

OM Holdings

Product Prices Bottom Out

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OMH is mildly optimistic on the outlook for its product prices given the improved demand-supply dynamics. Production increase of ferrosilicon (FeSi) in China is offset by supply loss following the nationalisation of the largest Russian FeSi producer. It raised its output guidance from its plant in Sarawak. We maintain our forecasts, TP of RM1.80 and OUTPERFORM call.

We came away from OMH's investor briefing yesterday feeling positive about its outlook. The key takeaways are as follows:

1. OMH is mildly optimistic on the outlook for its product prices given the improved demand-supply dynamics, which have resulted in the prices rebounding from recent lows in 4QFY23. While Chinese producers have raised production, this is offset by supply loss following the nationalisation of the largest Russian FeSi producer recently.

Recall, in FY23, the spot price for FeSi plummeted by 27% from USD1,901/MT to USD1,437/MT in 2023. Similarly, the spot price of silicon manganese (SiMn) spot price plunged by 24% to USD962/MT from USD1,309/MT. OMH was not spared the plunge in product prices but it managed to achieve realised ASP that was c.2% higher than S&P Platts' average spot price. All in, for FY23, OMH posted a 73% contraction in net profit on a 32% decline in revenue, as a 32% lower ASP negated a 17% increase in sales volume.

2. OMH raised its guidance for FY24F output from its plant in Sarawak to 460-490 MT (from 430-470 MT guided in end-Jan 2024). This is on the back of higher capacity utilisation as more furnaces, currently under major maintenance, will be restarted sooner than expected. As at end-Dec 2023, 14 out of 16 furnaces have completed major maintenance. The remaining two FeSi furnaces will undergo major maintenance works in FY25. Meanwhile, fabrication works are ongoing for its high-margin metallic silicon (MetSi) furnaces and they will be restarted within this year.

Forecasts. Maintained.

Valuations. We maintain our TP of RM1.80 which is based on unchanged 6x FY25F PER (consistent with an average of 6.5x for its international peers, see Page 8) plus a 5% premium by virtue of its 4-star ESG rating as appraised by us (see Page 5).

Investment case. We continue to like OMH for: (i) its structural cost advantage over its international peers given its access to low-cost hydro-power under a 20-year contract ending 2033, (ii) its strong growth prospects underpinned by plans to expand its capacity by 30%-36% to 610,000-640,000 MTPA over the medium term, and (iii) its appeal to investor given its clean energy source. Maintain **OUTPERFORM**.

Risks to our recommendation include: (i) a global recession resulting in a sharp fall in the demand for steel, hurting FeSi and Mn alloys prices, (ii) escalation in the cost of key inputs such as manganese ore, quartz and semicoke, and (iii) major plant disruptions/closure.

OUTPERFORM ↔

Price: RM1.30
Target Price: RM1.80 ↔

Share Price Performance



KLCI	1,531.51
YTD KLCI chg	5.3%
YTD stock price chg	-12.2%

Stock Information

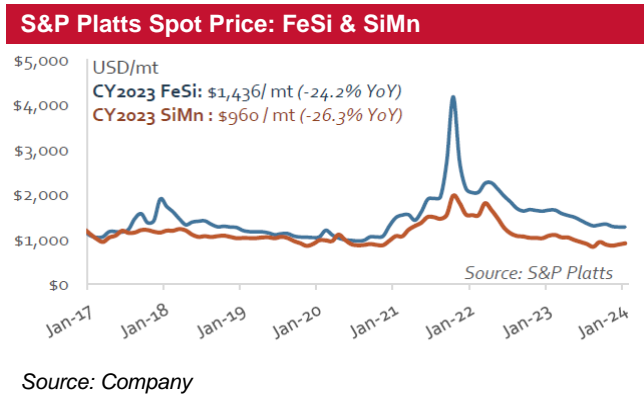
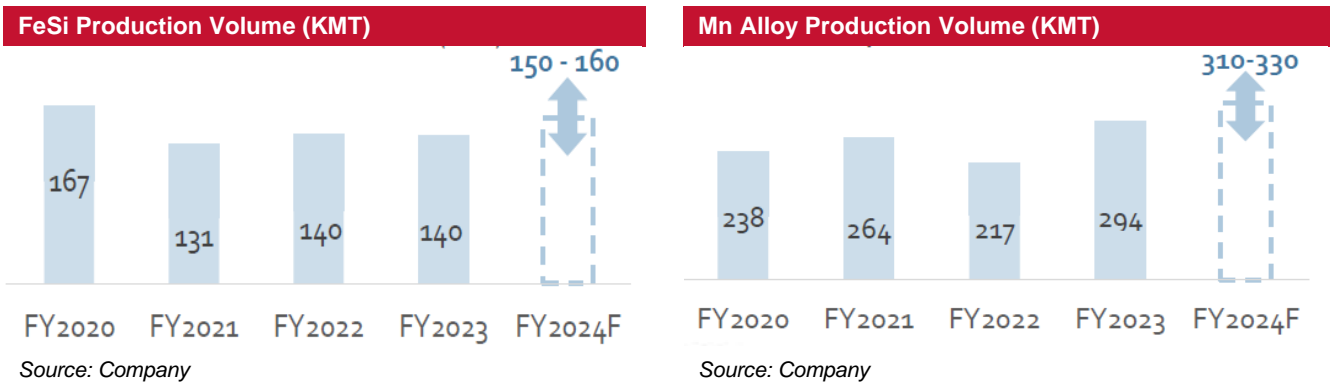
Shariah Compliant	Yes
Bloomberg Ticker	OMH MK Equity
Market Cap (RM m)	996.1
Shares Outstanding	766.3
52-week range (H)	2.40
52-week range (L)	1.27
3-mth avg. daily vol.	82,720
Free Float	91%
Beta	1.0

Major Shareholders

Hanwa Co Ltd	4.2%
Low Ngee Tong	1.3%
Heng Siow Kwee	1.2%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	589	518	584
EBIT	54	50	74
PBT	33	40	67
Net Profit (NP)	18	30	50
Core Net Profit	18	30	50
Consensus (NP)		46	57
Earnings Rev. (%)		-	-
Core EPS (sen)	2.4	3.9	6.5
Core EPS Growth (%)	-73.3	63.2	68.6
NDPS (sen)	0.0	1.5	1.5
BV/Share (RM)	0.54	0.61	0.68
NTA/Share (RM)	0.54	0.61	0.68
PER (x)	13.5	7.6	4.5
PBV (x)	0.60	0.55	0.50
P/NTA (x)	0.60	0.55	0.50
Net Gearing (x)	0.48	0.58	0.38
Net Dividend Yield (%)	0.0	5.1	5.1



	Price	Currency	Mkt Cap (USD m)	FYE	EPS Growth		PER (x)		PBV (x)	ROE	Net Yld
					1Y Fwd	2Y Fwd	1Y Fwd	2Y Fwd	1Y Fwd	1Y Fwd	1Y Fwd
ELKEM ASA	21.50	NOK	1,301.8	12/2024	834.0%	163.7%	20.6	7.8	0.55	0.3%	1.8%
ERAMET	65.80	EUR	2,054.8	12/2024	105.4%	60.3%	9.3	4.5	1.11	6.4%	3.4%
FERROGLOBE	4.00	EUR	814.2	12/2024	-63.5%	124.1%	16.3	7.3	N/A	11.4%	0.0%
OMH	1.30	MYR	215.2	12/2024	63.2%	68.6%	7.6	4.7	0.55	16.3%	4.3%
Average							13.4	6.5	0.73	8.2%	3.4%

Source: Bloomberg/Kenanga Research

07 March 2024

Income Statement						Financial Data & Ratios					
FY Dec (USD m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Turnover	780	857	589	518	584	Growth (%)					
EBITDA	124	139	91	97	123	Turnover	43.8	9.8	-31.2	-12.1	12.9
Depreciation	-29	-25	-37	-47	-49	EBITDA	270.0	12.6	-34.5	6.1	27.0
Operating Profit	95	115	54	50	74	Operating Profit	>100.0	20.6	-52.8	-7.5	47.5
Interest Expense	-15	-19	-28	-17	-14	PBT	>100.0	25.0	-69.0	22.3	68.6
Associate	4	8	5	6	6	Net Profit	>100.0	10.3	-73.3	63.2	68.6
Exceptional Items	0	0	0	0	0	Core Net Profit	>100.0	10.3	-73.3	63.2	68.6
PBT	85	106	33	40	67	Profitability (%)					
Taxation	-2	-23	-14	-10	-18	EBITDA Margin	15.9	16.3	15.5	18.7	21.0
Minority Interest	-21	-15	0	0	0	Operating Margin	12.2	13.4	9.2	9.7	12.6
Net Profit	62	68	18	30	50	PBT Margin	10.8	12.3	5.6	7.7	11.5
Core Net Profit	62	68	18	30	50	Net Margin	7.9	7.9	3.1	5.7	8.5
Balance Sheet						Core Net Margin	7.9	7.9	3.1	5.7	8.5
FY Dec (USD m)	2021A	2022A	2023A	2024F	2025F	Effective Tax Rate	2.9	21.8	43.9	26.0	26.0
Fixed Assets	444	446	426	449	409	ROA	6.7	6.5	1.4	5.3	7.1
Associates	87	81	84	81	92	ROE	19.1	17.8	4.5	14.5	23.1
Goodwill	0	0	0	0	0	DuPont Analysis					
Other Fixed Asset	31	28	28	28	30	Net Margin (%)	7.9	7.9	3.1	5.7	8.5
Inventories	256	235	292	231	253	Assets Turnover (x)	0.8	1.0	0.6	0.6	0.7
Receivables	41	32	39	32	37	Leverage Factor (x)	2.6	2.2	2.3	2.1	1.9
Other CA	4	2	2	1	1	ROE (%)	16.7	17.1	4.4	6.8	10.6
Cash	82	62	70	71	68	Leverage					
Total Assets	944	886	941	894	889	Debt/Asset (x)	0.31	0.29	0.28	0.29	0.22
Payables	128	127	154	136	149	Debt/Equity (x)	0.81	0.64	0.65	0.60	0.41
ST Borrowings	82	50	96	74	62	Net Cash/(Debt)	-215	-192	-196	-253	-180
Other ST Liability	18	19	30	11	13	Net Debt/Equity (x)	0.58	0.49	0.48	0.58	0.38
LT Borrowings	215	205	169	186	133	Valuations					
Other LT Liability	57	86	78	52	59	EPS (cent)	8.0	8.9	2.4	3.9	6.5
Minority Interest	76	4	3	2	2	NDPS (cent)	1.5	1.5	0.0	1.5	1.5
Net Assets	368	396	411	433	471	BV/share (USD)	0.48	0.52	0.54	0.61	0.68
Share Capital	32	32	33	33	33	NTA/share (USD)	0.48	0.52	0.54	0.61	0.68
Reserves	336	364	378	400	438	PER (x)	8.5	5.4	13.5	7.6	4.5
Equity	368	396	411	433	471	Net Yield (%)	2.2	3.2	0.0	5.1	5.1
Cashflow Statement						P/BV (x)	1.42	0.92	0.60	0.55	0.50
FY Dec (USD m)	2021A	2022A	2023A	2024F	2025F	P/NTA (x)	1.42	0.92	0.60	0.55	0.50
Operating CF	34	186	10	85	112	EV/EBITDA (x)	5.9	4.0	5.5	5.3	2.1
Investing CF	-5	-40	-11	-39	-39						
Financing CF	6	-163	9	-44	-77						
Change In Cash	36	-17	8	2	-3						
Free CF	30	146	-1	46	73						
Capex	-6	-39	-21	-39	-39						

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ENGTEX GROUP BHD	OP	1.04	1.41	35.6%	459.0	Y	12/2024	9.2	12.5	300.0%	35.0%	11.3	8.3	0.5	4.7%	0.8	0.7%
OM HOLDINGS LTD	OP	1.30	1.80	38.5%	996.1	Y	12/2024	17.7	29.8	63.6%	68.6%	7.4	4.4	0.5	7.0%	6.6	5.1%
PRESS METAL ALUMINUM HOLDINGS BHD	MP	4.52	4.90	8.4%	37,243.1	Y	12/2024	17.3	19.9	13.8%	14.9%	26.1	22.7	4.8	18.8%	6.9	1.5%
UNITED U-LI CORPORATION BHD	OP	1.35	1.91	41.5%	294.0	Y	12/2024	23.9	29.8	29.7%	24.6%	5.7	4.5	0.7	13.2%	6.0	4.4%
Sector Aggregate					38,992.3					19.2%	19.9%	23.6	19.7	3.6	15.0%		2.9%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	★
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★	★	
	Legal & Regulatory Compliance	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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