

OMER

Sector: Industrials

All aboard, folks

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

Stock Rating

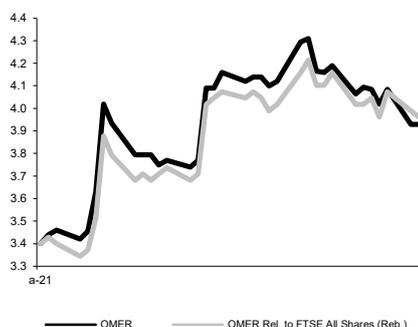
Rating: OUTPERFORM (New Coverage)

Target Price (Eu): 5.20 (New Coverage)

Next Event

 Results Out 28th of September

OMER - 12M Performance



Stock Data

Reuters code: OMR.MI

Bloomberg code: OMER IM

Performance	1M	3M	12M
Absolute	4.2%	--	--
Relative	6.2%	--	--
12M (H/L)		4.31/3.40	
3M Average Volume (th):		108.62	

Shareholder Data

No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	113
Total Mkt Cap (Eu mn):	113
Mkt Float - Ord (Eu mn):	29
Mkt Float (in %):	26.0%
Main Shareholder:	
Russello Fam.	74.0%

Balance Sheet Data

Book Value (Eu mn):	40
BVPS (Eu):	1.38
P/BV:	2.9
Net Financial Position (Eu mn):	8
Enterprise Value (Eu mn):	112

OUTPERFORM

Price: Eu3.93 - Target: Eu5.20

- A leading supplier of interiors to train manufacturers.** Established in 1990, OMER is engaged in the design and manufacture of interior furnishings for leading train producers, such as Alstom, Bombardier, Hitachi and Siemens Mobility. Its product portfolio is divided into three main categories: i) interiors, such as window panels and luggage racks; ii) toilet modules; iii) fairings & doors. With its integrated business model, two state-of-the-art production plants in Italy and one in the US, products manufactured by the group have equipped more than 1,000 high-speed trains, regional and metro trains. OMER is specialized in aluminium-based products, a more environmentally-friendly material (i.e. ESG) as it boasts lower CO2 emissions over its lifecycle compared to rival products offering also key commercial advantage with clients.
- Market to show a V-Shaped recovery in 2021-22, then to resume at a +2% CAGR from 2023 to 2025.** According to UNIFE, rolling stock in the NAFTA and Western Europe regions, OMER's reference market, amounted to €24.0bn p.a. and grew at ~3% pre-Covid. After the -8% YoY drop in 2020 due to Covid-19, the market is expected to witness a V-shaped recovery in 2021-22 and then growing at a +2% CAGR between 2023-25. Growth is expected to be driven by urbanisation and population growth, increasing environmental awareness and digitalisation. Growth should be strongly supported by public funding that received a further boost from national recovery and resilience plans in response to Covid-19, which placed increasing focus on sustainable mobility and connectivity.
- Clear, linear strategy based on three pillars.** OMER has a clear and linear strategy that it plans to support through funds raised during the IPO that could be summarised in three key pillars: i) Geographical expansion targeting the US and UK markets given opportunities offered by these markets; ii) Developing technological expertise in the toilet and lighting sectors, further widening and vertically integrating its product offering; iii) Improving operating efficiency in a consolidated market by saturating capacity and Italian plants, creating service centres close to key clients and integrating fibreglass components.
- An history of growth and profitability expansion.** On a pro-forma basis, OMER achieved a VoP of €46.1mn in 2020 increasing at +46% CAGR from 2018 mainly thanks to Hitachi's "Caravaggio" project, while EBITDA margin expanded from 14.8% in 2018 to 22.4% in 2020 on operating leverage on indirect personnel and service costs. After reporting positive 1H21, OMER confirmed the 2021 pro-forma guidance provided during the IPO pointing to VoP of €53mn with an EBITDA of ~€14.5mn. We expect the VoP to grow to €62.8mn in 2024 (+8% CAGR) supported by a backlog of almost €400mn, of which €132mn in orders already received, with EBITDA margin at ~27% thanks to efficiencies and operating leverage.
- Initiating coverage with an OUTPERFORM rating and TP of €5.2.** During its +30y history, OMER has become a leading supplier of aluminum-based train interiors for leading train producers with a solid track record of growth and profitability expansion. We believe these are the concrete proofs of the success of its integrated business model covering from the design to the industrialization and manufacturing in state-of-the-art production facilities, trusted long-standing relationships with train producers in an industry with both significant barriers to entry and growth potential given increasing focus on sustainable and connected mobility. In our view, these assets along with the highly experience management team will allow OMER to execute its business plan. For these reasons, we start the coverage on OMER with an OUTPERFORM rating. Our TP of €5.2 offers a >30% upside and is based on the simple average of three methods: DCF, ROIC/WACC and market multiples.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	33	41	51	57	60
EBITDA Adj (Eu mn)	6	9	14	16	16
Net Profit Adj (Eu mn)	4	6	9	11	11
EPS New Adj (Eu)	0.143	0.219	0.316	0.381	0.380
DPS (Eu)	0.000	0.000	0.229	0.000	0.000
EV/EBITDA Adj			8.1	6.8	5.9
EV/EBIT Adj			9.5	8.1	7.0
P/E Adj	27.6	17.9	12.4	10.3	10.4
Div. Yield	0.0%	0.0%	5.8%	0.0%	0.0%
Net Debt/EBITDA Adj	0.1	0.4	-0.6	-0.9	-1.4

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OMER – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	22	33	41	51	57	60
EBITDA	3	6	9	14	16	16
EBIT	2	5	8	12	13	14
Financial Income (charges)	-0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	5	8	11	13	14
Taxes	-1	-0	-2	-3	-2	-3
Tax rate	33.4%	4.3%	19.4%	27.0%	15.0%	20.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	2	5	6	8	11	11
EBITDA Adj	3	6	9	14	16	16
EBIT Adj	2	5	8	12	13	14
Net Profit Adj	2	4	6	9	11	11
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	29	29	29	29	29	29
Total Shares Outstanding (mn) - Year End	29	29	29	29	29	29
EPS f.d	0.055	0.171	0.219	0.289	0.381	0.380
EPS Adj f.d	0.055	0.143	0.219	0.316	0.381	0.380
BVPS f.d	0.761	0.896	0.838	1.379	1.759	2.139
Dividend per Share ORD	0.000	0.000	0.000	0.229	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	63.2%	40.8%	79.3%	0.0%	0.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	2	6	7	10	13	13
Change in NWC	-3	-1	-6	-1	-4	-1
Capital Expenditure	-0	-5	-2	-5	-3	-3
Other Cash Items	2	-1	-0	0	0	0
Free Cash Flow (FCF)	-0	-1	-1	5	6	9
Acquisitions, Divestments & Other Items	0	0	0	-0	0	0
Dividends	-0	-1	-2	-5	0	0
Equity Financing/Buy-back	0	0	0	12	0	0
Change in Net Financial Position	2	-3	-3	12	6	9
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	13	18	12	15	16	16
Net Working Capital	7	9	16	17	21	22
Long term Liabilities	-0	-0	-0	-0	-0	-0
Net Capital Employed	19	26	28	31	36	38
Net Cash (Debt)	2	-0	-3	8	15	24
Group Equity	22	26	24	40	51	61
Minorities	0	0	0	0	0	0
Net Equity	22	26	24	40	51	61
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap				113	113	113
Adjustments (Associate & Minorities)	-2	-4	-4	-8	-8	-8
Net Cash (Debt)	2	-0	-3	8	15	24
Enterprise Value				112	106	97
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	14.8%	18.5%	22.5%	27.3%	27.4%	27.4%
EBIT Adj Margin	11.2%	15.8%	19.6%	23.3%	23.2%	23.2%
Gearing - Debt/Equity	-10.8%	1.7%	14.4%	-21.0%	-28.9%	-38.3%
Interest Cover on EBIT	34.8	37.6	47.0	53.3	53.8	57.0
Net Debt/EBITDA Adj	-0.7	0.1	0.4	-0.6	-0.9	-1.4
ROACE*	12.5%	23.0%	29.7%	39.4%	39.0%	37.6%
ROE*	7.2%	17.2%	25.3%	28.5%	24.3%	19.5%
EV/CE				3.8	3.2	2.6
EV/Sales				2.2	1.9	1.6
EV/EBITDA Adj				8.1	6.8	5.9
EV/EBIT Adj				9.5	8.1	7.0
Free Cash Flow Yield	-0.4%	-0.7%	-0.4%	3.8%	5.2%	7.4%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales		53.2%	22.5%	25.1%	10.8%	5.8%
EBITDA Adj		91.4%	49.0%	52.0%	11.1%	5.9%
EBIT Adj		115.8%	52.0%	48.7%	10.3%	5.9%
Net Profit Adj		210.7%	28.6%	31.6%	31.8%	-0.3%
EPS Adj		159.7%	53.9%	44.2%	20.3%	-0.3%
DPS				nm	nm	

*Excluding extraordinary items

Source: Intermonte SIM estimates

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Executive summary

A leading supplier of interiors to train manufacturers. Established in 1990, OMER is engaged in the design and manufacture of interior furnishings for leading train producers such as Alstom, Bombardier, Hitachi and Siemens Mobility. Its product portfolio is divided into three main categories: i) interiors, such as window panels and luggage racks; ii) toilet modules; iii) fairings & doors. Thanks to its integrated business model, two state-of-the-art production plants in Italy and one in the US, more than 1,000 high-speed, regional and metro trains have been equipped with products manufactured by the group. OMER is specialised in products based on aluminium, a more environmentally-friendly material (i.e. ESG) as it boasts lower CO₂ emissions over its lifecycle than rival products, thus offering a key commercial advantage with clients.

Market to show a V-shaped recovery in 2021-22, then resume at a +2% CAGR from 2023 to 2025. According to UNIFE, OMER's core market of rolling stock for the NAFTA and Western Europe regions amounted to €24.0bn p.a. pre-Covid and was growing at ~3%. After the -8% YoY drop in 2020 due to Covid-19, the market is expected to see a V-shaped recovery in 2021-22 and then grow at a +2% CAGR between 2023-25. Growth is expected to be driven by urbanisation and population increases, rising environmental awareness, and digitalisation. Growth should be strongly supported by public funding that has received a further boost from national recovery and resilience plans in response to Covid-19, sharpening the focus on sustainable mobility and connectivity.

Clear, linear strategy based on three pillars. OMER has a clear and linear strategy that it plans to support through funds raised during the IPO. The plan rests on three key pillars: i) geographical expansion targeting the US and UK given opportunities offered by these markets; ii) development of technological expertise in the toilet and lighting sectors, further widening and vertically integrating the product offering; iii) Improving operating efficiency in a consolidated market by saturating capacity and Italian plants, creating service centres close to key clients and integrating fibreglass components.

A history of growth and rising profitability. On a pro-forma basis (i.e. including OMER North America for 12 months and reflecting the spin-off of the real estate asset linked to Plant B), OMER achieved a VoP of €46.1mn in 2020, increasing at a +46% CAGR since 2018 mainly thanks to Hitachi's "Caravaggio" project. The EBITDA margin expanded from 14.8% in 2018 to 22.4% in 2020 on the back of operating leverage on indirect personnel and service costs. Aluminium is the main raw material to which OMER is exposed (~8% of VoP), but automatic price adjustment contracts are in place, reducing raw mat risks. CapEx intensity is relatively limited, with D&A on sales of ~4%. After reporting positive 1H non-pro-forma results (OMER North America consolidated for just 1 month, VoP of €27mn, EBITDA of €8mn), OMER confirmed the 2021 pro-forma guidance provided during the IPO that points to VoP of €53mn with EBITDA of ~€14.5mn. Over the coming years, we expect turnover to grow to €62.8mn in 2024 (+8% CAGR) supported by a backlog of almost €400mn, of which €132mn in orders already received, with the EBITDA margin at ~27% thanks to efficiencies and operating leverage.

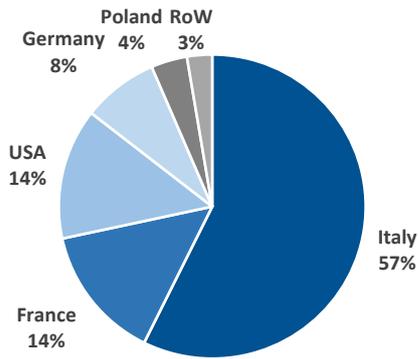
Initiating coverage with an OUTPERFORM rating and a TP of €5.2. During its +30-year history, OMER has become a preeminent supplier of aluminum-based train interiors for leading train producers and boasts a solid track record of growth and rising profitability. These are factors that we believe offer concrete proof of the success of OMER's integrated business model, which encompasses design to industrialisation and manufacturing at state-of-the-art production facilities, trusted long-term relationships with train producers in an industry with significant barriers to entry, and high growth potential given the sharpening focus on sustainable and connected mobility. In our view, these assets, along with the highly experienced management team, will enable OMER to execute its business plan. For these reasons, we initiate coverage on OMER with an OUTPERFORM rating. Our TP of €5.2 offers >30% upside and is based on the simple average of three methods: DCF, ROIC/WACC and market multiples.

Key financial highlights (€ mn)

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2020 PF
Value of production	21.8	33.3	40.8	51.1	56.6	59.9	62.8	46.1
YoY growth %	n.a.	+53%	+22%	+25%	+11%	+6%	+5%	n.a.
Adj. EBITDA	3.2	6.2	9.2	14.0	15.5	16.4	17.0	10.3
Adj. EBITDA margin %	14.8%	18.5%	22.5%	27.3%	27.4%	27.4%	27.1%	22.4%
Adj. net income	1.6	4.1	6.3	9.1	10.9	10.9	11.3	6.8
Adj. net income margin %	7.3%	12.3%	15.4%	17.8%	19.3%	18.2%	18.0%	14.8%
Net debt/(cash)	-2.4	0.4	3.5	-8.3	-14.6	-23.6	-33.3	4.8
Net debt/EBITDA	-0.7x	0.1x	0.4x	-0.6x	-0.9x	-1.4x	-2.0x	0.5x
ROCE %	12.5%	20.1%	29.0%	38.0%	36.5%	36.6%	36.3%	32.5%

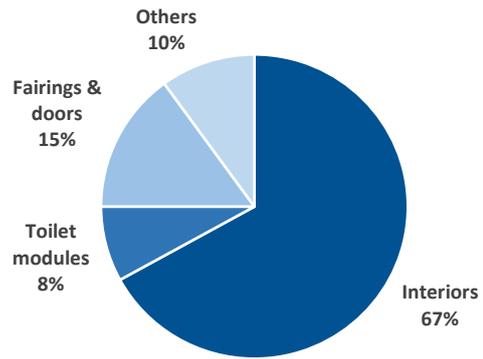
Source: Company data & Intermonte SIM Estimates

Net sales breakdown by geographical area (2020 PF)



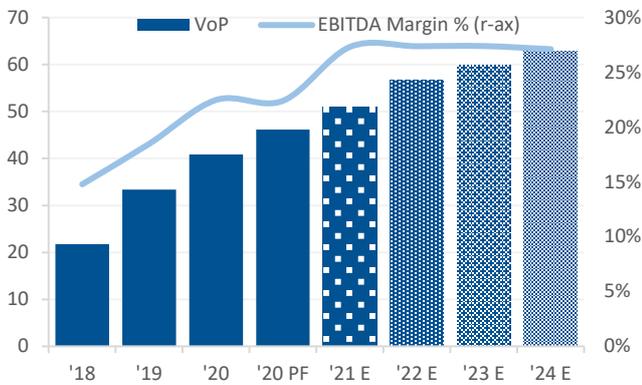
Source: company data

Net sales breakdown by activity (2020 PF)



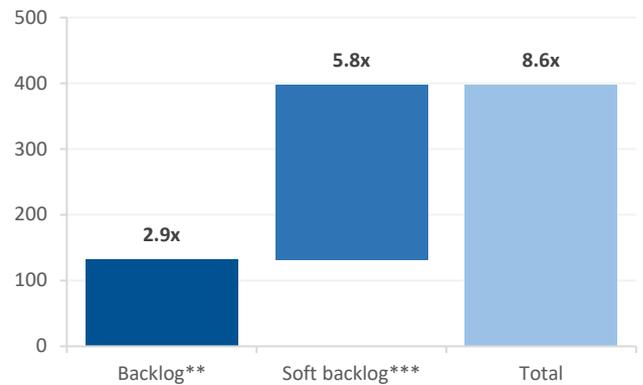
Source: company data

Value of production and EBITDA margin evolution (€ mn)



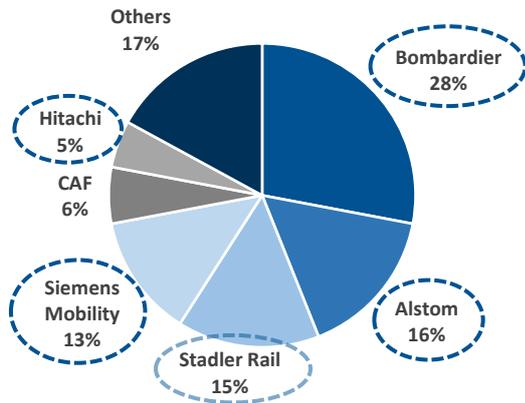
Source: company data & Intermonte SIM estimate

Backlog and coverage ratio* (€ mn, end of April 2021)



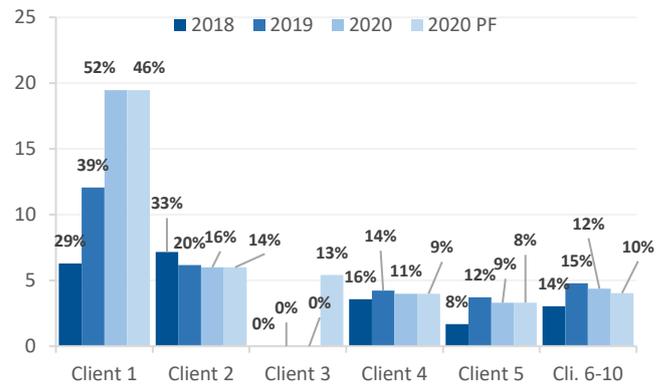
Source: company data
 * Coverage ratio = backlog / VoP 2020 PF
 ** Backlog = signed framework agreement and production order received
 *** Soft-Backlog = signed framework agreement, waiting for production order

Train manufacturer by market share in Europe (2019)



Source: Statista "Rail Industry Worldwide"
 Dark blue for significant OMER clients
 Lighter blue for less significant clients

Net sales by client (€ mn)



Source: company data

Company presentation

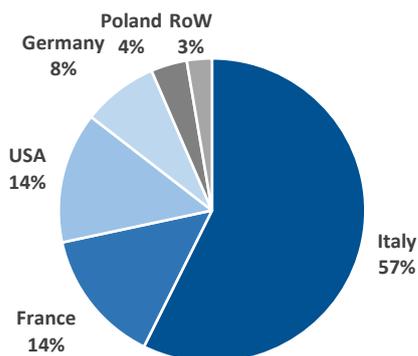
The company at a glance and key figures

A leading supplier of interiors for train manufacturers. Established in Palermo in 1990, OMER is engaged in the design and manufacture of interior furnishings for the railway sector. Within the rail market, OMER is positioned as a supplier of leading train producers, such as Alstom, Bombardier, Hitachi and Siemens Mobility, providing tailor-made products based on each project's specification. Its product portfolio is divided into three main categories: i) interiors, such as window panels and luggage racks; ii) cabins for toilet modules; iii) fairings & doors.

Strong presence in Europe, but growing exposure to North America. OMER carries out its activities in three plants: two in Palermo (Italy) and one in Sterling Heights (United States). The Italian plants are located at the historical group HQ and are mainly focused on projects for the European market, which represents 85% of net sales (Italy is the main market at 57%). The US plant opened its doors in 2017, and addresses demand in the North American market, which has now grown to represent 15% of net sales and is involved in final assembly operations.

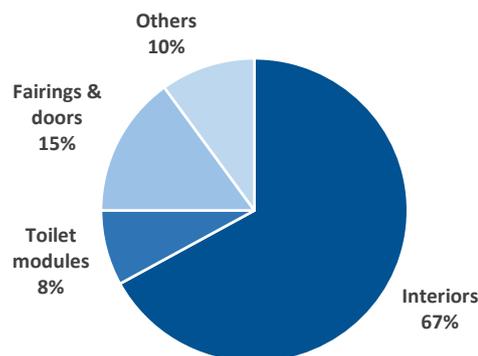
Key financials are sound and healthy. In 2020, the value of production reached €46.1mn on a pro-forma basis, increasing at +46% CAGR from 2018 and a +9% CAGR from 2015. Net sales were €42.2mn. The drop in turnover between 2016 and 2018 was due to regulatory changes in the European industry that led to train manufacturers postponing projects. The EBITDA margin was 22.4%, up 3.9pp vs. 2019, while net debt/EBITDA closed at 0.5x. Return on Capital Employed (i.e. EBIT on Invested Capital) averaged 22% between 2018 and 2020, well above the cost of capital. OMER had a strong backlog worth ~€400mn in total, or 8.6x 2020 pro-forma revenue (€132mn orders received, plus a soft backlog of €266mn).

Net sales breakdown by geographical area (2020 PF)



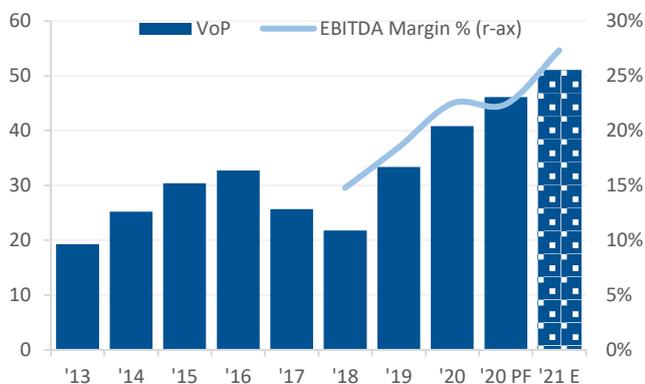
Source: company data

Net sales breakdown by activity (2020 PF)



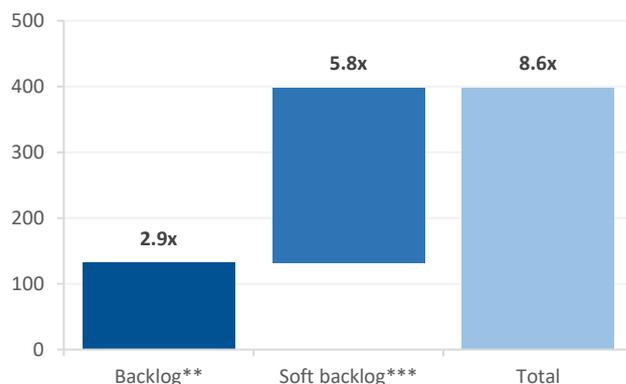
Source: company data

Value of production and EBITDA margin evolution (€ mn)



Source: company data

Backlog and coverage ratio* (€ mn, end of April 2021)



Source: company data

* Coverage ratio = backlog / VoP 2020 PF

** Backlog = signed framework agreement and production order received

*** Soft-Backlog = signed framework agreement, waiting for production order

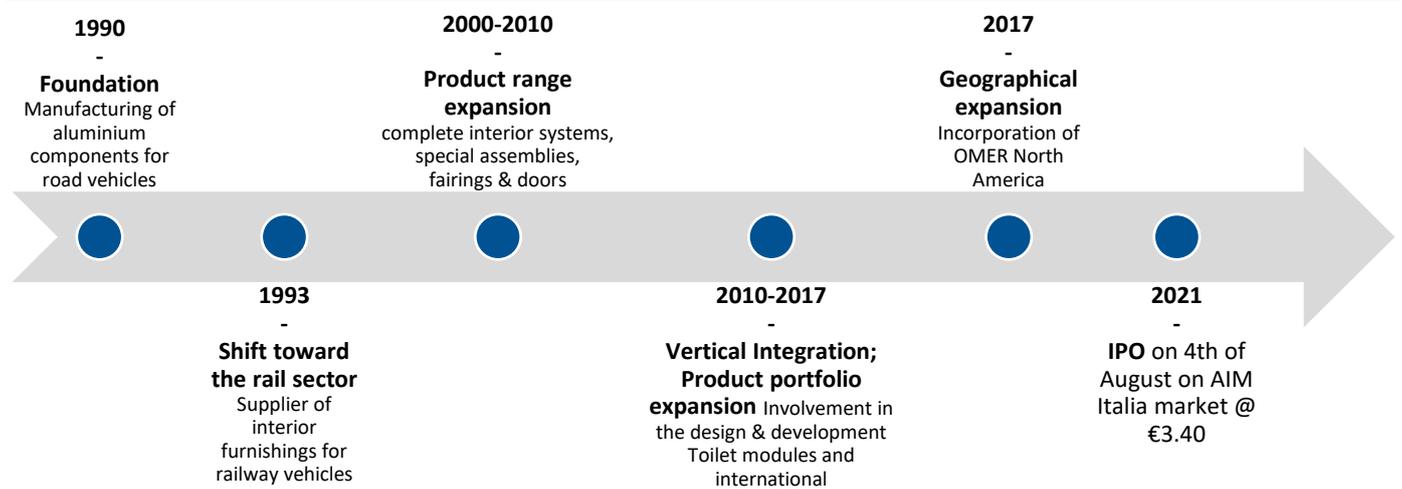
History in brief

Activity was initially focused on road vehicles, but rapidly shifted to train interiors. The company was founded in 1990 in Palermo (Italy) and operated initially as a manufacturer of aluminium components for road vehicles, buses in particular. Since 1993, it progressively turned into a supplier of interior furnishings for railway vehicles, with an initial focus on doors and furniture based on customers' designs. During the following decade, OMER widened its offering to complete interior systems, special assemblies, fairings & doors.

Significant developments since 2010: vertical integration, product range and geographical expansion. From 2010, the company has embarked upon some notable developments:

- It started to pursue **vertical integration**, increasing its involvement in the design and development phases of the project. These activities are carried out in close contact with the customer (i.e. co-development) allowing OMER to elevate its status as a trusted partner rather than just a supplier of specific components;
- It **expanded its product portfolio** to more complex categories such as toilet modules;
- It **grew internationally**, initially in Europe and since 2017 in the United States as well;
- It **listed on the stock market** (AIM Italia market) on the 4th of August of 2021 at a price of €3.40 per share. The operation was structured as a primary share offering for 3.75mn, with ~€12mn raised to support company growth plans, and a secondary offering of 2.75mn shares sold by the Russello family.

Key historical developments

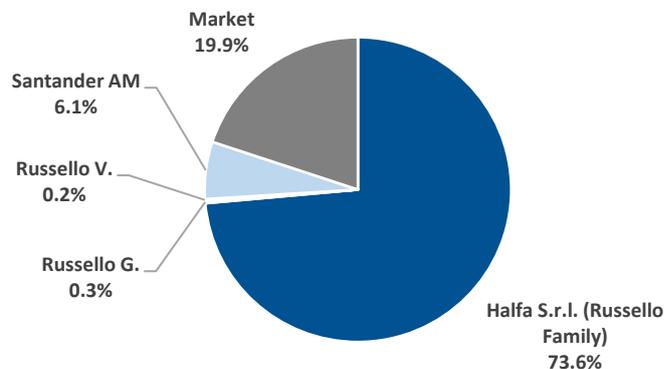


Source: company data

Current shareholder structure

OMER is controlled by the Russello family through an indirect stake (Halfa S.r.l., 73.6%) and direct stakes (Russello G., 0.3%, Russello V., 0.2%). The free float is 26%; Santander Asset Management has a 6.1% stake bought during the IPO. Other shareholder stakes' total less 5%.

Shareholding structure



Source: company data

Management team

Highly experienced management team. As can be seen from the individual profiles reported below, OMER can boast a highly qualified management team, with average experience of ~21 years within the railway sector or other primary industrial arenas.



Giuseppe Russello (59) – Founder and Chief Executive Officer

- Mechanical Engineering degree at Palermo University
- Founder of OMER in 1990 following experience at other firms
- 28 years of experience as a senior manager in the rolling stock industry
- Vice Chairman of Sicindustria (Confindustria Sicily); member of board of Anie-Assifer (rail industry employers' association)



Alfredo Vitrano (46) – Chief Operating Officer

- Mechanical Engineering degree at Palermo University
- At OMER since 2003, following experience at engineering consultancies
- 14 years of experience as a senior manager in the rolling stock industry
- COO since 2018; previously plant production manager since 2007



Stefano Rinco (48) – Sales director

- Economics degree at Varese Insubria University
- At OMER as Sales Manager since 2008, following experience at International firms such as Testori Interiors SpA, WEBASTO as OEM Sales Specialist for the railway market and special vehicles, ELLAMP as Sales Manager at the railway division and Key Account for the Pendolino EMU China project
- 25 years of experience as a senior manager in the rolling stock industry



Salvatore Giosuè (47) – Chief Financial Officer

- Economics degree at Palermo University
- At OMER as CFO since 2020, following experience in finance at other companies such as Fincantieri (Head of Management Control at Palermo shipyard), Financial and Administrative Control Manager (Services Division)
- 16 years of experience as a senior financial manager

Emanuele Varrica – Production director

- Aeronautical engineering degree at Palermo University
- At OMER as Production Director since 2020, following experience at Piaggio Aerospace (Head of Production BU Aircraft) and Alenia Aermacchi (Head of Program Management)
- 15 years of experience as production director

Andrea Lo Falco – Project manager

- Mechanical engineering degree at Palermo University
- At OMER as Project Manager since 2018, following experience at Fontana Pietro Spa (R&D engineering)
- 15 years of experience as a project engineer

Carmen Campisi – Purchase manager

- At OMER as Purchase Manager since 1998

Pietro Cannizzaro – IT manager

- At OMER as IT Manager since 2008, following experience at Elmi Software Srl (Software Developer)
- 19 years of experience as a software developer

Business model description

Business overview

Interiors, toilet modules and fairing & doors for all types of trains. With almost 30 years of experience, OMER is engaged in the design and manufacture of interior furnishings, mostly in aluminium, for the railway sector. The company is a trusted partner of major global train producers, such as Alstom, Bombardier, Hitachi and Siemens Mobility. Its offer is based on three main product categories, plus a fourth line:

- **Interiors (67% of net sales)**, such as window panels and luggage racks;
- **Toilet modules (8%)**, mainly acting as a systems integrator;
- Fairings & doors (15%);
- **Others (10%)**, which includes revenue earned for products/services not included in other categories such as spare parts, chargeback of transport costs, compensation for non-recurring costs.

Products manufactured by the group have equipped more than 1,000 trains including high-speed trains, regional and metro.

As we can see from the matrix below, OMER basically covers all product categories in the “interiors” space, except for seating and floor. OMER’s products are used in trains with any kind of propulsion system (electric, diesel, etc.).

OMER exposure by product category and train type

	Interiors										Toilet modules			Fairings & Doors		
	Window	Luggage Racks	Ceilings	Vestibules	Access stairs	Handr.	Remov. cover panels	Seating	Floors	Lighting	Doors	Module integr.	WC	Fairings	Internal doors	External doors
Metro	●	NA	●	●	NA	●	●	○	○	○	○	NA	NA	●	●	○
Regional trains	●	●	●	●	●	●	●	○	○	○	●	●	○	●	●	●
High-speed trains	●	●	●	●	●	●	●	○	○	○	●	●	○	●	●	○

Source: Intermonte SIM on company information (full dot = complete coverage of product category; half dot = product bought externally; other = not offered)

Metro Melbourne



Source: company images

Bombardier Regio 2N (Regional train)



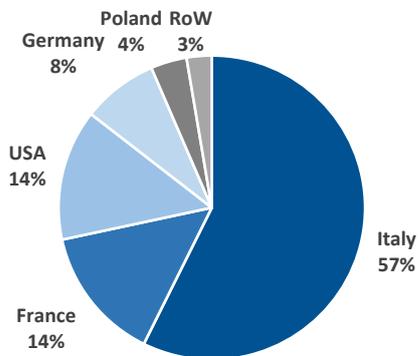
Source: company images

Hitachi ETR 1000 – Zefiro (High-speed train)



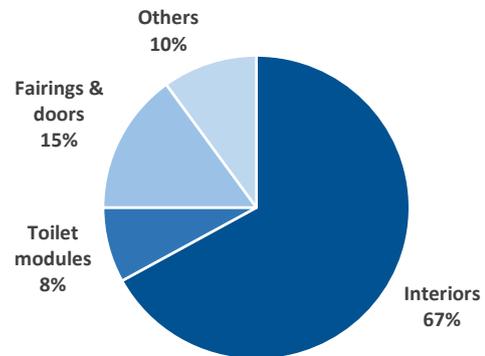
Source: company images

Net sales breakdown by geographical area (2020 PF)



Source: company data

Net sales breakdown by activity (2020 PF)



Source: company data

Products & operating model

Interiors: furnishing elements of railway carriages. The Interiors product line includes furniture elements of a carriage such as: window panelling, ceiling panels with lighting system integrated, vestibules, partition, access stairs to the upper floors in double-decker trains, handrails. Over the years OMER has increased its design capabilities, now co-developing train interiors alongside train manufacturers, enabling it to meet specific customer requests ranging from the use of various materials to the need to integrate furnishing into other systems on the carriage such as lighting, fire prevention systems, air ducts, etc.

Toilet modules: a technologically complex and critical product. OMER provides cabins for toilet modules that are installed on trains to function as bathrooms. Unlike existing product on the market, mostly made in fiberglass, OMER offers an alternative cabin made in aluminium. OMER cabins allow to achieve top performances in terms of times of installation on board, recyclability, fire resistance and weight.

Fairings: the upper, lateral and lower side fairings of the carriages. Their function is to protect installed equipment and ensure aerodynamic efficiency. The doors made by OMER are all internal doors and the access openings to the wagon or driver cabin. Both product families, fairings and external doors, require high standards of design, development and structural construction, mainly due to the stresses and conditions of use, especially with reference to high-speed trains.

OMER operates as a system supplier, an approach favoured by clients. With different degrees of involvement according to the type of product line, OMER provides train manufacturers with a complete plug-and-play system ready to be installed on carriages. For the interiors and fairings and doors product lines, OMER mainly acts as an OEM, manufacturing parts internally through industrial processes starting from the raw materials, mainly aluminium, while also buying and integrating products such as lighting. At the same time, for the toilet modules the company mainly acts as a systems integrator. In particular, it has strong expertise in integrating evacuation systems bought by external suppliers with internally-developed doors. We highlight that this operating model has met with clients' favour, as it is preferred to setting up multiple individual relationships with specific suppliers of components, mainly due to the obvious reduction in project complexity and acceleration of the overall time-to-market/delivery.

Aluminium: a more environmentally-sustainable material. As already indicated, OMER specialises in the design and manufacture of train interiors, mostly in aluminium. As can be seen in the graph below the images, aluminium is a more environmentally-friendly material than fiberglass, as in the case of side window panels the aluminium version offers a ~40% reduction in terms of CO₂ emissions over the course of its complete lifecycle due to its high level of recyclability. Given the recent surge in attention on ESG themes, the company's expertise offers OMER a key commercial advantage with clients.

Interiors



Source: company images

Toilet cabins



Source: company images

Doors



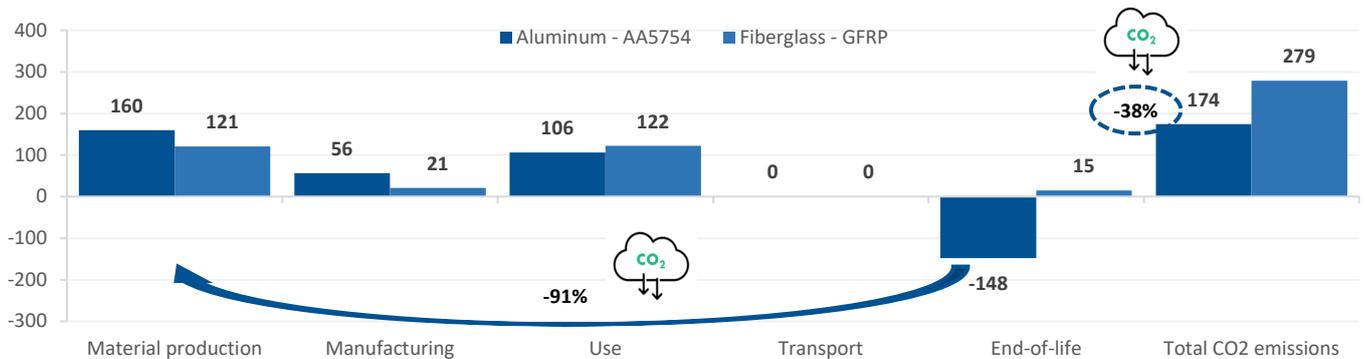
Source: company images

Fairings



Source: company images

Comparison of life-cycle CO₂ emissions of a side window panel in aluminium vs. fiberglass (kg of CO₂ emission)



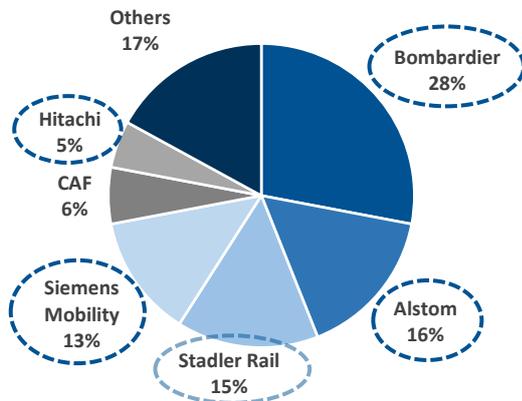
Source: Company information, Management statements

Clients

Globally-accredited player with solid track record and proven technical ability. OMER is a globally-accredited player with longstanding commercial relations with most leading train manufacturers, such as Alstom, Bombardier, Hitachi and Siemens Mobility. Relationship with clients are reinforced by OMER's solid track-record in terms of quality and delivery timescales, proven technical expertise borne out by its design abilities, and ISO 9000 and IRIS (railway sector specific) certifications.

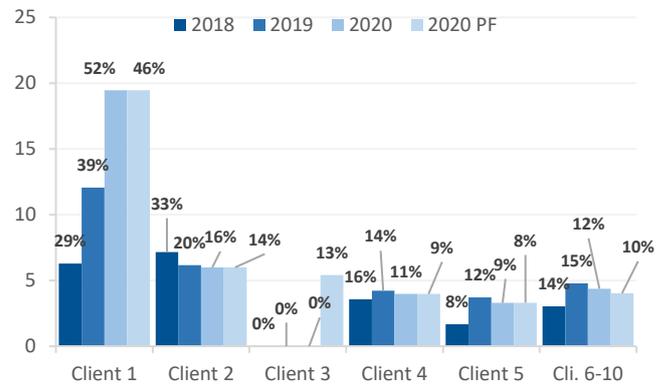
Customer concentration due to inherent market structure. As shown in the following chapter, there are only a handful of rolling stock manufacturers (i.e. train manufacturers) operating worldwide. Indeed, taking Europe, OMER's main market, as a reference, six players cover the bulk of the market, five of which are OMER's clients (they represent 77% of the market). With 73% of the company's turnover coming from three clients, customer concentration is high. However, we believe it is fair to say this situation is due to the inherent structure of the market as outlined above as well as the stage of the execution of each long-term contracts.

Train manufacturer by market share in Europe (2019)



Source: Statista "Rail Industry Worldwide"
 Significant OMER clients circled in dark blue
 Less significant clients circled in light blue

Net sales by client (€ mn)



Source: company data

Business model

OMER carries out its activity in six different phases:

- i. **Pre-sale and sale**, during which the company creates and fosters the relationship with customers, partly by participating in trade fairs and events, negotiating and signing contracts (i.e. framework agreements) with train manufacturers that have been awarded contracts by train operators;
- ii. **Design and industrialisation**: based on client specifications, OMER develops products and defines production processes for the project;
- iii. **Activation of the supply chain (procurement of materials)** based on the project needs the company arranges the supply of the necessary materials, mostly aluminium products;
- iv. **Production**, carried out at the two production sites in Palermo and one in Sterling Heights, with a total duration of 3 to 4 months;
- v. **Control and certifications**, during which products undergo strict inspection and quality control checks performed by qualified personnel;
- vi. **Delivery and after sales**, within 48 hours in Europe with a 24-month warranty.

Business model



Source: Intermonte SIM

Pre-sale and sale

Customer relationships and market activities conducted through both internal and external sales. The company conducts its pre-sale and sale activity through both internal and external sales representatives. External sales representatives cover United Kingdom, North America and Austria. The company's marketing strategy consists of participating in trade fair events such as INNOTRANS (Berlin), APTA (United States), Suppliers' day and EXPO Ferroviaria (Italy).

Train operators publish tenders for the supply of rolling stock. The sales process starts with the identification of market opportunities arising from the publication of tenders for the purchase of rolling stock by final railway operators, tenders in which train manufacturers (i.e. OMER's customers) participate. In this phase, OMER, supports the potential customer providing initial design feedback and a price quote. Once the supply of the rolling stock has been awarded, train manufactures start supplier selection through direct commercial negotiations or by launching private tenders, in which OMER sometimes participates through temporary groupings of companies (RTI) or temporary associations of companies (ATI).

Definition of framework and call-off agreements. Once the offer made by the supplier is accepted by the train manufacturer, the two parties negotiate on the technical specifications, the economic aspects and governance of the contract through the drafting of a framework agreement. Based on that document, individual call-off agreements are signed, which regulate: the scope of the contract, the price, terms of payment, timing of the supply, flexibility options, product warranties, penalties in the event of delays and insurance policies in relation to the contract.

Train fair (1/2)



Source: google.com images

Train fair (2/2)



Source: google.com images

Design and industrialization

Co-design of projects with train manufacturers. As said in the previous paragraph, the design activity starts before the customer is awarded the contract by the railway operator. OMER manages the design and industrialisation phases through its internal teams and operates in conjunction (i.e. co-design) with the customers' team. This therefore represents a notable entry barrier for non-qualified suppliers.

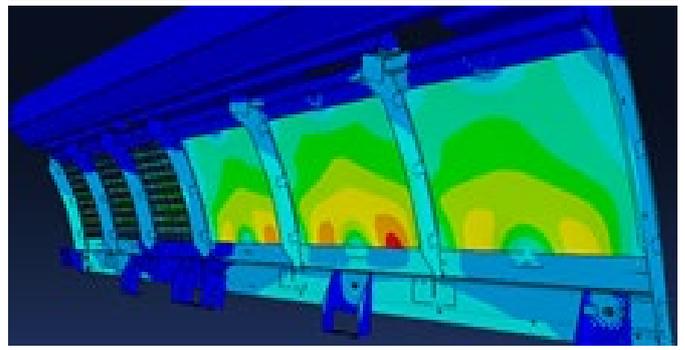
From development to prototyping and final approval. During the design and industrialisation phase, the company, having received the projects' technical and construction specifications, starts development and prototyping activities, such as 3D modelling and FEM analysis. The process closes with final customer approval of the design and construction of the product and related quality procedures.

Design and industrialisation (1/2)



Source: company images

Design and industrialisation (2/2)



Source: company images

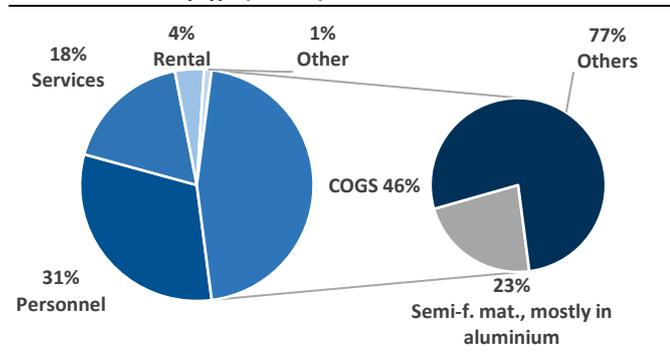
Activation of the supply chain (Procurement of materials)

Determining material requirements. After having completed the design and development phase, OMER systems draw up the production bill of materials, planning the raw material requirements and proceeding with the preparation of purchase orders to be communicated to suppliers.

Purchase of materials partly based on client preferences; aluminium the main raw material. The procurement phase is managed centrally and foresees the possibility for the client to select specific sub-suppliers/products. The company acquires raw materials based on market prices, while it tends to place larger orders by aggregating customers' orders in order to gain more favourable purchasing conditions. OMER mainly acquires aluminium sheets and extrusions, paints and fillers, cables and wiring, screws, curtains, lighting components, internal equipment of the toilets.

Moderate risk associated with increasing cost of raw materials. Considering that costs for semi-finished products and components (i.e. raw materials by the company's definition) amount to 35% of VoP, with aluminium semi-finished material (sheets and extruded profiles) representing 8% of VoP, due to a good visibility on production plans, up to twelve months, and contracts that envisage automatic price adjustments based on the evolution of commodity prices, price changes of raw materials have a limited impact on EBITDA. Assuming significant changes in raw material prices, the company estimates the risk on EBITDA to be ~ 2% to 3%.

Breakdown of cost by type (2020 PF)



Source: company data

Aluminium sheet



Source: google.com images

Production

Two plants in Palermo and one in Sterling Heights. The company operates two industrial sites in Carini, the industrial area of Palermo, and one in Sterling Heights (United States). Plants in Palermo are denominated as “Plant A” and “Plant B”, covering ~79,000 m² in aggregate of which ~30,700 m² under cover. The Sterling Heights plant opened in 2017 following Alstom’s request to support the manufacturing of 28 AVELIA trains in the US. In our view, this event shows the strong customer relationship and also demonstrates OMER’s reliability.

Production process lasts between 3 to 4 months. The production process, including the “activation of the supply chain”, lasts between 3 and 4 months: i) one to two months perform the planning, issue orders to suppliers and receive materials; ii) one month for metalworking activities; iii) one month for surface finishing and assembly cycle.

Covering the entire production cycle. The activities performed by the company include: sheet metal cutting with laser, printing, folding, CNC, welding, riveting, grinding, painting, etc.. OMER internally manages the entire production cycle necessary for the realisation of products to be delivered to the manufacturer, while some basic processes such as galvanisation are outsourced.

Production capacity to support higher level of turnover. The company has the capacity to increase production without incurring significant expansion CapEx given the investments made in recent years. In particular, “Plant B” entered into operation in 2020, with €9mn of investments made since 2017 (one third for land, two thirds for equipment).

Nominal capacity saturated at 75-80%, while maximum capacity based on current infrastructure just at 40% saturation. Based on periodic assessment, OMER says that its current installed capacity (i.e. nominal capacity) is saturated at 75-80%, while the saturation of the maximum theoretical capacity based on current infrastructure is just 40%. These indications suggest that OMER could generate positive operating leverage in the short term, and doesn’t need particular investment in its infrastructure (buildings) to grow to at least double the current size of the company.

Production Plant

Location:	Carini (Palermo, Italy)	Carini (Palermo, Italy)	Sterling Heights (Detroit, USA)
Key info:	Headquarter	Opened in March 2020 (€9mn CapEx) ~200% increase of capacity vs Plant A	Opened in 2017
Total area (of which covered):	~20,000 m ² (~9,200 m ²)	~59,000 m ² (~21,500 m ²)	~3,000 m ²
Buildings:	2	3	1
Special process stations:	Welding Primer cab Liquid painting shop Powder painting shop	Welding Powder painting shop Intermediate room Oven	Welding Riveting Solvent painting Final assembly
			

Source: company data

Controls and certifications

Products undergo strict inspection and quality control checks by qualified personnel. During and at the end of the production process, products are subject to a series of inspections and quality control checks carried out by trained and qualified personnel in compliance with sector regulations (IRIS) and client specifications. Testing activities can be visual, dimensional and functional, leading to the issue of a certificate of conformity.

Delivery and after sales

Delivery within 48 hours in Europe, 24-month warranty. After the production and control phases, OMER ships products to clients, guaranteeing delivery within 48 hours across Europe. Usually, the company assists clients during the first steps of the assembly of OMER’s product on the train. Products generally have a 24-month warranty period after assembly.

Reference market

General market description

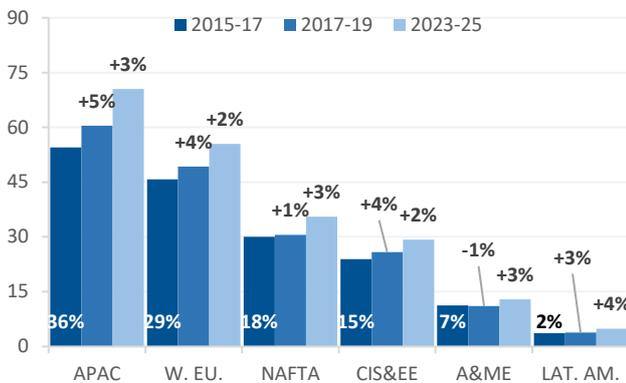
Global rail market worth ~€177bn, growing at a +3.6% CAGR pre-Covid. According to UNIFE, the Association that represents the European Rail Manufacturing and Supply Industry, the global rail market amounted to €177bn p.a. in the 2017-19 period. The market grew at a 3.6% CAGR in this period, accelerating from the 1.2% recorded in the 2013-17 period. By geographical area, Asia-Pacific represents the largest market (36% of the total), while Western Europe and North America are numbers two and three (29% and 18% of the total respectively) with the remainder divided between peripheral areas. By product segment, services are the main chunk (37% of the total), closely followed by rolling stock (35%), while infrastructure, rail control and turnkey management represent 18%, 9% and 1% respectively.

V-Shaped recovery in 2021-22, then to resume at a +2.3% CAGR from 2023 to 2025. While in 2020 the market is estimated to have dropped by more than -8% due to Covid-19, UNIFE expects a swift recovery. In a V-shaped recovery scenario, global worldwide demand for rail supply is predicted to recover in 2021-22 and then grow by +2.3% per year between 2023 and 2025 to €204bn p.a. Both geographically and from a product perspective, all areas are expected to grow, with the biggest parts being the main contributors to overall growth.

Several growth drivers, including public funding and increasing environmental awareness. The key drivers underpinning railway industry growth will be:

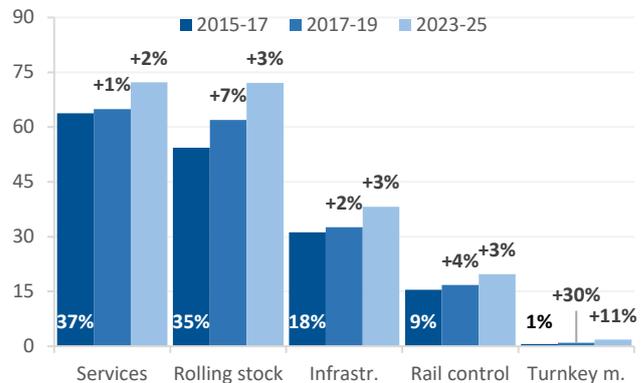
- **Urbanisation and population growth** driving an increase in the number of passengers;
- **Increasing environmental awareness** as governments and consumers are increasingly mindful of climate change, with trains essentially being the most environmentally-friendly modal means of transport (as shown in the graph below);
- **Public funding** with ample support for the railway sector, as we will present and analyse in more depth in the coming sections;
- **Digitalisation**, as with improved connectivity the ease of access (online ticketing), productivity during travel time (complete throughout the trip) and level of comfort could be enhanced further.

Global rail market by geographical area (share of market, CAGR)



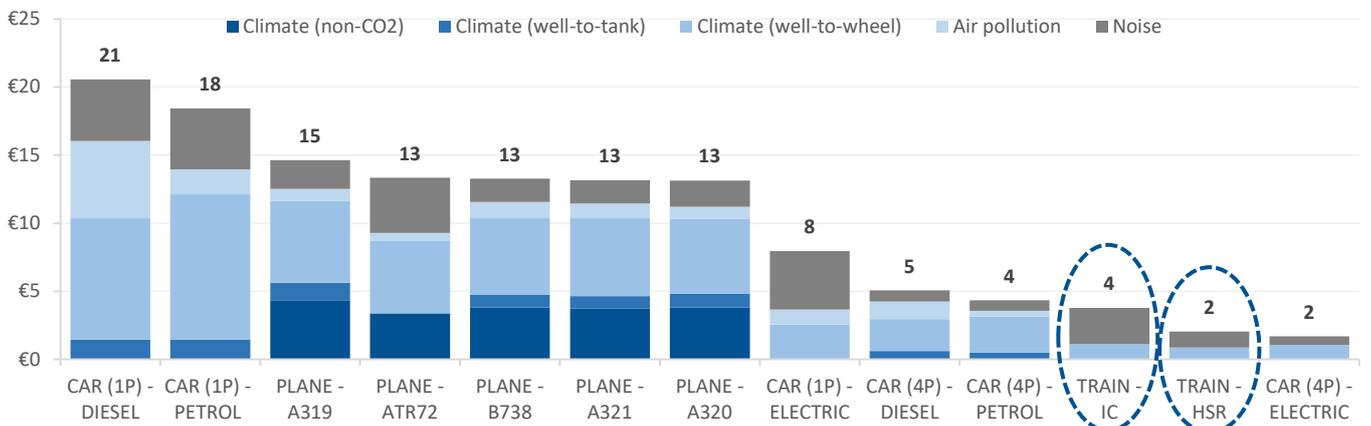
Source: UNIFE

Global rail market by product segment (share of market, CAGR)



Source: UNIFE

Emission costs of different transport modes (per 500 km)



Source: EEA report (No 19/2020)

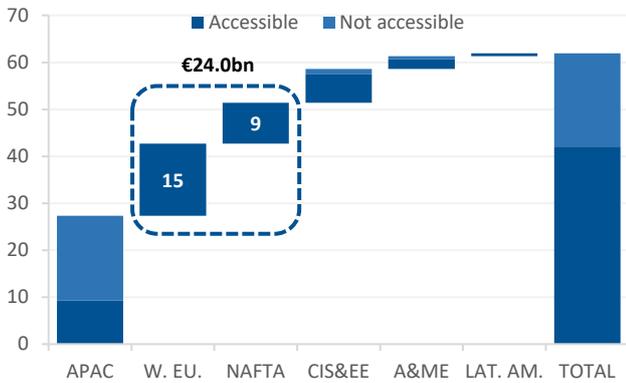
Focus on OMER's reference market

Rolling stock market worth €24.0bn p.a. with 100% accessibility. Focusing on OMER's reference market (i.e. NAFTA and Western Europe rolling stock supply), it amounted to €24.0bn p.a. in the 2017-19 period, or 13.6% of the total market growing also a faster pace (+6.8% CAGR). The entire market is accessible¹ to European suppliers.

Expected to grow at +2.1% per year to 2025, driven by network development and replacement of ageing equipment. The total demand for rolling stock in Western Europe and NAFTA is expected to reach €27.2bn p.a. between 2023 and 2025, corresponding to a +2.1% growth rate p.a. from 2019. The drivers of this growth are considerable investments to extend railway networks further, as well as the replacement of ageing equipment. In the NAFTA market there are some major projects in the very-high speed segment that aim to connect several cities on the west coast, in the mid-west or in Texas (i.e. Dallas-Houston). In Europe, all railway operators are essentially planning to upgrade their fleet to improve the level of service and meet emissions reduction targets, both by making trains more efficient, but most importantly by offering an increasingly attractive mode of transport to consumers.

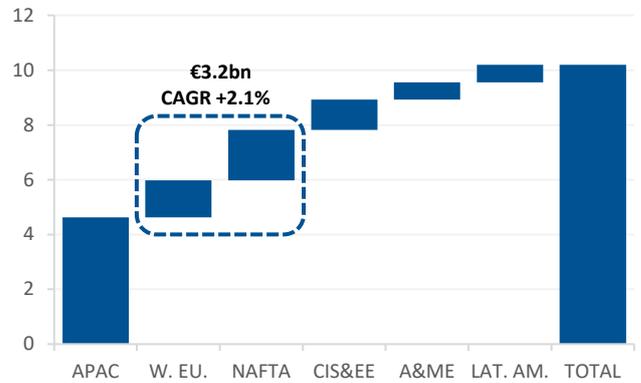
Interiors represent ~ 5.0% of total train value. According to the company, interiors represent ~ 5.0% of a train's total value. While OMER doesn't address all the product categories of the interiors market, as shown above (no seating, no floors), the company's reference market in Western Europe should be worth around €0.5bn, which in turn suggests the company has a market share of ~ 10% of its main market.

Rolling stock supply market by geographical area (€ bn p.a., 2017-19)



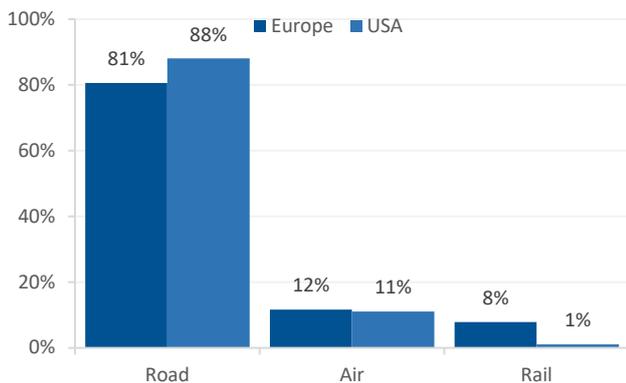
Source: UNIFE

Rolling stock supply market growth 2019-25 (€ bn)



Source: UNIFE

Modal market share passenger in Europe and USA



Source: UNIFE

Milan – Rome route modal share



Source: Trenitalia

¹ A market is deemed accessible if it is open to any external supplier and not served by railways/public transport operators in-house or by a domestic supplier without a public tender.

National plans

Significant investments in sustainable mobility, connectivity and transfer of traffic from road to rail. Even before national recovery and resilience plans, the railway sector was able to attract significant investments in order to support sustainable mobility. As a result, local rail connections and high-speed railways have been strengthened with an increase in the total number of trains. The Covid-19 pandemic led governments to approve expansionary fiscal programmes aimed at improving countries' competitiveness, with investment in sustainable mobility at the core.

Investments in the railway sector before National Recovery and Resilience Plans

Country	Year	Amount	Description
	2020	€672bn	The EU allocated funds to eco-sustainable reinvestment , including in the railway industry, and introduced new regulations for the upgrade of passenger wagons
	2021		
	2019-23	€12bn	The industrial plan of the FS Group includes €12bn to purchase new trains
	2020	€4.7bn	The French Government approved investments in the railway industry
	2020-26	€86bn	Deutsche Bahn announced its intention to increase its train fleet by 421 units before 2026 , of which 30 will be new high-speed trains coming before 2022
	2023		The UK Government will create a new railway public body called Great British Railways
	2019-22	£48bn	The UK approved the purchase of 4,500 new wagons for £4.2bn , part of £48bn allocated to the railway industry. In 2020, construction of the UK's second high-speed line (HS2) , connecting London to Birmingham, Manchester and Leeds, was approved
		48 trains	Train operating companies Lner and West Midlands Railway intend to purchase 20 and 62 (26 diesel and 36 electric) trains respectively by 2022
	2020	€0.8bn	Trenitalia announced the purchase of 23 Frecciarossa 1000 (manufactured by Hitachi and Bombardier)
	2019	€3bn	Renfe purchased trains for €3bn
	2018	€0.9bn	VIA Rail Canada announced the purchase of 32 new trains ⁹

Sources: 1) Alstom – Presentation Combined Shareholders meeting; 2) Industrial Plan 2019-2023 of Italian FS Group; 3) Alstom – results presentation 1H2020; 4) Deutsche Bahn Press Release «DB invests one billion euros in new ICE: 30 additional ICE high-speed trains beginning in 2022»; 5) German Federal Ministry of Transport and Digital Infrastructure Press Releases: «Federal Government and DB sign the largest ever modernization programme for the rail network»; 6) UK Government press release «Great British Railways: for the passenger 7) UK Government Press release “New trains to be rolled out across the country alongside £48 billion investment to upgrade tracks; 8) Respectively Lner and West Midlands Railway websites; 9) Trenitalia and Renfe; 10) Via Rail Canada: “Fleet Replacement Program”

National Recovery and Resilience Plan and National Infrastructure Plans - Details

Country	Budget	National Recovery and Resilience Plan and National Infrastructure Plans - Details
	€24.8bn	<p>Create a more advanced, digital and sustainable railway infrastructure by 2026, through:</p> <ul style="list-style-type: none"> * Increasing the speed of the main passenger lines * Strengthening territorial connections and transferring the traffic from roads to rails * Extension of high-speed rail to Southern Italy * Upgrade and electrification of regional railways * Technological development of the network by switching to the European rail traffic management system (“ERTMS”)
	€5.25bn	<p>Create “green” mobility and infrastructure:</p> <ul style="list-style-type: none"> * Regenerate, modernise and secure the railway infrastructure * Development of night trains * Rehabilitate low density regional lines to maintain public services * Investment in capillary lines required to access factories and production sites * Completion of the Lyon-Turin railway project
	€86bn (base plan) +€2.7bn from NRRP	<p>Public investments to support sustainable mobility and strengthening local railways and high-speed rails:</p> <ul style="list-style-type: none"> * Increasing the speed of the main passenger lines * Expansion of the tramway network with new and extended lines, newer trams with more capacity * Upgrade and expansion of the electrified network of both regional and national railways * Technological development and digitalization of the network in order to increase its capacity and efficiency * Reducing the VAT rate on long distance rail tickets by 7% in order to make train travel cheaper than air travel * Implementing the the National Hydrogen Strategy: Subsidies to fund alternative drive systems in rail transport and alternative fuels
	£18bn	<p>Create and renew infrastructures and mobility:</p> <ul style="list-style-type: none"> * Upgrade the railway system to improve passenger journeys across the UK * Strengthening territorial connections and transferring the traffic from routes to rails, by opening or reopening train stations

Source: Italian Government press release «Piano nazionale di Ripresa e Resilienza»; French Government website «French Recovery Plan»; 1) German Federal Ministry of Transport and Digital Infrastructure Press Releases: «Federal Government and DB sign the largest ever modernization programme for the rail network» 2) German Federal Ministry of Finance press release «German Recovery and Resilience Plan (GRPP)»; UK Government press release «National Infrastructure Strategy»

Strategy and planned use of proceeds

Clear, linear strategy based on three pillars. OMER has a clear and linear strategy that it plans to support through funds raised during the IPO. The strategy could be summarised in three key pillars:

- Geographical expansion targeting the US and UK markets;
- Developing technological expertise in toilet and lighting sectors;
- Improving operating efficiency in consolidated market.

Geographical expansion

Geographical expansion is at the core of OMER's strategy: US and UK targeted. As shown earlier, OMER derives 85% of pro-forma net sales from the European Market (Italy is the main market at 57%), while the remaining 15% is generated in North America. The company is now targeting two markets in particular: the United States and the United Kingdom:

- **US:** OMER already operates in the US, where it established an industrial presence in Michigan in 2017 following Alstom's request for support in the manufacture of 28 AVELIA trains in the country. Besides this client, we highlight that OMER also has three initial relationships with two leading manufacturers in Siemens and Stadler, as well as IFE, a leading entrance system supplier. The strategy for the US market is mainly based on organic development initiatives;
- **UK:** While OMER has no local presence at the time being, the company perceives considerable growth opportunities in the market. After Brexit, the UK market will require a local presence (i.e. rule of origin) as is the case in the US. In order to speed up the process, OMER is weighing up growing in the market through acquisitions/alliances, with direct investments still the priority.

Developing technological expertise in the toilet and lighting sectors

Horizontal expansion through product portfolio in toilet and lighting sectors. As said in previous chapters, OMER offers its client systems for train interiors. For these systems, the company develops and manufactures some parts internally, mostly in aluminium, while other parts are bought externally and then integrated into final systems, as is the case for toilet modules. Management therefore sees a business opportunity in developing specific technological expertise in two core products it already integrates into its systems: toilet and lighting. As a consequence, the company is considering developing this type of expertise internally, but may also implement this horizontal expansion through M&A, although there are no concrete dossiers on the table at the moment.

Improving operating efficiency in consolidated market

Improving operating efficiency through ramp-up of Carini plant, locating service centres close to client locations and integrating. The third pillar of the strategy is aimed at improving the company's overall efficiency. In particular, there are three key initiatives:

- **Bring the new world-class Carini plant up to optimal economic performance** in order to meet capacity levels demanded by clients in Europe (scale, automation, industry 4.0);
- **Create a service centre close to Hitachi Rail Italia** (Pistoia) to better serve the Caravaggio and ETR1000 production lines, as well as future projects;
- **Integrate fiberglass components** into production capacity in Eastern European countries.

Financials

Historical results

Income statement

Under ITA-GAAP; 2020 Pro-Forma numbers account for real estate spin-off and North America. OMER reports its numbers based on ITA GAAP, but plans to shift to IAS/IFRS next year or in 2023. In any case, the change in accounting principles shouldn't have any major impact: only leasing and rental contracts are likely to be affected.

The 2020 pro-forma financials differ from OMER S.p.A. financials in two aspects:

- Partial spin-off of assets (i.e. real estate) linked to Plant B;
- Full consolidation of OMER North America (2020: VoP €6.4mn, EBITDA €1mn).

Almost double-digit VoP CAGR since 2015 to €46.1mn in 2020 PF. Looking at the historical growth, OMER has achieved a +9% CAGR for VoP from 2015, with a significant rebound from 2018 after the drop due to the regulatory change that led to train manufactures postponing projects. In 2020, VoP grew to €46.1mn, mainly thanks to the rising volumes of Hitachi's "Caravaggio" project realised in the new Plant B. We highlight that this was achieved despite a 6-week production stop in April and May 2020 due to the Covid-19 outbreak. Net sales amounted to €42.2mn vs. €21.7mn in 2018.

EBITDA expanding to €10.3mn (22.4% margin) in 2020PF, relatively light CapEx intensity led to EBIT margin of 19%. Over the last three years, the EBITDA margin expanded from 14.8% to 22.4% in 2020 on a pro-forma basis. This result was achieved thanks to operating leverage on indirect personnel costs (i.e. personnel not involved in direct production activities) and some services costs such as consultancy fees. Raw materials are mainly variable costs coming from the purchase of semi-finished products and components with aluminium, representing 23%, 10% and 8% of raw materials costs, overall operating costs and VoP. As already indicated, raw material risk should be limited given the automatic pass-through of raw material price fluctuations and rapid project execution. Rents increase as a result of real estate spin-offs. CapEx intensity is relatively limited, as we will show later, leading to D&A of €-1.6mn, bringing EBIT to €8.7mn for a margin of 18.9% in 2020 PF. D&A increases were due to Plant B investments and leasing.

Net profit of €6.8mn thanks to solid operating results, low interest charges and Patent Box benefit. On a pro-forma basis, net profit reached €6.8mn in 2020. Below EBIT, net financial charges amounted to €-0.2mn, while the effective tax rate of 19.8% benefitted from the Patent Box (the tax rate would otherwise have been ~27%).

Balance sheet

NWC/sales at 36%. Over the last three years, NWC stayed at 31% of sales with 2020PF at 36% (DOI, DSO and DPO stood at 212, 149 and 90 respectively). The increase both in absolute and relative terms was due to turnover growth as well as higher volumes from Hitachi Italy, which enjoys longer payment terms (150 days, vs. 60 days for other key clients). We highlight that OMER has a €30mn factoring credit limit with Unicredit: all trade receivables owed by Hitachi Italy (€5.2mn at YE20, €7.6mn at YE19, €1.9mn at YE18) are sold to the bank and can be factored **without recourse** (€4.2mn at YE20, €4.0mn at YE19, €1.7mn YE18).

Net fixed assets/IC at 38%. Net fixed assets stood at €10.7mn in 2020PF, or 38% of invested capital. The increase in net fixed assets in 2019 was due to the investment in the new plant B in Carini, while the 2020 decrease was due to the spin-off of Plant A (€6.7mn). The additional decrease in 2020PF numbers follows the partial spin-off of assets linked to Plant B (real estate purchase cost of €2.5mn, while assets coming from further expansion CapEx made by OMER remain on the company's balance sheet). Both spin-offs were made through real estate vehicles owned by OMER's holding company. Part of the former tangible assets have been restated as intangible.

No financial leverage and sound operating cash flow generation. Net debt/EBITDA and gearing ratio at 0.5x and 22% respectively in 2020PF show that the situation is well under control, despite the expansion CapEx in 2019/20 at €-5.1/ -2.1mn (~10% of VoP). This came as a result of an unleveraged financial structure in 2018 (net cash of €2.4mn), positive operating cash flow generation (€5.7mn) and dividends paid (€3.1mn) over the period.

Financial forecast

Income statement

Strong growth and margin expansion expected in 2021, backed by healthy backlog. In 2021, OMER expects to achieve VoP of €51.1mn (+15% YoY) on a pro-forma basis (OMER North America for 12 months), driven by the execution of projects for which executive orders have been signed, the lack of production stoppages due to Covid-19 as occurred between April-May 2020, and full operation of Plant B for the entire year. We highlight that this result is amply supported by a backlog of almost €400mn, of which €132mn in orders already received. Our estimate for turnover points to a VoP of €51.1mn, +25% YoY, as we align our numbers to reported numbers which are including OMER North America from the date of purchase (31 of May 2021). Our adj. EBITDA stands at €14.0mn (27.3% margin).

VoP growth beyond 2021 to be driven by continuous shift toward system-based suppliers and focus on sustainability (2020-24 CAGR +8%). While the reference market for OMER is expected to grow at a ~2% CAGR to 2025, we believe the company has the right approach and credentials to outperform, growing at a +7% 2021-24 CAGR (+8% 2020-24). In particular, we think train manufacturers will continue to shift their preference (and orders) toward more integrated system-based suppliers to the detriment of single component-based suppliers. This reflects the fact that this approach allows train manufacturers to reduce project complexity, as the number of counterparts decreases significantly, while also speeding up time-to-delivery and reducing direct investment. The focus on sustainability should also represent a driver, both at market level, and in terms of the preference for aluminium-based materials given the high level of recyclability and superior overall performance in terms of CO₂ over the complete lifecycle. ForEx volatility (~15% of net sales are in US\$) only represents a translation risk, as dollar-denominated costs and revenues match up.

Profitability to expand to > 27% thanks to rising efficiency and operating leverage. Thanks to improving efficiency on raw material utilisation given the maturity of projects, and operating leverage through personnel and services costs, the 2021 pro-forma adj. EBITDA is seen by the company at €14.5mn, rising +41% YoY for a 27.3% margin (+4.8pp vs. 2020 PF). As North America should not be accretive to the group, we estimate a reported adj. EBITDA of €14.0mn for a 27.3% margin. After 2021, we expected the EBITDA margin to remain high and increase slightly every year, closing in on 28% with operating leverage on personnel and services costs offset by an increase in rental costs related to the step up of rents envisaged for Plants A and B.

Net profit of €11.3mn in 2024 for a +13% 2020-24 CAGR on low interest charges and Patent Box benefit. Net profit should close at €8.3mn in 2021, with limited financial charges thanks to the modest financial debt and a 27.0% tax rate, as the Patent Box benefit is expected to be renewed in 2022. Indeed, the 2021 Patent Box benefit is expected to be recorded in 2022, driving the tax rate to 15.0%. From 2023, we envisage the tax rate to normalise at 20.0%, which following the low interest charges should lead to net profit of €11.3mn for a +13% 2020-24 CAGR. For this reason, we also provide an adjusted measure of net profit.

Balance sheet and cash flow

Over the 2021-24 period, we expect OMER to generate €7.4mn in FCF on average each year, with the outer years offering more significant values given the growing operating results, and stabilising NWC absorption and CapEx following normalisation of growth. Our forecasts are based on:

- **Stable NWC at 36% of sales**, as we don't expect any changes in cash-in/payment terms as well as manufacturing time in a consolidated supply chain and production process;
- **Moderating CapEx** from the 10% of sales envisaged in 2021-22, or €4.1mn on average, to 5% or €3.1mn in 2023-24. 2021-22 CapEx is aimed at the completion of capacity investments in Plant B, digitalisation, technical upgrades including for the development of specific expertise in the toilet and lighting sectors, the creation of a service centre in Pistoia and a plant in UK.

No dividend policy in place. The company has no dividend policy in place, but has historically paid a dividend.

Key ratio

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2020 PF
Vop YoY growth %	n.a.	+53%	+22%	+25%	+11%	+6%	+5%	n.a.
Adj. EBITDA margin %	14.8%	18.5%	22.5%	27.3%	27.4%	27.4%	27.1%	22.4%
Net income margin %	7.3%	14.7%	15.4%	16.3%	19.3%	18.2%	18.0%	14.8%
NWC/Sales %	30%	27%	39%	33%	36%	37%	37%	36%
Net fixed asset/IC %	66%	66%	42%	46%	43%	42%	41%	38%
CapEx/Sales %	1.2%	15.4%	5.1%	9.5%	6.0%	5.0%	5.0%	4.5%
Net debt/EBITDA	-0.7x	0.1x	0.4x	-0.6x	-0.9x	-1.4x	-2.0x	0.5x
D/E %	-11%	2%	14%	-21%	-29%	-38%	-46%	22%
Cash flow conv. %	-12.6%	-13.3%	-5.7%	33.3%	40.5%	54.6%	56.9%	0.0%
ROCE %	12.5%	20.1%	29.0%	38.0%	36.5%	36.6%	36.3%	32.5%
ROE %	7.2%	19.0%	26.2%	20.9%	21.6%	17.7%	15.5%	31.0%

Source: Company data & Intermonte SIM Estimates

Income statement

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2020 PF
Value of production	21.8	33.3	40.8	51.1	56.6	59.9	62.8	46.1
YoY growth %	n.a.	+53%	+22%	+25%	+11%	+6%	+5%	n.a.
- Raw materials	-6.1	-11.2	-13.8	-17.0	-19.2	-20.4	-21.4	-16.3
Gross profit	15.6	22.1	27.0	34.1	37.4	39.5	41.4	29.8
YoY growth %	n.a.	+42%	+22%	+26%	+10%	+6%	+5%	n.a.
Gross margin %	71.8%	66.4%	66.1%	66.8%	66.1%	65.9%	65.9%	64.6%
- OPEX	-12.4	-16.0	-17.8	-20.1	-21.9	-23.1	-24.4	-19.5
YoY growth %	n.a.	+29%	+11%	+13%	+9%	+5%	+6%	n.a.
Adj. EBITDA	3.2	6.2	9.2	14.0	15.5	16.4	17.0	10.3
YoY growth %	n.a.	+91%	+49%	+52%	+11%	+6%	+4%	n.a.
Adj. EBITDA margin %	14.8%	18.5%	22.5%	27.3%	27.4%	27.4%	27.1%	22.4%
- D&A	-0.8	-0.9	-1.2	-2.1	-2.4	-2.5	-2.7	-1.6
On sales %	3.6%	2.7%	2.9%	4.0%	4.2%	4.2%	4.3%	3.5%
Adj. EBIT	2.4	5.3	8.0	11.9	13.1	13.9	14.4	8.7
YoY growth %	n.a.	+116%	+52%	+49%	+10%	+6%	+3%	n.a.
Adj. EBIT margin %	11.2%	15.8%	19.6%	23.3%	23.2%	23.2%	22.9%	18.9%
- Non-recurring	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0
-/+ Financial exp./inc.	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Pre-tax income	2.4	5.1	7.8	11.4	12.9	13.6	14.1	8.5
- Tax income	-0.8	-0.2	-1.5	-3.1	-1.9	-2.7	-2.8	-1.7
Tax rate %	33.4%	4.3%	19.4%	27.0%	15.0%	20.0%	20.0%	19.8%
Net income	1.6	4.9	6.3	8.3	10.9	10.9	11.3	6.8
YoY growth %	n.a.	+211%	+29%	+32%	+32%	-0%	+3%	n.a.
Net income margin %	7.3%	14.7%	15.4%	16.3%	19.3%	18.2%	18.0%	14.8%
Adj. EPS	0.05	0.14	0.22	0.32	0.38	0.38	0.39	0.24
YoY growth %	n.a.	+160%	+54%	+44%	+20%	-0%	+3%	n.a.

Source: Company data & Intermonte SIM Estimates

Balance sheet

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2020 PF
Trade receivables	7.7	10.6	18.4	20.9	23.2	24.5	25.6	18.8
Inventories	3.5	5.5	9.0	9.9	11.1	11.8	12.4	9.4
Trade liabilities	-4.7	-7.7	-8.7	-9.1	-10.0	-10.6	-11.1	-8.7
Other current asset/(liab)	0.0	0.6	-2.7	-4.7	-3.7	-3.7	-3.7	-2.8
Net working capital	6.6	8.9	16.1	16.9	20.6	22.1	23.2	16.7
Net fixed assets	13.2	17.6	11.9	14.7	15.8	16.2	16.7	10.7
Non-current liabilities	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5
Non-current asset/(liab.)	12.9	17.3	11.5	14.4	15.4	15.8	16.3	10.2
Net capital employed	19.5	26.2	27.5	31.3	36.0	37.9	39.5	26.9
Net debt/(cash)	-2.4	0.4	3.5	-8.3	-14.6	-23.6	-33.3	4.8
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	21.9	25.8	24.1	39.6	50.6	61.5	72.8	22.0
Invested capital	19.5	26.2	27.5	31.3	36.0	37.9	39.5	26.9

Source: Company data & Intermonte SIM Estimates

Cash flow statement

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2020 PF
Net Income	1.6	4.9	6.3	8.3	10.9	10.9	11.3	
D&A	0.8	0.9	1.2	2.1	2.4	2.5	2.7	
Change in NWC & Oth.	-2.5	-1.5	-5.9	-0.9	-3.6	-1.5	-1.1	
Cash flow from operations	-0.1	4.3	1.6	9.5	9.7	12.0	12.8	
Capex	-0.3	-5.1	-2.1	-4.9	-3.4	-3.0	-3.1	
FCF	-0.4	-0.8	-0.5	4.6	6.3	9.0	9.7	
Acquisitions	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	
Div., Buyb., Equity fin.	-0.1	-1.0	-2.0	7.3	0.0	0.0	0.0	
Others	2.2	-1.0	-0.5	0.0	0.0	0.0	0.0	
Change in NFP	1.7	-2.8	-3.0	11.8	6.3	9.0	9.7	
NFP end of the period	2.4	-0.4	-3.5	8.3	14.6	23.6	33.3	-4.8

Source: Company data & Intermonte SIM Estimates

Valuation

Initiating coverage with an OUTPERFORM rating. During its +30-year history, OMER has become a preeminent supplier of aluminum-based train interiors for leading train producers and boasts a solid track record of growth and rising profitability. These are factors that we believe offer concrete proof of the success of OMER's integrated business model, which encompasses design to industrialisation and manufacturing at state-of-the-art production facilities, trusted long-term relationships with train producers in an industry with significant barriers to entry, and high growth potential given the sharpening focus on sustainable and connected mobility. In our view, these assets, along with the highly experienced management team, will enable OMER to execute its business plan.

Target price of €5.2 for >30% upside. We are setting a target price of €5.2 per share for OMER (equity value of €149.5mn, NOSH of 28.75mn) based on the simple average of the outcomes of three different valuation methods: discounted cash flow (DCF), a "fair" target multiple (ROIC/WACC), and market multiples. We have taken this approach in order to account for long-term growth of cash flow generation, short-to-medium-term returns on capital, and multiples recognised to companies operating in the railway sector given the lack of similar listed peers. At our target price, the stock would trade at 10.7x/ 9.2x EV/EBITDA.

Valuation summary

Method	Comment	Value
DCF	WACC 7.6%, TGR 1.0%	5.4
"Fair" target multiple (ROIC/WACC)	AVG ROIC 2021-23 @ 29%	5.2
Multiples	AVG '21/'22 EV/EBITDA 7.6x, EV/EBIT 12.9x, P/E 15.5x	5.0
Target price		5.2
Share price		4.0
Upside/Downside		31%

Source: Intermonte SIM

Implicit multiples @ TP

Implicit multiples @ TP	2020A	2021E	2022E	2023E	2024E	2020 PF
Target price	5.2	5.2	5.2	5.2	5.2	5.2
NOSH	28.8	28.8	28.8	28.8	28.8	28.8
Equity value	149.5	149.5	149.5	149.5	149.5	149.5
Net debt/(cash)	3.5	-8.3	-14.6	-23.6	-33.3	4.8
Factoring w/o recourse	4.2	7.7	7.7	7.7	7.7	4.2
Enterprise value	157.2	148.9	142.6	133.6	123.9	158.5
EV/SALES	3.8x	2.9x	2.5x	2.2x	2.0x	3.4x
EV/EBITDA	17.1x	10.7x	9.2x	8.1x	7.3x	15.3x
EV/EBIT	19.7x	12.5x	10.9x	9.6x	8.6x	18.2x
P/E	23.7x	16.4x	13.7x	13.7x	13.2x	21.9x
FCF yield %	-0.4%	3.1%	4.2%	6.0%	6.5%	0.0%

Source: Intermonte SIM

Implicit multiples @ Curr. PX

Implicit multiples @ Curr. PX	2020A	2021E	2022E	2023E	2024E	2020 PF
Current price	4.0	4.0	4.0	4.0	4.0	4.0
NOSH	28.8	28.8	28.8	28.8	28.8	28.8
Equity value	113.9	113.9	113.9	113.9	113.9	113.9
Net debt/(cash)	3.5	-8.3	-14.6	-23.6	-33.3	4.8
Factoring w/o recourse	4.2	7.7	7.7	7.7	7.7	4.2
Enterprise value	121.5	113.2	106.9	98.0	88.3	122.9
EV/SALES	3.0x	2.2x	1.9x	1.6x	1.4x	2.7x
EV/EBITDA	13.2x	8.1x	6.9x	6.0x	5.2x	11.9x
EV/EBIT	15.2x	9.5x	8.2x	7.1x	6.1x	14.1x
P/E	18.1x	12.5x	10.4x	10.4x	10.1x	16.7x
FCF yield %	-0.5%	4.1%	5.5%	7.9%	8.5%	0.0%

Source: Intermonte SIM

“Fair” target multiple (ROIC/WACC)

We have adopted the “fair” multiple valuation given its dependence on the underlying value drivers: return on capital, cost of capital, growth and duration of growth. Fair value per share of €5.2. Our return on invested capital figures are based on our explicit 2021-24E assumptions for EBIT, the tax rate, and invested capital. In light of OMER’s average ROIC of 29%, WACC of 7.6%, and terminal growth rate of 1.0%, our model yields an average “fair” EV/EBIT multiple of 11.6x. We then calculate the enterprise value based on explicit EBIT estimates. After considering the NFP and receivables factored without recourse, our valuation model returns a fair value of €5.2 per share.

“Fair” target multiples (ROIC/WACC)

	2021E	2022E	2023E	2024E	AVG
EBIT	11.9	13.1	13.9	14.4	
Tax rate %	27.0%	15.0%	20.0%	20.0%	
NOPAT	8.7	11.1	11.1	11.5	
Equity	39.6	50.6	61.5	72.8	
Net debt/(cash)	-8.3	-14.6	-23.6	-33.3	
Invested capital	31.3	36.0	37.9	39.5	
ROIC	27.7%	31.0%	29.3%	29.1%	29.3%
WACC	7.6%	7.6%	7.6%	7.6%	
G	1.0%	1.0%	1.0%	1.0%	
Fair EV/EBIT multiple	10.6x	12.4x	11.7x	11.7x	11.6x
Enterprise value	126.2	162.7	161.8	167.3	
Net debt/(cash)	-8.3	-14.6	-23.6	-33.3	
Factoring w/o recourse	7.7	7.7	7.7	7.7	
Equity value	126.8	169.7	177.7	192.9	
Year	0.0	1.0	2.0	3.0	
x Discount factor	1.00	0.93	0.86	0.80	
Equity value (discounted)	126.8	157.6	153.4	154.7	148.1
NOSH					28.8
Fair value per share					5.2
Share price					4.1
Upside/Downside					26%

Sensitivity		TG				
		0.0%	0.5%	1.0%	1.5%	2.0%
WACC	6.6%	5.4	5.7	6.1	6.6	7.1
	7.1%	5.0	5.3	5.6	6.0	6.4
	7.6%	4.7	4.9	5.2	5.5	5.8
	8.1%	4.4	4.6	4.8	5.1	5.3
	8.6%	4.1	4.3	4.5	4.7	4.9

Source: Intermonte SIM

Market multiples

The lack of comparable listed companies has prompted us to select a peer group of companies exposed to the railway market. As there are no listed companies with a business model comparable to OMER's, we have decided on a group of listed companies that are at least exposed to/operate in the railway market. We have applied median 2021/22 EV/EBITDA, EV/EBIT and P/E multiples to which we apply a 10% discount given OMER's smaller size and stock market track record. On our explicit estimates for OMER adjusted for the NFP and receivables factored without recourse, our model yields a fair value per share of €5.0.

Market multiples

Company	HQ	Mkt Cap	EV/SALES			EV/EBITDA			EV/EBIT			P/E		
			2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
OMER @ Cur. px	ITA	116	3.1x	2.3x	2.0x	13.7x	8.4x	7.2x	15.7x	9.9x	8.5x	18.7x	13.0x	10.8x
OMER @ TP	ITA	116	4.0x	3.0x	2.6x	17.7x	11.1x	9.6x	20.4x	13.0x	11.3x	24.6x	17.1x	14.2x
Alstom	FRA	11,632	1.5x	0.9x	0.9x	15.1x	12.1x	9.4x	20.3x	17.5x	12.4x	19.9x	18.8x	13.6x
Constr. Auxiliar	ESP	1,178	0.6x	0.5x	0.5x	8.0x	5.9x	5.0x	13.3x	9.0x	7.3x	130.4x	13.9x	11.2x
NRC Group	NOR	120	0.4x	0.4x	0.3x	9.0x	6.5x	4.7x	182.6x	23.6x	10.7x		30.5x	10.2x
Railcare Group	SWE	48	1.6x	1.6x	1.4x	5.5x	6.6x	5.5x	10.3x	16.2x	10.6x	11.8x	19.3x	13.2x
Salcef Group	ITA	1,047	3.1x	2.3x	2.1x	13.2x	10.4x	9.5x	17.9x	14.8x	13.7x	17.9x	20.9x	20.5x
Schaltbau H.	DEU	549	1.3x	1.1x	1.0x	15.0x	12.5x	10.2x	27.9x	20.2x	15.3x	77.6x	32.0x	28.5x
Stadler Rail	CHE	3,583	1.4x	1.2x	1.1x	17.5x	13.4x	11.1x	28.2x	19.5x	15.4x	28.3x	22.0x	17.5x
Talgo	ESP	549	1.3x	1.1x	1.0x	20.8x	8.8x	6.6x	138.2x	12.4x	8.5x		15.4x	12.2x
Vossloh	DEU	808	1.4x	1.2x	1.1x	10.0x	8.8x	8.0x	16.8x	15.2x	13.3x	42.0x	27.6x	19.7x
Average			1.4x	1.1x	1.0x	12.7x	9.4x	7.8x	50.6x	16.5x	11.9x	46.8x	22.3x	16.3x
Median			1.4x	1.1x	1.0x	13.2x	8.8x	8.0x	20.3x	16.2x	12.4x	28.3x	20.9x	13.6x
Weighted average			1.5x	1.0x	1.0x	14.9x	11.6x	9.3x	25.5x	17.0x	12.7x	29.9x	19.9x	15.1x

Source: Intermonte SIM & FactSet

Market multiples valuation

	EV/EBITDA		EV/EBIT		P/E		Average	W. Avg
	2021	2022	2021	2022	2021	2022		
Estimate	14.0	15.5	11.9	13.1	9.1	10.9		
Multiple	8.8x	8.0x	16.2x	12.4x	20.9x	13.6x		
Discount	10%	10%	10%	10%	10%	10%		
Enterprise value	111.0	111.4	173.4	146.2				
Net debt/(cash)	-8.3	-14.6	-8.3	-14.6				
Factoring w/o recourse	7.7	7.7	7.7	7.7				
Equity value	111.6	118.3	174.0	153.1	171.4	133.5	152.3	135.0
NOSH								28.8
Fair value per share								5.0
Share price								4.0
Upside/Downside								26%

Source: Intermonte SIM

SWOT analysis

Strengths

- **Leading player in interior furnishings for trains.** A leading player in the production of aluminium alloy train interiors thanks to superior know-how and integrated business model;
- **Significant production capacity.** State-of-the-art production facilities granting large capacity and significant productivity gains;
- **Trusted partners of key train manufacturers.** Key partner for leading rolling stock manufacturers in an industry with high entry barriers;
- **Significant business visibility.** Backlog-based business model ensuring exceptional visibility on results;
- **Experienced management team.** Highly experienced management team;
- **Ample public support** also through recovery plans given the greater environmental sustainability of trains as a mode of transport

Opportunities

- Geographical expansion, mainly in US and UK;
- Product portfolio expansion in toilet and lighting;
- Improving operating efficiency in consolidated market;
- **Sustainable mobility.** Raising consumer awareness of sustainable mobility

Weaknesses

- **Client concentration.** 69% of turnover generated with three clients, although this is essentially inevitable given industry configuration;
- **Client size.** The railway industry is highly consolidated in the downstream among OMER's clients (i.e. train manufacturers);
- **Over exposure to Europe.** 85% of net sales made in Europe;
- Dependence on key talent.
- Lack of financial market experience.
- No track record in M&A.
- ITA GAAP.

Threats

- **Reputation.** Unsuccessful execution of projects in terms of quality and timing;
- Step-up of competitors;
- **Raw material price volatility.** Though the company has the ability to offset raw material price volatility, it remains partly exposed;
- **Regulatory changes.** Changes in the regulatory framework can lead to higher costs, uncertainties (i.e. postponement of projects by clients);
- **Technology disruption.** Changes in technology may impair OMER's strengths.

Source: Intermonte SIM

Competitors benchmarking

Qingdao Victall Railway Co. Ltd (Market cap € mn, HQ: Qingdao, China; Foundation: 2007). Qingdao Victall Railway develops and manufactures modular parts and components for high-speed trains and urban rail and metro vehicles. It offers railway vehicle compartment interiors, railway vehicle cab interiors, subway overall interiors, railway vehicle exteriors, cab front, toilet modules with water supply systems, door systems, airduct systems, kitchen systems, front hatch mechanism, gangway systems, lighting systems, luggage rack, folding seat, cab sunvisor, cab rear partition wall and door, VIP cabinet, 3D forming structural parts and BC parts.

KTK Group Co., Ltd (Market cap € mn, HQ: Changzhou, China, Foundation: 2003). KTK Group Co., Ltd. engages in the research and development, manufacture, and sale of railway transit components and equipment. Its products include metro centre ceiling, platform screen door, MTR lamps, roof, windshield, handrail, wallboard, seats, security system, and metro interior compartments.

Schaltbau Holding AG – Rawag (Market cap € mn, HQ: Munich, Germany; Foundation: 1929). Schaltbau Holding AG engages in the development and distribution of components and systems for the railway, automotive and capital goods industries. It operates through the following segments: Pintsch, Bode, Schaltbau, and SBRS. The Pintsch segment engages in the manufacture of electrical equipment for rail infrastructure applications. The Bode segment focuses on door and boarding systems for rolling stock, buses and road vehicles. The Schaltbau segment deals with electromechanical components for rolling stock, industrial equipment and automotive applications. The SBRS segment refurbishes rolling stock and installs charging infrastructure.

TRB Lightweight Structures (HQ: Huntingdon, UK; Foundation: 1954). TRB Lightweight Structures Ltd., part of TRB Technology Group Ltd., is a leading international manufacturing and engineering company, specialising in lightweight composite products. The company designs and manufactures interior components (such as galleys, floors, doors) for both airplanes and trains. Moreover, TRB serves the automotive industry by supplying battery enclosures, chassis components and storage modules among other products.

Ultimate Europe Transportation Equipment GmbH (HQ: Amstetten, Austria; Foundation: 2003). The company is engaged in the wholesale and supply of transportation equipment and supplies. It supplies door systems for a full range of different vehicle types: plug sliding doors, sliding doors, driver's cab doors, interior doors, moveable steps and ramps. It also offers a wide range of gangways for all types of articulated and non-articulated vehicles, such as folding bellows, single corrugated bellows, double corrugated bellows, interior panelling, floor systems (bridge plate, chainbridge, rotatable floor), air ducts or cable support systems, compact upper and lower articulation systems for light rail.

Compotech AG (HQ: Weinfelden, Switzerland; Foundation: 1961). The privately held company is engaged in the manufacture of plastic products. The company's business operation specializes in processing new or used or recycled plastics resins into intermediate or final products, using the following processes: compression moulding, extrusion moulding, injection moulding, blow moulding, and casting, producing injection moulded plastic nameplates, chrome and gold electroplated nameplates, injected moulded plastic bezels and faceplates, membrane switches and graphic overlays, flexible circuits, and other related plastic products.

Oliva Torras SA (HQ: Barcelona, Spain; Foundation: 1945). Oliva Torras is primarily engaged in the manufacture of metal components. The company is also involved in the manufacture of general purpose machinery, including pumps and compressors; pumps and pumping equipment; air and gas compressors; measuring and dispensing pumps; material handling equipment; elevators and moving stairways; conveyors and conveying equipment; overhead traveling cranes, hoists, and monorail systems; and industrial truck, tractor, trailer, and stacker machinery. The company principally operates in Spain.

GETA GmbH (HQ: Wangen, Germany; Foundation: 1986). GETA GmbH provides interior design services for automobiles. It offers interiors for vehicles, functional furniture and office furniture.

Barat Group (HQ: Saint Aignan; Foundation: 1989). Barat Group is an international supplier to the railway industry (rolling stock), offering turnkey solutions to train manufacturers or railway operators in interiors (ceilings, lighting, special areas), doors (cabin doors, evacuation, leaves), walls, windows and factory profiles.

Appendix

Project examples

In this section we provide a brief description of relevant projects recently realized by OMER.

- **Hitachi ETR 1000 – Zefiro (high speed train).** Designed and manufactured the entire interiors furnishing of the meeting area (such as window panels and tables), internal fairings and walls;
- **Alstom Avelia USA (high speed train).** Developed fairings and separation doors. Same products supplied for Alstom Italo and Alstom TGV-SNCF;
- **Bombardier Regio 2N (double decker train).** Produced and supplied the interiors and covers for the heating system of the two superposed levels;
- **Hitachi ROCK Caravaggio (double decker train).** Designed and produced the complete furniture with carriage (vestibule area, side coverings, luggage boxes, internal walls among others). Same products supplied for Bombardier Dosto SBB, Stadler - Caltrain and Stadler - Calidot.
- **Alstom Coradia – Smart Coradia (regional train).** Manufactured interiors furniture (side panels, uprights, part of the roofs and curtains). Same products supplied for Hitachi West of England, Hitachi West Coast Partnership and Hitachi AMR trains.
- **Stockholm Underground.** Supplied window panels, kick plate furnishing, end wall and lining for the driving room and passengers wagons.
- **Paris Underground.** Manufactured furniture in the passenger compartment with the exception of the ceilings and stairs. Same products supplied for Bombardier MF19 and Siemens - Neoval trains.

Metro Stockholm



Source: company images

Hitachi ETR 1000 – Zefiro (high-speed train)



Source: company images

Bombardier Regio 2N (regional train)



Source: company images

Rail market definition

Product segment definition

The global rail market can be segmented by product:

- **Infrastructure.** This category comprises superstructure and electrification. Superstructure data include all components of ballastless and ballast track (such as rails, sleepers and fastening systems, ballast, turnouts, engineering and track installation). Electrification comprises products and the engineering and installation of catenary, third-rail and traction power supply systems;
- **Rolling stock.** The term rolling stock in the rail transport industry refers to railway vehicles, including both powered and unpowered vehicles. This category includes: very high-speed trains and high-speed trains, locomotives, multiple units, coaches, freight cars, light rail vehicles, metro vehicles and automated systems;
- **Services.** Infrastructure services include labour and parts for maintaining superstructure and electrification. The servicing of rolling stock includes both heavy and light maintenance of vehicles, as well as refurbishment and spare parts;
- **Rail control.** The rail control segment includes all areas of rail control and signalling solutions, for instance: train protection and control systems, communication equipment, operational control systems and route control systems;
- **Turnkey management/project integration.** Turnkey projects combine at least two of the three key product segments (rolling stock, rail control and infrastructure) with a management portion and an optional service component. In this segment only the value added by project segment is included. The value of rolling stock, infrastructure and rail control elements is included under the respective segments.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	OMER		
Current Recomm:	OUTPERFORM	Previous Recomm:	--
Current Target (Eu):	5.20	Previous Target (Eu):	--
Current Price (Eu):	3.93	Previous Price (Eu):	--
Date of report:	22/09/2021	Date of last report:	--

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- 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)

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- 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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OUTPERFORM:	52,42 %
NEUTRAL:	26,61 %
UNDERPERFORM	04,03 %
SELL:	00,00 %

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