

30 August 2016

Nabaltec

Germany

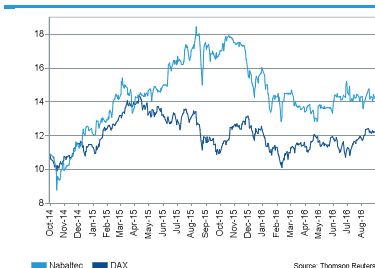
Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 29-Aug-16	EUR 14.19
Target price	EUR 15.90
High/Low (12M)	EUR 17.90/12.85
Market cap.	EUR mn 114
Enterprise value	EUR mn 175
Free float	39.0%
Avg. daily turnover	EUR mn 0.0

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-0.7	3.8	-1.8
rel. DAX	-2.7	1.3	-12.8
rel. STOXX Europe 600	-1.0	5.7	-4.6
rel. SXXP Chemicals	-5.5	-3.6	-11.1

Analyst:

Christian Weiz

+49 89 5150 1808

christian.weiz@baaderbank.de

Strong demand for flame retardants fuel 2Q16 result despite Nashtec hiccup

Our conclusion

- Nabaltec released **results slightly above our expectations**, thereby reflecting a decent margin progression of 90bps yoy to 11.7% (Baader Helvea (E) 10.9%) **despite the hiccup** the company is currently experiencing with its Nashtec joint venture in the US. Group sales improved by 9.8% mainly driven by a positive evolution of the Functional Fillers division, having a strong effect on profitability. Meanwhile, Technical Ceramics experienced slow top line growth and weak margin progression, however, as expected.
- Against the background of the uncertainties related to the problems with its US joint venture the company – quite understandably – **sticks to its rather vague and only qualitative guidance**, which predicts moderate growth for 2016E. Above all volume growth should drive the company's top line.
- The problems with the Nashtec JV are largely known and the risks should be reflected in the stock price by now. Meanwhile, we believe that **the company's investment case is still in place**. Nabaltec will substitute US supply from Germany, which should support capacity utilization and thereby the operational leverage of the plant in Schwandorf. We reiterate our EUR 15.90 target price and Buy recommendation.

Facts & Analysis

- The **Functional Filler** division mainly benefitted of strong demand for fine precipitated hydroxides in 2Q16, lifting the division's sales by 13.2% yoy to EUR 30.3mn. Meanwhile, the entity's EBIT reached EUR 4.6mn, reflecting a 15.1% margin (+530bps yoy) vs. our 14% estimate.
- Meanwhile, the **Technical Ceramics** division achieved a respectable 2.7% yoy sales improvement to EUR 12.5mn in 2Q16 but above all due to a deteriorating mix the margin declined by 780bps to 3.5%, though exactly in line with our 3.5% estimate.
- The **order backlog** increased by 20.1% vs. year end 2015 to EUR 31.1mn reflecting solid demand for the company's products; we assume that the major part of the backlog is related to Functional Filler orders.

Nabaltec 2Q16 results vs. Baader Helvea estimates

Key divisional numbers		2016E	2Q16	Baader (E)	2Q15	yoy (%)	1Q16	qoq (%)
Functional Fillers								
Sales	EUR mn	109.0	30.3	29.5	26.8	13.2	28.1	8.0
EBIT	EUR mn	10.5	4.6	4.1	2.8	62.0	2.7	66.6
Technical Ceramics								
Sales	EUR mn	51.5	12.5	12.5	12.2	2.7	13.1	-4.5
EBIT	EUR mn	3.8	0.4	0.4	1.4	-68.0	0.8	-44.0
Key P&L numbers								
Gross sales	EUR mn	160.6	42.8	42.0	39.0	9.8	41.2	3.9
EBITDA	EUR mn	25.4	7.6	7.4	6.7	14.0	6.2	24.1
D&A	EUR mn	11.1	2.6	2.8	2.5	4.9	2.6	0.0
EBIT	EUR mn	14.3	5.0	4.6	4.2	19.4	3.5	42.0
Net financial result	EUR mn	-3.4	-0.8	-0.9	-0.9	-11.8	-0.8	-1.1
EBT	EUR mn	10.9	4.2	3.7	3.3	28.1	2.7	55.0
Net income after minorities	EUR mn	6.7	2.5	2.6	2.2	10.9	1.8	38.7
EPS	EUR	0.84	0.31	0.33	0.28	10.8	0.22	38.5

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	12.3	10.3
P/E adj.	15.9	18.5	16.9	14.2