Analyst
David Coates 612 8224 2887

Authorisation
Bradley Watson 618 9326 7672

Nickel Industries Ltd (NIC)

Making money through the cycle

Recommendation
Buy (unchanged)
Price
$0.825
Target (12 months)
$1.64 (previously $1.75)

GICS Sector

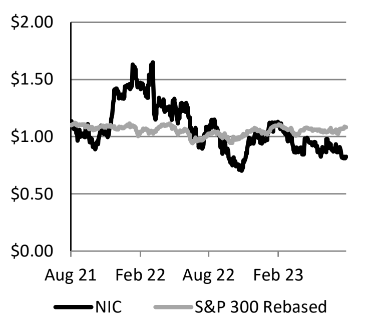
Materials

Expected Return	
Capital growth	**98.8%**
Dividend yield	**4.8%**
Total expected return	**103.6%**
Company Data & Ratios	
Enterprise value	**$2,986m**
Market cap	**$3,506m**
Issued capital	**4,249m***
Free float	**51%**
Avg. daily val. (52wk)	**$11.9m**
12 month price range	**$0.685-$1.18**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.87	0.95	1.09
Absolute (%)	-5.2	-13.2	-24.0
Rel market (%)	-9.3	-14.4	-32.4

Absolute Price



SOURCE: IRESS

June 2023 quarterly report

For the June quarter, NIC produced 32,558t contained Ni, with 25,032t attributable. Cash costs were US$12,135/t (BPe US$12,915/t). Production, which had been pre-released, was aligned with our forecasts and delivered production growth of 22% qoq. This was driven primarily by the successful ramp-up at ONI, which produced 10,141t of Ni in NPI, a 94.8% increase from the March quarter. Costs were lower at all operations on lower laterite nickel ore and smelting coal prices. NIC has guided for further cost decreases in the September 2023 quarter. Costs dropped 12% qoq and beat our forecasts, which we had already adjusted lower with updated EBITDA guidance.

Further growth coming in 2HCY23

Production continued to ramp up at the Oracle Nickel Project (ONI), where the dedicated power plant is now online and expected to facilitate both higher production and lower costs from the current (September 2023) quarter. We expect power costs at ONI to reduce from 8.2c/kWh to closer to the Angel Nickel Project's (ANI) power costs of US5.2c/kWh, driving further cost reductions. Post quarter-end, NIC completed the acquisition of a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project, from which we anticipate first sales in the current quarter. Ore sales volumes from the Hengjaya Mine are also expected to ramp up upon the imminent completion of a major new haul road, allowing increased trucking capacity to the IMIP.

Investment thesis – Buy, TP$1.64/sh (from Buy, TP$1.75/sh)

EPS changes in this report are: CY23 -26%, CY24 -5%, CY25 -2% due to a lower forecast nickel price for CY23 more than offsetting lower operating costs. Our NPV-based valuation drops 6% to $1.64/sh, primarily on a lower nickel price. However, NIC is increasingly leveraged to its EBITDA margins as production volumes grow. NIC is also demonstrating it makes money through the cycle and we see significant potential earnings upside as market conditions improve. Retain buy.

Earnings Forecast

Year ending 31 December	2022a	2023e	2024e	2025e
Sales (US$m)	1,217	1,960	2,243	2,462
EBITDA (US$m)	348	383	504	653
Attributable NPAT (reported) (US$m)	159	150	237	364
Attributable NPAT (reported) (A$m)	228	220	338	520
EPS (adjusted) (A¢ps)	8.5	6.3	8.0	12.2
EPS growth (%)	17%	-26%	26%	54%
PER (x)	9.7	13.1	10.4	6.7
FCF Yield (%)	-24%	6%	18%	23%
EV/EBITDA (x)	5.7	5.2	4.0	3.1
Dividend (A¢ps)	4.0	4.0	4.0	5.0
Yield (%)	4.8%	4.8%	4.8%	6.1%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	11%	12%	18%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Making money through the cycle

June 2023 quarterly report

NIC released its June 2023 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 continued to ramp up at the Oracle Nickel Project (ONI), where the dedicated power plant is now online and expected to facilitate both higher production and lower costs from the current (September 2023) quarter.

Production, which had been pre-released so was aligned with our forecasts, delivered production growth of 22% qoq. This was driven primarily by the successful ramp-up at ONI, which produced 10,141t of Ni in NPI, a 94.8% increase from the March quarter. Costs, which we had adjusted lower with updated EBITDA guidance, still beat our forecasts and dropped 12% qoq.

For the June quarter, NIC produced 32,558t contained Ni, with 25,032t attributable. Cash costs were US$12,135/t (BPe US$12,915/t). Costs were lower at all operations on lower in nickel ore and smelting coal costs. NIC has guided for further decreases in the September quarter. Power costs at ANI were US5.2c/kWh (from 6.2c/kWh qoq) and compared with 8.7c/kWh at the RNI and HNI Projects. In the September quarter we expect power costs at ONI to reduce from 8.2c/kWh to closer to ANI's power costs of US5.2c/kWh, driving further cost reductions.

Table 1 - NIC quarterly production summary

	Jun-22 Actual	Sep-22 Actual	Dec-22 Actual	Mar-23 Actual	Jun-23 Actual	Jun-23 BP est.	Variance qoq %	Variance vs BPe %
RKEF nickel production								
Contained nickel (t)	15,567	20,275	23,072	26,665	32,558	32,558	22%	0%
Contained nickel (t, attributable)	12,454	16,220	18,329	21,332	25,032	25,032	17%	0%
Costs								
Cash costs (US$/t Ni)	$14,503	$13,597	$13,053	$13,801	$12,135	$12,915	-12%	-6%
All-In-Cost (US$/t Ni)	$14,611	$13,682	$13,181	$13,882	$12,351	$13,005	-11%	-5%
Hengjaya Mine								
Ore sales (t)	931,876	750,895	1,126,446	790,227	905,361	1,525,000	15%	-41%
grade (% Ni)	1.74%	1.73%	1.67%	1.57%	1.57%	1.45%	0.0%	8.3%
Contained nickel (t Ni)	11,722	9,785	12,116	10,630	10,836	16,313	2%	-34%
Mine OPEX (US$/t)	$26.02	$26.91	$28.47	$28.75	$31.34	$27.00	9%	16%
Avg price received (US$/t)	$52.43	$42.88	$42.48	$44.56	$40.62	$37.00	-9%	10%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

NIC reported an average realised nickel price of US$13,810/t Ni (from US$17,077/t qoq), approximating 62% of our estimated average LME nickel price for the quarter of US$22,346/t, reflecting weak stainless steel demand and ample NPI supply driving lower NPI pricing.

RKEF EBITDA dropped to US$43.9m (100% basis, from US$90.0m qoq). Together with EBITDA of US$12.0m from NIC's 80%-owned Hengjaya laterite mine, NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US$55.9m (from US$106.1m qoq).

Cash and receivables rose to US$642.1m from US$613.8m, including cash of US$363.1m (from US$275.1m qoq). NIC has debt of US$550m.

Post quarter-end and following Australian Foreign Investment Review Board (FIRB) approval, NIC completed the acquisition of a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project, which will provide NIC with ~6.5ktpa Mixed Hydroxide Precipitate (MHP) nickel production suitable for the EV and battery market. We anticipate first sales in the current quarter.

Changes to our forecasts

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

- Increased our forecast production and lowered our forecast costs for the Oracle Nickel Project, upon confirmation of the commissioning of its dedicated power plant and management guidance that this will lead to further increases in production and lower costs;
- Adjust operating costs incrementally lower at the HNI and RNI projects on lower than forecast input costs;
- This is partially offset by lower realised prices that we forecast based on actual prices received;
- Trimmed our sales assumptions for ore sales volumes from the Hengjaya Mine, which are ramping up more slowly than production volumes; and
- Updated for our latest commodity price and exchange rate forecasts, which includes reductions to our nickel price over the forecast period.

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-23**	**Dec-24**	**Dec-25**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-23**	**Dec-24**	**Dec-25**
Prices & currency									
Nickel price (US$/t)	23,676	20,944	22,252	**22,904**	**20,393**	**22,080**	-3%	-3%	-1%
US$/A$	0.68	0.70	0.70	**0.68**	**0.70**	**0.70**	0%	0%	0%
Production & costs									
Ore mined (t)	5,765,227	9,100,000	9,100,000	**4,970,588**	**9,100,000**	**9,100,000**	-14%	0%	0%
Nickel in ore (t)	59,568	65,250	65,250	**51,553**	**65,250**	**65,250**	-13%	0%	0%
RKEF NPI production (t)	964,432	999,615	996,615	**954,297**	**1,027,615**	**1,024,615**	-1%	3%	3%
Contained nickel (t)	156,519	194,958	194,040	**158,559**	**198,318**	**197,400**	1%	2%	2%
Contained nickel (t, attributable)	101,415	108,366	107,632	**102,033**	**111,054**	**110,320**	1%	2%	2%
Cash costs (US$/t Ni)	13,120	13,323	13,408	**12,454**	**12,919**	**13,392**	-5%	-3%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	2,102	2,269	2,430	**1,960**	**2,243**	**2,462**	-7%	-1%	1%
EBITDA (consolidated, US$m)	455	518	663	**383**	**504**	**653**	-16%	-3%	-1%
EBITDA (attributable, US$m)	394	447	574	**331**	**435**	**566**	-16%	-3%	-2%
NPAT (reported, attributable, US$m)	204	248	372	**150**	**237**	**364**	-27%	-5%	-2%
EPS (reported) (Acps)	8.6	8.3	12.5	**6.3**	**8.0**	**12.2**	-26%	-5%	-2%
PER (x)	9.6	9.9	6.6	**13.1**	**10.4**	**6.7**	3.5	0.5	0.1
EPS growth (%)	0%	-2%	50%	**-26%**	**26%**	**54%**	-27%	29%	4%
DPS (Acps)	4.0	3.0	5.0	**4.0**	**4.0**	**5.0**	0%	33%	0%
Yield	4.8%	3.6%	6.1%	**4.8%**	**4.8%**	**6.1%**	0%	1%	0%
NPV (A$/sh)	1.45	1.75	2.01	**1.35**	**1.64**	**1.85**	-7%	-6%	-8%
Price Target (A$/sh)		1.75			**1.64**			-6%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

A lower forecast nickel price has for CY23 more than offset steady CY23 nickel production forecasts and lower operating costs. NIC continues to trade on an undemanding EV/EBITDA multiple of 6.1x for CY23 (attributable basis) for a company that is delivering aggressive production growth. NIC is highly sensitive to margin expansion and we see significant potential upside to our forecasts in more favourable market conditions.

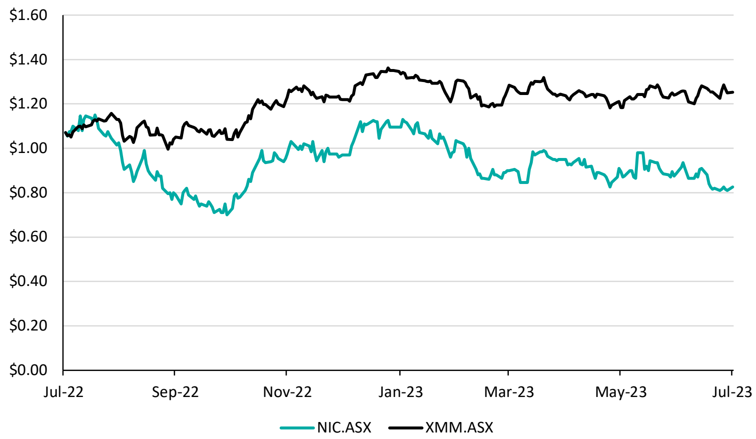
Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and market outlook – key near-term earnings and cash flow drivers for NIC;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- The commencement of Class 1 nickel product sales from the low carbon intensity HNC HPAL operation in the September 2023 quarter;
- Further updates on the production ramp-up of ONI and its associated power station. This is expected to drive production and earnings growth in 2HCY23;
- Progress updates for the Hengjaya Mine, where production ramp-up of limonite nickel ore sales are increasing in 2HCY23 following the completion of the new haul road, expected in the current quarter;
- The release of NIC's interim financial results, expected in late August 2023; and
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, for which a maiden Resource is planned for the September 2023 quarter.

NIC vs the ASX Metals and Mining Index

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



SOURCE: IRESS

Nickel Industries Limited (NIC)

Company description: fully integrated NPI producer

Nickel Industries Limited ('Nickel Industries or 'NIC') was formed in 2007 and listed on the ASX in 2018 as Nickel Mines Ltd. Its operations are focused in Central Sulawesi, Indonesia, where it holds an 80% interest four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two Ranger lines) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP).

First production from the Hengjaya Lines was achieved on 31 January 2019 and the Ranger Lines commenced production during the December quarter 2019. Both projects have since achieved steady state production of ~20ktpa contained Ni in NPI, exceeding nameplate production of ~16ktpa each at lower than planned operating costs.

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

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

Investment thesis – Buy, TP$1.64/sh (from Buy, TP$1.75/sh)

EPS changes in this report are: CY23 -26%, CY24 -5%, CY25 -2% due to a lower forecast nickel price for CY23 more than offsetting lower operating costs. Our NPV-based valuation drops 6% to $1.64/sh, primarily on a lower nickel price. However, NIC is increasingly leveraged to its EBITDA margins as production volumes grow. NIC is also demonstrating it makes money through the cycle and we see significant potential earnings upside as market conditions improve. Retain buy.

Valuation: $1.64/sh

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

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

We also include a risk-adjusted, NPV-based valuation for NIC's 80% interest in the Angel Nickel Industry (ANI) project, its 80% interest in the Oracle Nickel Project (ONI), its 10% interest in the HNC HPAL plant and a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at $1.64/sh.

Risks

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

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. A mitigating factor in this respect has been the +20% holding in NIC equity.

Nickel Industries Ltd
as at 31 July 2023

Recommendation	Buy
Price	$0.825
Target (12 months)	$1.64

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Revenue	US$m	645.9	1,217.0	1,959.9	2,243.2	2,462.1
Expense	US$m	(402.7)	(868.9)	(1,576.5)	(1,738.8)	(1,808.9)
EBITDA	**US$m**	**243.2**	**348.2**	**383.4**	**504.4**	**653.2**
Depreciation	US$m	(36.0)	(66.6)	(97.0)	(119.7)	(119.1)
EBIT	US$m	207.3	281.6	286.4	384.7	534.1
Net interest expense	US$m	(12.7)	(32.8)	(57.0)	(51.2)	(43.3)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	(13.5)	(31.8)	(9.2)	-	-
PBT	**US$m**	**181.0**	**217.0**	**220.3**	**333.5**	**490.8**
Tax expense	US$m	(5.1)	(7.7)	(14.4)	(24.8)	(24.0)
Consolidated profit (loss) for the year	US$m	176.0	209.4	205.9	308.7	466.8
Non-Controlling Interest	US$m	38.0	50.4	56.4	72.0	103.0
Attributable NPAT (reported)	**US$m**	**137.9**	**159.0**	**149.5**	**236.6**	**363.7**
NPAT (underlying)	US$m	137.9	159.0	149.5	236.6	363.7

CASH FLOW

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
OPERATING CASHFLOW						
Receipts	US$m	660.9	1,203.3	1,999.6	2,214.9	2,440.3
Payments	US$m	(464.0)	(1,079.8)	(1,359.6)	(1,698.2)	(1,791.4)
Tax	US$m	(8.2)	(58.2)	7.7	(14.4)	(24.8)
Net interest	US$m	0.3	1.0	(57.0)	(51.2)	(43.3)
Other	US$m	-	(3.3)	(21.2)	-	-
Operating cash flow	**US$m**	**189.0**	**63.0**	**569.6**	**451.0**	**580.7**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(6.5)	(9.4)	(456.6)	(17.3)	(19.3)
Mine development	US$m	(41.7)	(110.4)	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	(549.6)	(310.2)	-	-	-
Investing cash flow	**US$m**	**(597.9)**	**(430.0)**	**(456.6)**	**(17.3)**	**(19.3)**
Free Cash Flow	*US$m*	*(408.8)*	*(367.0)*	*112.9*	*433.7*	*561.4*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	-	106.0	1,089.9	-	-
Debt proceeds	US$m	320.8	230.3	400.0	-	-
Debt repayments	US$m	(45.0)	(5.6)	(304.0)	(246.0)	-
Distributions to non-controlling interests	US$m	(29.1)	(28.1)	(15.6)	(15.5)	(24.1)
Dividends	US$m	(75.1)	(72.7)	(115.6)	(119.0)	(148.7)
Other	US$m	25.7	143.3	(9.2)	-	-
Financing cash flow	**US$m**	**197.3**	**373.2**	**1,045.5**	**(380.4)**	**(172.8)**
Change in cash	*US$m*	*(211.5)*	*6.2*	*1,158.4*	*53.3*	*388.6*

BALANCE SHEET

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
ASSETS						
Cash & short term investments	US$m	137.9	144.2	1,302.6	1,356.0	1,744.5
Accounts receivable	US$m	125.1	235.6	196.0	224.3	246.2
Property, plant & equipment	US$m	1,296.3	1,922.1	2,281.8	2,179.4	2,079.6
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	-	-	-
Other	US$m	243.4	370.6	370.6	370.6	370.6
Total assets	**US$m**	**1,802.6**	**2,672.5**	**4,150.9**	**4,130.2**	**4,440.9**
LIABILITIES						
Accounts payable	US$m	55.7	177.2	394.1	434.7	452.2
Income tax payable	US$m	7.6	21.2	14.4	24.8	24.0
Borrowings	US$m	327.6	559.3	663.1	417.1	417.1
Other	US$m	81.7	100.3	100.3	100.3	100.3
Total liabilities	US$m	**472.7**	**858.0**	**1,171.8**	**976.8**	**993.6**
SHAREHOLDER'S EQUITY						
Share capital	US$m	732.9	942.4	2,032.4	2,032.4	2,032.4
Reserves	US$m	44.7	19.1	19.1	19.1	19.1
Retained earnings	US$m	250.8	337.0	370.9	488.6	703.7
Total equity to NIC holders	**US$m**	**1,028.4**	**1,298.6**	**2,422.4**	**2,540.1**	**2,755.2**
Non-controlling interest	US$m	301.5	515.9	556.7	613.3	692.1
Total equity	**US$m**	**1,329.9**	**1,814.5**	**2,979.1**	**3,153.4**	**3,447.3**
Weighted average shares	m	2,515.0	2,681.5	3,489.8	4,248.3	4,248.3

CAPITAL STRUCTURE

Shares on issue	m	3,045.4
Other	m	1,204.0
Total shares on issue	**m**	**4,249.4**
Share price	**A$/sh**	**0.825**
Market capitalisation	A$m	3,505.8
Net cash	A$m	519.9
Enterprise value (undiluted)	**A$m**	**2,985.9**
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	4,249.4
Market capitalisation (diluted)	A$m	3,505.8
Net cash + options	A$m	519.9
Enterprise value (diluted)	**A$m**	**2,985.9**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	25.7%	1,092.3
PT United Tractors (conditional placement)	20.2%	857.0
Tanito Group (PT Karunia)	10.6%	451.4
BlackRock Investment Management	5.2%	219.0
L1 Capital	5.3%	226.1

FINANCIAL RATIOS

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
VALUATION						
Attributable NPAT	US$m	137.9	159.0	149.5	236.6	363.7
Attributable NPAT	A$m	183.6	228.3	219.7	338.0	519.6
Reported EPS	USc/sh	5.5	5.9	4.3	5.6	8.6
Reported EPS	Ac/sh	7.3	8.5	6.3	8.0	12.2
Adjusted EPS	Ac/sh	7.3	8.5	6.3	8.0	12.2
EPS growth	%	-11%	17%	-26%	26%	54%
PER [1]	x	11.3x	9.7x	13.1x	10.4x	6.7x
DPS	Ac/sh	4.0	4.0	4.0	4.0	5.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	4.8%	4.8%	4.8%	4.8%	6.1%
FCF/share	Ac/sh	(21.6)	(19.7)	4.8	14.6	18.9
FCF yield	%	-26%	-24%	6%	18%	23%
P/FCFPS	x	-3.8x	-4.2x	17.3x	5.7x	4.4x
EV/EBITDA	x	8.2x	5.7x	5.2x	4.0x	3.1x
EBITDA margin	%	38%	29%	20%	22%	27%
EBIT margin	%	32%	23%	15%	17%	22%
Return on assets	%	12%	9%	6%	7%	11%
Return on equity	%	18%	18%	11%	12%	18%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	190	415	(640)	(939)	(1,327)
ND / E	%	18%	32%	-26%	-37%	-48%
ND / (ND + E)	%	16%	24%	-36%	-59%	-93%
Attr. EBITDA / Interest	x	15.7x	8.4x	5.8x	8.5x	13.1x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Revenues	US$m	578.8	1,070.6	1,732.2	2,019.6	2,197.0
EBITDA	US$m	199.2	273.9	330.7	435.2	565.7
NPAT	US$m	137.9	159.0	149.5	236.6	363.7
Net distributable cash flow	US$m	(190.4)	5.6	1,042.5	48.0	349.7
EV/EBITDA	x	11.3	7.6	6.1	4.8	3.7
PER	x	11.3	9.7	13.1	10.4	6.7
P/FCF	x	nm	nm	nm	51.1	7.0

ORE RESERVE AND MINERAL RESOURCE

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

ASSUMPTIONS - Prices

Year ending 31 Dec. (avg)	Unit	2021a	2022a	2023e	2024e	2025e
Nickel	US$/lb	$8.37	$12.17	$10.39	$9.25	$10.02
Nickel	US$/t	$18,460	$26,819	$22,904	$20,393	$22,080
Currency						
AUD:USD		0.75	0.70	0.68	0.70	0.70

ASSUMPTIONS - Production & costs

Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e
Hengjaya Mine						
Ore mined	wmt	2,169,972	3,782,554	4,970,588	9,100,000	9,100,000
Ore grade	% Ni	1.8%	1.7%	1.5%	1.5%	1.5%
Nickel in ore	t Ni	38,165	45,838	51,553	65,250	65,250
Nickel in ore (attributable)	t Ni	30,532	36,670	41,243	52,200	52,200
RKEF + HPAL ops						
NPI production	t	298,352	509,127	954,297	1,027,615	1,024,615
Contained nickel (100%)	t Ni	40,411	70,079	158,559	198,318	197,400
Contained nickel (attributable)	t Ni	32,329	55,993	102,033	111,054	110,320
Costs						
Cash costs	US$/t Ni	$10,106	$13,387	$12,454	$12,919	$13,392
All-in-Costs (AIC)	US$/t Ni	$10,225	$13,483	$12,549	$12,997	$13,473

VALUATION

Ordinary shares (m)	**4,249.4**
Options in the money (m)	-
Total shares diluted (m)	**4,249.4**

Valuation	Current		+12 months		+24 months	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	1,511.7	0.36	1,510.4	0.36	1,591.9	0.37
ANI RKEF (NPV12)	1,553.8	0.37	1,617.9	0.38	1,626.3	0.38
ONI RKEF (NPV12)	827.8	0.19	1,554.2	0.37	1,927.2	0.45
Hengjaya Mine (NPV12)	279.0	0.07	313.6	0.07	310.2	0.07
HNC HPAL (NPV12)	159.1	0.04	562.3	0.13	572.2	0.13
ENC HPAL (NPV12)	805.5	0.19	805.5	0.19	805.5	0.19
Other exploration	200.0	0.05	200.0	0.05	200.0	0.05
Corporate overheads	(108.0)	(0.03)	(113.9)	(0.03)	(114.3)	(0.03)
Subtotal (EV)	5,229.1	1.23	6,450.0	1.52	6,919.0	1.63
Net cash (debt)	519.9	0.12	519.9	0.12	938.9	0.22
Total (undiluted)	**5,749.0**	**1.35**	**6,969.9**	**1.64**	**7,857.9**	**1.85**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**5,749.0**	**1.35**	**6,969.9**	**1.64**	**7,857.9**	**1.85**

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
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Associates			
Connor Eldridge	Associate Analyst	612 8224 2893	celdridge
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
Ritesh Varma	Associate Analyst	613 9235 1658	rvarma
James Williamson	Associate Analyst	613 9235 1692	jwilliamson

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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 1701, 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