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Nickel Mines Ltd (NIC)

Tailwinds into 2HCY21

Recommendation
Buy (unchanged)
Price
$1.025
Target (12 months)
$1.50 (previously $1.52)

GICS Sector

Materials

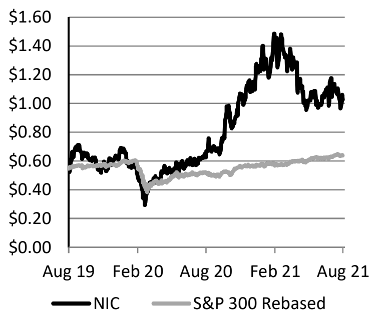
Expected Return	
Capital growth	46.3%
Dividend yield	3.9%
Total expected return	50.2%

Company Data & Ratios	
Enterprise value	$2,557m
Market cap	$2,578m
Issued capital	2,515m
Free float	79%
Avg. daily val. (52wk)	$12.1m
12 month price range	$0.62-$1.54

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.15	0.96	0.63
Absolute (%)	-10.5	7.3	64.0
Rel market (%)	-11.9	0.6	40.7

Absolute Price



SOURCE: IRESS

1HCY21 financial result

NIC reported its 1HCY21 financial results for the six months to 30 June 2021, announcing Revenue of US$289m (vs BPe US$288m), EBITDA of US$106m (vs BPe US$111m), consolidated NPAT of US$83m (vs BPe US$89m) and attributable NPAT of US$65m (vs BPe US$68m). The main differences compared with our forecasts were higher COGS and other expenses. These key metrics have delivered very strong growth: Revenue up 27%; attributable EBITDA up 51%; and attributable NPAT up 168% compared with the pcp. The key positive surprise in the result was the declaration of an A2cps, unfranked dividend (BPe A1cps). In our view, this sends a strong signal on future shareholder returns and management's expectations for a better 2HCY21 financial performance.

Growth and margin expansion in 2HCY21

The result demonstrates NIC's strong growth phase and the earnings leverage which, in our view, sets it apart from its ASX-listed peers. Improved NPI pricing is expected to more than offset ongoing input cost pressures in 2HCY21 and drive further earnings growth. NIC generated ~US$50m EBITDA on an operating margin of ~US$5,000/t Ni in NPI for the June 2021 quarter. If favourable NPI pricing persists, we may see this margin expand to US$6,500-US$8,000/t during the course of the September quarter. This is consistent with our forecast of ~US$65-70m EBITDA (consolidated basis).

Investment thesis – Buy, TP$1.50/sh (from $1.52/sh)

Our updated assumptions result in a 9% cut to our forecast CY21 earnings, driven primarily by our higher operating cost forecast. Earnings for CY22 and CY23 are marginally lowered. Our NPV-based valuation is lowered by 1%, to $1.50/sh. With Angel Nickel scheduled to commence production ramp-up in 2HCY22 and, on our forecasts, nearly double attributable production in CY23, NIC offers compelling value for an industrial style growth stock. Forward P/E's are 7.0x and 4.4x for CY22 and CY23 respectively. NIC's dividend yield is also becoming more competitive, at 3.9% (unfranked). We retain our Buy recommendation.

Earnings Forecast

Year ending 31 December	2020a	2021e	2022e	2023e
Sales (US$m)	523	611	798	1,269
EBITDA (US$m)	194	242	421	666
Attributable NPAT (reported) (US$m)	111	151	267	423
Attributable NPAT (reported) (A$m)	160	199	366	580
EPS (adjusted) (A¢ps)	8.2	7.9	14.5	23.1
EPS growth (%)	62%	-4%	83%	59%
PER (x) 1	12.5	12.9	7.0	4.4
FCF Yield (%) 1	-2%	-11%	20%	34%
EV/EBITDA (x) 1	9.5	7.7	4.4	2.8
Dividend (A¢ps)	3	4	6	8
Yield (%)	3%	4%	6%	8%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	27%	20%	31%	41%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Tailwinds into 2HCY21

1HCY21 financial result

NIC reported its 1HCY21 financial results for the six months to 30 June 2021, announcing Revenue of US$289m (vs BPe US$288m), EBITDA of US$106m (vs BPe US$111m), consolidated NPAT of US$83m (vs BPe US$89m) and attributable NPAT of US$65m (vs BPe US$68m). The main differences compared with our forecasts were higher COGS and other expenses, plus an over-estimation of interest income. These key metrics have delivered very strong growth: Revenue up 27%; attributable EBITDA up 51%; and attributable NPAT up 168% compared with the pcp.

The key positive surprise in the result was the declaration of an A2cps, unfranked dividend (BPe A1cps). In our view, this sends a strong positive signal on future shareholder returns and management's expectations for a strong 2HCY21 financial performance.

The result translated to attributable EPS of US2.6cps (A3.4cps) which is ~41% of our forecast CY21 earnings of A8.2cps. Our forecast for a strong 2HCY21 is primarily predicated on i) a higher realised NPI price vs 1HCY21; and ii) relatively lower operating cost increases flowing through from raw material input costs, compared with 1HCY21.

NIC ended 1HCY21 with cash of US$190m and gross debt of US$175m for net cash of US$15m (from net cash of US$306m at end December 2020). During the half year, NIC paid US$218m in staged consideration payments to lift its interest in Angel Nickel to 50%, repaid the US$45m balance of its Ranger debt facility, paid US$38.8m in dividends and received US$171m from the issuance of 6.5% Senior Unsecured Notes.

Table 1 - NIC financial result summary

Half-year financials (Consolidated basis)	Jun-20 HY (a)	Dec-20 HY (a)	**Dec-20 FY (a)**	Jun-21 HY (a)	Jun-21 HY (BPe)	Variance vs BPe	Variance vs pcp
Revenue (US$m)	227.8	295.6	**523.5**	288.7	288.4	0%	27%
EBITDA (US$m)	69.9	124.6	**194.5**	105.8	111.4	-5%	51%
NPAT reported (US$m)	45.5	108.2	**153.7**	83.0	88.8	-7%	82%
NPAT underlying (US$m)	24.4	86.2	**110.6**	65.3	67.5	-3%	168%
NPAT attributable (US$m)	24.4	86.2	**110.6**	65.3	67.5	-3%	168%
EPS attributable (Ac/sh)	2.1	6.1	**8.2**	3.4	3.5	-3%	58%
Dividend (Ac/sh)	1.0	2.0	**3.0**	2.0	1.0	100%	100%
Free cash flow (US$m)	-69.7	35.2	**-34.5**	-236.7	-441.2	-46%	240%
Cash balance (US$m)	91.3	351.4	**351.4**	189.8	189.9	0%	108%
Debt (US$m)	55.0	45.0	**45.0**	173.9	175.0	-1%	216%
Production, costs, prices							
Ni in NPI (t, Consolidated)	21,395	22,227	**43,622**	20,211	20,211	0%	-6%
Ni in NPI (t, Attributable)	12,837	17,782	**30,619**	16,168	16,168	0%	26%
Cash costs (US$/t)	$7,296	$7,360	**$7,330**	$8,900	$8,900	0%	22%
Nickel price (US$/t)	$12,456	$15,094	**$13,775**	$17,441	$17,441	0%	40%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key takeaways

Other key takeaways from the result include:

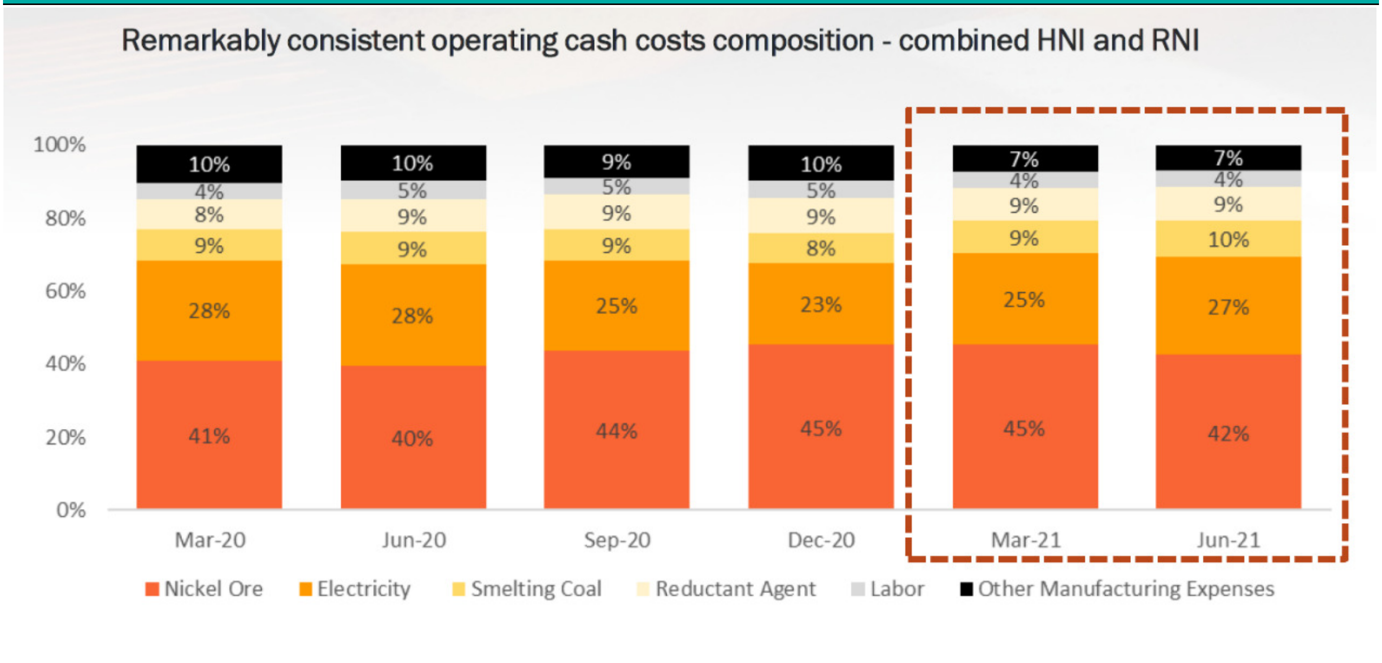
- NIC flagged the flexibility to fund its US$210m acquisition of a further 30% (lifting its ownership to 80%) of the Angel Nickel project from free cash flow plus cash on hand, equity, debt or scrip. The current contract stipulates the completion of the acquisition by 31 December 2021;
- A construction update was provided for Angel Nickel, where construction works are 40% complete, have not been disrupted by COVID-19 restrictions and is on schedule for commissioning in 2HCY22. Upon commencing production it will more than double the nameplate capacity of NIC's NPI production;

- The Hengjaya Mine is making a growing EBITDA contribution for NIC as production ramps-up successfully and unit costs reduce. In 1HCY21 it generated EBITDA of US$11.5m, compared with a US$2.7m loss in 1HCY20. This is now a material element of our US$242m CY21 EBITDA forecast;

Cash cost composition and margin outlook

NIC provided a proportional breakdown of the components of its quarterly cash operating costs with the 1HCY21 result. The two largest individual cost components are laterite nickel ore purchases (subject to Indonesian Government benchmark pricing and correlated to the LME nickel price) and electricity (correlated to Indonesian thermal coal prices). Combined, these account for ~70% of NPI production raw material input costs.

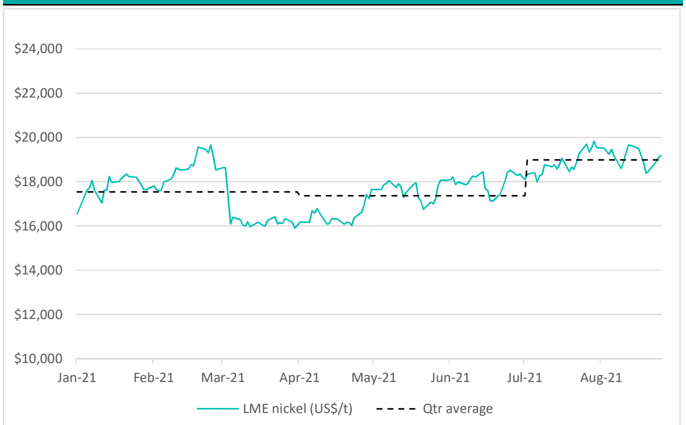
Figure 1 - NIC cash cost composition - NPI production



SOURCE: COMPANY DATA

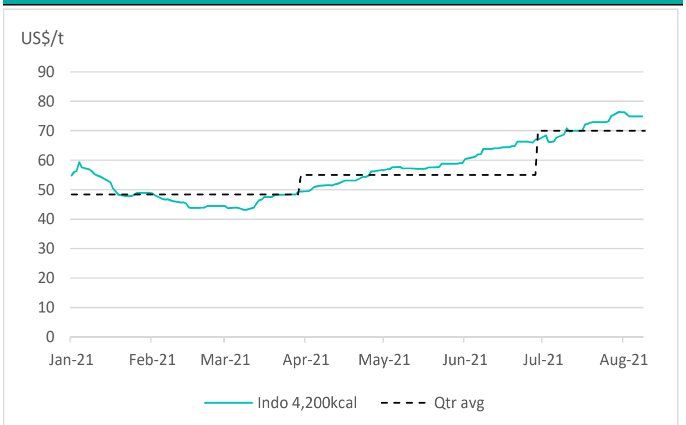
LME cash nickel prices have, on a quarter to date basis, appreciated approximately 9% compared with the June 2021 quarter. This implies a ~4% increase to NPI production cash costs qoq. Indonesian thermal coal prices have, on a quarter to date basis, appreciated approximately 27% compared with the June 2021 quarter. This implies a ~7% increase to NPI production cash costs qoq.

Figure 2 - LME cash nickel price



SOURCE: IRESS

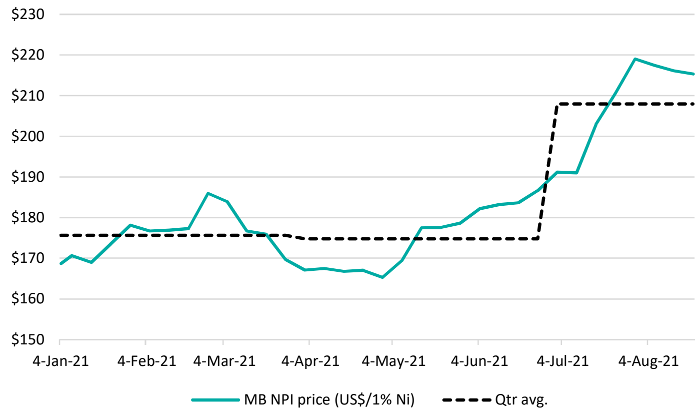
Figure 3 – Indonesian thermal coal (4,200kcal)



SOURCE: BLOOMBERG

Based on NIC's June quarter cash costs of US$9,107/t Ni in NPI, we might expect cost increases of 11% (US$1,000/t), to US$10,100/t as a result of higher raw material costs.

Figure 4 - NPI pricing



SOURCE: METAL BULLETIN, BELL POTTER SECURITIES CALCULATIONS

Meanwhile, NPI pricing has, on a quarter to date basis, appreciated approximately 19% compared with the June 2021 quarter. Applied to NIC's June quarter realised price of ~US$14,000/t this implies an increase of US$2,660/t to NIC's realised nickel pricing, to ~US$16,660/t Ni in NPI. Furthermore, NIC disclosed in its 1HCY21 results presentation that it has most recently signed NPI sales contracts that imply a realised price of US$18,100/t Ni in NPI.

EBITDA margin expansion in 2HCY21

NIC generated ~US$50m EBITDA on an operating margin of ~US$5,000/t in the June 2021 quarter. On the preceding analysis, we calculate margin expansion, on a quarter to date basis of ~US$1,500/t, to US$6,500/t Ni in NPI.

If favourable NPI pricing persists, we may see this margin expand to ~US$8,000/t during the course of the September quarter. This is consistent with our current forecast of ~US$65-70m EBITDA (consolidated basis) and would deliver significant earnings growth in 2HCY21.

Changes to our forecasts

Beyond updating our forecasts for the 1HCY21 financial result, we have made the following changes to our modelled assumptions:

- Increased our Ni in NPI cash cost forecasts for 2HCY22, due to ongoing input cost increases we observe for raw material prices. Our CY22 cash costs lift by 4%, to US$9,360/t Ni in NPI;
- Allowed for increased corporate administration and other costs, reflecting 1HCY21 levels of expenditure. We have also lowered our forecast interest income for CY21;
- Increased our forecast CY21 dividend from A3cps to A4cps, adjusting for the higher-than-forecast interim dividend declared by NIC with its results;
- Lowered our estimated CY21 depreciation charges; and
- Updated for the latest capital structure.

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

Table 2 - Changes to our CY forecasts

	Previous			New			Change		
Year end 30 December	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-21**	**Dec-22**	**Dec-23**
Prices & currency									
Nickel price (US$/t)	17,759	17,967	18,629	17,759	17,967	18,629	0%	0%	0%
US$/A$	0.76	0.73	0.73	0.76	0.73	0.73	0%	0%	0%
Production & costs									
Ore mined (t)	1,866,794	1,800,000	1,800,000	1,866,794	1,800,000	1,800,000	0%	0%	0%
Nickel in ore (t)	33,366	32,400	32,400	33,366	32,400	32,400	0%	0%	0%
RKEF NPI production (t)	297,426	372,000	579,615	297,426	372,000	579,615	0%	0%	0%
Contained nickel (t)	40,596	49,170	75,646	40,596	49,170	75,646	0%	0%	0%
Contained nickel (t, attributable)	32,476	39,336	60,517	32,476	39,336	60,517	0%	0%	0%
Cash costs (US$/t Ni)	9,015	7,986	8,092	9,363	7,986	8,092	4%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	611	798	1,269	611	798	1,269	0%	0%	0%
Revenue (attributable, US$m)	254	421	666	242	421	666	-5%	0%	0%
EBITDA (attributable, US$m)	204	335	531	192	335	531	-6%	0%	0%
NPAT (reported, attributable, US$m)	166	271	426	151	267	423	-9%	-2%	-1%
EPS (reported) (Acps)	8.7	14.8	23.2	7.9	14.5	23.1	-9%	-2%	-1%
PER (x)	11.8	6.9	4.4	12.9	7.0	4.4	1.2	0.1	0.0
EPS growth (%)	6%	69%	57%	-4%	83%	59%	-10%	14%	2%
DPS (Acps)	3	3	6	4	6	8	33%	100%	33%
Yield	3%	3%	6%	4%	6%	8%	1%	3%	2%
NPV (A$/sh)	1.38	1.52	1.98	1.37	1.50	1.95	0%	-1%	-2%
Price Target (A$/sh)		1.52			1.50			-1%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our updated assumptions result in a 9% cut to our forecast CY21 earnings, driven primarily by our higher operating cost forecast. Earnings for CY22 and CY23 are marginally lower on our lower forecast interest income. Our NPV-based, sum-of-the-parts valuation is lowered by 1%, to $1.50/sh.

With Angel Nickel likely to commence production ramp-up before end CY22 and, on our forecasts, nearly double attributable production in CY23, NIC offers excellent value at these levels. Upside to our updated price target is 46.3% and valuation multiples are low. NIC is trading on a CY21 P/E of 12.9x, in our view compelling value for an industrial style growth stock. Forward P/E's are even lower, at 7.0x and 4.4x for CY22 and CY23 respectively. NIC's dividend yield is also becoming more competitive, at 3.9% (unfranked).

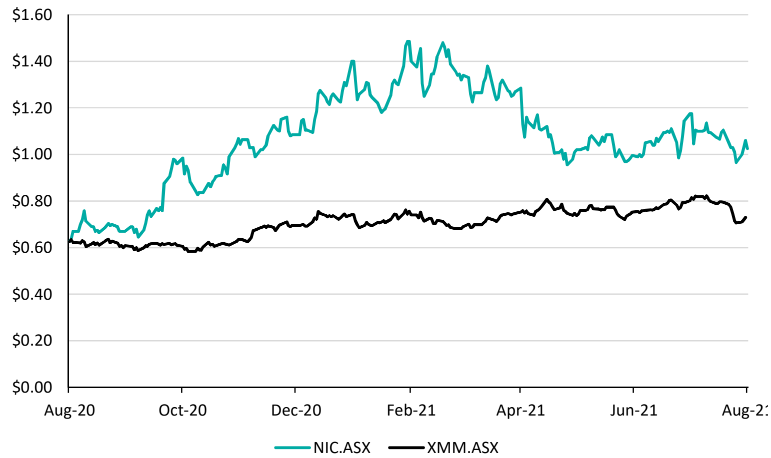
Upcoming catalysts

Upcoming catalysts for NIC include:

- Completion of the acquisition of the remaining 30% interest in Angel Nickel for US$210m, to lift NIC's ownership to 80%, by end CY21 and possibly earlier;
- Updates on NPI pricing and the effective Ni payability, which we believe the market will still be considering as a measure of NIC's nickel price exposure;
- Updates on the construction of the Angel Nickel project, comprising 4 next-generation rotary-kiln-electric-furnace (RKEF) lines being developed within the Indonesia Weda Bay Industrial Park (IWIP), for which NIC has executed a binding agreement to acquire a 80% interest for US$560m total, undiscounted, consideration. Payment of the final US$210m is due by 31 December 2021;
- Progress updates for the Hengjaya Mine, where a major production expansion is complete and the sustainability of production of +150kt ore per month and costs of ~US$20/t are targeted;
- The release of NIC's September 2021 quarterly production and cost report, expected in late October 2021; and
- Updates on the ownership levels of the 80%-owned Hengjaya Mine, which is subject to Indonesia's compulsory divestment laws.

NIC vs the ASX Metals and Mining Index

Figure 5 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Nickel Mines Limited (NIC)

Company description: fully integrated NPI producer

Nickel Mines Limited ('Nickel Mines' or 'NIC') was formed in 2007 and listed on the ASX in 2018. 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.

In November 2020 NIC executed a binding agreement to acquire a 70% interest (since increased to 80%) in the Angel Nickel Project comprising four new generation RKEF NPI production lines and a captive 380MW power station. Angel Nickel is currently under construction 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, also in Central Sulawesi in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility for the production of Nickel Pig Iron (NPI), a key input into stainless steel production.

Investment thesis – Buy, TP$1.50/sh (from $1.52/sh)

Our updated assumptions result in a 9% cut to our forecast CY21 earnings, driven primarily by our higher operating cost forecast. Earnings for CY22 and CY23 are marginally lowered. Our NPV-based valuation is lowered by 1%, to $1.50/sh. With Angel Nickel scheduled to commence production ramp-up in 2HCY22 and, on our forecasts, nearly double attributable production in CY23, NIC offers compelling value for an industrial style growth stock. Forward P/E's are 7.0x and 4.4x for CY22 and CY23 respectively. NIC's dividend yield is also becoming more competitive, at 3.9% (unfranked). We retain our Buy recommendation.

Valuation: $1.50/sh

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

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% in 2023) in the Hengjaya laterite nickel ore mine.

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

Risks

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

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **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 investment of a combined US$50m by SDI and Wanlu Investments (US$26m and US$24m respectively) into NIC equity.

Nickel Mines Ltd
as at 26 August 2021

Recommendation	Buy
Price	$1.025
Target (12 months)	$1.50

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Revenue	US$m	236.1	523.5	610.9	797.6	1,268.6
Expense	US$m	(138.9)	(329.0)	(369.2)	(376.6)	(602.3)
EBITDA	**US$m**	**97.2**	**194.5**	**241.7**	**421.0**	**666.3**
Depreciation	US$m	(16.4)	(36.8)	(36.9)	(53.7)	(66.8)
EBIT	US$m	80.8	157.7	204.8	367.3	599.6
Net interest expense	US$m	(2.1)	(4.7)	(8.4)	(11.0)	(2.5)
Unrealised gains (Impairments)	US$m	7.4	-	-	-	-
Other	US$m	5.4	1.6	-	-	-
PBT	**US$m**	**91.5**	**154.6**	**196.4**	**356.3**	**597.1**
Tax expense	US$m	(0.2)	(0.9)	(4.8)	(18.2)	(65.3)
Consolidated profit (loss) for the year	US$m	91.3	153.7	191.6	338.1	531.7
Non-Controlling Interest	US$m	34.8	43.1	41.0	71.1	108.4
Attributable NPAT (reported)	**US$m**	**56.5**	**110.6**	**150.6**	**267.0**	**423.3**
NPAT (underlying)	US$m	49.1	110.6	150.6	267.0	423.3

CASH FLOW

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
OPERATING CASHFLOW						
Receipts	US$m	212.7	517.6	667.5	778.9	1,221.5
Payments	US$m	(169.9)	(358.9)	(317.2)	(374.8)	(545.8)
Tax	US$m	(4.7)	(9.1)	0.9	(4.8)	(18.2)
Net interest	US$m	0.1	0.3	(8.4)	(11.0)	(2.5)
Other	US$m	-	-	-	-	-
Operating cash flow	**US$m**	**38.2**	**150.0**	**342.9**	**388.4**	**654.9**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(29.6)	(7.4)	(561.8)	(10.9)	(11.7)
Mine development	US$m	-	(147.0)	-	-	-
Exploration & evaluation	US$m	-	-	(0.4)	(0.4)	(0.4)
Other	US$m	5.8	(30.0)	-	-	-
Investing cash flow	**US$m**	**(23.8)**	**(184.4)**	**(562.2)**	**(11.3)**	**(12.1)**
Free Cash Flow	*US$m*	*14.4*	*(34.5)*	*(219.3)*	*377.1*	*642.8*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	-	430.0	-	-	-
Debt proceeds	US$m	-	-	175.0	-	-
Debt repayments	US$m	(29.9)	(25.3)	(45.0)	-	-
Distributions to non-controlling interests	US$m	17.0	(43.3)	(38.1)	(59.9)	(68.7)
Dividends	US$m	-	(15.4)	(76.0)	(110.2)	(146.9)
Other	US$m	(0.4)	(12.4)	-	-	-
Financing cash flow	**US$m**	**(13.3)**	**333.6**	**15.9**	**(170.0)**	**(215.6)**
Change in cash	*US$m*	*1.1*	*299.2*	*(203.5)*	*207.1*	*427.3*

BALANCE SHEET

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
ASSETS						
Cash & short term investments	US$m	49.8	351.4	148.0	355.1	782.3
Accounts receivable	US$m	97.2	117.8	61.1	79.8	126.9
Property, plant & equipment	US$m	628.5	600.8	1,133.9	1,091.1	1,036.0
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	0.4	0.8	1.2
Other	US$m	122.0	164.7	164.7	164.7	164.7
Total assets	US$m	**897.5**	**1,234.7**	**1,508.1**	**1,691.4**	**2,111.1**
LIABILITIES						
Accounts payable	US$m	52.5	40.3	92.3	94.2	150.6
Income tax payable	US$m	0.7	3.8	4.8	18.2	65.3
Borrowings	US$m	65.0	45.0	187.9	187.9	187.9
Other	US$m	57.2	59.4	59.4	59.4	59.4
Total liabilities	US$m	**175.4**	**148.4**	**344.4**	**359.7**	**463.2**
SHAREHOLDER'S EQUITY						
Share capital	US$m	315.5	732.9	732.9	732.9	732.9
Reserves	US$m	19.2	19.2	19.2	19.2	19.2
Retained earnings	US$m	92.8	187.9	262.5	419.4	695.8
Total equity to NIC holders	**US$m**	**427.5**	**940.1**	**1,014.7**	**1,171.5**	**1,448.0**
Non-controlling interest	US$m	294.7	146.2	149.0	160.2	199.9
Total equity	**US$m**	**722.1**	**1,086.2**	**1,163.7**	**1,331.7**	**1,647.9**
Weighted average shares	m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0

CAPITAL STRUCTURE

Shares on issue	m		2,515.0
Total shares on issue	**m**	(add 0.0m escrow and placement shares)	**2,515.0**
Share price	**A$/sh**		**1.025**
Market capitalisation	A$m		2,577.9
Net cash	A$m		20.5
Enterprise value (undiluted)	**A$m**		**2,557.4**
Options outstanding (m)	m		0.0
Options (in the money)	m		0.0
Issued shares (diluted for options)	m		2,515.0
Market capitalisation (diluted)	A$m		2,577.9
Net cash + options	A$m		20.5
Enterprise value (diluted)	**A$m**		**2,557.4**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	15.7%	395.5
Tanito Group (PT Karunia)	15.0%	378.4
Baillie Gifford	6.2%	155.7
Directors and Management	5.5%	137.9
Shanghai Wanlu	4.8%	121.3

FINANCIAL RATIOS

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
VALUATION						
Attributable NPAT	US$m	56.5	110.6	150.6	267.0	423.3
Attributable NPAT	A$m	82.5	160.1	199.3	365.7	579.9
Reported EPS	Ac/sh	5.1	8.2	7.9	14.5	23.1
Adjusted EPS	Ac/sh	4.4	8.2	7.9	14.5	23.1
EPS growth	%	46%	62%	-4%	83%	59%
PER [1]	x	10.1x	12.5x	12.9x	7.0x	4.4x
DPS	Ac/sh	-	3.0	4.0	6.0	8.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	3%	4%	6%	8%
FCF/share [1]	Ac/sh	2.6	(2.6)	(11.5)	20.5	35.0
FCF yield [1]	%	3%	-2%	-11%	20%	34%
P/FCFPS [1]	x	39.6x	-40.1x	-8.9x	5.0x	2.9x
EV/EBITDA [1]	x	19.1x	9.5x	7.7x	4.4x	2.8x
EBITDA margin	%	41%	37%	40%	53%	53%
EBIT margin	%	34%	30%	34%	46%	47%
Return on assets [1]	%	26%	17%	14%	21%	28%
Return on equity [1]	%	49%	27%	20%	31%	41%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	15	(306)	40	(167)	(594)
ND / E	%	4%	-33%	4%	-14%	-41%
ND / (ND + E)	%	3%	-48%	4%	-17%	-70%
EBITDA / Interest	x	46.1x	40.9x	28.8x	38.3x	266.7x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Revenues	US$m	95.7	391.3	542.3	688.4	1,050.1
EBITDA	US$m	35.6	139.7	192.4	335.3	530.9
NPAT	US$m	56.5	110.6	150.6	267.0	423.3
Net distributable cash flow	US$m	1.0	269.3	(183.1)	186.4	384.5
EV/EBITDA	x	49.1	12.6	10.0	5.6	3.5
PER	x	20.3	12.5	12.9	7.0	4.4
P/FCF	x	nm	nm	nm	10.1	4.9

ORE RESERVE AND MINERAL RESOURCE

Hengjaya Nickel Mine (HM)	Mdmt	% Ni	t Ni
Mineral Resources			
Measured	0.700	1.80%	12,600
Indicated	15.000	1.90%	285,000
Inferred	22.000	1.80%	396,000
Total	**38.000**	**1.80%**	**678,000**

ASSUMPTIONS - Prices

Year ending 31 Dec. (from 2020) avg	Unit	2019a*	2020a	2021e	2022e	2023e
Nickel	US$/lb	$7.02	$6.25	$8.06	$8.15	$8.45
Nickel	US$/t	$15,483	$13,775	$17,759	$17,967	$18,629
Currency						
AUD:USD		0.68	0.69	0.76	0.73	0.73

ASSUMPTIONS - Production & costs

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Hengjaya Mine						
Ore mined	wmt	428,382	795,650	1,866,794	1,800,000	1,800,000
Ore grade	% Ni	1.9%	1.8%	1.8%	1.8%	1.8%
Nickel in ore	t Ni	8,178	14,479	33,366	32,400	32,400
Nickel in ore (attributable)	t Ni	6,542	11,583	26,693	25,110	17,577
RKEF (IMIP)						
NPI production	t	152,408	295,897	297,426	372,000	579,615
Contained nickel	t Ni	20,988	43,622	40,596	49,170	75,646
Contained nickel (attributable)	t Ni	11,742	30,619	32,476	39,336	60,517
Costs						
Cash costs	US$/t Ni	$7,689	$7,330	$9,363	$7,986	$8,092
All-in-Costs (AIC)	US$/t Ni	$7,804	$7,414	$9,473	$8,129	$8,221

VALUATION

Ordinary shares (m)						**2,515.0**
Options in the money (m)						-
Total shares diluted (m)						**2,515.0**
Valuation	Now		+12 months		+24 mths	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	2,401.1	0.95	2,615.1	1.04	2,722.2	1.08
IWIP RKEF (NPV12)	1,025.2	0.41	1,187.2	0.47	1,982.8	0.79
Hengjaya Mine (NPV12)	4.4	0.00	5.4	0.00	25.0	0.01
Other exploration	42.0	0.02	42.0	0.02	42.0	0.02
Corporate overheads	(44.7)	(0.02)	(45.1)	(0.02)	(45.6)	(0.02)
Subtotal (EV)	3,428.1	1.36	3,804.5	1.51	4,726.4	1.88
Net cash (debt)	20.5	0.01	(39.9)	(0.02)	167.2	0.07
Total (undiluted)	**3,448.6**	**1.37**	**3,764.6**	**1.50**	**4,893.6**	**1.95**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**3,448.6**	**1.37**	**3,764.6**	**1.50**	**4,893.6**	**1.95**

**Transitional 6 month period to Dec-19. Change of Financial Year end from June to December*
[1] *Metrics annualised for 6 month period to Dec-19*

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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