



## OM Holdings Ltd (OMH.ASX)

*Weak prices offsetting strong production*

### Event:

- FY23 results review; Earnings, price-target, commodity price changes.

### Investment Highlights:

- FY23 OMH attributable NPAT was US\$18M, 36% below expectations.** The major difference being lower average realised selling price for the ferroalloys despite higher volume of products sold in 2H coupled with higher operating cost amid the ongoing inflationary pressure.
- Weaker 2H on lower prices.** OMH registered loss in 2HFY23 of US\$1M, down on the interim NPAT of US\$19M, due to the decline in revenue stemming from lower ferrosilicon (FeSi) and manganese (Mn) alloy prices, which fell to US\$1,285/t and US\$900/t in 2H from US\$1,400/t and US\$935/t in 1H. These more than offset the 34% rise in alloy shipments in the 2H vs the interim. Marketing segment also performed weaker in tandem with NPAT \$0.4M in 2H vs \$3M in 1H. Meanwhile, contribution from Mining and Tshipi were fairly flat between the halves.
- Committed to grow the business.** OMH did not declare any dividend for FY23 as it focuses to retain cash for future organic growth initiatives and reducing debt amid the current challenging environment. OMH's dividend policy is typically 10-30% of attributable NPAT. Net gearing improved to 0.64x from 0.71x with cash stood at US\$69.7M up from US\$60.7M in 1H.
- Stronger 2024.** OMH's FY24 guidance for FeSi and Mn alloys of 130- 140kt and 300-320kt is 6% higher YoY. With gradual improvement of ferroalloy prices and higher production in 2024, this should bode well for OMH's earnings this year. 15 furnaces are currently in operation (eight FeSi, seven Mn alloys).
- 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 1H24.
- Prices remain weak – downgrade long-term prices.** As at March 6, FeSi price continued to decline to US\$1,250/t while SiMn CIF Japan price slightly improved to US\$935/t. We downgrade long-term FeSi by -5% to US\$1,300/t. Recent re-nationalisation effort of three ferroalloy smelters in Russia may affect the global supply and provide support to prices, however, the impact is yet to be seen.

### Earnings and Valuation:

- Earnings trim on prices.** We cut FY24 and FY25 NPAT -1% to -2% to US\$68M and US\$71M on our FeSi price downgrade.
- Risked valuation (1.0x NPV<sub>10</sub>) falls to \$1.04 from \$1.06.**

### Recommendation:

- We maintain our Buy and reduce our 12-month price-target to \$1.04 from \$1.06,** 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				\$1.04
Previous				\$1.06
Share price (A\$)				\$ 0.400
ASX code				OMH
52 week low-high				\$0.40-0.76
Valuation (A\$/share)				\$1.04
Methodology				NPV10 nominal
Capital structure				
Shares on Issue (M)				766
Market cap (A\$M)				307
Net cash (debt) attributable (A\$M)				-306
EV (A\$M)				613
Ave daily volume ('000)				100
Earnings Y/e Dec US\$M				
	FY23a	FY24e	FY25e	FY26e
Sales adj*	589	805	807	844
EBITDA adj.*	95	142	142	147
NPAT adj*	18	68	71	78
EPS adj. \$*	0.02	0.09	0.09	0.10
PE x	10.8	2.9	2.8	2.6
EV/EBITDA x	4.2	2.8	2.8	2.7
DPS \$	0.01	0.02	0.02	0.02
Yield %	3.8%	8.9%	7.7%	7.8%
* 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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