

Analyst

David Coates 612 8224 2887

Authorisation

Regan Burrows 618 9326 7677

Nickel Industries Ltd (NIC)

While you were sleeping

Recommendation

Buy (unchanged)

Price

\$0.90

Target (12 months)

\$1.30 (previously \$1.20)

Sector

Materials

Expected Return

Capital growth 44%

Dividend yield 0%

Total expected return 44%

Company Data & Ratios

Enterprise value \$5,025m

Market cap \$3,907m

Issued capital 4,341m

Free float 55%

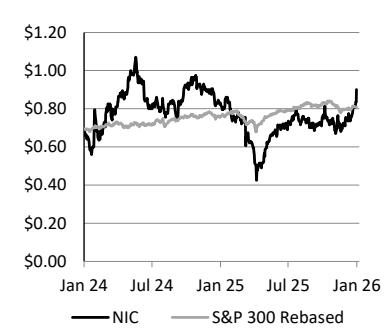
Avg. daily val. (52wk) \$7.5m

12 month price range \$0.42-\$0.915

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.72	0.72	0.83
Absolute (%)	25.0	25.0	8.4
Rel market (%)	23.0	26.4	2.1

Absolute Price



SOURCE: IRESS

Positive catalysts warming up for NIC

Positive catalysts supporting our investment thesis have emerged in the last couple of weeks in what we view as a precursor to a transformational year for NIC. These include receipt of an increased ore sales permit, the disclosure of a strategic partnership at the ENC HPAL plant and a rising nickel price. South Korean precision materials manufacturer, Sphere Corp., has acquired a 10% interest in the ENC HPAL plant at a 'look-through' valuation of US\$2.4 billion. This implies a valuation for NIC's targeted 55% interest of A\$2.0 billion and compares with NIC's current Enterprise Value of ~A\$5.0 billion. Production is planned to commence imminently at the ENC HPAL plant, lifting HPAL nickel production from a current ~8ktpa run-rate to ~50ktpa run-rate over CY26 – a major positive catalyst for NIC. We are also expecting nickel ore production run-rates to lift from ~10Mtpa to ~19Mtpa over CY26. We forecast significant production, margin and earnings growth to follow.

Nickel price surges from 8-month low to 14-month high

The LME nickel price has surged from an 8-month low to a 14-month high in the last two weeks in a burst of volatility that can be a feature of the nickel market. NIC's share price has appreciated ~27% since early December, with this being a key driver. The catalyst for the nickel price rise has been a proposed restriction of nickel production by the Indonesian Government of up to 34% (500-600kt Ni). This would have a significant impact on global production of ~3.6Mtpa and likely be applied to smaller, higher cost producers rather than NIC. It illustrates why we have advocated holding NIC through the cycle: these catalysts and price spikes are unpredictable.

Investment thesis – Buy, TP\$1.30/sh (from Buy, TP\$1.20/sh)

EPS changes in this report are: CY25: -25%; CY26: +22%; CY27: +4%. NIC is one of the world's largest listed nickel producers and offers exposure across a range of nickel products and markets. It continues to make money through low nickel prices, benefitting from its upstream and downstream operations, diversified risk and margin exposure across an integrated value chain. Retain Buy, TP\$1.30/sh.

Earnings Forecast

Year ending 31 December	2024a	2025e	2026e	2027e
Sales (US\$m)	1,744	1,601	2,518	3,741
EBITDA (US\$m)	297	278	456	1,136
Attributable NPAT (reported) (US\$m)	(169)	21	69	491
Attributable NPAT (reported) (A\$m)	(256)	32	103	712
EPS (adjusted) (A¢ps)	2.4	0.8	2.4	16.6
EPS growth (%)	-211%	nm	220%	592%
PER (x)	nm	119.9	37.5	5.4
FCF Yield (%)	0%	5%	1%	33%
EV/EBITDA (x)	11.3	12.1	7.4	3.0
Dividend (A¢ps)	4.0	-	1.0	9.0
Yield (%)	4.4%	0.0%	1.1%	10.0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-8%	1%	7%	35%

SOURCE: BELL POTTER SECURITIES ESTIMATES

While you were sleeping

Changes to our forecasts

With this update we make only minor changes to our modelled assumptions, including:

- Reducing our December quarter 2025 ore mining and sales forecast, reflecting the suspension of sales during the quarter that resulted from the delayed issuance of the RKAB ore sales permit to the NIC's Hengjaya Mine;
- Increase our forecast nickel ore mining and sales, reflecting the increased sales volume permitted by the newly issued RKAB ore sales permit and the likelihood of that increasing to NIC's target of ~19Mtpa;
- Marking-to-market the December quarter 2025 nickel price, for a minor reduction to our CY25 forecast; and
- Rolling our model forward.

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

Table 1 - Changes to our CY forecasts

Year end 31 December	Previous			New			Change		
	Dec-25	Dec-26	Dec-27	Dec-25	Dec-26	Dec-27	Dec-25	Dec-26	Dec-27
Prices & currency									
Nickel price (US\$/t)	15,297	16,755	20,393	15,166	16,755	20,393	-1%	0%	0%
US\$/A\$	0.65	0.67	0.69	0.65	0.67	0.69	0%	0%	0%
Production & costs									
Ore mined (t)	10,957	13,200	15,200	10,457	13,700	17,200	-5%	4%	13%
RKEF NPI production (t)	108,543	111,028	112,628	108,543	111,028	112,628	0%	0%	0%
Contained nickel (t)	10,358	11,572	12,105	10,340	11,501	12,030	0%	-1%	-1%
Contained nickel (t, attributable)	8,380	35,991	51,600	8,380	35,991	51,600	0%	0%	0%
Cash costs (US\$/t Ni)	7,754	8,328	8,536	7,742	8,276	8,483	0%	-1%	-1%
Earnings & valuation									
Revenue (consolidated, US\$m)	1,615	2,519	3,742	1,601	2,518	3,741	-1%	0%	0%
EBITDA (consolidated, US\$m)	289	438	1,102	278	456	1,136	-4%	4%	3%
EBITDA (attributable, US\$m)	191	319	756	182	333	782	-5%	4%	3%
NPAT (consolidated, US\$m)	39	129	754	31	146	781	-22%	13%	4%
NPAT (attributable, US\$m)	28	56	471	21	69	491	-25%	22%	4%
EPS (reported) (Acps)	1.0	2.0	15.9	0.8	2.4	16.6	-25%	22%	4%
PER (x)	16.6	4.3	4.1	119.9	37.5	5.4	103.3	33.2	1.3
EPS growth (%)	nm	95%	712%	nm	220%	592%	nm	124%	-121%
DPS (Acps)	-	-	8.0	-	1.0	9.0	na	na	13%
Yield	5.3%	13.2%	13.2%	0.0%	1.1%	10.0%	-5%	-12%	-3%
NPV (A\$/sh)	1.06	1.21	1.27	1.17	1.29	1.34	11%	6%	5%
Price Target (A\$/sh)	1.20			1.30			8%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

EPS changes in this report are: CY25: -25%; CY26: +22%; CY27: +4%. These reflect cuts to our ore sales forecast for CY25 and a marginally lower nickel price. This is offset by higher ore production and sales forecasts for CY26 and CY27. Our NPV-based valuation is raised 8% to a rounded \$1.30/sh. We retain our Buy recommendation.

Upcoming catalysts

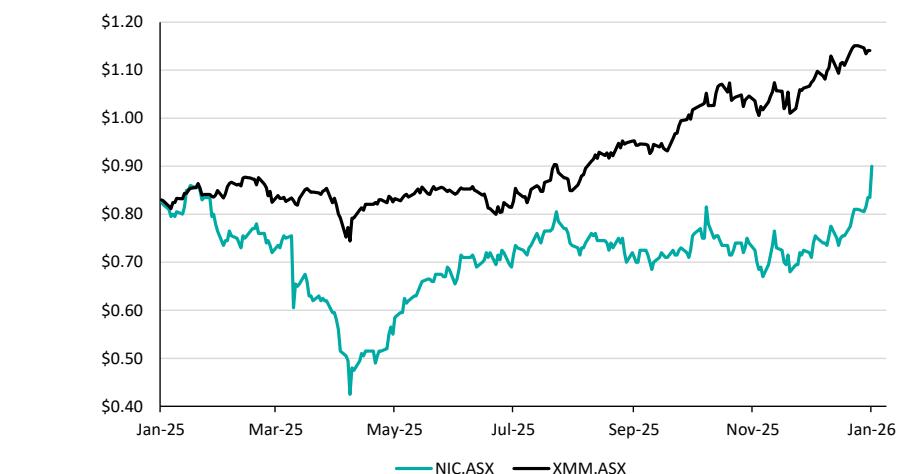
Upcoming catalysts for NIC include:

- Construction updates for the ENC HPAL plant, which is progressing towards commissioning in early CY26;
- Confirmation of receipt of increased ore sales permit (RKAB) required for the Hengjaya Mine to continue its ramp-up of the through CY26;
- Release of NIC's December 2025 quarter production and cost report, expected in late January 2026;
- Update on qualification of potential sales of nickel cathode from the ENC HPAL project to third party customers, diversifying NIC's customer base;
- Payment of the final scheduled investment instalments for the ENC HPAL project of: US\$126.5m in each of July and October 2026, to lift NIC's interest from 44% to 55%; and
- Exploration and development updates on the Sampala and Siduarsi Nickel-Cobalt laterite ore projects.

NIC vs the ASX Metals and Mining Index

Relative performance chart below:

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 (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\$1.30/sh (from Buy, TP\$1.20/sh)

EPS changes in this report are: CY25: -25%; CY26: +22%; CY27: +4%. NIC is one of the world's largest listed nickel producers and offers exposure across a range of nickel products and markets. It continues to make money through low nickel prices, benefitting from its upstream and downstream operations, diversified risk and margin exposure across an integrated value chain. Retain Buy, TP\$1.30/sh.

Valuation: \$1.30/sh

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

We also include an NPV-based valuation for NIC's 10% interest in the HNC HPAL plant and a risk-adjusted NPV-based valuation for the ENC HPAL plant, which is currently under construction and in which NIC will hold a 55% interest.

We also include 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.

Resource sector 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.
- **Pandemic 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 that could be put in place to combat a pandemic could pose 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 2 January 2026

Recommendation

Buy

Price

\$0.90

Target (12 months)

\$1.30

Table 2 - Financial summary

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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Rob Crookston	Head of Strategy	612 8224 2813	rcrookston
Paul Basha	Strategy	612 8224 2862	pbasha
Kion Sapountzis	Strategy	613 9235 1824	ksapountzis
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Martyn Jacobs	Healthcare	613 9235 1683	mjacobs
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Leo Armati	Industrials	612 8224 2846	larmati
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Joseph House	Industrials	613 9325 1624	jhouse
Baxter Kirk	Industrials	613 9235 1625	bkirk
Hayden Nicholson	Industrials	613 9235 1757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Ritesh Varma	Industrials	613 9235 1658	rvarma
Connor Eldridge	Real Estate	612 8224 2893	celdrige
Andy MacFarlane	Real Estate	612 8224 2843	amacfarlane
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Todd Lewis	Resources	618 9326 7672	tlewis
James Williamson	Resources	613 9235 1692	jwilliamson
Associates			
Brenton Anderson	Associate Analyst	613 9235 1807	banderson
Andrew Ho	Associate Analyst	613 9235 1953	aho
Evelyn Murdoch	Associate Analyst	612 8224 2849	emurdoch

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Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1601, 16/F
Prosperity Tower, 39 Queens
Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929