OMER

OUTPERFORM

Sector: Industrials

Price: Eu2.96 - **Target: Eu4.40**

Solid 1H23 Expected

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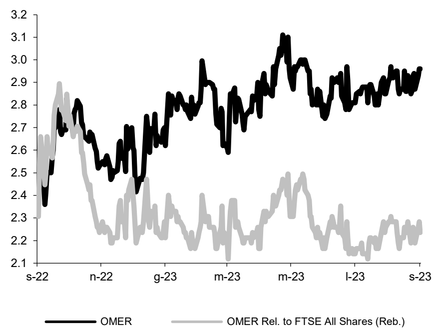
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-2.4%	-2.4%	-0.6%

Next Event
Results Out 25th of September

OMER - 12M Performance



Stock Data			
Reuters code:			OMR.MI
Bloomberg code:			OMER IM
Performance	**1M**	**3M**	**12M**
Absolute	3.9%	5.7%	27.0%
Relative	-0.8%	0.8%	-4.6%
12M (H/L)			3.11/2.36
3M Average Volume (th):			7.68

Shareholder Data	
No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	85
Total Mkt Cap (Eu mn):	85
Mkt Float - Ord (Eu mn):	22
Mkt Float (in %):	25.6%
Main Shareholder:	
Russello Fam.	74.0%

Balance Sheet Data	
Book Value (Eu mn):	55
BVPS (Eu):	1.91
P/BV:	1.5
Net Financial Position (Eu mn):	16
Enterprise Value (Eu mn):	83

- **1H23 preview: solid semester expected.** Overall, we expect OMER to report a solid semester with revenue and EBITDA slightly higher YoY. The positive performance of the Italian plants, the partial contribution of pricing revision, and a drop in input costs and efficiencies should have been enough to offset the low level of activity at the US subsidiary amid project delays not attributable to OMER (USA was ~7% of FY22 revenue), higher personnel and corporate costs. In brief: we forecast 1H revenue of €33.0mn (+6% YoY) driven by volume growth at Italian plants and positive pricing offset by the negative US (<€1mn vs €3mn in 1H22, ~6% headwind). EBITDA should have come in at €6.8mn, up +5% YoY, for a 20.7% margin almost stable YoY as the decline in raw materials and energy costs is offset by the increase in personnel costs (volume & inflation) and services reflecting the larger corporate structure. Net profit is projected at €3.7mn, essentially stable YoY. Net cash is seen at €16.1mn vs €9.6mn as at YE22 thanks to NWC normalization and solid operating results; the net cash figure includes the dividend payment.
- **2023 outlook: recovery in the US should enable achievement of estimates.** Our 1H23 forecast implies slight sequential growth in 2H in order to reach our FY23 estimates. In particular, we expect the improvement to be driven by the recovery in the US as production has recently resumed after a weak 1H as mentioned above, whilst activities at the Italian plants are envisaged continuing as planned. Overall, we confirm our forecast, which points to revenue of €67.5mn, +7% YoY, and EBITDA of €14.2mn, +3% YoY for a 21.0% margin. We have trimmed our 23/24 adj. EPS projection by -2% on slightly higher net financial charges.
- **Newsflow on projects: Dolcevita mock-up to be ready for September.** In the short-term, the most significant opportunity for OMER is the Dolcevita luxury holiday train project. While we await more details on this before including it in our forecast, the opportunity seems to be in the €3-5mn per train range for a total of 2 trains plus another 4 on option. The train mock-up should be finalized by end-September offering the chance to start production from 1H24. Over the medium-term, the US appears to be the next big thing for OMER as the Biden Administration is planning to use funding from the Bipartisan Infrastructure Law to build multiple high-speed rail lines. OMER's industrial presence in the US since 2017 and the solid relationship with Alstom, which is a primary supplier to US train operator Amtrack for the "Acela" high-speed train, put the company in a good position.
- **OUTPERFORM and TP confirmed.** Despite some issues at the US subsidiary (although the company is not to blame) and inflation of personnel costs, we expect OMER to report a solid and growing set of 1H23 results on the back of a strong performance by Italian plants, the partial contribution of pricing revision, and a small drop in input costs and efficiencies. These results, along with prospects for 2H, should lead to substantial confirmation of our forecast. Elements that support our positive view are the strong industrial know-how and trusted, long-standing relationships with train producers in an industry with high barriers to entry and growth potential given the increasing focus on sustainable and connected mobility.

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	0.272	0.315	0.347
EPS Old Adj (Eu)	0.364	0.291	0.279	0.322	0.349
DPS (Eu)	0.282	0.050	0.047	0.054	0.060
EV/EBITDA Adj	6.6	6.8	5.8	4.8	4.1
EV/EBIT Adj	7.4	8.3	7.4	6.0	5.1
P/E Adj	8.1	10.2	10.9	9.4	8.5
Div. Yield	9.5%	1.7%	1.6%	1.8%	2.0%
Net Debt/EBITDA Adj	-1.2	-0.7	-1.1	-1.5	-1.8