BELL POTTER

28 July 2022

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Nickel Industries Ltd (NIC)

Growth trajectory intact

Recommendation
Buy (unchanged)
Price
$1.085
Target (12 months)
$2.08 (previously $2.00)

GICS Sector

Materials

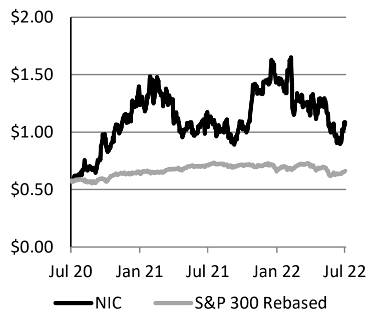
Expected Return	
Capital growth	91.7%
Dividend yield	4.6%
Total expected return	96.3%

Company Data & Ratios	
Enterprise value	$3,288m
Market cap	$2,963m
Issued capital	2,731.3m
Free float	74%
Avg. daily val. (52wk)	$4.8m
12 month price range	$0.885-$1.79

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.01	1.19	1.15
Absolute (%)	7.4	-8.4	-5.2
Rel market (%)	2.5	-0.4	1.7

Absolute Price



SOURCE: IRESS

June 2022 quarterly report

NIC released its June 2022 quarter report, announcing production from the Hengjaya (HNI), Ranger (RNI) and Angel (ANI) Nickel Projects of 114,106t of NPI at 13.6% Ni for 15,567t contained Ni, with 12,454t attributable to NIC (vs BPe 107,100t of NPI at 13.2% Ni for 14,193t contained Ni, 11,311t attributable). Production beat our forecasts by 10%, on a strong performance from the first full quarter of production at ANI. If the strong production performance at ANI was an upside surprise, the negative was higher costs which were up 21% qoq at US$14,503/t Ni in NPI (from US$11,969/t and vs BPe US$12,008/t). Key drivers were higher power costs (US10c/kWh up from US8.8c/kWh qoq), lower production at HNI and RNI and higher prices for the key inputs of nickel ore and metallurgical coal. NIC reported a realised nickel in NPI price of US$19,943/t Ni (up from US$19,368 qoq) and while EBITDA margins were reduced, the increased production and a strong performance from the Hengjaya Mine resulted in record quarterly EBITDA of US$103.2m (100% basis).

Strong ramp-ups bolster growth

Despite higher input costs NIC has maintained strong margins on a per tonne basis. Combined with ramp-ups at ANI and the Oracle Nickel Project (ONI) being ahead of schedule, lower margins have been offset by higher production to maintain the impressive earnings growth trajectory that has been one of the key tenets of our investment thesis for NIC. This has been assisted by the Hengjaya Mine which, as a producer, benefits from higher nickel ore costs and saw quarterly EBITDA up 107% to US$18.4m. With a strong balance sheet, NIC is well placed for further growth.

Investment thesis – Buy, TP$2.08/sh (from Buy, TP$2.00/sh)

CY22 earnings are cut by 6%, CY23 earnings lift by 5% and CY24 earnings are cut by 8%. We continue to forecast strong earnings growth of 63% in CY22 and 97% in CY23, for which NIC is trading on P/E multiples of 9.1x and 4.6x respectively. EBITDA remains on an aggressive growth trajectory from US$243m in CY21 to US$744m in CY23. Our NPV-based valuation increases 4%, to $2.08/sh. We retain our Buy rating.

Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US$m)	646	1,220	1,909	2,099
EBITDA (US$m)	243	429	744	705
Attributable NPAT (reported) (US$m)	138	223	442	425
Attributable NPAT (reported) (A$m)	184	312	641	607
EPS (adjusted) (A¢ps)	7.3	11.9	23.4	22.1
EPS growth (%)	-11%	63%	97%	-5%
PER (x)	14.9	9.1	4.6	4.9
FCF Yield (%)	-20%	5%	31%	33%
EV/EBITDA (x)	9.5	5.4	3.1	3.3
Dividend (A¢ps)	4.0	5.0	9.0	9.0
Yield (%)	3.7%	4.6%	8.3%	8.3%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	24%	39%	32%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Growth trajectory intact

June 2022 quarterly report

NIC released its June 2022 quarter report, announcing production and costs from its RKEF lines at the Hengjaya (HNI), Ranger (RNI) and Angel (ANI) Nickel Projects at the IMIP and IWIP in Indonesia. Production beat our forecasts by 10% on a strong ramp up performance from the first full quarter of production at ANI. It produced 6.4kt Ni in NPI, more than offsetting weaker June quarter production performances from HNI and RNI, where production was lower due power supply constraints at the IMIP. For the June quarter, NIC produced 114,106t of NPI at 13.6% Ni for 15,567t contained Ni, with 12,454t attributable to NIC (vs BPe 107,100t of NPI at 13.2% Ni for 14,193t contained Ni, 11,311t attributable).

If the strong production performance at ANI was an upside surprise in the result, the negative was higher costs. While we had forecast higher costs (and the inflationary environment created upside risks to this), cash costs for the June quarter were 21% higher qoq at US$14,503/t Ni in NPI (from US$11,969/t in March and vs BPe US$12,008/t). Key drivers were higher power costs (US10c/kWh from US8.8c/kWh qoq), power constraints the HNI and RNI which lowered production and resulted in higher cash costs and higher costs for key inputs such as nickel ore and metallurgical coal prices.

NIC reported a realised nickel in NPI price of US$19,943/t Ni (from US$19,368 qoq), approximating 64% of the LME nickel price, as that market continued to find a representative level through the June quarter. The higher realised price only partially offset higher cash costs and EBITDA margins reduced from record levels of US$7,386/t of Ni in NPI in the March quarter to US$5,367/t in the June quarter.

Record NPI production still drove record RKEF quarterly EBITDA of US$84.9m (100% basis, from US$72.8m qoq). Record quarterly EBITDA of US$18.4m was also generated at NIC's 80%-owned Hengjaya laterite mine, up 107% qoq. It benefitted from increased nickel ore prices and increased limonite ore production and sales. As a result, NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US$103.2m, also a record.

Cash and receivables dropped to US$259.7m from US$289.5m. This includes cash of US$97.8m (from US$129.7m qoq) reflecting an increase in working capital balances over the quarter as production increased at the RKEF lines and the Hengjaya mining operations. NIC has debt of US$325m.

Key production metrics are summarised below:

Table 1 - NIC quarterly production summary

	Jun-21 Actual	Sep-21 Actual	Dec-21 Actual	Mar-22 Actual	Jun-22 Actual	Jun-22 BP est.	Variance qoq %	Variance vs BPe %
Hengjaya Mine								
Ore sales (t)	542,384	568,692	634,486	710,136	673,664	600,000	-5%	12%
grade (% Ni)	1.78%	1.74%	1.75%	1.72%	1.74%	1.80%	1.2%	-3.3%
Contained nickel (t Ni)	9,654	9,895	11,104	12,214	11,722	10,800	-4%	9%
Mine OPEX (US$/t)	$23.48	$24.61	$24.98	$25.33	$26.33	$26.25	4%	0%
Avg price received (US$/t)	$36.09	$36.45	$37.55	$43.75	$41.97	$45.04	-4%	-7%
RKEF NPI production								
NPI production (t)	74,487	73,154	78,772	81,599	114,106	107,100	40%	7%
NPI grade (% Ni)	13.6%	13.8%	12.8%	13.7%	13.6%	13.2%	0%	3%
Contained nickel (t)	10,143	10,113	10,087	11,167	15,567	14,139	39%	10%
Contained nickel (t, attributable)	8,114	8,091	8,070	8,934	12,454	11,311	39%	10%
Costs								
Cash costs (US$/t Ni)	$9,107	$10,377	$12,346	$11,969	$14,503	$12,008	21%	22%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Changes to our forecasts

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

- Increased our forecast cash costs, reflecting input cost inflation and recent actual performance;
- Accelerated our production ramp-up schedule for the Angel Nickel Project, on news that the associated power station has been commissioned ahead of schedule, enabling full production capacity to be realised one quarter ahead of schedule;
- Bring forward our production ramp-up at the Oracle Nickel Project by one quarter, now assuming commencement of sales in the March quarter of 2023, following first production which we now expect in the December quarter of 2023;
- Reduced our longer term nickel price realisations to 85%;
- Updated for our latest commodity price and exchange rate forecasts, including a 5% cut to our CY22 nickel price and increases of 4% and 6% in CY23 and CY24 respectively; and
- Rolled our model forward and updated for NIC's latest capital structure and net cash position.

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

Table 2 - Changes to our CY forecasts

	Previous			New			Change		
Year end 31 December	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Prices & currency									
Nickel price (US$/t)	27,227	20,668	19,841	25,974	21,550	20,944	-5%	4%	6%
US$/A$	0.73	0.73	0.73	0.71	0.69	0.70	-2%	-5%	-4%
Production & costs									
Ore mined (t)	2,510,136	2,400,000	2,400,000	2,583,800	2,400,000	2,400,000	3%	0%	0%
Nickel in ore (t)	44,614	43,200	43,200	45,536	43,200	43,200	2%	0%	0%
RKEF NPI production (t)	466,899	789,615	904,615	498,905	864,615	904,615	7%	9%	0%
Contained nickel (t)	61,973	100,823	114,623	66,901	103,823	114,623	8%	3%	0%
Contained nickel (t, attributable)	49,578	78,438	88,098	53,521	80,538	88,098	8%	3%	0%
Cash costs (US$/t Ni)	11,917	11,219	11,210	12,877	11,857	12,251	8%	6%	9%
Earnings & valuation									
Revenue (consolidated, US$m)	1,145	1,802	2,029	1,220	1,909	2,099	6%	6%	3%
EBITDA (consolidated, US$m)	443	713	763	429	744	705	-3%	4%	-8%
EBITDA (attributable, US$m)	352	551	580	341	577	541	-3%	5%	-7%
NPAT (reported, attributable, US$m)	237	422	461	223	442	425	-6%	5%	-8%
EPS (reported) (Acps)	12.4	21.1	23.1	11.9	23.4	22.1	-4%	11%	-4%
PER (x)	8.8	5.1	4.7	9.1	4.6	4.9	0.4	(0.5)	0.2
EPS growth (%)	69%	71%	9%	63%	97%	-5%	-7%	27%	-15%
DPS (Acps)	5.0	8.0	9.0	5.0	9.0	9.0	0%	13%	0%
Yield	4.6%	7.4%	8.3%	4.6%	8.3%	8.3%	0%	1%	0%
NPV (A$/sh)	1.73	2.00	2.28	1.78	2.08	2.37	3%	4%	4%
Price Target (A$/sh)		**2.00**			**2.08**			**4%**	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The higher operating costs and lower nickel prices are offset by the accelerated ramp-ups we now model for both the Angel and Oracle Nickel projects. CY22 earnings are cut by 6%, CY23 earnings lift by 5% and CY24 earnings are cut by 8%. We continue to forecast strong earnings growth of 63% in CY22 and 97% in CY23, for which NIC is trading on P/E multiples of 9.1x and 4.6x respectively. EBITDA remains on an aggressive growth trajectory from US$243m in CY21 to US$744m in CY23. Our NPV-based valuation increases 4%, to $2.08/sh.

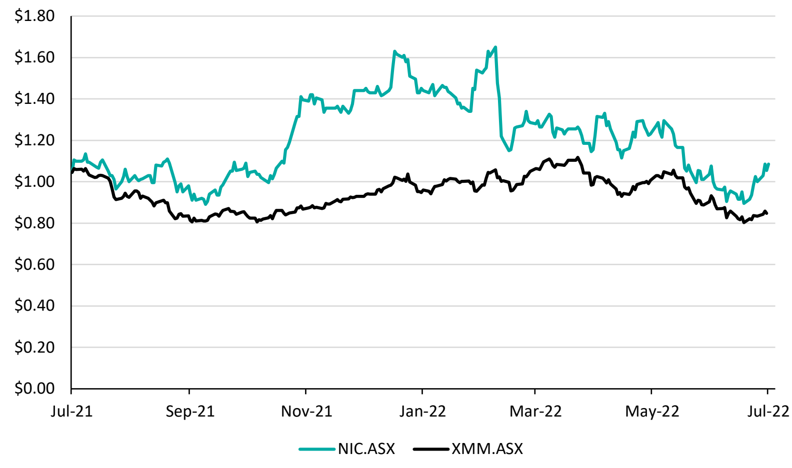
Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and the effective Ni payability, which we believe the market will continue to consider as a measure of NIC's nickel price exposure;
- Further updates on the production ramp-up progress of ANI, in which NIC holds an 80% interest. We have accelerated our modelled production ramp-up to reflect ahead-of-schedule progress;
- Further updates on the construction of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP. We have brought forward our ramp-up assumptions, now modelling commissioning and first commercial production to 1QCY23;
- Announcement of potential debt funding to supplement the acquisition cost of NIC's interest in ONI, as well as to provide balance sheet flexibility;
- 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 release of NIC's 1HCY22 financial statements, expected in late August 2022;
- The release of the September 2022 quarterly production and cost report, expected in late October 2022; and
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, in which NIC has recently acquired a 100% interest.

NIC vs the ASX Metals and Mining Index

Figure 1 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Nickel 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.

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

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility.

Investment thesis – Buy, TP$2.08/sh (from Buy, TP$2.00/sh)

CY22 earnings are cut by 6%, CY23 earnings lift by 5% and CY24 earnings are cut by 8%. We continue to forecast strong earnings growth of 63% in CY22 and 97% in CY23, for which NIC is trading on P/E multiples of 9.1x and 4.6x respectively. EBITDA remains on an aggressive growth trajectory from US$243m in CY21 to US$744m in CY23. Our NPV-based valuation increases 4%, to $2.08/sh. We retain our Buy rating.

Valuation: $2.08/sh

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

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% in 2028) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC's 80% interest in the Angel Nickel Industry (ANI) project, its 70% interest in the Oracle Nickel Project (ONI) and a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at $2.08/sh.

Risks

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

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the ~18% holding in NIC equity.

Nickel Industries Ltd
as at 28 July 2022

Recommendation	Buy
Price	$1.085
Target (12 months)	$2.08

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US$m	523.5	645.9	1,219.6	1,908.8	2,098.7
Expense	US$m	(329.0)	(402.7)	(790.2)	(1,164.4)	(1,393.5)
EBITDA	**US$m**	**194.5**	**243.2**	**429.3**	**744.4**	**705.1**
Depreciation	US$m	(36.8)	(36.0)	(65.3)	(99.3)	(111.2)
EBIT	US$m	157.7	207.3	364.0	645.2	593.9
Net interest expense	US$m	(4.7)	(12.7)	(24.9)	(24.6)	(10.2)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	1.6	(13.5)	(29.1)	(19.6)	(17.9)
PBT	**US$m**	**154.6**	**181.0**	**310.1**	**601.0**	**565.7**
Tax expense	US$m	(0.9)	(5.1)	(15.7)	(17.3)	(3.7)
Consolidated profit (loss) for the year	US$m	153.7	176.0	294.4	583.6	562.1
Non-Controlling Interest	US$m	43.1	38.0	71.8	141.3	137.3
Attributable NPAT (reported)	**US$m**	**110.6**	**137.9**	**222.6**	**442.3**	**424.7**
NPAT (underlying)	US$m	110.6	137.9	222.6	442.3	424.7

CASH FLOW

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASHFLOW						
Receipts	US$m	517.6	660.9	1,222.7	1,839.9	2,079.7
Payments	US$m	(358.9)	(464.0)	(648.4)	(1,070.8)	(1,336.3)
Tax	US$m	(9.1)	(8.2)	(12.8)	(35.3)	(35.2)
Net interest	US$m	0.3	0.3	(24.9)	(24.6)	(10.2)
Other	US$m	-	-	-	-	-
Operating cash flow	**US$m**	**150.0**	**189.0**	**536.6**	**709.2**	**698.0**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(7.4)	(6.5)	(441.1)	(72.1)	(10.9)
Mine development	US$m	(147.0)	(41.7)	-	-	-
Exploration & evaluation	US$m	-	-	(0.4)	(0.4)	(0.4)
Other	US$m	(30.0)	(549.6)	-	-	-
Investing cash flow	**US$m**	**(184.4)**	**(597.9)**	**(441.5)**	**(72.5)**	**(11.3)**
Free Cash Flow	*US$m*	*(34.5)*	*(408.8)*	*95.1*	*636.7*	*686.7*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	430.0	-	223.3	-	-
Debt proceeds	US$m	-	320.8	80.0	-	-
Debt repayments	US$m	(25.3)	(45.0)	-	(150.0)	(175.0)
Distributions to non-controlling interests	US$m	(43.3)	(29.1)	(39.2)	(45.7)	(41.3)
Dividends	US$m	(15.4)	(75.1)	(97.8)	(170.2)	(172.6)
Other	US$m	(12.4)	25.7	(11.2)	-	-
Financing cash flow	**US$m**	**333.6**	**197.3**	**155.1**	**(365.8)**	**(389.0)**
Change in cash	*US$m*	*299.2*	*(211.5)*	*250.2*	*270.8*	*297.7*

BALANCE SHEET

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash & short term investments	US$m	351.4	137.9	388.0	658.9	956.6
Accounts receivable	US$m	117.8	125.1	122.0	190.9	209.9
Property, plant & equipment	US$m	600.8	1,296.3	1,672.1	1,644.9	1,544.6
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	0.4	0.8	1.2
Other	US$m	164.7	243.4	243.4	243.4	243.4
Total assets	US$m	**1,234.7**	**1,802.6**	**2,425.9**	**2,738.8**	**2,955.6**
LIABILITIES						
Accounts payable	US$m	40.3	55.7	197.6	291.1	348.4
Income tax payable	US$m	3.8	7.6	15.7	17.3	3.7
Borrowings	US$m	45.0	327.6	414.3	264.3	89.3
Other	US$m	59.4	81.7	87.7	87.7	87.7
Total liabilities	US$m	**148.4**	**472.7**	**715.3**	**660.4**	**529.1**
SHAREHOLDER'S EQUITY						
Share capital	US$m	732.9	732.9	956.2	956.2	956.2
Reserves	US$m	19.2	44.7	44.7	44.7	44.7
Retained earnings	US$m	187.9	250.8	375.6	647.8	899.9
Total equity to NIC holders	**US$m**	**940.1**	**1,028.4**	**1,376.6**	**1,648.7**	**1,900.9**
Non-controlling interest	US$m	146.2	301.5	334.0	429.6	525.6
Total equity	**US$m**	**1,086.2**	**1,329.9**	**1,710.6**	**2,078.4**	**2,426.5**
Weighted average shares	m	1,948.7	2,515.0	2,627.8	2,740.0	2,740.0

CAPITAL STRUCTURE

Shares on issue	m	2,731.3
Total shares on issue	**m**	**2,731.3**
Share price	**A$/sh**	**1.085**
Market capitalisation	A$m	2,963.4
Net cash	A$m	-325.0
Enterprise value (undiluted)	**A$m**	**3,288.4**
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	2,731.3
Market capitalisation (diluted)	A$m	2,963.4
Net cash + options	A$m	-325.0
Enterprise value (diluted)	**A$m**	**3,288.4**

MAJOR SHAREHOLDERS

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

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
Attributable NPAT	US$m	110.6	137.9	222.6	442.3	424.7
Attributable NPAT	A$m	160.1	183.6	311.9	641.1	606.8
Reported EPS	USc/sh	5.7	5.5	8.5	16.1	15.5
Reported EPS	Ac/sh	8.2	7.3	11.9	23.4	22.1
Adjusted EPS	Ac/sh	8.2	7.3	11.9	23.4	22.1
EPS growth	%	62%	-11%	63%	97%	-5%
PER [1]	x	13.2x	14.9x	9.1x	4.6x	4.9x
DPS	Ac/sh	3.0	4.0	5.0	9.0	9.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	2.8%	3.7%	4.6%	8.3%	8.3%
FCF/share	Ac/sh	(2.6)	(21.6)	5.1	33.7	35.8
FCF yield	%	-2%	-20%	5%	31%	33%
P/FCFPS	x	-42.4x	-5.0x	21.4x	3.2x	3.0x
EV/EBITDA	x	11.8x	9.5x	5.4x	3.1x	3.3x
EBITDA margin	%	37%	38%	35%	39%	34%
EBIT margin	%	30%	32%	30%	34%	28%
Return on assets	%	17%	12%	14%	23%	20%
Return on equity	%	27%	18%	24%	39%	32%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(306)	190	26	(395)	(867)
ND / E	%	-33%	18%	2%	-24%	-46%
ND / (ND + E)	%	-48%	16%	2%	-31%	-84%
EBITDA / Interest	x	40.9x	19.1x	17.2x	30.3x	68.9x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenues	US$m	391.3	578.8	1,086.9	1,591.1	1,678.4
EBITDA	US$m	139.7	199.2	341.4	576.8	540.6
NPAT	US$m	110.6	137.9	222.6	442.3	424.7
Net distributable cash flow	US$m	269.3	(190.4)	225.2	243.7	267.9
EV/EBITDA	x	16.3	12.4	6.9	3.9	4.3
PER	x	13.2	14.9	9.1	4.6	4.9
P/FCF	x	nm	nm	nm	8.4	7.7

ORE RESERVE AND MINERAL RESOURCE

Hengjaya Nickel Mine (HM)	Mdmt	% Ni	t Ni
Mineral Resources			
Measured	20.000	1.30%	260,000
Indicated	109.000	1.30%	1,417,000
Inferred	56.000	1.30%	728,000
Total	**185.000**	**1.30%**	**2,405,000**

ASSUMPTIONS - Prices

Year ending 31 Dec. (avg)	Unit	2020a	2021a	2022e	2023e	2024e
Nickel	US$/lb	$6.25	$8.37	$11.78	$9.78	$9.50
Nickel	US$/t	$13,775	$18,460	$25,974	$21,550	$20,944
Currency						
AUD:USD		0.69	0.75	0.71	0.69	0.70

ASSUMPTIONS - Production & costs

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Hengjaya Mine						
Ore mined	wmt	795,650	2,169,972	2,583,800	2,400,000	2,400,000
Ore grade	% Ni	1.8%	1.8%	1.8%	1.8%	1.8%
Nickel in ore	t Ni	14,479	38,165	45,536	43,200	43,200
Nickel in ore (attributable)	t Ni	11,583	30,532	36,429	34,560	34,560
RKEF (IMIP)						
NPI production	t	295,897	298,352	498,905	864,615	904,615
Contained nickel	t Ni	43,622	40,411	66,901	103,823	114,623
Contained nickel (attributable)	t Ni	30,619	32,329	53,521	80,538	88,098
Costs						
Cash costs	US$/t Ni	$7,330	$10,106	$12,877	$11,857	$12,251
All-in-Costs (AIC)	US$/t Ni	$7,414	$10,225	$12,966	$11,969	$12,356

VALUATION

Ordinary shares (m)						**2,731.3**
Options in the money (m)						-
Total shares diluted (m)						**2,731.3**
Valuation	**CY22**		**CY23**		**CY24**	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	2,158.1	0.79	2,192.3	0.80	2,199.2	0.81
IWIP RKEF (NPV12)	2,173.6	0.80	2,290.1	0.84	2,290.5	0.84
ONI RKEF (NPV12)	691.7	0.25	1,345.2	0.49	1,450.5	0.53
Hengjaya Mine (NPV12)	143.8	0.05	161.7	0.06	130.8	0.05
Other exploration	120.0	0.04	120.0	0.04	120.0	0.04
Corporate overheads	(105.3)	(0.04)	(110.9)	(0.04)	(111.5)	(0.04)
Subtotal (EV)	5,182.0	1.90	5,998.3	2.20	6,079.5	2.23
Net cash (debt)	(325.0)	(0.12)	(325.0)	(0.12)	394.6	0.14
Total (undiluted)	**4,857.0**	**1.78**	**5,673.4**	**2.08**	**6,474.1**	**2.37**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**4,857.0**	**1.78**	**5,673.4**	**2.08**	**6,474.1**	**2.37**

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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