

26 November 2013

## Nabaltec

### Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

### Buy

Closing price as of 25-Nov-13	EUR 8.50
<b>Target price</b>	<b>EUR 10.00</b>
High/Low (12M)	EUR 9.35/6.20
Market cap.	EUR mn 68

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## Nabaltec 3Q13 results above expectations despite pressures on pricing

### Event

- Nabaltec released solid 3Q13 results above expectation, confirming that past years' patchy pattern in the second half is not repeating.
- The company's outlook has been confirmed, i.e. management continues to guide for mid single digit percentage top line growth (in line with Baader (E) 5.1%), while the operating margin should reach the previous year's level (2012: 7.8%, Baader 2013E 8%, 9M13 reported 8.9%).

		3Q13	Baader (E)	3Q12	yoy (%)	2Q13	qoq (%)
<b>Functional Fillers</b>							
Sales	EUR mn	23.0	23.0	22.7	1.3	22.8	0.7
EBIT	EUR mn	2.0	2.0	2.0	-1.4	2.2	-7.2
<b>Technical Ceramics</b>							
Sales	EUR mn	10.8	10.5	9.4	15.2	11.2	-3.2
EBIT	EUR mn	1.2	1.1	0.1	1233.3	1.4	-14.1
<b>Key P&amp;L numbers</b>							
Gross sales	EUR mn	33.8	33.5	32.1	5.4	34.0	-0.6
EBITDA	EUR mn	5.6	5.3	4.4	27.9	5.8	-4.1
EBIT	EUR mn	3.3	3.1	2.1	55.8	3.6	-7.1
EBT	EUR mn	1.9	1.7	0.6	216.7	2.3	-17.7
Net income	EUR mn	1.4	1.0	0.5	176.7	1.7	-18.0
EPS	EUR	0.17	0.13	0.06	168.8	0.21	-20.3

Source: Company data, Baader Bank AG Equity Research

### Our conclusion

- Nabaltec's 3Q13 results are slightly above our estimates (no consensus available), confirming that the company is on the right track. Despite price pressures in the Functional Filler division, the group's 3Q13 operating margin of 9.8% exceeded our estimate (9.1%). The operating result above estimates paired with a better-than-assumed financial line resulted in an EPS of EUR 0.17 vs. our EUR 0.14 estimate.
- Despite the recent strong price increase the stock is only trading at 11.9x 2014E and 7.8x 2015E earnings, i.e. valuation is not expensive and the shares still offer approximately 17% to our EUR 10 target price. We therefore reiterate our Buy rating.

### Analysis

- Sales of the Functional Fillers division reached EUR 23mn (+1,3% yoy) in line with expectations. Despite pricing was slightly negative as expected, the operating profit reached EUR 2mn, also bang in line with our estimate, reflecting a 8.6% margin (Baader (E) 8.5%). We assume that pricing in functional fillers should normalize as soon as the situation with Hungarian producer MAL is resolved. So far the ramp-up of the CAHC and boehmites remains slow, weighing on margins but we expect demand to increase medium-term, which should support the company's sales and margins.
- In Technical Ceramics sales increased by 5.4% yoy to EUR 10.8mn (Baader (E) EUR 10.5mn), while the operating profit reached EUR 1.2mn above our EUR 1.1mn estimate. This reflects a 11.3% margin 80bps above our estimate for the quarter but also 120bps below the previous years's margin. According to the company volumes were strong, while pricing remained stable; this is basically good news for the division.

### Key financials

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

### Valuation ratios

x	2011	2012	2013E	2014E
EV/Sales	1.0	1.0	1.0	0.9
EV/EBIT	10.9	12.7	12.6	9.6
P/E adj.	19.6	27.5	21.3	12.0

Source: Company data, Baader Bank AG Equity Research