



## OM Holdings Ltd (OMH.ASX)

*Higher production expected in 2024*

### Event:

- 4QCY23 production reviews; Earnings, price-target, commodity price changes.

### Investment Highlights:

- Production and sales came in above our forecast.** OM Sarawak (OMS) recorded strong production in 4Q23 of 40.6kt FeSi and 84.6kt Mn alloys, above our forecasts of 39.3kt and 78.0kt respectively. This is following the hot commissioning of one FeSi furnace during the quarter. FeSi and Mn alloys' shipments also improved to 43kt (+26% QoQ) and 113kt (+68%), mainly due to shipments in the previous quarter being carried forward into 4Q23.
- Stronger 2024.** OMH introduced its FY24 guidance for FeSi and Mn alloys of 130-140kt and 300-320kt, largely in line with our estimates. 15 furnaces are currently in operation (eight FeSi, seven Mn alloys). One Mn alloy furnace's hot commissioning has been extended due to not performing as required. The remaining two FeSi furnaces are scheduled to commence maintenance in 2025.
- Metallic Si (MetSi) furnace to operate in 1H24.** Both MetSi furnaces are currently producing FeSi while the fabrication works are ongoing with expected completion by end-February.
- Marketing volumes down.** Total ores and alloys traded declined 36% to 387.3kt, mostly from lower Mn ores sales. Tshipi also had weaker performance of 625kt, down 27% QoQ as road hauling was stopped and most of the tonnages railed due to declining Mn ore prices resulting in a decrease in export.
- Strategic investor onboard.** During the quarter, OMH announced **JFE Shoji Corporation (JFE)** took up 3.75% stake in the company, with OMH issuing 27.6M shares at \$0.472/share for \$13M, which will be used for working capital. JFE, a Japanese trading company, specializes in marketing and distributing steel products. It has supported OMH for over 20 years as a pioneer offtake partner and lender for OMS' early expansion, with the loan repaid in November 2023. We view this positively as it reflects confidence in OMH's long term potential.
- Not out of the woods yet – downgrade long-term prices.** As at end-December, FeSi and SiMn CIF Japan prices continue to ease around -5% to US\$1,285/t and US\$900/t from US\$1,360/t and US\$945/t last quarter. Mn ore 44% CIF China prices also fell to US\$4.17/dmtu from US\$4.37/dmtu given the continued weak market sentiment. We downgrade long-term FeSi by -1% to US\$1,369/t, SiMn by -4% to US\$1,039/t, and Mn 44% ore by -3% to US\$5.25/dmtu.

### Earnings and Valuation:

- FY24 and FY25 earnings cut on prices.** We trim FY24 and FY25 NPAT -5% and -8% to US\$69M and US\$72M on our Mn ore price downgrade.
- Risked valuation (1.0x NPV<sub>10</sub>) falls to \$1.06 from \$1.14** mainly due to lower Mn ore price and dilution from the issuance of new shares to JFE.

### Recommendation:

- We maintain our Buy and reduce our 12-month price-target to \$1.06 from \$1.14**, based on in risked valuation. **Catalysts for share price** include 1) Restart of Si furnace; 2) Furnace expansions; 3) Improving prices; and 4) Grant of tax exemption.

#### Disclosures

Foster Stockbroking and staff own 32,600 OMH shares.

Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	Medium
Price Target	\$1.06
Previous	\$1.14
Share price (A\$)	\$ 0.465
ASX code	OMH
52 week low-high	\$0.44-0.84
Valuation (A\$/share)	\$1.06
Methodology	NPV10 nominal

#### Capital structure

Shares on Issue (M)	766
Market cap (A\$M)	356
Net cash (debt) attributable (A\$M)	-306
EV (A\$M)	662
Ave daily volume ('000)	102

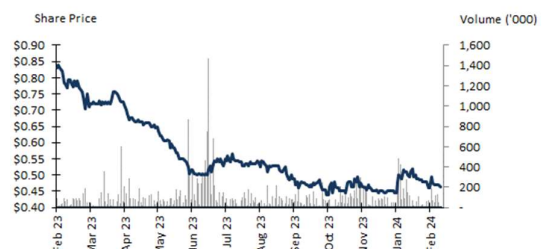
Earnings Y/e Dec US\$M	FY22a	FY23e	FY24e	FY25e
Sales adj*	779	733	811	809
EBITDA adj.*	134	120	143	143
NPAT adj*	79	48	69	72
EPS adj. \$*	0.11	0.07	0.09	0.10
PE x	2.8	4.4	3.2	3.1
EV/EBITDA x	3.2	3.6	3.0	3.0
DPS \$	0.01	0.01	0.02	0.02
Yield %	3.3%	3.3%	7.6%	6.6%

\* Adj =underlying attributable

#### Board

Low Ngee Tong	Executive Chair & CEO
Zainul Abidin Rasheed	Non-Executive Director
Julie Anne Wolseley	Non-Executive Director
Tang Peng Chin	Non-Executive Director
Dato Abdul Hamid Bin Sh Mohamed	Non-Executive Director
Tan Ming-li	Non-Executive Director

#### Share price graph



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