

Chemicals

Nabaltec

Germany

Given our 2008/09 crisis-like assumptions for 2023/24E, we cut our estimates by >50% and our target price by EUR 9

■ **Nabaltec is way better positioned for the potential crisis than in 2008 and might come out of the crisis stronger:** We fear that the effect for Nabaltec Specialty Alumina business might be worse as there are big energy intense customers (steel or alumina producers in EU), which might be hit hard by the high energy costs and potential demand drop from the automotive industry in 2H23E. Therefore, we reduced our top and bottom line growth expectations in this segment, both due to volume and price effects. In contrast, we are more positive for Nabaltec's Functional Fillers division. There might be temporary lower demand from the construction industry but big infrastructure projects (e.g. 5G or charging infrastructure for EVs) and Nabaltec's Boehmite product for EV batteries might buffer part of these negative effects, given the fact that the secular long-term demand for EV products remains intact. In addition, Nabaltec has a strong balance sheet, which was not the case in 2008. As several competitors of Nabaltec had already before the war in Ukraine and the increase of interest rates major issues, we think there might be again market consolidation, which could further strengthen Nabaltec's position.

■ **Target price cut by EUR 9 – Add reiterated:** We have significantly cut our earnings forecasts, capex assumptions as well as margin expectations within both segments, especially Specialty Alumina in 2023E, where we see a major sales and margins decline in 2023E with a slower recovery in 2024E, particularly due to the segment's exposure and elevated costs, while Functional Fillers will see a delayed demand growth in 2023E with slightly lower margins. Furthermore, we have increased our WACC numbers, given the higher risk-free rates, which consequently affects the valuation of our DCF-model, in total resulting in a reduction of our former target price by EUR 9 per share. Consequently, we reiterate our Add rating and remain positive for Nabaltec's mid-term investment story.

	2020	2021	2022E	2023E	2024E
Gross sales (EUR mn)	159.6	187.0	217.7	188.9	185.1
EBITDA (EUR mn)	11.1	34.4	38.1	24.9	30.6
EBIT reported (EUR mn)	-28.3	22.6	22.9	9.2	14.9
EBIT adjusted (EUR mn)	-28.3	22.6	22.9	9.2	14.9
Net income (EUR mn)	-32.6	14.2	14.6	5.3	9.4
EPS reported (EUR)	-3.70	1.61	1.66	0.60	1.06
EPS adjusted (EUR)	-3.70	1.61	1.66	0.60	1.06
DPS (EUR)	0.00	0.30	0.30	0.30	0.54
Dividend yield (%)	0.0	0.9	1.4	1.4	2.6
P/E adjusted (x)	-	20.0	12.5	34.7	19.6
P/BV (x)	2.7	2.9	1.6	1.6	1.5
EV/Sales (x)	1.8	1.8	1.0	1.1	1.3
EV/EBITDA (x)	25.6	9.7	6.0	8.4	7.6
EV/EBIT (x)	-10.0	14.8	9.9	22.7	15.7
Net debt/EBITDA (x)	3.0	0.2	0.1	-0.3	0.5

Source: Company data, Baader Helvea Equity Research

Add (prev. Add)

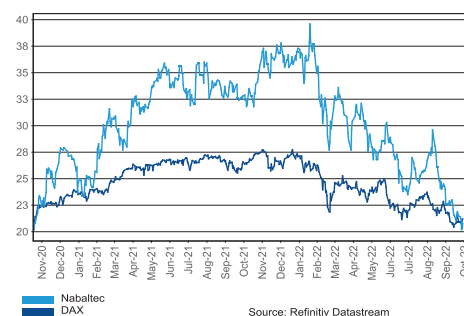
Closing price as of 14-Oct-22	EUR 20.80
High/Low (12M)	39.60/20.20
Target price (prev. EUR 33.00)	EUR 24.00
Upside to target price (%)	15.4
Expected dividend yield (%)	1.4
Total return potential (%)	16.8

Reuters/Bloomberg	NTGG.DE/NTG GY
Avg. daily turnover (EUR mn)	0.05
Free float (%)	44.0
Market cap. (EUR mn)	183
No. of shares issued (mn)	8.8

Events

Annual general meeting	Jun-2023
9M/3Q	24-Nov-2022
Shareholders	Heckmann family 31.16%, Witzany family 29.87%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-14.4	-12.6	-31.6
rel. DAX	-9.9	-12.0	-19.4
rel. STOXX Europe 600	-8.1	-8.9	-16.7
rel. SXXP Chemicals	-11.4	-12.8	-16.7

Changes in estimates

EUR mn	2022E Prev.	Delta (%)	2023E Prev.	Delta (%)
Gross sales	217.7	0.0	225.6	-16.3
EBIT adj.	22.9	0.0	25.0	-63.0
EPS adj. (EUR)	1.71	-2.9	1.90	-68.4
DPS (EUR)	0.30	0.0	0.30	0.0

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Baader Helvea Equity Research

SECTOR REPORT

BAADER

Key data

Nabaltec

Germany

Chemicals

Reuters: NTGG.DE Bloomberg: NTG GY

Add

Price on 14-Oct-22 EUR 20.80

Target price EUR 24.00

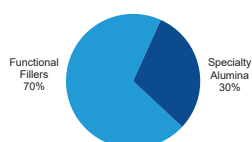
High/Low (12M) EUR 39.60/20.20

Market cap. EUR mn 183

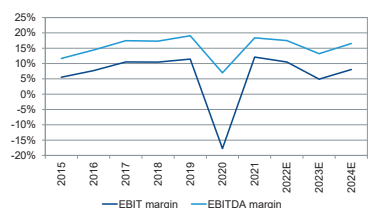
Company profile

Nabaltec is a leading supplier of aluminum hydroxide based functional fillers (mainly flame retardants) for the plastics industry and provides aluminum oxide based raw materials for the technical ceramics industries.

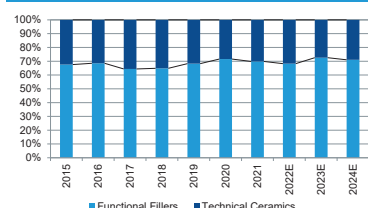
Divisions (2022)



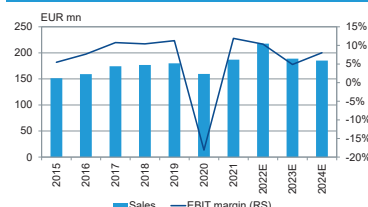
Margin evolution



Divisional sales evolution



Sales vs. EBIT margin



Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

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FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
Share data						
EPS reported (EUR)	1.31	-3.70	1.61	1.66	0.60	1.06
EPS adjusted (EUR)	1.31	-3.70	1.61	1.66	0.60	1.06
Dividend (EUR)	0.21	0.00	0.30	0.30	0.30	0.54
Book value (EUR)	11.34	8.73	10.97	12.62	13.22	14.29
Free cash flow (EUR)	0.27	1.59	3.00	0.66	0.32	-1.05
Avg. no. of shares (mn)	8.8	8.8	8.8	8.8	8.8	8.8
Market cap. (avg./current; EUR mn)	277.4	206.8	283.9	183.0	183.0	183.0
Enterprise value (EUR mn)	365.6	284.4	334.2	226.9	210.2	233.6
Valuation						
P/E adj. (x)	24.1	-	20.0	12.5	34.7	19.6
P/BV (x)	2.8	2.7	2.9	1.6	1.6	1.5
FCF/EV (%)	0.6	4.9	7.9	2.5	1.3	-3.9
FCF yield (%) (FCF/Mcap.)	0.8	6.8	9.3	3.2	1.5	-5.0
Dividend yield (%)	0.7	0.0	0.9	1.4	1.4	2.6
EV/Sales (x)	2.0	1.8	1.8	1.0	1.1	1.3
EV/EBITDA adj. (x)	10.7	25.6	9.7	6.0	8.4	7.6
EV/EBIT adj. (x)	17.8	-10.0	14.8	9.9	22.7	15.7
EV/CE (x)	1.9	1.9	2.2	1.4	1.3	1.3
ROCE/WACC adj. (x)	0.9	-2.6	1.3	1.1	0.4	0.8
Key company data						
Sales growth (%)	1.8	-11.3	17.2	16.4	-13.2	-2.0
EBITDA adj. growth (%)	12.2	-67.6	209.4	10.8	-34.5	22.6
EBITDA adj. margin (%)	19.1	7.0	18.4	17.5	13.2	16.5
EBIT adj. margin (%)	11.4	-17.7	12.1	10.5	4.9	8.0
Net adj. margin (%)	6.4	-20.4	7.6	6.7	2.8	5.1
Free cash flow margin (%)	1.3	8.8	14.1	2.7	1.5	-5.0
Payout ratio (%)	16.1	0.0	18.6	18.1	50.3	50.7
Gearing (%) (net debt/equity)	42.0	43.1	7.3	4.8	-6.3	13.1
Net debt/EBITDA (x)	1.2	3.0	0.2	0.1	-0.3	0.5
Equity ratio (x) (equity/total assets)	41.5	38.7	43.7	46.2	45.5	52.3
Capital employed (EUR mn)	188.8	150.9	149.1	163.4	167.8	176.6
ROCE adj. (%)	7.1	-20.2	10.9	9.8	3.9	5.9
Income statement (EUR mn)						
Turnover	180.0	159.6	187.0	217.7	188.9	185.1
EBITDA	34.3	11.1	34.4	38.1	24.9	30.6
EBITDA adj.	34.3	11.1	34.4	38.1	24.9	30.6
EBIT	20.6	-28.3	22.6	22.9	9.2	14.9
EBIT adj.	20.6	-28.3	22.6	22.9	9.2	14.9
EBT	17.7	-30.2	20.6	20.9	7.5	13.4
Net profit after minorities	11.5	-32.6	14.2	14.6	5.3	9.4
Net profit adj.	11.5	-32.6	14.2	14.6	5.3	9.4
Balance sheet (EUR mn)						
Non-current assets	159	129	123	132	142	151
thereof goodwill	0	0	0	0	0	0
Current assets	81	70	97	108	114	89
Total assets	240	199	221	241	256	240
Shareholders' equity	100	77	96	111	116	126
Total equity and liabilities	240	199	221	241	256	240
Net debt	42	33	7	5	-7	16
Cash flow (EUR mn)						
Cash flow from operations	22.4	24.3	33.2	29.9	26.8	15.0
of which change in working capital	1.8	2.1	-3.5	-9.2	0.9	0.1
Cash flow from investments	-20.0	-10.3	-6.7	-24.1	-24.1	-24.2
of which investment in fixed assets	-19.9	-10.2	-6.7	-25.0	-25.0	-25.0
Free cash flow	2.3	14.0	26.4	5.8	2.8	-9.2
Dividends paid	-1.7	-1.8	0.0	-2.6	-2.6	-2.6
Cash flow from financing activities	-3.7	-14.6	-1.4	-9.1	0.8	-4.6
Change in cash position	-1.3	-2.6	25.8	1.7	12.7	-23.8