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EQUITY RESEARCH

OMER S.P.A.

INITIATION OF COVERAGE

BUY

TP 4.4€

Up/Downside: 52%

Omer Express

In a world increasingly oriented towards carbon neutrality, the transition to rail transport will be one of the solutions. Omer, an excellent interior supplier and partner of the world's largest manufacturers, will be able to benefit from the market's strong growth.

More than 25% of greenhouse gas emissions in Europe and the US are due to transport, and more than 60% of these emissions come from road transport, followed by air, maritime and finally rail transport. Each person traveling by train reduces emissions by at least 60% compared to the same journey by car. Each tonne of goods transported by train reduces CO2 emissions by 84% compared to road transport. These figures from the German Federal Environment Agency, show that within the framework of overall carbon neutrality goals, the transition to rail is probably inevitable.

In May 2022, Ferrovie dello Stato Italiane approved an infrastructure investment plan of more than €190b over 10 years. This is comparable to the $66b over five years allocated by the Infrastructure Investment and Jobs Act, and in France, €100b will be invested by 2040. Germany and the United Kingdom will invest massively in high-speed infrastructure... As for rail vehicle manufacturers, the European and American markets are concentrated on a handful of operators all characterized by increasing order books and revenue figures (including: Siemens, Hitachi, Alstom, Stadler, CAF and Talgo); they expect a CAGR between 5 and 10% in the years to come.

Omer is an Italian company based in Carini, Sicily, which has been operating for over 30 years in the design and production of interiors (74% of revenue), toilet modules (10% of revenue) and doors and fairings (6% of revenue), for high-speed, regional trains and metros. Revenue is historically generated in collaboration with Hitachi, Alstom and Siemens, with whom the company collaborates. The same manufacturers submit to national tender calls through sub-contracting and component processing. Omer has two ultra-modern production sites in Sicily and one in the US.

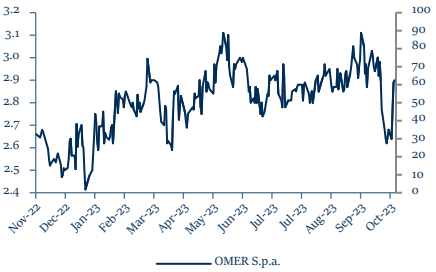
The company is currently undervalued (4.7x EV/EBITDA LTM, 5.7x EV/EBIT LTM and 7.5x EV/Net Result) and financially healthy (cash net of debt of €16.9m). We expect Omer to be able to maintain an FCF/EBITDA conversion between 47% and 56% between 2023 and 2027. We are opening the stock at €4.4, highlighting an upside potential of 52%.

Key data	
Price (€)	2.9
Industry	Transportation Equipment
Ticker	OMER-IT
Shares Out (m)	28.750
Market Cap (m €)	83.4
Average trading volumes (k shares / day)	0.923

Ownership (%)	
Halfa Srl	73.6
Mediolanum Gestione Fondi SGRp.A.	4.3
Azimut Capital Management SGR S	1.9
Free float	25.9

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.00	0.00	0.00
Change vs previous estimates (%)	na	na	na

Performance (%)	1D	1M	YTD
Price Perf	0.0	-1.0	16.0



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e
Sales (m €)	58.4	65.7	70.0	73.9
Current Op Inc (m €)	11.4	11.3	12.7	13.4
Current op. Margin (%)	19.4	17.3	18.1	18.1
EPS (€)	1.09	0.00	0.00	0.00
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-9.3	7.5	7.6	9.0

Valuation Ratio	12/23e	12/24e	12/25e
EV/Sales	1.0	0.9	0.7
EV/EBITDA	4.8	3.7	3.0
EV/EBIT	6.0	4.7	3.8

Consensus FactSet - Analysts:na	12/23e	12/24e	12/25e
Sales	68.0	72.0	75.0
EBIT	11.0	13.0	14.0
Net income	7.8	9.0	9.9

Analyst

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Description

Omer is an Italian company, founded in 1990, based in Carini, Sicily, which has been active for more than 30 years in the design (and codesign together with its main customers) and subsequent production of components for high-speed trains, regional trains and metros. The main components produced are: interiors (74% of turnover 2022); fairings (6% of turnover); and finally modular baths (10% of turnover).Production starts with rolled products (in steel/aluminium alloys or extruded light alloys), passes through cutting, plastic deformation, welding and grinding. This is followed by gluing, painting and assembly. At this point the final product is ready for shipment to the warehouses of the world's most important manufacturers. Omer now has two production plants in Italy (82,000 sqm) and a secondary plant in the US (3,000 sqm). The company also has an advanced warehouse, dedicated to customer Alstom, near Crespin in France, and three sales offices in Birmingam (UK), Wien (Austria) and Montreal (Canada).

SWOT Analysis

Strengths

- High EBITDA margins for the sector to which it belongs and important barriers to entry
- Historic relationship with two of the world's largest manufacturers (Alstom and Hitachi)
- Strong orientation towards efficiency and innovation in processes
- Significantly cash positive net financial position (+16.9m)

Weaknesses

- High concentration of revenues on the best customers (top2>90%)
- Growth in interest rates is impacting the cost of factoring
- High concentration of sales on the "interiors" product, low potential cross selling
- The facilities are owned by the parent company (rented until 2035)

Opportunities

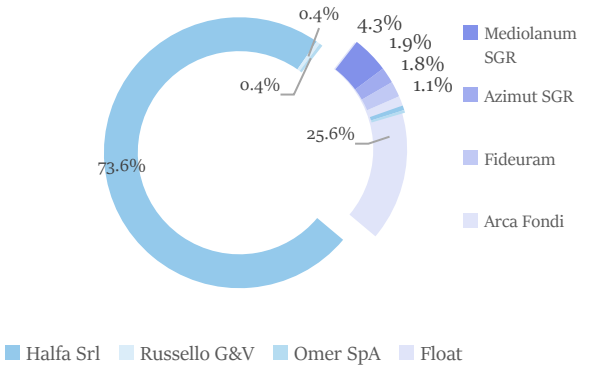
- Rail transport is greener than air transport and road vehicles and will partially replace them
- Plant B completed in Carini will facilitate productivity and efficiency
- Development and integration of lighting, system integration with toilets and further investments in engineering and codesign with customers
- Development in the North American market in progress

Threats

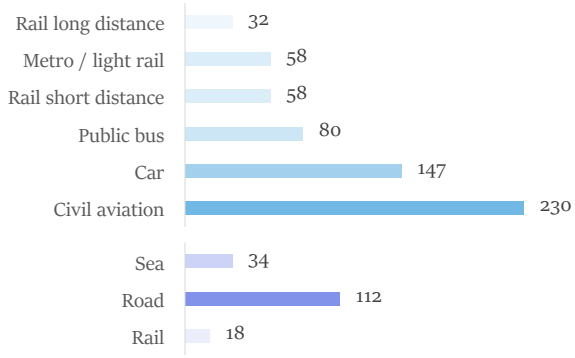
- Market heavily dependent on national investments in infrastructure, fleet modernization and the bureaucracy that accompanies them
- Increased order volatility and standardization of products and technological solutions will lead to an increase in competition and sector concentration
- Globalization can lead to further competition with Asian markets

Overview

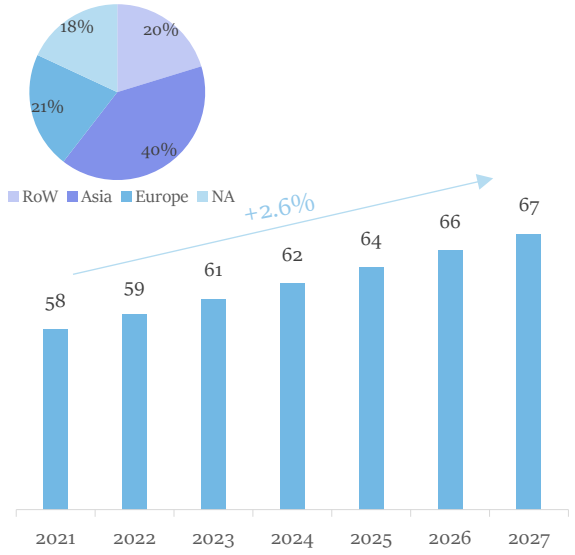
Shareholding



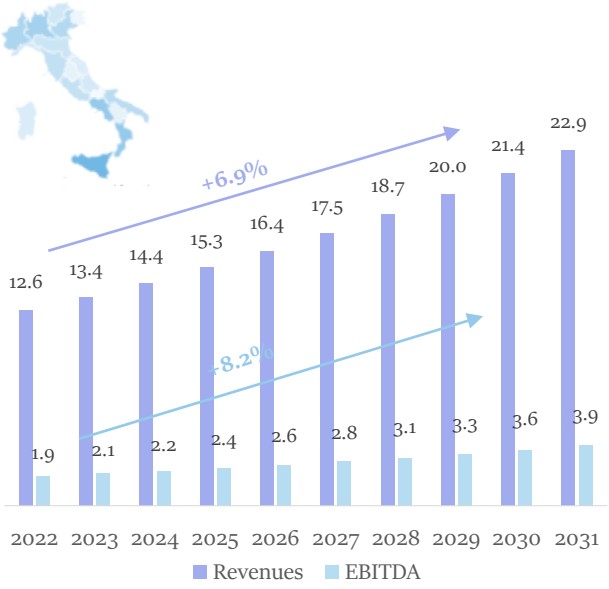
Greenhouse gas emissions, people (g/pkm) and goods (g/tkm)



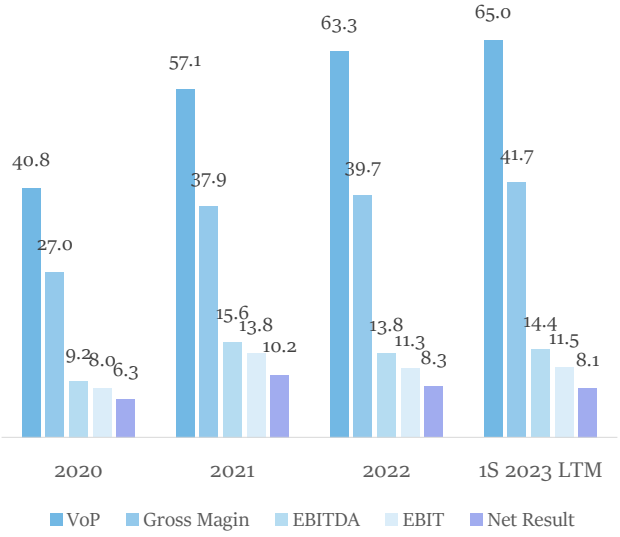
Global Rolling Stock Market Expected Growth 2021-2027



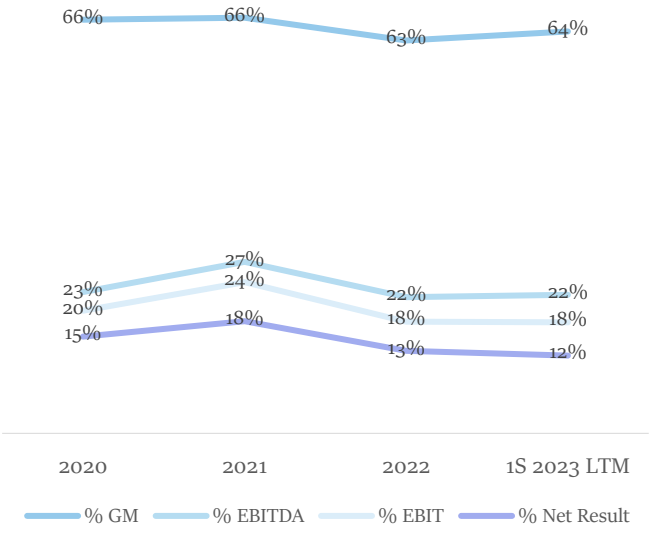
FSI Italy industrial plan and investments by region



Main elements of Omer's income statement



Gross margin, EBITDA and EBIT trends



Key Questions

What will be the main drivers of sectoral growth?

On the one hand, we have the global trend towards urbanization: if today around 60% of the population lives in cities, this figure is expected to increase to 70% by 2050. On the other hand, we have the European Green Deal and the movement towards carbon neutrality by 2050, which directs the world towards limiting greenhouse gas emissions in order to safeguard the planet's ecosystem. These two trends will have a positive impact on the rail transport market which, on the one hand, is an extremely popular service in metropolitan cities and, on the other hand, is significantly less harmful in terms of emissions than road transport, air and sea, both for people and materials. In both Europe and America, transport is responsible for more than a quarter of total emissions, and both regions have so far been excessively dependent on road transport. We expect significant growth in infrastructure and fleet investment (as much as electricity) over the next 30 years, facilitated by growing demand for infrastructure and high-speed rail.

How is Omer well positioned to take advantage of upcoming market dynamics?

About 64% of the global train building market is now accessible, but at the same time it is a highly concentrated market in the hands of the world's leading manufacturers, including Hitachi, Alstom, Siemens, Stadler, Crrc (in China) and Talgo. Over the last 30 years, Omer has established a deep relationship with its two main customers (Hitachi Italy and Alstom), two of the market leaders. In particular, Omer today has an advanced logistics warehouse near Crespin in France, dedicated to Alstom, and it is worth noting that the US facility was also built to support the advancement of an Alstom project . Omer is not only awarded, through framework agreements, the construction of interiors, toilets and fairings, but, thanks to its own design and engineering division, it collaborates ex ante with the main constructors of trains before the award of individual projects, giving it a substantial competitive advantage over other market players, who are less integrated into the parent companies' processes. In addition, Omer also collaborates with Siemens and Stadler due to the uniqueness and efficiency of the company's offering.

What makes Omer unique in the competitive landscape?

There are three distinguishing characteristics of Omer's offer: innovation, sustainability and financial strength. Innovation, both for the significant investments made in recent years in Carini's Plant B, a 59,000 m^2 factory, a benchmark for its orientation towards industry 4.0, and for the company's significant investments in research and development, which led to the integration of hot forming (at 250 degrees), a proprietary aluminium casting cycle, into the company's processes, more efficient than cold forming (at 25 degrees) and more practical than superforming (at 450 degrees). Sustainability because most of Omer's products are made of aluminium, a material which, thanks to its high recyclability, has an environmental impact 40% lower than that of the same fiberglass components. Financial solidity: after the significant investments made in recent years in Carini's factory B, the company has a positive net cash position of around €16.9m in June 2023, which would allow it to invest massively in mergers - acquisitions and investments in the coming years, if necessary.

Is this a good time for investors to gain position on the stock?

The company ended 2022 with an EBITDA of €13.8m, an EBIT of €11.3m and net earnings of €8.3m. Adding H1 2023 to H2 2022 gives LTM EBITDA of €14.4m, LTM EBIT of €11.5m, LTM net earnings of €8.1m and net debt of €16.9m (cash). The current share price is €2.8, the company has a market capitalization of €81m and an enterprise value of €64.1m. To date, the company is therefore paid approximately 4.6x its EBITDA, 5.6x its EBIT and 7.9x its net income. A resolutely moderate valuation for a company with significant technological characteristics, in a sustainable market from which sustained growth is expected (in Italy alone, Ferrovie dello Stato Italiano has planned to invest €190b between 2022 and 2031, mainly in national infrastructure). We also highlight that between January 2021 and June 2023, Omer generated an FCF of €13.4m, which allowed it to distribute dividends for €6.4m, repay debt for €4.5m, and finally to acquire own shares for €0.3m and accumulate excess cash for the remainder. To date, the company has a net cash position of €16.9m, also thanks to the 2021 IPO, and therefore a low dependence on debt. Following the valuation of the company by DCF and by multiples of market peer comparisons (EV/EBITDA and EV/EBIT) we estimate that the stock has a short-term upside potential of 52%, based on our TP of €4.4 .

Railways are one of the solutions for carbon neutrality

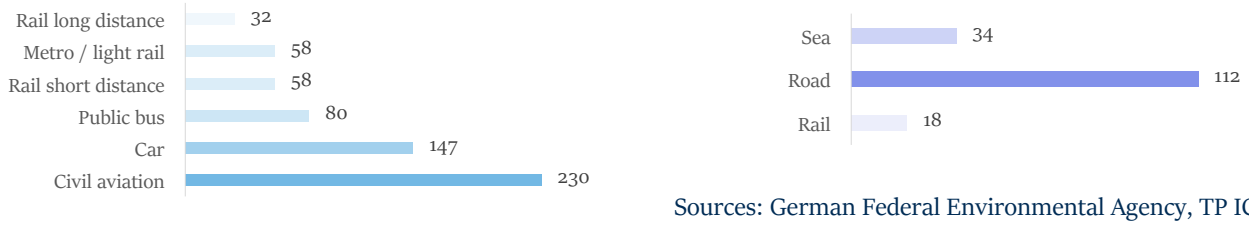
The rail sector is more crucial today than ever, for several reasons. The first is the growing trend towards world urbanization: the number of people living in cities relative to the total world population today is just under 60%, but is expected to be by 2050 , almost 70% of the world's population lives in cities (Statista). This will lead to an inevitable growth in demand for rail transport. Demand for rail transport will be further stimulated as the world becomes increasingly concerned about reducing the ecological footprint. In this regard, rail transport is clearly preferable to road, air and sea transport, both for medium and short distances.

The trend towards eco-sustainability, not only on a global, continental or national scale, but also among individuals, is more marked than ever, with more than 60% of millennials being willing to spend more money if they receive in return a durable product. (Young, Green Consumerism). Today, one in five travellers say they are more inclined to reduce the environmental impact of the means of transport they choose to use (Booking, sustainable travel report).

Transport is today one of the main causes of greenhouse gas emissions (CO_2, methane and nitrous oxide). In the US, 29% of greenhouse gas emissions are due to transport, and in Europe, around 25% (USAPA, carbon pollution from transportation). Given the obvious need to reduce greenhouse gas emissions globally in order to stem the rise in temperatures, Europe, with the European Grean Deal has set itself the objective of achieving carbon neutrality by 2050. To achieve this objective, it will be necessary to reduce transport emissions, which will promote the transition to rail.

According to a 2018 study by the German Federal Environment Agency, rail transport is more sustainable for both passenger and freight transport. Greenhouse gas emissions caused by air transport, in grams per km travelled, prove to be the largest environmental impact with 230 g/km, followed by cars 147 g/km, public buses 80 g/km. km and finally trains for both short/underground distances (58 g/km) and long distances (32 g/km). For the transport of one tonne of goods, the rail sector emits around 18 g/km, compared to 112 g/km for road transport and 34 g/km for maritime transport.

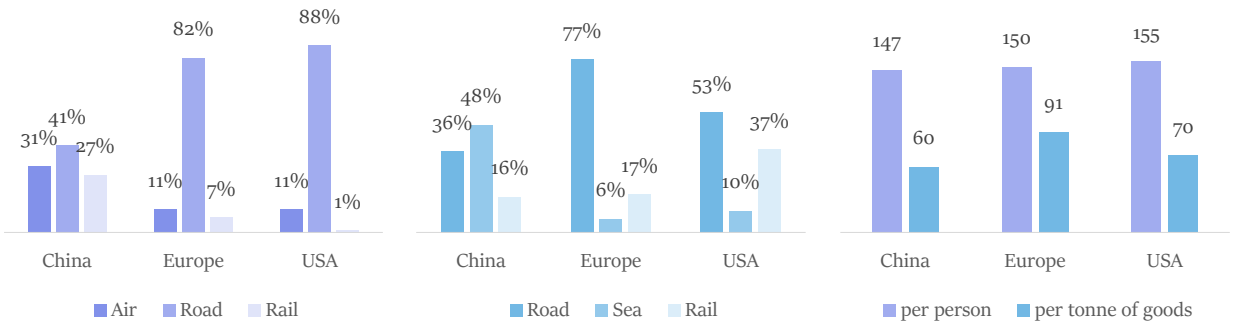
Greenhouse gas emissions per passenger and per tonne of goods for different modes of transport



Sources: German Federal Environmental Agency, TP ICAP Midcap

In the US in particular, but also in Europe, people travel almost exclusively by automobile (88% in the US and 82% in Europe), followed by air transport (11% of the distance travelled on both continents) and finally by rail, which represents 7% of the distance travelled by people in Europe and less than 1% in the US. In China, travel is more diversified, with 41% for road, 31% for plane and finally 27% for rail. Regarding the transport of goods, 77% in Europe is done by vehicles, compared to 53% in the US and 36% in China. In China, the main mode of transport is the sea, through which 48% of goods transit, compared to 6% in Europe and 10% in the US. Finally, the US transports 37% of its goods by train, compared to 17% in Europe and 16% in China. We can conclude that, according to this data, China is the most sustainable country both for freight transport, with 60g/tkm, and for passenger transport, albeit slightly, with 147g/pkm. The shift from road to rail transport in Europe and the United States would significantly reduce CO_2 emissions.

Distribution of emissions linked to transport in the main countries (people / goods), and average emissions by country



Sources: Statista, National Bureau of Statistics, US Department of transportation, UNIFE, TP ICAP Midcap

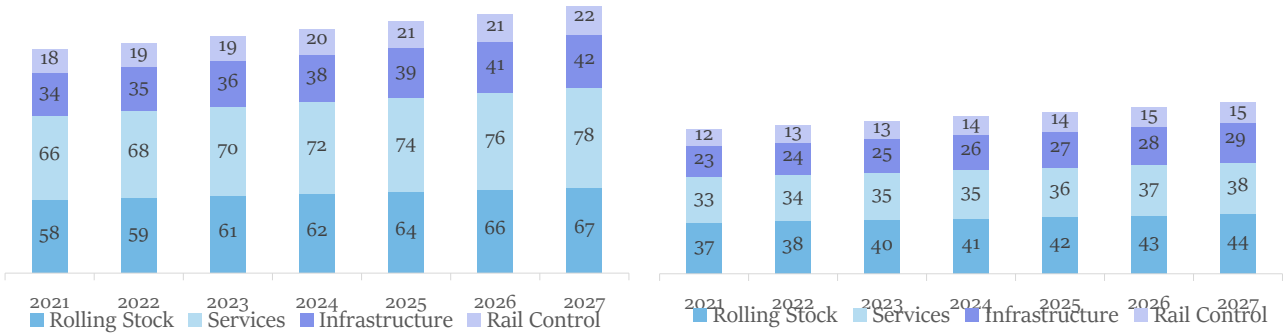
World rail market

The global rail market, according to UNIFE, reached an average aggregate size during the 2019-2021 triennium of around €176b, the main components of the market are: Rolling stock (€57.8b); services (€65.9b); infrastructure (€33.7b) and finally rail control (€18.2b). To date, approximately 61% of the market is accessible globally (vs. approximately 70% in 2008).

The markets where the highest relative growth is expected globally are emerging markets, such as African countries and the Middle East, with a 2021-2027 CAGR of around 7.1%, followed by countries in Europe from the East, for which a CAGR of around 6.1% is expected. The most mature markets (Western Europe, Asia Pacific and North America) will contribute the majority of future growth in absolute terms. Regarding the growth of the market as a whole, it is expected to increase from €176b in 2021 to €211b in 2027, i.e. a CAGR of around 3%. Regarding the accessible market, growth should increase from €107b to €127b (CAGR of 2.9%). (source: UNIFE)

The segment expected to experience the highest growth rate is infrastructure, with a 2021-2027 CAGR of 3.8%, both globally and in the accessible market alone. The services are expected to grow at a CAGR of 2.8% globally and 1.9% in the accessible market. Rail control, a high-margin but smaller segment, is expected to grow at a CAGR of 3.1%, both overall and in the accessible market alone.

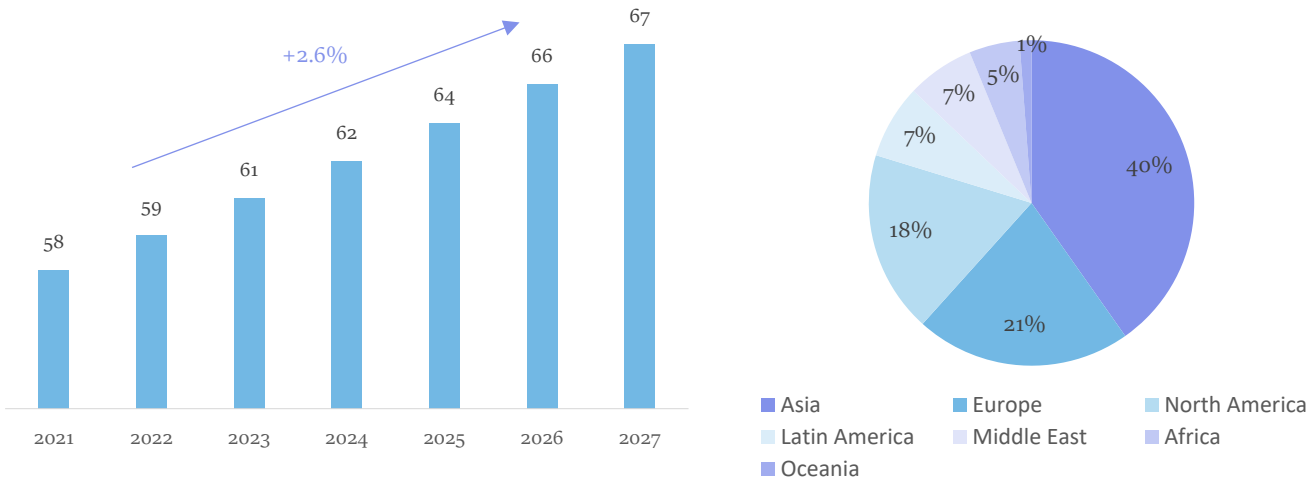
Global and accessible rail market, expected development by business segment 2021-2027 (€B)



Sources: Unife, TP ICAP Midcap

Regarding the manufacture and exchange of rail vehicles, which represents around 33% of the total, the market is expected to grow by around 2.6% (2.8% for the accessible market), from around €58b in 2021 to €67b in 2027. In terms of distribution by country, Asia is the main market (40% of the total, €25.4b), followed by Europe (21% of the total, €13.5b), the US (18% of the total, €11.4b), Latin America and the Middle East (both around 7% of the total), Africa (5%, €3.2b) and, finally, Oceania (1%). Investments in high-speed trains (TGV) will drive the most growth, a segment whose progression is expected to be 5.1% on the total market and 8.1% on the accessible market. Next comes investments in metros, with expected growth of 3.8% in the total market and 4.3% in the accessible market. (source: UNIFE)

Rolling stock market evolution 2021-2027 and market size by country



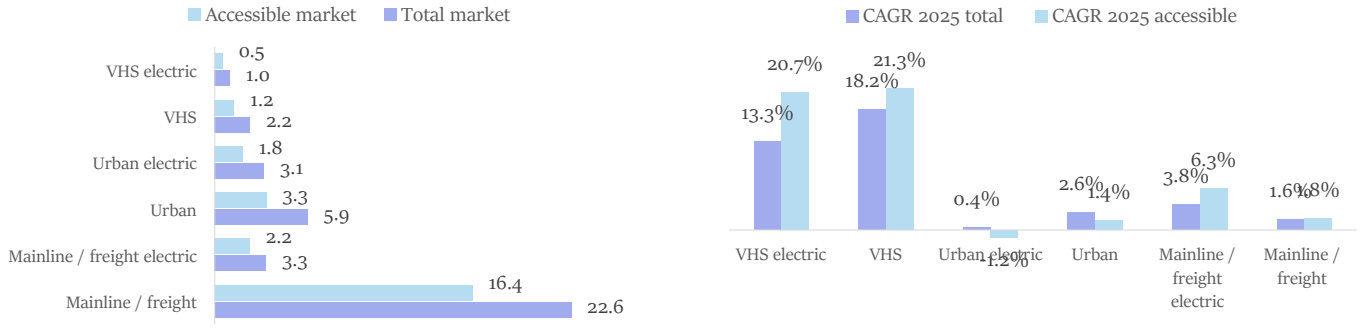
Sources: Unife, Omer and TP ICAP Midcap

Before going into detail about the dynamics of requested rolling stock volumes, Omer's target market, we will talk about infrastructure investments, which are one of the main indicators from which future orders for rolling stock manufacturers trains are generated.

The expected growth in infrastructure globally (+2.7% on the total market and +2.6% on the accessible market) will be driven by investments in infrastructure dedicated to high-speed trains (TGV) +18.2% CAGR until 2025 and high-speed electric trains (electric TGV) +13.3% CAGR until 2025. (UNIFE). Among the projects driving this expected growth are California High Speed Rail, Las Vegas High Speed Rail and the High Speed 2 project in England.

Electrification of goods traffic and basic infrastructure is expected to grow faster than non-electrified investments, with growth of 3.8% and 1.6% respectively, highlighting a global trend towards gradual electrification and therefore sustainability. Investments in freight transport infrastructure will represent around 68% of the total by 2025, compared to 24% for urban investments and 8% for TGV infrastructure.

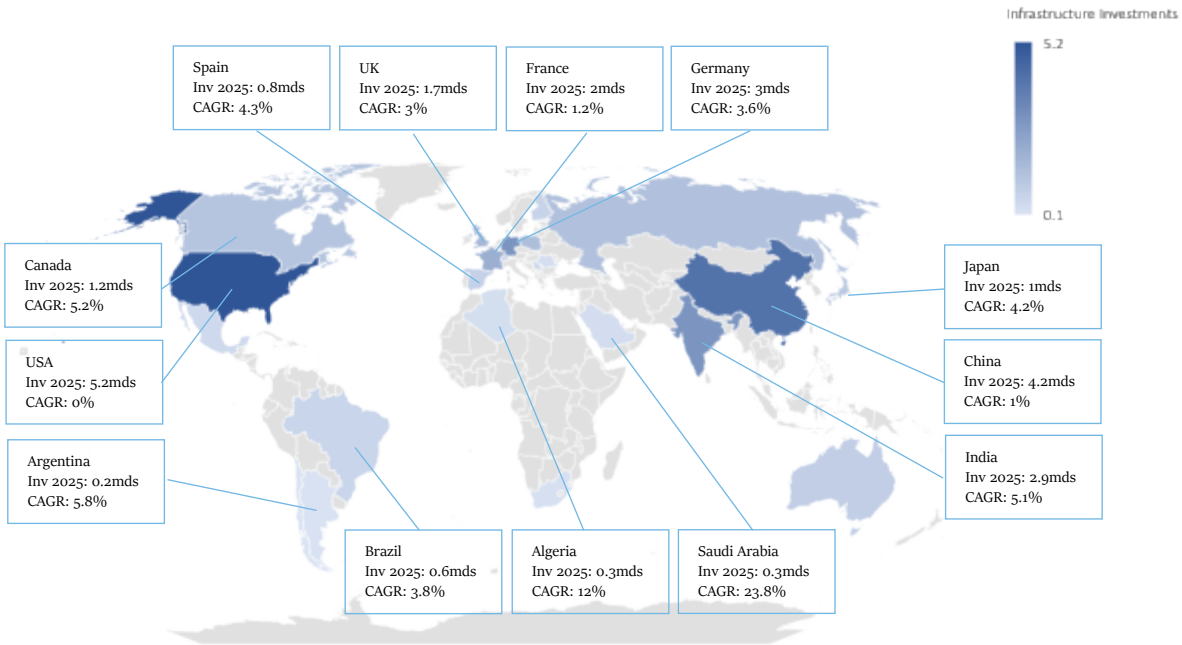
Planned investments in infrastructure in total and accessible market in 2025 and CAGR until 2025



Sources: Unife, TP ICAP Midcap

The most important infrastructure investment markets are the US (€5.2b) and China (€4.2b), whose growth should be contained. They are followed by Germany with €3b, up 3.6%, India with €2.9b in investments planned until 2025 (+5.1%), France €2b (+1.2%) and England €1.7b (+3%). Algeria and Saudi Arabia will invest massively in infrastructure, +12% and +23.8% respectively. (UNIFE)

Planned infrastructure investments by country in 2025 and CAGR to 2025



Sources: Unife, TP ICAP Midcap

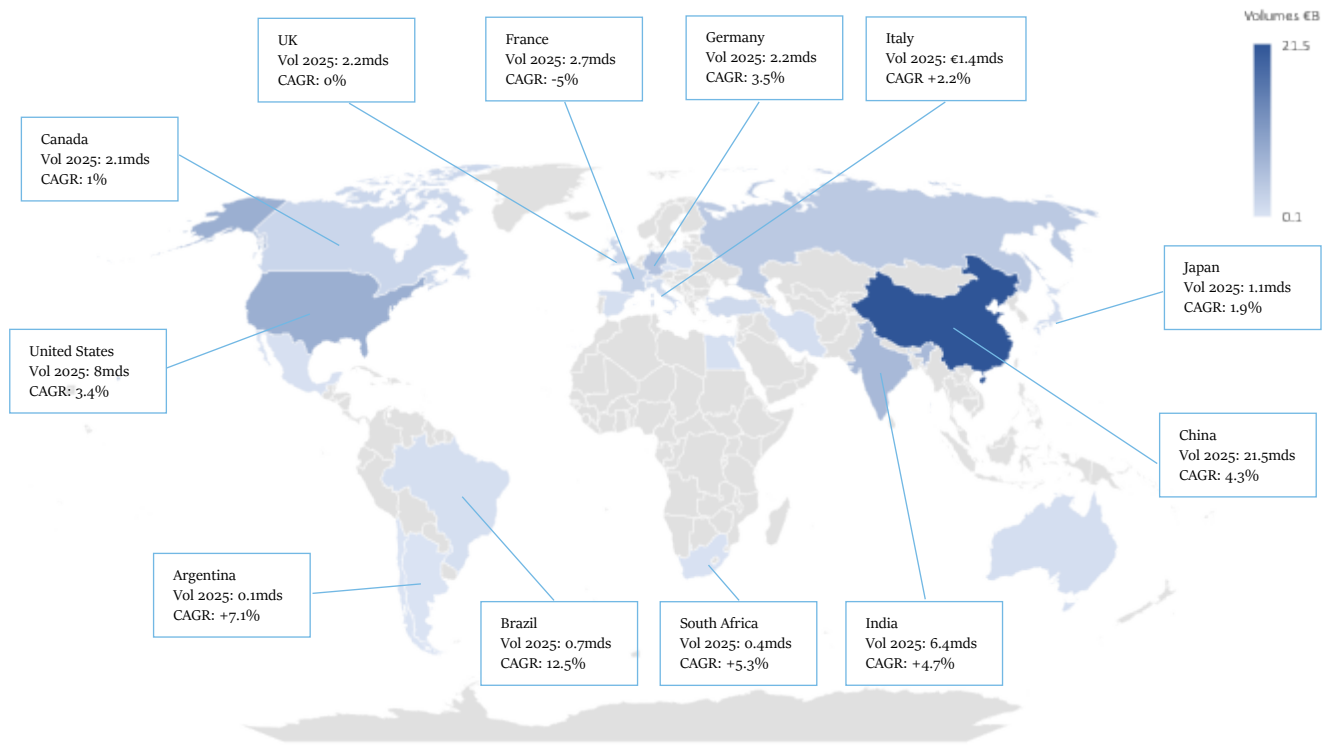
Looking at the expected growth of rolling stock, 2.6% growth is forecast in the Asia Pacific region, led by China, which accounts for just under 70% of the entire region and almost 30% of the global market. China will invest heavily in high-speed infrastructure to connect the east of the country to the west and surrounding regions. The Indian market is also expected to see strong growth, although some projects have been postponed, thanks to the expansion and creation of new metro lines in cities such as Delhi, Mumbai, Bangalore and Chennai. In Japan, growth will be more moderate but supported by growing demand for high-speed trains. In Australia, a decline in investment is expected due to competition with road traffic.

The Western European market is expected to grow by 1.4%, thanks to investments in Germany, Italy and Denmark. The German market is expected to grow by around 3.5% until 2025, driven by a shift towards high-speed trains, with the number of people traveling by TGV expected to double by 2030. In France, investments have been more limited, but thanks to the Paris 2024 Olympic Games, increasing orders for the renovation of the metro have been recorded. Limited investments are also expected in England, where the orientation towards TGVs will be counterbalanced by a reduction in investments in the metros. In Italy, high single-digit growth is expected through 2025 thanks to increased orders for high-speed trains and increased investment in the metros of Milan, Naples, Genoa and Rome.

The NAFTA market, which includes the United States, Canada and Mexico, the third largest European market to date, is expected to grow by 3.2% until 2025. Growth will be driven by the US (75% of the total market) increased investment in high-speed rail infrastructure. The US plans to build the California High Speed Rail (275 km) and the Xpress West project, with the aim of connecting California to Las Vegas, then to Phoenix. Investments are also planned in Texas for the high-speed link between Houston and Dallas. Regarding subway lines, investments are expected in New York, Chicago and Los Angeles. The Canadian market is also expected to see slight growth thanks to the expansion of the Toronto Regional Express Rail. (UNIFE)

The Africa and Middle East markets are expected to grow by 3.5% through 2025. South Africa and Iran will be the main drivers of growth in these regions, but as Iran is a protected market; we believe that much of the growth will not be accessible to European manufacturers. Regarding infrastructure investments, Algeria, Saudi Arabia and Qatar will progress well. The Latin American market is expected to see strong double-digit growth, although it is a very small market at present. Growth will be driven by Brazil, which is expected to reach around €0.7b in 2025, thanks to investments in the metro and automation in the city of Sao Paulo.

Expected rolling stock volumes in 2025 by country (€B) and CAGR 2021-2025 by region



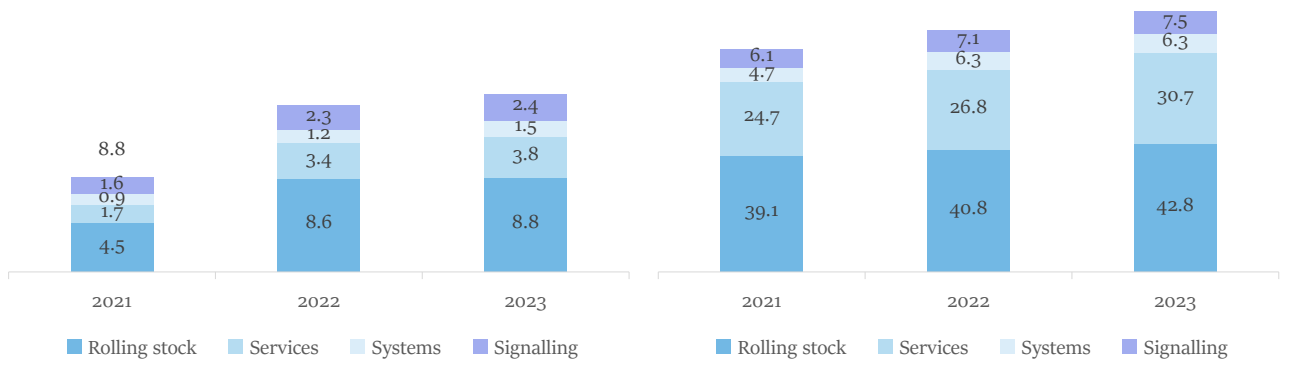
Sources: UNIFE, TP ICAP

The three main players in the European market

The railway vehicle construction market is particularly concentrated in Europe, following the merger between Alstom and Bombardier. Alstom is the market leader, followed by Stadler, Siemens, Hitachi, CAF and finally Talgo. Omer works with most of these operators (Alstom, Hitachi, Siemens and Stadler), not only for train production but also, upon request, in the design phase, which allows Omer to anticipate design and raise significant barriers to entry against competitors. We decided to analyse the budgets of the listed major manufacturers and their development plans for the coming years to better understand Omer's target market.

Alstom: ended 2022 with revenue of €16.5b (+6.7% vs. €15.5b YoY), an EBITDA of €0.8b (vs. €0.7b YoY) and a net result of -€0.1b (vs. -€0.6b YoY). The company generates 53% of its revenue in the construction of rail transport equipment, Services generate 23% of revenue, followed by Signaling 15% and Systems 9%. Alstom's order book between 2022 and 2023 increased by 7.9%, more than in proportion to sales. In March 2023, Alstom's order book/revenue ratio increased to 5.3x (vs. 5.2YoY).

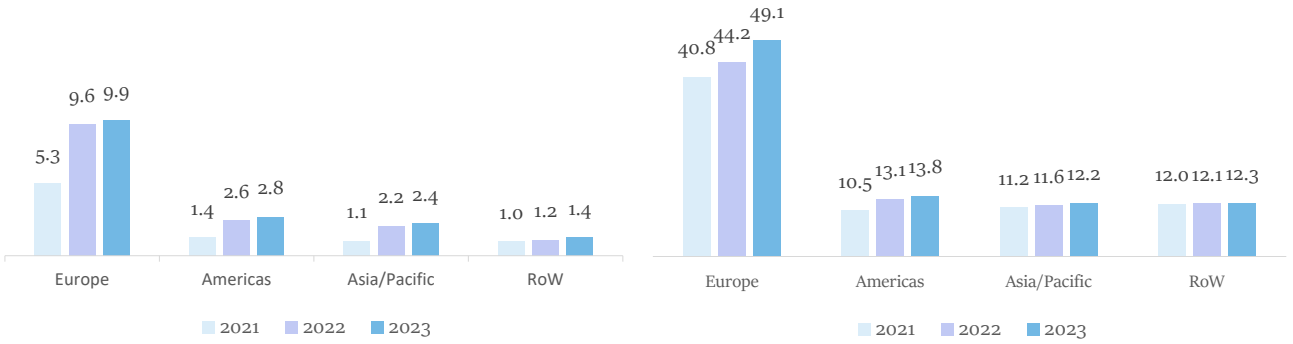
Alstom revenue and order book breakdown by BU 2021-2023



Sources: Alstom, TP ICAP

Alstom generated 60% of its revenue in Europe, vs. 17% in America, 15% in Asia-Pacific and 8% in the rest of the world (Africa, Middle East in particular). Regarding the composition of the order book, Europe remains the main source of orders with 56% of the total, up 11% from the 2022 order book, followed by America with 16% of the total, Asia-Pacific with 14% and the rest of the world

Alstom's revenue and order book breakdown by region 2021-2023



Sources: Alstom, TP ICAP

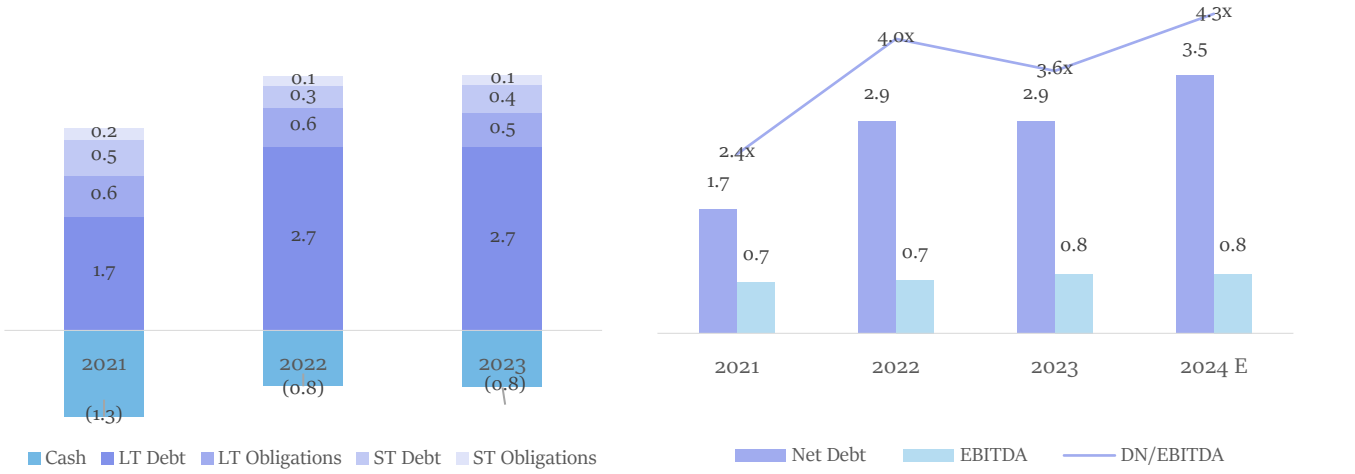
with 14%, which is growing strongly.

Alstom believes that over the coming years the market will experience strong investment growth, which will have an impact on all BUs. In particular, Alstom expects significant growth in Europe of around 5% by March 2025/2026, thanks to the development plans of Germany and Italy (deployment of ERTMS for €43b) , the French rail development plan (€100b), the replacement of diesel engines in Europe (around 6,000 trains to replace) and the impact of national recovery plans when they concern the railway sector (>50b). Expected growth in the Americas region will be around 3%, thanks to the Toronto RER development projects in Canada, urban projects in Quebec and Philadelphia, as well as the support provided by the Infrastructure and Jobs Act to Amtrak and public transit agencies. Support for development in India will also be particularly intense, with more than €27b allocated by the Indian government.

On 4 October, the company released a preview of its data for the first half of 2024, confirming its 5% growth forecast for 2024 revenue.

The net debt at the end of the half-year will stand at around €4b, for a 2022 Net Debt/EBITDA ratio of around 5x, while the net debt at the end of the year will amount to around €3.4-3.65b, for a Net Debt/EBITDA ratio of between 4.25x and 4.6x. Considering that the majority of the company's debt is long-term, that the sector's growth expectations are clear, that the company's medium-term outlook is positive, and finally that the cash absorption is caused by temporary delivery delays and not by a drop in margins, we believe that Alstom can remain the benchmark payer in train manufacturing over the coming years and that the stock's difficulties on the stock market could be short-lived.

Composition of Alstom's historical debt and expected dynamics of net debt 2021-2024 E



Sources: Alstom, TP ICAP Midcap estimates

Ferrovie dello Stato Italiane – Hitachi Italia: Hitachi is a large multinational company whose revenue exceeds €55b, significantly more than Alstom (€5b) and Stadler (€3b). It is present in various markets worldwide and in sectors such as IT, energy market, industrial, mobility, construction machinery, metals, chemicals etc. Hitachi has always been a key partner of Ferrovie dello Stato Italiane (FSI) through its Hitachi Italy division.

In order to deepen the Rail division and in particular the development of the Italian market, which is a reference for Omer, we analysed the 2022-2031 industrial development plan presented by FSI on 16 May 2022.

This is a major ten-year development plan of €190b aimed at: doubling (vs. 2019) freight transported by rail; reduce the infrastructure gap between northern and southern Italy; redevelop urban areas; significantly increase the group's energy autonomy (to around 40%), thanks to the production of renewable energy; and create more than 40,000 jobs.

The group's revenue is expected to grow between 2022 and 2031 to €22.5b, for a 2022-2031 CAGR of 6.9%, EBITDA is expected to grow to €3.9b, for a 2022-2031 CAGR of 8.2%. FSI is the undisputed market leader in Italy, employs around 82,000 people, operates around 10,000 trains per day, carries around 1b passengers per year, and transports around 45m tonnes of goods each year. The network operated by FSI extends over 16.8k kilometers, of which 700 km are dedicated to high-speed trains.

The plan defines a new organizational structure subdivided into four areas, affected by significant investments:

-Infrastructure sector (€160b): the backbone of the development of national infrastructure. The companies forming part of this cluster, in order to maximize synergies, will be: Rete Ferroviaria Italiana (RFI), Anas, Italferr and Ferrovie del Sud-Est.

RFI and Anas alone manage more than 50,000km of rail lines and roads. RFI alone will make an investment of €110b for maintenance, technology, high-speed lines, tourist lines, metropolitan and airport connections. These interventions will lead to a significant reduction in connection times between several Italian cities, up to 45% (Naples-Bari, from 3h35 to 2h). Anas will invest around €50b additional.

- Polo Passeggeri (€15b): the objective is to unite companies involved in passenger transport by rail and road, to develop the country's tourism sector, with offers dedicated to “green” travellers, and to focus on slow tourism aboard historic trains with the aim of

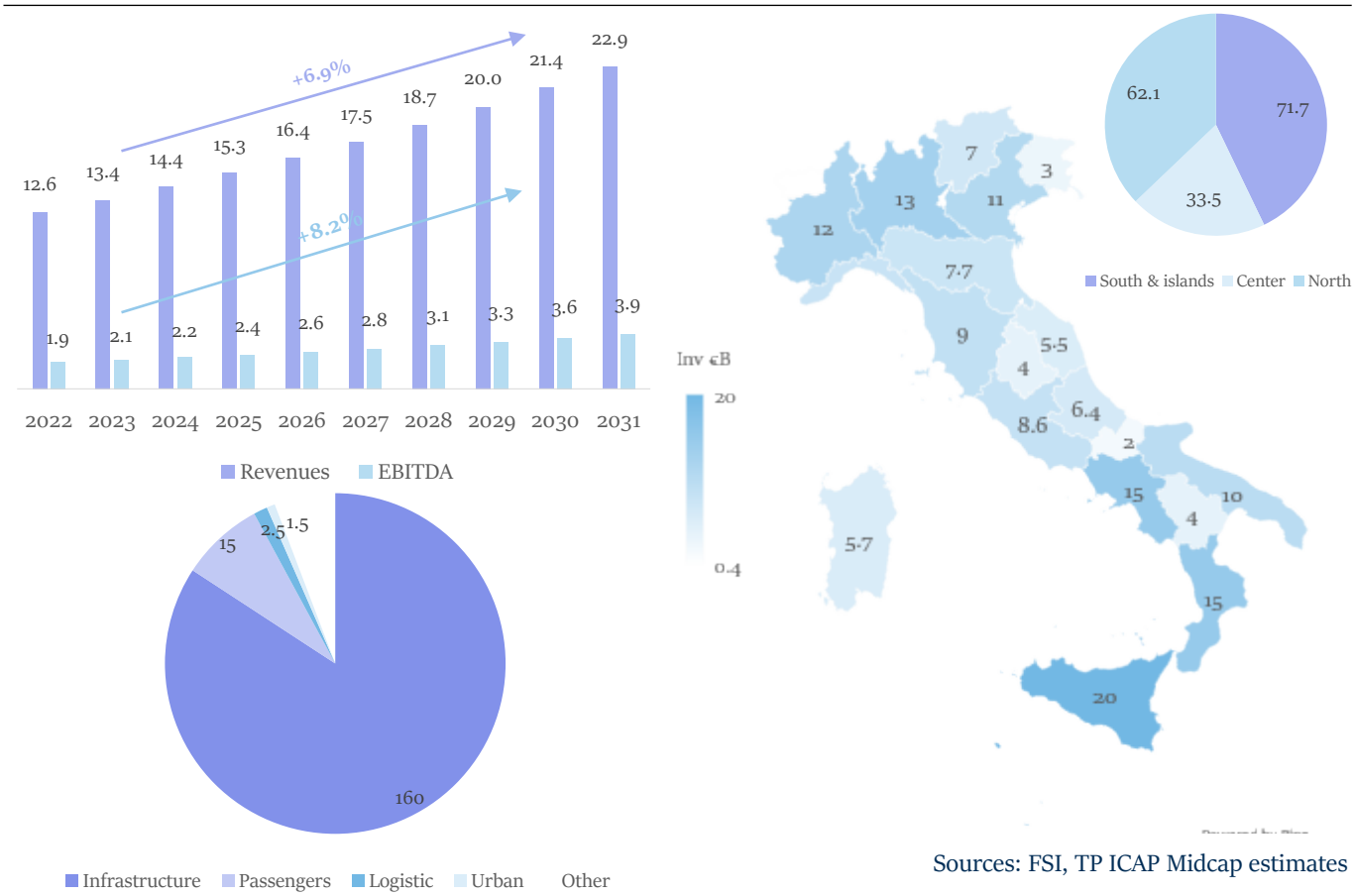
discovering the cultural, picturesque and culinary delights of all Italy. Mobility-as-a-Service will also be created through digital platforms.

- Logistics center (€2.5b): oriented towards the digitisation of goods transport, for greater competitiveness and a clear orientation towards the objectives of the UN 2030 agenda. Today, 11% of goods in Italy are transported by rail, while the European target is 30%. Countries like Switzerland and Austria already reach 35%, the US 46% and the European average 19-20%. Around 3,400 locomotives will be replaced by 3,600 latest generation electric/hybrid vehicles. At the regulatory level, measures will be necessary to reduce the cost of rail tolls.

-Urban (€1.5b): dedicated to the redevelopment of assets which are no longer functional for the rail service, with the objective of increasing energy production from renewable sources, transforming stations into points of exchange for the train and other modes of transport, and finally the integrated management of the group's car parks, which will offer 20,000 additional parking spaces, with thousands of charging stations for electric cars.

Le groupe aura une orientation plus forte vers l'Europe et vise à augmenter les revenus générés à l'étranger à €5mds d'ici 2031, en collaborant avec la France (grande vitesse entre Milan et Paris), l'Angleterre (Longra-Glasgow, et grande vitesse 2 Londres-Birmingam-Manchester), en Allemagne et en République tchèque avec Netinera, en Grèce Athènes-Thessalonique, en Espagne avec le Frecciarossa 1000 et aux Pays-Bas avec Qbuzz, un opérateur routier avec une flotte d'autobus à l'hydrogène.

Ferrovie dello Stato Italiano 2022-2031 industrial plan, revenue, EBITDA, breakdown by region and tragets (€B)

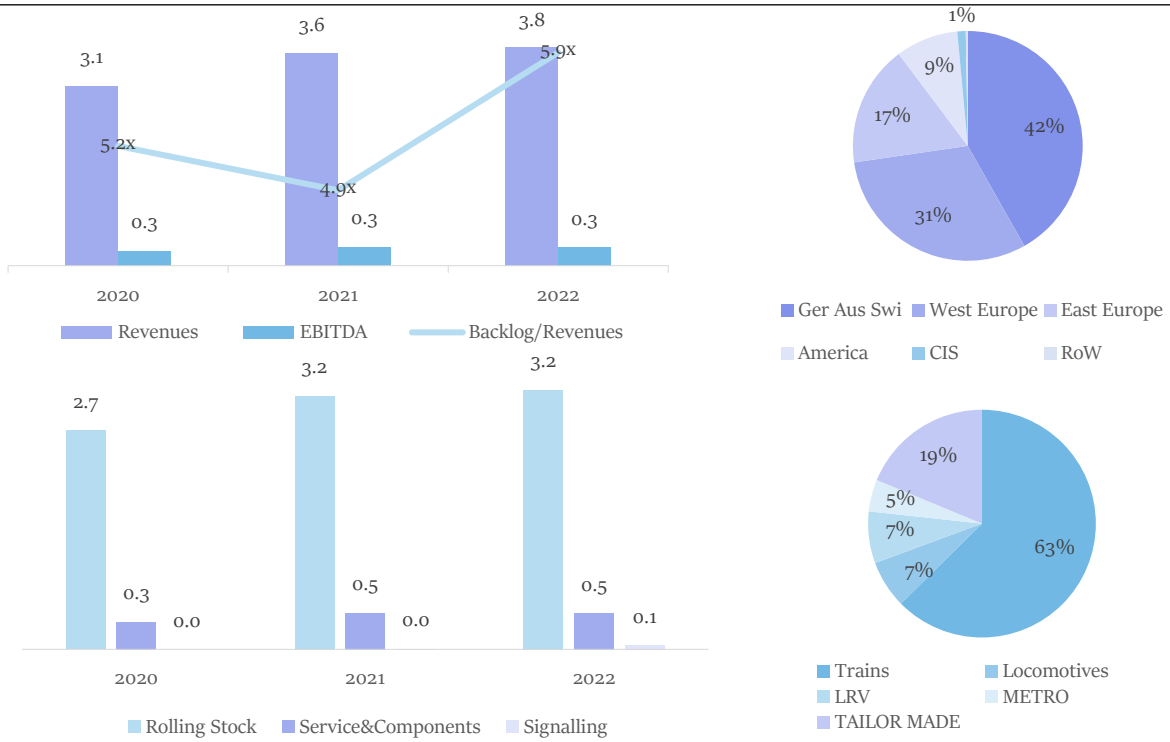


Sources: FSI, TP ICAP Midcap estimates

Stadler: is a Swiss company based in Bussang with a market capitalization to date of CHF3.3b. The company ended 2022 with a revenue of CHF3.8b (vs. CHF3.6b YoY), an EBITDA of CHF 0.31b (vs. CHF0.32b YoY) and a net earnings of CHF 0.08b (vs. CHF 0.13b YoY).). The company is particularly active in Switzerland/Germany and Austria, where it generated 42% of 2022 revenue (vs. 47% YoY), in Western Europe, where it generated 31% of its revenue (vs. 25% YoY), in Eastern Europe where it generated 17% of its revenue (vs. 18% YoY) and finally in America 9% (vs. 6% YoY). The company's order book experienced strong growth to end 2022 at 5.9x revenue (vs. 4.9x YoY).

Stadler's core business is vehicle manufacturing, which generates 87% of revenue, followed by services and component manufacturing at 12% and signalling at 1%. In 2022, the company's core business was trains 63% (vs. 65% YoY), followed by locomotives 7% (vs. 8% YoY), LRVs 7% (vs. 10% YoY), metros 5 % (vs. 7% YoY), and ad hoc products 19% (vs. 11% YoY).

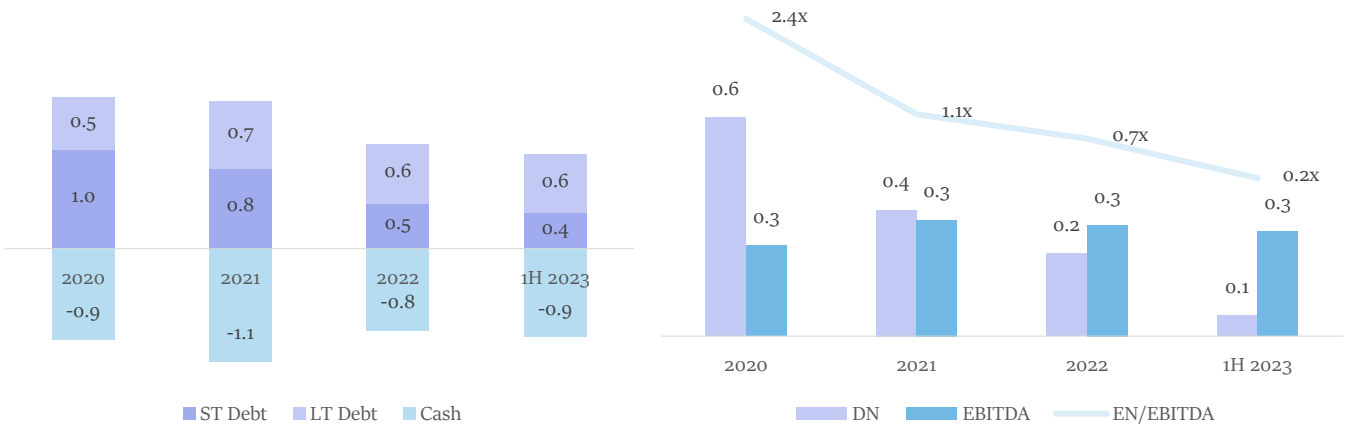
Stadler Backlog, Revenue (Total, by Region, by BU), EBITDA and Top Rolling Stock Products 2021-2023



Sources: Stadler, TP ICAP Midcap

In terms of debt composition, Stadler is in a more sustainable situation than Alstom, with a net debt until 2022 of CHF 0.2m compared to an EBITDA over the same period of CHF 0.3m, i.e. a Net Debt/EBITDA ratio of 0.7x. Additionally, in H1 2023, the company generated additional cash, reducing net debt to around CHF 100m. If the trend is the same in H2, the company will move into a positive situation in terms of liquidity.

Ferrovie dello Stato Italiano 2022-2031 industrial plan, revenue, EBITDA, breakdown by region and targets (in B CHF)

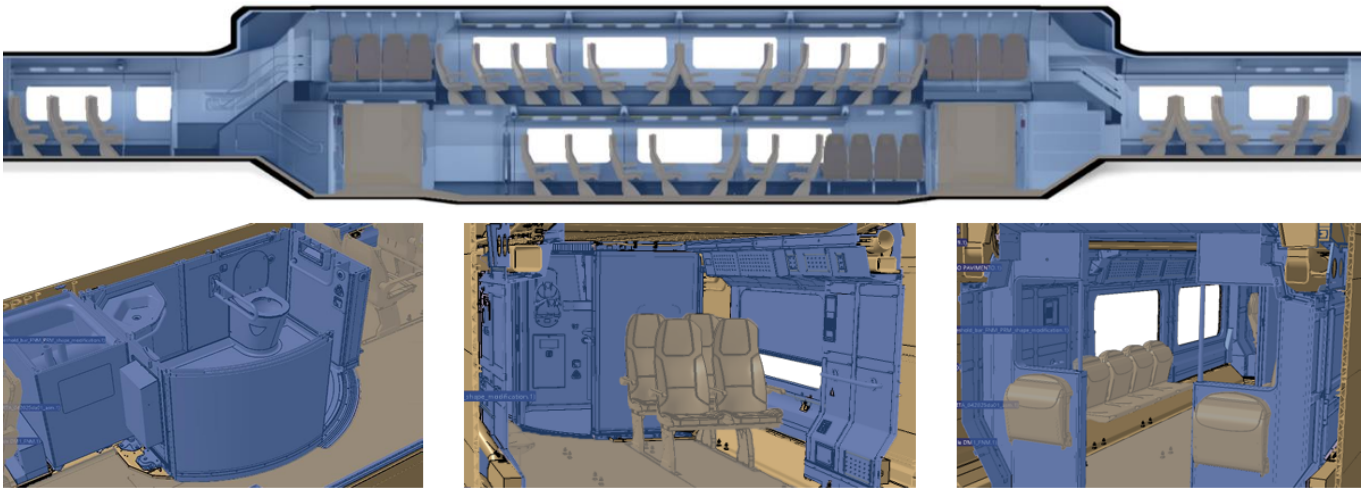


Sources: Stadler, TP ICAP Midcap

Company presentation

Omer is an Italian company based in Carini, Sicily, which has been active for over 30 years in the design (in collaboration with its main customers) and production of components for high-speed trains, regional trains and metros. The main components produced are as follows: interiors (74% of revenue and 81% of the order book as of 30 June 2023); fairings (6% of revenue and 6% of the order book); and modular toilets (10% of revenue and 7% of the order book).

Interiors by Omer



Source: Company presentation

Today, Omer has two production plants in Italy and a secondary plant in the United States. In Sicily, factory A has an area of 20k square meters, while factory B, the result of significant investments by the company in recent years (currently being expanded), has an area of more than 59k square meters and is equipped with cutting-edge technology. In addition to the Sterling Heights factory in the United States (3k square meters), the company also has an advanced warehouse, dedicated to the client Alstom, near Crespin in France, and three sales offices in Birmingam (UK) , Wien (Austria) and Montreal (Canada).

Location of factories (A, B and US in the background), head office, logistics and sales offices

Sources: Omer's website & Company presentation

History and shareholding structure

The company was founded in 1990 in Palermo, the capital of Sicily, and began its activities producing aluminium components for wheeled vehicles. In 1992, the company signed its first contract with a national railway operator, clearly showing the company's future direction towards the railway sector.

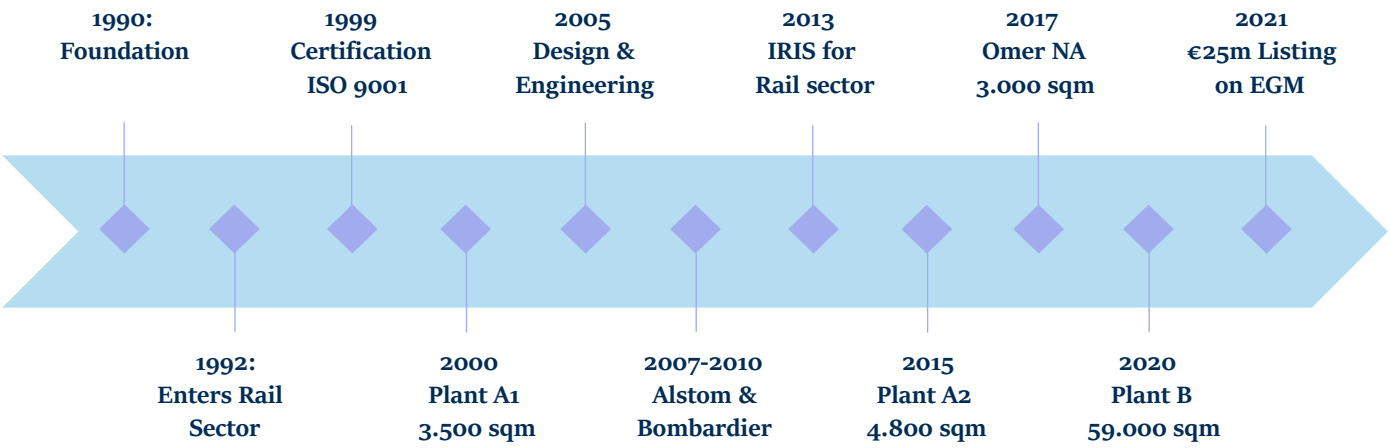
In 1999, after obtaining several orders for the production of all-aluminium components, the company obtained ISO 9001 certification for the design and construction of interior fittings, lighting systems, air ducts, fairings, doors, windows, stairs and substructures for railway vehicles. Shortly after, in 2000, the A1 factory (3.5 km^2) was inaugurated in Carini, which doubled its production capacity in 2003.

Between 2003 and 2005, the company obtained two new certifications for the construction of metallic and non-metallic components, as well as for light alloy furniture and welding and fusion (ISO 14001 and ISO 3834-2:2005). Also in 2005, the design and engineering department for 3D solid models was established.

Between 2006 and 2011, the company entered the cold forging of aluminium and gradually increased its market share by working with Alstom and Bombardier and securing its first contract abroad. In 2013, the company obtained IRIS certification, dedicated to companies operating in the railway market, which constitutes a significant barrier to entry.

In 2015, the company started working with Siemens and inaugurated the A2 factory. In 2017, Omer NA was established in Detroit, Michigan, to support a major customer in train production in the North American market. In 2020, the company inaugurates factory B in Carini, investing around €9m, with a total area of 59k square meters and in 2021, Omer enters Euronext Growth Milan (ex AIM) raising a total of around €25m (between primary and secondary offer).

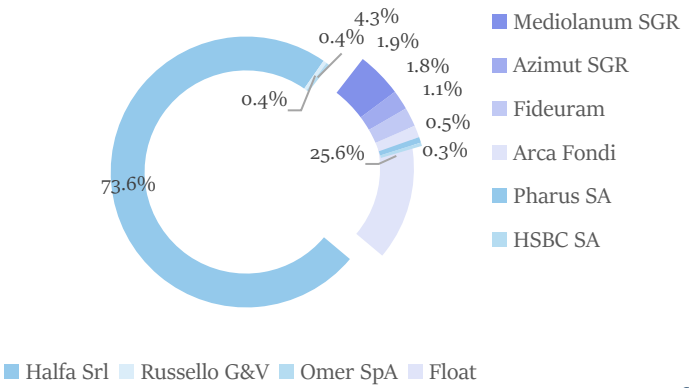
Main events timeline



Source: Company's website

To date, 73.6% of the share capital is held by the company Halfa Srl, owned by the Russello family, Giovanni and Vincenza Russello hold 0.4% of the capital, Omer holds 0.4% of the capital, and the remaining 25.6% constitutes the float. Among the largest free float holders are: Mediolanum SGR at 4.3%, Azimut SGR at 1.9%, Fideuram at 1.8%, Arca Fondi at 1.1%, Pharus SA at 0.5% and finally HSBC at 0.3%, the remaining 15.66% being held by other institutional and individual investors.

Shareholding



Sources: Borsa Italiana, Factset

Board of Directors

Elected in July 2021, he will remain in office until the 2023 budget is approved.

Giuseppe Russello (61) - President and CEO

- Graduated in mechanical engineering from the University of Palermo.

- Started his career at Fincantieri, then joined L.M.

- Founder of Omer in 1990, active in the railway sector from 1992

- President of Sicindustria Palermo and active member of Associazione Industrie Ferroviarie

Vincenza Rusello (57) – Vincenza Rusello (57) – Vice-president and advisor

-Accounting diploma

-Founder of Omer SpA in 1990

-Many years of experience in accounting, administration and financial management

Roberto Polizzi (63) – Advisor

- Degree in Economics at the University of Palermo

- Chartered accountant (1988) and auditor (1995)

- Expert in business consulting, taxes, organization, financial planning and M&A

- Experience in various sectors such as mass distribution, automobile and industry: Mass distribution, automobile and manufacturing industry.

Salvatore Giosue (49) – CFO

- Degree in Economics at the University of Palermo

- 15 years of experience at Fincantieri in management control of the Palermo shipyard

- For 8 years, Director of Finance and Control at Bacini di Palermo SpA

- Director in Omer from 2021

Angelo Costa (56) – Independent Advisor

- Degree in Economics at the University of Genoa

- Many years of collaboration with the Luchini group (steel industry)

- Decades of experience in EPC projects, especially in aqueducts and water treatment plants

- First financial director then general director of Arriva Italia Sr

Products, technologies, design and industrialisation

Interiors (74% of H1 2023 revenue): Omer is one of the main suppliers of interiors for high-speed trains, regional trains and metros. With its ISO 9001 certification obtained in 1999, the company today offers a wide range of products, including window panels, ceiling panels (with integrated lighting system), partitions, stair access, handrails, stairs and interior coverings. Since 2005, with the launch of the design and engineering division, Omer began to support its customers from the development of the initial project, providing its know-how and at the same time accelerating the internal production process. Omer is now able to support its customers on multiple fronts, from material selection to system integration such as lighting, air exchange and emergency solutions.

Examples of interiors

Source: Comapny's website

Toilet modules (10% of H1 2023 revenue): Omer supplies bathroom cubicles, including manually or electrically operated access doors, waste management technologies and all necessary accessories to ensure optimal use for passengers. A critical and at the same time revolutionary product, given that Omer builds them in aluminium, a more environmentally friendly material than classic fiberglass modules, since it is completely recyclable in the medium term.

Examples of toilet modules

Source: Comapny's website

Fairings (6% of H1 2023 revenue): The sides and undersides of the trains and have a dual function, on the one hand protection, on the other hand they provide good aerodynamics, as for the exterior doors, in Particularly for high-speed trains, they require great engineering and design expertise.

Fairing manufacturing

Source: Comapny's website

OMER manufactures complete fitting systems and railway components in aluminium alloys; with a high level of specialization in the areas of infrastructure and labour; as well as steel alloys, plastics and composites, as required. All phases of product processing and processing are accompanied by in-house technology and expertise. Only special processes and/or activities (e.g. galvanizing, moulding of small plastic components) are entrusted to selected suppliers, if necessary. This allows extreme flexibility in production.

Aluminium is a more durable material than fiberglass due to its high level of recyclability. The Journal of Cleaner Production (2016) estimates that from production to post-recycling, aluminium components (AA5754) emit 38% less CO2 than the same fiberglass products (GFRP). All machines in Omer's Italian factories are integrated and digitalized according to the logic of Industry 4.0, each phase is controlled with an integrated IT system, which analyses production, tracks materials and makes the production process as efficient as possible through occasional reanalysis activities.

Production begins with rolled products (made of steel/aluminium alloys or light alloy extrusions), proceeds through cutting, plastic deformation, welding and grinding. Next comes gluing, painting and assembly. The final product is then ready to be shipped to the warehouses of the world's largest manufacturers. Omer manufactures each product from scratch, with each project requiring specific components and materials. At the end of each project, Omer minimizes waste, most of which will not be used for the next project.

Cutting, welding and painting

Source: Comapny's website

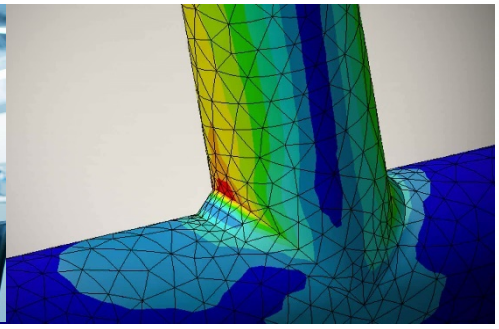
The machines used in the production of Omer are multiple: Laser cutting machines, to generate shapes from flat metal sheets, stamping presses, to give the desired shape to flat metal sheets. In collaboration with the Polytechnic Institute of Bari, Omer has created a hybrid casting technology for aluminium processing, called "Warm Forming". WF takes place at 250 degrees and provides greater elasticity in the forming of aluminium than Cold Forming, which typically takes place at 25 degrees, while being considerably more stable than Super Forming, which takes place at 450 degrees. Finally, the group uses mechanical bending machines for flat sheets; boring machines (2, 3 and 5 axis CNC); welding stations; grinding cabins (more than 20 operators can prepare the semi-finished product for painting at the same time); gluing booths; stripping facilities for residues; painting installations (powder, solvent); assembly workstations.

Cutting and drilling machines, welding stations, grinding and gluing booths and assembly benches

Source: Comapny's website

Omer's design and engineering department addresses customer requirements and standards to identify technical solutions that minimize production costs while maximizing product benefits. Specialized technicians and engineers are responsible for managing technical project documentation, issuing 2D documentation and 3D modelling (with software such as Solid Edge and Catia V5) for project development/modification, FEM analysis, product industrialization, CAD/CAM process management for labour efficiency, tool design and manufacturing, testing (fire resistance, thermal and acoustic insulation, corrosion, static load, shock and vibration tests and finally fatigue load) and finally technical assistance in the factory.

3D modeling and FEM analysis



Source: Comapny's website

Design work begins before the contract is awarded to the manufacturer. This allows the design and engineering department to work on the same projects with the major clients' team, ensuring a high probability of contract award when the manufacturer wins the project. This integration between customers and Omer makes it possible to optimize the start of production, by anticipating the design phase, and to establish significant barriers to entry for other market players.

Once the design and development phase is completed, Omer is responsible for planning the purchase of raw materials (mainly aluminium), having excellent visibility on production. Omer is partially able to manage any increase in the cost of raw materials, by adjusting the price with the customer, thereby mitigating any impact on EBITDA margins caused by an increase in the cost of raw materials. The cost of raw materials remains the main expense of the company and, in 2022, it represented 43.6% of sales, 8/10% directly depends on the cost of aluminium materials.

The total duration of the production process is approximately 4/5 months, two for planning and material orders, one for production and two for final assembly and shipping (48 hours to Europe). Next comes the testing phase in accordance with IRIS standards and customer requirements. The company, thanks to factory B, could increase its production capacity in the years to come.

Business Model

Omer's business model generally follows the following steps:

Macro stages of the business model

Source: Comapny's website

- Pre-sales/sales: the company participates in events (e.g. Innotrans in Berlin, the American Public Transportation Association expo in Berlin, the Railway Expo in Italy, etc.), commercial negotiations, code design activities (or price quotations on certain products) with manufacturers participating in calls for tenders organized by the main national operators. All this with the aim of nurturing already established commercial relationships, creating new links with additional potential customers and signing framework agreements with railway vehicle manufacturers once construction orders have been won. Omer can sign framework agreements directly with manufacturers or apply in cooperation with other partners (RTI, ATI) for the signing of the framework agreement.

American Public Transport Association event in Orlando (2023) and EXPO Milan 2023

Sources: APTA, Expoferroviaria.com

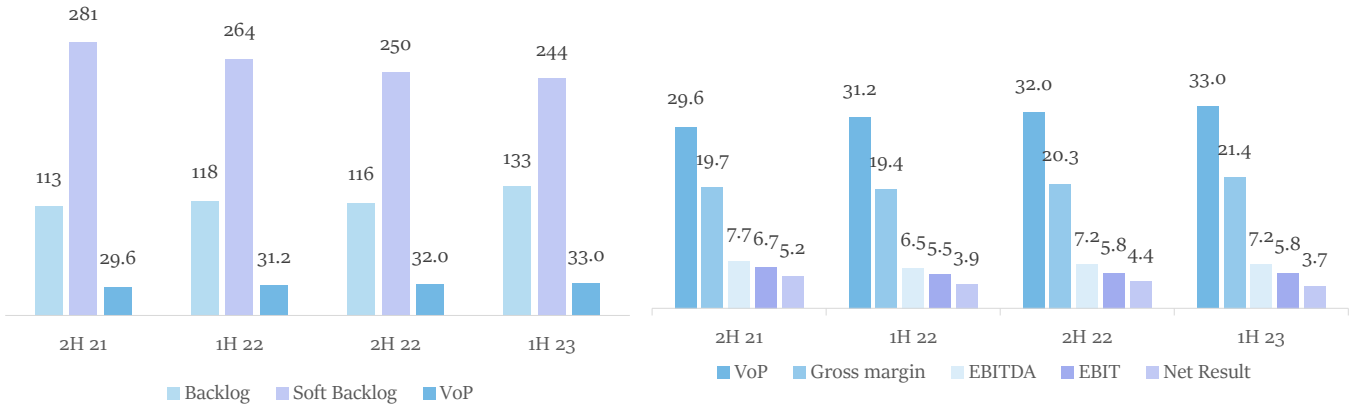
- Design & engineering: this phase can be part of the sales phase and allows Omer to develop and elaborate the product and the production process, minimizing production times and costs and maximizing the quality of finished products.
- Procurement: once the entire industrial process has been approved and defined, the company purchases the raw materials, semi-finished products and outsourcing work necessary to deliver the finished product to the market.
- Production: between all stages, from cutting to shaping, graining and assembly, the entire process can take Omer up to three months, depending on the work to be done. Most stages of production take place at Carini's two factories in Sicily, but some may take place at the Michigan factory.
- Testing: the company has several certifications which allow it to carry out different stages of production as well as product testing; inspections may be more or less thorough depending on the final use for which the product is intended. Typically, products intended for high-speed trains require more extensive testing.
- Delivery: after packaging, the delivery phase can take up to 48 hours in Europe. Additionally, the company offers a two-year warranty on its products, which in itself is a secondary after-sales service.

Historical financial analysis

Between H2 2021 and H1 2023, the production value of Omer increased significantly, from €29.6m to €33m and recording an organic CAGR of 7.3%. During the same period, the backlog increased from €113m to €133m and the soft backlog (includes the total potential size of the framework agreement) decreased from €281m to €244m, highlighting Omer's strong capacity to collect orders despite the growth in productivity and sales. The backlog offers full visibility on sales exceeding 2.05 years (vs. 1.94 YoY). The soft backlog fell slightly to 3.75x the production value (vs. 4.3x YoY).

Gross margin increased between H2 21 and H1 23 at a CAGR of 5.5%, slightly lower than the production value growth due to an increase in raw material costs, which was not 100% covered . The ratio of gross margin to production value, although also dependent on storage dynamics, decreased slightly to around 65% (vs. 66.4% YoY).

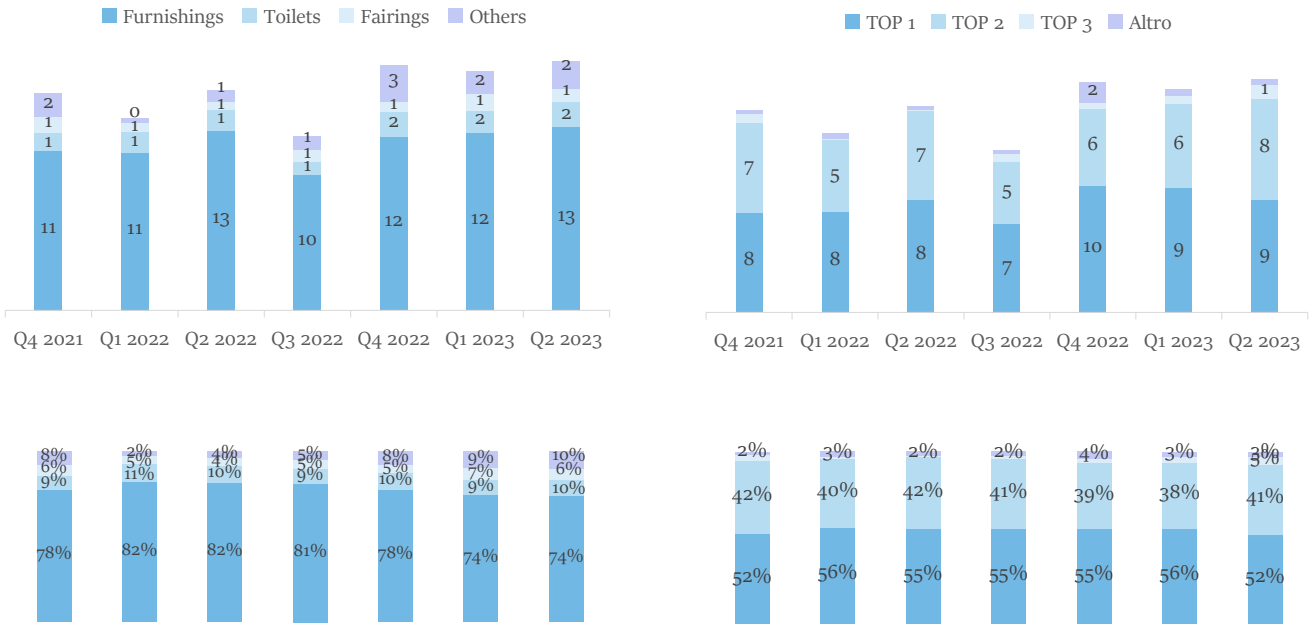
Main indicators on the income statement H2 2021 to H1 2023 (€M)



Sources: Omer, TP ICAP

Omer's revenue is heavily dependent on interior manufacturing, which represented 74% of Q2 2023 revenue (vs. 82% YoY), for a CAGR over the last 2 years of approximately 10%. It is followed by Toilet Module revenue, the importance of which has gradually increased to reach €1.8m generated in the last quarter (vs. €1.4m YoY). The third largest product is Fairing, which contributed €0.9m (vs. €0.6m YoY) to revenue generation in the last quarter. As for Others revenue items, this includes revenue from door sales (around 1% over the last two quarters) and the allocation of costs incurred to carry out tooling, project management and modeling simulations. and testing that cannot be directly linked to a product. In Q3 2021, more than 90% of revenue was generated by the two main customers, with a slight trend towards diversification.

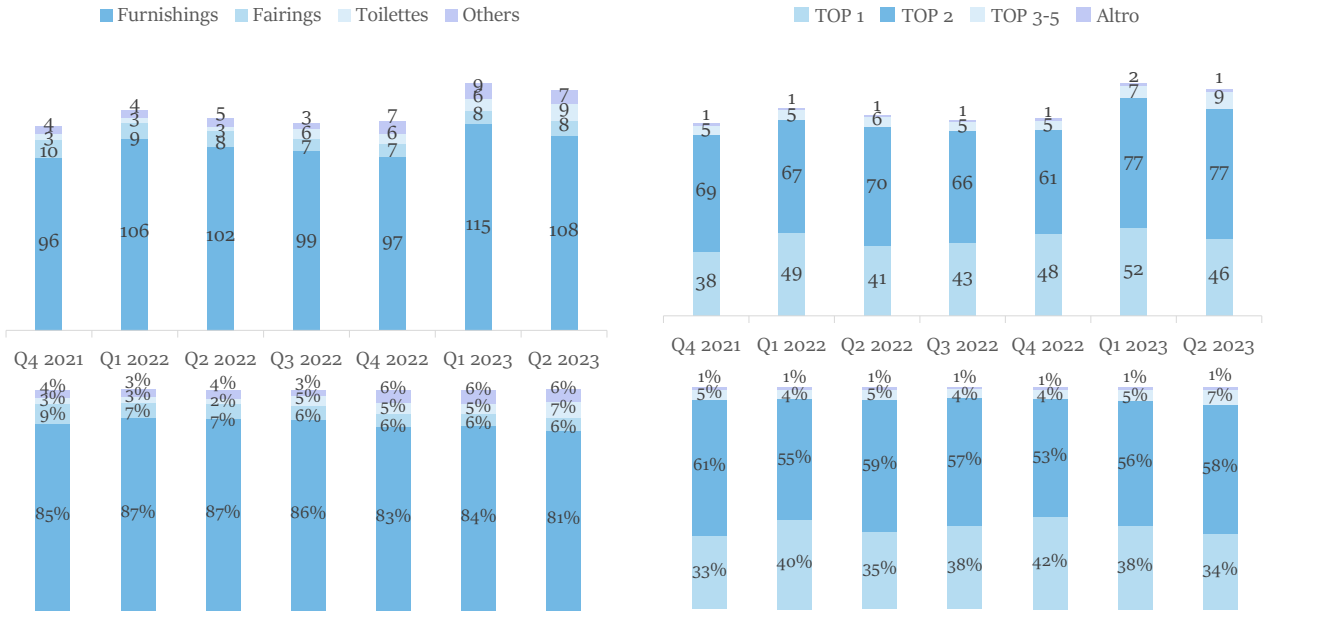
Quarterly revenue distribution by product and top customer Q4 2021 - Q2 2023



Sources: Omer, TP ICAP

The backlog between Q3 2021 and Q2 2023 fluctuated slightly, reaching a low of €113m at the end of 2021 and a high of €137m at the end of Q1 2023, with the average CAGR for the period being 11.5%. Over the quarters, Fairings and Other services (including door construction) have become more important in the mix, allowing for a more diversified future by product. When it comes to backlog per customer, Omer historically has a greater number of orders from the second largest customer in terms of revenue generated. As for customer diversification, it has also improved thanks to the gradual increase in orders from Siemens and Knorr Bremse, which now represent around 7% of the backlog.

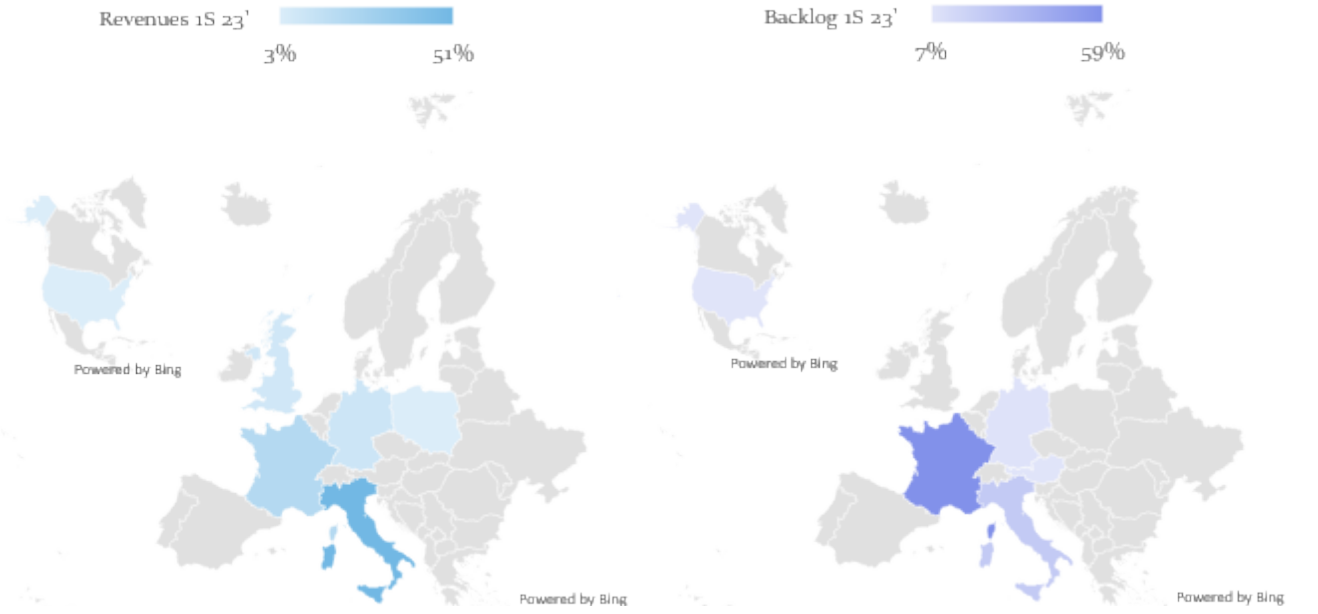
Quarterly breakdown of order backlog by product and by main customer Q4 2021 - Q2 2023



Sources: Omer, TP ICAP

Regarding the regional revenue breakdown and backlog in H1 2023, we report a higher concentration of revenue in Italy (51%), followed by France (21%), Germany (10%), United Kingdom (8%), United States & Canada (5%), Poland (3%) and rest of the world (2%). The backlog is more concentrated with France at 59%, Italy at 23%, Germany at 8%, Austria at 7%, the United States at 2% and the rest of the world at 1%.

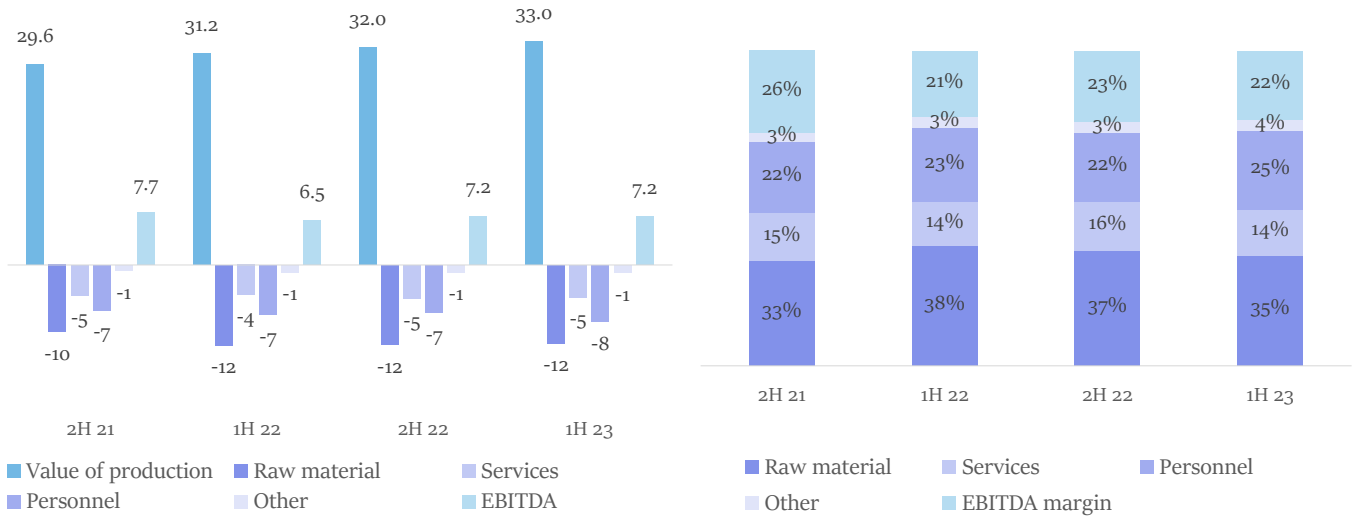
Geographical distribution of revenue and order book for H1 2023



Sources: Omer, Bing, TP ICAP

By analysing the main cost items, we see that over the last four semesters, revenue growth was offset by a more than proportional growth in costs, which led to a slight drop in EBITDA to €7.2m in H1 2023 (vs. €7.7m in H2 2021) and the EBIT margin from 26% in H2 2021 to 22% in H1 2023. While service costs have remained stable relative to the VoP over the past four half-years, personnel costs have increased from 22% to 25% of the production value, and material costs (net of PM inventory) have increased from 33% to 35% of the Production Value.

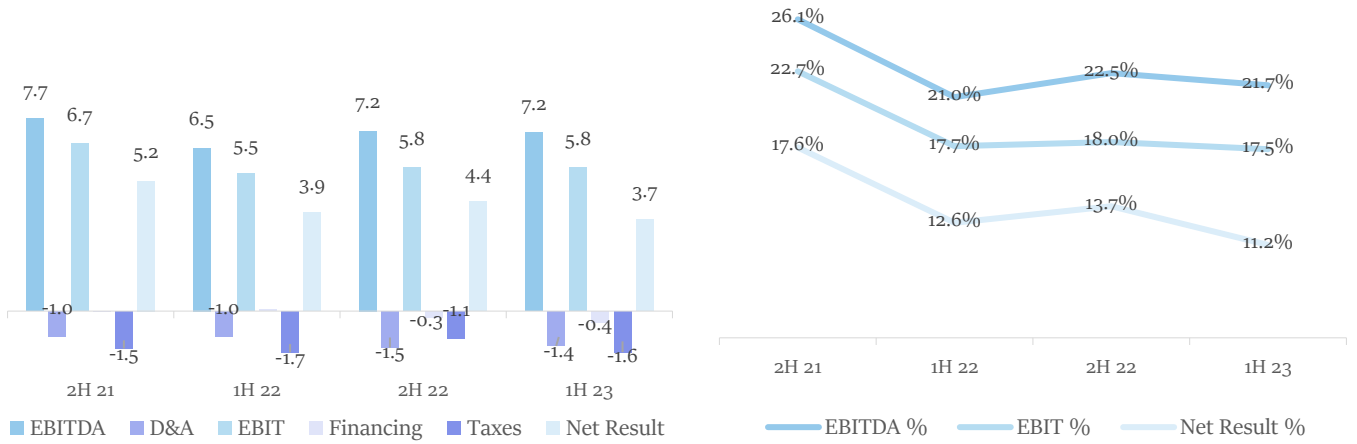
From VoP to EBITDA, the main cost drivers and their composition (% VoP)



Sources: Omer, TP ICAP

In recent years, the rise in interest rates has mainly impacted the cost of factoring, the main source of bank financing, increasing the cost of financing from zero in H2 2021 and H1 2022 to €0.3m and €0.4 m in H2 2022 and H1 2023. The gap between EBIT margin and net margin, while remaining narrow, increased slightly from 5.1% in H2 2021 to 6.3% in H1 2023. The net margin at the end of H1 2023 was 11.3% (vs. 12.6% YoY), highlighting that more than 50% of the EBITDA of the last half converted into net earnings (in the previous three half-years, the conversion was above 60%).

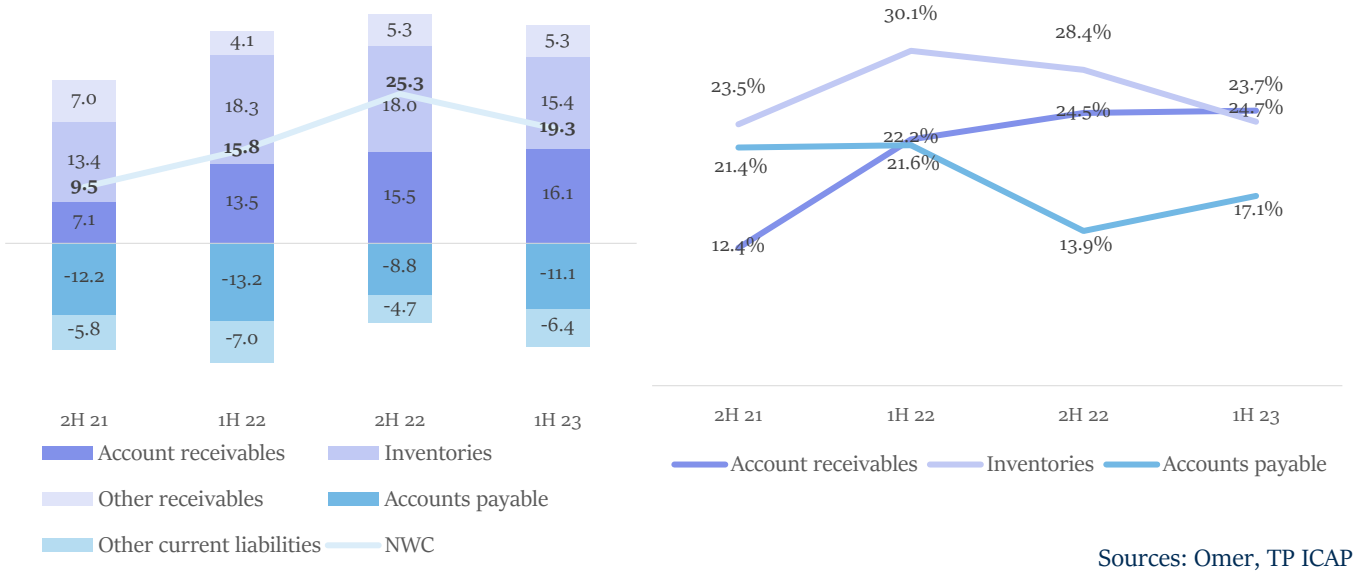
From EBITDA to net income H2 2021 – H1 2023



Sources: Omer, TP ICAP

Regarding the dynamics of the working capital of the last four half-years, we can note that in the two half-years of 2022, Omer's receivables and inventories increased significantly, increasing the net working capital from €9.5 m at the end of 2021 to €25.3m at the end of 2022, the same growth was not seen in commercial debts which contracted from €-12.2m at the end of 2021 to €-8.8m at the end of 2021. end of 2022. This dynamic resulted in a cash absorption of around €15.6m over the course of 2022. In contrast, 2023 resulted in a contraction of inventories of €2.5m, a slight increase in trade receivables and an increase higher commercial debts, which resulted in cash generation of approximately €4.8m. Reported to the production value, we see that inventories returned to the level of the end of 2021, trade receivables gradually increased and supplier debts contracted in H2 22 to rise to 17.1% of the production value in H1 23.

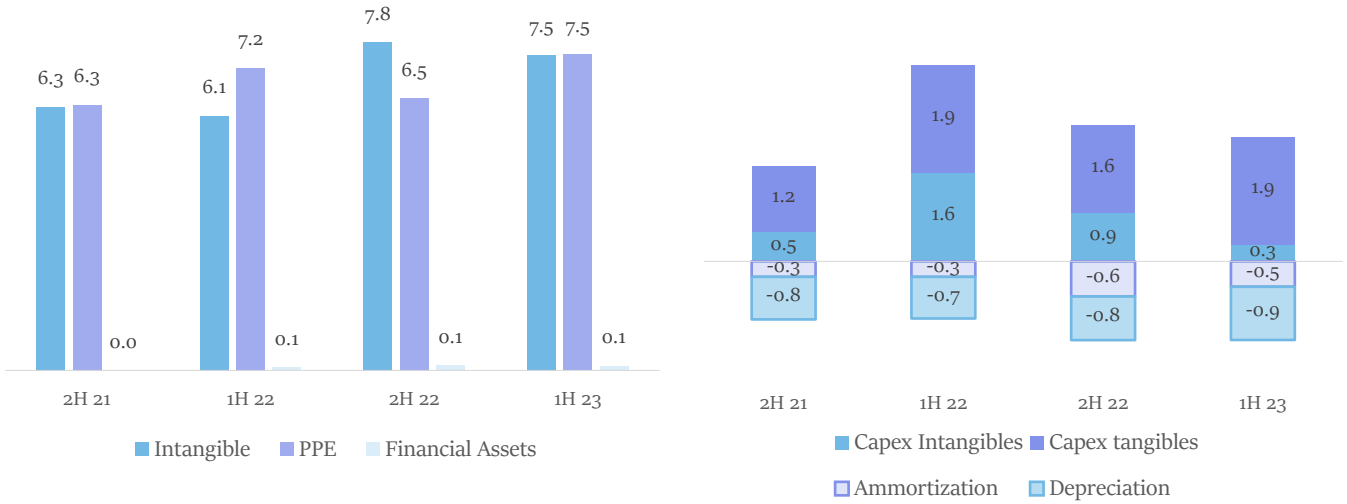
Working capital trends H2 2021 – H1 2023



Sources: Omer, TP ICAP

Regarding non-current assets, investment spending over the past four half-years has been more focused on intangible assets. Most of the intangible assets are recorded on the balance sheet as leasehold improvements, factory B is leased and owned by Bertha Srl and factory A belongs to Omer Immobiliare Srl (after the demerger of 2021) and the equipment contained in the factory are depreciated over the duration of the rental period (7 + 7 years). Over the last three half-years, the company has invested €5.4m in tangible assets and around €2.8m in intangible assets, mainly in Carini Factory B.

Composition of non-current assets, investments and depreciation H2 2021 – H1 2023



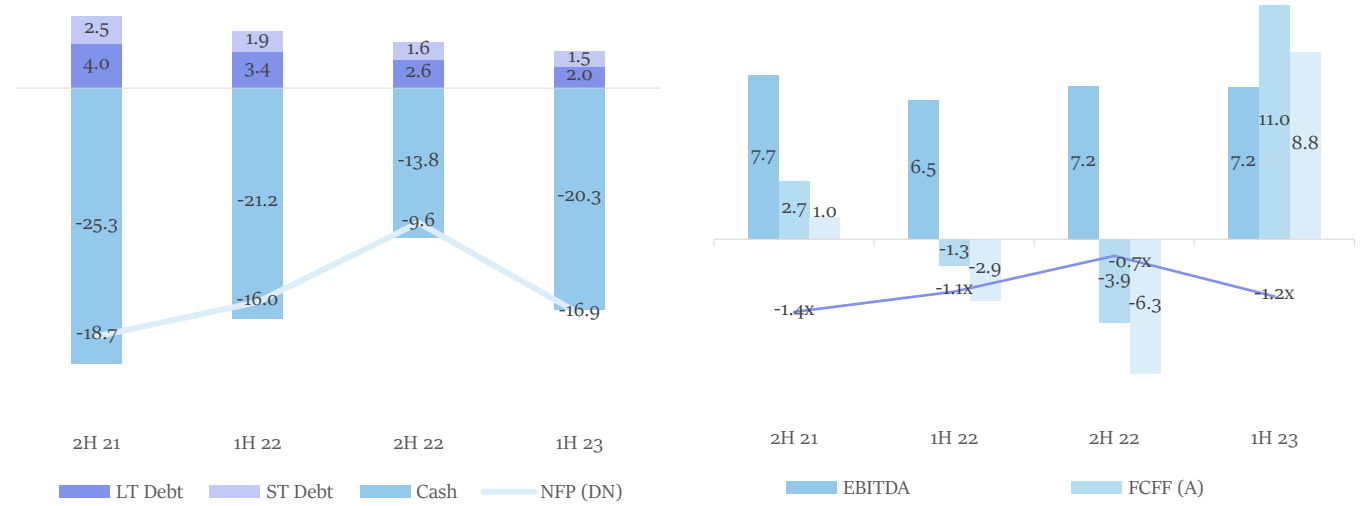
Sources: Omer, TP ICAP

Over the last 3 semesters, despite 1) significant investments made for a total of €6.2m, 2) a significant increase in the size of working capital (mainly caused by trade receivables) which absorbed approximately €10.8m, and 3) the payment of dividends in H1 2023 for

€1.4m) the purchase of own shares for an additional €0.1m, Omer has a net cash position of €16.9m at the end of June 2023 (down only €1.9m vs. December 2021).

Omer's strong financial balance sheet is suitable to support future M&A transactions or new organic capex investments. Taking a conservative annualized Net Debt/EBITDA ratio of 2.25x (average between Alstom's net debt, 4.3x, and that of Stadler, 0.2x), Omer could invest up to €49m today while maintaining a structure sustainable financial.

Key indicators of net financial position and cash generation



Sources: Omer, TP ICAP

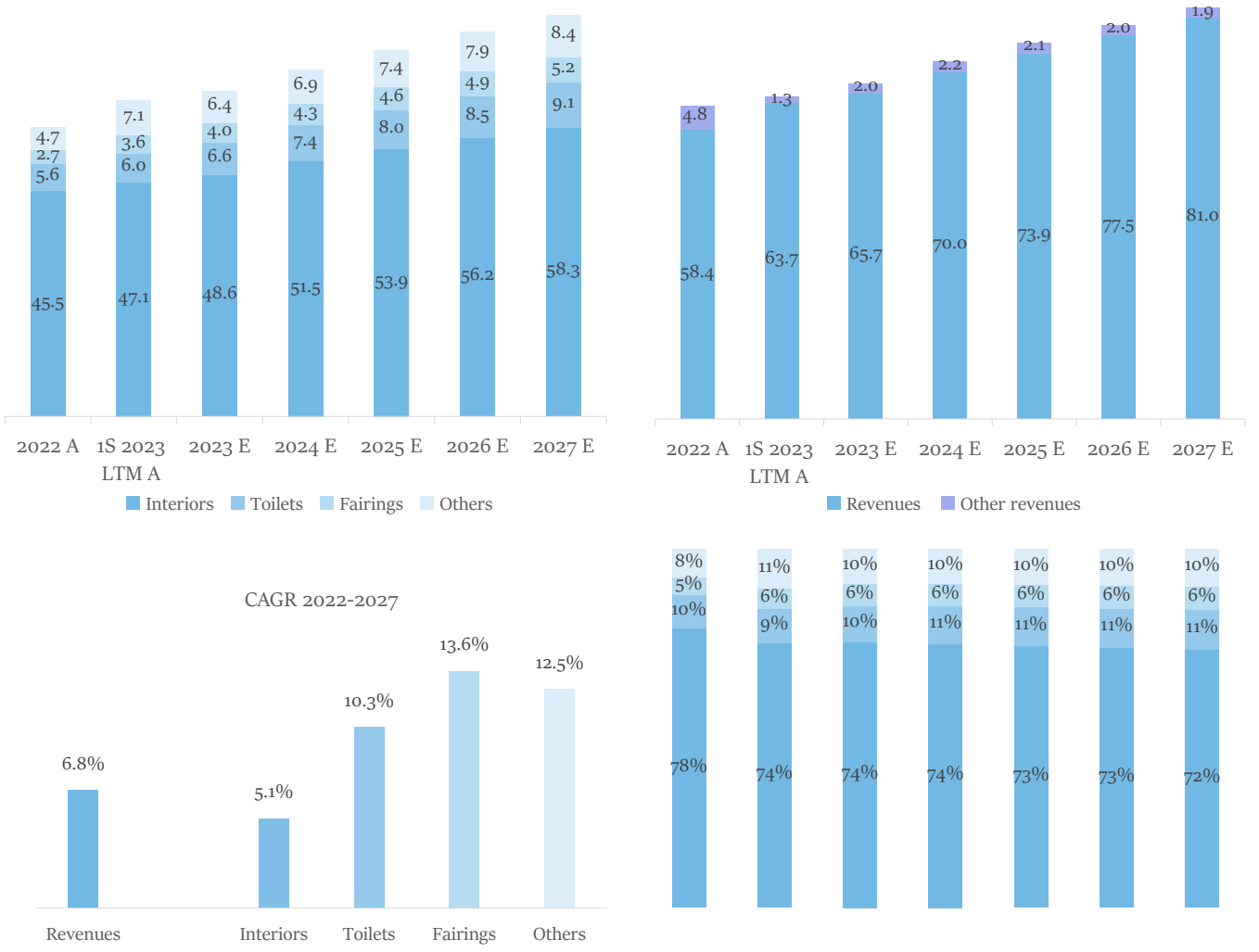
Prospective financial analysis

Based on available data through H1 2023, we estimated that Omer's Production Value and revenue can grow at a 2022-2027 CAGR of 5.6% and 6.8%, respectively. The strongest revenue growth is expected to occur in 2023 with organic growth expected at 12.5%. Given that H1 2023 revenue growth was 18.3% YoY, we believe Omer can post 6.8% growth in H2 2023 (YoY). Subsequently, we estimate that revenue growth will be more moderate and that annual organic growth will decrease over the following years, going from 6.5% in 2024 to 4.5% in 2027.

We expect the product range to gradually diversify over the next few years, with interior products revenue decreasing from 81% in 2022 to 72% in 2027, interior products growing at a CAGR 2022-2027 by 5.1%. As for Toilet Module sales, we expect them to increase between 2022 and 2027 with a CAGR of 10.3%, which will gradually increase their importance in the revenue mix. Finally, we also expect significant growth from the Fairing division, we believe Fairings can grow at a 2022-2027 CAGR of 13.6%.

Finally, we believe that Other revenue will grow at a 2022-2027 CAGR of 12.5% for two main reasons, the first being the expected growth of doors in this division, which has already seen a growing backlog over the past year. H1 2023, but mainly due to the growing demand for personalized services, which we believe will be increasingly demanded at the design stage by large clients.

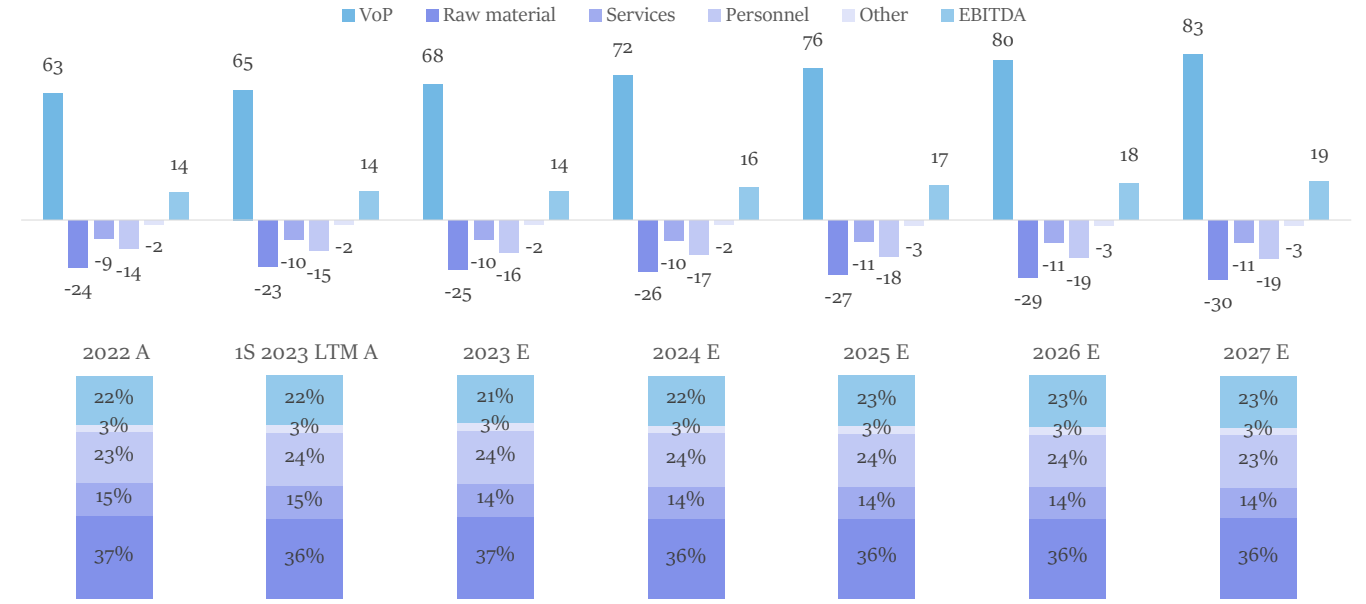
Value of production and revenue, expected growth and composition by product 2022 A -2027 E



Sources: Omer, TP ICAP

We believe EBITDA can grow over the next few years at a 2022-2027 CAGR of 6.9%, or 130 basis points higher than Production Value growth. We estimate that the EBITDA margin can increase from 21.8% in 2022 to 23.2% in 2027, thanks to a slight decline in raw material costs, due to a gradual decrease in energy and aluminium costs, and costs of external services, due to greater efficiency of internal management, facilitated by the expected growth.

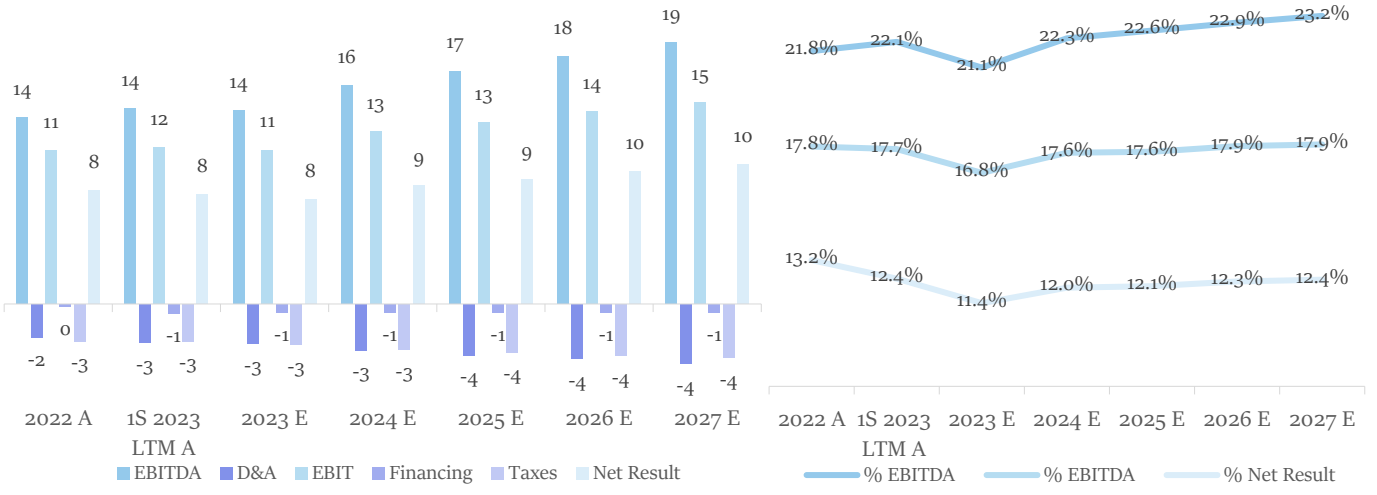
From VoP to EBITDA, projections and cost structure and structure 2022 A -2027 E



Sources: Omer, TP ICAP

Omer has invested substantially in its Carini B factory (more recently in the paint shop), in the construction of a photovoltaic plant and in R&D (partly dedicated to the "Dolce Vita" project, a potential luxury rail tourism which could bring a large order to Omer in the coming years). We believe that in 2024 investments will be able to remain at the same level as this year. We estimate that the EBIT margin will increase from 16.8% in 2023 to 17.9% in 2027. This year, we estimate that there will be an increase in the cost of financing, due to factoring, which could reach around €0.6m in 2023 (vs. €0.3m YoY) and that this cost will remain stable in the years to come. Although growing, depreciation and financial expenses will remain low compared to the Production Value, so that on average, around 55% of EBITDA will be converted into net income according to our estimates (compared to 65% in 2022).

EBITDA to Net Income Projections and Margins 2022 A -2027 E

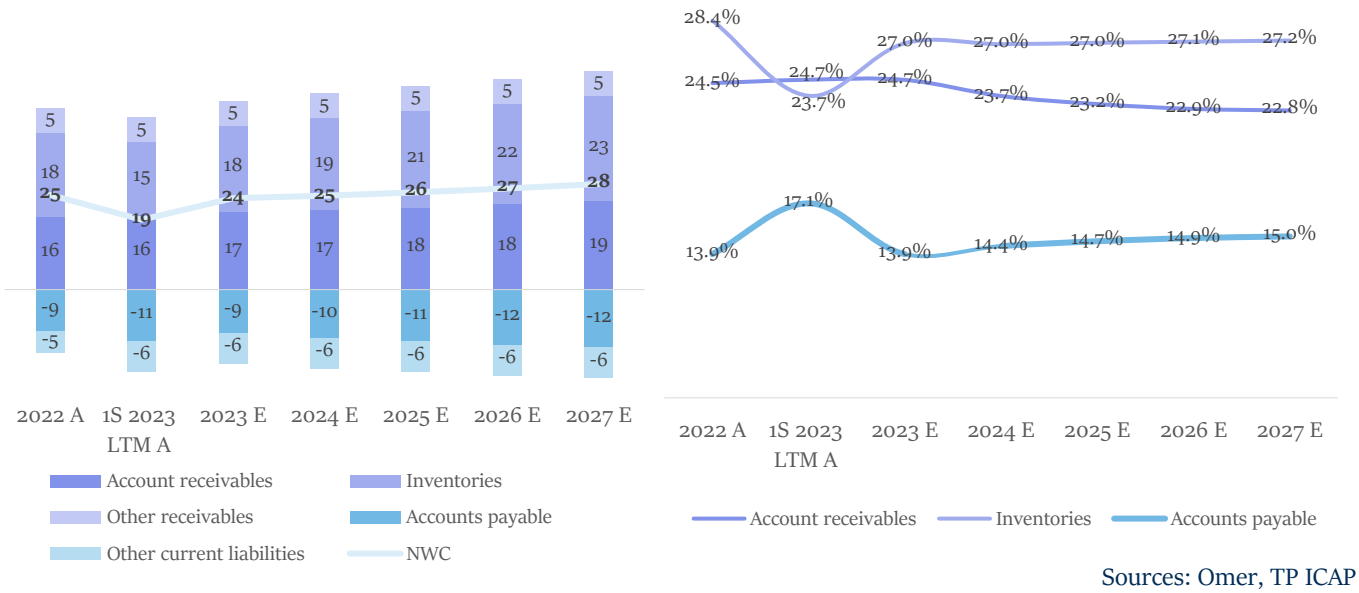


Sources: Omer, TP ICAP

The dynamics of working capital largely depends on inventories and trade receivables. On average, at the end of 2021 and 2022, raw materials constituted 49.5% of inventories, followed by 36.4% of work in progress and 14.1% of finished goods. For the coming years, we estimated a stable stock size at 27% of production value (compared to 28.4% in 2022), slightly less dependent on raw materials (around 47% of total) and more dependent on work in progress and finished products due to greater production efficiency.

We believe that trade receivables can increase to 24.7% of the Production Value at the end of 2023 (from 24.5%), then be gradually rationalized up to 22.8% in 2027. Likewise for the management capacity of trade receivables, we believe that Omer can gradually extend the payment terms of its suppliers due to its increasing negotiating power. We estimate that commercial debts will remain stable at 13.9% of VoP in 2023, then increase to 15% in 2027 (in 2021, they represented 21.4% of VoP).

Expected working capital trends 2022 A -2027 E



Sources: Omer, TP ICAP

Regarding investments, they will be slightly higher than depreciation until the end of 2024; after the end of this growth cycle, we currently forecast maintenance expenses of between 4.3% and 3.5% from 2025. If the “Dolce Vita” project comes to fruition, capex expenses could increase compared to our estimates, and with them the order book, revenues and margins, because this is a project with high potential added value. The company's tangible assets (mainly machinery) are depreciated over a shorter horizon than its intangible assets (mainly leasehold improvements).

Non-current assets, capex and depreciation, expected dynamics 2022 A -2027 E

Sources: Omer, TP ICAP

We estimate that Omer can maintain the company's cash generation (before capex) at 80% of EBITDA in 2023 and stable at 70% of EBITDA thereafter, with excellent WCR management, which according to our estimates, will generate around €0.8m this year and will absorb cash to the tune of -€0.6m to -€1.1m until 2027. We expect that financial charges, taxes and disbursement of provisions will absorb between €4m and €5.2m per year.

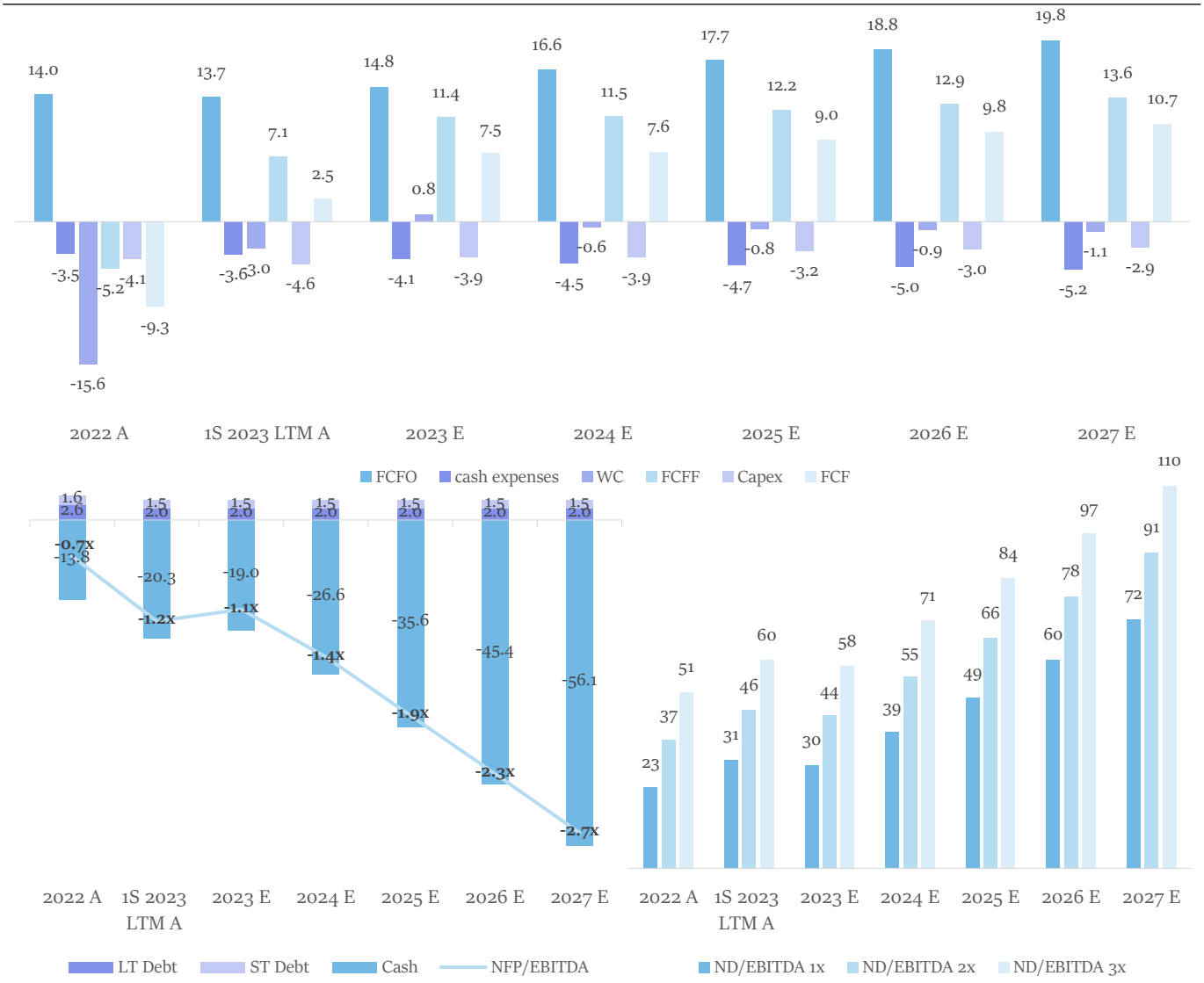
According to our estimates, FCF (post capex) will be €7.5m at the end of 2023 and will gradually increase to €10.7m in 2027, showing a strong EBITDA to cash conversion ratio between 48% and 56%.

At the end of June 2023, Omer, thanks to the funds raised during the IPO in 2021 and the excellent cash generation capacity, has a net cash position of -€16.8m (cash of €20.3m and debt ST and LT of €3.5m). Already today, considering an Net Debt/EBITDA ratio of 2x, Omer could spend around €46m in M&A or capex.

By maintaining the debt limit threshold at 2x Net Debt/EBITDA, Omer could spend up to €91m by 2027. By increasing the debt limit threshold to 3x, the company's cumulative expenses over the next 5 years could reach €110m. Finally, conservatively, with an optimal maximum Net Debt/EBITDA ratio of 1x, Omer could make extraordinary investments of €72m over the next 5 years.

[Taking into account the pro forma EBITDA incorporating the margin of the acquired company, the amount to be spent would further increase depending on the margin of the target company.]

Expected cash generation factors, net debt structure and potential additional M&A/capacity investments in three leverage scenarios (Net Debt/EBITDA 1x 2x 3x) 2022A - 2027 E



Sources: Omer, TP ICAP

Firm Valuation

In order to determine the intrinsic value of Omer SpA, a discounted cash flow method was applied (with a weighting of 70%) and to support the result, a secondary relative valuation model was also applied (with a weighting of 30%) for which eleven market peer comparisons, mainly European, were selected. The relative valuation model is based on EV/EBITDA (weighted at 15%) and EV/EBIT (weighted at 15%) multiples.

The valuation does not take into account potential future M&A operations, nor the growth that could result from Omer obtaining new projects (including the Dolce Vita project), but only the expected organic growth. We remind you that the company has significant cash and that, consequently, the use of this cash, which currently allows financial costs to be controlled, could modify future estimates.

DCF

In order to develop the DCF model, the following assumptions were implemented:

- EBITDA margin normalized to 23.2% of VoP from 2027E
- Maintenance investments gradually decrease from 7% of VoP in 2022 to 3% of VoP in 2027
- Net working capital decreases to 36% of VoP in 2025, then decreases again in 2027
- Decrease in net working capital to 36% of VoP in 2025, gradually approaching 34% of VoP in 2032
- Corporate tax rate of 27.9%

Discount rate

- Risk-free rate of 4.4% (10-year Italian BTP, average of values over the last six months)
- Equity risk premium of 8.33% (Source: Damodaran website)
- Specific risk premium of 1%
- Leveraged beta of 0.81x
- Long-term growth rate (g) of 1%
- A cost of equity of 12.1% for an equity weighting of 100%.
- Debt costs of 4.3% for an equity weighting of 0%.
- A WACC value of 12.1%

	Peers	Beta 3YR	EV	Equity value	Gearing	Tax	Beta Unlevered
WAB-US	Wabtec	1.01	21.60	17.73	18%	25%	0.97
KBX-DE	Knor Bremse	0.91	10.77	8.68	19%	26%	0.87
SRAIL-CH	Stadler Rail AG	0.86	3.28	3.18	3%	20%	0.86
ALO-PAR	Alstom SA	1.15	7.55	4.82	36%	24%	1.06
CAF-ES	CAF S.A.	0.82	1.36	0.96	29%	25%	0.77
TLGO-ES	Talgo S.A.	0.81	0.64	0.45	28%	25%	0.75
KNEBV-FI	Kone Oyj Class B	0.89	19.83	18.63	6%	24%	0.88
CY1K-DE	SBF A.G.	0.27	0.04	0.04	-8%	25%	0.28
SCF-IT	ıalcef Group S.p.A	0.68	1.37	1.40	-3%	28%	0.68
VOS-DE	Vossloh A.G.	0.79	1.07	0.65	39%	25%	0.72
NRC-NO	Vossloh A.G.	0.65	0.15	0.07	53%	28%	0.57
	OMER-IT	0.56			0%	28%	0.81

Source: TP ICAP, FactSet

DCF

DCF Valuation (€M)	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Sales	54.3	58.4	65.7	70.0	73.9	77.5	81.0	84.1	86.7	88.8	90.3	91.2
% YoY		*7.7%*	*12.5%*	*6.5%*	*5.5%*	*5.0%*	*4.5%*	*3.8%*	*3.1%*	*2.4%*	*1.7%*	*1.0%*
EBITDA	15.6	13.8	14.3	16.1	17.2	18.2	19.2	20.0	20.6	21.1	21.4	21.7
% margin	*28.8%*	*23.6%*	*21.7%*	*23.0%*	*23.2%*	*23.5%*	*23.7%*	*23.7%*	*23.7%*	*23.7%*	*23.7%*	*23.7%*
Depreciation & Amortisation	-1.8	-2.4	-2.9	-3.4	-3.8	-4.0	-4.4	-4.1	-3.9	-3.5	-3.1	-2.7
% of Sales	*3.3%*	*4.1%*	*4.4%*	*4.8%*	*5.1%*	*5.2%*	*5.4%*	*4.9%*	*4.4%*	*4.0%*	*3.5%*	*3.0%*
EBIT	13.8	11.4	11.3	12.7	13.4	14.2	14.9	15.8	16.7	17.6	18.3	18.9
EBIT Margin	*25.5%*	*19.4%*	*17.3%*	*18.1%*	*18.1%*	*18.3%*	*18.3%*	*18.8%*	*19.3%*	*19.8%*	*20.3%*	*20.7%*
Taxes	(3.6)	(2.8)	(3.0)	(3.4)	(3.6)	(3.8)	(4.0)	4.4	4.7	4.9	5.1	5.3
Marginal tax rate	*25.9%*	*24.8%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*
NOPAT	**10.2**	**8.5**	**8.2**	**9.2**	**9.7**	**10.2**	**10.7**	**11.4**	**12.1**	**12.7**	**13.2**	**13.6**
D&A	1.8	2.4	2.9	3.4	3.8	4.0	4.4	4.1	3.9	3.5	3.1	2.7
Capital Expenditures	(3.5)	(4.1)	(3.9)	(3.9)	(3.2)	(3.0)	(2.9)	(2.9)	(2.9)	(2.9)	(2.8)	(2.7)
% of Sales	*6.5%*	*7.0%*	*6.0%*	*5.5%*	*4.3%*	*3.9%*	*3.5%*	*3.4%*	*3.3%*	*3.2%*	*3.1%*	*3.0%*
NWC	9.5	25.3	24.5	25.1	25.9	26.8	27.9	28.9	29.7	30.4	30.8	31.0
% of Sales	*17.6%*	*43.3%*	*37.3%*	*35.8%*	*35.1%*	*34.6%*	*34.4%*	*34.4%*	*34.3%*	*34.2%*	*34.1%*	*34.0%*
Increase (decrease) in NWC	(1.6)	(15.8)	0.8	(0.6)	(0.8)	(0.9)	(1.1)	(1.0)	(0.8)	(0.6)	(0.4)	(0.2)
% of Sales	*-3.0%*	*-27.0%*	*1.2%*	*-0.9%*	*-1.1%*	*-1.2%*	*-1.3%*	*-1.2%*	*-0.9%*	*-0.7%*	*-0.5%*	*-0.2%*
FCF	**6.9**	**-8.9**	**8.0**	**8.1**	**9.4**	**10.3**	**11.2**	**11.7**	**12.2**	**12.7**	**13.1**	**13.4**
WACC	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Discount Period			0.2	1.2	2.2	3.2	4.2	5.2	6.2	7.2	8.2	9.2
Discount Factor			1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.4
Present Value of FCF	6.9	-8.9	7.8	7.1	7.4	7.2	6.9	6.5	6.0	5.6	5.1	4.7

Sources: TP ICAP, FactSet

Rating summary

Terminal Value Calculation:	
Perpetuity Growth Rate	**1.0%**
Terminal Year Free Cash Flow	13.4
Terminal Value	121.9
TV as a % of EV	*40%*
Discount Factor	35%
NPV of Terminal Value	**42.7**
Cumulative NPV of Free Cash Flow	64.3
NPV of Terminal Value	42.7
Enterprise Value	**107.0**
Less : Bridge	-16.9
Equity Value	**123.9**
Shares Outstanding (fully diluted)	28.6
Price Per Share	**4.3**
Potential upside	**62.7%**

WACC CALCULATION	
Risk-free rate (BTP 6 Months)	4.4%
Specific risk premium	1.0%
Beta	0.8 x
Equity premium	8.3%
Cost of equity	**12.1%**

Interest rate	6.0%
Tax rate	27.9%
Cost of debt (after tax)	**4.3%**

% equity	100.0%
% debt	0.0%
WACC	**12.1%**

Sources: TP ICAP, FactSet

Sensitivity analysis of the assessment by varying the WACC and g

Price (€)		WACC				
		11.1%	11.6%	**12.1%**	12.6%	13.1%
Perpetuity growth rate	0.0%	4.5	4.4	4.2	4.0	3.9
	0.5%	4.6	4.4	4.3	4.1	4.0
	1.0%	4.7	4.5	**4.3**	4.2	4.0
	1.5%	4.8	4.6	4.4	4.2	4.1
	2.0%	4.9	4.7	4.5	4.3	4.1

Sources: TP ICAP, FactSet

Description & logo of market peers

Westinghouse Air Brake Technologies Corp. provides value-added equipment, systems and services for the rail industry. It operates in the freight sector (new locomotives and components) and the mass transit sector (dedicated to new and existing passenger vehicles). The company was founded in 1869 and based in Pittsburgh, USA.

Knorr-Bremse AG manufactures and sells braking systems for railway and commercial vehicles, such as subways, light rail vehicles, freight cars, locomotives, regional and high-speed trains, and monorails. It operates through railway vehicle systems and commercial vehicle systems segments. The company was founded by Georg Knorr in 1905 and is headquartered in Munich, Germany.

Stadler Rail AG produces railway vehicles. It operates through the following segments: Rolling Stock and Services and Components. The Rolling Stock segment manufactures types of railway vehicles (high-speed trains, intercity trains, regional trains, urban transport trains, locomotives, etc.). The Service & Components segment offers services (overhaul, spare parts, repairs, maintenance, etc.). Headquarters in Switzerland.

Alstom SA provides transportation and manufacturing services. It operates through the following segments: urban and mainline transportation, signalling, services and integrated solutions. The company was founded in 1989 and is headquartered in Saint-Ouen, France.

CAF SA operates in the following segments: Rolling Stock, Wheelsets and Components. The Rolling Stock segment includes high-speed trains, regional trains, commuter trains, subways, light rail, locomotives... The Wheelsets and Components segment manufactures wheelsets, wheels, axles , reduction gears and couplings for the railway market. The company's headquarters is in Gipuzkoa, Spain.

Talgo SA designs and manufactures rolling stock and provides maintenance services to railway operators around the world. It offers corrective and preventive maintenance equipment and related services, which include maintenance engineering, management system, manufacturing and supply, as well as warranty, cleaning service, after-sales service, revisions, remodelling and product development. The company was founded in 1941 and is based in Madrid.

SBF AG is a holding company that provides lighting solutions for the mobility sector and the rail vehicle industry. It offers ceiling and lighting systems for railway vehicles. The company was founded in 1862 and is headquartered in Leipzig, Germany.

Kone Oyj manufactures elevators, escalators and automatic doors for buildings. It also offers installation, maintenance, modernization and replacement solutions. The company was founded on 27 October 1910 and is headquartered in Espoo, Finland.

Salcef Group SpA designs, constructs and maintains railway infrastructure and equipment. It operates through the following business units: Armament, Technologies, Primary Lines, Multidisciplinary Railway Works, Railway Materials, Railway Machinery and Engineering. The company was founded in 1949 and is headquartered in Milan, Italy.

Vossloh AG supplies rail fixing and switch systems. It also offers services related to the maintenance of railway tracks. The Core Components division manufactures standardized products for railway infrastructure. The Customized Modules division develops and produces systems for railway infrastructure. The Lifecycle Solutions division provides rail services. The company's headquarters is located in Werdohl, Germany.

NRC Group ASA is an infrastructure company that develops and supplies products and services for the construction, maintenance and earthworks of rail transportation systems. Its activities are structured around the following segments: Norway, Sweden and Finland: Norway, Sweden and Finland. The company was founded in 2011 and is headquartered in Lysaker, Norway.

Sources: TP ICAP, FactSet

Relative Valuation

The relative valuation via the EV/EBITDA multiple leads to a value of €4.4/share, with an upside potential of 67%, to which we have assigned a weighting of 15%. The relative valuation via the EV/EBIT multiple leads to a value of €4.8/share, with an appreciation potential of 82%, to which we have assigned a weighting of 15%. We highlight that a 20% discount was applied to the median multiple because Italy (the country in which Omer is most active and in which the stock is traded) is considered a riskier country than the United States , Germany, Finland, Norway and Switzerland, in which most comparable companies are active.

The relative valuation leads to a price target of €4.6. This methodology was developed to support the DCF method, we gave it a weight of 30% in the calculation of the final TP.

Summary of the relative evaluation

Company Name	Ticker	Country	Market Value (m)		EV/EBITDA			EV/EBIT		
			Equity	EV	2023E	2024E	2025E	2023E	2024E	2025E
Wabtec	WAB-US	United States	17,730	21,600	12.5 x	11.6 x	10.8 x	14.1 x	13.0 x	12.1 x
Knor Bremse	KBX-DE	Germany	8,682	10,773	8.9 x	8.2 x	7.5 x	12.6 x	11.3 x	10.2 x
Stadler Rail AG	SRAIL-CH	Switzerland	3,181	3,277	9.5 x	8.2 x	7.2 x	14.2 x	11.8 x	10.2 x
CAF S.A.	CAF-ES	Spain	963	1,363	5.0 x	4.2 x	3.9 x	7.9 x	6.3 x	5.8 x
Talgo S.A.	TLGO-ES	Spain	455	635	9.6 x	8.5 x	7.3 x	14.0 x	11.9 x	9.9 x
Kone Oyj Class B	KNEBV-FI	Finland	18,626	19,832	13.8 x	12.6 x	11.9 x	16.7 x	15.0 x	14.0 x
Vossloh A.G.	VOS-DE	Germany	648	1,071	7.0 x	6.4 x	6.0 x	11.1 x	10.0 x	9.0 x
NRC Group ASA	NRC-NO	Norway	72	154	4.7 x	4.2 x	3.8 x	10.7 x	8.1 x	6.8 x
Mean					8.9 x	8.0 x	7.3 x	12.7 x	10.9 x	9.7 x
Median					**9.2 x**	**8.2 x**	**7.3 x**	**13.3 x**	**11.6 x**	**10.0 x**
Harmonic Mean					7.8 x	6.9 x	6.3 x	12.1 x	10.2 x	9.1 x

EV/EBITDA	2023E	2024E	2025E
EBITDA reported	14.3	16.1	17.2
Multiple	9.2 x	8.2 x	7.3 x
Multiple at -20% discount	7.4 x	6.6 x	5.8 x
Enterprise Value	105.2	105.7	100.2
Bridge	(15.5)	(23.2)	(32.1)
Equity	120.7	128.8	132.4
Diluted Nosh	28.6	28.6	28.6
Price/share	4.2	4.5	4.6
% upside (downside)	*58.5%*	*69.1%*	*73.8%*

EV/EBIT	2023E	2024E	2025E
EBIT	11.3	12.7	13.4
Multiple	13.3 x	11.6 x	10.0 x
Multiple at -20% discount	10.6 x	9.3 x	8.0 x
Enterprise Value	120.7	117.6	107.5
Bridge	(15.5)	(23.2)	(32.1)
Equity	136.2	140.8	139.7
Diluted Nosh	28.6	28.6	28.6
Price/share	4.8	4.9	4.9
% upside (downside)	*78.8%*	*84.8%*	*83.4%*

Sources: FactSet, TP ICAP

In conclusion, our valuation based 70% on DCF and 30% on multiples resulting from market peer comparisons leads to an intrinsic value of the stock of €4.4, which implies an upside potential of 66.3%.

Final result of the action evaluation

Method	Price/Share	Coefficient
Discounted FCF	4.3	70%
EV/EBITDA	4.4	15%
EV/EBIT	4.8	15%

Target Price	Upside (Downside)
€ 4.4	52.7%

Source: TP ICAP

FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	37.1	54.3	58.4	65.7	70.0	73.9
Changes (%)	na	46.1	7.7	12.5	6.5	5.5
Gross profit	22.5	33.5	33.0	40.8	43.5	46.1
% of Sales	60.5	61.7	56.4	62.1	62.2	62.4
EBITDA	**9.2**	**15.6**	**13.8**	**14.3**	**16.1**	**17.2**
% of Sales	24.8	28.8	23.6	21.7	23.0	23.2
Current operating profit	**8.0**	**13.8**	**11.4**	**11.3**	**12.7**	**13.4**
% of Sales	21.6	25.5	19.4	17.3	18.1	18.1
Non-recurring items	-0.0	-0.0	-0.1	0.0	0.0	0.0
EBIT	8.0	13.8	11.3	11.3	12.7	13.4
Net financial result	-0.2	0.0	-0.2	-0.6	-0.6	-0.6
Income Tax	-1.5	-3.6	-2.8	-3.0	-3.4	-3.6
Tax rate (%)	-19.4	-25.9	-24.8	-27.9	-27.9	-27.9
Net profit, group share	**6.3**	**10.2**	**8.3**	**7.7**	**8.7**	**9.2**
EPS	1.43	1.54	1.09	na	na	na

Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	11.5	12.6	14.3	15.3	15.8	15.2
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.0	0.1	0.1	0.1	0.1
Working capital	16.2	9.5	25.3	24.5	25.1	25.9
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	28.1	22.2	39.7	40.0	41.0	41.3
Shareholders equity group	24.1	40.2	48.6	54.7	63.4	72.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.4	0.3	0.4	0.4	0.4	0.4
Net debt	3.5	-18.7	-9.6	-15.5	-23.2	-32.1
Other liabilities	0.1	0.4	0.4	0.4	0.4	0.4
Liabilities	28.1	22.2	39.7	40.0	41.0	41.3
Net debt excl. IFRS 16	3.5	-18.7	-9.6	-15.5	-23.2	-32.1
Gearing net	0.1	-0.5	-0.2	-0.3	-0.4	-0.4
Leverage	0.4	-1.2	-0.7	-1.1	-1.4	-1.9

Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	9.3	14.9	10.5	10.6	12.1	13.0
ΔWCR	-7.7	2.4	-15.6	0.8	-0.6	-0.8
Operating cash flow	1.6	17.3	-5.2	11.4	11.5	12.2
Net capex	-2.2	-3.5	-4.1	-3.9	-3.9	-3.2
FCF	-0.7	13.8	-9.3	7.5	7.6	9.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.3	0.0	0.0	0.0	0.0
Change in borrowings	3.0	-1.7	-2.1	-0.6	0.0	0.0
Dividends paid	-2.0	-5.0	0.0	-1.4	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	12.8	-0.2	-0.1	0.0	0.0
Others	0.0	4.0	8.0	12.0	16.0	20.0
Change in net cash over the year	0.5	20.2	-11.5	5.3	7.6	9.0
ROA (%)	22.5%	46.1%	21.0%	19.3%	21.2%	22.3%
ROE (%)	26.2%	25.4%	17.2%	14.1%	13.7%	12.7%

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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

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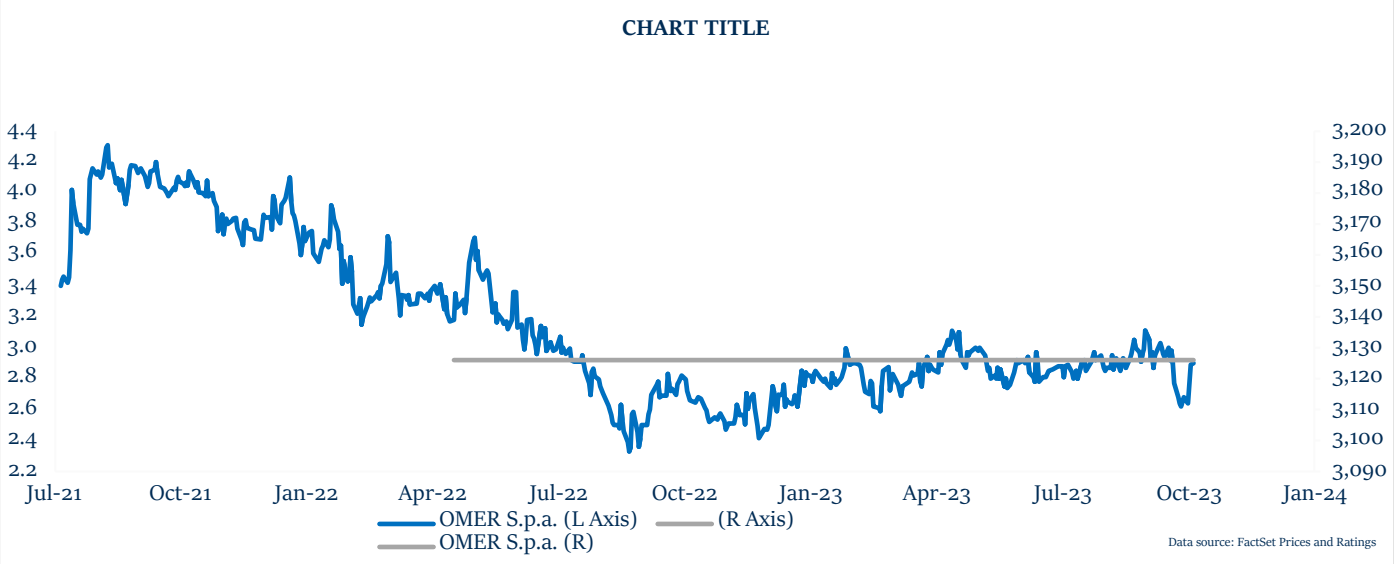
History of investment rating and target price – OMER S.p.a.



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Sell	3%	0%
Under review	1%	100%

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