# OMER

## OUTPERFORM

*Sector: Industrials*

Price: Eu4.20 - **Target: Eu5.40**

# 2H24 Beat on “DV” and “Core” Sets the Stage for Strong FY25

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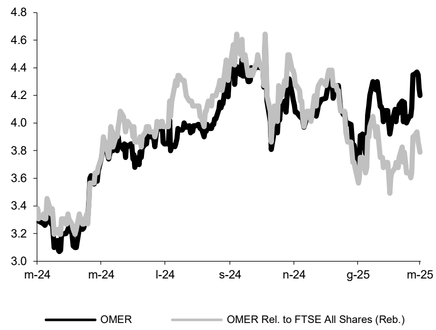
| Stock Rating | | | |
|---|---|---|---|
| Rating: | | | Unchanged |
| Target Price (Eu): | | | from 5.00 to 5.40 |
| | 2025E | 2026E | 2027E |
| Chg in Adj EPS | 15.1% | 7.7% | |

**Next Event**

1Q25 Results Out 14th of May

**OMER - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | OMR.MI |
| Bloomberg code: | | | OMER IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 6.1% | 0.5% | 24.3% |
| Relative | 5.0% | -13.2% | 12.4% |
| 12M (H/L) | | | 4.59/3.07 |
| 3M Average Volume (th): | | | 7.69 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 29 |
| Total no. of shares (mn): | 29 |
| Mkt Cap Ord (Eu mn): | 120 |
| Total Mkt Cap (Eu mn): | 120 |
| Mkt Float - Ord (Eu mn): | 31 |
| Mkt Float (in %): | 25.6% |
| Main Shareholder: | |
| Russello Fam. | 74.0% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 74 |
| BVPS (Eu): | 2.58 |
| P/BV: | 1.6 |
| Net Financial Position (Eu mn): | 31 |
| Enterprise Value (Eu mn): | 100 |

**OMER delivered 2H24 results that were strong and above expectations, supported by La Dolce Vita and solid core growth. More importantly, prospects for FY25 look solid thanks to an increasing backlog and laser-focused execution of new and existing projects. Positive news also emerged on La Dolce Vita, with earlier-than-expected revenue recognition, but above all, higher profitability. Though it makes a small contribution to our TP given its "one-off" nature, we see significant upside being unlocked once it provides more recurrent business (i.e., we await more details on the commercial success). Overall, we confirm our positive view on the stock, raising our TP to €5.4 (from €5.0) on higher estimates and roll-over, with shares trading at an attractive 5.2x/4.7x EV/EBITDA FY25/26.**

- **2H/FY24 results: strong and well above estimates.** Revenues were €44.7/84.0mn (exp. 35.9/75.1), up +30/25% YoY; EBITDA €10.8/18.7mn (exp. 7.5/15.5), +36/24% YoY with margins of 24.1/22.3% (+1.0/-0.1 YoY). The significant revenue difference (~€9mn total) reflects the contribution of La Dolce Vita (~€6mn), which we cautiously excluded pending signing of the final contract, but also stronger core operations (~€3mn). Net income was €6.6/11.1mn (exp. 4.5/9.1mn), +40/33% YoY thanks to higher operating results. Net cash was €19.9mn, below our 22.1 forecast due to higher NWC linked to La Dolce Vita.
- **Strong backlog supports growth.** In FY24, hard backlog rose notably from €125mn in FY23 to €168mn (>2.0x revenues), driven by conversion from soft backlog, which fell slightly. The company secured key contracts such as 40 Trenitalia Frecciarossa trains with Hitachi (~€22mn, 2025-28), 221 Chicago Metra cars with Alstom (~€21mn, 2025-29), 130 German regional trains with Knorr-Bremse (~€9mn, 2024-27), and 83 Amtrak American trains with Siemens (~€4mn, 2024–2028).
- **2025 outlook: activity set to continue at good pace.** Management aims to consolidate results achieved in FY24 focusing on the implementation of long-standing projects as well as development of newly acquired ones. Overall, we believe the outlook supports our estimate, which sees revenues at €86.9mn (+3% YoY), supported by both core operations (+Italy, -US) and La Dolce Vita (see below for details). EBITDA is projected at €19.3mn (+3% YoY), implying stable margins at ~22%.
- **Tariff risk: situation uncertain, but OMER has mitigants.** Management acknowledged uncertainty on potential US tariffs on aluminium, but we believe the risk is manageable in light of: i) US revenue exposure at 6%; ii) a local manufacturing plant; iii) exportation of semi-finished goods from Italy that should be exempt from tariffs on raw materials; iv) most components having been delivered in FY24; v) ongoing negotiations regarding price pass-through clauses with customers to offset potential cost inflation.
- **Positive news from La Dolce Vita project.** Production of the 1st train began in FY24 and will finish in FY25, alongside the 2nd train for FY26 delivery. Revenue per train appears in line with est. (~€8mn), while profitability appears to be higher than prev. exp. (>22% vs 17% prev.). We continue to treat DV as a "one-off”, maintaining a €0.10 addition to our TP as the benefits already recognized in FY24 are offset by higher project value on stronger margins (€0.13 vs €0.10 prev.). Greater upside lies in transitioning to a recurrent model, contingent on success of the project and regional expansion (1 train/yr adding ~€0.40 to TP). The promoter holds an option for 4 more trains, with talks underway on a similar project in Saudi Arabia. Our estimates include revenues at ~€8/3mn for FY25/26.
- **Change in estimates.** We are raising our EPS by 11% on average for FY25/26, driven by contributions from La Dolce Vita project (prev. excluded) and slightly higher core operations reflecting a higher starting from a higher base (3% ex-DV).

| Key Figures & Ratios | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 67 | 84 | 87 | 87 | 88 |
| EBITDA Adj (Eu mn) | 15 | 19 | 19 | 19 | 19 |
| Net Profit Adj (Eu mn) | 8 | 11 | 11 | 11 | 11 |
| EPS New Adj (Eu) | 0.293 | 0.389 | 0.392 | 0.391 | 0.396 |
| EPS Old Adj (Eu) | 0.293 | 0.317 | 0.341 | 0.363 | |
| DPS (Eu) | 0.060 | 0.070 | 0.000 | 0.000 | 0.000 |
| EV/EBITDA Adj | 4.8 | 5.2 | 5.2 | 4.7 | 4.1 |
| EV/EBIT Adj | 6.0 | 6.5 | 6.6 | 6.0 | 5.3 |
| P/E Adj | 14.3 | 10.8 | 10.7 | 10.7 | 10.6 |
| Div. Yield | 1.4% | 1.7% | 0.0% | 0.0% | 0.0% |
| Net Debt/EBITDA Adj | -1.3 | -1.1 | -1.6 | -2.1 | -2.7 |

Intermonte

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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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 30.60 % |
| OUTPERFORM: | 43.28 % |
| NEUTRAL: | 26.12 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

| | |
|---|---|
| BUY: | 50.70 % |
| OUTPERFORM: | 29.58 % |
| NEUTRAL: | 19.72 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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Further information is available