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Nickel Industries Ltd (NIC)

Record result

Recommendation
Buy (unchanged)
Price
$0.99
Target (12 months)
$1.83 (previously $1.96)

GICS Sector

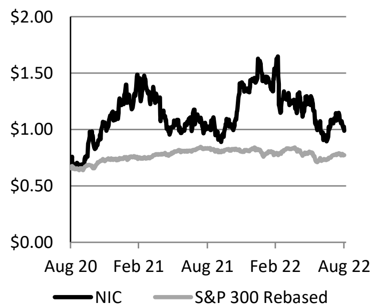
Materials

Expected Return	
Capital growth	84.9%
Dividend yield	4.0%
Total expected return	88.9%
Company Data & Ratios	
Enterprise value	$3,360m
Market cap	$2,704m
Issued capital	2,731m
Free float	74%
Avg. daily val. (52wk)	$19.3m
12 month price range	$0.885-$1.79

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.09	1.23	1.03
Absolute (%)	-8.8	-19.2	-3.4
Rel market (%)	-10.2	-17.5	3.5

Absolute Price



SOURCE: IRESS

1HCY22 financial result

NIC reported 1HCY22 financial result. The key takeaway, in our view, is that this is a record financial and production result for NIC, with the delivery of strong growth across all key metrics: Revenue up 78%; EBITDA up 76%; NPAT (attributable) up 42%; and EPS (Acps) up 45%. NIC reported revenue of US$515.0m (BPe US$510.8m), EBITDA of US$186.2m (BPe US$189.9m), consolidated NPAT of US$118.4m (BPe US$138.4m) and attributable NPAT of US$92.4m (BPe US$105.8m). The main differences compared with our forecasts were higher COGS and higher withholding tax as production rose. The result translated to attributable EPS of US3.5cps (A4.9cps) up 45% vs the pcp. NIC declared an A2cps, unfranked dividend (BPe A3cps). While this was below our forecast, it is consistent with previous dividend distributions and has been declared during a period of significant capital investment, with the Angel Nickel Project ramping up and the Oracle Nickel Project under construction.

Growth and product diversification in 2HCY22

While the result was slightly below our forecasts, NIC is delivering strong production and earnings growth that is one of the key tenets of our investment thesis. With the Angel Nickel Project expected to exceed nameplate capacity for the balance of CY22 and the Oracle Project on track for first production and commercial sales in 1QCY23, NIC states it is on track for Ni in NPI production in CY24 of ~130ktpa (100%-basis) and ahead of our more conservative forecast of 114ktpa. NIC is also expected to demonstrate nickel product diversification, with the production of its first nickel matte before end CY22.

Investment thesis – Buy, TP$1.83/sh (from Buy, TP$1.96/sh)

Our updated assumptions result in a 15% cut to our forecast CY22 earnings, driven primarily by our higher withholding tax forecast. Earnings for CY23 and CY24 are lowered as we make more conservative operating cost forecasts. Our target price is lowered by 7%, to $1.83/sh. We retain our Buy recommendation on NIC's strong growth outlook and undemanding valuation multiples.

Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US$m)	646	1,224	1,909	2,099
EBITDA (US$m)	243	384	627	592
Attributable NPAT (reported) (US$m)	138	187	343	323
Attributable NPAT (reported) (A$m)	184	262	497	462
EPS (adjusted) (A¢ps)	7.3	10.0	18.1	16.9
EPS growth (%)	-11%	37%	82%	-7%
PER (x)	13.6	9.9	5.5	5.9
FCF Yield (%)	-22%	3%	29%	30%
EV/EBITDA (x)	9.5	6.0	3.7	3.9
Dividend (A¢ps)	4.0	4.0	7.0	7.0
Yield (%)	4.0%	4.0%	7.1%	7.1%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	21%	32%	27%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Record result

1HCY22 financial result

NIC reported its financial results for the six months to 30 June 2022, The key takeaway, in our view, is that this is a record financial and production result for NIC, with the delivery of strong growth across all key metrics:

- Revenue was up 78%;
- EBITDA was up 76%;
- NPAT (attributable) was up 42%; and
- EPS (Acps) was up 45%.

NIC announced revenue of US$515.0m (vs BPe US$510.8m), EBITDA of US$186.2m (vs BPe US$189.9m), consolidated NPAT of US$118.4m (vs BPe US$138.4m) and attributable NPAT of US$92.4m (vs BPe US$105.8m). The main differences compared with our forecasts were higher COGS and higher withholding tax (up from <US$0.5m in the pcp to ~US$13m in the 6 months to June 2022). The result translated to attributable EPS of US3.5cps (A4.9cps) up 45% vs the pcp and positions NIC well to meet our CY22 forecast of A10cps.

NIC declared an A2cps, unfranked dividend (BPe A3cps). While this was below our forecast it is consistent with previous dividend distributions and has been declared during a period of significant capital investment, with the Angel Nickel Project ramping up and the Oracle Nickel Project under construction.

NIC ended 1HCY22 with cash of US$97.8m and gross debt of US$325m in Senior Unsecured Notes. Post period-end, NIC issued a further US$225m in Senior Secured Notes. During the period, NIC lifted its ownership of the Oracle Nickel project from 10% to 30%, with the additional debt raised to lift its equity interest to 70% by end CY22.

Key metrics from the 1HCY22 financial result are summarised below:

Table 1 - NIC financial result summary

Half-year financials (Consolidated basis)	Jun-21 HY (a)	Dec-21 HY (a)	**Dec-21 FY (a)**	**Jun-22 HY (a)**	**Jun-22 HY (BPe)**	Variance vs BPe	Variance vs pcp
Revenue (US$m)	288.7	357.2	**645.9**	**515.0**	**510.8**	1%	78%
EBITDA (US$m)	105.8	137.5	**243.2**	**186.2**	**189.9**	-2%	76%
NPAT reported (US$m)	83.0	93.0	**176.0**	**118.4**	**138.4**	-15%	43%
NPAT underlying (US$m)	65.3	72.6	**137.9**	**92.4**	**105.8**	-13%	42%
NPAT attributable (US$m)	65.3	72.6	**137.9**	**92.4**	**105.8**	-13%	42%
EPS attributable (Ac/sh)	3.4	3.9	**7.3**	**4.9**	**5.6**	-13%	45%
Dividend (Ac/sh)	2.0	2.0	**4.0**	**2.0**	**3.0**	-33%	0%
Free cash flow (US$m)	-236.7	-172.2	**-408.8**	**27.9**	**46.0**	-39%	-112%
Cash balance (US$m)	189.8	137.9	**137.9**	**336.6**	**364.3**	-8%	77%
Debt (US$m)	173.9	327.6	**327.6**	**327.7**	**327.7**	0%	88%
Production, costs, prices							
Ni in NPI (t, Consolidated)	20,211	20,200	**40,411**	**26,734**	**26,734**	0%	32%
Ni in NPI (t, Attributable)	16,168	16,160	**32,329**	**21,387**	**21,387**	0%	32%
Cash costs (US$/t)	$8,900	$11,360	**$10,106**	**$13,547**	**$13,547**	0%	52%
Nickel price (US$/t)	$17,441	$19,478	**$18,460**	**$29,901**	**$29,901**	0%	71%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Other takeaways from the result include:

- The Oracle Nickel Project remains on track for commissioning in October 2022, approximately one quarter ahead of the original schedule;
- NIC's first RKEF lines have been converted to be able to produce a nickel matte product, with NIC guiding that it will achieve first production before end CY22;
- The power station at the Angel Nickel Project has been successfully ramped up and is now providing the full power requirement, enabling Angel to operate at ~130% of nameplate capacity; and
- Margins are expected to contract in the current quarter as falling NPI prices are only partially offset by economies of scale and lower power and other input costs at the Angel Nickel project.

Changes to our forecasts

Beyond updating our forecasts for the 1HCY22 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 elevated input costs and raw material prices. We still forecast lower operating costs compared with 1HCY22;
- Increase our withholding tax assumptions to reflect increased payment rates with the ramp-up of production from ANI during the period and ONI in CY23; and
- Updated for NIC's latest net debt position capital structure.

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$/t)	25,974	21,550	20,944	**25,974**	**21,550**	**20,944**	0%	0%	0%
US$/A$	0.71	0.69	0.70	**0.71**	**0.69**	**0.70**	0%	0%	0%
Production & costs									
Ore mined (t)	2,583,800	2,400,000	2,400,000	**2,583,800**	**2,400,000**	**2,400,000**	0%	0%	0%
Nickel in ore (t)	45,536	43,200	43,200	**45,536**	**43,200**	**43,200**	0%	0%	0%
RKEF NPI production (t)	498,905	864,615	904,615	**498,905**	**864,615**	**904,615**	0%	0%	0%
Contained nickel (t)	66,901	103,823	114,623	**66,901**	**103,823**	**114,623**	0%	0%	0%
Contained nickel (t, attributable)	53,521	80,538	88,098	**53,521**	**80,538**	**88,098**	0%	0%	0%
Cash costs (US$/t Ni)	12,877	11,857	12,251	**13,287**	**12,527**	**12,818**	3%	6%	5%
Earnings & valuation									
Revenue (consolidated, US$m)	1,220	1,909	2,099	**1,224**	**1,909**	**2,099**	0%	0%	0%
EBITDA (consolidated, US$m)	429	744	705	**384**	**627**	**592**	-11%	-16%	-16%
EBITDA (attributable, US$m)	341	577	541	**323**	**522**	**490**	-5%	-9%	-9%
NPAT (reported, attributable, US$m)	220	425	404	**187**	**343**	**323**	-15%	-19%	-20%
EPS (reported) (Acps)	11.7	22.5	21.1	**10.0**	**18.1**	**16.9**	-15%	-19%	-20%
PER (x)	8.4	4.4	4.7	**9.9**	**5.5**	**5.9**	1.5	1.0	1.2
EPS growth (%)	61%	91%	-6%	**37%**	**82%**	**-7%**	-24%	-9%	-1%
DPS (Acps)	5.0	9.0	9.0	**4.0**	**7.0**	**7.0**	-20%	-22%	-22%
Yield	5.1%	9.1%	9.1%	**4.0%**	**7.1%**	**7.1%**	-1%	-2%	-2%
NPV (A$/sh)	1.66	1.96	2.36	**1.54**	**1.83**	**2.23**	-7%	-7%	-5%
Price Target (A$/sh)		1.96			**1.83**			-7%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our updated assumptions result in a 15% cut to our forecast CY22 earnings, driven primarily by our higher withholding tax forecast. Earnings for CY23 and CY24 are lowered as we make more conservative operating cost forecasts reflecting ongoing elevated input costs. Our NPV-based, sum-of-the-parts valuation is lowered by 7%, to $1.83/sh. We retain our Buy recommendation.

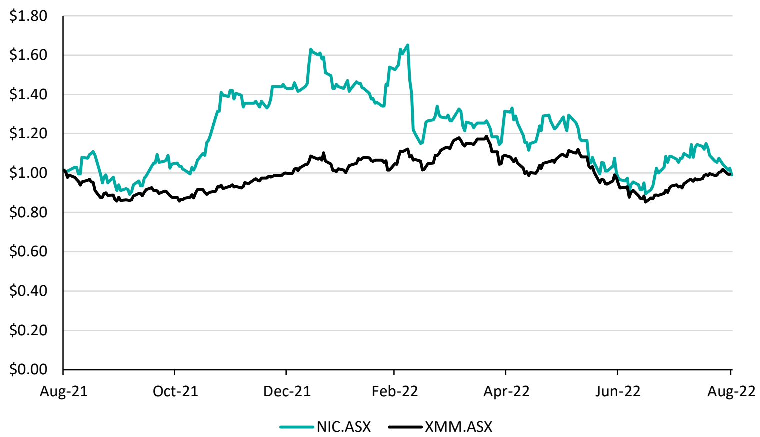
Upcoming catalysts

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 are modelling commissioning and first commercial production and sales in 1QCY23;
- 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 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$1.83/sh (from Buy, TP$1.96/sh)

Our updated assumptions result in a 15% cut to our forecast CY22 earnings, driven primarily by our higher withholding tax forecast. Earnings for CY23 and CY24 are lowered as we make more conservative operating cost forecasts. Our target price is lowered by 7%, to $1.83/sh. We retain our Buy recommendation on NIC's strong growth outlook and undemanding valuation multiples.

Valuation: $1.83/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine, 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 $1.83/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 31 August 2022

Recommendation	Buy
Price	$0.99
Target (12 months)	$1.83

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US$m	523.5	645.9	1,223.8	1,908.8	2,098.7
Expense	US$m	(329.0)	(402.7)	(839.6)	(1,282.2)	(1,506.7)
EBITDA	**US$m**	**194.5**	**243.2**	**384.1**	**626.6**	**592.0**
Depreciation	US$m	(36.8)	(36.0)	(69.3)	(99.3)	(111.2)
EBIT	US$m	157.7	207.3	314.8	527.3	480.8
Net interest expense	US$m	(4.7)	(12.7)	(27.6)	(42.4)	(31.2)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	1.6	(13.5)	(25.4)	-	-
PBT	**US$m**	**154.6**	**181.0**	**261.9**	**484.9**	**449.5**
Tax expense	US$m	(0.9)	(5.1)	(15.7)	(17.3)	(3.7)
Consolidated profit (loss) for the year	US$m	153.7	176.0	246.2	467.6	445.9
Non-Controlling Interest	US$m	43.1	38.0	59.2	124.6	122.5
Attributable NPAT (reported)	**US$m**	**110.6**	**137.9**	**187.0**	**343.0**	**323.4**
NPAT (underlying)	US$m	110.6	137.9	187.0	343.0	323.4

CASH FLOW

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASHFLOW						
Receipts	US$m	517.6	660.9	1,226.5	1,840.3	2,079.7
Payments	US$m	(358.9)	(464.0)	(685.5)	(1,171.6)	(1,450.6)
Tax	US$m	(9.1)	(8.2)	5.1	(15.7)	(17.3)
Net interest	US$m	0.3	0.3	(27.6)	(42.4)	(31.2)
Other	US$m	-	-	(14.2)	-	-
Operating cash flow	**US$m**	**150.0**	**189.0**	**504.3**	**610.6**	**580.6**
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)*	*62.8*	*538.1*	*569.3*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	430.0	-	223.3	-	-
Debt proceeds	US$m	-	320.8	225.0	-	-
Debt repayments	US$m	(25.3)	(45.0)	-	-	(325.0)
Distributions to non-controlling interests	US$m	(43.3)	(29.1)	(36.4)	(43.1)	(38.8)
Dividends	US$m	(15.4)	(75.1)	(78.2)	(132.3)	(134.3)
Other	US$m	(12.4)	25.7	(11.2)	-	-
Financing cash flow	**US$m**	**333.6**	**197.3**	**322.5**	**(175.5)**	**(498.0)**
Change in cash	*US$m*	*299.2*	*(211.5)*	*385.3*	*362.6*	*71.3*

BALANCE SHEET

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash & short term investments	US$m	351.4	137.9	523.1	885.8	957.1
Accounts receivable	US$m	117.8	125.1	122.4	190.9	209.9
Property, plant & equipment	US$m	600.8	1,296.3	1,668.1	1,640.9	1,540.6
Mine development expenditure	US$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$m	**1,234.7**	**1,802.6**	**2,557.4**	**2,961.7**	**2,952.1**
LIABILITIES						
Accounts payable	US$m	40.3	55.7	209.9	320.5	376.7
Income tax payable	US$m	3.8	7.6	15.7	17.3	3.7
Borrowings	US$m	45.0	327.6	559.3	559.3	234.3
Other	US$m	59.4	81.7	87.7	87.7	87.7
Total liabilities	US$m	**148.4**	**472.7**	**872.6**	**984.9**	**702.4**
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$m	187.9	250.8	359.5	570.2	759.3
Total equity to NIC holders	**US$m**	**940.1**	**1,028.4**	**1,360.5**	**1,571.1**	**1,760.3**
Non-controlling interest	US$m	146.2	301.5	324.3	405.7	489.4
Total equity	**US$m**	**1,086.2**	**1,329.9**	**1,684.7**	**1,976.8**	**2,249.7**
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$/sh**	**0.990**
Market capitalisation	A$m	2,704.0
Net cash	A$m	-655.9
Enterprise value (undiluted)	**A$m**	**3,359.9**
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$m	2,704.0
Net cash + options	A$m	-655.9
Enterprise value (diluted)	**A$m**	**3,359.9**

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
Directors and Management	5.0%	137.9
Shanghai Wanlu	4.4%	121.3

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
Attributable NPAT	US$m	110.6	137.9	187.0	343.0	323.4
Attributable NPAT	A$m	160.1	183.6	262.0	497.1	462.0
Reported EPS	USc/sh	5.7	5.5	7.1	12.5	11.8
Reported EPS	Ac/sh	8.2	7.3	10.0	18.1	16.9
Adjusted EPS	Ac/sh	8.2	7.3	10.0	18.1	16.9
EPS growth	%	62%	-11%	37%	82%	-7%
PER [1]	x	12.0x	13.6x	9.9x	5.5x	5.9x
DPS	Ac/sh	3.0	4.0	4.0	7.0	7.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	3.0%	4.0%	4.0%	7.1%	7.1%
FCF/share	Ac/sh	(2.6)	(21.6)	3.3	28.5	29.7
FCF yield	%	-3%	-22%	3%	29%	30%
P/FCFPS	x	-38.7x	-4.6x	29.6x	3.5x	3.3x
EV/EBITDA	x	11.9x	9.5x	6.0x	3.7x	3.9x
EBITDA margin	%	37%	38%	31%	33%	28%
EBIT margin	%	30%	32%	26%	28%	23%
Return on assets	%	17%	12%	11%	17%	15%
Return on equity	%	27%	18%	21%	32%	27%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(306)	190	36	(327)	(723)
ND / E	%	-33%	18%	3%	-21%	-41%
ND / (ND + E)	%	-48%	16%	3%	-26%	-70%
Attr. EBITDA / Interest	x	29.4x	15.7x	11.7x	12.3x	15.7x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenues	US$m	391.3	578.8	1,090.3	1,591.1	1,678.4
EBITDA	US$m	139.7	199.2	322.8	522.5	490.3
NPAT	US$m	110.6	137.9	187.0	343.0	323.4
Net distributable cash flow	US$m	269.3	(190.4)	346.8	326.4	64.1
EV/EBITDA	x	16.6	12.7	7.4	4.4	4.8
PER	x	12.0	13.6	9.9	5.5	5.9
P/FCF	x	nm	nm	nm	5.7	29.5

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	$13,287	$12,527	$12,818
All-in-Costs (AIC)	US$/t Ni	$7,414	$10,225	$13,386	$12,639	$12,923

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)	2,129.1	0.78	2,169.9	0.79	2,187.4	0.80
IWIP RKEF (NPV12)	2,014.9	0.74	2,125.6	0.78	2,139.8	0.78
ONI RKEF (NPV12)	565.1	0.21	1,203.4	0.44	1,314.0	0.48
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	(109.1)	(0.04)	(115.2)	(0.04)	(115.8)	(0.04)
Subtotal (EV)	4,863.9	1.78	5,665.5	2.07	5,776.3	2.11
Net cash (debt)	(655.9)	(0.24)	(655.9)	(0.24)	326.5	0.12
Total (undiluted)	**4,207.9**	**1.54**	**5,009.5**	**1.83**	**6,102.8**	**2.23**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**4,207.9**	**1.54**	**5,009.5**	**1.83**	**6,102.8**	**2.23**

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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