

**Analyst**

David Coates 612 8224 2887

**Authorisation**

Stuart Howe 613 9235 1856

# Nickel Mines Ltd (NIC)

## Good value for growth

**Recommendation**

**Buy** (unchanged)

**Price**

**\$1.40**

**Target (12 months)**

**\$1.67** (unchanged)

**GICS Sector**

**Materials**

**Expected Return**

Capital growth	<b>19.3%</b>
Dividend yield	<b>2.9%</b>
Total expected return	<b>22.2%</b>

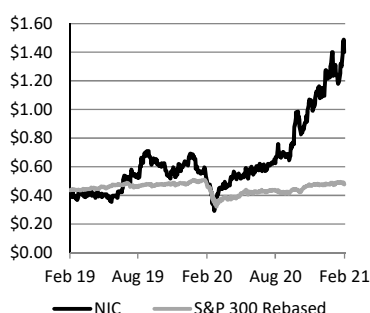
**Company Data & Ratios**

Enterprise value	<b>\$3,129m</b>
Market cap	<b>\$3,521m</b>
Issued capital	<b>2,515m</b>
Free float	<b>79%</b>
Avg. daily val. (52wk)	<b>\$7.5m</b>
12 month price range	<b>\$0.283-\$1.53</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	1.40	1.03	0.53
Absolute (%)	0.0	36.1	162.8
Rel market (%)	2.2	34.2	166.7

**Absolute Price**



SOURCE: IRESS

**CY2020 Financial result**

NIC reported its first full year of financial results capturing ramped up production at the Hengjaya and Ranger Nickel RKEF lines within the Indonesia Morowali Industrial Park (IMIP). NIC reported CY20 revenues of US\$524m (vs BPe \$522m), EBITDA of US\$195m (vs BPe \$193m), consolidated NPAT of US\$154m (vs BPe \$130m) and attributable NPAT of US\$110m (vs BPe US\$84m). The main differences between the reported results and our numbers were the accounting treatment of financing costs (which were lower than we had forecast) and a lower-than-forecast distribution to outside equity interests. NIC declared a final dividend of A2cps for total CY20 dividends of A3cps (vs BPe A2cps). NIC ended CY19 with cash of US\$351m and gross debt of US\$45.0m for net cash of US\$306m (US\$15.2m net debt at end CY19).

**Foundations laid for further aggressive growth**

This is a good result, demonstrating high attributable earnings growth and strong margins of ~40% (EBITDA) and ~30% (NPAT). The operating performance has improved further, with costs lowered and margins being maintained in a lower nickel price environment vs the pcp. NIC's growth is predicated on its increasing ownership and attributable production which is set to grow from 30.6kt in CY20 to >60kt in 2023. Combined with a rising nickel price we forecast earnings growth of ~330% over that period. While NIC has been re-rated to a trailing P/E of 17x (vs 4.2x upon release of the CY19 result), we still view this as offering good value for such aggressive growth in what is essentially an industrial enterprise.

**Investment thesis – Buy, TP\$1.67/sh (unchanged)**

After updating for the CY20 financial result our earnings forecasts are effectively unchanged. We have lifted our dividends across the forecast period and yields increase to a more meaningful 3% to 5%. Our NPV-based, sum-of-the-parts valuation is also unchanged at \$1.67/sh. The result and outlook reinforces NIC as our top pick and certainly our preferred nickel exposure. We retain our Buy recommendation.

**Earnings Forecast**

Year ending 31 December	2020a	2021e	2022e	2023e
Sales (US\$m)	523	664	752	1,325
EBITDA (US\$m)	194	349	409	725
Attributable NPAT (reported) (US\$m)	111	233	268	478
Attributable NPAT (reported) (A\$m)	160	313	372	655
EPS (adjusted) (Acps)	8.2	12.5	14.8	26.0
EPS growth (%)	62%	52%	19%	76%
PER (x) 1	17.0	11.2	9.5	5.4
FCF Yield (%) 1	-2%	-4%	15%	28%
EV/EBITDA (x) 1	12.6	7.0	6.0	3.4
Dividend (Acps)	3	4	4	7
Yield (%)	2%	3%	3%	5%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	27%	29%	28%	41%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Good value for growth

## CY2020 Financial result

NIC reported its first full year of financial results capturing ramped up production at the Hengjaya and Ranger Nickel RKEF lines within the Indonesia Morowali Industrial Park (IMIP). NIC reported CY20 revenues of US\$524m (vs BPe \$522m), EBITDA of US\$195m (vs BPe \$193m), consolidated NPAT of US\$154m (vs BPe \$130m) and attributable NPAT of US\$110m (vs BPe US\$84m). The main differences between the reported results and our numbers were the accounting treatment of financing costs (which were lower than we had forecast) and a lower-than-forecast distribution to outside equity interests. NIC declared a final dividend of A2cps for total CY20 dividends of A3cps (vs BPe A2cps).

CY20 earnings translated to attributable EPS of A8.2cps and a trailing P/E ratio of 17x. This compares to a P/E ratio of 4.2x (annualised) at the time of the release of the CY19 results and, in our view, reflects the market's increased understanding of the story and the de-risking enabled by 18 months of consistent production and cost performance.

NIC ended CY20 with cash of US\$351m and gross debt of US\$45.0m for net cash of US\$306m (from net debt of \$15.2m at end CY19). During the period NIC raised US\$430m, repaid US\$20m of debt and paid considerations of ~US\$150m to acquire or secure increased ownership in NPI production capacity.

**Table 1 - NIC Financial result summary**

Financials (Consolidated basis)	Dec-19 Actual (6 months)	Dec-20 Actual (12 months)	Dec-20 BPe (12 months)	Variance vs BPe	Variance vs pcp
Revenue (US\$m)	236.1	523.5	521.8	0%	122%
EBITDA (US\$m)	97.2	194.5	192.9	1%	100%
NPAT reported (US\$m)	91.3	153.7	130.4	18%	68%
NPAT attributable (US\$m)	49.1	110.6	84.3	31%	125%
EPS attributable (Ac/sh)	5.1	8.2	6.5	27%	62%
Dividend (Ac/sh)	0.000	0.030	0.020	50%	na
Free cash flow (US\$m)	14.44	-34.45	90.2	-138%	-339%
Cash balance (US\$m)	49.8	351.4	437.3	-20%	605%
Debt (US\$m)	65.0	45.0	45.0	0%	-31%
Production, costs, prices					
Ni in NPI (t, Consolidated)	20,988	43,622	43,622	0%	108%
Ni in NPI (t, Attributable)	11,742	30,619	30,619	0%	161%
AIC (US\$/t)	\$7,804	\$7,414	\$7,414	0%	-5%
Nickel price (US\$/t)	\$15,483	\$13,775	\$13,775	0%	-11%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

### Key takeaways

This is a good result, in line with our forecasts other than a beat at the NPAT line related to the financing costs. The business continues to deliver strong margins of ~40% (EBITDA margin) and ~30% (NPAT margin).

The results are also demonstrating the consistency we would expect to see from what is essentially an industrial enterprise. The last six months of 2019 was the first period of full production across the Hengjaya and Ranger RKEF lines. With the CY20 results now reported it can be seen the two periods compare closely on an annualised basis. We can also see that operations have been optimised, with costs lowered and margins being maintained over the two periods.

NIC's growth is predicated on its increasing ownership and attributable production which is set to grow from 30.6kt in CY20 to >60kt in 2023. Combined with a rising nickel price we forecast earnings growth of ~330% over that period, reinforcing it as our top pick and certainly our preferred nickel exposure.

## Changes to our forecasts

Beyond updating our forecasts for the CY20 financial result we have made only minor changes to our modelled assumptions, including:

- Increasing our forecast dividend payments reflecting the higher-than-forecast payments made in CY20, NIC's strong balance sheet and our forecast growth in operating cash flows for CY21; and
- Updated for the latest capital structure and rolled our model forward.

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

**Table 2 - Changes to our CY forecasts**

Year end 30 December	Previous			New			Change		
	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23
<b>Prices &amp; currency</b>									
Nickel price (US\$/t)	16,424	17,857	18,629	16,424	17,857	18,629	0%	0%	0%
US\$/A\$	0.75	0.72	0.73	0.75	0.72	0.73	0%	0%	0%
<b>Production &amp; costs</b>									
Ore mined (t)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	0%	0%	0%
Nickel in ore (t)	32,400	32,400	32,400	32,400	32,400	32,400	0%	0%	0%
RKEF NPI production (t)	304,615	304,615	579,615	304,615	324,615	579,615	0%	7%	0%
Contained nickel (t)	44,169	44,169	77,169	44,169	46,569	77,169	0%	5%	0%
Contained nickel (t, attributable)	35,335	35,335	61,735	35,335	37,255	61,735	0%	5%	0%
Cash costs (US\$/t Ni)	7,429	7,666	7,881	7,429	7,672	7,881	0%	0%	0%
<b>Earnings &amp; valuation</b>									
Revenue (consolidated, US\$m)	664	752	1,325	664	752	1,325	0%	0%	0%
Revenue (attributable, US\$m)	577	646	1,091	577	646	1,091	0%	0%	0%
EBITDA (attributable, US\$m)	280	325	578	280	325	578	0%	0%	0%
NPAT (reported, attributable, US\$m)	237	268	479	233	268	478	-2%	0%	0%
EPS (reported) (Acps)	12.7	14.8	26.1	12.5	14.8	26.0	-2%	0%	0%
PER (x)	11.1	9.5	5.4	11.2	9.5	5.4	0.2	0.0	0.0
EPS growth (%)	96%	17%	76%	52%	19%	76%	-45%	2%	0%
DPS (Acps)	2	2	3	4	4	7	100%	100%	133%
Yield	1%	1%	2%	3%	3%	5%	1%	1%	3%
NPV (A\$/sh)	1.67	1.78	2.34	1.64	1.67	2.10	-2%	-6%	-10%
<b>Price Target (A\$/sh)</b>		1.67			1.67			0%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

After updating for the CY20 financial result our earnings forecasts are effectively unchanged. We lift our dividends across the forecast period and yields increase to a more meaningful 3% to 5%. Our NPV-based, sum-of-the-parts valuation is unchanged at \$1.67/sh and we retain our Buy recommendation.

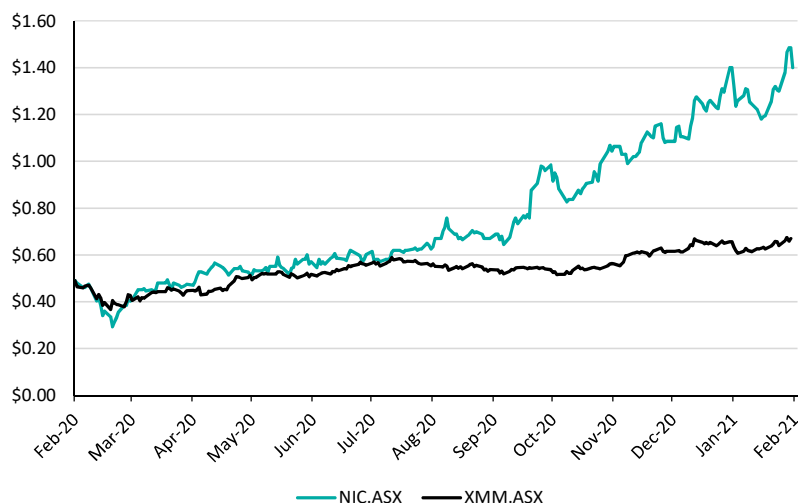
## Upcoming catalysts

Upcoming catalysts for NIC include:

- Completion of debt funding arrangements and acquisition of the 80% interest in Angel Nickel, which we now anticipate will be completed by 30 June 2021;
- Updates on the construction of the Angel Nickel project, comprising 4 next-generation rotary-kiln-electric-furnace (RKEF) lines being developed within the Indonesia Weda Bay Industrial Park (IWIP), for which NIC has executed a binding agreement to acquire a 80% interest for US\$554m total, discounted, consideration;
- Ongoing production updates from the Hengjaya and Ranger Nickel RKEF lines. Both projects have now achieved established production levels above nameplate. Ongoing updates will reinforce the sustainability of these production levels;
- The release of NIC's March 2021 quarterly production and cost report, expected in late April 2021;
- Updates on NPI pricing and the effective Ni payability, which we believe the market will still be considering as a measure of NIC's nickel price exposure;
- Progress updates for the Hengjaya Mine, where a major production expansion is complete and the sustainability of production of +150kt ore per month and costs of ~US\$20/t are targeted; and
- Updates on the ownership levels of the 80%-owned Hengjaya Mine, which is subject to Indonesia's compulsory divestment laws.

## NIC vs the ASX Metals and Mining Index

Figure 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.

In November 2020 NIC executed a binding agreement to acquire a 70% interest (since increased to 80%) in the Angel Nickel Project comprising four new generation RKEF NPI production lines and a captive 380MW power station. Angel Nickel is currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, also in Central Sulawesi in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility for the production of Nickel Pig Iron (NPI), a key input into stainless steel production.

## Investment thesis – Buy, TP\$1.67/sh (unchanged)

After updating for the CY20 financial result our earnings forecasts are effectively unchanged. We lift our dividends across the forecast period and yields increase to a more meaningful 3% to 5%. Our NPV-based, sum-of-the-parts valuation is also unchanged at \$1.67/sh. The result and outlook reinforces NIC as our top pick and certainly our preferred nickel exposure. We retain our Buy recommendation.

## Valuation: \$1.67/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% by FY2023) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC's prospective 80% interest in the Angel Nickel Industry (ANI) project, a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at \$1.67/sh.

## Risks

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

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the investment of a combined US\$50m by SDI and Wanlu Investments (US\$26m and US\$24m respectively) into NIC equity.

# Nickel Mines Ltd

as at 26 February 2021

## Recommendation

## Buy

## Price

## \$1.40

## Target (12 months)

## \$1.67

Table 3 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 31 Dec. (from 2020)	Unit	2019a	2020a*	2021e	2022e	2023e	Year ending 31 Dec. (from 2020)	Unit	2019a	2020a*	2021e	2022e	2023e
Revenue	US\$m	236.1	523.5	663.7	751.6	1,324.9	<b>VALUATION</b>						
Expense	US\$m	(138.9)	(329.0)	(314.8)	(342.9)	(599.5)	Attributable NPAT	US\$m	56.5	110.6	233.4	267.7	477.9
<b>EBITDA</b>	<b>US\$m</b>	<b>97.2</b>	<b>194.5</b>	<b>349.0</b>	<b>408.7</b>	<b>725.4</b>	Attributable NPAT	A\$m	82.5	160.1	313.2	371.8	654.7
Depreciation	US\$m	(16.4)	(36.8)	(36.4)	(44.8)	(63.3)	Reported EPS	A\$/sh	5.1	8.2	12.5	14.8	26.0
EBIT	US\$m	80.8	157.7	312.6	363.9	662.1	Adjusted EPS	A\$/sh	4.4	8.2	12.5	14.8	26.0
Net interest expense	US\$m	(2.1)	(4.7)	(11.9)	(15.9)	8.8	EPS growth	%	46%	62%	52%	19%	76%
Unrealised gains (Impairments)	US\$m	7.4	-	-	-	-	PER <sup>1</sup>	x	13.8x	17.0x	11.2x	9.5x	5.4x
Other	US\$m	5.4	1.6	-	-	-	DPS	A\$/sh	-	3.0	4.0	4.0	7.0
<b>PBT</b>	<b>US\$m</b>	<b>91.5</b>	<b>154.6</b>	<b>300.7</b>	<b>348.0</b>	<b>670.8</b>	Franking	%	0%	0%	0%	0%	0%
Tax expense	US\$m	(0.2)	(0.9)	(4.3)	(7.7)	(73.5)	Yield	%	0%	2%	3%	3%	5%
Consolidated profit (loss) for the year	US\$m	91.3	153.7	296.4	340.2	597.3	FCF/share <sup>1</sup>	A\$/sh	2.6	(2.6)	(5.6)	21.1	39.7
Non-Controlling Interest	US\$m	34.8	43.1	63.0	72.5	119.4	FCF yield <sup>1</sup>	%	2%	-2%	-4%	15%	28%
<b>Attributable NPAT (reported)</b>	<b>US\$m</b>	<b>56.5</b>	<b>110.6</b>	<b>233.4</b>	<b>267.7</b>	<b>477.9</b>	P/FCFPS <sup>1</sup>	x	54.1x	-54.7x	-24.9x	6.6x	3.5x
NPAT (underlying)	US\$m	49.1	110.6	233.4	267.7	477.9	EV/EBITDA <sup>1</sup>	x	25.2x	12.6x	7.0x	6.0x	3.4x
							EBITDA margin	%	41%	37%	53%	54%	55%
							EBIT margin	%	34%	30%	47%	48%	50%
							Return on assets <sup>1</sup>	%	26%	17%	20%	19%	30%
							Return on equity <sup>1</sup>	%	49%	27%	29%	28%	41%
							<b>LIQUIDITY &amp; LEVERAGE</b>						
							Net debt (cash)	\$m	15	(306)	(53)	(295)	(820)
							ND / E	%	4%	-33%	-5%	-23%	-50%
							ND / (ND + E)	%	3%	-48%	-5%	-30%	-100%
							EBITDA / Interest	x	46.1x	40.9x	29.4x	25.7x	nm
							<b>ATTRIBUTABLE DATA - NICKEL MINES LTD</b>						
							Year ending 31 Dec. (from 2020)	Unit	2019a	2020a*	2021e	2022e	2023e
							Revenues	US\$m	95.7	391.3	577.0	645.9	1,091.1
							EBITDA	US\$m	35.6	139.7	279.8	325.5	578.3
							NPAT	US\$m	56.5	110.6	233.4	267.7	477.9
							Net distributable cash flow	US\$m	1.0	269.3	15.9	199.1	218.6
							EV/EBITDA	x	60.1	15.5	8.3	6.9	4.0
							PER	x	27.7	17.0	11.2	9.5	5.4
							P/FCF	x	nm	nm	nm	12.7	11.8
							<b>ORE RESERVE AND MINERAL RESOURCE</b>						
							Hengjaya Nickel Mine (HM)				Mdmt	% Ni	t Ni
							Mineral Resources						
							Measured				0.700	1.80%	12.600
							Indicated				15.000	1.90%	285.000
							Inferred				22.000	1.80%	396.000
							<b>Total</b>				<b>38.000</b>	<b>1.80%</b>	<b>678.000</b>
							<b>ASSUMPTIONS - Prices</b>						
							Year ending 31 Dec. (from 2020) avg:	Unit	2019a	2020a*	2021e	2022e	2023e
							Nickel	US\$/lb	\$7.02	\$6.25	\$7.45	\$8.10	\$8.45
							Nickel	US\$/t	\$15,483	\$13,775	\$16,424	\$17,857	\$18,629
							<b>Currency</b>						
							AUD:USD		0.68	0.69	0.75	0.72	0.73
							<b>ASSUMPTIONS - Production &amp; costs</b>						
							Year ending 31 Dec. (from 2020)	Unit	2019a	2020a*	2021e	2022e	2023e
							Hengjaya Mine						
							Ore mined	wmt	428,382	795,650	1,800,000	1,800,000	1,800,000
							Ore grade	% Ni	1.9%	1.8%	1.8%	1.8%	1.8%
							Nickel in ore	t Ni	8,178	14,479	32,400	32,400	32,400
							Nickel in ore (attributable)	t Ni	6,542	11,583	25,920	25,110	17,577
							<b>RKEF (IMIP)</b>						
							NPI production	t	152,408	295,897	304,615	324,615	579,615
							Contained nickel	t Ni	20,988	43,622	44,169	46,569	77,169
							Contained nickel (attributable)	t Ni	11,742	30,619	35,335	37,255	61,735
							<b>Costs</b>						
							Cash costs	US\$/t Ni	\$7,689	\$7,330	\$7,429	\$7,672	\$7,881
							All-in-Costs (AIC)	US\$/t Ni	\$7,804	\$7,414	\$7,538	\$7,833	\$8,014
							<b>VALUATION</b>						
							Ordinary shares (m)						2,515.0
							Options in the money (m)						-
							<b>Total shares diluted (m)</b>						2,515.0
							Valuation		Now	+12 months	+24 mths		
							Sum-of-the-parts	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
							IMIP RKEF (NPV12)	2,643.9	1.05	2,887.0	1.15	2,910.7	1.16
							IWIP RKEF (NPV12)	1,087.8	0.43	1,255.2	0.50	2,041.8	0.81
							Hengjaya Mine (NPV12)	41.3	0.02	46.9	0.02	71.8	0.03
							Other exploration	10.0	0.00	10.0	0.00	10.0	0.00
							Corporate overheads	(44.9)	(0.02)	(45.4)	(0.02)	(45.9)	(0.02)
							Subtotal (EV)	3,738.0	1.49	4,153.6	1.65	4,988.3	1.98
							Net cash (debt)	391.2	0.16	52.6	0.02	295.2	0.12
							<b>Total (undiluted)</b>	<b>4,129.2</b>	<b>1.64</b>	<b>4,206.2</b>	<b>1.67</b>	<b>5,283.6</b>	<b>2.10</b>
							Dilutive effect of options	-	-	-	-	-	-
							Add cash from options	-	-	-	-	-	-
							<b>Total (diluted)</b>	<b>4,129.2</b>	<b>1.64</b>	<b>4,206.2</b>	<b>1.67</b>	<b>5,283.6</b>	<b>2.10</b>
							<b>MAJOR SHAREHOLDERS</b>						
							Shareholder		%	m			
							Shanghai Decent (SDI)		15.7%	395.5			
							Tanito Group (PT Karunia)		15.0%	378.4			
							BlackRock Investment Management		5.7%	144.0			
							Baillie Gifford		5.2%	129.6			
							Shanghai Wanlu		4.8%	121.3			

\*Transitional 6 month period to Dec-19. Change of Financial Year end from June to December  
<sup>1</sup> Metrics annualised for 6 month period to Dec-19

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

**Research Team**

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Joint Head of Research/Banks	612 8224 2810	tslim
Chris Savage	Joint Head of Research/Industrials	612 8224 2835	csavage
<b>Analysts</b>			
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Elyse Shapiro	Healthcare	613 9235 1877	eshapiro
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	612 8224 2886	amclean
Hamish Murray	Industrials	613 9235 1813	hmurray
Jonathan Snape	Industrials	613 9235 1601	jsnape
Damien Williamson	Industrials	613 9235 1958	dwilliamson
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
<b>Associate</b>			
Joseph House	Associate Analyst	613 9235 1624	jhouse
Sam Brandwood	Associate Analyst	612 8224 2850	sbrandwood

**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, 17/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

**The following may affect your legal rights. Important Disclaimer:**

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. **In Hong Kong**, this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. **In the United States**, this research is issued and distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

**Research Policies:**

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

<https://bellpotter.com.au/research-independence-policy/>

**Disclosure of interest:**

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Disclosure: Bell Potter Securities acted as Joint Lead Manager to the \$213m Entitlements Issue of May 2020 and Joint Lead Manager and Underwriter to the \$364m Entitlements Issue of December 2020 and received fees for that service.

**ANALYST CERTIFICATION**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.