

## Chemicals

### Nabaltec

Germany

#### Small & Mid Caps

#### Decline in TC compensated by strong demand for FF

■ **There is dynamic in the white powders industry.** Currently the functional fillers (FF) market is on the move: The US chemicals company Rockwood was acquired by Nabaltec's competitor Albemarle (owner Martinswerke), while Hungarian competitor MAL Magyar Aluminum is officially up for sale. However, we do not believe that Nabaltec will be a potential buyer of either the ATH activities of Albemarle (who may be willing to sell Martinswerke in order to refinance) or MAL's activities in Hungary. But the corporate action and in a certain sense the resulting consolidation in the longer term may lead to more pricing discipline, which certainly would be good news for Nabaltec.

■ **Risks to our rating:** Signs of a deceleration of FF demand in the second half and particular in the final quarter of the year paired with an ongoing slump in technical ceramics (TC) demand (as experienced in earlier years) would be a disappointment and potentially trigger a downward revision of estimates and rating as a result.

■ **Stock triggers:** As in the initial quarter of the year, Nabaltec should deliver solid results in 2Q14, which may cause a stock price increase. Furthermore, we would regard a capacity expansion as positive against the background of robust demand for FF, especially in Asia.

■ **Valuation:** Nabaltec's stock price has been somewhat volatile recently, but consistently remained above the EUR 10 level since the 1Q14 results release. Given the stock's upside potential to our EUR 13.25 target price and promising prospects – currently especially in the FF business – we do not see any reason to change our recommendation, which is Buy.

	2012	2013	2014E	2015E	2016E
Sales (EUR mn)	129.2	132.9	139.5	149.9	160.4
EBITDA (EUR mn)	18.8	19.8	21.3	23.7	26.1
EBIT reported (EUR mn)	10.0	10.5	11.8	14.0	16.0
EBIT adjusted (EUR mn)	10.0	10.5	11.8	14.0	16.0
Net income (EUR mn)	2.1	2.6	4.3	6.5	8.3
EPS reported (EUR)	0.26	0.33	0.53	0.81	1.04
EPS adjusted (EUR)	0.26	0.33	0.53	0.81	1.04
DPS (EUR)	0.00	0.06	0.12	0.25	0.30
Dividend yield (%)	0.0	0.5	1.1	2.3	2.7
P/E adjusted (x)	27.2	22.2	20.9	13.7	10.7
P/BV (x)	1.2	1.2	1.6	1.4	1.2
EV/Sales (x)	1.0	1.0	1.0	0.9	0.8
EV/EBITDA (x)	6.8	6.5	6.8	5.7	4.8
EV/EBIT (x)	12.7	12.1	12.3	9.7	7.7
Net debt/EBITDA (x)	2.9	2.6	1.7	1.0	0.4

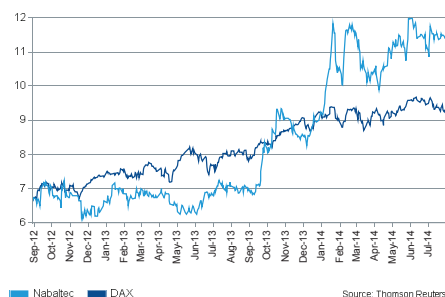
Source: Nabaltec, Baader Bank AG Equity Research

#### Buy (prev. Buy)

Closing price as of 31-Jul-14	EUR 11.10
High/Low (12M)	12.00/6.83
<b>Target price</b> (prev. EUR 13.25)	<b>EUR 13.25</b>
Upside to target price (%)	19.4
Expected dividend yield (%)	0.5
Total return potential (%)	19.9
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.05
Free float (%)	38.2
Market cap. (EUR mn)	89
No. of shares issued (mn)	8.0
<b>Events</b>	
Annual general meeting	Jun-2015
1H/2Q	26-Aug-2014
Shareholders	Heckmann family 31.95%, Witzany family 29.87%

#### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	0.6	0.9	5.4
rel. DAX	4.9	2.9	4.3
rel. STOXX Europe 600	2.3	1.4	1.2
rel. SXXP Chemicals	4.4	3.3	2.4

#### Changes in estimates

EUR mn	2014E (prev.)	Delta (%)	2015E (prev.)	Delta (%)
Sales	139.5	0.0	149.9	0.0
EBIT adj.	11.8	0.0	14.0	0.0
EPS adj. (EUR)	0.53	0.0	0.81	0.0

**Analyst: Christian Weiz**  
+49 89 5150 1808  
christian.weiz@baaderbank.de