

## OM Holdings Ltd

### Stabilised Furnaces Operating Environment

#### Summary

- **To recap.** OMH'S core LATMI came in below expectation during 2HFY23, where the key deviations were due to lower average selling prices of FeSi and Mn Ore.
- **Updates.** FeSi prices remain range bound between USD1200-1300. SiMN rebounded from USD850 in 4Q2023 to USD1223 end-May 2024.
- **Announced new dividend policy.** OMH to distribute 30% (up from 10%), subject to a cap of 50% of Free Cash Flow and other considerations.
- **Furnaces status.** Total operational FeSi furnaces will be 6-8 in 2024 with a capacity of 130-140 ktpa, while Mn Alloys will have a capacity of 280-308 ktpa with 8 operating furnaces. Besides, fabrication works for the MetSi furnaces will be completed in 1Q24, and the hot commissioning phase is expected to start in 3Q24 with a capacity of 26-29 ktpa. The total Sarawak plant output will be 430-470 ktpa, with an expected utilization rate of more than 85%. Overall capacity in the long run will be around 450-490 ktpa, with the addition of one MetSI 33MVA furnace.

#### Outlook & Recommendation

- **Outlook.** OMH's operating furnaces have stabilized, and SiMn's selling price has improved, but we think overall earnings may see limited improvement due to a subdued market environment in early 2024. Recent stabilized FeSi and improved SiMn prices may only translate to earnings by end-FY24, reflected in earnings releases during 1Q25.
- **Ceasing coverage.** In view of the lacklustre earnings and due to reallocation of internal resources, we are ceasing coverage on OMH. Our last recommendation on OMH was **HOLD** with a target price of **RM1.34**, derived by assigning a P/E multiple of 7.0x to FY24f 19.1 sen.

#### Ceasing coverage note

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#### Cease Coverage (From Hold)

|                 |        |
|-----------------|--------|
| Share price     | RM1.40 |
| Target price    | -      |
| Previous TP     | RM1.34 |
| Capital upside  | -      |
| Dividend return | -      |
| Total return    | -      |

#### Company profile

Principally involved in the mining, smelting and trading of raw ores

#### Stock information

|                      |            |
|----------------------|------------|
| Bursa Code           | 5298       |
| Bloomberg ticker     | OMH MK     |
| Listing market       | MAIN       |
| Share issued (m)     | 766.3      |
| Market Cap (m)       | 1072.8     |
| 52W High/Low         | 1.8 / 1.27 |
| Est. Free float (%)  | 90.8       |
| Beta (x)             | 0.9        |
| 3-mth avg vol ('000) | 62.9       |
| Shariah compliant    | Yes        |

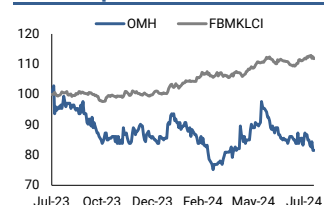
#### Major shareholders

|                  |      |
|------------------|------|
|                  | %    |
| Hanwa Co Ltd     | 4.24 |
| JFE Holdings Inc | 3.61 |
| Low Ngee Tong    | 1.31 |

#### Share price vs. KLCI (%)

|              |      |       |       |
|--------------|------|-------|-------|
| Hist. return | 1M   | 3M    | 12M   |
| Absolute     | -4.8 | -8.5  | -19.1 |
| Relative     | -6.1 | -10.2 | -27.2 |

#### Relative performance chart



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As of **Monday, 29 Jul, 2024**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

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### Stock recommendation guide

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|                     |  |
|---------------------|--|
| <b>BUY</b>          | The share price is expected to appreciate more than 10% over the next 12 months  |
| <b>HOLD</b>         | The stock price is expected to range between -10% and +10% over the next 12 months   |
| <b>SELL</b>         | The share price is expected to fall more than 10% over the next 12 months  |
| <b>TRADING BUY</b>  | The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months |
| <b>TRADING SELL</b> | The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months     |
| <b>NOT RATED</b>    | No recommendation is assigned  |

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