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Nickel Industries Ltd (NIC)

The bargain in global nickel

Recommendation

Buy (unchanged)

Price

\$0.845

Target (12 months)

\$1.73 (previously \$1.87)

GICS Sector

Materials

Expected Return

Capital growth	104.7%
Dividend yield	7.1%
Total expected return	111.8%

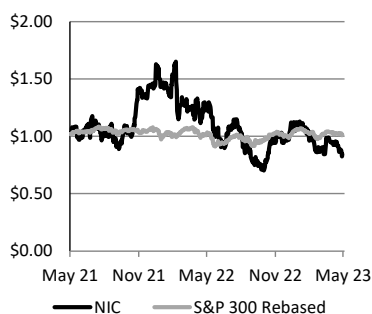
Company Data & Ratios

Enterprise value	\$3,444m
Market cap	\$2,875m
Issued capital	3,402m*
Free float	72%
Avg. daily val. (52wk)	\$12.3m
12 month price range	\$0.685-\$1.295

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.95	1.02	1.30
Absolute (%)	-11.1	-17.2	-34.7
Rel market (%)	-8.7	-14.4	-34.3

Absolute Price



SOURCE: IRESS

Global comparable companies

NIC remains unique among the remaining ASX-listed nickel producers in that its business model is dominated by the value of its downstream processing facilities, multiple nickel product exposure, strong growth outlook and its operational scale. As a result, it has been difficult to draw valid comparable valuations. This has recently changed with the listing of two companies on the Indonesia Stock Exchange (IDX). In our view, these companies highlight a compelling value proposition for NIC.

Making NIC look cheap

Merdeka Battery Materials (MBM or MBMA.IJ) listed on the IDX on 18 April 2023, raising IDR8.75 trillion (US\$592m) at a share price of IDR795/sh (~US\$0.053/sh), valuing the company at US\$5.7 billion on listing. **Trimegah Bangun Persada** (TBP or NCKL.IJ), also known as Harita Nickel, listed on the IDX on 12 April 2023, raising IDR10 trillion (US\$672m) at a share price of IDR1250/sh (~US\$0.084/sh), valuing the company at US\$5.3 billion on listing. The IPO valuations were both more than double NIC's market capitalisation and current Enterprise Values (EV's) are maintaining a material valuation gap. Trailing EV/EBITDA valuation multiples for CY22 for MBM and TBP of 130x and 13.7x respectively, dwarf NIC's 6.4x. While all three companies have aggressive growth profiles they don't, in our view, explain the disparity in valuation multiples. While Bloomberg consensus for CY23 is only available for MBM and NIC, it still shows a significantly higher multiple than NIC – yet MBM has the smallest and least diversified production base of the group.

Investment thesis – Buy, TP\$1.73/sh (from Buy, TP\$1.87/sh)

Earnings changes in this report are: CY23 -38%, CY24 -39%, CY25 -8%. Our NPV-based valuation drops 7%, to \$1.73/sh as we make allowances for sustained higher input costs and reduced price realisations. NIC continues to offer exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

Earnings Forecast

Year ending 31 December	2022a	2023e	2024e	2025e
Sales (US\$m)	1,217	2,366	2,305	2,465
EBITDA (US\$m)	348	658	519	665
Attributable NPAT (reported) (US\$m)	159	336	250	375
Attributable NPAT (reported) (A\$m)	228	492	357	535
EPS (adjusted) (Acps)	8.5	16.0	10.5	15.7
EPS growth (%)	17%	88%	-35%	50%
PER (x)	9.9	5.3	8.1	5.4
FCF Yield (%)	-23%	21%	23%	28%
EV/EBITDA (x)	6.4	3.4	4.3	3.4
Dividend (Acps)	4.0	6.0	4.0	7.0
Yield (%)	4.7%	7.1%	4.7%	8.3%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	27%	16%	22%

SOURCE: BELL POTTER SECURITIES ESTIMATES

The bargain in global nickel

Global comparable companies

NIC remains unique among the remaining ASX-listed nickel producers in that its business model is dominated by the value of its downstream processing facilities, multiple nickel product exposure, strong growth outlook and the point of difference of its operational scale. As a result, it is difficult to draw valid comparable valuations.

This has recently changed with the listing of two companies on the Indonesia Stock Exchange (IDX).

PT Merdeka Battery Materials Tbk

Merdeka Battery Materials (MBM or MBMA.IJ) listed on the IDX on 18 April 2023, raising IDR8.75 trillion (US\$592m) at a share price of IDR795/sh (~US\$0.053/sh), valuing the company at US\$5.7 billion on listing. It is currently trading slightly below its IPO issue price and has a market capitalisation of ~US\$5.6 billion (A\$8.6 billion).

MBM holds ownership interests of 50.1% in each of two Rotary Kiln Electric Furnace (RKEF) Nickel Pig Iron (NPI) production lines, with annual nameplate production capacity of 19ktpa Ni in NPI. These are known as the PT Cahaya Smelter Indonesia (CSI) and PT Bukit Smelter Indonesia (BSI) RKEF lines and are located within the Indonesia Morowali Industrial Park (IMIP), the same facility that hosts NIC's Ranger (RNI), Hengjaya (HNI) and Oracle (ONI) RKEF lines.

It also holds a 51% interest in the Sulawesi Cahaya Mineral (SCM) laterite nickel ore mine which is currently ramping production of limonite ore to feed the HPAL nickel plants being developed within the IMIP. The SCM mine has a much larger Resource (1.1Bt at 1.22% Ni for 13.8Mt contained) than NIC's Hengjaya Mine (HM, 185Mt at 1.30% Ni for 2.4Mt contained), but it is further away from the IMIP, lower grade and limonite ore prices are currently less than half saprolite ore prices (to which NIC's HM mine has greater exposure).

Similarly with NIC, MBM is growing its production, with a further 50.1% interest in additional RKEF lines (PT Zhao Hui Nickel, or ZHN) with nameplate capacity of 25.5ktpa Ni in NPI and may include some production of nickel matte. MBM is also in discussions to establish High Pressure Acid Leach (HPAL) nickel processing capacity with Joint Venture partners in the IMIP. It also has an 80% interest in the AIM (Acid, Iron Metal) project which is under construction within the IMIP, targeting production of a suite of products including sulphuric acid, saturated steam, iron ore pellets, copper gold and silver from 2H 2023.

PT Trimegah Bangun Persada Tbk (aka Harita Nickel)

Trimegah Bangun Persada (TBP or NCKL.IJ), also known as Harita Nickel, listed on the IDX on 12 April 2023, raising IDR10 trillion (US\$672m) at a share price of IDR1250/sh (~US\$0.084/sh), valuing the company at US\$5.3 billion on listing. It is currently trading below its IPO issue price at ~IDR885/sh for a market capitalisation of ~US\$3.7 billion (A\$5.7 billion).

TBP owns and operates two laterite nickel ore mines (GPS Mining) on Obi Island in Indonesia's North Maluku Province (Halmahera Island). These mines achieved combined nickel ore sales of ~8Mt from 10Mtpa of production in 2022. Together with an additional development project, they have Ore Reserves of 169Mt @ 1.31% Ni for 2.2Mt Ni contained.

These mines supply ore to two RKEF smelting operations and one HPAL operation. The RKEF operations comprise the MSP lines (TBP: 57% ownership) with 25ktpa Ni in NPI production capacity and the HJF lines (TBP: 63.1% ownership) with 95ktpa Ni in NPI production capacity. The HJF lines remain under construction and in production ramp-up, targeting full production in the September quarter of 2023.

Through its 45.1% owned subsidiary, PT Halmahera Persada Lygend (HPL), TBP commenced production of Mixed Hydroxide Precipitate (MHP) of nickel sulphate and cobalt sulphate from a high pressure acid leach (HPAL) production line in 2021. The HPL HPAL project has total production capacity of 55ktpa of nickel-cobalt combined, including 18ktpa which is ramping up production during 2023.

Similarly, with NIC and MBM, TBP also has production growth plans. It holds:

- a 10% interest in ONC, a planned 65ktpa HPAL plant which is currently under construction, targeting first production in early 2024;
- a 35% interest in KPS, an RKEF production line with planned capacity of 185ktpa Ni in NPI. This is under construction, targeting production in mid-2025; and
- Plans to participate in the construction of a stainless steel plant on Obi Island.

Making NIC look cheap

The IPO valuations of both MBM (US\$5.7 billion on listing) and TBP (US\$5.3 billion on listing) are both more than double that of NIC. Current EV's for the three companies are maintaining that material valuation gap.

Trailing EV/EBITDA valuation multiples for CY22 for MBM and TBP of 130x and 13.7x respectively, dwarf NIC's 6.4x. While each of these companies has aggressive growth profiles they don't, in our view, explain the disparity in valuation multiples. While Bloomberg consensus for CY23 is only available for MBM it still shows a significantly higher multiple than NIC.

Table 1 - Comparison and valuation metrics

Company	Ticker	Mkt Cap (US\$m)	EV (US\$m)	CY22 Revenue (US\$m)	CY22 EBITDA (US\$m)	CY22 EV/EBITDA (x)	CY23 EBITDA (US\$m) ²	CY23 EV/EBITDA (x)
Nickel Industries Limited	NIC AU	\$1,874.2	\$2,245.1	\$1,217.0	\$348.2	6.4	\$528.0	4.3
Merdeka Battery Materials Tbk. ¹	MBMA IJ	\$5,605.2	\$5,857.3	\$385.9	\$45.1	130.0	\$218.0	26.9
Trimegah Bangun Persada Tbk. ¹	NCKL IJ	\$3,720.8	\$4,192.7	\$662.2	\$306.9	13.7	na	na

SOURCE: COMPANY DATA AND BLOOMBERG CONSENSUS 1: ANNUALISED FROM 9 MONTHS TO SEPTEMBER 2022; 2: BLOOMBERG CONSENSUS DATA

Of the two Indonesian listed companies, we see TBP as the business that is more closely comparable with NIC. Its laterite ore mining operations are producing at higher rates than NIC's HM Mine, but NIC's operations produce a greater proportion of higher value ore. Our estimate of TBP's CY23 attributable Ni in NPI production of 74kt does not appear to include the higher value nickel matte intermediate product and is well below NIC's 104kt which we forecast to include ~16kt of high grade nickel matte. TBP is more advanced with HPAL production which it commenced in 2021 and is currently running at 17ktpa, with a further 8ktpa coming on line in CY23. NIC is awaiting FIRB approval for its acquisition of 6.5ktpa of HPAL production.

MBM, despite having the higher valuation, looks to have the lowest production exposure for CY23 (we estimate 45kt of Ni in NPI from its interests in RKEF lines, which are also hosted within the IMIP) and least diversification. It has no current nickel matte or HPAL production – though these objectives are included in MBM's growth plans.

Summary tables

The tables below summarise the operational assets of MBM, TBP and NIC.

Table 2 - Merdeka Battery Materials - operations summary

Project	Ownership	Capacity	Attributable production	Status
CSI – RKEF lines	50.1%	19ktpa Ni in NPI	9.7ktpa Ni in NPI	Producing
BSI – RKEF lines	50.1%	19ktpa Ni in NPI	9.7ktpa Ni in NPI	Producing
ZHN – RKEF lines	50.1%	50ktpa Ni in NPI	25.5ktpa Ni in NPI	Commissioning 2HCY23
SCM laterite mine	51.0%	Not reported	Not reported	Ramp-up

SOURCE: MERDEKABATTERY.COM

We estimate that in 2023 MBM will have exposure to RKEF production of ~45ktpa Ni in NPI and growing (but undisclosed) volumes of laterite nickel ore production.

Table 3 – TBP / Harita Nickel - operations summary

Project	Ownership	Capacity	Attributable production	Status
GPS laterite mines	100.0%	10Mtpa laterite ore	10Mtpa laterite ore	Producing
MSP – RKEF lines	57.0%	25ktpa Ni in NPI	14.3ktpa Ni in NPI	Producing
HJF – RKEF lines	63.1%	95ktpa Ni in NPI	60.0ktpa Ni in NPI	Ramp-up: full production 2023
HPL 1– HPAL project	45.1%	37ktpa	16.7ktpa MHP (Ni + Co)	Producing
HPL 2– HPAL project	45.1%	18ktpa	8.2ktpa MHP (Ni + Co)	Ramp-up: full production 2023

SOURCE: MERDEKABATTERY.COM

We estimate that in 2023 TBP will have exposure to 6Mtpa of limonite (lower value, HPAL feedstock) ore and 4Mtpa of saprolite (higher value, RKEF feedstock) ore; RKEF production of 74ktpa Ni in NPI and HPAL production of 25ktpa MHP.

Table 4 – Nickel Industries - operations summary

Project	Ownership	Capacity	Attributable production	Status
HM laterite mine	80.0%	5.4Mtpa laterite ore	4.3Mtpa laterite ore	Producing
HNI – RKEF lines	80.0%	20ktpa Ni in NPI	14ktpa Ni in HG Matte	Producing
RNI – RKEF lines	80.0%	20ktpa Ni in NPI	16ktpa Ni in NPI	Producing
ANI – RKEF lines	80.0%	50ktpa Ni in NPI	40ktpa Ni in NPI	Producing
ONI – RKEF lines	80.0% ¹	42ktpa ² Ni in NPI	34ktpa Ni in NPI	Ramp-up: full production 2023
HNC – HPAL project	10.0% ³	65ktpa MHP (Ni + Co)	6.5ktpa MHP (Ni + Co)	Producing

SOURCE: MERDEKABATTERY.COM

- NIC has paid the consideration to lift its ownership from 70% to 80%. Completion of the transaction is awaiting Foreign Investment Review Board (FIRB) approval.*
- The ONI lines are expected to match the production rates of the ANI lines, but are currently in ramp-up. We anticipate ONI will be at ~50ktpa (130% of nameplate) by mid-CY23*
- NIC has paid the consideration for its 10% ownership. Completion awaits FIRB approval.*

Based on our current operational forecasts for NIC, we estimate that in 2023 NIC will have exposure to 3.5Mtpa of saprolite (higher value, RKEF feedstock) ore and 0.8Mtpa of limonite (lower value, HPAL feedstock) ore; RKEF production of 104ktpa Ni in NPI (including 14ktpa of high grade nickel matte) and HPAL production of 6.5ktpa MHP.

Changes to our forecasts

With this update we have made the following changes to our modelled assumptions:

- Increased our underlying input cost forecasts to reflect ongoing elevated coal and nickel ore prices, which we had previously forecast to moderate;
- Reduce our forecast price realisations, reflecting actual realisations that have been below our forecasts, partially offset by higher price realisations for high-grade nickel matte production;
- Updated for our latest commodity price and exchange rate forecasts; 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 5 - Changes to our CY forecasts									
Year end 31 December	Previous			New			Change		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Prices & currency									
Nickel price (US\$/t)	23,424	20,944	21,139	24,152	20,944	22,252	3%	0%	5%
US\$/A\$	0.68	0.70	0.70	0.68	0.70	0.70	0%	0%	0%
Production & costs									
Ore mined (t)	4,500,000	6,100,000	6,100,000	5,365,227	6,100,000	6,100,000	19%	0%	0%
Nickel in ore (t)	65,250	65,250	65,250	59,568	65,250	65,250	-9%	0%	0%
RKEF NPI production (t)	914,615	999,615	996,615	954,176	999,615	996,615	4%	0%	0%
Contained nickel (t)	168,705	191,481	190,563	160,871	191,481	190,563	-5%	0%	0%
Contained nickel (t, attributable)	102,189	109,085	108,350	103,147	109,085	108,350	1%	0%	0%
Cash costs (US\$/t Ni)	12,783	13,064	13,360	13,360	13,353	13,430	5%	2%	1%
Earnings & valuation									
Revenue (consolidated, US\$m)	2,512	2,445	2,452	2,366	2,305	2,465	-6%	-6%	1%
EBITDA (consolidated, US\$m)	894	692	669	658	519	665	-26%	-25%	-1%
EBITDA (attributable, US\$m)	776	599	579	569	449	577	-27%	-25%	0%
NPAT (reported, attributable, US\$m)	539	404	403	336	250	375	-38%	-38%	-7%
EPS (reported) (Acps)	25.9	17.0	17.0	16.0	10.5	15.7	-38%	-39%	-8%
PER (x)	3.3	5.0	5.0	5.3	8.1	5.4	2.0	3.1	0.4
EPS growth (%)	204%	-34%	0%	88%	-35%	50%	-116%	0%	50%
DPS (Acps)	9.0	7.0	7.0	6.0	4.0	7.0	-33%	-43%	0%
Yield	10.7%	8.3%	8.3%	7.1%	4.7%	8.3%	-4%	-4%	0%
NPV (A\$/sh)	1.49	1.87	2.23	1.35	1.73	2.15	-10%	-8%	-3%
Price Target (A\$/sh)		1.87			1.73			-7%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

We continue to forecast strong EPS growth of 88% in CY23 and highlight the 4.1x EV/EBITDA multiple for CY23 (attributable basis) as very cheap. Our NPV-based valuation drops 7%, to \$1.73/sh, on lower price realisations and higher costs.

Upcoming catalysts

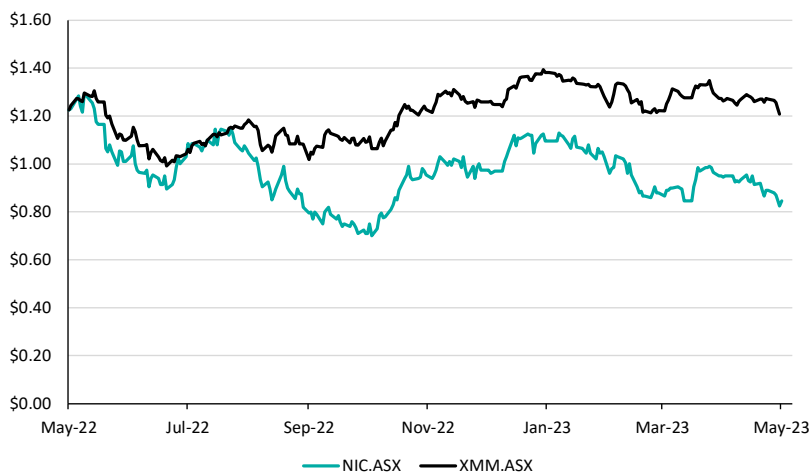
Upcoming catalysts for NIC include:

- 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;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- Further updates on the production ramp-up of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP, and where NIC is targeting production of 130% of nameplate capacity;

- 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;
- The completion of the HNC acquisition and first production and cost reports from that asset, expected in the June \ 2023 quarter;
- Updates on the options to participate in the DAWN HPAL project and the matte convertor for the ONI project;
- The release of the June 2023 quarter report, expected in late July 2023; and
- Exploration and development updates on the Siduarsari Nickel-Cobalt project in Papua province, Indonesia, in which NIC has 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 in 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 acquired 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 80% 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\$1.73/sh (from Buy, TP\$1.87/sh)

Earnings changes in this report are: CY23 -38%, CY24 -39%, CY25 -8%. Our NPV-based valuation drops 7%, to \$1.73/sh as we make allowances for sustained higher input costs and reduced price realisations. NIC continues to offer exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

Valuation: \$1.73/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 \$1.73/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.

Table 6 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Revenue	US\$m	645.9	1,217.0	2,365.8	2,304.5	2,465.3	VALUATION						
Expense	US\$m	(402.7)	(868.9)	(1,708.1)	(1,785.7)	(1,800.1)	Attributable NPAT	US\$m	137.9	159.0	336.0	250.0	374.7
EBITDA	US\$m	243.2	348.2	657.8	518.8	665.2	Attributable NPAT	A\$m	183.6	228.3	491.6	357.1	535.2
Depreciation	US\$m	(36.0)	(66.6)	(111.2)	(119.9)	(119.3)	Reported EPS	US\$/sh	5.5	5.9	10.9	7.3	11.0
EBIT	US\$m	207.3	281.6	546.6	398.9	545.9	Reported EPS	Ac/sh	7.3	8.5	16.0	10.5	15.7
Net interest expense	US\$m	(12.7)	(32.8)	(57.0)	(52.0)	(44.0)	Adjusted EPS	Ac/sh	7.3	8.5	16.0	10.5	15.7
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	EPS growth	%	-11%	17%	88%	-35%	50%
Other	US\$m	(13.5)	(31.8)	(23.9)	-	-	PER ¹	x	11.6x	9.9x	5.3x	8.1x	5.4x
PBT	US\$m	181.0	217.0	465.7	346.8	501.9	DPS	Ac/sh	4.0	4.0	6.0	4.0	7.0
Tax expense	US\$m	(5.1)	(7.7)	(18.8)	(20.5)	(19.8)	Franking	%	0%	0%	0%	0%	0%
Consolidated profit (loss) for the year	US\$m	176.0	209.4	447.0	326.3	482.0	Yield	%	4.7%	4.7%	7.1%	4.7%	8.3%
Non-Controlling Interest	US\$m	38.0	50.4	111.0	76.4	107.4	FCF/share	Ac/sh	(21.6)	(19.7)	18.1	19.1	23.8
Attributable NPAT (reported)	US\$m	137.9	159.0	336.0	250.0	374.7	FCF yield	%	-26%	-23%	21%	23%	28%
NPAT (underlying)	US\$m	137.9	159.0	336.0	250.0	374.7	P/FCFPS	x	-3.9x	-4.3x	4.7x	4.4x	3.6x
							EV/EBITDA	x	9.2x	6.4x	3.4x	4.3x	3.4x
							EBITDA margin	%	38%	29%	28%	23%	27%
							EBIT margin	%	32%	23%	23%	17%	22%
							Return on assets	%	12%	9%	14%	9%	12%
							Return on equity	%	18%	18%	27%	16%	22%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	190	415	(242)	(589)	(965)
							ND / E	%	18%	32%	-12%	-28%	-41%
							ND / (ND + E)	%	16%	24%	-14%	-38%	-70%
							Attr. EBITDA / Interest	x	15.7x	8.4x	10.0x	8.6x	13.1x
							ATTRIBUTABLE DATA - NICKEL MINES LTD						
							Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
							Revenues	US\$m	578.8	1,070.6	2,093.2	2,037.1	2,167.4
							EBITDA	US\$m	199.2	275.3	569.4	448.9	576.9
							NPAT	US\$m	137.9	159.0	336.0	250.0	374.7
							Net distributable cash flow	US\$m	(190.4)	5.6	684.3	91.7	337.7
							EV/EBITDA	x	13.0	8.7	4.1	5.4	4.2
							PER	x	11.6	9.9	5.3	8.1	5.4
							P/FCF	x	nm	nm	nm	21.9	6.0
							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	2021a	2022a	2023e	2024e	2025e
							Nickel	US\$/lb	\$8.37	\$12.17	\$10.96	\$9.50	\$10.09
							Nickel	US\$/t	\$18,460	\$26,819	\$24,152	\$20,944	\$22,252
							Currency						
							AUD/USD		0.75	0.70	0.68	0.70	0.70
							ASSUMPTIONS - Production & costs						
							Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
							Hengjaya Mine						
							Ore mined	wmt	2,169,972	3,782,554	5,365,227	6,100,000	6,100,000
							Ore grade	% Ni	1.8%	1.7%	1.5%	1.5%	1.5%
							Nickel in ore	t Ni	38,165	45,838	59,568	65,250	65,250
							Nickel in ore (attributable)	t Ni	30,532	36,670	47,654	52,200	52,200
							RKEF + HPAI ops						
							NPI production	t	298,352	509,127	954,176	999,615	996,615
							Contained nickel (100%)	t Ni	40,411	70,079	160,871	191,481	190,563
							Contained nickel (attributable)	t Ni	32,329	55,993	103,147	109,085	108,350
							Costs						
							Cash costs	US\$/t Ni	\$10,106	\$13,387	\$13,360	\$13,353	\$13,430
							All-in-Costs (AIC)	US\$/t Ni	\$10,225	\$13,483	\$13,450	\$13,444	\$13,525
							VALUATION						
							Ordinary shares (m)						3,402.4
							Options in the money (m)						-
							Total shares diluted (m)						3,402.4
							Valuation		CY22	CY23	CY24		
							Sum-of-the-parts	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
							IMIP RKEF (NPV12)	1,703.2	0.50	1,724.8	0.51	1,754.4	0.52
							ANI RKEF (NPV12)	2,016.6	0.59	2,136.2	0.63	2,143.1	0.63
							ONI RKEF (NPV12)	964.2	0.28	1,707.0	0.50	1,956.3	0.57
							Hengjaya Mine (NPV12)	225.3	0.07	253.3	0.07	240.9	0.07
							HNC HPAI (NPV12)	146.2	0.04	536.6	0.16	543.9	0.16
							Other exploration	200.0	0.06	200.0	0.06	200.0	0.06
							Corporate overheads	(108.0)	(0.03)	(113.9)	(0.03)	(114.3)	(0.03)
							Subtotal (EV)	5,147.5	1.51	6,444.0	1.89	6,724.3	1.98
							Net cash (debt)	(569.0)	(0.17)	(569.0)	(0.17)	589.4	0.17
							Total (undiluted)	4,578.5	1.35	5,875.0	1.73	7,313.7	2.15
							Dilutive effect of options						-
							Add cash from options						-
							Total (diluted)	4,578.5	1.35	5,875.0	1.73	7,313.7	2.15
							MAJOR SHAREHOLDERS						
							Shareholder	%	m				
							Shanghai Decent (SDI)	21.0%	714.1				
							Tanito Group (PT Karunia)	13.3%	451.4				
							BlackRock Investment Management	6.4%	219.0				
							Directors and Management	4.1%	137.9				
							Shanghai Wanlu	3.6%	121.3				

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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