

Chemicals

Nabaltec

Germany

Stock price dropped to attractive levels – Upgrade to Buy again

■ **Investment story:** Nabaltec's stock proved very resilient for a long time in a volatile stock market environment, but then was also not able to evade the impact of the overall negative stock market sentiment and also declined – fortunately only after we downgraded the stock to Hold. The decline has recently been accelerated by the news that the company's partner in the Nashtec joint venture in the USA filed for Chapter 11. However, this does not mean that the JV partner Sherwin Aluminum is irretrievably bankrupt and in contrary we believe that there is a good chance that the company will recover after some restructuring. If not, Nabaltec will have to negotiate new supply contracts with a new owner. This should not be a major problem given the currently very low commodity prices in the aluminum industry. Therefore we see the whole situation very relaxed. Against this background the current share price weakness offers a good buying opportunity in our view and we upgrade the stock to Buy as a result.

■ **Nabaltec 4Q15 preview:** The usually weak final quarter due to seasonal reasons may have benefited from a certain catch-up effect after the Functional Filler division was held back due to repair work in 3Q15. We expect the Functional Filler division to have increased sales by 10.7% to EUR 26mn, while the Technical Ceramics division may have experienced a 13.6% sequential decline after a very strong 3Q15. Both divisions should have experienced margin improvements as a result of a relatively high capacity utilization paired with lower raw material costs.

■ **Valuation:** Nabaltec's stock has become attractive again after decline that started end-November. Our unchanged EUR 17.50 target price implies a roughly 25% upside potential. Meanwhile, the company is currently trading at in our view very low 13x 2016E earnings and only 6.1x EV/EBITDA. We have downgraded the stock at the end of November 2015 but now – given the very attractive valuation and intact investment case – upgrade our recommendation to Buy again.

	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	1.6	2.1	2.1
P/E adjusted (x)	22.2	15.9	18.7	13.4	11.6
P/BV (x)	1.2	1.7	1.9	1.5	1.3
EV/Sales (x)	1.0	1.1	1.3	1.0	0.9
EV/EBITDA (x)	6.5	7.0	7.8	6.3	5.6
EV/EBIT (x)	12.1	12.4	13.2	10.6	8.8
Net debt/EBITDA (x)	2.6	2.0	1.6	1.0	0.5

Source: Company data, Baader-Helvia Equity Research

Buy (prev. Hold)

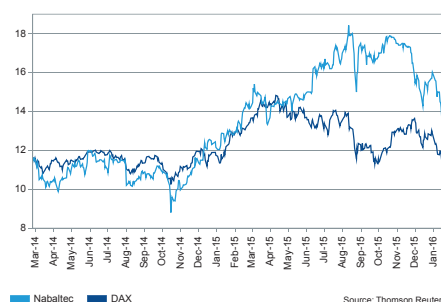
Closing price as of 22-Jan-16	EUR 14.21
High/Low (12M)	18.43/12.80
Target price (prev. EUR 17.50)	EUR 17.50
Upside to target price (%)	23.2
Expected dividend yield (%)	1.8
Total return potential (%)	25.0
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.1
Free float (%)	38.2
Market cap. (EUR mn)	114
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	-6.0	-20.2	-17.9
rel. DAX	0.9	-13.3	-2.6
rel. STOXX Europe 600	-0.8	-11.6	-2.4
rel. SXXP Chemicals	1.0	-11.1	2.2

Changes in estimates

EUR mn	2015E (prev.)	Delta (%)	2016E (prev.)	Delta (%)
Sales	152.5	0.0	166.8	0.0
EBIT adj.	14.5	0.0	16.3	0.0
EPS adj. (EUR)	0.83	0.0	1.06	0.0
DPS (EUR)	0.25	0.0	0.30	0.0

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