

## OM Holdings Ltd (OMH MK)

Inline

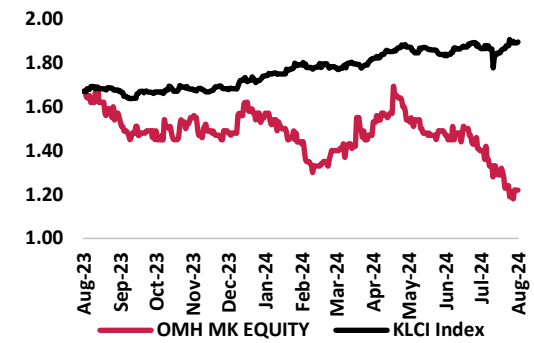
BUY

Share Price RM1.22  
Target Price RM1.96 +60.7%

**Surged in Manganese Ore Prices Dragged Earnings**

- Maintain BUY (TP: RM1.96).** 1HFY24's revenue and PBT decline 3.5% YoY and 49.7% YoY respectively, due to lower ore volume traded as well as decline in average selling prices (ASP). Overall, OMH's 1HFY24 core PATAMI of US\$12.9mn (+5.3% YoY) was inline with both our and Bloomberg consensus' estimates. We anticipate OMH to experience near-term challenges due to anticipated price volatility in FeSi, SiMn, and manganese ore amid macroeconomic factors. However, we believe OMH's long-term outlook to remain positive bolstered by its strategic diversification into the MetSi market, which is well-positioned to capitalize on growth opportunities particularly in the expanding renewable energy sector. Maintain a **BUY** call with unchanged **TP of RM1.96**. Our valuation pegged an average forward peers' P/E ratio of 9x to a FY25F EPS of 21.8sen.
- Key Highlight.** 1HFY24 ASPs were lower YoY primarily due to suppressed demand from steel mills, elevated energy costs and a weakening global steel market that has persisted since mid-2022 and spilled over into 1QFY24. Ferrosilicon (FeSi) prices declined by 5.8% QoQ to US\$1,210 at the end of Mar'24, before rebounding to US\$1,290 by the end of Jun'24. However, silicon manganese (SiMn) prices escalated by 2.2% QoQ at the end of Mar'2024 and continued to surge, reaching US\$1,165 by the end of Jun'24. Meanwhile, manganese ore prices showed a sharp increase from US\$4.32 at the end of Mar'24 to US\$8.30 by the end of June'24. This was due to a key global manganese ore supplier reducing supply after halting export operations because of infrastructure damage caused by a tropical cyclone.
- Earning Revision.** We make no changes to our FY24-FY25F earnings forecast as we anticipate that earnings for 2HFY24 will be impacted by higher manganese ore prices, which are slightly expected to squeeze the group's margins.
- Outlook.** We anticipate a challenging short-term outlook for OMH due to macroeconomic factors that are likely to cause volatility in FeSi, SiMn, and manganese ore prices. Nonetheless, we are optimistic about the long-term outlook underpinned by its strategic diversification into the MetSi market, which is poised to capitalize on emerging opportunities in the diversified industries particularly from the growing renewable energy sector.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(12.9)	(21.3)	(26.1)
vs FBM KLCI	(15.5)	(24.6)	(35.8)

**Stock Data**

ESG rating	Good
Mkt Cap (RM mn)	934.8
Adjusted Beta	0.9
Free float (%)	90.8
Issued shares (mn)	766.3
52w H/L (RM)	1.71 / 1.17
3m avg daily volume	55,903

**Major Shareholders (%)**

Hanwa Co Ltd	4.2
Low Ngee Tong	3.6
Heng Siow Kwee	1.3

**Nursuhaiza Hashim**

suhaiza@bimbsec.com.my  
+(603) 2613 1732

**Table 1: Quarterly Figures**

OM Holdings Ltd FYE 31 Dec (US\$ mn)	Half Yearly			Change (%)		Cumulative		YTD	BIMB	
	1HFY23	2HFY23	1HFY24	QoQ	YoY	FY23	FY24	YTD Chg	BIMB	6M/F
Revenue	319.7	269.5	308.4	14%	-3.5%	319.7	308.4	-3.5%	603.1	51.1%
EBITDA	46.3	32.0	41.2	29%	-11.0%	46.3	41.2	-11.0%	85.0	48.5%
Pretax profit	30.5	2.2	15.3	583%	-49.7%	30.5	15.3	-49.7%	28.5	53.7%
Taxation	-11.1	-3.2	-5.0	56%	-55.2%	-11.1	-5.0	-55.2%	-6.8	73.0%
<b>Normalised PATAMI</b>	<b>12.2</b>	<b>-17.3</b>	<b>12.9</b>	<b>n.m</b>	<b>5.3%</b>	<b>12.2</b>	<b>12.9</b>	<b>5.3%</b>	<b>21.7</b>	<b>59.4%</b>
Normalised EPS (cent)	1.7	-2.3	1.7	n.m	1.5%	1.7	1.7	1.5%	2.8	59.5%
				<b>chg (ppts)</b>				<b>chg (ppts)</b>		
EBITDA margin (%)	14.5%	11.9%	13.4%	1.5	-1.1	14.5%	13.4%	-1.1		
PBT margin (%)	9.5%	0.8%	5.0%	4.1	-4.6	9.5%	5.0%	-4.6		
Normalised PATAMI margin (%)	3.8%	-6.4%	4.2%	10.6	0.4	3.8%	4.2%	0.4		
Effective tax rate (%)	36.6%	142.7%	32.6%	-110.1	-4.0	36.6%	32.6%	-4.0		

Source: Company, BIMB Securities

Table 2: Production and Sales Volume Figures

FYE 31 Dec	2QFY23	1QFY24	2QFY24	QoQ Chg	YoY Chg	1HFY23	1HFY24	YTD Chg
<b>Production ('000)</b>								
Ferrosilicon (Fesi)	29,891	49,561	48,268	-2.6%	61.5%	59,598	97,829	64.1%
Manganese alloys (Mn alloys)	70,776	75,057	84,037	12.0%	18.7%	122,927	159,094	29.4%
<b>Total</b>	<b>100,667</b>	<b>124,618</b>	<b>132,305</b>	<b>6.2%</b>	<b>31.4%</b>	<b>182,525</b>	<b>256,923</b>	<b>40.8%</b>
<b>Sales ('000)</b>								
Ferrosilicon (Fesi)	29,565	46,216	50,567	9.4%	71.0%	57,847	96,783	67.3%
Manganese alloys (Mn alloys)	64,573	68,619	85,593	24.7%	32.6%	109,599	154,212	40.7%
<b>Total</b>	<b>94,138</b>	<b>114,835</b>	<b>136,160</b>	<b>18.6%</b>	<b>44.6%</b>	<b>167,446</b>	<b>250,995</b>	<b>49.9%</b>

Source: Company, BIMB Securities

Table 3: Earnings Forecast

FYE Dec (US\$ mn)	FY22	FY23	FY24F	FY25F	FY26F
<b>Turnover</b>	<b>856.6</b>	<b>589.2</b>	<b>603.1</b>	<b>660.6</b>	<b>716.2</b>
EBITDA	154.6	65.8	85.0	110.5	130.5
Pretax profit	105.6	32.7	28.5	51.1	67.9
<b>Net Profit</b>	<b>95.5</b>	<b>(5.1)</b>	<b>21.7</b>	<b>38.8</b>	<b>51.6</b>
Consensus			28.5	43.5	49.6
EPS (sen)	13.0	-0.7	2.8	5.1	6.7
PER (x)	9.4	-32.7	43.1	24.1	18.1
BVPS (sen)	0.5	1.0	0.6	0.6	0.6
P/B (x)	2.3	1.2	2.2	2.0	1.9
DPS (sen)	0.0	0.0	0.8	1.5	2.0
Div. Yield (%)	-	-	0.7	1.2	1.7
<b>Key Ratios (%)</b>					
ROE	24.1	-3.6	5.0	8.5	10.4
EBITDA margin	18.1	11.2	14.1	16.7	18.2
Pretax margin	12.3	5.6	4.7	7.7	9.5
Net margin	11.1	-4.8	3.6	5.9	7.2

Source: Company, BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

**Disclaimer**

This report has been prepared for information and educational purposes only and are not recommendation or endorsement to sell or solicitation to buy any securities, subscription of financial products or otherwise to be taken as investment advice of any form or kind and neither should be relied upon as such. The information herein was obtained or derived from publicly available information, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken to ensure that all information and data are accurate and the opinions are fair and reasonable, we do not represent or warrant their accuracy, timeliness, completeness and currentness or applicability of such information for any particular purpose. The investments advice or idea discussed or recommended in this report may not be suitable for all investors. Any recommendation presented in this report is general in nature and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this report. The investors are advised to conduct own research and seek independent professional advice prior to taking any investment or investment related decisions. The directors and employees of BIMB Securities Sdn Bhd and BIMB Group of Company may from time to time have a position in either the securities mentioned or may provide services to any company and affiliates of such companies whose securities are mentioned herein. BIMB Securities Sdn Bhd and BIMB Group of Company accept no liability for any direct, indirect or consequential losses, claims and damages arising from any use of this report. BIMB Securities does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report. Unless stated otherwise, BIMB Securities is not a market maker in the securities or other capital market products of the subject company(ies) covered in this report. BIMB Securities did not receive compensation for corporate finance services from the subject company(ies) in the past 12 months. BIMB Securities did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report. The analyst(s) who prepared this research report is/are prohibited from receiving any compensation, incentive or bonus based on specific transactions or for providing a specific recommendation for, or view of, a particular company.

**Printed and published by**

**BIMB SECURITIES SDN BHD (290163-X)**

A Participating Organisation of Bursa Malaysia Securities Berhad  
Level 34, Menara Bank Islam,

No. 22, Jalan Perak,

50450 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>



Noorhayati Maamor  
Head of Research