

18 December 2014

Nabaltec

Germany

Small & Mid Caps

Nabaltec expands Nashtec – More white powders for the U.S.

■ **Nabaltec will expand Nashtec to approximately 30,000t capacity.**

This means that the company will increase the output of the joint venture with Sherwin Alumina Company LLC – which belongs to the GlencoreXstrata group – by approximately 40%. The expansion of the JV has been considered several times in recent years and finally management made the decision to increase capacities due to solid demand for fine precipitated aluminum hydroxide in the U.S. The plant will predominantly supply the North America region, but some of the additional production will be shipped to Asia, a market that may see considerable growth in the future.

- **The new US capacities should ramp up in 2016E.** Nabaltec stated that building of the additional capacities will start in 2015E and the ramp-up is expected to begin in the first quarter of 2016E. Given Nashtec is fully consolidated, we assume that the additional capacities will add approximately EUR 6mn to Nabaltec's top line. However, due to the ramp-up phase we assume an only EUR 4-5mn contribution in 2016E, while we add full capacity in 2017E. Nabaltec will spend approximately USD 6mn on the JV's new plant (EUR 4.8mn) and Nashtec itself the remainder USD 2mn in 2015E.

■ **Reiterate Buy recommendation – new EUR 16.50 target price.**

The expansion triggers adjustments to our valuation models. While adapting our capex and D&A estimates, we also include the new capacities at the Nashtec JV, which will be fully consolidated in Nabaltec's books. Our DCF still calculates a fair value of EUR 16, while the result of the SOTP model based on 2015E estimates is EUR 17. The upside of approximately 32% to our new EUR 16.50 target price, which is derived from the average of the two calculated fair values, largely justifies the confirmation of our Buy recommendation.

	2012	2013	2014E	2015E	2016E
Sales (EUR mn)	129.2	132.9	142.5	153.1	168.2
EBITDA (EUR mn)	18.8	19.8	21.5	24.2	27.9
EBIT reported (EUR mn)	10.0	10.5	12.0	14.1	16.8
EBIT adjusted (EUR mn)	10.0	10.5	12.0	14.1	16.8
Net income (EUR mn)	2.1	2.6	4.7	6.6	8.5
EPS reported (EUR)	0.26	0.33	0.59	0.82	1.06
EPS adjusted (EUR)	0.26	0.33	0.59	0.82	1.06
DPS (EUR)	0.00	0.06	0.12	0.25	0.30
Dividend yield (%)	0.0	0.8	1.0	2.0	2.4
P/E adjusted (x)	27.2	22.2	21.2	15.2	11.8
P/BV (x)	1.2	1.2	1.8	1.6	1.4
EV/Sales (x)	1.0	1.0	1.1	1.1	0.9
EV/EBITDA (x)	6.8	6.5	7.5	6.8	5.6
EV/EBIT (x)	12.7	12.1	13.3	11.6	9.3
Net debt/EBITDA (x)	2.9	2.6	1.9	1.7	1.1

Source: Company data, Baader-Helvia Equity Research

Buy (prev. Buy)

Closing price as of 17-Dec-14	EUR 12.48
High/Low (12M)	12.48/8.80
Target price (prev. EUR 16.00)	EUR 16.50
Upside to target price (%)	32.2
Expected dividend yield (%)	0.8
Total return potential (%)	33.0
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.1
Free float (%)	38.2
Market cap. (EUR mn)	100
No. of shares issued (mn)	8.0
Events	
Annual general meeting	30-Jun-2015
4Q	30-Apr-2015
Shareholders	Heckmann family 31.95% Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	15.9	15.3	8.4
rel. DAX	13.3	16.5	12.2
rel. STOXX Europe 600	18.2	19.7	13.3
rel. SXXP Chemicals	15.4	15.1	10.7

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	-0.9
EPS adj. (EUR)	0.59	0.0	0.83	-1.2

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