BELL POTTER

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Nickel Industries Ltd (NIC)

New generation RKEF looks strong

Recommendation
Buy (unchanged)
Price
$0.73
Target (12 months)
$1.71 (previously $1.68)

GICS Sector

Materials

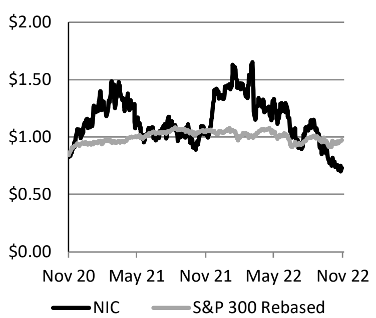
Expected Return	
Capital growth	134.2%
Dividend yield	4.1%
Total expected return	138.4%

Company Data & Ratios	
Enterprise value	$2,622m
Market cap	$1,994m
Issued capital	2,731m
Free float	74%
Avg. daily val. (52wk)	$19.1m
12 month price range	$0.685-$1.79

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.80	1.09	1.07
Absolute (%)	-8.8	-32.7	-31.5
Rel market (%)	-14.3	-33.4	-23.2

Absolute Price



SOURCE: IRESS

September 2022 quarter report

NIC released its September 2022 quarter report, announcing production of 145,180t of NPI at 14.0% Ni for 20,275t contained, with 16,220t attributable to NIC (vs BPe 150,100t of NPI at 13.3% Ni for 16,220t contained, 15,911t attributable). Production of Ni in NPI was 2% above our forecasts, delivering qoq production growth of 30%. This was driven by a successful continued ramp-up at ANI (Ni in NPI production up 56% qoq) and improved performances at the HNI and RNI (Ni in NPI production up 12% qoq). All projects benefitted from the commissioning of new or upgraded power supply. Costs dropped by 6%, to US$13,597/t (vs BPe US$13,095/t). Key drivers were lower power costs (US9.1c/kWh from US10c/kWh qoq), lower nickel ore prices and lower thermal coal prices. These gains were more than offset by 20% lower NPI prices, and NIC's consolidated EBITDA dropped to US$55.5m (from US$103.2m qoq).

Making money through volatile margin cycle

Margins have been much more volatile than expected, compressed by lower NPI prices during the quarter. However, NIC has continued to demonstrate profitability through the cycle and is highly leveraged to margin expansion. The strong performance of the 'new generation RKEF lines' at ANI was a highlight, where power costs dropped to US6c/kWh for the months of August and September and production lifted to 130% of nameplate. We expect NIC to deliver production growth and higher margins in the December quarter as a result. NIC will also produce its first nickel matte in the current quarter, gaining exposure to the 'Class 1' nickel market. We anticipate opportunities for potential partnerships with nickel producers operating High Pressure Acid Leach (HPAL) facilities within in the IMIP.

Investment thesis – Buy, TP$1.71/sh (from Buy, TP$1.68/sh)

Higher NPI production and lower costs lift our forecast CY23 earnings by 3%. Our upgraded outlook for ANI, which incorporates much of the higher production rate that is now being achieved, also has a positive impact on CY23 and CY24 earnings. Our NPV-based valuation increases 2%, to $1.71/sh. Retain Buy.

Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US$m)	646	1,184	2,080	2,160
EBITDA (US$m)	243	310	569	529
Attributable NPAT (reported) (US$m)	138	134	305	275
Attributable NPAT (reported) (A$m)	184	193	461	392
EPS (adjusted) (A¢ps)	7.3	7.3	16.8	14.3
EPS growth (%)	-11%	1%	129%	-15%
PER (x)	10.0	9.9	4.3	5.1
FCF Yield (%)	-30%	0%	39%	36%
EV/EBITDA (x)	6.9	5.4	3.0	3.2
Dividend (A¢ps)	4.0	3.0	7.0	6.0
Yield (%)	5.5%	4.1%	9.6%	8.2%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	15%	29%	24%

SOURCE: BELL POTTER SECURITIES ESTIMATES

New generation looks strong

September 2022 quarterly report

NIC released its September 2022 quarter report, announcing production and costs from its RKEF lines at the Hengjaya (HNI), Ranger (RNI) and Angel (ANI) Nickel Projects at the IMIP and IWIP in Indonesia. Production of Ni in NPI was 2% above our forecasts, delivering qoq production growth of 30%. This was driven by a successful continued ramp-up at ANI (Ni in NPI production up 56% qoq) and improved performances at the HNI and RNI Projects (Ni in NPI production up 12% qoq). All projects benefitted from the commissioning of new or upgraded power supply. For the September quarter, NIC produced 145,180t of NPI at 14.0% Ni for 20,275t contained Ni, with 16,220t attributable to NIC (vs BPe 150,100t of NPI at 13.3% Ni for 16,220t contained Ni, 15,911t attributable).

The cost performance improved qoq but not as much as forecast. Weighted average production costs dropped by 6%, to US$13,597/t (vs BPe US$13,095/t). Key drivers were lower power costs (US9.1c/kWh from US10c/kWh qoq), lower nickel ore prices (benchmarked to LME nickel) and lower thermal coal prices.

The strong production performance of the 'new generation RKEF lines' at ANI was a highlight, where power costs dropped to US6c/kWh for the months of August and September following the commissioning of the project's dedicated power plant. This enabled production to lift to 130% of nameplate capacity (36ktpa) in September, implying monthly Ni in NPI production of ~3,900t. We expect this run-rate to be achieved for the full December 2022 quarter.

NIC reported a realised nickel in NPI price of US$15,950/t Ni (from US$19,943/t qoq), approximating 72% of the LME nickel price. Reduced stainless steel demand, impacted by COVID lockdowns in China and low GDP growth rates resulted in RMB-denominated NPI prices dropping. A strong US dollar further lowered NPI prices in US$ terms.

Record NPI production partially offset lower prices, but RKEF EBITDA dropped to US$45.3m (100% basis, from US$84.9m qoq). Together with EBITDA of US$10.2m from NIC's 80%-owned Hengjaya laterite mine, NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US$55.5m (from US$103.2m qoq).

Cash and receivables rose to US$336.6m from US$259.7m, including cash of US$146.7m (from US$97.8m qoq) NIC has debt of US$550m.

Key production metrics are summarised below:

Table 1 - NIC quarterly production summary

	Sep-21 Actual	Dec-21 Actual	Mar-22 Actual	Jun-22 Actual	Sep-22 Actual	Sep-22 BP est.	Variance qoq %	Variance vs BPe %
Hengjaya Mine								
Ore sales (t)	568,692	634,486	710,136	673,664	**565,624**	**600,000**	-16%	-6%
grade (% Ni)	1.74%	1.75%	1.72%	1.74%	**1.73%**	**1.80%**	-0.6%	-3.9%
Contained nickel (t Ni)	9,895	11,104	12,214	11,722	**9,785**	**10,800**	-17%	-9%
Mine OPEX (US$/t)	$24.61	$24.98	$25.33	$26.02	**$26.91**	**$26.87**	3%	0%
Avg price received (US$/t)	$36.45	$37.55	$40.04	$52.43	**$42.88**	**$40.00**	-18%	7%
RKEF NPI production								
NPI production (t)	73,154	78,772	81,599	114,106	**145,180**	**150,100**	27%	-3%
NPI grade (% Ni)	13.8%	12.8%	13.7%	13.6%	**14.0%**	**13.3%**	2%	5%
Contained nickel (t)	10,113	10,087	11,167	15,567	**20,275**	**19,889**	30%	2%
Contained nickel (t, attributable)	8,091	8,070	8,934	12,454	**16,220**	**15,911**	30%	2%
Costs								
Cash costs (US$/t Ni)	$10,377	$12,346	$11,969	$14,503	**$13,597**	**$13,095**	-6%	4%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Changes to our forecasts

Beyond updating our forecasts for the September quarter 2022 production and cost report, we have made the following changes to our modelled assumptions:

- Incrementally lowered our forecast CY22 cash costs, reflecting the delivery of lower cost power across NIC's RKEF lines and lower raw material input costs in the September quarter;
- Increased our production forecasts for the Angel Nickel Project, on news that it is now running at 130% of nameplate capacity, implying Ni in NPI production of ~46-47ktpa (100%-basis); and
- Rolled our model forward and updated for NIC's latest capital structure and net cash position.

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

Table 2 - Changes to our CY forecasts

Year end 31 December	Previous Dec-22	Previous Dec-23	Previous Dec-24	New Dec-22	New Dec-23	New Dec-24	Change Dec-22	Change Dec-23	Change Dec-24
Prices & currency									
Nickel price (US$/t)	25,976	21,274	20,944	**25,976**	**21,274**	**20,944**	0%	0%	0%
US$/A$	0.69	0.66	0.70	**0.69**	**0.66**	**0.70**	0%	0%	0%
Production & costs									
Ore mined (t)	2,583,800	2,400,000	2,400,000	**2,549,424**	**2,400,000**	**2,400,000**	-1%	0%	0%
Nickel in ore (t)	45,536	43,200	43,200	**44,521**	**43,200**	**43,200**	-2%	0%	0%
RKEF NPI production (t)	500,905	869,615	924,615	**497,985**	**877,615**	**926,615**	-1%	1%	0%
Contained nickel (t)	67,161	112,123	118,723	**68,300**	**115,131**	**119,475**	2%	3%	1%
Contained nickel (t, attributable)	53,729	88,018	91,378	**54,640**	**90,425**	**91,980**	2%	3%	1%
Cash costs (US$/t Ni)	13,597	13,093	13,401	**13,383**	**13,098**	**13,402**	-2%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	1,179	2,026	2,146	**1,184**	**2,080**	**2,160**	0%	3%	1%
EBITDA (consolidated, US$m)	305	556	525	**310**	**569**	**529**	2%	2%	1%
EBITDA (attributable, US$m)	255	467	433	**260**	**478**	**436**	2%	2%	1%
NPAT (reported, attributable, US$m)	129	295	272	**134**	**305**	**275**	3%	3%	1%
EPS (reported) (Acps)	7.1	16.3	14.2	**7.3**	**16.8**	**14.3**	3%	3%	1%
PER (x)	10.3	4.5	5.1	**9.9**	**4.3**	**5.1**	(0.3)	(0.1)	(0.0)
EPS growth (%)	-3%	130%	-13%	**1%**	**129%**	**-15%**	3%	0%	-2%
DPS (Acps)	3.0	6.0	6.0	**3.0**	**7.0**	**6.0**	0%	17%	0%
Yield	4.1%	8.2%	8.2%	**4.1%**	**9.6%**	**8.2%**	0%	1%	0%
NPV (A$/sh)	1.37	1.68	2.07	**1.41**	**1.71**	**2.08**	3%	2%	0%
Price Target (A$/sh)		1.68			**1.71**			2%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Slightly lower NPI production is offset by higher NPI grades and the successful ramp-up at ANI to result in a net increase to our CY23 NPI production forecast. With unit costs also trimmed slightly on higher volumes and lower power prices, our forecast CY23 earnings get a 3% upgrade. Our upgraded outlook for ANI, which incorporates most of the higher production rate that is now being achieved, also has a positive impact on CY23 and CY24 earnings.

We continue to forecast strong earnings growth of 129% in CY23 and highlight the 3.0x EV/EBITDA multiple for CY23 as very cheap. Our NPV-based valuation increases 2%, to $1.71/sh.

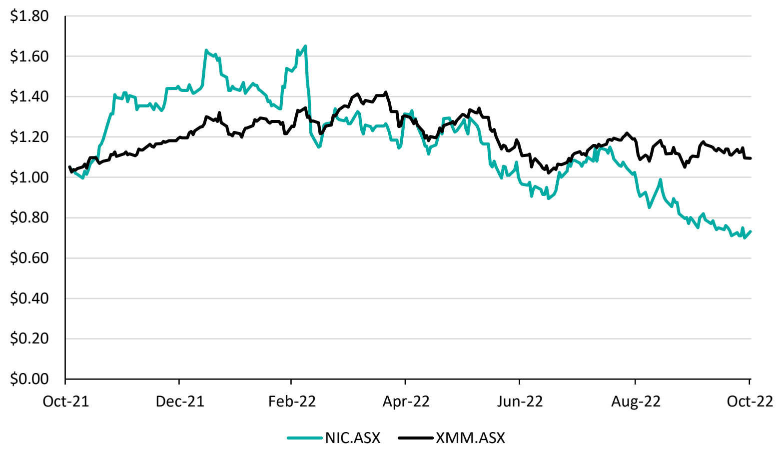
Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and the effective Ni payability, which we believe the market will continue to consider as a measure of NIC's nickel price exposure;
- First sales of nickel matte production and associated payabilities, expected in the December quarter 2022, giving NIC exposure to the Class 1 nickel market;
- Further updates on the production ramp-up progress of ANI, in which NIC holds an 80% interest. We have accelerated our modelled production ramp-up to reflect ahead-of-schedule progress;
- Further updates on the commissioning and production ramp-up of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP. We are now modelling first commercial production and sales in 1QCY23;
- Progress updates for the Hengjaya Mine, where limonite nickel ore sales are increasing and together with saprolite nickel ore sales are driving strong EBITDA growth;
- Updates on potential commercial opportunities with nickel producers operating High Pressure Acid Leach (HPAL) facilities within in the IMIP and to whom NIC is supplying increasing volumes of limonite nickel ore;
- The release of the December 2022 quarterly production and cost report, expected in late January 2023; and
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, in which NIC has recently acquired a 100% interest.

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 Central Sulawesi, 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) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP).

First production from the Hengjaya Lines was achieved on 31 January 2019 and the Ranger Lines commenced production during the December quarter 2019. Both projects have since achieved steady state production of ~20ktpa contained Ni in NPI, exceeding nameplate production of ~16ktpa each at lower than planned operating costs.

NIC has also executed binding agreements to acquire an 80% interest in the Angel Nickel Project comprising four new generation RKEF NPI production lines currently in production ramp up production within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia and a 70% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines currently under construction within the IMIP.

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$1.71/sh (from Buy, TP$1.68/sh)

Higher NPI production and lower costs lift our forecast CY23 earnings by 3%. Our upgraded outlook for ANI, which incorporates much of the higher production rate that is now being achieved, also has a positive impact on CY23 and CY24 earnings. Our NPV-based valuation increases 2%, to $1.71/sh. Retain Buy.

Valuation: $1.71/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 70% interest in the Oracle Nickel Project (ONI) 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 $1.71/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. One of the key mitigating factors in this respect has been the ~18% holding in NIC equity.

Nickel Industries Ltd
as at 31 October 2022

Recommendation	Buy
Price	$0.73
Target (12 months)	$1.71

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US$m	523.5	645.9	1,184.5	2,080.5	2,159.7
Expense	US$m	(329.0)	(402.7)	(874.5)	(1,511.5)	(1,631.0)
EBITDA	**US$m**	**194.5**	**243.2**	**310.0**	**569.0**	**528.7**
Depreciation	US$m	(36.8)	(36.0)	(67.4)	(104.2)	(111.1)
EBIT	US$m	157.7	207.3	242.5	464.8	417.6
Net interest expense	US$m	(4.7)	(12.7)	(27.6)	(42.5)	(31.3)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	1.6	(13.5)	(25.4)	-	-
PBT	**US$m**	**154.6**	**181.0**	**189.6**	**422.3**	**386.4**
Tax expense	US$m	(0.9)	(5.1)	(11.4)	(10.3)	(3.8)
Consolidated profit (loss) for the year	US$m	153.7	176.0	178.2	412.0	382.6
Non-Controlling Interest	US$m	43.1	38.0	44.6	107.4	108.0
Attributable NPAT (reported)	**US$m**	**110.6**	**137.9**	**133.5**	**304.6**	**274.5**
NPAT (underlying)	US$m	110.6	137.9	133.5	304.6	274.5

CASH FLOW

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASHFLOW						
Receipts	US$m	517.6	660.9	1,191.1	1,990.9	2,151.8
Payments	US$m	(358.9)	(464.0)	(711.6)	(1,352.2)	(1,601.1)
Tax	US$m	(9.1)	(8.2)	5.1	(11.4)	(10.3)
Net interest	US$m	0.3	0.3	(27.6)	(42.5)	(31.3)
Other	US$m	-	-	(14.2)	-	-
Operating cash flow	**US$m**	**150.0**	**189.0**	**442.8**	**584.7**	**509.0**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(7.4)	(6.5)	(441.2)	(72.1)	(10.9)
Mine development	US$m	(147.0)	(41.7)	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	(30.0)	(549.6)	-	-	-
Investing cash flow	**US$m**	**(184.4)**	**(597.9)**	**(441.2)**	**(72.1)**	**(10.9)**
Free Cash Flow	*US$m*	*(34.5)*	*(408.8)*	*1.6*	*512.6*	*498.1*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	430.0	-	223.3	-	-
Debt proceeds	US$m	-	320.8	225.0	-	-
Debt repayments	US$m	(25.3)	(45.0)	-	-	(325.0)
Distributions to non-controlling interests	US$m	(43.3)	(29.1)	(29.2)	(34.6)	(31.9)
Dividends	US$m	(15.4)	(75.1)	(56.9)	(126.6)	(115.1)
Other	US$m	(12.4)	25.7	(11.2)	-	-
Financing cash flow	**US$m**	**333.6**	**197.3**	**351.1**	**(161.2)**	**(472.0)**
Change in cash	*US$m*	*299.2*	*(211.5)*	*352.7*	*351.4*	*26.2*

BALANCE SHEET

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash & short term investments	US$m	351.4	137.9	490.5	841.9	868.1
Accounts receivable	US$m	117.8	125.1	118.4	208.0	216.0
Property, plant & equipment	US$m	600.8	1,296.3	1,670.1	1,638.0	1,537.8
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	164.7	243.4	243.4	243.4	243.4
Total assets	**US$m**	**1,234.7**	**1,802.6**	**2,522.4**	**2,931.3**	**2,865.2**
LIABILITIES						
Accounts payable	US$m	40.3	55.7	218.6	377.9	407.7
Income tax payable	US$m	3.8	7.6	11.4	10.3	3.8
Borrowings	US$m	45.0	327.6	559.3	559.3	234.3
Other	US$m	59.4	81.7	87.7	87.7	87.7
Total liabilities	US$m	**148.4**	**472.7**	**877.1**	**1,035.3**	**733.6**
SHAREHOLDER'S EQUITY						
Share capital	US$m	732.9	732.9	956.2	956.2	956.2
Reserves	US$m	19.2	44.7	44.7	44.7	44.7
Retained earnings	US$m	187.9	250.8	327.4	505.4	664.9
Total equity to NIC holders	**US$m**	**940.1**	**1,028.4**	**1,328.4**	**1,506.4**	**1,665.8**
Non-controlling interest	US$m	146.2	301.5	316.9	389.7	465.9
Total equity	**US$m**	**1,086.2**	**1,329.9**	**1,645.3**	**1,896.1**	**2,131.7**
Weighted average shares	m	1,948.7	2,515.0	2,627.8	2,740.0	2,740.0

CAPITAL STRUCTURE

Shares on issue	m	2,731.3
Total shares on issue	**m**	**2,731.3**
Share price	**A$/sh**	**0.730**
Market capitalisation	A$m	1,993.8
Net cash	A$m	-628.5
Enterprise value (undiluted)	**A$m**	**2,622.3**
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	2,731.3
Market capitalisation (diluted)	A$m	1,993.8
Net cash + options	A$m	-628.5
Enterprise value (diluted)	**A$m**	**2,622.3**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	21.2%	577.8
Tanito Group (PT Karunia)	12.8%	350.6
BlackRock Investment Management	6.3%	171.7
Directors and Management	5.0%	137.9
Shanghai Wanlu	4.4%	121.3

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
Attributable NPAT	US$m	110.6	137.9	133.5	304.6	274.5
Attributable NPAT	A$m	160.1	183.6	192.9	461.5	392.2
Reported EPS	USc/sh	5.7	5.5	5.1	11.1	10.0
Reported EPS	Ac/sh	8.2	7.3	7.3	16.8	14.3
Adjusted EPS	Ac/sh	8.2	7.3	7.3	16.8	14.3
EPS growth	%	62%	-11%	1%	129%	-15%
PER [1]	x	8.9x	10.0x	9.9x	4.3x	5.1x
DPS	Ac/sh	3.0	4.0	3.0	7.0	6.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	4.1%	5.5%	4.1%	9.6%	8.2%
FCF/share	Ac/sh	(2.6)	(21.6)	0.1	28.3	26.0
FCF yield	%	-4%	-30%	0%	39%	36%
P/FCFPS	x	-28.5x	-3.4x	831.5x	2.6x	2.8x
EV/EBITDA	x	8.7x	6.9x	5.4x	3.0x	3.2x
EBITDA margin	%	37%	38%	26%	27%	24%
EBIT margin	%	30%	32%	20%	22%	19%
Return on assets	%	17%	12%	8%	15%	13%
Return on equity	%	27%	18%	15%	29%	24%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(306)	190	69	(283)	(634)
ND / E	%	-33%	18%	5%	-19%	-38%
ND / (ND + E)	%	-48%	16%	5%	-23%	-61%
Attr. EBITDA / Interest	x	29.4x	15.7x	9.4x	11.3x	13.9x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenues	US$m	391.3	578.8	1,047.3	1,721.0	1,727.6
EBITDA	US$m	139.7	199.2	259.6	478.2	436.1
NPAT	US$m	110.6	137.9	133.5	304.6	274.5
Net distributable cash flow	US$m	269.3	(190.4)	317.4	316.3	23.6
EV/EBITDA	x	13.0	9.9	7.0	3.6	4.2
PER	x	8.9	10.0	9.9	4.3	5.1
P/FCF	x	nm	nm	nm	4.2	59.2

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	2020a	2021a	2022e	2023e	2024e
Nickel	US$/lb	$6.25	$8.37	$11.78	$9.65	$9.50
Nickel	US$/t	$13,775	$18,460	$25,976	$21,274	$20,944
Currency						
AUD:USD		0.69	0.75	0.69	0.66	0.70

ASSUMPTIONS - Production & costs

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Hengjaya Mine						
Ore mined	wmt	795,650	2,169,972	2,549,424	2,400,000	2,400,000
Ore grade	% Ni	1.8%	1.8%	1.7%	1.8%	1.8%
Nickel in ore	t Ni	14,479	38,165	44,521	43,200	43,200
Nickel in ore (attributable)	t Ni	11,583	30,532	35,617	34,560	34,560
RKEF (IMIP)						
NPI production	t	295,897	298,352	497,985	877,615	926,615
Contained nickel	t Ni	43,622	40,411	68,300	115,131	119,475
Contained nickel (attributable)	t Ni	30,619	32,329	54,640	90,425	91,980
Costs						
Cash costs	US$/t Ni	$7,330	$10,106	$13,383	$13,098	$13,402
All-in-Costs (AIC)	US$/t Ni	$7,414	$10,225	$13,480	$13,200	$13,502

VALUATION

Ordinary shares (m)	**2,731.3**
Options in the money (m)	-
Total shares diluted (m)	**2,731.3**

Valuation	CY22		CY23		CY24	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	1,902.0	0.70	1,947.3	0.71	1,973.5	0.72
IWIP RKEF (NPV12)	1,883.5	0.69	1,998.6	0.73	2,004.4	0.73
ONI RKEF (NPV12)	555.2	0.20	1,219.4	0.45	1,292.4	0.47
Hengjaya Mine (NPV12)	122.1	0.04	137.3	0.05	116.3	0.04
Other exploration	120.0	0.04	120.0	0.04	120.0	0.04
Corporate overheads	(109.1)	(0.04)	(115.2)	(0.04)	(115.8)	(0.04)
Subtotal (EV)	4,473.6	1.64	5,307.4	1.94	5,390.8	1.97
Net cash (debt)	(628.5)	(0.23)	(628.5)	(0.23)	282.6	0.10
Total (undiluted)	**3,845.1**	**1.41**	**4,678.9**	**1.71**	**5,673.4**	**2.08**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**3,845.1**	**1.41**	**4,678.9**	**1.71**	**5,673.4**	**2.08**

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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