

25 November 2015

Nabaltec

Germany

Small & Mid Caps

Slow 3Q15 and full valuation trigger downgrade to Hold

■ Target price remains unchanged but we downgrade to Hold.

Nabaltec's shares have been very resilient in recent months in a volatile stock market environment. Obviously, investors relied on a stable sales and earnings evolution. However, the third quarter 2015 results are a bit of a disappointment and the company may lose the nimbus it built after a positive streak of solid top line and EBIT evolution. We assumed that we would have to upgrade our numbers after good 3Q15 results but have now only fine-tuned our estimates. The slight changes do not result in a new target price, i.e. our EUR 17.50 DCF derived target price remains unchanged, but we downgrade the stock to Hold given the limited upside. Furthermore, the 2015E margin guidance may be tough to achieve and we currently do not see a trigger that could move the stock.

■ Nabaltec's 3Q15 results were below our and the market's estimates.

The company's sales reached EUR 37.6mn vs. our EUR 38.5mn estimate. While the Functional Filler division was slow due to repair work, Technical Ceramics' sales exceeded estimates on high commodity volumes with low margin. As a result, the group EBIT of EUR 2.6mn fell short of the expected EUR 4.7mn, translating into a 7% margin (-340bps yoy) vs. our 12.2% assumption. The EPS of EUR 0.13 clearly undercut our EUR 0.29 estimate for the quarter.

■ We have fine-tuned our estimates after the quarterly numbers release

and a conversation with management. We have cut our sales estimate marginally to EUR 152.5mn 2015E, while our EBIT margin of 9.5% can be seen as approximately 10%, in line with the company's 2015E guidance. We assume that 4Q15 will experience some catch-up after the Functional Fillers division was weak in August, while we hope for an improved mix at Technical Ceramics. Our 2015E EPS of EUR 0.83 remains unchanged. For 2016E we assume sales of EUR 166.8mn and an EBIT of EUR 16.3mn, translating into a 9.7% margin. This reflects a 30bps decline vs. our prev. estimate and results in a marginally lower EUR 1.06 EPS (prev. EUR 1.07).

	2013	2014	2015E	2016E	2017E
Sales (EUR mn)	132.9	143.3	152.5	166.8	182.1
EBITDA (EUR mn)	19.8	22.4	24.6	27.4	29.1
EBIT reported (EUR mn)	10.5	12.7	14.5	16.3	18.4
EBIT adjusted (EUR mn)	10.5	12.7	14.5	16.3	18.4
Net income (EUR mn)	2.6	5.5	6.6	8.4	9.8
EPS reported (EUR)	0.33	0.69	0.83	1.06	1.22
EPS adjusted (EUR)	0.33	0.69	0.83	1.06	1.22
DPS (EUR)	0.06	0.12	0.25	0.30	0.30
Dividend yield (%)	0.8	1.1	1.5	1.8	1.8
P/E adjusted (x)	22.2	15.9	20.5	16.1	14.0
P/BV (x)	1.2	1.7	2.1	1.9	1.6
EV/Sales (x)	1.0	1.1	1.3	1.2	1.0
EV/EBITDA (x)	6.5	7.0	8.2	7.1	6.4
EV/EBIT (x)	12.1	12.4	14.0	12.0	10.0
Net debt/EBITDA (x)	2.6	2.0	1.6	1.0	0.5

Source: Company data, Baader-Helvia Equity Research

Hold (prev. Buy)

Closing price as of 24-Nov-15	EUR 17.02
High/Low (12M)	18.43/11.29
Target price (prev. EUR 17.50)	EUR 17.50
Upside to target price (%)	2.8
Expected dividend yield (%)	1.5
Total return potential (%)	4.3
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.0
Free float (%)	38.2
Market cap. (EUR mn)	136
No. of shares issued (mn)	8.0
Events	
Annual general meeting	30-Jun-2016
4Q	29-Apr-2016
Shareholders	Heckmann family 31.95% Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-4.5	13.5	16.2
rel. DAX	-5.8	0.1	23.6
rel. STOXX Europe 600	-4.0	3.6	24.1
rel. SXXP Chemicals	-7.0	3.5	25.8

Changes in estimates

EUR mn	2015E (prev.)	Delta (%)	2016E (prev.)	Delta (%)
Sales	154.0	-0.9	169.1	-1.4
EBIT adj.	14.2	2.4	16.9	-3.9
EPS adj. (EUR)	0.83	0.0	1.07	-0.9
DPS (EUR)	0.25	0.0	0.30	0.0

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