

20 September 2013

## Nabaltec

### Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

### Buy

Closing price as of  
19-Sep-13 EUR 7.24

**Target price EUR 10.00**

High/Low (12M) EUR 7.25/6.12

Market cap. EUR mn 58

### Analyst:

**Christian Weiz**

+49 89 5150 1808

christian.weiz@baaderbank.de

## More stable pricing environment ahead – Good news for margins

### Event

- Hungarian competitor MAL Magyar Aluminum stops its own bauxite processing into aluminum hydroxide (ATH) and is laying off about one fourth of its staff.

### Our conclusion

- Pricing for ATH derived products should increase as MAL was a disruptive factor for pricing in the industry. The company offered ATH based products at very low price, we believe mainly in order to generate cash and keep up utilization rates.
- An improving pricing environment should support Nabaltec's margins, which already are recovering. It cannot be excluded that MAL Magyar Aluminum will completely go out of business, which could even mean higher volumes, but for the time being
- The company's valuation is attractive; the stock is trading at 10.2x 2014E earnings and a 5.2x EV/EBITDA. The upside to our target price of EUR 10 is still about 38% although the stock experienced a quite impressive uplift in recent months.

### Analysis

- MAL's cease of bauxite processing means that the company must buy aluminum hydroxide i.e. the starting point for both companies ATH processing is about to become the same and the value chain will be more comparable.
- The price of the end products will be based on the main raw material aluminum hydroxide. Unlike in the past, MAL cannot try sell product at very low price, which probably also was a desperate measure to keep up capacity utilization for its bauxite mining activities.
- MAL is said to have a substantial debt burden, which may increasingly become a problem. It cannot be excluded, that the company will have to shut-down production completely and finally go out of business.

### 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	18.1	10.2