## (OMH \$0.93) Buy

EURØZ HARTLEYS

Analyst	Date	Price Tar	get
Trent Barnett	2 <sup>nd</sup> March 2022	\$1.44/sh	from \$1.35/sh

## 2cps dividend. Selling prices remain strong

#### **Event**

OMH reported CY21 NPAT of \$81.9m. Company estimated EBITDA was \$204m (we expected \$195m). A 2cps DPS was declared (we expected 1.25cps);

Operating cash flow was \$94m (we expected \$62m). Net debt was \$301m (as expected);

### **Impact**

Result was overall in-line with expectations;

We have downgraded our Mn alloy production given we assume Qinzhou will be on care and maintenance for the foreseeable future due to high energy costs in China;

We have increased our selling prices, which has increased our earnings estimates. We have also added in the targeted 30ktpa of MetSi production for Sarawak from CY23;

### **Action**

We maintain our Buy recommendation. Our selling price assumptions appear very conservative versus current prices. The geopolitical and energy uncertainty should be very bullish for OMH profitability, but our model does not capture the upside (other than via our spot valuation scenario). There remains balance sheet risk, in particular given CY22 will be a heavy capex year (we assume ~A\$80m net to OMH). However, on our estimates the capex can be financed, and on spot prices easily financed;

## **Key Catalysts**

- Q1 production April
- Bootu Creek court case CY22
- Mid-CY22 fid on expansion of Sarawak
- MarQ CY23 first MetSi production
- CY24 first production from expanded Sarawak

OM Holdings Ltd		Year End	30 June
Share Price		0.93	A\$/sh
Price Target Valuation (DCF) WACC Terminal Growth		1.44 1.19 9.0% 3.0%	<b>A\$/sh</b> A\$/sh
Shares on issue Market Capitalisation Enterprise Value Cash (31 Dec 21a) Debt (31 Dec 21a) inc A	ASB16	739 n 686.9 875.8 112.3 301.2	n, diluted A\$m A\$m A\$m A\$m
Key Financials Revenue (A\$m) EBITDA (A\$m) EBITA (A\$m) Reported NPAT (A\$m)	2020a 1040.8 190.0 132.4 81.9	672.7 144.4 80.8 61.6	2022f 894.1 181.5 111.3 90.2
Normalised NPAT (A\$m Op Cashflow (A\$m) Capex (A\$m)* Op. Free Cashflow (A\$m	94.2 -9.0	132.0 -78.8	40.6 62.1 -56.3 5.8
Revenue Growth (%) EBITDA Growth (%) Norm. NPAT Growth (%)	33% 132% 3) 398%	-24%	33% 26% 38%
Normalised EPS (Ac) Norm. EPS growth (%) PER (x) EV:EBITDA (x) EV:EBIT (x)	7.0 nm 13.4 4.6 6.6	24.8 6.1	5.5 46% 16.9 4.8 7.9
DPS (Ac) Dividend Yield (%)	2.0 2.2%		2.0 2.2%
Net Debt (A\$m) Net Debt:Equity (%) Interest Cover (x)	296.7 49% 6.7		274.6 40% 5.3

### **Share Price Chart**



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## **Analysis**

## **Earnings Changes Below**

	12/20A		12/21A			12/22F			12/23F	
Profit & Loss (\$m)	Actual	F-cast	Actual	% diff	Old	New	% diff	Old	New	% diff
Prices										
FeSi	1,459	2,201	2,201	0.0%	1,650	1,725	4.5%	1,350	1,500	11.1%
Manganese Alloys (SiMn, HCFeMn)	1,295	1,425	1,425	0.0%	1,250	1,400	12.0%	1,250	1,300	4.0%
MetSi	nm		nm			nm			2,800	
Production										
FeSi	171,546	113,783	113,783	0.0%	118,125	118,125	0.0%	133,875	133,875	0.0%
Manganese Alloys (SiMn, HCFeMn)	245,842	251,493	251,493	0.0%	250,000	202,500	-19.0%	351,000	303,750	-13.5%
MetSi	0	0	0		0	0		0	27,000	
Revenue	784.6	939.6	1,040.8	10.8%	712.5	672.7	-5.6%	807.2	894.1	10.8%
- growth		19.8%	32.6%		-24.2%	-35.4%		13.3%	32.9%	
EBITDA	82.0	195.2	190.0	-2.6%	132.9	144.4	8.6%	134.9	181.5	34.5%
- margin	10.5%	21%	18%	-12.1%	18.7%	21%	15.0%	16.7%	20.3%	21.4%
Sarawak	50.0	183.1	168.8	-7.8%	96.8	110.4	14.0%	87.7	130.7	49.0%
Qinzhou	-6.1	9.2	5.0	-45.9%	9.2	-2.8	-129.8%	9.2	-2.7	-129.4%
Bootu Ck	1.2	-31.5	-12.8	-59.5%	8.2	8.2	0.0%	11.1	11.1	0.0%
Logistics, marketing & trading	32.1	23.7	29.2	23.4%	18.0	19.6	9.0%	20.4	26.0	27.8%
Tshipi - 13% (Assoc. Income)	16.5	8.0	5.4	-32.5%	10.4	9.3	-10.6%	20.9	16.7	-20.2%
Depreciation/Amortisation	-55.4	-53.6	-57.6	7.7%	-52.7	-63.6	20.6%	-54.4	-70.1	28.9%
- Depreciation	-55.4	-53.6	-57.6	7.7%	-52.7	-63.6	20.6%	-54.4	-70.1	28.9%
- Amortisation	0.0	0.0	0.0		0.0	0.0		0.0	0.0	
EBITA	26.6	141.6	132.4	-6.5%	80.2	80.8	0.7%	80.5	111.3	38.3%
- margin	3.4%	15.1%	12.7%	-15.6%	11.3%	12.0%	6.7%	10.0%	12.5%	24.8%
Net Interest	-28.8	-26.3	-19.8	-24.7%	-25.0	-19.1	-23.3%	-27.6	-21.1	-23.6%
Norm Pretax Profit b4 Amort.	-2.3	115.3	112.6	-2.4%	55.2	61.6	11.6%	52.9	90.2	70.4%
Norm. Tax	-0.8	-34.6	-33.8	-2.4%	-16.6	-18.5	11.6%	-15.9	-27.1	70.4%
NPAT Pre Minorities	-3.1	80.7	78.8	-2.4%	38.6	43.1	11.6%	37.1	63.2	70.4%
Minorities	0.0	-12.0	-27.4		-12.0	-15.4		-12.0	-22.6	
Norm. Net Profit After Tax*	-3.1	68.7	51.4	-25.2%	26.6	27.7	4.0%	25.1	40.6	62.0%
- growth		nm	nm		-61%	-46%		-6%	46%	
- margin	-0.4%	7.3%	4.9%		3.7%	4.1%		3.1%	4.5%	
Abnormals (net of tax)	-0.7	34.6	30.5		0.0	18.5		0.0	27.1	
Reported Profit	-3.8	103.3	81.9	-20.7%	26.6	46.2	73.4%	25.1	67.7	170.0%
Capex	-16.9	-13.9	-9.0	-34.9%	-69.6	-78.8	13.1%	-69.4	-56.3	-19.0%
Net Debt (cash)	353.7	303.6	301.2	-0.8%	237.8	270.1	13.6%	282.1	279.1	-1.1%
DPS	0.0	1.25	2.00	60.0%	2.00	2.00	0.0%	1.70	2.00	17.9%

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## **Results Summary**

Working capital movements continue to be volatile. We would prefer to see less volatility in working capital given combined with the financial leverage it creates uncertainty. At 31 December inventory was higher than expected, due to stockpile of inputs (and mark-to-market of stockpiles) and delays of two shipments of finished product past the balance date;

Pleasingly though, payables fell whilst receivables remained relatively flat;

Profit & Loss (\$m)	Jun-19a	Dec-19a	Jun-20a	Dec-20a	Jun-21a	Dec-21e
Group Revenue	534.6	491.9	386.5	398.1	450.6	590.2
sequential growth		-8.0%	-21.4%	3.0%	13.2%	31.0%
EBITDA - Divisions	86.0	33.9	55.3	21.9	73.7	116.6
EBITDA - Group	109.6	46.5	53.3	28.7	63.4	126.6
sequential growth		-57.6%	14.8%	-46.2%	121.2%	99.6%
EBITDA / Sales	20.5%	9.4%	13.8%	7.2%	14.1%	21.5%
Depreciation/Amortisation	-26.3	-27.4	-28.5	-26.9	-26.9	-30.7
- depreciation	-26.3	-27.4	-28.5	-26.9	-26.9	-30.7
- amortisation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	83.3	19.0	24.8	1.8	36.5	95.9
EBITA / Sales	15.6%	3.9%	6.4%	0.4%	8.1%	16.2%
Net Interest	-21.4	-10.8	-17.4	-11.5	-10.0	-9.8
Norm. Pretax Profit pre Amort	61.9	8.2	7.4	-9.7	26.6	86.1
- margin	11.6%	1.7%	1.9%	-2.4%	5.9%	14.6%
Norm tax	8.9	-5.5	0.3	-1.1	-4.5	-29.3
Effective Tax Rate	-14.4%	67.5%	-4.3%	-11.9%	17.0%	34.0%
NPAT Pre Minorities	70.8	2.7	7.8	-10.8	9.8	14.2
Minorities	0.0	0.0	0.0	0.0	-6.1	-21.3
Normalised NPATA to equity	70.8	2.7	7.8	-10.8	15.9	35.5
Norm. Net Profit / Sales	13.3%	0.5%	2.0%	-2.7%	3.5%	6.0%
Abnormals / discontinued	-21.4	3.4	6.8	-7.5	7.6	22.9
Reported Profit to equity	49.4	6.1	14.6	-18.4	23.5	58.4
margin	9.2%	1.2%	3.8%	-4.6%	5.2%	9.9%

Cashflow Statement (\$m)	Jun-19a	Dec-19a	Jun-20a	Dec-20a	Jun-21a	Dec-21e
Cash receipts	534.6	491.9	386.5	398.1	450.6	590.2
EBITDA	109.6	46.5	53.3	28.7	63.4	126.6
Working Capital Change	-42.5	48.2	1.4	28.9	-40.3	-37.2
Cash from Operations	67.0	94.6	54.8	57.5	23.2	89.4
Net interest Paid	-20.8	-12.0	-16.8	-12.5	-11.9	-7.5
Tax Paid	-16.7	-13.5	-2.0	-4.4	0.5	0.7
Net Operating Cash Flow	29.6	69.1	35.9	40.6	11.7	82.5
Capital Expenditure	-38.8	-44.1	-9.9	-6.9	-7.0	-2.0
Asset Sales	0.0	0.1	0.0	0.0	2.6	0.0
Other (inc Investments)	14.1	-14.1	2.9	-3.4	11.9	-12.4
Net Investing Cash Flow	-24.8	-17.7	-7.0	-4.3	7.5	-1.4
Proceeds from Equity Issues	0.0	22.5	0.0	0.0	0.0	2.6
Net Change in Debt & Leases	-27.7	-25.2	-31.5	2.7	-4.7	-30.9
Dividends Paid	-14.7	-8.6	-3.7	-3.7	0.0	0.0
Net Financing Cash Flow	-42.5	-11.4	-35.1	-1.0	-4.7	-28.4
Movement in Cash	-37.7	40.1	-6.2	35.4	14.5	52.7
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0
Ratio PPE to deprec. (yrs)	13.7	13.5	12.9	-1.2	12.0	10.3

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Balance Sheet (\$m)	Jun-19a	Dec-19a	Jun-20a	Dec-20a	Jun-21a	Dec-21e
Cash	56.0	63.7	59.0	63.0	77.9	112.3
Receivables	59.4	37.8	40.2	63.0	55.5	56.4
Inventories	298.8	228.3	265.1	216.3	297.3	353.3
Other	5.1	4.8	4.2	5.4	2.0	5.2
Total Current Assets	419.4	334.6	368.6	347.7	432.8	527.2
Property, Plant & Equipment	717.9	740.4	735.0	645.1	645.1	634.3
Intangibles	0.0	0.0	0.0	0.0	0.0	0.0
Other	140.4	127.8	134.7	140.6	139.8	137.8
Total Non Current Assets	858.3	868.2	869.7	785.7	784.8	772.1
Total Assets	1,277.7	1,202.7	1,238.3	1,133.4	1,217.6	1,299.3
Accounts Payable	113.8	60.2	182.3	54.8	212.9	176.5
Interest Bearing Liabilities	377.9	385.5	119.2	288.3	107.2	124.6
Other	27.5	29.4	16.3	23.2	18.2	25.1
Total Current Liabilities	519.3	475.2	317.8	366.3	338.3	326.2
Accounts Payable	139.3	113.2	35.5	155.8	53.9	54.3
Interest Bearing Liabilities	113.8	88.4	334.5	126.8	291.4	284.4
Other	16.9	18.2	25.6	16.4	26.5	24.0
Total Non Current Liabilities	270.0	219.7	395.5	298.9	371.8	362.8
Total Liabilities	789.2	694.9	713.3	665.2	710.1	689.0
Net Assets	488.5	507.9	525.0	468.2	507.5	610.3
Net Asset Value / Share (\$)	0.66	0.63	0.71	0.83	0.69	0.86
NTA / Share (\$)	0.66	0.63	0.71	0.83	0.69	0.86
Net Debt (net cash) inc AASB16	441.1	417.3	399.0	353.7	329.0	301.2
Net Debt (net cash)	435.7	410.2	394.6	352.0	320.7	296.7
	47.1%	44.7%	42.9%	42.9%	38.7%	32.7%
net debt EBITDA	1.99	4.41	3.70	6.14	2.53	1.17

## **Price Target**

We have increased our price target to \$1.44 (from \$1.35/shr)

OMH Price Target Methodology	Weighting	Spot	12 mth out
Sum-of-parts	50%	\$1.19	\$1.23
- at Spot prices	15%	\$1.67	\$1.98
12mth base EV/EBITDA of 12x (high)	8%	\$2.06	\$2.83
12mth base EV/EBITDA of 4x (low)	8%	\$0.43	\$0.78
12mth spot EV/EBITDA of 12x (high)	4%	\$3.13	\$4.27
12mth spot EV/EBITDA of 4x (low)	4%	\$0.79	\$1.26
Net cash	8%	\$0.00	\$0.00
12mth fwd Div Yield of 2.9% (Gross yield=4.1%)	3%	\$1.05	\$0.70
Risk weighted composite		\$1.23	\$1.44
12 Months Price Target		\$1.44	
Shareprice - Last		\$0.930	
12 mth total return (% to 12mth target + dividend)		58.2%	
P/E (FY22) at price target			26.2x
P/E (FY23) at price target			18.0x
EV/EBITDA (FY23F) at price target			7.3x
EV/EBITA (FY23F) at price target			12.0x

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					<u> </u>				
Financial Statements		2021a	2022f	2023f	Performance Ratios	2020a	2021a	2022f	2023f
Selling Price FeSi (US\$) Selling Price HCFeMn (US\$)	1459 1295	2201 1425	1725 1400	1500 1300	Growth & Margins	2.40/	770/	750/	770/
Sarawak	1293	1423	1400	1300	Revenue Growth EBITDA Growth	-24% -47%	33% 132%	-35% -24%	33% 26%
FeSi - 100%	172	114	118	134	EBITA Growth	-74%	398%	-39%	38%
Mn Alloys - 100% Met Si - 100%	236	204	203	304 27	Reported NPAT Growth	nm	nm	-25%	46%
EBITDA - 75%	50.0	168.8	110.4	130.7	Normalized Net Profit Growth	nm	nm	-46%	46%
Qinzhou					EBITDA margin	10%	18%	21%	20%
FeSi - 100% Mn Alloys - 100%	10	48	-	-	EBIT margin Normalized net profit margin	3% 0%	13% 5%	12% 4%	12% 5%
EBITDA	-6.1	5.0	-2.8	-2.7	Effective tax rate	37%	3%	0%	0%
Bootu Ck					Liquidity				
Mt EBITDA	0.64 1.2	0.70 -12.8	0.23 8.2	0.25 11.1	Capex/depreciation (x)	0.3	0.2	1.2	0.8
Logistics, marketing and trading	1.2	-12.0	0.2	11.1	Current ratio (x)	0.9	1.6	1.9	2.5
Volumes pcp %	13.1%	43.3%	6.0%	0.0%	Quick ratio (x)	0.3	0.5	0.8	1.2
EBITDA Tshipi - 13% (Assoc. Income)	32.1 16.5	29.2 5.4	19.6 9.3	26.0 16.7	Receivable days Payable days	29.3 15.9	19.8 45.4	30.0 45.4	30.0 45.4
Group Revenue		1,040.8	672.7	894.1		15.9	45.4	45.4	45.4
growth	-23.6%	32.6%	-35.4%	32.9%	Risk Measures Payout ratio (%)	0%	29%	53%	36%
EBITDA - Divisions EBITDA - Group	93.8 <b>82.0</b>	195.7 <b>190.0</b>	144.7 <b>144.4</b>	181.8 <b>181.5</b>	Net interest cover (x)	0.9	6.7	4.2	5.3
growth	-47%	nm	-24%	26%	Net debt/nd+equity (%)	43%	33%	30%	29%
EBITDA / Sales	10.5%	18.3%	21.5%	20.3%	Returns				
Depreciation/Amortisation	-55.4	-57.6 -57.6	-63.6	-70.1 -70.1	ROIC (pre-tax)	0%	13%	8%	10%
- depreciation - amortisation	-55.4 0.0	-57.6 0.0	-63.6 0.0	-70.1 0.0	Return on Assets	0%	4%	2%	3%
EBITA	26.6	132.4	80.8	111.3	Return on Equity	-1%	10%	4%	6%
EBITA / Sales	3.4%	12.7%	12.0%	12.5%	Character (Malacette e	0000	0.001	20001	00075
Net Interest Norm. Pretax Profit pre Amort	-28.8 -2.3	-19.8 112.6	-19.1 61.6	-21.1 90.2	Share Data/Valuation	2020a	2021a	2022f	2023f
- margin	-0.3%	10.8%	9.2%	10.1%	Share Data				
Norm Tax	-0.8	-33.8	-18.5	-27.1	Issued shares (m)	738.6 738.6	738.6 738.6	738.6 738.6	738.6 738.6
Effective Tax Rate NPAT Pre Minorities	-36.9% -3.1	30.0% 24.0	30.0% 12.3	30.0% 18.0	Weighted ave shares (m) Fully diluted shares (m)	738.6	738.6	738.6	738.6
Minorities	0.0	-27.4	-15.4	-22.6	Basic EPS (c)	-0.5	11.1	8.3	12.2
Normalised NPATA to equity	-3.1	51.4	27.7	40.6	YoY change (%)	nm	nm	-25%	46%
Norm. Net Profit / Sales Abnormals / discontinued	<b>-0.4</b> % -0.7	<b>4.9</b> % 30.5	<b>4.1%</b> 33.9	<b>4.5%</b> 49.6	Fully diluted EPS (c)	-0.5	11.1	8.3	12.2
Reported Profit to equity	-3.8	81.9	61.6	90.2	YoY change (%)	nm -0.4	nm 7.0	-25% 3.8	46% 5.5
margin	-0.5%	7.9%	9.2%	10.1%	Fully diluted normalised EPS (c) YoY change (%)	-0.4 nm	nm	-46%	5.5 46%
					Dividend/share (c)	0.00	2.00	2.00	2.0
Cash flow (A\$m)		2021a	2022f	2023f	Franking (%)	0%	0%	0%	0%
Cash receipts		1,040.8 190.0	1444	101 5	Gross cashflow/share (c)	10.4	12.8	17.9	8.4
EBITDA Working Capital Change	82.0 30.3	-77.5	144.4 6.7	181.5 -98.3	NBV/share (\$) NTA/Share (\$)	0.63 0.63	0.83 0.83	0.86 0.86	0.93 0.93
Cash from Operations	112.3	112.5	151.1	83.1		0.03	0.65	0.00	0.93
Net interest Paid	-29.3	-19.5	-19.1 0.0	-21.1	Valuation	10.100	0.4	11.1	7.0
Tax Paid Net Operating Cash Flow	-6.4 <b>76.6</b>	1.2 <b>94.2</b>	132.0	0.0 <b>62.1</b>	PER (Basic) (x) PER (Fully diluted) (x)	nm nm	8.4 8.4	11.1	7.6 7.6
Capex	-16.9	-9.0	-78.8	-56.3	PER (Fully diluted, normalized) (x)	nm	13.4	24.8	16.9
Asset Sales Other (inc Investments)	0.0 -0.5	2.6 -0.5	0.0 0.0	0.0 0.0	P/CFPS (x)	9.0	7.3	5.2	11.1
Net Investing Cash Flow	-0.5 <b>-11.3</b>	6.0	-78.8	<b>-56.3</b>	Price/NBV (x)	1.5	1.1	1.1	1.0
Proceeds from Equity Issues	0.0	2.6	0.0	0.0	Price/NTA (x) Dividend Yield (%)	1.5 0.0%	1.1 215.1%	1.1 2.2%	1.0 2.2%
Net Change in Debt & Leases Dividends Paid	-28.7 -7.4	-35.6	-20.0 -22.2	100.0 -14.8	EV/EBITDA (x)	10.7x	4.6x	6.1x	4.8x
Net Financing Cash Flow	-7.4 -36.1	0.0 <b>-33.0</b>	-22.2 -42.2	85.2	EV/EBIT (x)	33.0x	6.6x	10.8x	7.9x
Movement in Cash	29.2	67.2	11.1	91.0	EV/Revenue (x)	1.1x	0.8x	1.3x	1.0x
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0					
Ratio PPE to deprec. (yrs)	11.6	11.0	10.2	9.1	Other Information				
					Estimated free float:				90.8%
Balance Sheet (\$m)	2020a	2021a	2022f	2023f	12-mth High/Low (A\$/sh)			\$1.28 -	\$0.655
Cash	63.0	112.3	123.4	214.5	Average daily volume (A\$m) ASX Code				0.39 OMH
Receivables	63.0	56.4	55.3	73.5	Next result				Aug 22
Inventories	216.3	353.3	218.2	296.0	TYOKE TOSAIC				7 tag 22
Other Total Current Assets	5.4 <b>347.7</b>	5.2 <b>527.2</b>	5.2 <b>402.1</b>	5.2 <b>589.1</b>					
Property, Plant & Equipment	645.1	634.3	649.4	635.5	Company Description				
Intangibles Other	0.0	0.0	0.0	0.0	OMH is a manganese and silica sme	Iter with h	igh finan	cial and	
Total Non Current Assets	140.6 <b>785.7</b>	137.8 <b>772.1</b>	137.8 <b>787.2</b>	137.8 <b>773.3</b>	operating leverage.				
Total Assets	1,133.4	1,299.3	1,189.3	1,362.4					
Accounts Payable	54.8	176.5	62.4	82.7 124.6					
Interest Bearing Liabilities Other	288.3 23.2	124.6 25.1	124.6 25.1	124.6 25.1					
<b>Total Current Liabilities</b>	366.3	326.2	212.1	232.4					
Accounts Payable	155.8	54.3	54.3	54.3					
Interest Bearing Liabilities Other	126.8 16.4	284.4 24.0	264.4 24.0	364.4 24.0					
Total Non Current Liabilities	298.9	362.8	342.8	442.8					
Total Liabilities	665.2	689.0	554.9	675.2					
Net Assets Net Debt (net cash) inc AASB16	<b>468.2</b> 353.7	<b>610.3</b> 301.2	<b>634.4</b> 270.1	<b>687.3</b> 279.1					
Net Debt (net cash)	352.0	296.7	265.6	274.6					

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