

OMER

Sector: Industrials

OUTPERFORM

Price: Eu2.83 - Target: Eu4.40

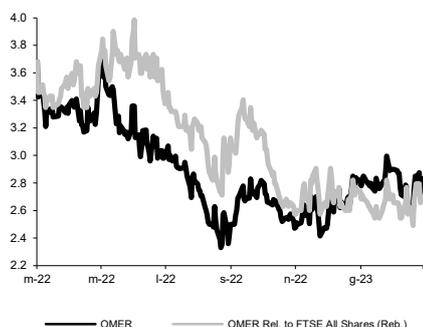
FY22 better-than-expected; Encouraging Indications on FY23

Gianluca Bertuzzo +39-02-77115.429
 gianluca.bertuzzo@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.80 to 4.40		
	2023E	2024E	2025E
Chg in Adj EPS	19.4%	21.0%	

OMER - 12M Performance



Stock Data

Reuters code:	OMR.MI
Bloomberg code:	OMER IM

Performance	1M	3M	12M
Absolute	-2.4%	13.2%	-23.1%
Relative	-0.7%	-0.4%	-28.9%
12M (H/L)		3.71/2.33	
3M Average Volume (th):		13.06	

Shareholder Data

No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	81
Total Mkt Cap (Eu mn):	81
Mkt Float - Ord (Eu mn):	21
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:	1.5
Net Financial Position (Eu mn):	15
Enterprise Value (Eu mn):	80

■ **2H22 results well above forecast.** OMER reported a well above forecast set of 2H22 results thanks to a higher contribution from pricing recovery actions negotiated with clients in order to offset part of the cost inflation. In 2H22, revenues were €32.0mn, up +8% YoY mainly thanks to pricing while volumes were marginally up following delays to the Alstom-Amtrak project in the US (~7% of total). Importantly, the project's production rates are expected to gradually improve this year. EBITDA was €7.2mn (-10% YoY, vs exp. €4.9mn) for a 22.5% margin due to the increase in material and energy costs, but also higher central costs following the IPO. As said earlier, such negatives were in part offset by pricing more than we anticipated. Net income was €4.4mn (-16% YoY vs €2.8mn) thanks to higher operating results. Net cash position was €9.6mn (€20mn exp.) due to NWC driven by higher safety stock (higher stock level and less favourable payment terms), higher material prices and unfavourable timing of invoicing (at YE in connection with pricing negotiations). Management proposed a €0.05 dividend for a 17% payout.

■ **2023 outlook: growth thanks to solid order backlog.** In 2023, OMER expects to grow thanks to a solid order backlog of €116mn at Y22 (+€3mn YoY) which offers essentially two years of visibility. Profitability is seen roughly in line with FY22 levels due to normalization of inflationary dynamics, efficiencies, reversal of negatives seen in 2022 (Covid-related production interruption mainly) and the contribution from the 1MW photovoltaic panels installed (>~1/3 of OMER needs). All in all, we expect revenues up +7% YoY to €67.5mn mainly thanks to volumes. Conservatively, we expect EBITDA margin at 21.0% (vs 21.8% in FY22) for a €14.2mn EBITDA, up +3% YoY. Cash generation is expected to return to robust levels at €7.5mn thanks to the stabilization in the NWC following the 2022 increase and stable YoY CapEx at ~€4mn.

■ **Project newsflow.** In terms of newsflow from projects we highlight: i) after the letter of intent announced last summer, OMER is working on the mock-up of the Dolcevita luxury-holiday train. The opportunity seems to be in the €3-5mn per train (projects aims for 2+4 in option) with potential order confirmation and SoP from 4Q23/1H24; ii) announced in January, OMER was selected by Alstom for train interiors in the B-Line. The contract is worth ~€25mn (€+4mn in option) with contribution from 2024; iii) announced in January, OMER is partnering with Knorr-Bremse for the supply of toilet modules in Mexico. The contract is worth €5mn with contribution from 2023.

■ **Change in estimates.** We are significantly increasing our estimates on the back of the better-than-expected FY22 results and indications for FY23. Our EPS increases by ~20% thanks to higher operating forecast.

■ **OUTPERFORM, TP to €4.4 from €3.8.** OMER reported a much stronger-than-assumed set of FY22 results thanks to a better evolution of pricing negotiations with clients. We believe this confirms the company's solid reputation and trusted relationship with train manufacturers. While the inflationary dynamics weighed on profitability, we view overall profitability and return on capital as a further element of the company's strength. Also in light of the solid indications for 2023 and the appealing valuation (~5.1x the 2023/24 EV/EBITDA), we confirm our positive view on the stock. TP to €4.4 from €3.8 on higher estimates and roll-over of our valuation.

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	0.279	0.322	0.349
EPS Old Adj (Eu)	0.364	0.234	0.233	0.266	
DPS (Eu)	0.282	0.050	0.048	0.055	0.060
EV/EBITDA Adj	6.6	6.8	5.6	4.6	3.9
EV/EBIT Adj	7.4	8.3	7.1	5.8	4.9
P/E Adj	7.8	9.7	10.2	8.8	8.1
Div. Yield	10.0%	1.8%	1.7%	2.0%	2.1%
Net Debt/EBITDA Adj	-1.2	-0.7	-1.1	-1.4	-1.7