

Chemicals

Nabaltec

Germany

Small & Mid Caps

Demand for Nabaltec's white powders proves resilient

■ Solid demand and a high order backlog should secure a solid 2H14.

The summer lull management of many chemical companies complained about, seems to have been much less pronounced at Nabaltec. The company experienced a margin decline in August, but apart from a slight dent, demand seems to have remained robust. We believe that the reason behind is (finally) a slight pick-up in demand for boehmites and CAHC, while the order backlog, which increased significantly in 1H14, should ensure a high utilization rate and output in the second half. This circumstance should also cushion a potential postponed decline in demand in-line with the overall chemical industry in 4Q14 – the final quarter is always a bit volatile at Nabaltec and therefore represented a certain risk in previous years. However, against the background of the high order backlog and a so far resilient demand situation, management may possibly give more precise and quantitative guidance (current guidance 2014E: mid-single-digit sales increase, operating margin at previous year's level; EBIT margin 2013: 7.9%; 2014E Baader estimate 8.4%).

■ **2014E estimates:** As we already wrote in our company update after the 2Q14 results release, we believe that demand for functional fillers remains stable during the third quarter 2014E, while management indicated that some orders in technical ceramics from the fire-resistant industry (metals and steel) have been postponed into the second half of the year. Therefore we saw no need to rework our 3Q14 estimates that were already adjusted after the last 2Q14 results release.

■ **Buy, target price EUR 16:** Nabaltec's stock price has been volatile lately and could not evade the overall negative sentiment towards stock markets in general and chemical stocks in particular. As a result, our target price implies an upside of approximately 50%, more than enough to reiterate and justify our Buy recommendation.

	2012	2013	2014E	2015E	2016E
Sales (EUR mn)	129.2	132.9	142.5	153.1	164.0
EBITDA (EUR mn)	18.8	19.8	21.5	24.0	26.5
EBIT reported (EUR mn)	10.0	10.5	12.0	14.2	16.4
EBIT adjusted (EUR mn)	10.0	10.5	12.0	14.2	16.4
Net income (EUR mn)	2.1	2.6	4.7	6.7	8.6
EPS reported (EUR)	0.26	0.33	0.59	0.83	1.07
EPS adjusted (EUR)	0.26	0.33	0.59	0.83	1.07
DPS (EUR)	0.00	0.06	0.12	0.25	0.30
Dividend yield (%)	0.0	0.8	1.1	2.4	2.9
P/E adjusted (x)	27.2	22.2	17.8	12.6	9.8
P/BV (x)	1.2	1.2	1.5	1.3	1.1
EV/Sales (x)	1.0	1.0	1.0	0.9	0.7
EV/EBITDA (x)	6.8	6.5	6.5	5.4	4.5
EV/EBIT (x)	12.7	12.1	11.6	9.2	7.2
Net debt/EBITDA (x)	2.9	2.6	1.7	1.0	0.4

Source: Company data, Baader-Helvia Equity Research

Buy (prev. Buy)

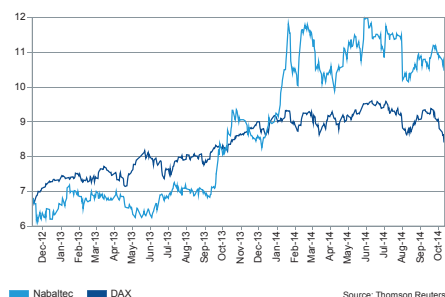
Closing price as of 10-Oct-14	EUR 10.48
High/Low (12M)	12.00/8.25
Target price (prev. EUR 16.00)	EUR 16.00
Upside to target price (%)	52.7
Expected dividend yield (%)	0.8
Total return potential (%)	53.5
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.0
Free float (%)	38.2
Market cap. (EUR mn)	84
No. of shares issued (mn)	8.0

Events

Annual general meeting	Jun-2015
9M/3Q	25-Nov-2014
Shareholders	Heckmann family 31.95%, Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-2.3	-7.8	2.7
rel. DAX	7.1	1.2	9.7
rel. STOXX Europe 600	4.4	-3.4	6.2
rel. SXXP Chemicals	4.8	-1.1	6.7

Changes in estimates

EUR mn	2014E (prev.)	Delta (%)	2015E (prev.)	Delta (%)
Sales	142.5	0.0	153.1	0.0
EBIT adj.	12.0	0.0	14.2	0.0
EPS adj. (EUR)	0.59	0.0	0.83	0.0

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