

OM Holdings Ltd

(OMH \$0.90) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	31 st January 2022	\$1.35/sh ▼ from \$1.37/sh

Expecting CY21 dividend

Event

OMH released Q4 production figures;

Impact

We have increased our earnings estimates;

Given the strong production and high selling prices we have increased our CY21 EBITDA estimate by 58% to A\$195m;

We expect a dividend of 1.25cps;

Action

We retain our **Buy** recommendation.

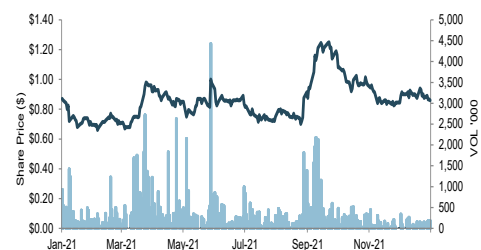
Key Catalysts

- CY21 earnings results – end February;
- Q1 production – April
- Bootu Creek court case – CY22

OM Holdings Ltd	Year End 30 June	
Share Price	0.90	A\$/sh
Price Target	1.35	A\$/sh
Valuation (DCF)	0.95	A\$/sh
WACC	9.0%	
Terminal Growth	3.0%	
Shares on issue	739 m, diluted	
Market Capitalisation	664.8	A\$m
Enterprise Value	993.8	A\$m
Cash (30 Jun 21a)	77.9	A\$m
Debt (30 Jun 21a) inc AASB16	406.9	A\$m

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	784.6	939.6	712.5
EBITDA (A\$m)	82.0	195.2	132.9
EBITA (A\$m)	26.6	141.6	80.2
Reported NPAT (A\$m)	-3.8	103.3	26.6
Normalised NPAT (A\$m)	-3.1	68.7	26.6
Op Cashflow (A\$m)	76.6	62.3	152.1
Capex (A\$m)*	-16.9	-13.9	-69.6
Op. Free Cashflow (A\$m)	59.7	48.4	82.4
Revenue Growth (%)	-24%	20%	-24%
EBITDA Growth (%)	-47%	138%	-32%
Norm. NPAT Growth (%)	-74%	433%	-43%
Normalised EPS (Ac)	-0.4	9.1	3.6
Norm. EPS growth (%)	nm	nm	-60%
PER (x)	nm	9.9	24.9
EV:EBITDA (x)	12.1	5.1	7.5
EV:EBIT (x)	37.4	7.0	12.4
DPS (Ac)	0.0	1.3	2.0
Dividend Yield (%)	0.0%	1.4%	2.2%
Net Debt (A\$m)	352.0	303.6	237.8
Net Debt:Equity (%)	75%	53%	41%
Interest Cover (x)	0.9	5.4	3.2

Share Price Chart



Euroz Hartleys Limited

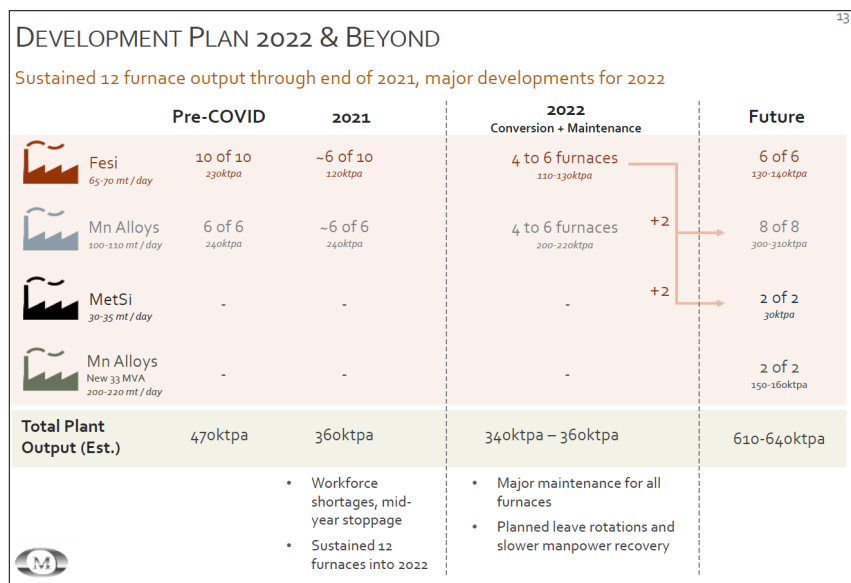
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Analysis

Our earnings estimates are below. Our CY22 + 23 estimates are arguably conservative.

Profit & Loss (\$m)	Actual	12/21F			12/22F			12/23F		
		Old	New	% diff	Old	New	% diff	Old	New	% diff
Revenue	784.6	783.6	939.6	19.9%	771.6	712.5	-7.7%	925.3	807.2	-12.8%
- growth		-0.1%	19.8%		-1.5%	-24.2%		19.9%	13.3%	
EBITDA	82.0	123.3	195.2	58.2%	130.2	132.9	2.1%	159.2	134.9	-15.3%
- margin	10.5%	16%	21%	31.9%	16.9%	19%	10.6%	17.2%	16.7%	-2.9%
Sarawak	50.0	113.6	183.1	61.2%	94.3	96.8	2.6%	109.1	87.7	-19.6%
Qinzhou	23.9	9.2	9.2	0.0%	9.2	9.2	0.0%	9.2	9.2	0.0%
Bootu Ck	1.2	-23.4	-31.5	34.8%	6.5	8.2	27.0%	11.1	11.1	0.0%
Logistics, marketing & trading	32.1	19.8	23.7	19.9%	19.5	18.0	-7.7%	23.3	20.4	-12.8%
Tshipi - 13% (Assoc. Income)	16.5	8.0	8.0	0.0%	10.4	10.4	0.0%	20.9	20.9	0.0%
Depreciation/Amortisation	-55.4	-53.6	-53.6	0.0%	-52.7	-52.7	0.0%	-54.4	-54.4	0.0%
- Depreciation	-55.4	-53.6	-53.6	0.0%	-52.7	-52.7	0.0%	-54.4	-54.4	0.0%
- Amortisation	0.0	0.0	0.0		0.0	0.0		0.0	0.0	
EBITA	26.6	69.8	141.6	102.9%	77.4	80.2	3.5%	104.8	80.5	-23.2%
- margin	3.4%	8.9%	15.1%	69.2%	10.0%	11.3%	12.1%	11.3%	10.0%	-12.0%
Net Interest	-28.8	-26.3	-26.3	0.0%	-25.0	-25.0	0.0%	-27.6	-27.6	0.0%
Norm Pretax Profit b4 Amort.	-2.3	43.5	115.3	165.0%	52.5	55.2	5.2%	77.3	52.9	-31.5%
Norm. Tax	-0.8	-13.1	-34.6	165.0%	-15.7	-16.6	5.2%	-23.2	-15.9	-31.5%
NPAT Pre Minorities	-3.1	30.5	80.7	165.0%	36.7	38.6	5.2%	54.1	37.1	-31.5%
Minorities	0.0	-12.0	-12.0		-12.0	-12.0		-12.0	-12.0	
Norm. Net Profit After Tax*	-3.1	18.5	68.7	272.2%	24.7	26.6	7.7%	42.1	25.1	-40.4%
- growth		nm	nm		34%	-61%		70%	-6%	
- margin	-0.4%	2.4%	7.3%		3.2%	3.7%		4.5%	3.1%	
Abnormals (net of tax)	-0.7	13.1	34.6		0.0	0.0		0.0	0.0	
Reported Profit	-3.8	31.5	103.3	227.8%	24.7	26.6	7.7%	42.1	25.1	-40.4%
Capex	-16.9	-13.9	-13.9	0.0%	-69.6	-69.6	0.0%	-69.4	-69.4	0.0%
Net Debt (cash)	352.0	334.5	303.6	-9.2%	327.7	237.8	-27.4%	373.9	282.1	-24.6%
DPS	0.0	0.0	1.25	nm	2.0	2.0	0.0%	2.85	1.70	-40.4%

OMH Guidance



Source: OMH

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Price Target

We have reduced our price target to **\$1.35** (from \$1.37);

OMH Price Target Methodology	Weighting	Spot	12 mth out
Sum-of-parts	50%	\$0.95	\$0.92
- at Spot prices	15%	\$2.38	\$2.54
12mth base EV/EBITDA of 12x (high)	8%	\$1.76	\$1.99
12mth base EV/EBITDA of 4x (low)	8%	\$0.32	\$0.49
12mth spot EV/EBITDA of 12x (high)	4%	\$3.37	\$5.42
12mth spot EV/EBITDA of 4x (low)	4%	\$0.86	\$1.64
Net cash	8%	\$0.00	\$0.00
12mth fwd Div Yield of 2.9% (Gross yield=4.1%)	3%	\$0.44	\$0.70
Risk weighted composite		\$1.18	\$1.35
12 Months Price Target		\$1.35	
Shareprice - Last		\$0.900	
12 mth total return (% to 12mth target + dividend)		50.8%	
	<i>P / E (FY22) at price target</i>		39.6x
	<i>P / E (FY23) at price target</i>		21.4x
	<i>EV/EBITDA (FY23F) at price target</i>		9.1x
	<i>EV/EBITA (FY23F) at price target</i>		15.3x

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Financial Statements	2020A	2021F	2022F	2023F	Performance Ratios	2020A	2021F	2022F	2023F
Selling Price FeSi (US\$)	1459	2201	1650	1350	Growth & Margins				
Selling Price HCFeMn (US\$)	1295	1425	1375	1250	Revenue Growth	-24%	20%	-24%	13%
Sarawak					EBITDA Growth	-47%	138%	-32%	1%
FeSi - 100%	172	114	118	134	EBITA Growth	-74%	433%	-43%	0%
Mn Alloys - 100%	236	204	203	304	Reported NPAT Growth	nm	nm	-74%	-6%
EBITDA - 75%	50.0	183.1	96.8	87.7	Normalized Net Profit Growth	nm	nm	-61%	-6%
Qinzhou					EBITDA margin	10%	21%	19%	17%
FeSi - 100%	-	-	-	-	EBIT margin	3%	15%	11%	10%
Mn Alloys - 100%	10	48	48	48	Normalized net profit margin	0%	7%	4%	3%
EBITDA	-6.1	23.9	13.4	9.3	Effective tax rate	37%	0%	30%	30%
Bootu Ck					Liquidity				
Mt	0.64	0.70	0.23	0.25	Capex/depreciation (x)	0.3	0.3	1.3	1.3
EBITDA	1.2	-31.5	8.2	11.1	Current ratio (x)	0.9	1.2	1.2	1.4
Logistics, marketing and trading					Quick ratio (x)	0.3	0.4	0.5	0.6
Volumes pcp %	13.1%	43.3%	6.0%	0.0%	Receivable days	29.3	30.0	30.0	30.0
EBITDA	32.1	23.7	18.0	20.4	Payable days	15.9	60.0	60.0	60.0
Tshipi - 13% (Assoc. Income)	16.5	8.0	10.4	20.9	Risk Measures				
Cash flow (A\$m)	2020A	2021F	2022F	2023F	Payout ratio (%)	0%	14%	55%	50%
Cash receipts	784.6				Net interest cover (x)	0.9	5.4	3.2	2.9
EBITDA	82.0	195.2	132.9	134.9	Net debt/nd+equity (%)	43%	35%	29%	32%
Working Capital Change	30.3	-106.6	60.7	-53.9	Returns				
Cash from Operations	112.3	88.5	193.6	81.0	ROIC (pre-tax)	0%	16%	8%	7%
Net interest Paid	-29.3	-26.3	-25.0	-27.6	Return on Assets	0%	6%	2%	2%
Tax Paid	-6.4	0.0	-16.6	-15.9	Return on Equity	-1%	13%	5%	4%
Net Operating Cash Flow	76.6	62.3	152.1	37.5	Share Data/Valuation	2020A	2021F	2022F	2023F
Capex	-16.9	-13.9	-69.6	-69.4	Share Data				
Asset Sales	0.0	0.0	0.0	0.0	Issued shares (m)	738.6	738.6	738.6	738.6
Other (inc Investments)	-0.5	0.0	0.0	0.0	Weighted ave shares (m)	738.6	738.6	738.6	738.6
Net Investing Cash Flow	-11.3	-13.9	-69.6	-69.4	Fully diluted shares (m)	738.6	755.0	738.6	738.6
Proceeds from Equity Issues	0.0	0.0	0.0	0.0	Basic EPS (c)	-0.5	14.0	3.6	3.4
Net Change in Debt & Leases	-28.7	-20.0	-20.0	100.0	YoY change (%)	nm	nm	-74%	-6%
Dividends Paid	-7.4	0.0	-16.6	-12.4	Fully diluted EPS (c)	-0.5	13.7	3.6	3.4
Net Financing Cash Flow	-36.1	-20.0	-36.6	87.6	YoY change (%)	nm	nm	-74%	-6%
Movement in Cash	29.2	28.4	45.8	55.7	Fully diluted normalised EPS (c)	-0.4	9.1	3.6	3.4
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	YoY change (%)	nm	nm	-60%	-6%
Ratio PPE to deprec. (yrs)	11.6	11.3	11.8	11.7	Dividend/share (c)	0.00	1.25	2.00	1.7
Balance Sheet (\$m)	2020A	2021F	2022F	2023F	Franking (%)	0%	0%	0%	0%
Cash	63.0	91.4	137.3	193.0	Gross cashflow/share (c)	10.4	8.4	20.6	5.1
Receivables	63.0	77.2	58.6	66.3	NBV/share (\$)	0.63	0.77	0.79	0.80
Inventories	216.3	358.1	280.8	329.9	NTA/Share (\$)	0.63	0.77	0.79	0.80
Other	5.4	5.4	5.4	5.4	Valuation				
Total Current Assets	347.7	532.2	482.0	594.6	PER (Basic) (x)	nm	6.4	24.9	26.5
Property, Plant & Equipment	645.1	605.4	622.3	637.3	PER (Fully diluted) (x)	nm	6.6	24.9	26.5
Intangibles	0.0	0.0	0.0	0.0	PER (Fully diluted, normalized) (x)	nm	9.9	24.9	26.5
Other	140.6	140.6	140.6	140.6	P/CFPS (x)	8.7	10.7	4.4	17.7
Total Non Current Assets	785.7	746.0	762.9	778.0	Price/NBV (x)	1.4	1.2	1.1	1.1
Total Assets	1,133.4	1,278.2	1,244.9	1,372.6	Price/NTA (x)	1.4	1.2	1.1	1.1
Accounts Payable	54.8	116.2	92.9	107.9	Dividend Yield (%)	0.0%	138.9%	2.2%	1.9%
Interest Bearing Liabilities	288.3	288.3	288.3	288.3	EV/EBITDA (x)	12.1x	5.1x	7.5x	7.4x
Other	23.2	23.2	23.2	23.2	EV/EBIT (x)	37.4x	7.0x	12.4x	12.3x
Total Current Liabilities	366.3	427.8	404.4	419.4	EV/Revenue (x)	1.3x	1.1x	1.4x	1.2x
Accounts Payable	155.8	155.8	155.8	155.8	Other Information				
Interest Bearing Liabilities	126.8	106.8	86.8	186.8	Estimated free float:				90.8%
Other	16.4	16.4	16.4	16.4	12-mth High/Low (A\$/sh)				\$1.28 - \$0.655
Total Non Current Liabilities	298.9	278.9	258.9	358.9	Average daily volume (A\$m)				0.40
Total Liabilities	665.2	706.7	663.3	778.3	ASX Code				OMH
Net Assets	468.2	571.6	581.6	594.3	Next result				Aug-22
Net Debt (net cash) inc AASB16	353.7	305.3	239.4	283.7	Company Description				
Net Debt (net cash)	352.0	303.6	237.8	282.1	OMH is a manganese and silica smelter with high financial and operating leverage.				

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