

30 November 2016

## Nabaltec

Germany

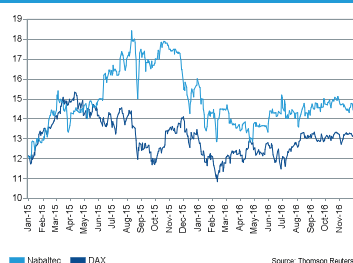
### Chemicals

Reuters: NTGG.DE Bloomberg: NTG GY

### Buy

Closing price as of 29-Nov-16	EUR 14.45
<b>Target price</b>	<b>EUR 15.90</b>
High/Low (12M)	EUR 16.02/12.85
Market cap.	EUR mn 116
Enterprise value	EUR mn 177
Free float	39.0%
Avg. daily turnover	EUR mn 0.0

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-4.4	1.8	5.7
rel. DAX	-3.7	1.1	2.5
rel. STOXX Europe 600	-4.5	2.5	8.2
rel. SXXP Chemicals	-3.0	4.2	0.8

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## Burdens related to Nashtec JV were lower than assumed in 3Q16

### Our conclusion

- The problems with the Nashtec joint venture in the U.S. caused additional costs as expected. But the impact was lower than assumed and the company's 3Q16 profitability above our estimates as a result. We believe that Nashtec related costs and one-off expenses will decline in 4Q16E, while operational leverage due to higher capacity utilization at the plant in Schwandorf should support margins.
- Therefore, we remain positive for the investment case. The stock is trading at about 10.5x 2017E earnings and 6.4x EV/EBITDA, i.e. undemanding multiples. We reiterate our EUR 15.90 target price and Buy recommendation.

### Facts & Analysis

- Due to the fact that the supplier Shervin Alumina in the U.S. filed chapter 11 Nabaltec had to idle its US joint venture Nashtec. As a result the company started to supply customers from Germany. Apparently customers did not accept to carry the full additional logistic costs, causing additional expenses for Nabaltec. Furthermore, lawyers are evaluating possible solutions for the joint venture situation, also resulting in additional costs. Currently the company's goal is to ensure that Nashtec can continue to operate on a stand-alone solution. Management is conducting intensive discussions with a number of parties to this end.
- While sales of EUR 38.4mn in 3Q16 were in line with our EUR 38.3mn estimate, the company's overall operating margin reached 6.5%, above our 5.3% expectation. Also supported by a slightly lower than assumed financial result Nabaltec's bottom line exceeded our estimates, leading to an EPS of EUR 0.15 vs. our conservative EUR 0.05 estimate.

### Nabaltec 3Q16 results vs. Baader Helvea estimates

Key divisional numbers		2016E	3Q16	Baader (E)	3Q15	yoy (%)	2Q16	qoq (%)
<b>Functional Fillers</b>								
Sales	EUR mn	109.0	25.5	25.3	24.8	2.6	30.3	-15.9
EBIT	EUR mn	10.5	1.7	1.5	2.2	-23.6	4.6	-63.3
<b>Technical Ceramics</b>								
Sales	EUR mn	51.5	12.9	12.9	12.8	0.5	12.5	3.0
EBIT	EUR mn	3.8	0.8	0.5	0.4	82.1	0.4	84.5
<b>Key P&amp;L numbers</b>								
Gross sales	EUR mn	160.6	38.4	38.3	37.6	1.9	42.8	-10.4
EBITDA	EUR mn	25.4	5.2	4.6	5.2	-0.8	7.6	-32.4
D&A	EUR mn	11.1	2.7	2.6	2.6	4.4	2.6	1.6
EBIT	EUR mn	14.3	2.5	2.0	2.6	-5.8	5.0	-50.3
Net financial result	EUR mn	-3.4	-0.8	-0.9	-0.8	-5.2	-0.8	-1.4
EBT	EUR mn	10.9	1.7	1.2	1.8	-6.1	4.2	-59.8
Net income after minorities	EUR mn	6.7	1.1	0.4	1.1	0.5	2.5	-56.4
EPS	EUR	0.84	0.15	0.05	0.13	11.3	0.31	-51.7

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	12.4	10.4
P/E adj.	15.9	18.5	17.2	14.5