

Comments

Price Target: \$3.00/sh

NPAT in 2007 of A\$56.9m was a very pleasing result. The outlook for 2008 is excellent:

- Significantly higher average Mn price received, we estimate average FOB price of US\$7.75/dmtu at the mine level for Lump product, compared to roughly US\$3.50/dmtu in 2007.
- Total mine production is "budgeted to exceed 650kt" of product compared to the 516kt in 2007.
- However cash operating costs are expected to increase 37% due to higher waste removal, impact of profit based royalties and higher volumes.

Mine production ytd is well above the seasonal budget of 40kt/mth, averaging 58kt/mth for Jan & Feb. Nevertheless the wet season may still impact the next couple of months production.

An updated resource and ore reserve estimate will be made by end March. We continue to expect an incremental addition (say 10%) net of depletion. Exploration expenditure in 2008 will double from \$3.6m to \$7m.

OMH is continuing to work toward a sustainable production rate of 700ktpa in the short term which we believe will be achieved in 2008. Exploration in 2008 is targeted to define resources capable of supporting a long term supply of 1,000ktpa of Mn product.

The secondary listing in Hong Kong remains on track for completion in June 2008.

Recent factors enhancing the tight fundamentals in the manganese market is the consolidation of independent producers by Privat (ConsMins and Ghana Manganese = 15% of global supply), lack of investment in new capacity because of long term low prices and historical latent capacity, and the obvious growth in demand.

Manganese ore is widely consumed in steel production with consumption at ~6kg Mn / t of steel on average. Exacerbating the naturally tight situation is the prospect of no new growth coming from Sth Africa, the source of some 30% of the global Mn ore into the seaborne market, as a result of the very tight power supply issue in that country. A supply side response to the tight market has been noted with a restart at Vale's Azul mine which should add an increment of 0.8mt in 2008 and an impending 1mtpa expansion at GEMCO for commissioning in 2009. The total seaborne traded market for manganese is approximately 15-16mtpa. The annual growth in global steel production implies growth in Mn ore supply required is 2mtpa if domestic integrated supplies remain unchanged (inherently difficult to estimate).

Investment Case

Earnings in 2008 are forecast at \$102m or 42cps. Our NPV based valuation is \$2.59/sh. We forecast EBIT contribution in 2008 from Bootu Ck to be ~70% of group EBIT, up from 18% in 2007.

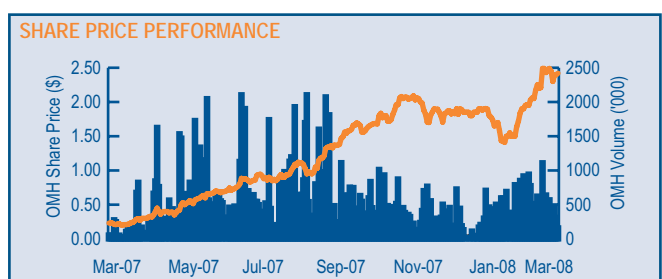
We envisage that the revised resource and reserve estimates will be a driver of valuation upgrade during the next month and accordingly this will be a share price catalyst.

Despite the recent strong performance we still believe that OMH has significant upside driven by manganese prices remaining high for an extended period which are not yet fully factored, and production and exploration growth opportunity which will be realised during 2008.

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to OM Holdings during the last year. Euroz Securities has received a fee for these services. This analyst also declares that he has a beneficial interest in OM Holdings.

TOP 20 SHAREHOLDERS		AS AT 26 FEBRUARY 2008	
Shareholders	Shares (m)		(%)
1 HSBC Custody Nominees (Australia) Limited	29.39		12.90
2 Dino Company Limited	23.57		10.34
3 Zero Nominees Pty Ltd	18.72		8.21
4 Ramley International Ltd	18.20		7.98
5 Newtimes Marine Co Ltd	15.00		6.58
6 National Nominees Limited	12.27		5.38
7 DBS Vickers Securities (Singapore) Pte Ltd	11.88		5.21
8 Lai Shun Holdings Ltd	9.50		4.17
9 Mr Yang Xifu	7.50		3.29
10 HSBC Custody Nominees (Australia) Limited	5.11		2.24
11 J P Morgan Nominees Australia Limited	4.38		1.92
12 ANZ Nominees Limited	4.15		1.82
13 Shenyin Wanguo Securities (HK) Limited	3.49		1.53
14 RBC Dexia Investor Services Aust Nominees Pty Ltd	2.84		1.25
15 Seetoh Kwok Weng	2.23		0.98
16 Chao Fan Huang	2.00		0.88
17 UOB Kay Hian Private Limited	1.65		0.72
18 Ms Julie Anne Wolseley	1.53		0.67
19 Piama Pty Ltd	1.50		0.66
20 Citicorp Nominees Pty Limited	1.37		0.60
TOTAL	176.26		77.33

MARKET STATISTICS		
Share Price	\$2.45 A\$/sh	Directors
Issued Capital		J Raubenheimer
FP Ord	227.9 m	Low Ngee Tong
Opt	18.9 m	Ong Beng Chong
Opt (@\$1.05/sh)	- m	Tan Peng Chin
Opt (@\$0.72)	- m	Julie Wolseley
Total Dil. FPOrd	246.8 m	Paul Thomas
		CEO, OMM
Market Capitalisation	\$605 m	Shareholders
Enterprise Value	\$586 m	SK Heng
Debt	\$(6)m	NT Low
Cash	\$24 m	Huang Gang
Currency Hedging	nil	Westoz
		10.6%
		9.3%
		5.0%
		6.9%



OM Holdings Limited

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EUROZ

SECURITIES LIMITED

AUSTRALIAN RESEARCH

OM HOLDINGS LIMITED (OMH)		YEAR END 31 DEC				
ASSET VALUATION		A\$m	A\$/sh			
Bootu Ck		418	1.69			
OMH Trading		111	0.45			
OMH Quinzhou		58	0.24			
Hedging		0	0.00			
Corporate		(30)	-0.12			
Other		-	-			
Territory Iron		32	0.13			
Working Capital		16	0.06			
Unpaid Capital		14	0.06			
Debt		(6)	-0.02			
Cash		24	0.10			
Total @ 10% nom		638	2.59			
Total @ 5% nom		740	3.00			
Total @ 15% nom		565	2.29			
FORECAST PRODUCTION	2007a	Jun H'08f	2008f	2009f	2010f	
Bootu Ck						
Lump Mn Ore Shipped	kt	376	221	527	527	
Fines Mn Ore Shipped	kt	127	72	171	171	
Total Mn Ore Shipped	kt	503	293	698	698	
Total Cash Costs	A\$/t	132	172	173	152	
Mn Net Lump Rec'd	A\$/t	187	370	361	311	
Mn Net Fines Rec'd	A\$/t	176	355	349	304	
Mn price ass. (lump fob)USc/dmtu		3.60	8.00	7.75	6.25	
			6.25	5.25		
OM Trading						
Mn Ore	kt	654	350	700	800	
Cr Ore	kt	287	50	100	100	
Mn Alloy	kt	63	25	50	60	
Cr Alloy	kt	27	10	20	30	
Revenue	A\$m	293	137	258	295	
Gross Margin	%	25.1%	25.0%	22.7%	16.0%	
OM Quinzhou						
Revenue	A\$m	43	23	44	54	
Gross Margin	%	31%	33%	30%	15%	
Foreign Exchange						
Ass'd Spot Rate	US\$:A\$	0.84	0.92	0.91	0.85	
Avg Rate Ach'd	US\$:A\$	0.83	0.92	0.91	0.85	
RATIO ANALYSIS	2007a	Jun H'08f	2008f	2009f	2010f	
CF (A\$m)	42	-	111	95	84	
CF / Sh (Ac/sh)	17	-	45	38	34	
CF Ratio (x)	11.9	-	5.4	6.4	7.2	
Earnings (A\$m)	57	-	102	85	74	
EPS (Ac/sh)	23	-	41	34	30	
EPS Growth (%)	-210%	0%	79%	-17%	-13%	
Earnings Ratio (x)	8.8	-	5.9	7.1	8.2	
E'prise Val. (A\$m)	440	-	459	394	370	
EV : EBITDA (x)	5.8	-	3.2	3.4	3.4	
EV : EBIT (x)	7.0	-	3.4	3.7	3.7	
Net Debt / ND+Eq (%)	-12%	0%	-70%	-116%	-158%	
Interest Cover (x)	53	-	n/a	n/a	n/a	
EBIT Margin (%)	22%	0%	25%	20%	18%	
ROE (%)	34%	0%	41%	27%	20%	
ROA (%)	29%	0%	45%	30%	24%	
Div. (Ac/sh)	7.0	3.0	10.0	10.0	5.0	
Div. payout ratio	30%	0%	24%	29%	17%	
Div. Yield	3.5%	0.0%	4.1%	4.1%	2.0%	
Div. Franking	0%	0%	0%	0%	0%	

PROFIT & LOSS	2007a	Jun H'08f	2008f	2009f	2010f		
Mining Revenue	85	96	225	194	173		
Trading Revenue	169	137	258	295	314		
FerroAlloy Revenue	35	23	44	54	58		
Forex Hedging Revenue	-	0	0	0	0		
Interest Income	1	0	2	5	7		
Other Revenue	1	-	-	-	-		
TOTAL REVENUE	291	257	528	548	552		
Operating Costs	205	183	375	418	428		
Dep/Amort	9	4	8	9	9		
W/O & Provisions	4	0	1	1	1		
Corp O/H	10	4	8	8	8		
EBITDA	75	69	143	117	109		
EBIT	63	65	133	108	99		
Interest Expense	2	0	0	0	0		
NPBT	62	65	135	112	106		
Tax	5	16	32	27	32		
Minority Interest	0	0	0	0	0		
NET PROFIT	57	49	102	85	74		
Net Abnormal Gain/(Loss)	-	-	-	-	-		
NET PROFIT After Abn'l	57	49	102	85	74		
CASHFLOW	2007a	Jun H'08f	2008f	2009f	2010f		
Net Profit	57	49	102	85	74		
+ Working Capital Adj.	(32)	-	-	-	-		
+ Dep/Amort	9	4	8	9	9		
+ Provisions/WO	4	0	1	1	1		
+ Tax Expense	5	16	32	27	32		
- Tax Paid	-	16	32	27	32		
Operating Cashflow	42	53	111	95	84		
-Capex + Development	9	1	2	2	2		
-Exploration	4	3	5	5	5		
-Assets Purchased	-	-	-	-	-		
+Asset Sales	-	-	-	-	-		
Investing Cashflow	(11)	(3)	(7)	(7)	(7)		
+Equity Issues	17	-	-	-	-		
+Loan D'down/Receivable	-	-	-	-	-		
+Other	3	-	-	-	-		
-Loan Repayment	23	-	-	-	-		
-Dividends	5	11	18	23	21		
Financing Cashflow	(8)	(11)	(18)	(23)	(21)		
Period Sur (Def)	23	39	86	65	56		
Cash Balance	21	59	107	172	228		
BALANCE SHEET	2007a	Jun H'08f	2008f	2009f	2010f		
Assets							
Cash	24	59	107	172	228		
Current Receivables	27	27	27	27	27		
Other Current Assets	51	51	51	51	51		
Non-Current Assets	116	116	115	113	110		
Total Assets	218	253	299	362	416		
Liabilities							
Borrowings	6	5	5	5	5		
Current Accounts Payable	41	41	41	41	41		
Other Liabilities	5	5	5	5	5		
Total Liabilities	52	51	51	51	51		
Net Assets	166	202	248	311	365		
SEGMENT EBITDA	2007a	Jun H'08f	2008f	2009f	2010f		
Mining	20	46	104	88	76		
FX Hedging	0	0	0	0	0		
Trading	48	19	33	29	32		
Qinzhou	13	8	13	8	8		
Other	(7)	(4)	(8)	(8)	(8)		
Total EBITDA	75	69	143	117	109		
SEGMENT EBIT	2007a	Jun H'08f	2008f	2009f	2010f		
Mining	11	43	97	80	68		
FX Hedging	0	0	0	0	0		
Trading	48	19	33	29	32		
Qinzhou	13	7	13	7	8		
Other	(10)	(4)	(9)	(9)	(9)		
Total EBIT	63	65	133	108	99		
RESERVES AND RESOURCES							
		Resources					
		mt	Mn%	Fe%	P%	Al2O3%	SiO2%
Bootu Ck (Shekuma&Gogo dil.)		8.45	27.0	5.8	0.03	3.4	39
Bootu Ck (Chugga&Tourag undil.)		4.96	23.5				
Total (undil)		13.4	25.7				

Resources Quarterly ▶ March 2008

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