

# Weekly Informer

28<sup>th</sup> October 2021

EUROZ HARTLEYS

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The Weekly Informer is Euroz Hartleys' weekly research clearing document. It includes research notes on stocks within the coverage universe published during the preceding week. The Weekly Informer is published mid-week

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# Quick Comment

## OM Holdings Ltd (OMH \$1.19) Buy

Analyst	Date	Price Target
Trent Barnett	26 <sup>th</sup> October 2021	\$1.37/sh

### Sept Quarterly

#### Key Points

- Sarawak produced 33kt FeSi vs EHe 23kt and SiMn production was 59kt vs EHe 45kt. ;
- Sales were similar to our expectations: FeSi of 24kt, vs EHe 23kt and SiMn of 44kt vs EHe 45kt;
- 12 furnaces were operation. Of the remaining 4 FeSi furnaces, 2 furnaces were idled for the purpose of conversion to produce manganese alloys, while the other 2 furnaces were idled for the conversion to produce silicon metal;
- Selling prices are extremely strong, with FeSi prices at US\$4,150/t CIF Japan and SiMn at US\$1,615/t CIF Japan at the end of September 2021. Chinese futures imply FeSi prices have subsequently declined to -US\$3kt (still extremely high). Meanwhile, SiMn prices have risen since the quarter end;
- Bootu Creek production was 230kt (we expected 204kt). C1 cast costs decreased to US\$3.04/dmtu from \$3.82/dmtu, better than our expectations. Based on current estimates, OMH expects Bootu Creek mining will end in 2021 but with processing activities continuing;
- No comment on guidance. Previous guidance for CY21 was 105-121kt FeSi and 230-250kt Mn alloys, and this seems on track based on the Sept quarter;
- On spot prices, our OMH valuation is \$4.70/shr. Our base valuation is \$1.05, assuming FeSi prices of US\$1350 and SiMn of US\$1250/t – well lower than current spot prices. We maintain our Buy recommendation;

#### Investment Thesis

OMH supplies alloys to the steel industry, and hence is a second derivative play on global steel demand. It is a niche market, with its own supply constraints, intricacies and strategic value. Manganese and ferrosilicon are integral to global steel and cannot be substituted. The current global energy shortage, especially in China, is affecting global supply and causing prices to spike. OMH is well placed to take advantage of the high prices given it uses fixed price hydropower in Malaysia and so its energy supply is far more secure.

	Sep 2021 Quarter	Jun 2021 Quarter	9 months YTD 2021
<b>Tonnes</b>			
<b>Production</b>			
Ferrosilicon	33,453	23,057	94,925
Manganese Alloys	59,307	37,691	154,134
Manganese Sinter Ore ( <i>commissioning phase</i> )	34,542	14,223	71,591
<b>Sales</b>			
Ferrosilicon	23,894	30,331	79,254
Manganese Alloys	43,856	50,948	145,800
Manganese Sinter Ore ( <i>trial production</i> )	-	-	7,132

#### OM Holdings Ltd (OMH)

Share Price	1.19	A\$/sh	Enterprise Value	1,208.0	A\$m
Price Target	1.37	A\$/sh	Debt	406.9	A\$m
Valuation	1.05	A\$/sh	Cash	77.9	A\$m
Shares on issue	739	m(dil)	Largest SH	Huang Gang	m(dil)
Market Capitalisation	879.0	A\$m			

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