

OM Holdings Ltd

Weaker Set Of Results Due To Softer ASP

Summary

- **Earnings came in below expectations.** In 2HFY23, OMH's core LATMI registered at -USD1.0m, bringing the full year core PATMI to USD18.1m. The core PATMI came in below expectations, making up only 44.6% of our earnings estimates of USD40.5m. Key variances include (i) lower average selling prices of FeSi and Mn ore.
- **YoY.** Revenue declined 31% to USD589.2m due to softer ASP despite improved sales volume of ores by 5% in FY23 to 936.9k tonnes in FY23, while sales volumes of Alloys declined marginally by -1% to 405.1k in FY23. The core PATMI plunged 73.3% to USD18.1m as compared to USD67.8m in FY22 due to overall weak ASP in FY2023 amid suppressed demand from steel mills and the weakening global steel market. Platts reported FeSi fell approx. 21% from USD1630/tonne CIF Japan at end-2022 to USD1285/tonne CIF Japan at end-2023.
- **HoH.** Revenue for 2HFY23 fell 31% to USD269.5m on the back of softer ASP. Hence, for the period, it has registered a core LATMI of USD1.0m for the period from USD19.1m in 1HFY23.
- **Outlook.** Total operational FeSi furnaces will be 6-8 in 2204 with 130-140ktpa, while Mn Alloys will be having 280-308ktpa capacity with 8 operating furnaces. Besides, MetSi will be having 0-2 furnaces in 2024 with 26-29ktpa, totaling up to 430-470ktpa. Meanwhile, overall capacity is guided to be 450-490ktpa after 2024.

Valuation & Recommendation

- **Earnings forecasts.** Given the core PATMI came in below expectations, we slash the core PATMI by 10-11% to USD31.5m and USD37.9m for FY24-25f. We expect OMH to pay out US 0.6-0.7 cents as dividend for FY24-25f.
- **Valuations.** We downgrade OMH to **HOLD** (from BUY) with a lower target price of **RM1.34** (revised downwards by 30% from RM1.90). The target price is derived by assigning a P/E multiple of 7.0x to FY24f 19.1 sen.
- **Risks** to our recommendation and target price include weaker-than-expected production and ferroalloy prices. OMH is also exposed to currency risk, whereby a weaker USD against the ringgit would be a drawback and vice versa.

Quarterly performance									
FYE Dec (USD m)	2HFY22	1HFY23	2HFY23	HoH (%)	YoY (%)	FY22	FY23	YoY (%)	
Revenue	389.9	319.7	269.5	-16%	-31%	856.6	589.2	(31.2)	
PBT	23.6	30.5	2.2	-93%	-91%	105.6	32.7	(69.1)	
Core PATMI	18.5	19.1	(1.0)	NM	NM	67.8	18.1	(73.3)	
Reported PATMI	18.5	19.1	(1.0)	NM	NM	67.8	18.1	(73.3)	
Core EPS (US cents)	0.025	0.026	(0.001)	NM	NM	0.092	0.024	(73.3)	
Core EPS (RM sen)	0.117	0.120	(0.006)	NM	NM	0.427	0.114		
PBT margin (%)	6.1	9.5	0.8			12.3	5.5		
Core PATMI margin (%)	4.8	6.0	(0.4)			7.9	3.1		

Results Note – FY23

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HOLD (from BUY)

Share price	RM1.34
Target price	RM1.34
Previous TP	RM1.92
Capital upside	0.0%
Dividend return	2.2%
Total return	2.2%

Company profile

Principally involved in the mining, smelting and trading of raw ores

Stock information

Bursa Code	5298
Bloomberg ticker	OMH MK
Listing market	MAIN
Share issued (m)	766.3
Market Cap (m)	1026.8
52W High/Low	2.4 / 1.27
Est. Free float (%)	90.8
Beta (x)	1.0
3-mth avg vol ('000)	84.2
Shariah compliant	Yes

Major shareholders

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

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return			
Absolute	-1.5	-2.2	-25.7
Relative	-2.7	-3.3	-26.3

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY24f
PATMI (m)	\$18.5	\$31.5	37.9
EPS (\$cent)	2.4	4.1	4.9
P/E (x)	12.0	7.0	5.8

Relative performance chart



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As of **Tuesday, 05 Mar, 2024**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

