

## OM Holdings Limited (OMH MK)

### 3Q24 Production and Market Update: Cautious Short-Term Outlook

- OMH's FeSi and Mn alloys production volumes for 9MFY24 exceed our expectations, at 101.8% and 83.3% respectively. Sales volume also improved significantly, with FeSi and Mn alloys increasing by 51.6% YoY and 26.6% YoY, reaching 139.8k MT and 224.3k MT, respectively. FeSi sales slightly surpassed our in-house estimate, while Mn alloys remained within expectations.
- The key highlight from the briefing was management's optimism on a price recovery as high-cost producers exit the market and will continue to focus on profitability, sustainability goals, and optimizing the capital structure.
- In our view, the lack of clear details in the stimulus measures and the absence of short-term demand drivers for FeSi and Mn alloys coupled with uncertainties surrounding the US presidential election, have dampened short-term risk appetite for OMH.
- Nonetheless, OMH's long-term outlook is expected to be supported by its strategic diversification into the MetSi market, which is well-positioned to capitalize on emerging opportunities in various industries particularly within the growing renewable energy sector.
- We make no changes to our FY24-26 earnings forecast.
- Maintain a BUY call with a revised lower TP of RM 1.61 (from RM 1.96 previously). Our valuation is now based on a 30% discount to the average forward peers' P/E ratio of 10.6x, pegged to FY25F EPS of 21.8sen.

### 3Q24 Production and Sales Volume Update

FeSi production decreased by 7.5% QoQ to 44.6k metric tonnes, largely due to the transition and performance testing of the silicon metal furnace, which previously been utilized for FeSi production. Despite this, Mn alloys production increased by 2.5% QoQ. On the sales front, volumes for FeSi and Mn alloys declined by 15.0% QoQ (7.6k tonnes) and 18.1% QoQ (15.5k tonnes), respectively, due to shipment delays. All 16 furnaces were operational during the quarter with 7 furnaces (consist of 6 FeSi furnaces and 1 MetSi furnace) focused on FeSi producing, and 8 furnaces allocated to Mn alloys production. One MetSi furnace was undergoing hot commissioning in preparation for future MetSi output.

### ASPs Decline During 3Q24

The FeSi price declined slightly by 1.2% from US\$1,290 to US\$1,275 per tonne CIF Japan. Meanwhile, the price of SiMn saw a more substantial decrease of 24.9%, falling from US\$1,165 to US\$875 per tonne CIF Japan amidst the continued softening of manganese ore prices.

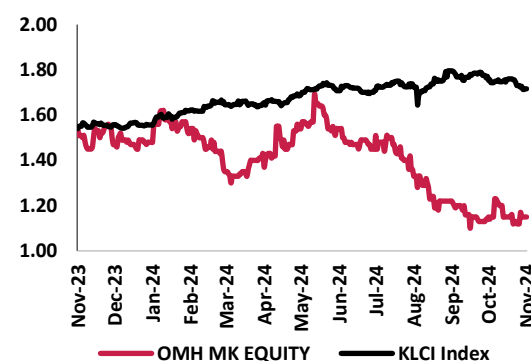
### Major Maintenance Mostly is Done

During the period, 14 out of 16 furnaces have undergone and completed major maintenance, with 13 furnaces successfully passing hot commissioning and performance testing. The hot commissioning of one Mn alloy furnace, previously extended is expected to be conclude by 4Q24. As previously reported, the remaining two FeSi furnaces are scheduled to undergo major maintenance in 2025.

# BUY

Share Price **RM1.14**  
Target Price **RM1.61** +41.2%

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(0.9)	(14.3)	(24.5)
vs FBM KLCI	(0.0)	(14.6)	(32.3)

### Stock Data

ESG rating	Good
Mkt Cap (RM mn)	873.5
Adjusted Beta	1.0
Free float (%)	90.8
Issued shares (mn)	766.26
52w H/L (RM)	1.71 / 1.1
3m avg daily volume	42,222

### Major Shareholders (%)

Hanwa Co Ltd	4.2
JFE Shoji Corporation	3.6
Low Ngee Tong	1.3

FYE Dec (RM mn)	FY22	FY23	FY24F	FY25F	FY26F
Turnover	3,768.8	2,706.9	2,683.8	2,840.4	3,008.1
EBITDA	680.4	302.1	378.3	475.4	548.2
PBT	464.8	150.3	127.0	219.8	285.0
Core Profit	420.2	(23.5)	96.5	167.0	216.6
EPS (sen)	57.0	(3.1)	12.6	21.8	28.3
PER (x)	8.8	-30.6	43.1	24.1	18.1
BVPS	0.5	1.0	0.6	0.6	0.6
P/B (x)	2.1	1.1	2.2	2.0	1.9
DPS (sen)	-	-	3.8	6.5	8.5
D. Yield (%)	-	-	3.1	5.4	7.0
Net gearing(x)	0.5	0.2	0.3	0.3	0.2
<b>Key Ratios (%)</b>					
ROE	24.1	-0.6	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: Bloomberg, BIMB Securities

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### **Metallic Silicon Progress Update**

In July 2024, one MetSi furnace began hot commissioning and performance testing for MetSi production. The decision to fully scale up to commercial production and enter the market remains strategic, aimed at ensuring optimal returns. Meanwhile, the other MetSi furnace continues FeSi production to maintain maximum furnace utilization during this transitional phase.

### **Key Highlight from the Briefing**

The management shared that FeSi and Mn alloy production remains on track for 2024, with profitability maintained across all furnaces due to effective cost management, particularly in securing manganese ore. Ferrosilicon prices have been stable, with a slightly increase due to Chinese crackdowns on illegal exports. Meanwhile, Mn alloys prices has shown more volatility due to fluctuations in ore prices and rising inventories in China. Despite this, OMH remains optimistic about a price recovery as high-cost producers exit the market, focusing on profitability, sustainability goals, and capital structure optimization.

### **Cloudy Short-Term Outlook**

The recent stimulus measures announced in late September 2024 briefly rallied industrial metals, including FeSi and Mn alloys. However, this rally faded and prices for both metals dropped again by the third week of October and continued to weaken through the end of the month. We believe the stimulus measures lack clear details and we do not see any short-term factors that would drive additional demand for these metals. Additionally, uncertainty surrounding the US presidential election is dampening risk appetite.

### **Earnings Estimate and Valuation**

We maintain our FY24-FY26 earnings forecast for OMH and reiterate our **BUY** call, albeit a lower **TP of RM 1.61** (from RM 1.96 previously). Our valuation is now based on a 30% discount to the average forward peers' P/E ratio of 10.6x, pegged to FY25F EPS of 21.8sen. The discount reflects downside risks stemming from uncertainty surrounding the US presidential election and the minimal impact of recent Chinese stimulus efforts on the industry. Despite these challenges, we remain optimistic about OMH's long-term outlook, supported by several key factors: i) a competitive advantage as a low-cost ferroalloy smelter compared to peers, ii) continued capacity growth and a diversified product mix aligned with expanding sectors such as renewable energy, and iii) a strong ESG standing due to their focus on clean energy resources. Overall, OMH is expected to benefit from rapid industry consolidation and is well-positioned to outperform, thanks to its competitive and low-cost structure.

Table 1: Production and Sales Volume Figure

FYE Dec	3Q23	2Q24	3Q24	QoQ	YoY	FY23	FY24	YTD Chg
<b>Production (MT)</b>								
Ferrosilicon (Fesi)	39,296	48,268	44,627	-7.5%	13.6%	98,894	142,456	44.0%
Manganese alloys (Mn alloys)	86,934	84,037	86,133	2.5%	-0.9%	209,861	245,227	16.9%
<b>Total</b>	<b>126,230</b>	<b>132,305</b>	<b>130,760</b>	<b>-1.2%</b>	<b>3.6%</b>	<b>308,755</b>	<b>387,683</b>	<b>25.6%</b>
<b>Sales (MT)</b>								
Ferrosilicon (Fesi)	34,353	50,567	43,001	-15.0%	25.2%	92,200	139,784	51.6%
Manganese alloys (Mn alloys)	67,586	85,593	70,127	-18.1%	3.8%	177,185	224,339	26.6%
<b>Total</b>	<b>101,939</b>	<b>136,160</b>	<b>113,128</b>	<b>-16.9%</b>	<b>11.0%</b>	<b>269,385</b>	<b>364,123</b>	<b>35.2%</b>

Source: Company, BIMB Securities

Table 2: Earnings Forecast

FYE Dec (USD 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>Core Net Profit</b>	<b>95.5</b>	<b>(5.1)</b>	<b>21.7</b>	<b>38.8</b>	<b>51.6</b>
Consensus NP			28.2	40.6	36.1
Core EPS (sen)	13.0	-0.7	2.8	5.1	6.7
PER (x)	8.8	-30.6	43.1	24.1	18.1
BVPS	0.5	1.0	0.6	0.6	0.6
P/B (x)	2.1	1.1	2.2	2.0	1.9
DPS (sen)	0.0	0.0	0.8	1.5	2.0
D. Yield (%)	-	-	0.7	1.2	1.7
Net Gearing	0.5	0.2	0.3	0.3	0.2
<b>Key Ratios (%)</b>					
ROE	24.1	-0.6	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
Core PATAMI margin	11.1	-4.8	3.6	5.9	7.2

Source: Bloomberg, 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

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**Printed and published by**

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