA of ~US$100m, record group EBITDA of US$135m for the December quarter 2023 and group EBITDA of US$113.2m for the March quarter 2023.

Any weakness a buying opportunity

The RKAB Licence delay has been largely outside NIC's control. However, it has now been approved, with a more favourable 3-year renewal period and the endorsement of more stringent assessment conditions.

We also note NIC applying for revised licence conditions covering ore sales of up to 22Mtpa from the Hengjaya Mine, compared with our current modelled rate of 10Mtpa – signalling the potential of further aggressive production growth for what has become a significant and high margin contributor to NIC's operations. We do not anticipate additional material CAPEX will be required to meet this target, which is expected to be met through the addition of contract trucking capacity to the haulage fleet. The recently completed major haul road upgrade will support the additional traffic load.

While the licence delay has impacted our short term earnings outlook, it has not materially altered our medium or long-term investment thesis and we view any share price weakness on this news as a buying opportunity.

Changes to our forecasts

With this update, we make the following changes to our modelled assumptions:

- Lower our forecast ore sales from the Hengjaya Mine from ~2.5Mt for the March 2024 quarter to ~900kt, consistent with commentary in the production update;
- Increase our forecast operating costs for the Hengjaya Mine and for NIC's RKEF processing lines, reflecting the processing of higher cost, historical stockpiled ore;
- Lower our forecast nickel ore feed grades and commensurate Nickel Pig Iron (NPI) production from NIC's RKEF lines, consistent with commentary provided in the production update; and
- Increased our assumed dividend payout ratio, in order to retain our A5cps distribution forecast for CY25.

The net impacts of these changes are summarised in the table below:

Table 1 - Changes to our CY forecasts

	Previous			New			Change		
Year end 31 December	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
Prices & currency									
Nickel price (US$/t)	18,243	19,621	20,503	**18,243**	**19,621**	**20,503**	0%	0%	0%
US$/A$	0.68	0.70	0.70	**0.68**	**0.70**	**0.70**	0%	0%	0%
Production & costs									
Ore mined (t)	9,100,000	9,100,000	9,100,000	**7,725,000**	**9,100,000**	**9,100,000**	-15%	0%	0%
Nickel in ore (t)	65,250	65,250	65,250	**54,738**	**65,250**	**65,250**	-16%	0%	0%
RKEF NPI production (t)	1,044,615	1,044,615	1,044,615	**1,044,615**	**1,044,615**	**1,044,615**	0%	0%	0%
Contained nickel (t)	141,803	141,263	141,263	**139,885**	**141,263**	**141,263**	-1%	0%	0%
Contained nickel (t, attributable)	114,990	114,558	114,558	**113,456**	**114,558**	**114,558**	-1%	0%	0%
Cash costs (US$/t Ni)	10,958	11,512	11,840	**11,037**	**11,546**	**11,840**	1%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	1,977	2,205	2,304	**1,953**	**2,205**	**2,304**	-1%	0%	0%
EBITDA (consolidated, US$m)	485	651	698	**450**	**646**	**698**	-7%	-1%	0%
EBITDA (attributable, US$m)	405	528	566	**378**	**524**	**566**	-7%	-1%	0%
NPAT (consolidated, US$m)	243	393	441	**216**	**388**	**440**	-11%	-1%	0%
NPAT (attributable, US$m)	177	299	339	**157**	**295**	**338**	-12%	-1%	0%
EPS (reported) (Acps)	6.1	10.0	11.3	**5.4**	**9.8**	**11.3**	-12%	-1%	0%
PER (x)	12.2	7.4	6.6	**13.8**	**7.5**	**6.6**	1.6	0.1	0.0
EPS growth (%)	13%	64%	13%	**0%**	**83%**	**15%**	-13%	19%	1%
DPS (Acps)	5.0	5.0	6.0	**5.0**	**5.0**	**6.0**	0%	0%	0%
Yield	6.8%	6.8%	8.1%	**6.8%**	**6.8%**	**8.1%**	0%	0%	0%
NPV (A$/sh)	1.29	1.53	1.59	**1.25**	**1.50**	**1.55**	-2%	-2%	-3%
Price Target (A$/sh)		1.53			**1.50**			-2%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The changes to our operational forecasts result in cuts to CY24 EBITDA of 7% and cuts to CY24 EPS of 12%. Our forecasts for CY25 and CY26 are effectively unchanged.

We retain our forecast A5cps dividend distribution, with the view that it continues to be supported by NIC's strengthening balance sheet and intact growth outlook

Our NPV-based target price is lowered 2%, to $1.50/sh (from $1.53/sh).

NIC continues to trade on an undemanding EV/EBITDA multiple of 5.9x for CY24 and 4.4x for CY25 (attributable basis) and an unfranked dividend yield of ~7%, all at a low point in the commodity price cycle.

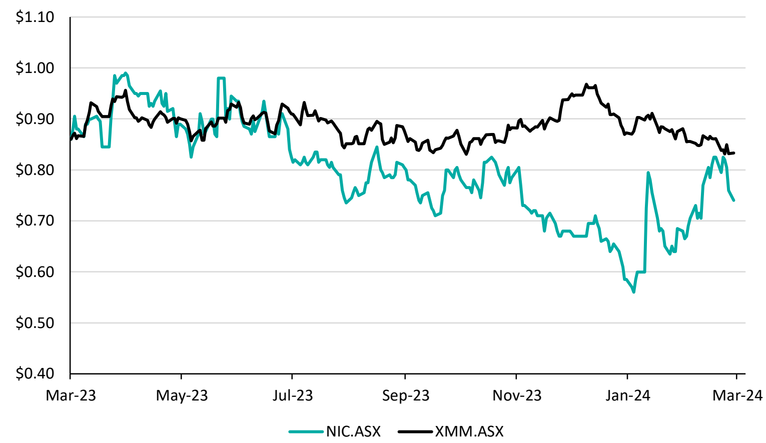
Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and market outlook – key near-term earnings and cash flow drivers for NIC;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- Payment of the scheduled investment instalments for the ENC HPAL project of: US$316m by 1 April 2024 and US$380m by 1 October 2024 to lift NIC's ownership to 44%. NIC's ownership will rise to 55% with two further instalments of US$126.5m in July and October 2025;
- The release of NIC's March 2024 quarterly report, expected in late April 2024;
- Construction updates for the ENC HPAL plant, which is scheduled to commence production in the December quarter of 2025;
- The potential sale of NIC's option over a further 20% interest in the ENC HPAL project (over and above its targeted 55% interest);
- Progress updates for the Hengjaya Mine, where production ramp-up of limonite nickel ore sales are increasing in CY24 following the completion of the new haul road; and
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, for which a maiden Resource is anticipated in early CY24.

NIC vs the ASX Metals and Mining Index

Figure 1 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Nickel Industries Limited (NIC)

Company description: fully integrated NPI producer

Nickel Industries Limited (‘Nickel Industries or ‘NIC’) was formed in 2007 and listed on the ASX in 2018 as Nickel Mines Ltd. Its operations are focused in Indonesia, where it holds an 80% interest four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two Ranger lines), an 80% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines, a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project and a 55% interest in the Excelsior Nickel Cobalt (ENC) HPAL project which is under construction. All these projects are within the Indonesia Morowali Industrial Park (IMIP), a fully integrated stainless steel production facility in Central Sulawesi, Indonesia and in partnership with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world’s largest stainless steel producer.

NIC also holds an 80% interest in the Angel Nickel Project, comprising four new generation RKEF NPI production lines currently in production within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia.

NIC also holds an 80% interest in Hengjaya Mine (‘HM’), a high-grade, long-life nickel laterite deposit, in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility.

Investment thesis – Buy, TP$1.50/sh (from Buy,TP$1.53/sh)

EPS changes in this report are: CY24: -12%; CY25: -1%; and CY26: 0%. Our NPV-based valuation is lowered 2% to $1.50/sh. NIC is trading on undemanding valuation multiples, offers a supportive (unfranked) dividend, has demonstrated its ability to make money through the nickel price cycle and is one of the world’s only listed nickel producer offering exposure across nickel products and markets. Retain Buy.

Valuation: $1.50/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), an 80% interest in the two Hengjaya Nickel RKEF lines and an 80% interest in the two Ranger Nickel RKEF lines.

We have constructed a discounted cash flow (DCF) model for NIC’s attributable interest in these RKEF lines that are in production at Tsingshan’s IMIP facility and a DCF calculation for NIC’s current 80% interest (declining to 49% in 2028) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC’s 80% interest in the Angel Nickel Industry (ANI) project, its 80% interest in the Oracle Nickel Project (ONI), its 10% interest in the HNC HPAL plant and a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC’s last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at $1.50/sh.

Risks

Key risks to our investment case include (but are not limited to):

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. A mitigating factor in this respect has been the +20% holding in NIC equity.

Nickel Industries Ltd
as at 18 March 2024

Recommendation	Buy
Price	$0.74
Target (12 months)	$1.50

Table 2 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
Revenue	US$m	1,217.0	1,880.1	1,952.7	2,205.4	2,304.0
Expense	US$m	(882.4)	(1,476.8)	(1,502.3)	(1,559.4)	(1,605.9)
EBITDA	**US$m**	**334.6**	**403.3**	**450.4**	**646.0**	**698.1**
Depreciation	US$m	(66.6)	(111.7)	(116.7)	(118.6)	(118.6)
EBIT	US$m	268.0	291.7	333.7	527.3	579.5
Net interest expense	US$m	(32.8)	(55.6)	(64.6)	(68.0)	(57.9)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	(18.2)	(32.8)	(27.8)	(42.2)	(46.6)
PBT	**US$m**	**217.0**	**203.3**	**241.4**	**417.1**	**475.0**
Tax expense	US$m	(7.7)	(27.1)	(24.9)	(28.8)	(35.1)
Consolidated profit (loss) for the year	US$m	209.4	176.2	216.4	388.3	439.9
Non-Controlling Interest	US$m	50.4	54.6	59.8	93.4	101.9
Attributable NPAT (reported)	**US$m**	**159.0**	**121.6**	**156.6**	**294.9**	**338.0**
NPAT (underlying)	US$m	159.0	121.6	156.6	294.9	338.0

CASH FLOW

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
OPERATING CASHFLOW						
Receipts	US$m	1,203.3	1,763.1	2,085.9	2,180.1	2,294.2
Payments	US$m	(1,079.8)	(1,485.2)	(1,319.5)	(1,545.1)	(1,594.3)
Tax	US$m	(58.2)	(56.4)	(54.8)	(67.2)	(75.4)
Net interest	US$m	1.0	11.7	(64.6)	(68.0)	(57.9)
Other	US$m	(3.3)	(3.5)	-	-	-
Operating cash flow	**US$m**	**63.0**	**229.8**	**647.0**	**499.9**	**566.6**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(9.4)	(19.1)	(755.2)	(230.1)	(18.9)
Mine development	US$m	(110.4)	(179.9)	-	-	-
Exploration & evaluation	US$m	-	(24.9)	-	-	-
Other	US$m	(310.2)	(929.2)	-	-	-
Investing cash flow	**US$m**	**(430.0)**	**(1,153.1)**	**(755.2)**	**(230.1)**	**(18.9)**
Free Cash Flow	*US$m*	*(367.0)*	*(923.3)*	*(108.1)*	*269.8*	*547.7*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	106.0	828.9	-	-	-
Debt proceeds	US$m	230.3	580.5	250.0	-	-
Debt repayments	US$m	(5.6)	(315.5)	(246.0)	(50.0)	(150.0)
Distributions to non-controlling interests	US$m	(28.1)	(38.9)	-	-	-
Dividends	US$m	(72.7)	(85.6)	(145.7)	(150.0)	(180.0)
Other	US$m	143.3	91.6	-	-	-
Financing cash flow	**US$m**	**373.2**	**1,061.2**	**(141.7)**	**(200.0)**	**(330.0)**
Change in cash	*US$m*	*6.2*	*137.8*	*(249.9)*	*69.8*	*217.7*

BALANCE SHEET

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
ASSETS						
Cash & short term investments	US$m	144.2	778.8	528.9	598.7	816.4
Accounts receivable	US$m	235.6	429.9	296.6	321.9	331.8
Property, plant & equipment	US$m	1,922.1	1,836.8	2,475.2	2,586.6	2,486.9
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	24.9	24.9	24.9	24.9
Other	US$m	370.6	1,001.0	1,001.0	1,001.0	1,001.0
Total assets	**US$m**	**2,672.5**	**4,071.3**	**4,326.7**	**4,533.2**	**4,661.0**
LIABILITIES						
Accounts payable	US$m	177.2	192.8	375.6	389.9	401.5
Income tax payable	US$m	21.2	26.1	24.9	28.8	35.1
Borrowings	US$m	559.3	845.0	849.0	799.0	649.0
Other	US$m	100.3	100.8	99.8	99.8	99.8
Total liabilities	US$m	**858.0**	**1,164.7**	**1,349.3**	**1,317.6**	**1,185.5**
SHAREHOLDER'S EQUITY						
Share capital	US$m	942.4	2,032.9	2,032.9	2,032.9	2,032.9
Reserves	US$m	19.1	19.1	19.1	19.1	19.1
Retained earnings	US$m	337.0	373.1	384.0	528.8	686.8
Total equity to NIC holders	**US$m**	**1,298.6**	**2,425.1**	**2,435.9**	**2,580.8**	**2,738.8**
Non-controlling interest	US$m	515.9	481.6	541.4	634.8	736.7
Total equity	**US$m**	**1,814.5**	**2,906.6**	**2,977.4**	**3,215.6**	**3,475.5**
Weighted average shares	m	2,681.5	3,407.1	4,285.8	4,285.8	4,285.8

CAPITAL STRUCTURE

Shares on issue	m	4,285.8
Other	m	0.0
Total shares on issue	**m**	**4,285.8**
Share price	**A$/sh**	**0.740**
Market capitalisation	A$m	3,171.5
Net cash	A$m	-101.0
Enterprise value (undiluted)	**A$m**	**3,272.5**
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	4,285.8
Market capitalisation (diluted)	A$m	3,171.5
Net cash + options	A$m	-101.0
Enterprise value (diluted)	**A$m**	**3,272.5**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	22.7%	972.8
PT United Tractors (conditional placement)	20.0%	857.0
Tanito Group (PT Karunia)	8.5%	366.1
L1 Capital	5.7%	245.9
BlackRock Investment Management	5.1%	217.1

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
VALUATION						
Attributable NPAT	US$m	159.0	121.6	156.6	294.9	338.0
Attributable NPAT	A$m	228.3	183.0	230.3	421.2	482.9
Reported EPS	USc/sh	5.9	3.6	3.7	6.9	7.9
Reported EPS	Ac/sh	8.5	5.4	5.4	9.8	11.3
Adjusted EPS	Ac/sh	8.5	5.4	5.4	9.8	11.3
EPS growth	%	17%	-37%	0%	83%	15%
PER [1]	x	8.7x	13.8x	13.8x	7.5x	6.6x
DPS	Ac/sh	4.0	4.5	5.0	5.0	6.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	5.4%	6.1%	6.8%	6.8%	8.1%
FCF/share	Ac/sh	(19.7)	(40.8)	(3.7)	9.0	18.3
FCF yield	%	-27%	-55%	-5%	12%	25%
P/FCFPS	x	-3.8x	-1.8x	-19.9x	8.2x	4.1x
EV/EBITDA	x	6.4x	5.3x	4.8x	3.3x	3.1x
EBITDA margin	%	27%	21%	23%	29%	30%
EBIT margin	%	22%	16%	17%	24%	25%
Return on assets	%	9%	5%	5%	9%	10%
Return on equity	%	18%	9%	9%	15%	17%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	415	66	320	200	(167)
ND / E	%	32%	3%	13%	8%	-6%
ND / (ND + E)	%	24%	3%	12%	7%	-7%
Attr. EBITDA / Interest	x	8.4x	6.2x	5.9x	7.7x	9.8x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
Revenues	US$m	1,070.6	1,665.5	1,774.7	2,011.9	2,092.3
EBITDA	US$m	273.9	344.0	378.0	523.7	566.2
NPAT	US$m	159.0	121.6	156.6	294.9	338.0
Net distributable cash flow	US$m	5.6	124.1	(224.9)	62.8	195.9
EV/EBITDA	x	8.3	6.3	5.9	4.4	4.0
PER	x	8.7	13.8	13.8	7.5	6.6
P/FCF	x	nm	nm	nm	35.3	11.3

ORE RESERVE AND MINERAL RESOURCE

Hengjaya Nickel Mine (HM)	Mdmt	% Ni	t Ni
Mineral Resources			
Measured	20.000	1.30%	260,000
Indicated	109.000	1.30%	1,417,000
Inferred	56.000	1.30%	728,000
Total	**185.000**	**1.30%**	**2,405,000**

ASSUMPTIONS - Prices

Year ending 31 Dec. (avg)	Unit	2022a	2023a	2024e	2025e	2026e
Nickel	US$/lb	$12.17	$9.75	$8.28	$8.90	$9.30
Nickel	US$/t	$26,819	$21,494	$18,243	$19,621	$20,503
Currency						
AUD:USD		0.70	0.66	0.68	0.70	0.70

ASSUMPTIONS - Production & costs

Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e
Hengjaya Mine						
Ore mined	wmt	3,782,554	5,900,588	7,725,000	9,100,000	9,100,000
Ore grade	% Ni	1.7%	1.5%	1.5%	1.5%	1.5%
Nickel in ore	t Ni	45,838	53,164	54,738	65,250	65,250
Nickel in ore (attributable)	t Ni	36,670	42,532	43,790	52,200	52,200
RKEF + HPAL ops						
NPI production	t	509,127	970,209	1,044,615	1,044,615	1,044,615
Contained nickel (100%)	t Ni	70,079	131,126	139,885	141,263	141,263
Contained nickel (attributable)	t Ni	55,993	104,240	113,456	114,558	114,558
Costs						
Cash costs	US$/t Ni	$13,387	$11,402	$11,037	$11,546	$11,840
All-in-Costs (AIC)	US$/t Ni	$13,483	$11,503	$11,112	$11,622	$11,918

VALUATION

Ordinary shares (m)						**4,285.8**
Options in the money (m)						-
Total shares diluted (m)						**4,285.8**
Valuation	**Current**		**+12 months**		**+24 months**	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	1,072.9	0.25	1,018.8	0.24	1,052.4	0.25
ANI RKEF (NPV12)	1,544.5	0.36	1,607.5	0.38	1,615.1	0.38
ONI RKEF (NPV12)	696.2	0.16	1,406.8	0.33	1,739.8	0.41
Hengjaya Mine (NPV12)	334.6	0.08	375.7	0.09	379.9	0.09
HNC HPAL (NPV12)	123.7	0.03	512.1	0.12	522.7	0.12
ENC HPAL (NPV12)	2,281.2	0.53	2,281.2	0.53	2,281.2	0.53
Other exploration	400.0	0.09	400.0	0.09	400.0	0.09
Corporate overheads	(978.9)	(0.23)	(1,071.9)	(0.25)	(1,168.2)	(0.27)
Subtotal (EV)	5,474.2	1.28	6,530.4	1.52	6,822.9	1.59
Net cash (debt)	(101.0)	(0.02)	(101.0)	(0.02)	(200.3)	(0.05)
Total (undiluted)	**5,373.2**	**1.25**	**6,429.3**	**1.50**	**6,622.6**	**1.55**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**5,373.2**	**1.25**	**6,429.3**	**1.50**	**6,622.6**	**1.55**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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