

3 August 2016

Nabaltec

Germany

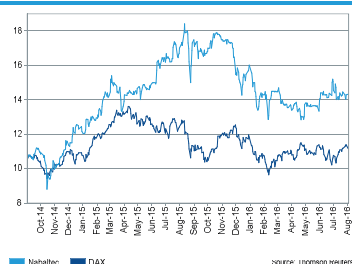
Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 02-Aug-16	EUR 14.32
Target price	EUR 15.90
High/Low (12M)	EUR 18.43/12.85
Market cap.	EUR mn 115
Enterprise value	EUR mn 176
Free float	39.0%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-1.6	3.6	-0.1
rel. DAX	-5.3	3.4	-6.0
rel. STOXX Europe 600	-2.6	5.3	-0.4
rel. SXXP Chemicals	-3.3	6.3	-4.7

Analyst:

Christian Weiz

+49 89 5150 1808

christian.weiz@baaderbank.de

Sherwin Alumina's supply stop will idle Nashtec JV in the U.S.

Our conclusion

- Unfortunately Nashtec's aluminum hydroxide supplier Sherwin Alumina will stop supply by the end of August 2016. Thereby Nabaltec's Nashtec joint venture in the US will be idled. We have already largely anticipated the occurrence of such an event with the latest update of our numbers and therefore do not see imminent need to adjust our estimates further for the time being.
- Although the upcoming supply stop is a major hiccup we still believe that Nabaltec's general investment case is still in place. Nabaltec will be able to substitute supply from Germany. Tightening functional filler supply should support pricing, while operational leverage due to higher volumes should also support margins and thereby cushion a presumably temporary negative impact. Therefore, we reiterate our EUR 15.90 target price and Buy recommendation for the time being.

Facts & Analysis

- Nashtec is a joint venture of Nabaltec (51%) with Allied Alumina LLC (49%), which is in turn 100% owned by Glencore. Sherwin Alumina is 100% owned by Allied Alumina and currently files under chapter 11 and it seems that the company will go bankrupt. Sherwin Alumina supplies the Nashtec JV with aluminum hydroxide at cost. We understand that Nabaltec will at least temporary stop production in the U.S. in September 2016. Nabaltec will shift production to Schwandorf and supply the U.S. and Asia from Germany. According to management, the company has sufficient capacities to satisfy actual demand and would expand capacities in Schwandorf.
- The US joint venture produces a volume of roughly 23,000t that is supplied to the U.S. and partly also to Asian markets. The company has delayed the capacity expansion that had been planned in 4Q14 and should have increased Nashtec's output by about 30-40% to roughly 30,000t. The ramp-up should have taken place in 1Q16E.
- Currently management seems to evaluate the possibility to acquire Allied Alumina's share in the JV and some other capacities that would enable Nabaltec to continue production, i.e. ramp-up independent Nashtec operations in the U.S. We assume that the ramp-up a new and independent Nashtec would take about 12 months and cost would amount to approximately USD 10-15mn.

Key financials

EUR mn	2014	2015	2016E	2017E	CAGR (%)
Sales	143.3	151.3	160.6	173.5	6.6
EBIT adj.	12.7	14.5	14.3	16.3	8.7
EPS adj. (EUR)	0.69	0.84	0.84	1.00	13.2

Valuation ratios

x	2014	2015	2016E	2017E
EV/Sales	1.1	1.3	1.1	1.0
EV/EBIT adj.	12.4	13.4	12.3	10.3
P/E adj.	15.9	18.5	17.0	14.3

Source: Company data, Baader Helvea Equity Research