

30 August 2016 (release date)

Nabaltec

Germany

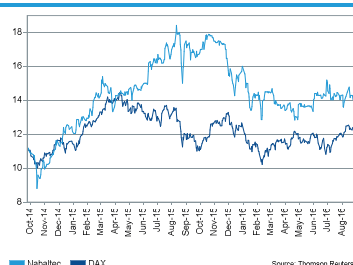
Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 24-Aug-16	EUR 14.02
Target price	EUR 15.90
High/Low (12M)	EUR 17.90/12.85
Market cap.	EUR mn 112
Enterprise value	EUR mn 174
Free float	39.0%
Avg. daily turnover	EUR mn 0.0

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-2.9	3.0	-3.0
rel. DAX	-7.6	-2.6	-18.8
rel. STOXX Europe 600	-4.2	2.8	-10.7
rel. SXXP Chemicals	-8.2	-4.8	-16.0

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Nabaltec's 2Q16E should have benefited from sound Functional Filler demand

We assume that the Functional Filler division generated sales of EUR 29.5mn in 2Q16E, representing a 10.1% top line increase yoy. Demand in Southern Europe and, above all, in Spain and Italy seems to recover. Meanwhile, Albemarle's disposal of Martinswerk to JM Huber is causing some uncertainty among customers and thereby playing into Nabaltec's hands. The sales increase probably caused an operational leverage increase, i.e. we assume that the margin of the division experienced an increase of 350bps yoy to 14% in 2Q16E, translating into an EBIT of EUR 4.1mn for the division. Technical Ceramics should release sales of EUR 12.5mn according to our estimates, reflecting a 2.5% yoy improvement. After a very strong start into the year in 1Q16, we assume a deterioration of the mix, not only resulting in a slowdown in sales but presumably also a 780bps yoy EBIT margin decline to 3.5% in 2Q16E, resulting in an EBIT of EUR 0.4mn. However, besides the 2Q16E operational results, analysts and investors will probably also be interested in statements with regard to the company's Nashtec joint venture in the U.S. On 3 August, Nabaltec stated in an ad hoc that Sherwin Alumina, i.e. JV partner Allied Alumina, will stop supply with aluminum hydroxide. However, Nabaltec is able to supply demand from Germany and therefore the incident represents a hiccup, but is not really an unsolvable problem.

EUR mn	2Q15	1H15	FY15	2Q16E	1H16E	FY16E
Gross sales	39.0	77.8	151.3	42.0	83.2	160.6
<i>Change yoy (%)</i>	7.7	6.5	5.6	7.7	7.0	6.1
EBITDA	6.7	14.0	24.7	7.4	13.6	25.4
<i>Margin (%)</i>	17.2	18.0	16.3	17.6	16.3	15.8
<i>Change yoy (%)</i>	11.2	23.2	10.4	10.3	-3.3	3.0
EBIT	4.2	9.0	14.5	4.6	8.1	14.3
<i>Margin (%)</i>	10.8	11.6	9.6	10.9	9.7	8.9
<i>Change yoy (%)</i>	15.7	36.7	14.6	8.7	-10.3	-1.7
EBT	3.3	7.0	10.9	3.7	6.4	10.9
<i>Margin (%)</i>	8.4	9.0	7.2	8.8	7.7	6.8
<i>Change yoy (%)</i>	27.2	55.9	27.3	12.9	-7.9	0.3
EPS (adjusted) undiluted	0.28	0.54	0.84	0.33	0.55	0.84

Source: Company data, Baader Helvea Equity Research

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

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2014	2015	2016E	2017E
EV/Sales	1.1	1.3	1.1	1.0
EV/EBIT adj.	12.4	13.4	12.2	10.2
P/E adj.	15.9	18.5	16.7	14.0