Intermonte

Milan, 17 May 2024

Italian Equity Research – 1Q24 Results

OMER

OUTPERFORM

Sector: Industrials

Price: Eu3.60 - **Target: Eu5.20**

Running Ahead of Schedule

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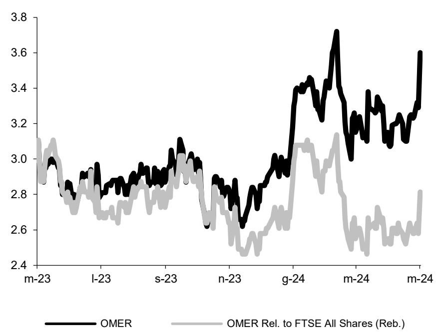
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.00 to 5.20
	2024E	**2025E**	**2026E**
Chg in Adj EPS	6.0%	5.9%	5.9%

Next Event

1H24 Results Out 23th of September

OMER - 12M Performance



Stock Data			
Reuters code:			OMR.MI
Bloomberg code:			OMER IM
Performance	**1M**	**3M**	**12M**
Absolute	16.9%	4.7%	20.4%
Relative	11.0%	-6.5%	-7.9%
12M (H/L)			3.72/2.62
3M Average Volume (th):			14.31

Shareholder Data	
No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	103
Total Mkt Cap (Eu mn):	103
Mkt Float - Ord (Eu mn):	26
Mkt Float (in %):	25.6%
Main Shareholder:	
Russello Fam.	74.0%

Balance Sheet Data	
Book Value (Eu mn):	63
BVPS (Eu):	2.21
P/BV:	1.6
Net Financial Position (Eu mn):	27
Enterprise Value (Eu mn):	87

- **1Q24 KPIs: solid start to year driven by volume growth.** OMER reported better than expected KPIs in 1Q24 driven by volume growth at both Italy and the US operations. Revenues came to €19.2mn (vs est. €16.7mn), +23% YoY, thanks to higher volumes (+27.5%) while pricing was negative (-4.5%) as contracts with clients are linked to input price trends. Italian plants benefitted from higher requests by Alstom relating to France regional (REG2N), Paris metro (RER) and Stockholm C30 metro trains, while the US subsidiary resumed output at cruise speed as bottlenecks at its main program Alstom-Amtrak Avelia eased (operations were halted in 1H23). EBITDA was €3.8mn (vs est. €3.3mn), +23% YoY, with the margin at 20% in line with expectations and 1Q23. The growth was driven by higher volume and lower input costs, partly offset by higher labour and negative pricing as clients recognized lower than last year compensation for inflation. Net cash rose to €21.0mn (vs est./FY23 €19.8mn) thanks to strong operating results. Backlog was at €124mn, in line with FY23, due to new orders on the Hitachi's Frecciarossa ETR1000 set to begin production in 2025.
- **La Dolce Vita contract expected to be signed in the next few weeks.** While no update was offered on the La Dolce Vita project, we are still confident a contract will be signed in the next few weeks. We remind that La Dolce Vita is: i) the luxury train project promoted by Arsenale Spa; ii) the initiative has been launched in Italy, but Arsenale is evaluating to expand its activity also abroad such as in Saudi Arabia and Egypt; iii) the opportunity is tangible for OMER as it is said to be in the €6-10mn range of revenues per train; iv) the initial contract should concern two trains (split in two tranche); v) there's an option for another four trains; vi) profitability should be lower than the group average given higher share of external purchases. We don't currently include the project in our explicit estimates, pending the official announcement. However, we embed a €0.1 per share contribution to our TP assuming a "one-off" framework.
- **Change in estimate.** We are increasing our forecast by 6% reflecting higher production volumes registered in 1Q while leaving the rest of the year substantially unchanged. Our forecasts now assume revenues at €75.1mn, +12% YoY (vs €72.4mn prev.) with profitability confirmed at ~22% for an EBITDA of €16.8mn, +11% YoY, (vs €16.0mn prev.) as volume growth is partly offset by higher labour costs.
- **OUTPERFORM; TP at €5.2.** OMER reported positive KPIs in 1Q24 benefitting from higher volumes and confirming its solid execution. The release suggests that 2024 will be another year of growth and even stronger than our initial expectations based on a solid pipeline of orders while management continues to scout for new projects, clients and markets. 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 OUTPEFORM rating with a TP of €5.2 up vs €5.0 prev. due to higher estimates. The stock is trading at an attractive ~4.8x EV/EBITDA '24/25.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	63	67	75	78	81
EBITDA Adj (Eu mn)	14	15	17	18	19
Net Profit Adj (Eu mn)	8	8	10	11	11
EPS New Adj (Eu)	0.291	0.293	0.343	0.368	0.388
EPS Old Adj (Eu)	0.291	0.293	0.324	0.348	0.366
DPS (Eu)	0.050	0.060	0.000	0.000	0.000
EV/EBITDA Adj	6.8	4.8	5.2	4.5	3.8
EV/EBIT Adj	8.3	6.0	6.5	5.6	4.7
P/E Adj	12.4	12.3	10.5	9.8	9.3
Div. Yield	1.4%	1.7%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.7	-1.3	-1.6	-1.9	-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&PMIB40 Index, most of those on the MIDEX 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.

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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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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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Emittente	%	Long/Short

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