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Nickel Industries Ltd (NIC)

Opening the door to low carbon, Class 1 nickel

Recommendation

Buy (unchanged)

Price

\$1.095

Target (12 months)

\$1.85 (previously \$1.71)

GICS Sector

Materials

Expected Return

Capital growth	68.9%
Dividend yield	2.7%
Total expected return	71.7%

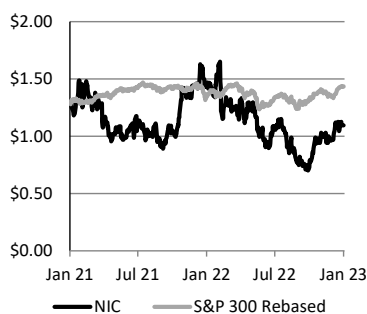
Company Data & Ratios

Enterprise value	\$4,000m
Market cap	\$3,369m
Issued capital	3,369m
Free float	72%
Avg. daily val. (52wk)	\$18.1m
12 month price range	\$0.685-\$1.79

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.96	0.71	1.43
Absolute (%)	14.1	54.2	-23.4
Rel market (%)	8.5	44.6	-30.4

Absolute Price



SOURCE: IRESS

Battery supply chain strategy taking shape

NIC has executed a Strategic Agreement with Shanghai Decent Investment (Group) Co., Ltd (SDI) to acquire a 10% interest in the Huayue Nickel Cobalt project (HNC) for US\$270m and an additional 10% interest in the Oracle Nickel Project (ONI) for US\$75m. The acquisition of these projects and options associated with the deal open the door for NIC to materially expand its battery nickel strategy and lay the foundation for it to become the only producer of a diversified range of nickel products, including low carbon intensity Mixed Hydroxide Product. On our modelled assumptions these acquisitions are capital efficient and EPS accretive. With both operations in production and consistent with existing, successful strategies, we believe they are also low risk. We also believe this is the initiation of a strategy that will diversify NIC's investor base. Nickel is a key input into lithium-ion battery manufacturing and the low carbon intensity of the latest HPAL plants will be attractive to ESG investors.

December 2022 quarter report

Production again beat our forecasts, delivering qoq production growth of 14%. For the December quarter, NIC produced 23,072t contained Ni (18,329t attributable), vs BPe 21,291t contained Ni (17,032t attributable). Cash costs dropped and were in-line with our forecasts, at US\$13,053/t (BPe US\$13,018/t). During the quarter NIC produced and sold its first nickel matte. Production costs were ~US\$1,900/t higher than for NPI but contract sales pricing was also +US\$5,000/t higher than NPI. First production was also reported from the Oracle Nickel Project (ONI), where ramp-up is underway. NIC's EBITDA (100% basis) for the quarter was a record US\$106.1m (from US\$55.5m qoq).

Investment thesis – Buy, TP\$1.85/sh (from Buy, TP\$1.71/sh)

Earnings changes in this report are: CY22 +10%, CY23 +76%, CY24 +33%. Our NPV-based valuation increases 8%, to \$1.85/sh. NIC offers exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US\$m)	646	1,202	2,516	2,445
EBITDA (US\$m)	243	327	870	625
Attributable NPAT (reported) (US\$m)	138	147	535	365
Attributable NPAT (reported) (A\$m)	184	210	787	522
EPS (adjusted) (Acps)	7.3	8.0	25.7	15.4
EPS growth (%)	-11%	10%	221%	-40%
PER (x)	15.0	13.7	4.3	7.1
FCF Yield (%)	-20%	1%	18%	24%
EV/EBITDA (x)	11.5	8.6	3.2	4.5
Dividend (Acps)	4.0	3.0	9.0	6.0
Yield (%)	3.7%	2.7%	8.2%	5.5%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	16%	39%	21%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Opening the door to low carbon, Class 1 nickel

Battery supply chain strategy taking shape

NIC has executed a Strategic Agreement with Shanghai Decent Investment (Group) Co., Ltd (SDI) to acquire 10% interests in two producing nickel assets:

- a 10% interest in the Huayue Nickel Cobalt project (HNC) for US\$270m from an affiliate of SDI. The HNC is an HPAL (High Pressure Acid Leach) plant located within the Indonesia Morowali Industrial Park (IMIP) with a nameplate capacity of 60ktpa nickel and 5ktpa cobalt in Mixed Hydroxide Precipitate (MHP). The HNC currently producing ~66ktpa Ni, 10% above nameplate capacity;
- an additional 10% interest in the Oracle Nickel Project (ONI) for US\$75m. The ONI has nameplate production of 36ktpa and achieved first (non-commercial) production in the December 2022 quarter, approximately 9 months ahead of schedule. The acquisition will lift NIC's ownership of ONI to 80%.

The acquisition of these projects and options associated with the deal open the door for NIC to materially expand its battery nickel strategy and lay the foundation for it to become the only producer of a diversified range of nickel products. The initial benefits of this have been realised in the December 2022 quarter, with NIC's first production of high grade nickel matte, an intermediate nickel product suitable for sale into the lithium-ion battery market. Contract sales prices achieved for this product during the December quarter were +US\$5,000/t higher than for NIC's traditional Ni in NPI product, validating the strategy. With the acquisition of an initial 10% interest in the HNC HPAL plant, NIC will soon be a producer of nickel and cobalt in MHP. This will not only also suitable for sale into the lithium-ion battery market, but at 7t of CO₂ per tonne of nickel produced it is also one of the lowest carbon intensive nickel production processes.

Leveraging battery nickel options and low carbon intensity nickel options

NIC has also acquired options to collaborate with SDI on future battery nickel opportunities, for US\$40m:

- a US\$25m option to participate in another HPAL plant, the DAWN project, also with a nameplate capacity of 60ktpa Ni in MHP, with NIC able to acquire majority ownership of 51%-70%; and
- a US\$15m option to invest in a high grade nickel matte converter dedicated to converting NPI production from the ONI into high grade nickel matte, with annual capacity of 50ktpa.

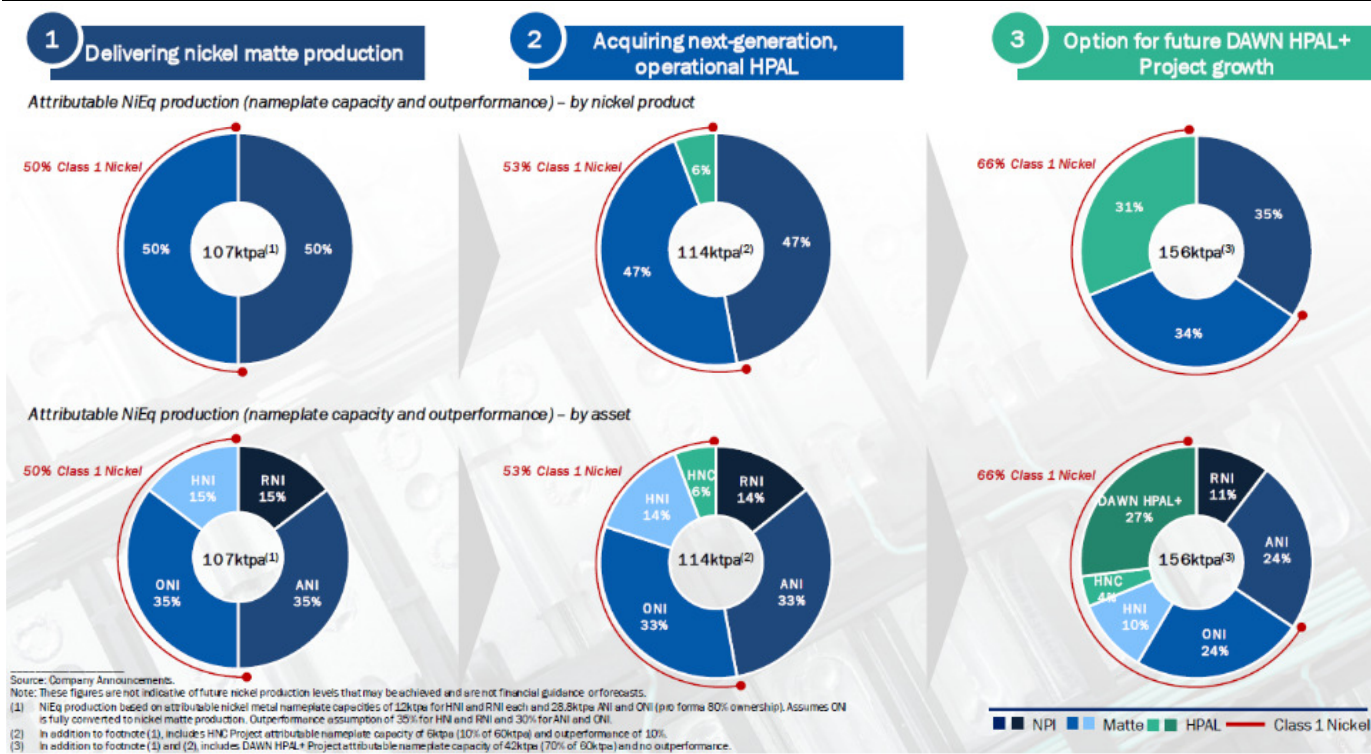
These options and acquisitions have the potential to lift NIC's Class 1 nickel production to 66% of its total nickel output, of which 31% would be low-emission HPAL production.

Funding

To fund these acquisitions, NIC has undertaken a US\$471m capital raising, comprising:

- US\$185m (A\$260m) underwritten Institutional Placement priced at A\$1.02/sh;
- US\$286m (A\$390m) conditional placement (requiring shareholder and FIRB approval), priced at A\$1.02/sh, to Shanghai Decent (SDI, Tsingshan subsidiary), Shanghai Wanlu Investment Co. and Non-Executive Director, Mark Lochtenberg. SDI is effectively taking scrip for the HNC acquisition. It will hold ~28% of NIC post-deal.

Figure 1 - Increasing battery metals exposure



SOURCE: COMPANY DATA

Tapping a growing laterite ore market

In addition, NIC is earmarking US\$60m for the potential acquisition of additional laterite nickel ore sources, to complement and expand its existing Hengjaya Mine and feed the rapidly expanding nickel production operations at the Indonesia Morowali Industrial Park (IMIP) where all these assets are located.

We view this as a sound strategy, leveraging off the successful Hengjaya Mining operations (NIC 80% and operator) which have become increasingly profitable as production has expanded and diversified to feed both the RKEF and HPAL nickel projects at the IMIP.

We like the deal: Low risk, capital efficient, earnings accretive

On our modelled assumptions these acquisitions are capital efficient and EPS accretive. With both operations in production and the acquired options consistent with existing, successful strategies, we believe they are also low risk.

- The US\$75m outlay for an additional 10% of ONI adds ~US\$125m to our project NPV valuation before we update for other changes to our forecasts and reduce our risk discount following first production.
- The US\$270m consideration for the 10% interest in the HNC HPAL project adds US\$350m to our NPV, based on conservative production rates 5% above nameplate compared with actual production rates that are 10% above nameplate.
- We forecast earnings in FY23 and FY24 to lift by 76% and 33% respectively;
- We forecast EPS in FY23 and FY24 to lift by 52% and 7% respectively;
- The acquisitions are low risk. Both are already in production and have demonstrated operating track records. The ONI project, with its own power supply will combine the low costs of the ANI project with the higher margins (in the current market) of selling nickel matte into the Class 1 market, as has occurred at the HNI project.

Strategically sound

We believe NIC's strategic rationale will continue to deliver benefits via these acquisitions – diversifying its production, customer base and market exposure.

We also believe this is the initiation of a strategy that will also diversify NIC's investor base. Nickel is a key input into lithium-ion battery manufacturing and the low carbon intensity of the latest HPAL plants will be attractive to ESG investors that have previously avoided NPI production.

The 'acceptability' of Indonesian nickel production has increased as it has become a dominant producer. These acquisitions position NIC as a key player in Indonesia and globally. Indonesia is now attracting significant investment from vehicle manufacturers (Tesla, Hyundai, VW, Ford) and battery producers (LG, BASF).

NIC is in a phase of significant production and earnings growth and these deals enhance that outlook.

December 2022 quarterly report

NIC released its December 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. First production was also reported from the Oracle Nickel Project (ONI), where commissioning and ramp-up is underway. First sales are expected in the March quarter. Key production metrics are summarised below:

Table 1 - NIC quarterly production summary

	Dec-21 Actual	Mar-22 Actual	Jun-22 Actual	Sep-22 Actual	Dec-22 Actual	Dec-22 BP est.	Variance qoq %	Variance vs BPe %
RKEF nickel production								
Contained nickel (t)	10,087	11,167	15,567	20,275	23,072	21,291	14%	8%
Contained nickel (t, attributable)	8,070	8,934	12,454	16,220	18,329	17,032	13%	8%
Costs								
Cash costs (US\$/t Ni)	\$12,346	\$11,969	\$14,503	\$13,597	\$13,053	\$13,018	-4%	0%
All-In-Cost (US\$/t Ni)	\$12,505	\$10,886	\$14,611	\$13,682	\$13,181	\$13,099	-4%	1%
Hengjaya Mine								
Ore sales (t)	634,486	710,136	673,664	565,624	725,523	600,000	28%	21%
grade (% Ni)	1.75%	1.72%	1.74%	1.73%	1.80%	1.80%	4.0%	0.0%
Contained nickel (t Ni)	11,104	12,214	11,722	9,785	13,059	10,800	33%	21%
Mine OPEX (US\$/t)	\$24.98	\$25.33	\$26.02	\$26.91	\$28.47	\$26.00	6%	10%
Avg price received (US\$/t)	\$37.55	\$40.04	\$52.43	\$42.88	\$42.48	\$40.00	-1%	6%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Production again beat our forecasts, delivering qoq production growth of 14%. For the December quarter, NIC produced 23,072t contained Ni, with 18,329t attributable to NIC (vs BPe 21,291t contained Ni, 17,032t attributable). This was driven by a successful continued ramp-up at ANI, where production lifted to 12,428t Ni in NPI (up 24% qoq and 38% above its 36ktpa nameplate).

Cash costs were in-line with our forecasts, at US\$13,053/t (BPe US\$13,018/t). Costs were down at RNI and ANI, with ANI costs down 11% to US\$11,769/t as it benefitted from a full quarter of its own power supply. Power costs at ANI were US6.1c/kWh compared with 9.6c/kWh at the RNI and HNI Projects. The ONI Project will also benefit from its own, cheaper, power supply as it commences production.

Cash costs increased to US\$15,653/t at the HNI Project as it completed its first quarter of producing high grade nickel matte, reflecting conversion costs and recoveries. This was ~US\$1,900/t higher than costs at RNI, but contract pricing of US\$21,555/t for high grade nickel matte was +US\$5,000/t higher than the US\$16,437/t received for RNI's Ni in NPI.

NIC reported a realised nickel in NPI price of US\$17,103/t Ni (from US\$15,950/t qoq), approximating 67% of our estimated average LME nickel price for the quarter of US\$25,419/t, which rose 37% over the quarter, and contract pricing typically lags.

RKEF EBITDA lifted to US\$90.0m (100% basis, from US\$45.3m qoq). Together with EBITDA of US\$16.1m from NIC's 80%-owned Hengjaya laterite mine, NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US\$106.1m (from US\$55.5m qoq).

Cash and receivables fell to US\$324.7m from US\$336.6m, including cash of US\$144.2m (from US\$97.8m qoq) NIC has debt of US\$550m.

Changes to our forecasts

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

- Incorporated the US\$471m equity placement, the acquisition of the 10% interest in the HNC HPAL project and the acquisition of an additional 10% interest in the ONI project into our modelled capital structure and financial forecasts;
- Modelled nickel in MHP production and costs from the HNC HPAL project and incorporated it into our valuation and financial forecasts for NIC, on a 10% interest basis;
- Increased NIC's interest in the ONI project from 70% to 80% and incorporated that into our valuation and financial forecasts;
- Increased our notional exploration valuation, reflecting the allocation of capital to further Resource acquisition and growth;
- Updated for our latest commodity price and exchange rate forecasts; 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

Year end 31 December	Previous			New			Change		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Prices & currency									
Nickel price (US\$/t)	25,976	21,274	20,944	26,819	23,424	20,944	3%	10%	0%
US\$/A\$	0.69	0.66	0.70	0.70	0.68	0.70	1%	3%	0%
Production & costs									
Ore mined (t)	2,549,424	2,400,000	2,400,000	2,674,947	2,800,000	2,800,000	5%	17%	17%
Nickel in ore (t)	44,521	43,200	43,200	46,781	50,400	50,400	5%	17%	17%
RKEF NPI production (t)	497,985	877,615	926,615	509,127	914,615	999,615	2%	4%	8%
Contained nickel (t)	68,300	115,131	119,475	70,081	168,705	191,481	3%	47%	60%
Contained nickel (t, attributable)	54,640	90,425	91,980	56,065	103,029	109,085	3%	14%	19%
Cash costs (US\$/t Ni)	13,383	13,098	13,402	13,370	12,778	13,064	0%	-2%	-3%
Earnings & valuation									
Revenue (consolidated, US\$m)	1,184	2,080	2,160	1,202	2,516	2,445	2%	21%	13%
EBITDA (consolidated, US\$m)	310	569	529	327	870	625	5%	53%	18%
EBITDA (attributable, US\$m)	260	478	436	274	762	545	5%	59%	25%
NPAT (reported, attributable, US\$m)	134	305	275	147	535	365	10%	76%	33%
EPS (reported) (Acps)	7.3	16.8	14.3	8.0	25.7	15.4	9%	52%	7%
PER (x)	14.9	6.5	7.6	13.7	4.3	7.1	(1.2)	(2.2)	(0.5)
EPS growth (%)	1%	129%	-15%	10%	221%	-40%	9%	91%	-25%
DPS (Acps)	3.0	7.0	6.0	3.0	9.0	6.0	0%	29%	0%
Yield	2.7%	6.4%	5.5%	2.7%	8.2%	5.5%	0%	2%	0%
NPV (A\$/sh)	1.41	1.71	2.08	1.48	1.85	2.12	5%	8%	2%
Price Target (A\$/sh)		1.71			1.85			8%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

We continue to forecast strong earnings growth of 221% in CY23 and highlight the 3.6x EV/EBITDA multiple for CY23 (attributable basis) as very cheap. Our NPV-based valuation increases 8%, to \$1.85/sh.

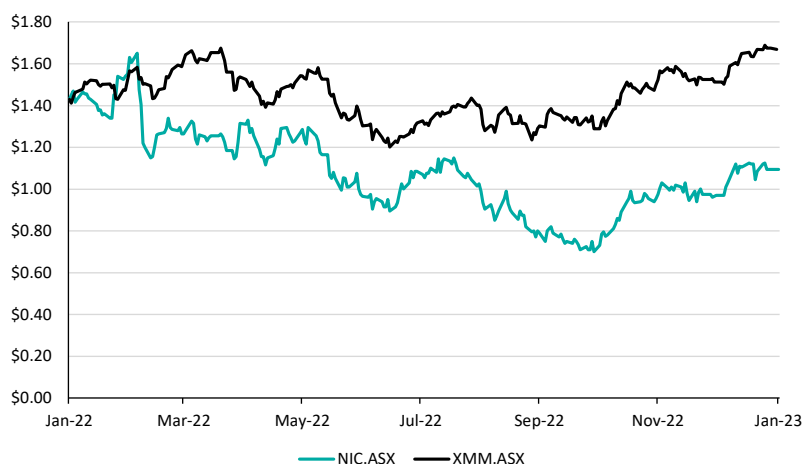
Upcoming catalysts

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;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- Further updates on the commissioning and production ramp-up of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP. We continue to model 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 completion of the HNC acquisition and first production and cost reports from that asset, expected in the March 2023 quarter;
- Updates on the options to participate in the DAWN HPAL project and the matte converter for the ONI project;
- The release of the CY22 financial results, expected in late February 2023; and
- Exploration and development updates on the Siduarsari Nickel-Cobalt project in Papua province, Indonesia, in which NIC has acquired a 100% interest.

NIC vs the ASX Metals and Mining Index

Figure 2 - 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\$1.85/sh (from Buy, TP\$1.71/sh)

Earnings changes in this report are: CY22 +10%, CY23 +76%, CY24 +33%. Our NPV-based valuation increases 8%, to \$1.85/sh. NIC offers exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

Valuation: \$1.85/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 \$1.85/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.

Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US\$m	523.5	645.9	1,202.4	2,515.5	2,444.8	VALUATION						
Expense	US\$m	(329.0)	(402.7)	(875.7)	(1,645.8)	(1,819.8)	Attributable NPAT	US\$m	110.6	137.9	146.6	535.3	365.2
EBITDA	US\$m	194.5	243.2	326.7	869.8	625.0	Attributable NPAT	A\$m	160.1	183.6	210.4	787.2	521.7
Depreciation	US\$m	(36.8)	(36.0)	(66.1)	(108.9)	(119.7)	Reported EPS	US\$/sh	5.7	5.5	5.6	17.5	10.8
EBIT	US\$m	157.7	207.3	260.7	760.9	505.2	Reported EPS	A\$/sh	8.2	7.3	8.0	25.7	15.4
Net interest expense	US\$m	(4.7)	(12.7)	(27.6)	(42.4)	(30.8)	Adjusted EPS	A\$/sh	8.2	7.3	8.0	25.7	15.4
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	EPS growth	%	62%	-11%	10%	221%	-40%
Other	US\$m	1.6	(13.5)	(25.4)	(22.3)	-	PER ¹	x	13.3x	15.0x	13.7x	4.3x	7.1x
PBT	US\$m	154.6	181.0	207.7	696.1	474.4	DPS	A\$/sh	3.0	4.0	3.0	9.0	6.0
Tax expense	US\$m	(0.9)	(5.1)	(13.0)	(15.4)	(5.8)	Franking	%	0%	0%	0%	0%	0%
Consolidated profit (loss) for the year	US\$m	153.7	176.0	194.7	680.7	468.6	Yield	%	2.7%	3.7%	2.7%	8.2%	5.5%
Non-Controlling Interest	US\$m	43.1	38.0	48.1	145.4	103.4	FCF/share	A\$/sh	(2.6)	(21.6)	0.9	20.1	25.8
Attributable NPAT (reported)	US\$m	110.6	137.9	146.6	535.3	365.2	FCF yield	%	-2%	-20%	1%	18%	24%
NPAT (underlying)	US\$m	110.6	137.9	146.6	535.3	365.2	P/FCFPS	x	-42.8x	-5.1x	116.1x	5.4x	4.2x
							EV/EBITDA	x	14.4x	11.5x	8.6x	3.2x	4.5x
							EBITDA margin	%	37%	38%	27%	35%	26%
							EBIT margin	%	30%	32%	22%	30%	21%
							Return on assets	%	17%	12%	9%	22%	13%
							Return on equity	%	27%	18%	16%	39%	21%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	(306)	190	54	(531)	(968)
							ND / E	%	-33%	18%	4%	-25%	-41%
							ND / (ND + E)	%	-48%	16%	4%	-34%	-71%
							Attr. EBITDA / Interest	x	29.4x	15.7x	9.9x	18.0x	17.7x
							ATTRIBUTABLE DATA - NICKEL MINES LTD						
							Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
							Revenues	US\$m	391.3	578.8	1,070.6	2,171.1	2,063.1
							EBITDA	US\$m	139.7	199.2	273.8	762.4	545.4
							NPAT	US\$m	110.6	137.9	146.6	535.3	365.2
							Net distributable cash flow	US\$m	269.3	(190.4)	331.0	526.4	100.2
							EV/EBITDA	x	19.8	15.1	10.2	3.6	5.1
							PER	x	13.3	15.0	13.7	4.3	7.1
							P/FCF	x	nm	nm	nm	4.8	25.8
							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	\$12.17	\$10.63	\$9.50
							Nickel	US\$/t	\$13,775	\$18,460	\$26,819	\$23,424	\$20,944
							Currency						
							AUD:USD		0.69	0.75	0.70	0.68	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	2,674,947	2,800,000	2,800,000
							Ore grade	% Ni	1.8%	1.8%	1.7%	1.8%	1.8%
							Nickel in ore	t Ni	14,479	38,165	46,781	50,400	50,400
							Nickel in ore (attributable)	t Ni	11,583	30,532	37,425	40,320	40,320
							RKEF + HPAL ops						
							NPI production	t	295,897	298,352	509,127	914,615	999,615
							Contained nickel (100%)	t Ni	43,622	40,411	70,081	168,705	191,481
							Contained nickel (attributable)	t Ni	30,619	32,329	56,065	103,029	109,085
							Costs						
							Cash costs	US\$/t Ni	\$7,330	\$10,106	\$13,370	\$12,778	\$13,064
							All-in-Costs (AIC)	US\$/t Ni	\$7,414	\$10,225	\$13,466	\$12,876	\$13,156
							VALUATION						
							Ordinary shares (m)						3,368.5
							Options in the money (m)						-
							Total shares diluted (m)						3,368.5
							Valuation						
							Sum-of-the-parts	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
							IMIP RKEF (NPV12)	2,002.9	0.59	2,060.5	0.61	2,021.3	0.60
							IWIP RKEF (NPV12)	2,131.5	0.63	2,265.0	0.67	2,192.4	0.65
							ONI RKEF (NPV12)	779.7	0.23	1,469.0	0.44	1,654.0	0.49
							Hengjaya Mine (NPV12)	164.3	0.05	184.6	0.05	164.9	0.05
							HNC HPAI (NPV12)	120.0	0.04	475.6	0.14	475.7	0.14
							Other exploration	200.0	0.06	200.0	0.06	200.0	0.06
							Corporate overheads	(108.0)	(0.03)	(113.9)	(0.03)	(114.3)	(0.03)
							Subtotal (EV)	5,290.5	1.57	6,540.9	1.94	6,593.9	1.96
							Net cash (debt)	(311.2)	(0.09)	(311.2)	(0.09)	531.3	0.16
							Total (undiluted)	4,979.3	1.48	6,229.7	1.85	7,125.2	2.12
							Dilutive effect of options						
							Add cash from options						
							Total (diluted)	4,979.3	1.48	6,229.7	1.85	7,125.2	2.12
							MAJOR SHAREHOLDERS						
							Shareholder	%					m
							Shanghai Decent (SDI)		21.2%				714.1
							Tanito Group (PT Karunia)		13.4%				451.4
							BlackRock Investment Management		6.5%				219.0
							Directors and Management		4.1%				137.9
							Shanghai Wanlu		3.6%				121.3

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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