



OM Holdings Ltd (OMH.ASX)

Higher production expected in 2024

Event:

- 4QCY23 production reviews; Earnings, price-target, commodity price changes.

Investment Highlights:

- Production and sales came in above our forecast.** OM Sarawak (OMS) recorded strong production in 4Q23 of 40.6kt FeSi and 84.6kt Mn alloys, above our forecasts of 39.3kt and 78.0kt respectively. This is following the hot commissioning of one FeSi furnace during the quarter. FeSi and Mn alloys' shipments also improved to 43kt (+26% QoQ) and 113kt (+68%), mainly due to shipments in the previous quarter being carried forward into 4Q23.
- Stronger 2024.** OMH introduced its FY24 guidance for FeSi and Mn alloys of 130-140kt and 300-320kt, largely in line with our estimates. 15 furnaces are currently in operation (eight FeSi, seven Mn alloys). One Mn alloy furnace's hot commissioning has been extended due to not performing as required. The remaining two FeSi furnaces are scheduled to commence maintenance in 2025.
- Metallic Si (MetSi) furnace to operate in 1H24.** Both MetSi furnaces are currently producing FeSi while the fabrication works are ongoing with expected completion by end-February.
- Marketing volumes down.** Total ores and alloys traded declined 36% to 387.3kt, mostly from lower Mn ores sales. Tshipi also had weaker performance of 625kt, down 27% QoQ as road hauling was stopped and most of the tonnages railed due to declining Mn ore prices resulting in a decrease in export.
- Strategic investor onboard.** During the quarter, OMH announced **JFE Shoji Corporation (JFE)** took up 3.75% stake in the company, with OMH issuing 27.6M shares at \$0.472/share for \$13M, which will be used for working capital. JFE, a Japanese trading company, specializes in marketing and distributing steel products. It has supported OMH for over 20 years as a pioneer offtake partner and lender for OMS' early expansion, with the loan repaid in November 2023. We view this positively as it reflects confidence in OMH's long term potential.
- Not out of the woods yet – downgrade long-term prices.** As at end-December, FeSi and SiMn CIF Japan prices continue to ease around -5% to US\$1,285/t and US\$900/t from US\$1,360/t and US\$945/t last quarter. Mn ore 44% CIF China prices also fell to US\$4.17/dmtu from US\$4.37/dmtu given the continued weak market sentiment. We downgrade long-term FeSi by -1% to US\$1,369/t, SiMn by -4% to US\$1,039/t, and Mn 44% ore by -3% to US\$5.25/dmtu.

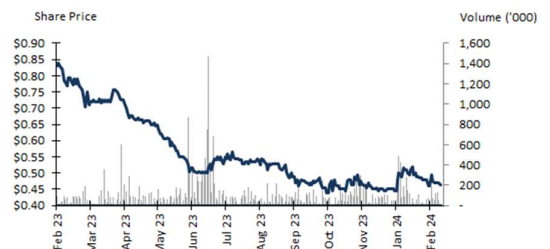
Earnings and Valuation:

- FY24 and FY25 earnings cut on prices.** We trim FY24 and FY25 NPAT -5% and -8% to US\$69M and US\$72M on our Mn ore price downgrade.
- Risked valuation (1.0x NPV₁₀) falls to \$1.06 from \$1.14** mainly due to lower Mn ore price and dilution from the issuance of new shares to JFE.

Recommendation:

- We maintain our Buy and reduce our 12-month price-target to \$1.06 from \$1.14,** based on in risked valuation. **Catalysts for share price** include 1) Restart of Si furnace; 2) Furnace expansions; 3) Improving prices; and 4) Grant of tax exemption.

Disclosures					
Foster Stockbroking and staff own 32,600 OMH shares.					
Refer details end of report.					
Recommendation		Buy			
Previous		Buy			
Risk		Medium			
Price Target		\$1.06			
Previous		\$1.14			
Share price (A\$)		\$ 0.465			
ASX code		OMH			
52 week low-high		\$0.44-0.84			
Valuation (A\$/share)		\$1.06			
Methodology		NPV10 nominal			
Capital structure					
Shares on Issue (M)		766			
Market cap (A\$M)		356			
Net cash (debt) attributable (A\$M)		-306			
EV (A\$M)		662			
Ave daily volume ('000)		102			
Earnings Y/e Dec US\$M		FY22a	FY23e	FY24e	FY25e
Sales adj*		779	733	811	809
EBITDA adj.*		134	120	143	143
NPAT adj*		79	48	69	72
EPS adj. \$*		0.11	0.07	0.09	0.10
PE x		2.8	4.4	3.2	3.1
EV/EBITDA x		3.2	3.6	3.0	3.0
DPS \$		0.01	0.01	0.02	0.02
Yield %		3.3%	3.3%	7.6%	6.6%
* Adj =underlying attributable					
Board					
Low Ngee Tong		Executive Chair & CEO			
Zainul Abidin Rasheed		Non-Executive Director			
Julie Anne Wolseley		Non-Executive Director			
Tang Peng Chin		Non-Executive Director			
Dato Abdul Hamid Bin Sh Mohamed		Non-Executive Director			
Tan Ming-li		Non-Executive Director			
Share price graph					



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OM Holdings (OMH)

Full Year Ended 31 December

Profit and Loss US\$M	2022a	2023e	2024e	2025e
Attributable:				
Revenue adj.	779	733	811	809
Operating costs adj.	645	613	670	670
EBITDA adj.	134	120	143	143
D&A adj.	23	28	28	29
EBIT adj.	111	93	115	114
Net Interest exp / (income)	13	22	19	15
PBT adj.	97	70	95	99
Tax exp / (benefit) adj.	18	22	26	27
NPAT adj.	79	48	69	72
EPS diluted adj. (\$)	0.11	0.07	0.09	0.10
DPS (\$)	0.01	0.01	0.02	0.02

Cashflow US\$M	2022a	2023e	2024e	2025e
EBITDA reported	151	106	124	123
Change in WC	49	-62	0	0
Tax	-7	-13	-22	-22
Other	3	16	16	16
Operating cashflow	197	25	96	94
PPE	-39	-24	-26	-27
Acquisitions	0	0	0	0
Capitalised expenses	-1	-2	-2	-2
Investment	0	0	0	0
Dividend from associate	8	5	14	14
Interest income	1	1	0	0
Other	0	0	0	0
Investing cashflows	-31	-19	-14	-14
Equity issue	0	0	0	0
Debt proceeds	23	55	0	0
Det repayment	-66	-44	-44	-70
Dividend paid	-11	-11	-12	-14
Minority acquisition	-109	0	0	0
Interest expense	-18	-21	-5	-4
Other	0	-3	-3	-3
Financing cashflow	-181	-24	-63	-91
Net cashflow	-15	-18	19	-10

Balance Sheet US\$M	2022a	2023e	2024e	2025e
Cash	62	56	75	65
Receivables	32	33	36	36
Inventories	235	289	314	313
PPE	446	430	430	430
Associate investment	81	83	81	80
Capitalised exploration	4	5	6	8
Intangibles	11	9	9	9
Other	15	25	25	25
Assets	886	928	977	965
Payables	181	172	186	186
Provisions	5	5	5	5
Debt	255	244	201	131
Other	46	73	93	95
Liabilities	486	494	485	416
Capital	396	431	488	546
Equity attributable	396	431	488	546
Minorities	4	4	4	4
Equity	400	435	492	549

Half year splits	1H FY22a	2H FY22a	1H FY23a	2H FY23e
Alloy shipments, kt	183	185	167	232
Sales adj., US\$M	413	365	346	387
EBITDA adj., u\$M	86	48	57	64
NPAT adj., US\$M	52	27	20	28

Financial Metrics	2022a	2023e	2024e	2025e
Wtd ave shares (M)	739	739	739	739
Wtd ave share diluted (M)	739	739	739	739
EPS growth %	30%	-36%	37%	4%
Gearing (ND/ND+E)	32%	30%	20%	11%
Interest Cover (EBIT/net int)	8.2x	4.1x	5.9x	7.6x
Average ROE %	21%	12%	15%	14%
Average ROA %	15%	11%	12%	12%

Valuation multiples	2022a	2023e	2024e	2025e
P/E x	2.8	4.4	3.2	3.1
EV/EBITDA x	3.2	3.6	3.0	3.0
Yield %	3.3%	3.3%	7.6%	6.6%

Company Valuation		
NPV 10% nominal		
Segment	A\$M	A\$/share
Sarawak smelter	1,235	\$1.61
Tax exemption	74	\$0.10
Qinzhou smelter	4	\$0.01
Bootu Creek & exploration	2	\$0.00
Bootu Creek rehabilitation	-13	-\$0.02
Tshipi	123	\$0.16
Marketing	282	\$0.37
Corporate	-376	-\$0.49
Working capital	-211	-\$0.28
Net Cash attributable	-306	-\$0.40
Total	814	\$1.06

Capital structure	M
Ordinary shares	766
Fully diluted	766

Assumptions	2022a	2023e	2024e	2025e
FeSi Japan CIF, US\$/t	1,907	1,401	1,471	1,421
SiMn Japan, US\$/t	1,315	948	926	939
Si metal 553 US\$/t	3,000	2,500	2,500	2,250
Mn ore 44% China CIF US\$/dmtu	6.15	4.82	5.09	4.84
A\$:US\$	0.69	0.67	0.68	0.69

Shipments kt (100%):				
FeSi	147	136	120	120
Mn alloys	221	284	330	330
Si metal	0	0	16	21
Total	368	420	466	471

	2022a	2023e	2024e	2025e
Ave realised price US\$/t alloy	1,764	1,107	1,137	1,129
Cash costs US\$/t alloy	1,389	830	884	878

JORC Resources	Ore Mt	Mn grade %
100%:		
Bootu Creek	6.9	13.2%
Bryah Basin	3.1	20.2%
Tshipi	431.7	33.2%
Total	441.6	32.8%

Attributable		
Bootu Creek (100%)	6.9	13.2%
Bryah Basin (51%)	1.6	20.2%
Tshipi (13%)	56.1	33.2%
Total	64.6	30.7%

Substantial shareholders	%
Huang Gang	13.5%
Amplewood Resources Ltd	13.1%
Low Ngee Tong	9.0%
Dino Company Ltd	8.0%

Source: Company; Foster Stockbroking estimates.

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Specific disclosure: The analyst does not own OMH securities at the time of this report. Diligent care has been taken care by the analyst to maintain honesty and fairness in writing the report and making the recommendation.

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Research review: The report was reviewed by Mark Fichera, Research Analyst.

Disclosure review. All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance.