OMER

OUTPERFORM

Sector: Industrials

Price: Eu4.34 - **Target: Eu5.00**

Strong 1H to Drive FY Growth

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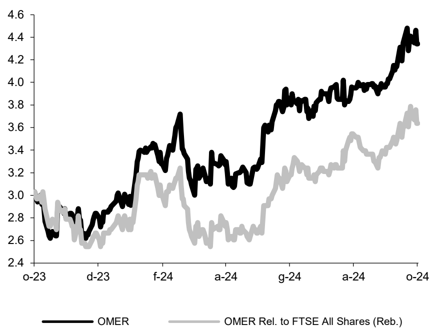
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.20 to 5.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-7.8%	-7.4%	-6.5%

Next Event
Results Out 18th November

OMER - 12M Performance



Stock Data			
Reuters code:			OMR.MI
Bloomberg code:			OMER IM
Performance	**1M**	**3M**	**12M**
Absolute	8.8%	10.7%	43.2%
Relative	6.2%	11.6%	23.2%
12M (H/L)			4.48/2.62
3M Average Volume (th):			8.19

Shareholder Data	
No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	124
Total Mkt Cap (Eu mn):	124
Mkt Float - Ord (Eu mn):	32
Mkt Float (in %):	25.6%
Main Shareholder:	
Russello Fam.	74.0%

Balance Sheet Data	
Book Value (Eu mn):	63
BVPS (Eu):	2.19
P/BV:	2.0
Net Financial Position (Eu mn):	22
Enterprise Value (Eu mn):	109

OMER report a strong and in line with expectations 1H24 with growth supported by higher production volumes at both Italian and US plants, only partly offset by price revision and cost inflation. We confirm our revenue growth forecast for 2024 and outer years, but we slightly reduce profitability on the back of higher than previously assumed cost inflation. Despite that, we confirm our positive view on the stock as reasons supporting our investment case are unchanged. We continue to appreciate the company's solid reputation and trusted relationship with train manufacturers in an industry with high entry barriers and growth potential. TP to €5.0 from €5.2 on lower estimates and partial roll-over, the stock is up +46% YTD and trades at 7.1/5.9x the EV/EBITDA 24/25.

- **1H24 results: strong and in line with expectations.** OMER reported strong and in line with expectations 1H24 results driven by higher volumes only partly offset by price revision and cost inflation. Revenues closed at €39.3mn (38.7mn exp.), up +19% YoY, amid higher output from Italian and US plant (+23%) while pricing was negative (-4%) as inflation-linked compensation from customers were lower YoY. EBITDA was €8.0mn (8.0mn exp.), +11% YoY, leading to a 20.2% margin (-1.5pp YoY) as volume growth was offset by negative pricing effect, general and labour cost inflation. Net income was €4.5mn (4.4mn exp.), +23% YoY, following by essentially in line D&A, net fin. exp. and tax rate. Net cash was €17.4mn, below our €20.3mn, but explained by the lower usage of factoring by €3mn.
- **Backlog update.** Backlog for which production orders have already been issued by customers remained flat at €122mn vs €124/125mn at 1Q24/YE23. This was achieved mainly thanks to the conversion of options on tenders already awarded as the Backlog incl. options went from €245/243mn in 1Q24/YE23 to €229mn in 1H24. The company expects to close new smaller contracts in the coming months while we flag that in its latest report UNIFE slightly raised growth prospects for the railway sector for the coming years. In addition, we remain confident about the prospects for the La Dolce Vita project and highlight that the company signed up for the Alstom's Alliance Program testifying its positive relationship with the train maker.
- **2024 outlook: growth prospects confirmed, although general cost inflation bites.** In terms of revenue, we confirm our €75mn assumption for the year with similar, albeit slower volume growth in 2H vs 1H (+5% vs +19%). This is due to a tougher comparison base in US (1H23 was close to zero while production resumed in 2H23) and a normalization of growth at Italian plants especially from Alstom after the 1H push ahead of the Olympics. Pricing is expected to show similar trends with lower revisions recognized compared to last year. EBITDA is still expected to show positive growth for the year at +2% YoY to €15.5mn, although lower than previously expected (€16.8mn prev.) amid higher general cost inflation. All in all, we lower EPS estimate by -7% due to the just mentioned trends only partly offset by better net financial income allowed by lower use of factoring.
- **Valuation.** We value the stock based on the ROIC/WACC framework with average ROIC of ~24% between 2024-26, WACC of 8.6% and TGR of 1.0% to which we add a €0.1 per share from the La Dolce Vita opportunity (2 trains seen as "one-off").

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	63	67	75	78	81
EBITDA Adj (Eu mn)	14	15	15	16	17
Net Profit Adj (Eu mn)	8	8	9	10	10
EPS New Adj (Eu)	0.291	0.293	0.317	0.341	0.363
EPS Old Adj (Eu)	0.291	0.293	0.343	0.368	0.388
DPS (Eu)	0.050	0.060	0.000	0.000	0.000
EV/EBITDA Adj	6.8	4.8	7.1	5.9	5.1
EV/EBIT Adj	8.3	6.0	9.0	7.4	6.4
P/E Adj	14.9	14.8	13.7	12.7	12.0
Div. Yield	1.2%	1.4%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.7	-1.3	-1.4	-2.0	-2.5

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- 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)

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Frequency of research: quarterly.
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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.
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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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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