

4 May 2016

## Nabaltec

Germany

### Small & Mid Caps

#### Nabaltec's US joint venture Nashtec is the fly in the ointment

■ **Nabaltec's general investment base case is still in place.** We had a long conversation with management after the company released its 2015 company report and thereby final 2015 results. Management largely confirmed our assumptions. But Nabaltec's Nashtec joint venture in the U.S. is cause for concern. The good news is that Nabaltec would be able to shift production to Germany in case Sherwin Alumina stops the supply with aluminum hydroxide, while Nashtec would become a standalone production plant. We believe that such a shift could have an effect on the Functional Filler division's and, as a result, group margins. Consequently, we have cut our estimates for 2016E and 2017E.

■ **New EUR 15.90 target price – Reiterate Buy recommendation.** Nabaltec's stock has declined quite significantly in recent months and thereby has become more attractive also from a P/E metrics point of view. However, our new estimates trigger a lower fair value in our DCF model, from which we derive our new EUR 15.90 target price (previous EUR 17.50). But our new target price offers enough upside potential to confirm our Buy recommendation on the stock.

■ **Review 1Q16: Strong top line but the EBIT margin declined.** Nabaltec already released preliminary 1Q16 results together with the publication of the 2015 company report. Profitability of the Functional Fillers division has been held back in the first quarter 2016 by *firstly* adverse USD exchange rates and *secondly* additional expenses related to the problems at Nashtec. Meanwhile, the mix at Technical Ceramics deteriorated after being very strong in the previous year, i.e. comps were quite high. On group level, Nabaltec generated preliminary sales of EUR 41.2mn (+6.3%) and a preliminary EBIT of EUR 3.5mn in 1Q16E, which means that the EBIT margin reached 8.5% vs. 12.5% in the previous year's first quarter. Based on the preliminary 1Q16 numbers our model calculates that the company achieved an EPS of EUR 0.20 (Baader (E)) in the first quarter 2016 vs. EUR 0.26 a year ago.

	2013	2014	2015	2016E	2017E
Sales (EUR mn)	132.9	143.3	151.3	160.6	173.5
EBITDA (EUR mn)	19.8	22.4	24.7	25.4	26.9
EBIT reported (EUR mn)	10.5	12.7	14.5	14.3	16.3
EBIT adjusted (EUR mn)	10.5	12.7	14.5	14.3	16.3
Net income (EUR mn)	2.6	5.5	6.7	6.7	8.0
EPS reported (EUR)	0.33	0.69	0.84	0.84	1.00
EPS adjusted (EUR)	0.33	0.69	0.84	0.84	1.00
DPS (EUR)	0.06	0.12	0.15	0.15	0.18
Dividend yield (%)	0.8	1.1	1.0	1.1	1.3
P/E adjusted (x)	22.2	15.9	18.5	16.5	13.8
P/BV (x)	1.2	1.7	2.1	1.7	1.5
EV/Sales (x)	1.0	1.1	1.3	1.1	0.9
EV/EBITDA (x)	6.5	7.0	7.9	6.8	6.1
EV/EBIT (x)	12.1	12.4	13.4	12.1	10.1
Net debt/EBITDA (x)	2.6	2.0	1.7	1.2	0.7

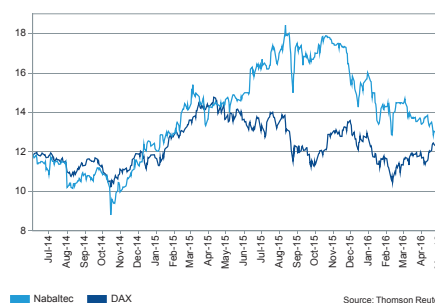
Source: Company data, Baader-Helvia Equity Research

## Buy (prev. Buy)

Closing price as of 03-May-16	EUR 13.82
High/Low (12M)	18.43/12.85
<b>Target price (prev. EUR 17.50)</b>	<b>EUR 15.90</b>
Upside to target price (%)	15.1
Expected dividend yield (%)	1.1
Total return potential (%)	16.2
Risk category	2

Reuters/Bloomberg	NTGG.DE/NTG GY
Free float (%)	39.0
Market cap. (EUR mn)	111
No. of shares issued (mn)	8.0
<b>Events</b>	
Annual general meeting	30-Jun-2016
1Q	31-May-2016
Shareholders	Heckmann family 31.16%, Witzany family 29.87%

## Price relative to Index



Performance (%)	1M	3M	6M
Absolute	3.1	-4.6	-20.6
rel. DAX	1.7	-9.8	-11.3
rel. STOXX Europe 600	2.3	-6.5	-9.3
rel. SXXP Chemicals	2.2	-10.7	-10.1

## Changes in estimates

EUR mn	2016E (prev.)	Delta (%)	2017E (prev.)	Delta (%)
Sales	166.8	-3.7	182.1	-4.7
EBIT adj.	16.3	-12.1	18.4	-11.8
EPS adj. (EUR)	1.06	-20.8	1.22	-18.0
DPS (EUR)	0.30	-50.0	0.30	-40.0

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