

OM Holdings Ltd

(OMH \$0.80) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	24 th June 2022	\$1.55/sh

Site visit to Sarawak

Event

We attended a site visit to the Sarawak smelter in Malaysia;

Impact

As a reminder, OMH announced it will acquire the balance (25%) of Sarawak (the main OMH asset);

The acquisition price is US\$120m (look through for 100% US\$480m);

Action

We maintain our Buy recommendation;

Post-acquisition, gearing levels will be high, but at current selling prices appear very manageable.

The Company says it will fund the acquisition with cash reserves, future operating cash flow &/or an equity raise. Our model assumes no equity raise. We estimate an equity raise is discretionary, on our estimates (more equity would be nice, but not necessary on our selling price assumptions);

Key Catalysts

- June Qtrly - July
- 1H22 results - August
- Sarawak acquisition completes - Sept/Dec Qtr
- 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	0.80	A\$/sh
Price Target	1.55	A\$/sh
Valuation (DCF)	1.37	A\$/sh
WACC	9.0%	
Terminal Growth	3.0%	
Shares on issue	739 m, diluted	
Market Capitalisation	590.9	A\$m
Enterprise Value	1,056.2	A\$m
Cash 31 Dec 21a	112.3	A\$m
Debt (est post acq)	577.6	A\$m

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	1040.8	1061.0	1347.7
EBITDA (A\$m)	190.0	261.8	283.4
EBITA (A\$m)	132.4	200.0	205.5
Reported NPAT (A\$m)	112.4	122.9	162.8
Normalised NPAT (A\$m)	51.4	82.4	122.6
Op Cashflow (A\$m)	94.2	91.9	135.8
Capex (A\$m)*	-9.0	-105.0	-79.0
Op. Free Cashflow (A\$m)	85.2	-13.1	56.8
Revenue Growth (%)	33%	2%	27%
EBITDA Growth (%)	132%	38%	8%
Norm. NPAT Growth (%)	398%	51%	3%
Normalised EPS (Ac)	7.0	11.2	16.6
Norm. EPS growth (%)	nm	60%	49%
PER (x)	11.5	7.2	4.8
EV:EBITDA (x)	5.6	4.0	3.7
EV:EBIT (x)	8.0	5.3	5.1
DPS (Ac)	2.0	2.0	2.0
Dividend Yield (%)	2.5%	2.5%	2.5%
Net Debt (A\$m)	296.7	503.4	461.4
Net Debt:Equity (%)	49%	71%	54%
Interest Cover (x)	6.7	8.4	6.8

Share Price Chart



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Analysis

Sarawak smelter entrance



Source: Euroz Hartleys site visit June 2022

Ladle pour



Source: Euroz Hartleys site visit June 2022

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OM Holdings Ltd (OMH \$0.80) Buy

Sample of Ferro Silicon



Source: Euroz Hartleys site visit June 2022

Sample of Silicon Manganese



Source: Euroz Hartleys site visit June 2022

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Sample of Ferro Manganese



Source: Euroz Hartleys site visit June 2022

Price Target

Our price target is unchanged at \$1.55;

OMH Price Target Methodology	Weighting	Spot	12 mth out
Sum-of-parts	38%	\$1.37	\$1.80
- at Spot prices	2%	\$1.30	\$1.77
12mth base EV/EBITDA of 12x (high)	4%	\$4.94	\$6.72
12mth base EV/EBITDA of 4x (low)	15%	\$1.42	\$2.09
12mth spot EV/EBITDA of 12x (high)	1%	\$4.94	\$6.72
12mth spot EV/EBITDA of 4x (low)	4%	\$1.42	\$2.09
Net cash	15%	\$0.00	\$0.00
12mth fwd Div Yield of 4.0% (Gross yield=5.8%)	22%	\$0.74	\$0.49
Risk weighted composite		\$1.22	\$1.55
12 Months Price Target		\$1.55	
Shareprice - Last		\$0.800	
12 mth total return (% to 12mth target + dividend)		97.5%	
		<i>P / E (FY22) at price target</i>	9.3x
		<i>P / E (FY23) at price target</i>	8.0x
		<i>EV/EBITDA (FY23F) at price target</i>	5.8x
		<i>EV/EBITA (FY23F) at price target</i>	8.0x

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Financial Statements	2020A	2021A	2022F	2023F
Group Revenue growth	784.6	1,040.8	1,061.0	1,347.7
	-23.6%	32.6%	1.9%	27.0%
EBITDA - Divisions	93.8	195.7	275.3	297.5
EBITDA - Group growth	82.0	190.0	261.8	283.4
	-47%	nm	38%	8%
EBITDA / Sales	10.5%	18.3%	24.7%	21.0%
Depreciation/Amortisation	-55.4	-57.6	-61.8	-77.8
- depreciation	-55.4	-57.6	-61.8	-77.8
- amortisation	0.0	0.0	0.0	0.0
EBITA	26.6	132.4	200.0	205.5
EBITA / Sales	3.4%	12.7%	18.9%	15.2%
Net Interest	-28.8	-19.8	-23.8	-30.4
Norm. Pretax Profit pre Amort	-2.3	112.6	176.2	175.1
- margin	-0.3%	10.8%	16.6%	13.0%
Norm Tax	-0.8	-33.8	-52.9	-52.5
Effective Tax Rate	-36.9%	30.0%	30.0%	30.0%
NPAT Pre Minorities	-3.1	24.0	41.4	122.6
Minorities	0.0	-27.4	-41.0	0.0
Normalised NPATA to equity	-3.1	51.4	82.4	122.6
Norm. Net Profit / Sales	-0.4%	4.9%	7.8%	9.1%
Abnormals / discontinued	-0.7	61.0	40.5	40.3
Reported Profit to equity margin	-3.8	112.4	122.9	162.8
	-0.5%	10.8%	11.6%	12.1%
Cash flow (A\$m)	2020A	2021A	2022F	2023F
Cash receipts	784.6	1,040.8		
EBITDA	82.0	190.0	261.8	283.4
Working Capital Change	30.3	-77.5	-133.8	-104.9
Cash from Operations	112.3	112.5	128.0	178.5
Net interest Paid	-29.3	-19.5	-23.8	-30.4
Tax Paid	-6.4	1.2	-12.3	-12.3
Net Operating Cash Flow	76.6	94.2	91.9	135.8
Capex	-16.9	-9.0	-105.0	-79.0
Asset Sales	0.0	2.6	0.0	0.0
Other (inc Investments)	-0.5	-0.5	-171.4	0.0
Net Investing Cash Flow	-11.3	6.0	-276.4	-79.0
Proceeds from Equity Issues	0.0	2.6	0.0	0.0
Net Change in Debt & Leases	-28.7	-35.6	175.0	100.0
Dividends Paid	-7.4	0.0	-22.2	-14.8
Net Financing Cash Flow	-36.1	-33.0	152.8	85.2
Movement in Cash	29.2	67.2	-31.7	142.0
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0
Ratio PPE to deprec. (yrs)	11.6	11.0	13.7	10.9
Balance Sheet (\$m)	2020A	2021A	2022F	2023F
Cash	63.0	112.3	80.6	222.7
Receivables	63.0	56.4	87.2	110.8
Inventories	216.3	353.3	328.6	439.6
Other	5.4	5.2	5.2	5.2
Total Current Assets	347.7	527.2	501.5	778.2
Property, Plant & Equipment	645.1	634.3	848.9	850.1
Intangibles	0.0	0.0	0.0	0.0
Other	140.6	137.8	137.8	137.8
Total Non Current Assets	785.7	772.1	986.7	987.9
Total Assets	1,133.4	1,299.3	1,488.3	1,766.1
Accounts Payable	54.8	176.5	89.8	119.5
Interest Bearing Liabilities	288.3	124.6	124.6	124.6
Other	23.2	25.1	25.1	25.1
Total Current Liabilities	366.3	326.2	239.5	269.2
Accounts Payable	155.8	54.3	54.3	54.3
Interest Bearing Liabilities	126.8	284.4	459.4	559.4
Other	16.4	24.0	24.0	24.0
Total Non Current Liabilities	298.9	362.8	537.8	637.8
Total Liabilities	665.2	689.0	777.2	907.0
Net Assets	468.2	610.3	711.0	859.1
Net Debt (net cash) inc AASB16	353.7	301.2	507.9	465.9
Net Debt (net cash)	352.0	296.7	503.4	461.4

Performance Ratios	2020A	2021A	2022F	2023F
Growth & Margins				
Revenue Growth	-24%	33%	2%	27%
EBITDA Growth	-47%	132%	38%	8%
EBITA Growth	-74%	398%	51%	3%
Reported NPAT Growth	nm	nm	9%	33%
Normalized Net Profit Growth	nm	nm	60%	49%
EBITDA margin	10%	18%	25%	21%
EBIT margin	3%	13%	19%	15%
Normalized net profit margin	0%	5%	8%	9%
Effective tax rate	37%	3%	7%	7%
Liquidity				
Capex/depreciation (x)	0.3	0.2	1.7	1.0
Current ratio (x)	0.9	1.6	2.1	2.9
Quick ratio (x)	0.3	0.5	0.7	1.2
Receivable days	29.3	19.8	30.0	30.0
Payable days	15.9	45.4	45.4	45.4
Risk Measures				
Payout ratio (%)	0%	29%	18%	12%
Net interest cover (x)	0.9	6.7	8.4	6.8
Net debt/nd+equity (%)	43%	33%	41%	35%
Returns				
ROIC (pre-tax)	0%	13%	18%	15%
Return on Assets	0%	4%	6%	8%
Return on Equity	-1%	10%	12%	16%
Share Data/Valuation	2020A	2021A	2022F	2023F
Share Data				
Issued shares (m)	738.6	738.6	738.6	738.6
Weighted ave shares (m)	738.6	738.6	738.6	738.6
Fully diluted shares (m)	738.6	738.6	738.6	738.6
Basic EPS (c)	-0.5	15.2	16.6	22.0
YoY change (%)	nm	nm	9%	33%
Fully diluted EPS (c)	-0.5	15.2	16.6	22.0
YoY change (%)	nm	nm	9%	33%
Fully diluted normalised EPS (c)	-0.4	7.0	11.2	16.6
YoY change (%)	nm	nm	60%	49%
Dividend/share (c)	0.00	2.00	2.00	2.00
Franking (%)	0%	0%	0%	0%
Gross cashflow/share (c)	10.4	12.8	12.4	18.4
NBV/share (\$)	0.63	0.83	0.96	1.16
NTA/Share (\$)	0.63	0.83	0.96	1.16
Valuation				
PER (Basic) (x)	nm	5.3	4.8	3.6
PER (Fully diluted) (x)	nm	5.3	4.8	3.6
PER (Fully diluted, normalized) (x)	nm	11.5	7.2	4.8
P/CFPS (x)	7.7	6.3	6.4	4.4
Price/NBV (x)	1.3	1.0	0.8	0.7
Price/NTA (x)	1.3	1.0	0.8	0.7
Dividend Yield (%)	0.0%	250.0%	2.5%	2.5%
EV/EBITDA (x)	12.9x	5.6x	4.0x	3.7x
EV/EBIT (x)	39.7x	8.0x	5.3x	5.1x
EV/Revenue (x)	1.3x	1.0x	1.0x	0.8x
Other Information				
Estimated free float:				90.8%
12-mth High/Low (A\$/sh)				\$1.28 - \$0.7
Average daily volume (A\$m)				0.28
ASX Code				OMH
Next result				Aug-22
Company Description				
OMH is a manganese and silica smelter with high financial and operating leverage.				

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