

27 August 2013

Nabaltec

Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of
26-Aug-13 EUR 7.05

Target price EUR 10.00

High/Low (12M) EUR 7.25/6.12

Market cap. EUR mn 56

Analyst:

Christian Weiz

+49 89 5150 1808

christian.weiz@baaderbank.de

Nabaltec reports margin expansion – Investment story confirmed

Event

- Nabaltec released a solid set of 2Q13 numbers despite a tough environment. The company's EPS clearly exceeds market expectations.

Our conclusion

- As expected Nabaltec released solid numbers and confirmed its guidance, which predicts a mid single-digit sales increase, while the EBIT margin should remain around the previous year's level (2012 EBIT margin 7.8%).
- Despite the stock's positive performance in recent weeks Nabaltec's valuation is still attractive; the stock is trading at 9.9x 2014E earnings and an EV/EBITDA of 5.2x. There still is approximately 42% upside to our EUR 10 target price and we reiterate our Buy rating.

Analysis

- As expected Nabaltec's sales declined by 0.4% to EUR 34 mn, bang in line with our estimate. As expected Technical Ceramics were able to cushion but not fully compensate the slow ramp-up of CAHC and boehmites of the Functional Fillers division.
- The company's EBIT reached EUR 3.55mn slightly above our estimate of EUR 3.4mn, reflecting a 110 bps margin decline to 10.4% however, above our 10% assumption.
- Finally, the EPS reached EUR 0.21 above our EUR 0.18 estimate and the market's assumptions. The good bottom line is the result of the higher profitability (gross margin +170 bps yoy to 51.2%) paired with a lower-than-assumed financial burden, while the tax charge was broadly in line.
- Among the divisions Functional Fillers were weak as expected due to slow demand for CAHC and boehmites. As a result the utilization rates at the new FF plants remains low and therefore probably generated losses, holding back the overall group's performance. The division's sales declined by 4.2% yoy to EUR 22.8mn vs. our EUR 23mn estimate. However, the EBIT reached EUR 2.2mn, slightly above our EUR 2.1mn estimate (margin 2Q13 9.4% vs. 9% estimate). Meanwhile, Technical Ceramics increased sales by 8.2% to EUR 11.2mn vs. our EUR 11mn estimate. The EBIT reached EUR 1.4mn above our EUR 1.3mn estimate, reflecting a 12.5% margin (Baader (E) 12%).

Key financials

EUR mn	2011	2012	2013E	2014E
Sales	129.0	129.2	136.1	144.4
EBIT adj.	12.3	10.0	10.9	13.8
EPS adj. (EUR)	0.44	0.26	0.40	0.71

Source: Company data, Baader Bank AG Equity Research

Valuation ratios

x	2011	2012	2013E	2014E
EV/Sales	1.0	1.0	0.9	0.8
EV/EBIT adj.	10.9	12.7	11.1	8.4
P/E adj.	19.6	27.5	17.6	9.9