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Nickel Industries Ltd (NIC)

Blue chip partner endorses growth strategy

Recommendation
Buy (unchanged)
Price
$0.92
Target (12 months)
$1.84 (previously $1.73)

GICS Sector

Materials

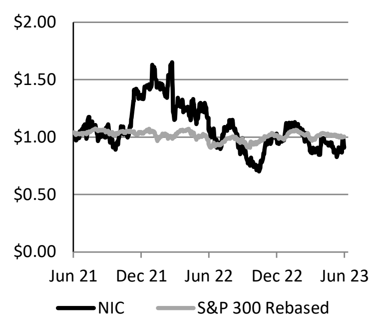
Expected Return	
Capital growth	**100.0%**
Dividend yield	**4.3%**
Total expected return	**104.3%**

Company Data & Ratios	
Enterprise value	**$3,521m**
Market cap	**$3,919m**
Issued capital	**4,259m**
Free float	**59%**
Avg. daily val. (52wk)	**$12.3m**
12 month price range	**$0.685-$1.18**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.95	1.00	1.18
Absolute (%)	-3.2	-8.0	-21.7
Rel market (%)	-1.9	-5.9	-23.4

Absolute Price



SOURCE: IRESS

Blue-chip, strategic, contributing partner

NIC has announced a strategic partnership with major Indonesian industrial, mining and automotive conglomerate, PT United Tractors Tbp (UT, UNTR.IJ). NIC has entered into a conditional agreement to issue 857m shares at A$1.10/sh for proceeds of A$943m. UT will hold 19.9% of NIC upon completion of the deal. NIC and UT have also entered into an associated, conditional, collaboration agreement, whereby UT will fund a contributing 20% interest in the Excelsior Nickel Cobalt (ENC) High Pressure Acid Leach (HPAL) project. The agreement and the premium paid by UT represents, in our view, a strong endorsement of NIC's assets, management and strategic objectives.

ENC funding covered, growth accelerating in CY23

Pending a Final Investment Decision, the ENC project will commence construction at end CY23. The ownership structure is envisaged as NIC 55%, UT 20% and Shanghai Decent (SDI / Tsingshan) 25%. NIC's funding commitment is US$1.225 billion. Upon completion of the UT placement, NIC should easily be able to fund the ENC project with no further equity issues. NIC will hold cash of ~US$800m on a pro-forma basis; operational cash flows are currently running at >US$100m per quarter (we forecast free cash flows of US$850m over CY23-24) and NIC's balance sheet is moderately geared with capacity for US$500-US$600m additional debt. We now view NIC as an even more compelling opportunity, with the ENC funding overhang removed, significant production and earnings growth over coming quarters as the Oracle project and Hengjaya Mine ramp up, the potential catalyst of an HPAL offtake agreement with a global battery manufacturer / automotive OEM and NIC currently presenting as excellent value due to RKEF margins being at the low end of historical ranges.

Investment thesis – Buy, TP$1.84/sh (from Buy, TP$1.73/sh)

EPS changes in this report are: CY23 -21%, CY24 -15%, CY25 -17%. Our NPV-based valuation lifts by 6%, to $1.84/sh as we update our valuation for the ENC project and lift our production forecasts for the Hengjaya Mine. NIC's 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$m)	1,217	2,372	2,316	2,477
EBITDA (US$m)	348	650	540	686
Attributable NPAT (reported) (US$m)	159	302	265	390
Attributable NPAT (reported) (A$m)	228	442	379	557
EPS (adjusted) (A¢ps)	8.5	12.6	8.9	13.0
EPS growth (%)	17%	48%	-30%	47%
PER (x)	10.8	7.3	10.4	7.1
FCF Yield (%)	-21%	17%	17%	21%
EV/EBITDA (x)	6.9	3.7	4.4	3.5
Dividend (A¢ps)	4.0	4.0	3.0	5.0
Yield (%)	4.3%	4.3%	3.3%	5.4%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	21%	13%	17%

SOURCE: BELL POTTER SECURITIES ESTIMATES

BELL POTTER SECURITIES LIMITED
ABN 25 006 390 772
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Blue chip partner endorses NIC's strategy

A$943m placement at A$1.10/sh to United Tractors

NIC has announced a strategic partnership with major Indonesian industrial, mining and automotive conglomerate, PT United Tractors Tbp (UT, UNTR.IJ). NIC has entered into a conditional agreement to issue 857m shares at A$1.10/sh for proceeds of A$943m. The Placement price represents a 27.2% premium to NIC's last closing share price prior to the deal announcement. Following the Placement, UT will hold 19.9% of NIC stock and Shanghai Decent Investments (SDI, NIC's current largest shareholder and Tsingshan subsidiary) will hold 22.5%.

NIC and UT have entered into an associated, conditional, collaboration agreement, whereby UT will fund a contributing 20% interest in the Excelsior Nickel Cobalt (ENC) High Pressure Acid Leach (HPAL) project, based on an agreed CAPEX (for UT) of US$2.5 billion.

Blue-chip, strategic, local, contributing partner

This partnership significantly de-risks and largely funds NIC's Class 1 nickel growth plans, which are predominantly reliant on increasing its HPAL nickel production. As a partner, UT brings significant local expertise in large scale industrial operations in Indonesia, significant financial resources and potentially favourable access to domestic debt funding. The agreement and the premium paid represents, in our view, a strong endorsement of NIC's assets, management and strategic objectives.

ENC HPAL project update and funding outlook

Pending a Final Investment Decision, the ENC project is targeting construction commencement at the end of CY2023, with an estimated 24 month construction period. The CAPEX guarantee to NIC of US$2.3 billion for Stage 1 (100% basis) remains unchanged, but the nameplate production rate has again been lifted, from 67ktpa to 72ktpa (from an original 60ktpa).

The ownership structure is now envisaged as 55% NIC, 20% UT and Shanghai Decent (SDI / Tsingshan) 25%. With UT now a contributing partner, NIC's **funding requirement for the ENC project is reduced to US$1.225 billion**, to be funded over the 24 month construction period. As at end March 2023, NIC held cash of US$275m, the (conditional) placement to UT raises US$628m. Net of scheduled cash payments associated with these deals, **NIC should hold ~US$800m on a pro-forma basis**.

We expect that operational cash flows over the 24 month (8 quarter) construction period will make a significant contribution to the ENC funding requirement. **In the March 2023 quarter free cash flow from operations was US$108m**. This included a negligible (US$1.7m) EBITDA contribution from the ONI project which is currently ramping up. Once ONI is ramped up, its production and cost metrics are expected to mirror those of the Angel Nickel Project (ANI), which in the March 2023 quarter contributed EBITDA of US$61.1m. Over the CY2023-CY2024 period, we forecast free cash flows of US$850m.

NIC's balance sheet is also only moderately geared. NIC has gross debt of US$646m, for gross gearing of 36%, <2x trailing EBITDA and forecast attributable EBITDA:Interest coverage of 8-9x. NIC has suggested it could have **additional debt capacity of US$500-US$600m**. Between its current cash holdings, ongoing operating cash flows and further debt issuance, **NIC should easily be capable of funding its contribution to the ENC project with no further issuance of equity.**

Transformational deal turbo-charges growth outlook

This deal not only de-risks and largely funds NIC's current growth plans and nickel product diversification, but further builds on its already strong growth foundations. Bringing in a local partner of this calibre adds to NIC's Indonesian gravitas and we expect this will create additional opportunities and smooth the way for existing growth plans.

NIC looks especially compelling right now

With this agreement we see several compelling reasons why investors should be buying NIC now:

- The ENC HPAL project looks fully funded with financial capacity to spare. This should remove market perceptions of the overhang of potential further equity issues;
- With the removal of a material liquidity event from NIC's outlook, prospective investors will have to build positions on-market;
- As plans for the development of the ENC HPAL are clarified, the potential catalyst of an offtake deal with a global automotive OEM or battery manufacturer gets closer. Several of these players (Tesla, Volkswagen, Toyota, Ford, BMW, BASF, CATL) are known to be closely investigating Indonesian nickel supply opportunities and seeking quality partners. NIC ticks this box, especially with endorsement demonstrated by this deal with UT;
- Operationally, the completion of ramp-up of the Oracle Nickel Project (ONI) and the commissioning of its dedicated power station in the June and September 2023 quarters will be a driver for rapid EBITDA, earnings and cash flow growth. This will be complemented by growth in ore sales from the Hengjaya Mine and the expected completion of NIC's acquisition of a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project, which is awaiting Foreign Investment Review Board (FIRB) approval. We expect all these catalysts to support a re-rating of the stock price;
- Margins for NIC's Nickel Pig Iron (NPI) production from its operating Rotary Kiln Electric Furnace (RKEF) lines are currently at the low end of historical ranges while the assets remain at the bottom of the cost curve. As a result NIC is presenting as exceptional value; and
- Operational cash flows continue to support meaningful and growing (unfranked) dividend distributions.

Changes to our forecasts

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

- With funding, CAPEX and timing now clarified, we have incorporated an updated and risk-adjusted NPV-based valuation for the ENC HPAL project. Parameters have been derived from the HNC HPAL project, which we inspected on our recent site visit;
- Increased our forecast mining production and ore sales from the Hengjaya laterite nickel ore mine, which is ramping up to combined saprolite and limonite ore production of ~10Mtpa in 2HCY23; and
- Updated for NIC's forecast pro-forma capital structure assuming completion of the HNC HPAL acquisition and the placement to UT.

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

Table 1 - Changes to our CY forecasts

	Previous			New			Change		
Year end 31 December	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-23**	**Dec-24**	**Dec-25**
Prices & currency									
Nickel price (US$/t)	24,152	20,944	22,252	**24,152**	**20,944**	**22,252**	0%	0%	0%
US$/A$	0.68	0.70	0.70	**0.68**	**0.70**	**0.70**	0%	0%	0%
Production & costs									
Ore mined (t)	5,365,227	6,100,000	6,100,000	**5,765,227**	**9,100,000**	**9,100,000**	7%	49%	49%
Nickel in ore (t)	59,568	65,250	65,250	**59,568**	**65,250**	**65,250**	0%	0%	0%
RKEF NPI production (t)	954,176	999,615	996,615	**954,176**	**999,615**	**996,615**	0%	0%	0%
Contained nickel (t)	160,871	191,481	190,563	**163,371**	**196,481**	**195,563**	2%	3%	3%
Contained nickel (t, attributable)	103,147	109,085	108,350	**103,397**	**109,585**	**108,850**	0%	0%	0%
Cash costs (US$/t Ni)	13,360	13,353	13,430	**13,353**	**13,340**	**13,419**	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	2,366	2,305	2,465	**2,372**	**2,316**	**2,477**	0%	0%	0%
EBITDA (consolidated, US$m)	658	519	665	**650**	**540**	**686**	-1%	4%	3%
EBITDA (attributable, US$m)	569	449	577	**564**	**467**	**595**	-1%	4%	3%
NPAT (reported, attributable, US$m)	336	250	375	**302**	**265**	**390**	-10%	6%	4%
EPS (reported) (Acps)	16.0	10.5	15.7	**12.6**	**8.9**	**13.0**	-21%	-15%	-17%
PER (x)	5.8	8.8	5.9	**7.3**	**10.4**	**7.1**	1.5	1.6	1.2
EPS growth (%)	88%	-35%	50%	**48%**	**-30%**	**47%**	-40%	5%	-3%
DPS (Acps)	6.0	4.0	7.0	**4.0**	**3.0**	**5.0**	-33%	-25%	-29%
Yield	6.5%	4.3%	7.6%	**4.3%**	**3.3%**	**5.4%**	-2%	-1%	-2%
NPV (A$/sh)	1.35	1.73	2.15	**1.53**	**1.84**	**2.10**	14%	6%	-2%
Price Target (A$/sh)		1.73			**1.84**			6%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

While the conditional placement to UT dilutes our EPS forecast, we continue to forecast strong EPS growth of 48% in CY23 and highlight the 4.3x EV/EBITDA multiple for CY23 (attributable basis) as very cheap. Our NPV-based valuation lifts by 6%, to $1.84/sh, on our updated ENC and Hengjaya Mine valuations.

Upcoming catalysts

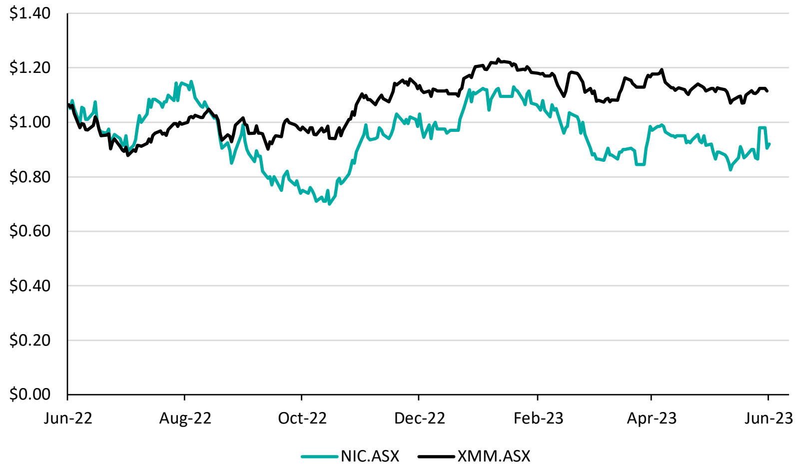
Upcoming catalysts for NIC include:

- 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;
- The completion of the HNC HPAL acquisition in mid-CY23, which will represent NIC's first HPAL production asset and increased Class 1, low carbon footprint exposure;
- Further updates on the production ramp-up of ONI and its associated power station. This is expected to drive strong production and earnings growth in 2HCY23;

- Progress updates for the Hengjaya Mine, where production ramp-up of limonite nickel ore sales are increasing and lifting EBITDA and earnings in 2HCY23;
- The release of the June 2023 quarter report, expected in late July 2023; and
- Exploration and development updates on the Siduarsi 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 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$1.84/sh (from Buy, TP$1.73/sh)

EPS changes in this report are: CY23 -21%, CY24 -15%, CY25 -17%. Our NPV-based valuation lifts by 6%, to $1.84/sh as we update our valuation for the ENC project and lift our production forecasts for the Hengjaya Mine. 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: $1.84/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 $1.84/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 15 June 2023

Recommendation	Buy
Price	$0.92
Target (12 months)	$1.84

Table 2 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Revenue	US$m	645.9	1,217.0	2,371.8	2,315.5	2,477.0
Expense	US$m	(402.7)	(868.9)	(1,721.5)	(1,775.6)	(1,790.7)
EBITDA	**US$m**	**243.2**	**348.2**	**650.3**	**539.9**	**686.3**
Depreciation	US$m	(36.0)	(66.6)	(109.4)	(120.2)	(119.6)
EBIT	US$m	207.3	281.6	540.9	419.7	566.8
Net interest expense	US$m	(12.7)	(32.8)	(57.0)	(50.8)	(42.7)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	(13.5)	(31.8)	(55.5)	-	-
PBT	**US$m**	**181.0**	**217.0**	**428.5**	**369.0**	**524.0**
Tax expense	US$m	(5.1)	(7.7)	(16.8)	(24.8)	(24.0)
Consolidated profit (loss) for the year	US$m	176.0	209.4	411.7	344.1	500.0
Non-Controlling Interest	US$m	38.0	50.4	109.8	79.0	109.9
Attributable NPAT (reported)	**US$m**	**137.9**	**159.0**	**301.9**	**265.2**	**390.1**
NPAT (underlying)	US$m	137.9	159.0	301.9	265.2	390.1

CASH FLOW

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
OPERATING CASHFLOW						
Receipts	US$m	660.9	1,203.3	2,370.3	2,321.1	2,460.9
Payments	US$m	(464.0)	(1,079.8)	(1,468.3)	(1,762.1)	(1,786.9)
Tax	US$m	(8.2)	(58.2)	7.7	(16.8)	(24.8)
Net interest	US$m	0.3	1.0	(57.0)	(50.8)	(42.7)
Other	US$m	-	(3.3)	(21.2)	-	-
Operating cash flow	**US$m**	**189.0**	**63.0**	**831.5**	**491.5**	**606.4**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(6.5)	(9.4)	(455.7)	(17.3)	(19.3)
Mine development	US$m	(41.7)	(110.4)	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	(549.6)	(310.2)	-	-	-
Investing cash flow	**US$m**	**(597.9)**	**(430.0)**	**(455.7)**	**(17.3)**	**(19.3)**
Free Cash Flow	*US$m*	*(408.8)*	*(367.0)*	*375.8*	*474.2*	*587.1*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	-	106.0	1,109.8	-	-
Debt proceeds	US$m	320.8	230.3	400.0	-	-
Debt repayments	US$m	(45.0)	(5.6)	(304.0)	(246.0)	-
Distributions to non-controlling interests	US$m	(29.1)	(28.1)	(30.3)	(12.7)	(26.2)
Dividends	US$m	(75.1)	(72.7)	(116.8)	(89.8)	(149.6)
Other	US$m	25.7	143.3	(55.5)	-	-
Financing cash flow	**US$m**	**197.3**	**373.2**	**1,003.2**	**(348.5)**	**(175.8)**
Change in cash	*US$m*	*(211.5)*	*6.2*	*1,379.0*	*125.8*	*411.3*

BALANCE SHEET

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
ASSETS						
Cash & short term investments	US$m	137.9	144.2	1,523.2	1,649.0	2,060.2
Accounts receivable	US$m	125.1	235.6	237.2	231.6	247.7
Property, plant & equipment	US$m	1,296.3	1,922.1	2,268.5	2,165.6	2,065.3
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	243.4	370.6	370.6	370.6	370.6
Total assets	**US$m**	**1,802.6**	**2,672.5**	**4,399.4**	**4,416.7**	**4,743.8**
LIABILITIES						
Accounts payable	US$m	55.7	177.2	430.4	443.9	447.7
Income tax payable	US$m	7.6	21.2	16.8	24.8	24.0
Borrowings	US$m	327.6	559.3	663.1	417.1	417.1
Other	US$m	81.7	100.3	100.3	100.3	100.3
Total liabilities	US$m	**472.7**	**858.0**	**1,210.4**	**986.1**	**989.0**
SHAREHOLDER'S EQUITY						
Share capital	US$m	732.9	942.4	2,052.2	2,052.2	2,052.2
Reserves	US$m	44.7	19.1	19.1	19.1	19.1
Retained earnings	US$m	250.8	337.0	522.1	697.5	938.0
Total equity to NIC holders	**US$m**	**1,028.4**	**1,298.6**	**2,593.5**	**2,768.9**	**3,009.4**
Non-controlling interest	US$m	301.5	515.9	595.5	661.7	745.4
Total equity	**US$m**	**1,329.9**	**1,814.5**	**3,189.0**	**3,430.6**	**3,754.8**
Weighted average shares	m	2,515.0	2,681.5	3,502.7	4,274.1	4,274.1

CAPITAL STRUCTURE

Shares on issue	m	3,024.3
Other	m	1,235.2
Total shares on issue	**m**	**4,259.4**
Share price	**A$/sh**	**0.920**
Market capitalisation	A$m	3,918.7
Net cash	A$m	397.1
Enterprise value (undiluted)	**A$m**	**3,521.5**
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	4,259.4
Market capitalisation (diluted)	A$m	3,918.7
Net cash + options	A$m	397.1
Enterprise value (diluted)	**A$m**	**3,521.5**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	25.6%	1,092.3
Tanito Group (PT Karunia)	10.6%	451.4
BlackRock Investment Management	5.1%	219.0
Directors and Management	3.2%	137.9
Shanghai Wanlu	2.8%	121.3

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
VALUATION						
Attributable NPAT	US$m	137.9	159.0	301.9	265.2	390.1
Attributable NPAT	A$m	183.6	228.3	441.8	378.8	557.2
Reported EPS	USc/sh	5.5	5.9	8.6	6.2	9.1
Reported EPS	Ac/sh	7.3	8.5	12.6	8.9	13.0
Adjusted EPS	Ac/sh	7.3	8.5	12.6	8.9	13.0
EPS growth	%	-11%	17%	48%	-30%	47%
PER [1]	x	12.6x	10.8x	7.3x	10.4x	7.1x
DPS	Ac/sh	4.0	4.0	4.0	3.0	5.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	4.3%	4.3%	4.3%	3.3%	5.4%
FCF/share	Ac/sh	(21.6)	(19.7)	15.7	15.9	19.6
FCF yield	%	-24%	-21%	17%	17%	21%
P/FCFPS	x	-4.3x	-4.7x	5.9x	5.8x	4.7x
EV/EBITDA	x	9.8x	6.9x	3.7x	4.4x	3.5x
EBITDA margin	%	38%	29%	27%	23%	28%
EBIT margin	%	32%	23%	23%	18%	23%
Return on assets	%	12%	9%	12%	8%	11%
Return on equity	%	18%	18%	21%	13%	17%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	190	415	(860)	(1,232)	(1,643)
ND / E	%	18%	32%	-33%	-44%	-55%
ND / (ND + E)	%	16%	24%	-50%	-80%	-120%
Attr. EBITDA / Interest	x	15.7x	8.4x	9.9x	9.2x	13.9x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Revenues	US$m	578.8	1,070.6	2,096.5	2,078.1	2,209.1
EBITDA	US$m	199.2	273.9	563.9	466.5	594.6
NPAT	US$m	137.9	159.0	301.9	265.2	390.1
Net distributable cash flow	US$m	(190.4)	5.6	1,241.1	113.2	370.1
EV/EBITDA	x	13.3	9.0	4.3	5.3	4.1
PER	x	12.6	10.8	7.3	10.4	7.1
P/FCF	x	nm	nm	nm	24.2	7.4

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	5,765,227	9,100,000	9,100,000
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 + HPAL ops						
NPI production	t	298,352	509,127	954,176	999,615	996,615
Contained nickel (100%)	t Ni	40,411	70,079	163,371	196,481	195,563
Contained nickel (attributable)	t Ni	32,329	55,993	103,397	109,585	108,850
Costs						
Cash costs	US$/t Ni	$10,106	$13,387	$13,353	$13,340	$13,419
All-in-Costs (AIC)	US$/t Ni	$10,225	$13,483	$13,442	$13,432	$13,513

VALUATION

Ordinary shares (m)	**4,259.4**
Options in the money (m)	-
Total shares diluted (m)	**4,259.4**

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)	1,703.2	0.40	1,724.8	0.40	1,754.4	0.41
ANI RKEF (NPV12)	2,016.6	0.47	2,136.2	0.50	2,143.1	0.50
ONI RKEF (NPV12)	964.2	0.23	1,707.0	0.40	1,956.3	0.46
Hengjaya Mine (NPV12)	285.8	0.07	321.2	0.08	318.8	0.07
HNC HPAL (NPV12)	184.4	0.04	581.5	0.14	589.6	0.14
ENC HPAL (NPV12)	868.8	0.20	868.8	0.20	868.8	0.20
Other exploration	200.0	0.05	200.0	0.05	200.0	0.05
Corporate overheads	(108.0)	(0.03)	(113.9)	(0.03)	(114.3)	(0.03)
Subtotal (EV)	6,115.0	1.44	7,425.6	1.74	7,716.6	1.81
Net cash (debt)	397.1	0.09	397.1	0.09	1,231.9	0.29
Total (undiluted)	**6,512.2**	**1.53**	**7,822.8**	**1.84**	**8,948.6**	**2.10**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**6,512.2**	**1.53**	**7,822.8**	**1.84**	**8,948.6**	**2.10**

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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