

25 August 2015

Nabaltec

Germany

Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 24-Aug-15	EUR 15.00
Target price	EUR 17.50
High/Low (12M)	EUR 18.43/8.80
Market cap.	EUR mn 120

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Nabaltec delivers solid 2Q15 results despite hiccup in Functional Fillers

Our conclusion

- Nabaltec released group results that were only a notch below our estimates on a sales and operating level but the net result was in line with our estimates, helped by a better than assumed financial line and a low tax charge. However, the weak performance of the FF division has been caused by repair works and therefore only is temporary, while the TC entity clearly showed an accelerating progression.
- Nabaltec increased its guidance; while the top line should increase by a mid-single digit percentage number (Baader (E) +7.4%, 1H15 reported gross sales +6.5%) the operating margin should reach about 10% (Baader (E) 9.2%). The lifted guidance reflects management's increasing confidence and supports our investment case.
- We therefore reiterate our EUR 17.50 target price and Buy recommendation.

Facts & Analysis

- Sales of the Functional Filler division of EUR 26.8mn were slightly above our EUR 26.5mn estimate but the EBIT of EUR 2.8mn was well below. As a result the EBIT fell clearly short of our EUR 3.5mn estimate, reflecting an unusual sequential decline in the second quarter 2015. This is also reflected in the division's margin that only reached 10.5% vs. our 13.2% estimate after 11.8% in the previous year and exceptionally strong 13.7% in 1Q15. However, the reason behind was a EUR 0.5mn one-off caused by repair work. The adjusted margin would therefore have been about 12.5% and thereby above the previous year's level.
- The 2Q15 results of Technical Ceramics mirror a decent recovery that is mainly based on high volumes and a positive mix. Furthermore, demand from the US (mullites, ceramic bodies) led to a positive FX contribution. As a result the division's sales reached EUR 12.2mn in line with our estimate, while the division's 11.3% EBIT margin clearly exceeded our more conservative 8.9% estimate. However, management has not yet seen a pick-up of demand from the defense industry, which would have a further positive effect on TC's margins.

Nabaltec 2Q15 results vs. Baader-Helvea estimates

Key divisional numbers		2015E	2Q15	Baader (E)	1Q14	yoy (%)	1Q15	qoq (%)
Functional Fillers								
Sales	EUR mn	107.3	26.8	26.5	25.3	6.1	26.9	-0.3
EBIT	EUR mn	10.0	2.8	3.5	3.0	-5.1	3.7	-23.2
Technical Ceramics								
Sales	EUR mn	46.7	12.2	12.0	10.9	11.5	11.9	2.7
EBIT	EUR mn	4.2	1.4	1.1	0.7	109.8	1.1	19.8
Key P&L numbers								
Gross sales	EUR mn	154.0	39.9	38.5	36.2	10.2	38.8	2.9
EBITDA	EUR mn	24.3	6.7	7.1	6.0	11.1	7.3	-8.5
D&A	EUR mn	10.1	2.5	2.5	2.4	4.1	2.5	0.3
EBIT	EUR mn	14.2	4.2	4.6	3.6	15.6	4.8	-13.0
Net financial result	EUR mn	-3.8	-0.9	-1.0	-1.1	-12.7	-1.1	-19.4
EBT	EUR mn	10.4	3.3	3.5	2.6	27.2	3.7	-11.0
Net income	EUR mn	6.6	2.2	2.3	1.7	26.3	2.1	6.1
EPS	EUR	0.83	0.28	0.28	0.22	28.6	0.26	8.1

Source: Company data, Baader-Helvea Equity Research

Key financials

EUR mn	2013	2014	2015E	2016E
Sales	132.9	143.3	154.0	169.1
EBIT	10.5	12.7	14.2	16.9
EPS adj. (EUR)	0.33	0.69	0.83	1.07

Source: Company data, Baader-Helvea Equity Research

Valuation ratios

x	2013	2014	2015E	2016E
EV/Sales	1.0	1.1	1.2	1.1
EV/EBIT	12.1	12.4	13.2	10.5
P/E adj.	22.2	15.9	18.1	14.0