

Chemicals

Nabaltec

Germany

Small & Mid Caps

Contrary to previous years, no dip in the final quarter expected

- Investment story:** Nabaltec remains a compelling story in the specialty chemicals environment; the company's Functional Fillers division has strong positions in the flame retardant industry from a product and cost point of view, while the new product lines boehmites and CAHC remain interesting potential growth stories. The Technical Ceramics division currently suffers slightly due to weak demand from the defense industries, but this may change in the medium term.
- 4Q14 reporting and outlook for 2015E:** Nabaltec should report full-year 2014E sales of EUR 142.5mn, but our estimate may prove somewhat too conservative given demand seems – contrary to previous years – to have remained high in the final quarter, while the strong USD probably represented a decent tailwind especially for the Functional Fillers division. The group's profitability probably benefitted from the positive top line evolution and we expect the company to deliver an operating result (EBIT) of EUR 12mn for the full year, reflecting an 8.4% margin. As a result, we expect the bottom line to break even and not to be negative as in previous years. The company will probably issue an outlook for 2015E that is very similar to 2014E, i.e. predict a mid single-digit top line growth and an EBIT margin at the previous year's level. The environment will probably not change dramatically short term, but possibly the situation with MAL Magyar in Hungary may be resolved, which would be positive in our view. Competitor Almatris has been put up for sale, but we think a disposal should be neutral for Nabaltec. We have recently upgraded Nabaltec's target price on the back of the company's expansion of its functional fillers activities at its Nashtec joint venture in the USA. However, the ramp-up will only take place in 2016E and therefore have no influence in 2015E.
- Buy, target price EUR 16.50.** Against the background of an upside potential of currently approximately 28% to our DCF- and SOTP-derived target price of EUR 16.50, we reiterate 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	1.1	1.9	2.3
P/E adjusted (x)	27.2	22.2	18.6	15.7	12.1
P/BV (x)	1.2	1.2	1.6	1.6	1.4
EV/Sales (x)	1.0	1.0	1.0	1.1	0.9
EV/EBITDA (x)	6.8	6.5	6.9	6.9	5.7
EV/EBIT (x)	12.7	12.1	12.3	11.9	9.4
Net debt/EBITDA (x)	2.9	2.6	1.9	1.7	1.1

Source: Company data, Baader-Helvia Equity Research

Buy (prev. Buy)

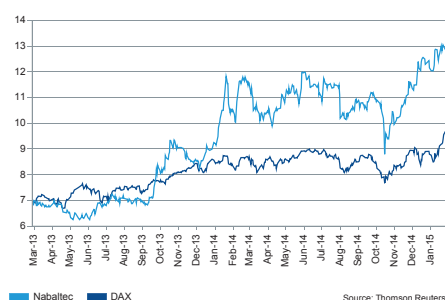
Closing price as of 26-Jan-15	EUR 12.86
High/Low (12M)	13.05/8.80
Target price (prev. EUR 16.50)	EUR 16.50
Upside to target price (%)	28.3
Expected dividend yield (%)	0.8
Total return potential (%)	29.1
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.1
Free float (%)	38.2
Market cap. (EUR mn)	103
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	4.6	29.6	12.0
rel. DAX	-4.2	9.5	0.0
rel. STOXX Europe 600	-3.7	15.8	3.1
rel. SXXP Chemicals	-5.2	9.7	-3.1

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	14.1	0.0
EPS adj. (EUR)	0.59	0.0	0.82	0.0

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