

# OM Holdings

## ASP Bottoming Out

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OMH's 1HFY24 results came within expectations. Higher sales volume on the back of the completion of major maintenance cycle should lead topline higher in 2HFY24. However, product prices are likely to be capped over the immediate term given the weak steel sector globally, but should have already bottomed out. We maintain our earnings forecasts, TP of RM1.80 and **OUTPERFORM** call.

**1HFY24 result in line.** OMH reported its 1HFY24 net profit of USD12.7m which matched expectations at 43%/45% of house/street's full-year estimates. No dividend was declared in 1HFY24.

**YoY.** its 1HFY24 revenue fell 4% to USD308.4m, due largely to lower ore volumes traded (-49%) and a lower realised ASP. S&P Platts data showed that ferrosilicon (FeSi) spot price declined 19% to USD1,258/MT from USD1,559/MT in 1HFY23 while silicomanganese (SiMn) spot price dipped 2% over the period to USD1,017/MT from USD1,033/MT. Meanwhile, its net profit contracted by a bigger pace of 33% to USD12.7m, as raw material price jumped. S&P Platts spot price for manganese (Mn) ore jumped 7% in 1HFY24 to USD5.53/MT from USD5.18/MT.

**HoH.** Its 1HFY24 revenue jumped 14% from USD269.5m in 2HFY23, thanks to higher sales volume of alloys (+22%) and a higher realised ASP from SiMn. The spot price for SiMn rose 14% while spot price of FeSi fell slightly by 4%. Given the improved topline, it turned in a net profit of USD12.7m from a small net loss of USD0.1m in 2HFY23.

**Outlook.** The company has in July guided for a higher FY24 production volume with a total output of 460k to 490k metric tonnes per annum (MTPA) from 430k to 470k MTPA guided six months ago. This is on the back of more furnaces returning from major maintenance cycle. 14 out of 16 furnaces have completed major maintenance with the remaining two FeSi furnaces set to undergo major maintenance works in 2025. Its ASP will remain challenging on subdued demand from the steel sector but it should be bottoming out as ASP YTD in FY24 already exceeded that of 2HFY23.

**Forecasts.** Maintained.

**Valuations.** We keep our TP of RM1.80 unchanged, based on unchanged 6x PER (consistent with an average of 6.9x for its international peers, see Page 3) plus a 5% premium by virtue of its 4-star ESG rating as appraised by us (see Page 5).

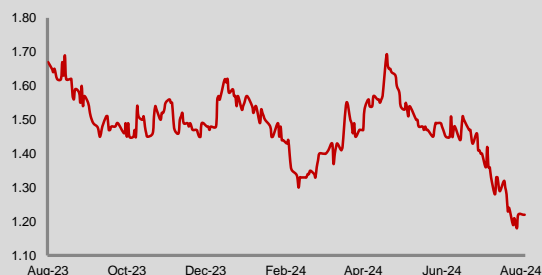
**Investment case.** We continue to like OMH for: (i) its structural cost advantage over its international peers given its access to low-cost hydro-power under a 20-year contract ending 2033, (ii) its strong growth prospects underpinned by plans to expand its capacity by 30%-36% to 610,000-640,000 MTPA 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:** RM1.22  
**Target Price:** RM1.80 ↔

### Share Price Performance



KLCI	1,675.24
YTD KLCI chg	15.2%
YTD stock price chg	-17.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OMH MK Equity
Market Cap (RM m)	934.8
Shares Outstanding	766.3
52-week range (H)	1.71
52-week range (L)	1.17
3-mth avg. daily vol.	55,903
Free Float	91%
Beta	0.9

### Major Shareholders

Hanwa Co Ltd	4.2%
Jfe Holdings Inc	3.6%
Low Ngee Tong	1.3%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	2585.6	2278.5	2571.3
EBIT	237.4	220.1	324.6
PBT	143.5	176.0	296.7
<b>Net Profit (NP)</b>	79.6	130.2	219.5
<b>Core Net Profit</b>	79.6	130.2	219.5
Consensus (NP)		129.8	198.9
Earnings Rev. (%)		-	-
Core EPS (sen)	10.4	17.0	28.7
Core EPS Growth (%)	-73.3	63.2	68.6
NDPS (sen)	-	6.6	6.6
BV/Share (RM)	2.36	2.71	2.99
NTA/Share (RM)	2.36	2.71	2.99
PER (x)	13.5	7.2	4.3
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 (%)	-	5.4	5.4



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Income Statement								
FYE Dec (USD m)	1H FY24	2H FY23	Q-o-Q Chg	1H FY23	Y-o-Y Chg	1H FY24	1H FY23	Y-o-Y Chg
Turnover	308.4	269.5	14%	319.7	-4%	308.4	319.7	-4%
EBITDA	42.3	38.9	9%	52.4	-19%	42.3	52.4	-19%
Depreciation	-12.4	-24.7	-50%	-12.5	-1%	-12.4	-12.5	-1%
EBIT	29.9	14.2	110%	39.9	-25%	29.9	39.9	-25%
Interest expense	-14.9	-14.4	4%	-13.1	14%	-14.9	-13.1	14%
Associates	2.5	2.0	30%	3.2	-20%	2.5	3.2	-20%
Pretax profit	17.9	2.2	696%	30.5	-41%	17.9	30.5	-41%
Taxation	-5.0	-3.2	56%	-11.1	-55%	-5.0	-11.1	-55%
Profit after tax	12.9	-1.0	>100%	19.3	-33%	12.9	19.3	-33%
Minority interest	-0.1	0.0	681%	-0.2	-40%	-0.1	-0.2	-40%
Net profit	12.7	-1.0	>100%	19.1	-33%	12.7	19.1	-33%
EPS (cent)	1.7	-0.1	>100%	2.5	-33%	1.7	2.5	-33%
NDPS (cent)	0.00	0.00	0%	0.00	0%	0.00	0.00	0%
NTA/share (USD)	0.55	0.54	3%	0.53	4%	0.55	0.53	4%
EBITDA margin	13.7%	14.4%		16.4%		13.7%	16.4%	
EBIT margin	9.7%	5.3%		12.5%		9.7%	12.5%	
Pretax margin	5.8%	0.8%		9.5%		5.8%	9.5%	
Net margin	4.1%	-0.4%		6.0%		4.1%	6.0%	
Effective tax rate	28.0%	142.7%		36.6%		28.0%	36.6%	
<b>Sales Volume (MT)</b>								
Ores & Raw Materials	270.2	411.9	-34%	525.1	-49%	270.2	525.1	-49%
Alloys	257.8	210.8	22%	194.3	33%	257.8	194.3	33%
<b>Smelting (MT)</b>								
OMS: Produced - FeSi	48.3	40.6	19%	29.9	61%	97.8	59.6	64%
Mn alloy	84.0	84.6	-1%	70.8	19%	159.1	122.9	29%
Sinter ore	30.8	43.1	-29%	42.2	-27%	71.8	72.3	-1%
OMS: Sold - FeSi	50.6	43.3	17%	29.6	71%	96.8	57.8	67%
Mn alloy	85.6	113.6	-25%	64.6	33%	154.2	109.6	41%

Source: Company/Bloomberg

Segment Breakdown								
FYE Dec (USD m)	1H FY24	2H FY23	Q-o-Q Chg	1H FY23	Y-o-Y Chg	1H FY24	1H FY23	Y-o-Y Chg
<b>Turnover</b>								
Mining	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
Smelting	254.9	186.8	36%	202.0	26%	254.9	202.0	26%
Marketing & Trading	321.0	310.0	4%	292.1	10%	321.0	292.1	10%
Others	22.8	24.8	-8%	23.3	-2%	22.8	23.3	-2%
Elimination	-290.3	-252.2	15%	-197.6	47%	-290.3	-197.6	47%
<b>Group Turnover</b>	<b>308.4</b>	<b>269.5</b>	<b>14%</b>	<b>319.7</b>	<b>-4%</b>	<b>308.4</b>	<b>319.7</b>	<b>-4%</b>
<b>Segment Results</b>								
Mining	-3.0	-1.8	65%	-3.0	-1%	-3.0	-3.0	-1%
Smelting	23.4	-7.2	-423%	38.8	-40%	23.4	38.8	-40%
Marketing & Trading	8.5	20.5	-59%	3.0	181%	8.5	3.0	181%
Others	1.0	2.8	-65%	1.0	-4%	1.0	1.0	-4%
Elimination	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
<b>Group EBIT</b>	<b>29.9</b>	<b>14.2</b>	<b>110%</b>	<b>39.9</b>	<b>-25%</b>	<b>29.9</b>	<b>39.9</b>	<b>-25%</b>
<b>EBIT Margin</b>								
Mining	N/A	N/A		N/A		N/A	N/A	
Smelting	9.2%	-3.9%		19%		9%	19%	
Marketing & Trading	3%	7%		1%		3%	1%	
Others	4%	11%		4%		4%	4%	
Elimination	0%	0%		0%		0%	0%	
<b>Group EBIT</b>	<b>10%</b>	<b>5%</b>		<b>12%</b>		<b>10%</b>	<b>12%</b>	

Source: Company

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Peer Comparison Table											
	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	20.00	NOK	1,218.3	12/2024	789.7%	146.2%	14.7	8.1	0.50	0.3%	0.6%
ERAMET	72.40	EUR	2,320.0	12/2024	375.0%	12.0%	4.5	3.8	0.94	6.4%	4.1%
FERROGLOBE	3.82	EUR	799.8	12/2024	-49.1%	36.1%	11.8	8.7	N/A	11.8%	1.2%
OMH	1.22	MYR	208.0	12/2024	63.2%	68.6%	7.2	4.3	0.55	14.5%	5.4%
<b>Average (ex-OMH)</b>							<b>9.6</b>	<b>6.9</b>	<b>0.66</b>	<b>8.3%</b>	<b>3.3%</b>

Source: Bloomberg/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.				
<b>Stocks Under Coverage</b>																	
ENGTEX GROUP BHD	OP	0.625	0.810	29.6%	489.9	Y	12/2024	6.4	12.5	175.0%	96.4%	9.8	5.0	0.3	3.2%	0.8	1.2%
OM HOLDINGS LTD	OP	1.22	1.80	47.5%	934.8	Y	12/2024	17.7	29.8	63.6%	68.6%	6.9	4.1	0.5	7.0%	6.6	5.4%
PRESS METAL ALUMINUM HOLDINGS BHD	OP	5.13	6.35	23.8%	42,269.2	Y	12/2024	23.2	27.0	52.5%	16.3%	22.1	19.0	5.2	24.8%	9.3	1.4%
UNITED U-LI CORPORATION BHD	OP	1.92	2.30	19.8%	418.2	Y	12/2024	18.9	28.8	2.5%	52.6%	10.2	6.7	1.0	10.4%	6.0	3.1%
<b>Sector Aggregate</b>					<b>44,112.1</b>					<b>52.6%</b>	<b>21.3%</b>	<b>20.9</b>	<b>17.2</b>	<b>3.9</b>	<b>18.7%</b>		<b>2.8%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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