

13 September 2023

Nabaltec

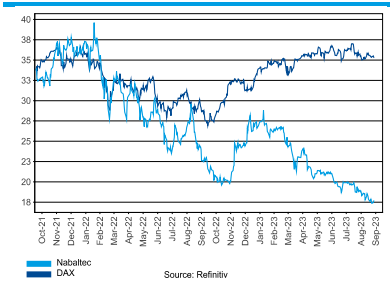
Germany

Chemicals

Reuters: NTGG.DE Bloomberg: NTG GY

Buy

Closing price as of 12-Sep-23	EUR 17.65
Target price	EUR 31.00
High/Low (12M)	EUR 28.80/17.35
Market cap.	EUR mn 155
Enterprise value	EUR mn 165
Free float	45.0%
Avg. daily turnover	EUR mn 0.05

Price relative to Index

Performance (%)	1M	3M	6M
Absolute	-6.1	-16.0	-29.1
rel. DAX	-5.4	-13.6	-31.0
rel. STOXX Europe 600	-5.3	-14.8	-29.5
rel. SXXP Chemicals	-5.2	-16.9	-28.8

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Short-term economic headwind. Long-term stricter legislation and electrification of cars to drive Nabaltec's growth

Investment case: The underlying sector trend is supportive for Nabaltec: **1)** stricter fire safety regulation will drive flame retardant demand, **2)** the shift from commodity halogenated towards non-halogenated commodity flame retardants continues unabated, **3)** the electrification trends in the automotive industry should trigger significantly higher demand for Nabaltec's Boehmite product (oligopolistic market – Nabaltec has 50% market share) for batteries, **4)** 5G and recharging infrastructure for electric vehicles are supportive for Nabaltec's flame retardants in cables, and **5)** the market for both divisions has consolidated after several difficult years and pricing power should remain supportive. We therefore reiterate our positive view on the stock.

What to ask the management?

- What is your electricity exposure? What positive effect could you have from subsidized industrial power prices?
- Are the new battery plant announcements good for your Boehmite product? Is it included in the new EV batteries?
- Do you plan to double your Boehmite capacity? And if so, where (Germany vs. USA)? In the near future given the strong automotive demand?
- Has your Specialty Alumina business reached trough levels? Do you see further downside? Are you worried about your steel customer end market exposure as these customers might further change their production away from Europe? Is the vehicle armor market a growth opportunity? How big could this market be for you?
- What is the revenue impact if your two US plants would be fully ramped up? How advanced are you with the ramp ups?
- Given the slowdown in construction (which might impact the non-halogenated flame retardants) and the significant price decline of other non-halogenated flame retardants, how is your pricing power changing and what capex is needed over the coming years?
- Are there any legislation changes pending which might help?
- How do the US sanctions on Russia impact the alumina raw material supply? Is this an issue for you or your competitors?
- Are there any plans to increase the free float of your stock?

Key financials

EUR mn	2022	2023E	2024E	2025E	CAGR (%)
Gross sales	218.8	217.9	225.6	238.0	2.8
EBIT adj.	29.2	20.3	26.2	28.0	-1.4
EPS adj. (EUR)	3.00	1.58	2.07	2.22	-9.5

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2022	2023E	2024E	2025E
EV/Sales	1.3	0.8	0.7	0.6
EV/EBIT adj.	9.4	8.1	5.9	5.2
P/E adj.	9.2	11.2	8.5	8.0

Nabaltec

Key data

FY 31 Dec.	2020	2021	2022	2023E	2024E	2025E
Share data						
EPS reported (EUR)	-2.23	1.85	3.00	1.58	2.07	2.22
EPS adjusted (EUR)	-2.23	1.85	3.00	1.58	2.07	2.22
Dividend (EUR)	0.00	0.25	0.30	0.30	0.33	0.36
Book value (EUR)	8.73	10.97	15.17	16.75	18.81	21.04
Free cash flow (EUR)	1.60	3.00	0.76	2.26	1.63	1.49
Avg. no. of shares (mn)	8.8	8.8	8.8	8.8	8.8	8.8
Market cap. (avg./current; EUR mn)	206.8	283.9	243.2	155.3	155.3	155.3
Enterprise value (EUR mn)	284.4	334.2	274.4	164.7	154.4	146.1
Valuation						
P/E adj. (x)	-	17.4	9.2	11.2	8.5	8.0
P/BV (x)	2.7	2.9	1.8	1.1	0.9	0.8
FCF/EV (%)	4.9	7.9	2.4	12.1	9.3	9.0
FCF yield (%) (FCF/Mcap.)	6.8	9.3	2.8	12.8	9.2	8.4
Dividend yield (%)	0.0	0.8	1.1	1.7	1.9	2.0
EV/Sales (x)	1.8	1.8	1.3	0.8	0.7	0.6
EV/EBITDA adj. (x)	12.1	9.0	6.5	4.6	3.7	3.3
EV/EBIT adj. (x)	-17.9	13.6	9.4	8.1	5.9	5.2
EV/CE (x)	1.9	2.2	1.8	1.0	0.9	0.8
ROCE/WACC adj. (x)	-1.5	1.4	2.0	1.0	1.2	1.2
Key company data						
Sales growth (%)	-11.3	17.2	17.0	-0.4	3.5	5.5
EBITDA adj. growth (%)	-31.3	58.3	13.9	-15.1	16.2	4.3
EBITDA adj. margin (%)	14.8	19.9	19.4	16.6	18.6	18.4
EBIT adj. margin (%)	-9.9	13.1	13.3	9.3	11.6	11.8
Net adj. margin (%)	-12.3	8.7	12.1	6.4	8.1	8.2
Free cash flow margin (%)	8.8	14.1	3.1	9.1	6.4	5.5
Payout ratio (%)	0.0	13.5	10.0	19.0	16.0	16.2
Gearing (%) (net debt/equity)	43.1	7.3	2.4	-12.3	-17.6	-20.8
Net debt/EBITDA (x)	1.4	0.2	0.1	-0.5	-0.7	-0.9
Equity ratio (x) (equity/total assets)	38.7	43.7	47.5	51.0	53.2	55.6
Capital employed (EUR mn)	150.9	149.1	156.5	158.4	169.0	180.2
ROCE adj. (%)	-11.6	11.8	17.9	9.2	11.2	11.2
Income statement (EUR mn)						
Turnover	159.6	187.0	218.8	217.9	225.6	238.0
EBITDA	23.6	37.3	42.5	36.1	41.9	43.7
EBITDA adj.	23.6	37.3	42.5	36.1	41.9	43.7
EBIT	-15.9	24.6	29.2	20.3	26.2	28.0
EBIT adj.	-15.9	24.6	29.2	20.3	26.2	28.0
EBT	-17.8	22.8	27.5	19.3	25.2	27.2
Net profit after minorities	-19.7	16.3	26.4	13.9	18.2	19.6
Net profit adj.	-19.7	16.3	26.4	13.9	18.2	19.6
Balance sheet (EUR mn)						
Non-current assets	129	123	135	127	136	145
thereof goodwill	0	0	0	0	0	0
Current assets	70	97	146	162	175	187
Total assets	199	221	281	289	311	333
Shareholders' equity	77	96	133	147	166	185
Total equity and liabilities	199	221	281	289	311	333
Net debt	33	7	3	-18	-29	-39
Cash flow (EUR mn)						
Cash flow from operations	24.4	33.2	32.4	41.1	39.5	38.2
of which change in working capital	2.1	-3.5	-23.7	4.0	-0.5	-0.8
Cash flow from investments	-10.3	-6.7	-25.7	-21.1	-25.2	-25.1
of which investment in fixed assets	-10.2	-6.7	-10.5	-22.0	-25.0	-25.0
Free cash flow	14.0	26.4	6.7	19.9	14.3	13.1
Dividends paid	-1.8	0.0	-2.2	-2.5	-2.6	-4.0
Cash flow from financing activities	-14.6	-1.4	28.0	5.9	-3.4	-3.7
Change in cash position	-2.6	25.9	35.3	21.4	11.0	9.4

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Nabaltec	08-Feb-23	Buy	EUR	31.00	26.40	07-Feb-23	Markus Mayer
Nabaltec	28-Nov-22	Buy	EUR	30.00	24.60	25-Nov-22	Markus Mayer
Nabaltec	18-Oct-22	Add	EUR	24.00	20.60	17-Oct-22	Markus Mayer

Nabaltec

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