

28 February 2014

Nabaltec

Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of
27-Feb-14 EUR 11.59

Target price EUR 10.00

High/Low (12M) EUR 11.82/6.25

Market cap. EUR mn 93

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Inventory reduction in December spoiled the party in otherwise solid 4Q13

Event

- Nabaltec's 4Q13 sales increased by 5.1% yoy to EUR 30.3mn and thereby were below our EUR 33.5mn estimate and 7.9% below consensus' EUR 32.9mn estimate. Top line evolution started well in the final quarter but December seems to have been very weak with high inventory levels at customers.
- The EBIT reached EUR 1.4mn, also below our EUR 1.9mn estimate and the market's in our view overly optimistic EUR 2.4mn expectation. The company's EBIT margin reached 4.8% in the final quarter, increasing by 80bps yoy.
- Nabaltec's EPS reached EUR -0.11 vs. our EUR -0.04 estimate and consensus EUR 0.02 assumption.

Key P&L numbers

		4Q13	Baader (E)	Cons.	4Q12	yoy (%)	3Q13	qoq (%)
Gross sales	EUR mn	30.3	33.5	32.9	28.8	5.1	33.8	-10.3
EBITDA	EUR mn	2.8	4.1	4.6	3.4	-16.8	5.5	-48.6
EBIT	EUR mn	1.4	1.9	2.4	1.2	24.4	3.2	-54.9
EPS	EUR	-0.11	-0.04	0.02	-0.07	n.a.	0.17	n.a.

Source: Company data, Thomson Reuters Datastream, Baader Bank AG Equity Research

Our conclusion

- Results were below consensus, which seemed, however, overly optimistic to us. Overall sales increased by 5.3% in 2013 and the EBIT is also 5% above previous year, leading to a 10bps operating margin progression and thereby fulfilling the company's guidance.
- We currently see no need for major adjustments to our numbers while waiting for the company report release, which will provide the full set of numbers on 30 April 2014.

Analysis

- It seems that inventory management at Nabaltec's clients is hurting the company's overall performance in the final quarter. Generally, the pattern seems to be that the company generates most of the business in the first half, while the third quarter is somewhat slower and the final quarter is weak due to inventory management and high days and holidays at clients (NWC management).

Key financials

EUR mn	2011	2012	2013	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	0.33	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	1.1
EV/EBIT	10.9	12.7	11.1	11.4
P/E adj.	19.6	27.5	16.3	16.3