

# OMER

Sector: Industrials

# OUTPERFORM

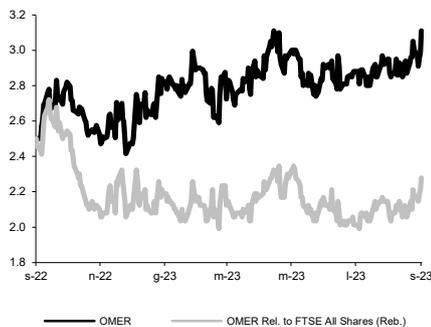
Price: Eu3.11 - Target: Eu4.40

## Solid 1H23; Well Placed to Achieve FY forecast; Positive Commercial Developments

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.4%	0.2%	-0.2%

### OMER - 12M Performance



Stock Data			
Reuters code:	OMR.MI		
Bloomberg code:	OMER IM		
Performance	1M	3M	12M
Absolute	5.4%	7.2%	24.4%
Relative	8.0%	6.8%	-11.7%
12M (H/L)	3.11/2.42		
3M Average Volume (th):	6.45		

Shareholder Data	
No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	89
Total Mkt Cap (Eu mn):	89
Mkt Float - Ord (Eu mn):	23
Mkt Float (in %):	25.6%
Main Shareholder:	
Russello Fam.	74.0%

Balance Sheet Data	
Book Value (Eu mn):	55
BVPS (Eu):	1.92
P/BV:	1.6
Net Financial Position (Eu mn):	16
Enterprise Value (Eu mn):	87

■ **1H23 results marginally better than expected.** OMER reported a solid first half, with operating numbers coming in a touch better than expected. 1H23 revenues were €33.0mn (vs. €33.0mn exp.), up +6% YoY, thanks to the positive performance of Italian plants (+7%), a partial contribution from pricing (+5%, bulk of revision in 2H) and despite weak US trends amid project delays not attributable to OMER (-6%, US was ~10/7% of 1H/FY22 revenue). Adj. EBITDA was €7.2mn (vs. €6.8mn exp.), up 10% YoY. The margin was 21.7%, up +0.8pp YoY thanks to a small drop in per-unit input costs and efficiency gains, only partly offset by higher personnel and corporate costs. Net profit was €3.7mn, in line with estimates, -7% YoY due to a slightly higher tax rate (seasonal effect). Net cash was €16.9mn, up significantly from €9.6mn at YE22 thanks to solid operating results and NWC normalisation. The backlog expanded to €133mn or 2.1x LTM sales, up from €116mn at YE22 or 1.9x LTM sales.

■ **2023 outlook: solid 1H23 and increase in backlog provides visibility.** Thanks to a continuation of solid 1H23 trends plus the return to operations of the US and full pricing contribution, we expect OMER to close the year with figures at least in line with our forecast. We therefore confirm our forecast, which points to 2H revenue of €34.6mn, +8% YoY, and EBITDA of €7.0mn for a 20.3% margin.

■ **Positive feedback from “Eccellenze del Made in Italy” event.** Overall, we gained positive feedback from the meetings, where the focus was on:

- **Commercial:** OMER just announced a contract with Hitachi for the Milan Metro consisting of 46 trains, production from 4Q23 until 2025, total value of ~€6.5/13mn, which spread over 2 years implies an annual contribution of 5-10% to revenues. In addition, the programme could pave the way for further contract wins. In the US, OMER is trying to get involved in other projects as the market is receiving support from the Bipartisan Infrastructure Law, while in Europe, it has also started to work with Stadler and CAF, although the impact will be limited for the time being.
- **Inflation:** OMER is signing new contracts with clauses that include automatic price adjustments with indexation to the ISTAT producer price index. Management expects this to reduce the risk from raw material fluctuations, as well as volatility in other production costs. The cap on price revisions is well above the previous 2-3%, but in any case, further revisions must be discussed directly with the client;
- **Capital allocation:** On M&A, the company is working on several dossiers, with a focus on value creation. The key components are creation of industrial and commercial synergies on the one hand and valuations on the other. Something may be announced over the next few months, but any deals are likely to be small in size. On the organic side, investments to upgrade production and make it more efficient continue at a rate of €4-5mn per year.

■ **OUTPERFORM; target €4.4.** OMER reported a solid set of 1H23 results and seems well placed to at least match our FY23 forecast. We have a positive view on the stock on the back of its strong industrial know-how and trusted, long-standing relationships with train producers in an industry with high entry barriers. We appreciate the company’s ability to exploit commercial opportunities available on the market (at value-creating conditions) suggesting the strategy is right and execution is solid. OUTPERFORM; target confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	57	63	68	72	75
EBITDA Adj (Eu mn)	16	14	14	16	17
Net Profit Adj (Eu mn)	10	8	8	9	10
EPS New Adj (Eu)	0.364	0.291	0.273	0.315	0.347
EPS Old Adj (Eu)	0.364	0.291	0.272	0.315	0.347
DPS (Eu)	0.282	0.050	0.047	0.054	0.060
EV/EBITDA Adj	6.6	6.8	6.1	5.0	4.2
EV/EBIT Adj	7.4	8.3	7.7	6.3	5.3
P/E Adj	8.6	10.7	11.4	9.9	9.0
Div. Yield	9.1%	1.6%	1.5%	1.7%	1.9%
Net Debt/EBITDA Adj	-1.2	-0.7	-1.1	-1.5	-1.9