

31 May 2016

Nabaltec

Germany

Small & Mid Caps

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 30-May-16 EUR 13.34

Target price EUR 15.90

High/Low (12M) EUR 18.43/12.85

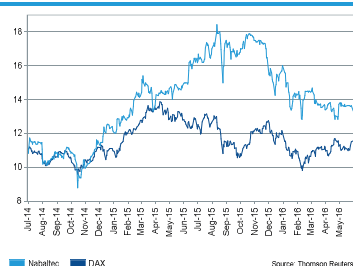
Market cap. EUR mn 107

Enterprise value EUR mn 168

Free float 39.0%

Avg. daily turnover EUR mn 0.0

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-2.9	-7.7	-15.4
rel. DAX	-5.8	-16.5	-6.1
rel. STOXX Europe 600	-5.4	-12.5	-6.2
rel. SXXP Chemicals	0.8	-9.8	-0.6

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1Q16 release confirms preliminary numbers – EPS above expectations

Our conclusion

- Nabaltec already released preliminary sales per division and group EBIT for the first quarter and therefore the final release only confirmed the pre-announcements. However, the company also released an EPS of EUR 0.22 above our EUR 0.20 estimate and thereby a positive surprise.
- Management's guidance predicts moderate growth in 2016E. Given the uncertainty related to the situation with Sherwin Alumina in the US management quite understandably refrains from providing a more precise and quantitative guidance for the current year.
- We reiterate our Buy recommendation given the stock is still only trading at 13.3x 2017E earnings and an upside to our EUR 15.90 target price of approximately 18%. The company's stock has been weak recently as a result of the uncertain situation in the U.S. But we believe that the company will find an at least satisfactory solution for the in our view temporary problem.

Facts & Analysis

- The company's EPS of EUR 0.22 is about 10% above our EUR 0.20 estimate, helped by a favorable financial result and a lower-than-assumed tax charge. However, we stick to our full year assumptions for the time being, i.e. will not change our estimates for 2016E.
- The Functional Filler margin declined by 390bps to 9.8% due to burdens related to the problems the company has in the US with Sherwin Alumina. But these problems should be temporary and Nabaltec will certainly find a solution. The relocation of the production capacities of the Nashtec JV to the company's main production plant in Schwandorf could be a ultima ratio decision for the company.

Nabaltec 1Q16 results vs. Baader Helvea estimates

		2016E	1Q16	Baader (E)	1Q15	yoy (%)	4Q15	qoq (%)
Key divisional numbers								
Functional Fillers								
Sales	EUR mn	109.0	28.1	28.1	26.9	4.5	23.8	18.0
EBIT	EUR mn	10.5	2.7	2.8	3.7	-25.4	1.8	55.9
Technical Ceramics								
Sales	EUR mn	51.5	13.1	13.1	11.9	10.4	12.2	7.9
EBIT	EUR mn	3.8	0.8	0.8	1.1	-31.6	1.1	-27.7
Key P&L numbers								
Gross sales	EUR mn	160.6	41.2	41.2	38.8	6.3	35.9	14.6
EBITDA	EUR mn	25.4	6.2	6.2	7.3	-15.8	5.5	13.1
D&A	EUR mn	11.1	2.6	2.7	2.5	5.6	2.6	1.1
EBIT	EUR mn	14.3	3.5	3.5	4.8	-26.8	2.8	24.0
Net financial result	EUR mn	-3.4	-0.8	-0.9	-1.1	-28.1	-0.8	6.2
EBT	EUR mn	10.9	2.7	2.7	3.7	-26.5	2.1	30.6
Net income after minorities	EUR mn	6.7	1.8	1.6	2.1	-13.2	1.3	36.5
EPS	EUR	0.84	0.22	0.20	0.26	-15.1	0.16	33.4

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	1.0	0.9
EV/EBIT adj.	12.4	13.4	11.8	9.8
P/E adj.	15.9	18.5	15.9	13.3