

27 May 2015

Nabaltec

Germany

Small & Mid Caps

Strong 1Q15 confirms our investment case – Reiterate Buy

■ First quarter results reflect a very strong start into the year 2015.

We assumed that the company would reveal good quarterly results after discussions with management, but the published numbers even exceeded our generous estimates. Management confirmed its guidance which predicts a mid single-digit percentage top-line increase in 2015E, while the EBIT margin should remain at about the previous year's level. However, the prediction may prove conservative after a very strong start into the year.

■ Good 1Q15 results confirm a compelling investment story.

We only see limited need to adjust our assumptions and continue to believe that the company offers a very good opportunity to invest 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 stories that may take off one day and thereby become additional drivers of the company's overall top-line and earnings growth. Meanwhile Nabaltec's second entity, Technical Ceramics, seems to recover from the weak demand from the defense industries.

■ We reiterate our Buy recommendation – new EUR 17.50 target price.

The marginal changes to our estimates do not have a material impact on valuation, but we rolled our DCF model and the overall multiples expansion of Nabaltec's peers also has an effect in the SOTP valuation model. While the SOTP model calculates a EUR 18 fair value, the DCF computes a EUR 17 fair value. We derive our new EUR 17.50 target price (previous EUR 16.50) from the average of the two calculated fair values.

	2012	2013	2014	2015E	2016E
Sales (EUR mn)	129.2	132.9	143.3	154.0	169.1
EBITDA (EUR mn)	18.8	19.8	22.4	24.3	28.0
EBIT reported (EUR mn)	10.0	10.5	12.7	14.2	16.9
EBIT adjusted (EUR mn)	10.0	10.5	12.7	14.2	16.9
Net income (EUR mn)	2.1	2.6	5.5	6.6	8.5
EPS reported (EUR)	0.26	0.33	0.69	0.83	1.07
EPS adjusted (EUR)	0.26	0.33	0.69	0.83	1.07
DPS (EUR)	0.00	0.06	0.12	0.25	0.30
Dividend yield (%)	0.0	0.8	1.1	1.7	2.1
P/E adjusted (x)	27.2	22.2	15.9	17.6	13.6
P/BV (x)	1.2	1.2	1.7	1.8	1.6
EV/Sales (x)	1.0	1.0	1.1	1.2	1.0
EV/EBITDA (x)	6.8	6.5	7.0	7.6	6.2
EV/EBIT (x)	12.7	12.1	12.4	13.0	10.4
Net debt/EBITDA (x)	2.9	2.6	2.0	1.6	1.0

Source: Company data, Baader-Helvia Equity Research

Buy (prev. Buy)

Closing price as of 26-May-15	EUR 14.59
High/Low (12M)	15.41/8.80
Target price (prev. EUR 16.50)	EUR 17.50
Upside to target price (%)	19.9
Expected dividend yield (%)	1.7
Total return potential (%)	21.6
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.1
Free float (%)	38.2
Market cap. (EUR mn)	117
No. of shares issued (mn)	8.0

Events

Annual general meeting	30-Jun-2015
1H/2Q	25-Aug-2015
Shareholders	Heckmann family 31.95% Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	1.0	3.1	28.3
rel. DAX	2.6	0.5	11.1
rel. STOXX Europe 600	2.2	-0.2	11.8
rel. SXXP Chemicals	0.8	-0.2	8.6

Changes in estimates

EUR mn	2015E (prev.)	Delta (%)	2016E (prev.)	Delta (%)
Sales	153.1	0.6	168.2	0.5
EBIT adj.	14.1	0.6	16.8	0.5
EPS adj. (EUR)	0.82	1.2	1.06	0.9
DPS (EUR)	0.25	0.0	0.30	0.0

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