

# OMER

Sector: Industrials

# OUTPERFORM

Price: Eu3.31 - Target: Eu5.00

## Strong End to FY23; FY24 on Same Path, Plus La Dolce Vita Option

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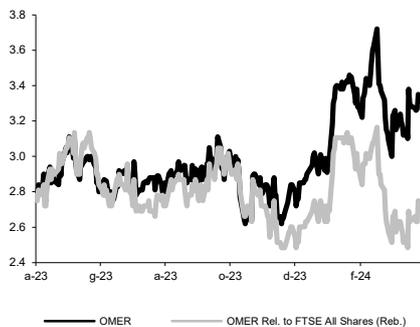
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 4.40 to 5.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	2.7%	0.3%	

### Next Event

 Results Out 1Q24 16<sup>th</sup> of May

### OMER - 12M Performance



### Stock Data

Reuters code:	OMR.MI		
Bloomberg code:	OMER IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	7.1%	13.4%	20.4%
Relative	4.3%	1.5%	-3.9%
12M (H/L)	3.72/2.62		
3M Average Volume (th):	17.68		

### Shareholder Data

No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	95
Total Mkt Cap (Eu mn):	95
Mkt Float - Ord (Eu mn):	24
Mkt Float (in %):	25.6%
Main Shareholder:	
Russello Fam.	74.0%

### Balance Sheet Data

Book Value (Eu mn):	63
BVPS (Eu):	2.20
P/BV:	1.5
Net Financial Position (Eu mn):	26
Enterprise Value (Eu mn):	80

- 2H23 results better than expected.** OMER's 2H23 results beat our estimates, with revenues in line with expectations and costs lower than forecast. Revenues grew +7% YoY to €34.3mn (FY23: €67.3mn, +6% YoY) benefitting from higher production at Italian plants and a recovery at the US subsidiary, while pricing was negative due to the timing effect, as the bulk of 2022 price revisions were booked in 4Q22 vs. a more even spread in 2023 (pricing was +1% YoY in 2023). EBITDA was up +10% YoY to €7.9mn (FY23: €15.1mn, +10% YoY), higher than our €7.0mn estimate, with the margin up 0.6pp YoY to 23.1%, amid lower-than-expected input prices, services and labour costs. The higher EBITDA translated into better net income of €4.7mn (FY23: €8.4mn, vs. our estimate of €4.1mn) with all items below the line broadly in line with forecasts. FCF was impressive, closing the year at €11.6mn (vs. our €7.8mn estimate) due to better trade NWC trends and a higher operating result, leading to a net cash position of almost €20mn.
- 2024 outlook: solid order pipeline allows growth to continue...** top line growth should continue in 2024 thanks to the continuation of projects already underway in 2023 (such as the Hitachi Caravaggio) and limited attrition, plus higher volumes for others (such as Alstom's Crespin plant for French regional and metro trains). Profitability should remain broadly flat at ~22%, as operating leverage from higher production and lower input prices are likely to be offset by negative pricing (the hyperinflation clause won't activate in the current context) and higher labour and services costs. Our forecast points to revenues of €72.4mn, +8% YoY, EBITDA of €16.0mn, +6% YoY, and net profit of €9.3mn, +10% YoY thanks to lower net financial charges on lower gross debt (incl. factoring).
- ...and maybe accelerate thanks to La Dolce Vita (luxury train projects).** After the successful presentation of the mock-up at the recent DUCO Luxury Travel Summit, the La Dolce Vita (DV) project seems ready for departure. Contract signing could take place in the next few weeks, with production of two trains starting immediately after, plus options on another four. Compared to our initial guess of €3-5mn in revenue per train, the opportunity appears to be more attractive, as revenues could be almost twice as high (i.e. €6-10mn per train). Assuming an EBITDA margin of 17% (below the group's average given a higher share of external purchases), we estimate that each of the two initial DV trains could be worth a "one-off" contribution of ~€0.10 per share. More importantly, Arsenale Spa, the promoter of the DV, seems to be willing to expand the initiative to other regions, suggesting more recurring business for OMER. In that sense, we estimate that at a production rate of 1 train per year value creation would be ~€0.21 per share.
- Change in estimates.** We are lifting our estimates slightly (2024/25 EPS +1.5% on average) on the back of higher production volumes and lower cost inflation, partly offset by negative pricing as described above. We remind that our explicit estimates don't include the DV project, pending official announcements.
- OUTPERFORM; target €5.0.** OMER reported better-than-expected 2023 results, confirming its solid execution. More importantly, 2024 looks to be another year of growth with a solid pipeline of orders unlocking operating leverage. On top of that, we await important newsflow on the La Dolce Vita project that could add further steam to the equity story given its potential value creation. We believe that all of this confirms the company's solid reputation and trusted relationship with train manufacturers in an industry with high entry barriers and strong growth potential. We reiterate our OUTPERFORM rating with a TP of €5.0, up from €4.4 thanks to the rollover of our valuation, higher estimates and the contribution of DV, partly offset by higher WACC. The stock is trading at an attractive ~4.5x EV/EBITDA '24/25.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	63	67	72	75	78
EBITDA Adj (Eu mn)	14	15	16	17	18
Net Profit Adj (Eu mn)	8	8	9	10	10
EPS New Adj (Eu)	0.291	0.293	0.324	0.348	0.366
EPS Old Adj (Eu)	0.291	0.273	0.315	0.347	
DPS (Eu)	0.050	0.060	0.000	0.000	0.000
EV/EBITDA Adj	6.8	4.8	5.0	4.2	3.5
EV/EBIT Adj	8.3	6.0	6.3	5.3	4.5
P/E Adj	11.4	11.3	10.2	9.5	9.0
Div. Yield	1.5%	1.8%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.7	-1.3	-1.6	-2.0	-2.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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