

# Nabaltec

## Germany - Chemicals/ Specialty Chemicals



HAUCK & AUFHÄUSER  
PRIVATBANKIERS SEIT 1796

**Buy** (old: Buy)

**Price target: EUR 19.00** (old: EUR 19.00)

<b>Price:</b>	EUR 14.41	<b>Next result:</b>	Q3 29.11.16
<b>Bloomberg:</b>	NTG GR	<b>Market cap:</b>	EUR 115.3 m
<b>Reuters:</b>	NTGG.DE	<b>Enterprise Value:</b>	EUR 182.4 m

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### Record Q2 results and beat of estimates

Yesterday, Nabaltec reported record figures for Q2 '16 confirming that the business remains on a very sound track. **Sales increased organically by 9.6% yoy to a record of € 42.8m** (eH&A € 41.3m) in Q2 (+8.0% yoy in H1) fuelled by the flame retardant business (+13% yoy to € 30m). Growth was solely driven by volumes but the **picture for price increases is improving** with tight capacities and consolidation (Huber/Martinswerke). Huber paid a high price (eH&A 14x EBITDA) and faces significant investments due to a lack of capex at the company (same capacity but only € 15m fixed assets vs € 120m at Nabaltec) and hence should be interested to move prices up.

**Q2 EBIT jumped by 19.4% yoy to a record of € 5.0m** (eH&A € 3.8m) with the EBIT margin improving by 1pp to 11.7% reflecting a favourable product mix and economies of scale (still down 5% yoy in H1 given significant FX gains in Q1 '15 of > € 1m). Notably, the margin of Functional Fillers improved significantly by 4.5pp to 15%.

**EPS was up 10.9% yoy to € 0.31** (eH&A € 0.24) in Q2 mainly due to a normalised tax rate which increased to 32% (Q2 '15 25%). As a result, H1 EPS was largely unchanged benefiting from an improved financial result of € 1.6m (€ 2.1m) on the back of a favourable refinancing (borrower's notes) and debt redemption.

**Cash generation remained strong with € 16.8m in CFO in H1**, sufficient to finance capex € 9.7m and interest costs € 1.3m. As a result **net debt declined to € 37m** and gross cash remained at € 42m despite debt redemption (€ 5m) & dividends (€ 1.2m).

Results underline **Nabaltec's excellent position in this global oligopoly to capitalise on the structurally increasing demand** for environmental friendly flame retardants especially used in cables. Moreover, the outlook for price increases has improved. Hence, the **situation at its small JV plant in the US** (20-25k tpa capacity vs 250k at the plant in Germany) **should not be overrated** and looks not set to not impair the sound outlook for Nabaltec (see last update). Management flagged that expansions in Germany should be sufficient to fulfil US customer demand and considering the strong USD should, in our view, also be profitable while the lack of minorities suggest support to EPS. Still management is working on the Nashtec stand-alone project given the customer proximity, FX hedging and total available capacity.

A valuation of **7x EV/EBITDA '16E** looks attractive not reflecting the sound growth and de-leverage potential. **BUY. PT € 19 based on FCFY '17E** ('18E points to € 23).

Y/E 31.12 (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	129.2	132.9	143.3	151.3	160.6	170.2	177.9
Sales growth	0 %	3 %	8 %	6 %	6 %	6 %	4 %
EBITDA	18.8	19.8	22.4	24.6	25.9	29.3	31.8
EBIT	10.0	10.5	12.7	14.5	15.2	18.3	20.5
Net income	2.1	2.6	5.5	6.7	7.6	10.0	11.9
Net debt	55.2	50.8	44.2	41.3	39.1	33.1	20.0
Net gearing	111.7 %	99.4 %	83.9 %	71.7 %	58.8 %	42.5 %	24.4 %
Net Debt/EBITDA	2.9	2.6	2.0	1.7	1.5	1.1	0.6
EPS pro forma	0.26	0.33	0.69	0.84	0.95	1.25	1.49
CPS	1.31	0.17	1.25	1.15	1.29	1.56	1.73
DPS	0.00	0.06	0.12	0.15	0.19	0.25	0.40
Dividend yield	0.0 %	0.4 %	0.8 %	1.0 %	1.3 %	1.7 %	2.8 %
Gross profit margin	48.0 %	48.7 %	47.4 %	48.2 %	48.0 %	48.2 %	48.3 %
EBITDA margin	14.6 %	14.9 %	15.6 %	16.3 %	16.1 %	17.2 %	17.9 %
EBIT margin	7.8 %	7.9 %	8.8 %	9.6 %	9.5 %	10.7 %	11.5 %
ROCE	7.3 %	7.3 %	8.4 %	8.9 %	9.0 %	10.8 %	12.5 %
EV/sales	1.5	1.4	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	10.0	9.4	8.3	7.5	7.0	6.0	5.1
EV/EBIT	18.8	17.6	14.6	12.7	12.0	9.7	8.0
PER	56.0	43.6	21.0	17.2	15.1	11.5	9.7
Adjusted FCF yield	5.4 %	5.8 %	6.4 %	6.8 %	7.5 %	9.1 %	10.9 %

Source: Company data, Hauck & Aufhäuser Close price as of: 30.08.2016



Source: Company data, Hauck & Aufhäuser

<b>High/low 52 weeks:</b>	17.90 / 12.85
<b>Price/Book Ratio:</b>	1.7
<b>Relative performance (SDAX):</b>	
3 months	4.9 %
6 months	-12.1 %
12 months	-25.6 %

### Changes in estimates

		Sales	EBIT	EPS
2016	old:	160.6	15.2	0.95
	Δ	-	-	-
2017	old:	170.2	18.3	1.25
	Δ	-	-	-
2018	old:	177.9	20.5	1.49
	Δ	-	-	-

### Key share data:

Number of shares: (in m pcs)	8.0
Authorised capital: (in € m)	4.0
Book value per share: (in €)	8.3
Ø trading volume: (12 months)	20,000

### Major shareholders:

Free Float	39.0 %
Family Heckmann	31.2 %
Family Witzany	29.9 %

### Company description:

Nabaltec is focused on the production of functional fillers for plastics such as non-hazardous and non-toxic flame retardants used in electrical and electronic equipment.

	Q2 2016	Q2 2016 est	Q2 2015	yoy	Q1 2016	qoq	H1 2016	H1 2015	yoy
<b>Sales</b>	<b>42.8</b>	<b>41.3</b>	<b>39.0</b>	9.6%	<b>41.2</b>	3.9%	<b>84.0</b>	<b>77.8</b>	8.0%
Functional Fillers	30.3	28.5	26.8	13.0%	28.1	7.8%	58.4	53.7	8.8%
Technical Ceramics	12.5	12.8	12.2	2.3%	13.1	-4.6%	25.6	24.1	6.2%
<b>EBITDA</b>	<b>7.6</b>	<b>6.4</b>	<b>6.7</b>	14.0%	<b>6.2</b>	24.1%	<b>13.8</b>	<b>14.0</b>	-1.5%
EBITDA margin	17.9%	15.5%	17.2%	+ 0.7 pp	15.0%	+ 2.9 pp	16.4%	18.0%	- 1.6 pp
<b>EBIT</b>	<b>5.0</b>	<b>3.8</b>	<b>4.2</b>	19.4%	<b>3.5</b>	42.0%	<b>8.5</b>	<b>9.0</b>	-5.3%
EBIT margin	11.7%	9.2%	10.8%	+ 1.0 pp	8.6%	+ 3.1 pp	10.2%	11.6%	- 1.4 pp
Functional Fillers	15.1%	10.4%	10.5%	+ 4.6 pp	9.8%	+ 5.3 pp	12.5%	12.1%	+ 0.4 pp
Technical Ceramics	3.5%	6.4%	11.3%	- 7.7 pp	6.0%	- 2.5 pp	4.8%	10.5%	- 5.7 pp
<b>Net Profit</b>	<b>2.5</b>	<b>1.9</b>	<b>2.2</b>	10.9%	<b>1.8</b>	38.7%	<b>4.3</b>	<b>4.3</b>	-0.9%
Net margin	5.8%	4.7%	5.7%	+ 0.1 pp	4.3%	+ 1.5 pp	5.1%	5.5%	- 0.5 pp
<b>EPS</b>	<b>0.31</b>	<b>0.24</b>	<b>0.28</b>	10.9%	<b>0.22</b>	38.7%	<b>0.53</b>	<b>0.54</b>	-0.9%

Source: Company data; Hauck & Aufhäuser

## Financials

Profit and loss (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net sales</b>	<b>129.2</b>	<b>132.9</b>	<b>143.3</b>	<b>151.3</b>	<b>160.6</b>	<b>170.2</b>	<b>177.9</b>
<i>Sales growth</i>	0.1 %	2.9 %	7.8 %	5.6 %	6.2 %	6.0 %	4.5 %
Increase/decrease in finished goods and work-in-process	0.1	1.4	-0.3	1.9	0.0	0.0	0.0
<b>Total sales</b>	<b>129.4</b>	<b>134.3</b>	<b>143.0</b>	<b>153.2</b>	<b>160.6</b>	<b>170.2</b>	<b>177.9</b>
Other operating income	1.7	1.3	2.6	2.8	1.7	1.8	1.9
Material expenses	67.3	69.6	75.1	80.3	83.5	88.3	92.0
Personnel expenses	21.8	22.5	25.4	26.8	27.6	28.6	29.4
Other operating expenses	23.2	23.8	22.7	24.3	25.2	25.9	26.7
Total operating expenses	110.5	114.6	120.6	128.6	134.7	141.0	146.1
<b>EBITDA</b>	<b>18.8</b>	<b>19.8</b>	<b>22.4</b>	<b>24.6</b>	<b>25.9</b>	<b>29.3</b>	<b>31.8</b>
Depreciation	8.8	9.2	9.7	10.2	10.7	11.0	11.3
<b>EBITA</b>	<b>10.0</b>	<b>10.5</b>	<b>12.7</b>	<b>14.5</b>	<b>15.2</b>	<b>18.3</b>	<b>20.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>10.0</b>	<b>10.5</b>	<b>12.7</b>	<b>14.5</b>	<b>15.2</b>	<b>18.3</b>	<b>20.5</b>
Interest income	0.4	0.3	0.2	0.3	0.0	0.0	0.0
Interest expenses	6.3	6.2	4.3	3.9	3.3	2.9	2.4
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-5.9	-5.9	-4.2	-3.7	-3.3	-2.9	-2.4
<b>Recurring pretax income from continuing operations</b>	<b>4.1</b>	<b>4.7</b>	<b>8.5</b>	<b>10.8</b>	<b>11.9</b>	<b>15.4</b>	<b>18.1</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>4.1</b>	<b>4.7</b>	<b>8.5</b>	<b>10.8</b>	<b>11.9</b>	<b>15.4</b>	<b>18.1</b>
Taxes	1.1	0.9	2.5	3.4	3.4	4.4	5.2
<b>Net income from continuing operations</b>	<b>3.0</b>	<b>3.7</b>	<b>6.1</b>	<b>7.4</b>	<b>8.5</b>	<b>11.0</b>	<b>12.9</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>3.0</b>	<b>3.7</b>	<b>6.1</b>	<b>7.4</b>	<b>8.5</b>	<b>11.0</b>	<b>12.9</b>
Minority interest	1.0	1.1	0.6	0.7	0.9	1.0	1.0
<b>Net income (net of minority interest)</b>	<b>2.1</b>	<b>2.6</b>	<b>5.5</b>	<b>6.7</b>	<b>7.6</b>	<b>10.0</b>	<b>11.9</b>
Average number of shares	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>EPS reported</b>	<b>0.26</b>	<b>0.33</b>	<b>0.69</b>	<b>0.84</b>	<b>0.95</b>	<b>1.25</b>	<b>1.49</b>

Profit and loss (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Increase/decrease in finished goods and work-in-process	0.1 %	1.0 %	-0.2 %	1.3 %	0.0 %	0.0 %	0.0 %
<b>Total sales</b>	<b>100.1 %</b>	<b>101.0 %</b>	<b>99.8 %</b>	<b>101.3 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Other operating income	1.3 %	1.0 %	1.8 %	1.9 %	1.1 %	1.1 %	1.1 %
Material expenses	52.1 %	52.4 %	52.4 %	53.1 %	52.0 %	51.9 %	51.7 %
Personnel expenses	16.8 %	16.9 %	17.7 %	17.7 %	17.2 %	16.8 %	16.5 %
Other operating expenses	17.9 %	17.9 %	15.8 %	16.1 %	15.7 %	15.2 %	15.0 %
Total operating expenses	85.5 %	86.2 %	84.2 %	85.0 %	83.9 %	82.8 %	82.2 %
<b>EBITDA</b>	<b>14.6 %</b>	<b>14.9 %</b>	<b>15.6 %</b>	<b>16.3 %</b>	<b>16.1 %</b>	<b>17.2 %</b>	<b>17.9 %</b>
Depreciation	6.8 %	6.9 %	6.8 %	6.7 %	6.7 %	6.5 %	6.4 %
<b>EBITA</b>	<b>7.8 %</b>	<b>7.9 %</b>	<b>8.8 %</b>	<b>9.6 %</b>	<b>9.5 %</b>	<b>10.7 %</b>	<b>11.5 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>7.8 %</b>	<b>7.9 %</b>	<b>8.8 %</b>	<b>9.6 %</b>	<b>9.5 %</b>	<b>10.7 %</b>	<b>11.5 %</b>
Interest income	0.3 %	0.2 %	0.1 %	0.2 %	0.0 %	0.0 %	0.0 %
Interest expenses	4.9 %	4.6 %	3.0 %	2.6 %	2.1 %	1.7 %	1.3 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-4.6 %	-4.4 %	-2.9 %	-2.4 %	-2.1 %	-1.7 %	-1.3 %
<b>Recurring pretax income from continuing operations</b>	<b>3.2 %</b>	<b>3.5 %</b>	<b>5.9 %</b>	<b>7.1 %</b>	<b>7.4 %</b>	<b>9.0 %</b>	<b>10.2 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.2 %</b>	<b>3.5 %</b>	<b>5.9 %</b>	<b>7.1 %</b>	<b>7.4 %</b>	<b>9.0 %</b>	<b>10.2 %</b>
Tax rate	26.8 %	20.2 %	28.8 %	31.5 %	28.5 %	28.5 %	28.5 %
<b>Net income from continuing operations</b>	<b>2.3 %</b>	<b>2.8 %</b>	<b>4.2 %</b>	<b>4.9 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.3 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>2.3 %</b>	<b>2.8 %</b>	<b>4.2 %</b>	<b>4.9 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.3 %</b>
Minority interest	0.7 %	0.8 %	0.4 %	0.5 %	0.6 %	0.6 %	0.6 %
<b>Net income (net of minority interest)</b>	<b>1.6 %</b>	<b>2.0 %</b>	<b>3.8 %</b>	<b>4.4 %</b>	<b>4.7 %</b>	<b>5.9 %</b>	<b>6.7 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
Property, plant and equipment	116.0	111.8	112.0	116.6	120.9	124.9	114.6
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FIXED ASSETS</b>	<b>116.2</b>	<b>112.0</b>	<b>112.4</b>	<b>117.1</b>	<b>121.4</b>	<b>125.4</b>	<b>115.1</b>
Inventories	23.6	26.2	27.5	30.8	32.1	34.0	35.6
Accounts receivable	3.4	4.3	4.6	5.2	5.5	5.9	6.1
Other current assets	3.4	3.8	7.0	6.5	6.5	6.5	6.5
Liquid assets	14.3	29.7	27.2	42.3	31.9	29.1	30.0
Deferred taxes	0.6	0.3	0.1	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>45.3</b>	<b>64.2</b>	<b>66.4</b>	<b>84.8</b>	<b>76.1</b>	<b>75.5</b>	<b>78.2</b>
<b>TOTAL ASSETS</b>	<b>161.5</b>	<b>176.3</b>	<b>178.8</b>	<b>201.9</b>	<b>197.5</b>	<b>200.9</b>	<b>193.3</b>
SHAREHOLDERS EQUITY	49.4	51.1	52.6	57.5	66.5	78.0	82.0
MINORITY INTEREST	-2.0	-0.8	-0.2	0.6	0.0	0.0	0.0
Long-term debt	59.9	70.6	61.4	71.3	58.8	50.0	40.0
Provisions for pensions and similar obligations	17.8	18.9	25.3	28.0	28.0	28.0	28.0
Other provisions	1.3	1.6	2.4	2.6	1.6	1.6	1.6
<b>Non-current liabilities</b>	<b>79.0</b>	<b>91.1</b>	<b>89.0</b>	<b>101.9</b>	<b>88.3</b>	<b>79.5</b>	<b>69.5</b>
short-term liabilities to banks	9.7	9.9	10.0	12.2	12.2	12.2	10.0
Accounts payable	10.4	8.7	9.9	12.3	13.0	13.8	14.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	11.9	13.3	15.9	15.9	15.9	15.9	15.9
Deferred taxes	3.1	2.9	1.5	1.5	1.5	1.5	1.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>35.0</b>	<b>34.8</b>	<b>37.4</b>	<b>41.9</b>	<b>42.7</b>	<b>43.5</b>	<b>41.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>161.5</b>	<b>176.2</b>	<b>178.8</b>	<b>201.9</b>	<b>197.5</b>	<b>200.9</b>	<b>193.3</b>

Balance sheet (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.2 %</b>	<b>0.3 %</b>	<b>0.3 %</b>	<b>0.3 %</b>	<b>0.3 %</b>
Property, plant and equipment	71.8 %	63.4 %	62.6 %	57.7 %	61.2 %	62.2 %	59.3 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>FIXED ASSETS</b>	<b>72.0 %</b>	<b>63.6 %</b>	<b>62.8 %</b>	<b>58.0 %</b>	<b>61.5 %</b>	<b>62.4 %</b>	<b>59.5 %</b>
Inventories	14.6 %	14.9 %	15.4 %	15.2 %	16.3 %	16.9 %	18.4 %
Accounts receivable	2.1 %	2.4 %	2.5 %	2.6 %	2.8 %	2.9 %	3.2 %
Other current assets	2.1 %	2.1 %	3.9 %	3.2 %	3.3 %	3.2 %	3.4 %
Liquid assets	8.9 %	16.8 %	15.2 %	20.9 %	16.2 %	14.5 %	15.5 %
Deferred taxes	0.3 %	0.2 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>28.0 %</b>	<b>36.4 %</b>	<b>37.1 %</b>	<b>42.0 %</b>	<b>38.5 %</b>	<b>37.6 %</b>	<b>40.5 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
SHAREHOLDERS EQUITY	30.6 %	29.0 %	29.4 %	28.5 %	33.7 %	38.8 %	42.4 %
MINORITY INTEREST	-1.2 %	-0.4 %	-0.1 %	0.3 %	0.0 %	0.0 %	0.0 %
Long-term debt	37.1 %	40.0 %	34.3 %	35.3 %	29.8 %	24.9 %	20.7 %
Provisions for pensions and similar obligations	11.0 %	10.7 %	14.1 %	13.8 %	14.2 %	13.9 %	14.5 %
Other provisions	0.8 %	0.9 %	1.3 %	1.3 %	0.8 %	0.8 %	0.8 %
<b>Non-current liabilities</b>	<b>48.9 %</b>	<b>51.7 %</b>	<b>49.8 %</b>	<b>50.5 %</b>	<b>44.7 %</b>	<b>39.6 %</b>	<b>36.0 %</b>
short-term liabilities to banks	6.0 %	5.6 %	5.6 %	6.1 %	6.2 %	6.1 %	5.2 %
Accounts payable	6.4 %	4.9 %	5.5 %	6.1 %	6.6 %	6.9 %	7.5 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	7.3 %	7.5 %	8.9 %	7.9 %	8.1 %	7.9 %	8.2 %
Deferred taxes	1.9 %	1.6 %	0.8 %	0.7 %	0.7 %	0.7 %	0.8 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>21.7 %</b>	<b>19.7 %</b>	<b>20.9 %</b>	<b>20.8 %</b>	<b>21.6 %</b>	<b>21.6 %</b>	<b>21.6 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Net profit/loss	3.0	3.7	6.1	7.4	8.5	11.0	12.9
Depreciation of fixed assets (incl. leases)	8.8	9.2	9.7	10.2	10.7	11.0	11.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.5	2.2	2.1	2.7	0.0	0.0	0.0
Cash flow from operations before changes in w/c	14.3	15.1	17.9	20.2	19.2	22.0	24.2
Increase/decrease in inventory	2.7	-2.6	-1.3	-3.2	-1.3	-1.9	-1.5
Increase/decrease in accounts receivable	-1.6	-1.3	-0.3	-0.6	-0.3	-0.3	-0.3
Increase/decrease in accounts payable	1.6	-2.9	1.2	2.4	0.8	0.8	-0.6
Increase/decrease in other working capital positions	0.0	0.0	0.0	-1.5	0.0	0.0	0.0
Increase/decrease in working capital	2.7	-6.8	-0.4	-3.0	-0.9	-1.5	-2.4
<b>Cash flow from operating activities</b>	<b>17.0</b>	<b>8.3</b>	<b>17.5</b>	<b>17.2</b>	<b>18.3</b>	<b>20.5</b>	<b>21.8</b>
CAPEX	10.6	2.6	10.0	13.1	15.0	13.0	10.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-10.6</b>	<b>-2.6</b>	<b>-10.0</b>	<b>-13.1</b>	<b>-15.0</b>	<b>-13.0</b>	<b>-10.0</b>
Cash flow before financing	6.4	5.8	7.5	4.2	3.3	7.5	11.8
Increase/decrease in debt position	-8.4	9.7	-10.0	12.2	-12.5	-8.8	-12.2
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.5	1.0	1.2	1.5	1.5
Others	0.0	0.0	0.0	-0.6	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.4	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-8.4</b>	<b>9.7</b>	<b>-10.4</b>	<b>10.6</b>	<b>-13.7</b>	<b>-10.3</b>	<b>-13.8</b>
Increase/decrease in liquid assets	-2.0	15.5	-2.9	15.1	-10.4	-2.8	-1.9
<b>Liquid assets at end of period</b>	<b>14.7</b>	<b>30.1</b>	<b>27.2</b>	<b>42.3</b>	<b>31.9</b>	<b>29.1</b>	<b>30.0</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Domestic	40.0	40.9	40.7	41.9	43.0	45.0	45.0
yoy change	-1.7 %	2.2 %	-0.4 %	2.8 %	2.7 %	4.7 %	0.0 %
Rest of Europe	59.9	63.6	68.5	73.2	76.5	80.0	82.4
yoy change	2.7 %	6.2 %	7.8 %	6.8 %	4.5 %	4.6 %	3.0 %
NAFTA	14.8	14.4	18.0	19.7	22.0	24.5	25.7
yoy change	-11.9 %	-2.3 %	24.8 %	9.4 %	11.6 %	11.4 %	5.0 %
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	14.4	14.0	16.0	16.5	19.1	20.7	24.8
yoy change	8.9 %	-3.1 %	14.7 %	2.9 %	15.8 %	8.6 %	19.5 %
<b>TTL</b>	<b>129.1</b>	<b>132.9</b>	<b>143.3</b>	<b>151.3</b>	<b>160.6</b>	<b>170.2</b>	<b>177.9</b>
yoy change	0.1 %	2.9 %	7.8 %	5.6 %	6.2 %	6.0 %	4.5 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>P&amp;L growth analysis</b>							
Sales growth	0.1 %	2.9 %	7.8 %	5.6 %	6.2 %	6.0 %	4.5 %
EBITDA growth	-8.5 %	4.9 %	13.2 %	10.2 %	5.1 %	12.9 %	22.5 %
EBIT growth	-20.0 %	5.0 %	20.3 %	14.2 %	5.1 %	20.1 %	34.5 %
EPS growth	-41.5 %	28.5 %	107.6 %	22.3 %	13.4 %	31.2 %	56.6 %
<b>Efficiency</b>							
Total operating costs / sales	85.5 %	86.2 %	84.2 %	85.0 %	83.9 %	82.8 %	82.2 %
Sales per employee	317.5	320.3	345.4	360.2	377.9	395.9	n/a
EBITDA per employee	46.3	47.6	53.9	58.7	61.0	68.1	n/a
<b>Balance sheet analysis</b>							
Avg. working capital / sales	13.6 %	14.4 %	15.3 %	15.2 %	15.0 %	14.9 %	14.6 %
Inventory turnover (sales/inventory)	5.5	5.1	5.2	4.9	5.0	5.0	5.0
Trade debtors in days of sales	9.6	11.8	11.6	12.5	12.5	12.5	12.5
A/P turnover [(A/P*365)/sales]	29.4	23.9	25.3	29.6	29.6	29.6	29.6
Cash conversion cycle (days)	81.2	103.6	97.2	96.7	96.0	96.2	96.5
<b>Cash flow analysis</b>							
Free cash flow	6.4	5.8	7.5	4.2	3.3	7.5	11.8
Free cash flow/sales	5.0 %	4.4 %	5.2 %	2.7 %	2.1 %	4.4 %	6.6 %
FCF / net profit	311.1 %	218.6 %	136.5 %	62.3 %	43.5 %	75.2 %	99.0 %
Capex / depre	120.4 %	27.8 %	103.1 %	128.4 %	140.2 %	118.2 %	88.5 %
Capex / maintenance capex	133.8 %	81.4 %	133.3 %	163.3 %	187.5 %	187.5 %	62.5 %
Capex / sales	8.2 %	1.9 %	7.0 %	8.6 %	9.3 %	7.6 %	n/a
<b>Security</b>							
Net debt	55.2	50.8	44.2	41.3	39.1	33.1	20.0
Net Debt/EBITDA	2.9	2.6	2.0	1.7	1.5	1.1	0.6
Net debt / equity	1.1	1.0	0.8	0.7	0.6	0.4	0.2
Interest cover	1.6	1.7	2.9	3.7	4.6	6.3	8.5
Dividend payout ratio	0.0 %	18.1 %	17.5 %	18.0 %	20.0 %	20.0 %	27.1 %
<b>Asset utilisation</b>							
Capital employed turnover	0.9	0.9	0.9	0.9	1.0	1.0	1.1
Operating assets turnover	1.0	1.0	1.1	1.1	1.1	1.1	1.3
Plant turnover	1.1	1.2	1.3	1.3	1.3	1.4	1.6
Inventory turnover (sales/inventory)	5.5	5.1	5.2	4.9	5.0	5.0	5.0
<b>Returns</b>							
ROCE	7.3 %	7.3 %	8.4 %	8.9 %	9.0 %	10.8 %	12.5 %
ROE	4.2 %	5.2 %	10.4 %	11.6 %	11.5 %	12.8 %	14.6 %
<b>Other</b>							
Interest paid / avg. debt	8.6 %	8.2 %	5.7 %	5.1 %	4.3 %	4.3 %	4.0 %
No. employees (average)	407	415	415	420	425	430	0
Number of shares	8.0	8.0	8.0	8.0	8.0	8.0	8.0
DPS	0.0	0.1	0.1	0.2	0.2	0.2	0.4
EPS reported	0.26	0.33	0.69	0.84	0.95	1.25	1.49
<b>Valuation ratios</b>							
P/BV	2.3	2.3	2.2	2.0	1.7	1.5	1.4
EV/sales	1.5	1.4	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	10.0	9.4	8.3	7.5	7.0	6.0	5.1
EV/EBITA	18.8	17.6	14.6	12.7	12.0	9.7	8.0
EV/EBIT	18.8	17.6	14.6	12.7	12.0	9.7	8.0
EV/FCF	29.4	32.0	24.6	44.4	55.0	23.5	13.8
Adjusted FCF yield	5.4 %	5.8 %	6.4 %	6.8 %	7.5 %	9.1 %	10.9 %
Dividend yield	0.0 %	0.4 %	0.8 %	1.0 %	1.3 %	1.7 %	2.8 %

Source: Company data, Hauck & Aufhäuser

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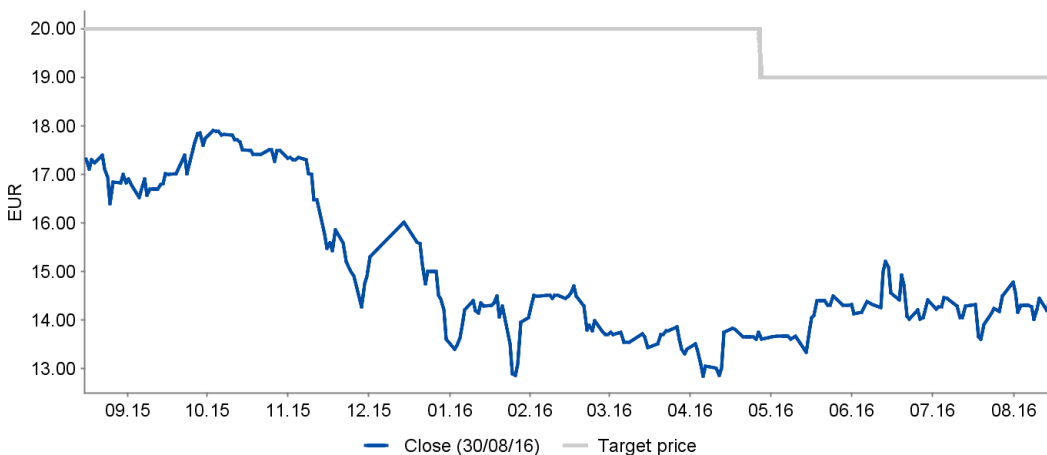
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Company	Disclosure
Nabaltec AG	2

**Historical target price and rating changes for Nabaltec AG in the last 12 months**

**Price and Rating History  
Nabaltec AG as of 31/08/16**

**Initiation coverage**  
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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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