

Chemicals

Nabaltec

Germany

Small & Mid Caps

Burnin' Alive – Flame retardants should provide solid results

- Investment story:** Despite the negative trend at global stock markets due to the Greek tragedy, Nabaltec's stock held up very well and continues to move up towards our EUR 17.50 target price. The share price evolution confirms our view that Nabaltec provides a compelling investment story in the specialty chemicals sector – even in a tough political and economic environment. The company is able to play off its strong position in the flame retardant industry, while the Technical Ceramics entity should appreciate overall stable demand.
- 2Q15E quarterly results release:** After a strong start into the year in 1Q15, we again expect Nabaltec to deliver a solid performance for the second quarter 2015E. The company's Functional Fillers, i.e. flame retardants business should deliver a sales increase of 4.9% yoy to EUR 26.5mn, while we assume an EBIT of EUR 3.5mn, translating into a 13.2% operating margin. Meanwhile the smaller Technical Ceramics division should have experienced a certain recovery as we believe that the demand from heat tiles producers may have picked up and requests for defense projects probably were somewhat better. All in all, we expect the division's sales to have improved by 9.6% to EUR 12mn and assume an operating result of EUR 1.1mn, reflecting an 8.9% margin. The financial result should have experienced a sequential and yoy decline as the company paid down debt; the charge should amount to about EUR 1.01mn after 1.14mn in 1Q15, but is set to decline further in the course of the year. The tax rate may also have declined after an exceptionally high EUR 1.4mn burden in 1Q15 to EUR 1mn in the period under review. All in all, we expect the company to report an EPS of EUR 0.28 vs. EUR 0.22 in the previous year (+27% yoy).
- Valuation:** Despite the somewhat limited upside to our DCF- and SOTP-derived EUR 17.50 target price, we reiterate our Buy recommendation for the time being.

	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	1.5	1.8
P/E adjusted (x)	27.2	22.2	15.9	20.1	15.6
P/BV (x)	1.2	1.2	1.7	2.1	1.8
EV/Sales (x)	1.0	1.0	1.1	1.3	1.1
EV/EBITDA (x)	6.8	6.5	7.0	8.3	6.9
EV/EBIT (x)	12.7	12.1	12.4	14.1	11.4
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 02-Jul-15	EUR 16.70
High/Low (12M)	16.70/8.80
Target price (prev. EUR 17.50)	EUR 17.50
Upside to target price (%)	4.8
Expected dividend yield (%)	1.5
Total return potential (%)	6.3
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.0
Free float (%)	38.2
Market cap. (EUR mn)	134
No. of shares issued (mn)	8.0
Events	
Annual general meeting	Jun-2016
1H/2Q	25-Aug-2015
Shareholders	Heckmann family 31.95% Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	11.3	16.8	38.6
rel. DAX	13.4	24.0	25.0
rel. STOXX Europe 600	14.1	19.9	25.7
rel. SXXP Chemicals	13.7	22.3	22.9

Changes in estimates

EUR mn	2015E (prev.)	Delta (%)	2016E (prev.)	Delta (%)
Sales	154.0	0.0	169.1	0.0
EBIT adj.	14.2	0.0	16.9	0.0
EPS adj. (EUR)	0.83	0.0	1.07	0.0
DPS (EUR)	0.25	0.0	0.30	0.0

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