

**Buy** (old: Buy)

27.06.2024

**EUR 25.00** (old: EUR 25.00)

## Further op. improvements // FY guidance conservative

**Topic:** Despite the recent 30% share price increase since the low in March, Nabaltec remains on our Alpha List with the key reasons for it being (1) further operational improvements in Q2 and a too conservative FY guidance, (2) the promising optionality of boehmite and (3) an attractive valuation with shares below the book value.

Following a solid Q1 with € 54m sales and a 9% EBIT margin, Nabaltec **looks set to report further operational improvements in Q2**; eNuW € 55m sales (+12% yoy) and a 9.1% EBIT margin (+2.4pp yoy). While demand growth for boehmite should remain muted, its environmental flame retardants (~63% of group sales) are seen to be the key driver as they benefit from rising investments into data centres.

**FY guidance looks increasingly conservative.** Mind you, management expects to grow FY24e sales slightly with an EBIT margin of 7-9%. Considering the expected (eNuW) H1 performance with € 109m sales (+2.7% yoy) and a 9.2% EBIT margin (+1.2pp yoy), the lower end of the margin guidance implies a margin of only 4.6% for the remainder of the year.

**Lagging boehmite demand, yet a promising optionality.** During the past 1.5 years, demand for boehmite, the high-margin coating material for separator foils and electrodes of lithium-ion batteries in EVs, has been weak with sales falling from € 24m in FY21 to € 17m last year. The main reason behind this was a strong oversupply in China (lacklustre EV demand growth), the core market for EV battery production as well as a slower than initially expected ramp up of production capacities in Europe and the US. Yet, with demand for ceramic coating solutions expected to 4x until 2028, boehmite should return to growth; eNuW: From € 17m in FY23 to € 25m by FY25e.

**Valuation remains highly attractive.** At € 16.2/share, Nabaltec still trades below its book value (€ 16.70/share at the end of Q1). For comparison, the company has historically been trading at ~2x P/BV throughout the last 10 years. At the same time, the company offers 10% FCF yield (FY24e) and a healthy balance sheet.

We confirm our **BUY** rating with an unchanged **€ 25 PT** based on FCFY 2025e and **keep Nabaltec on our Alpha List.**



### Market data

Share price (in €)	16.30
Market cap (in € m)	143.4
Number of shares (in m pcs)	8.8
Enterprise value (in € m)	181.8
Ø trading volume (6 months)	2,700

### Identifier

Bloomberg	NTG GR
Reuters	NTGG
WKN	A0KPPR
ISIN	DE000A0KPPR7

### Key shareholders

Family Heckmann	28.2%
Family Witzany	27.2%
Free Float	44.6%

### Estimates changes

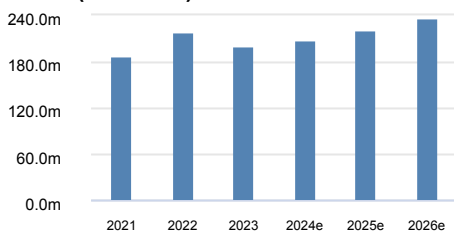
	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

### Comment on changes

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	187.0	218.8	200.1	207.9	221.4	236.3
Sales growth	17.2%	17.0%	-8.5%	3.9%	6.5%	6.8%
EBITDA	37.3	42.4	31.0	31.1	38.7	41.6
Net debt (if net cash=0)	7.1	3.2	5.0	10.4	7.0	-5.1
FCF	26.4	21.6	2.4	-2.6	6.4	15.4
Net Debt/EBITDA	0.2	0.1	0.2	0.3	0.2	0.0
EPS pro forma	1.85	2.22	1.30	1.27	1.72	1.92
EBITDA margin	19.9%	19.4%	15.5%	15.0%	17.5%	17.6%
ROCE	11.6%	13.4%	7.9%	6.8%	8.6%	9.0%
EV/sales	1.0	0.8	0.9	0.9	0.8	0.7
EV/EBITDA	5.2	4.1	5.7	5.8	4.6	4.0
PER	8.8	7.3	12.6	12.8	9.5	8.5
Adjusted FCF yield	11.8%	21.3%	10.5%	10.4%	14.0%	16.4%

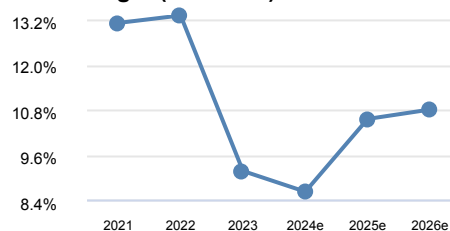
Source: Company data, NuWays, Close price as of 26.06.2024

### Sales (2021-26e)



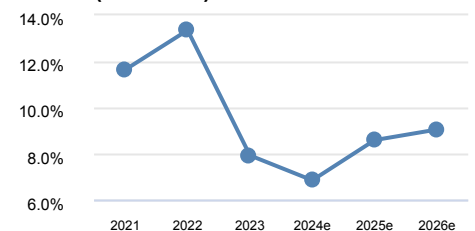
Source: NuWays Research

### EBIT margin (2021-26e)



Source: NuWays Research

### ROCE (2021-26e)



Source: NuWays Research

### Company description

Nabaltec is a leading producer of environmental friendly, non-hazardous flame retardants used in plastics and industrial applications. With boehmite, a high margin coating solution for EV batteries, the company should strongly benefit from the electrification of the auto industry.

### Guidance

- 2024 sales: slight growth
- 2024 EBIT margin: 7-9%

## Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>Net sales</b>	<b>187.0</b>	<b>218.8</b>	<b>200.1</b>	<b>207.9</b>	<b>221.4</b>	<b>236.3</b>
<i>Sales growth</i>	17.2%	17.0%	-8.5%	3.9%	6.5%	6.8%
Increase/decrease in finished goods and work-in-process	0.2	4.1	1.0	0.0	0.0	0.0
<b>Total sales</b>	<b>187.2</b>	<b>223.0</b>	<b>201.1</b>	<b>207.9</b>	<b>221.4</b>	<b>236.3</b>
Other operating income	2.7	3.5	2.8	2.1	2.2	2.4
Material expenses	88.2	106.4	101.9	104.1	108.5	115.3
Personnel expenses	34.8	39.6	38.2	40.2	41.0	42.7
Other operating expenses	29.6	38.1	32.8	34.5	35.4	39.1
<b>Total operating expenses</b>	<b>149.9</b>	<b>180.6</b>	<b>170.1</b>	<b>176.8</b>	<b>182.7</b>	<b>194.7</b>
<b>EBITDA</b>	<b>37.3</b>	<b>42.4</b>	<b>31.0</b>	<b>31.1</b>	<b>38.7</b>	<b>41.6</b>
Depreciation	12.7	13.2	12.7	13.2	15.3	16.1
<b>EBITA</b>	<b>24.6</b>	<b>29.2</b>	<b>18.3</b>	<b>17.9</b>	<b>23.4</b>	<b>25.5</b>
Amortisation of goodwill	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
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>24.6</b>	<b>29.2</b>	<b>18.3</b>	<b>17.9</b>	<b>23.4</b>	<b>25.5</b>
Interest income	0.1	0.4	2.1	2.0	2.1	2.4
Interest expenses	1.8	2.1	4.3	4.1	4.0	4.0
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.8	-1.7	-2.2	-2.1	-2.0	-1.7
<b>Recurring pretax income from continuing operations</b>	<b>22.8</b>	<b>27.5</b>	<b>16.1</b>	<b>15.8</b>	<b>21.4</b>	<b>23.9</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>22.8</b>	<b>27.5</b>	<b>16.1</b>	<b>15.8</b>	<b>21.4</b>	<b>23.9</b>
Income tax expense	6.5	1.1	4.7	4.6	6.3	7.0
<b>Net income from continuing operations</b>	<b>16.3</b>	<b>26.4</b>	<b>11.4</b>	<b>11.2</b>	<b>15.1</b>	<b>16.9</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>16.3</b>	<b>26.4</b>	<b>11.4</b>	<b>11.2</b>	<b>15.1</b>	<b>16.9</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>16.3</b>	<b>26.4</b>	<b>11.4</b>	<b>11.2</b>	<b>15.1</b>	<b>16.9</b>
Average number of shares	8.8	8.8	8.8	8.8	8.8	8.8
<b>EPS reported</b>	<b>1.85</b>	<b>3.00</b>	<b>1.30</b>	<b>1.27</b>	<b>1.72</b>	<b>1.92</b>

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
<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>
<i>Sales growth</i>	17.2%	17.0%	-8.5%	3.9%	6.5%	6.8%
Increase/decrease in finished goods and work-in-process	0.1%	1.9%	0.5%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.1%</b>	<b>101.9%</b>	<b>100.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	1.4%	1.6%	1.4%	1.0%	1.0%	1.0%
Material expenses	47.1%	48.6%	50.9%	50.1%	49.0%	48.8%
Personnel expenses	18.6%	18.1%	19.1%	19.3%	18.5%	18.1%
Other operating expenses	15.8%	17.4%	16.4%	16.6%	16.0%	16.6%
<b>Total operating expenses</b>	<b>80.2%</b>	<b>82.5%</b>	<b>85.0%</b>	<b>85.0%</b>	<b>82.5%</b>	<b>82.4%</b>
<b>EBITDA</b>	<b>19.9%</b>	<b>19.4%</b>	<b>15.5%</b>	<b>15.0%</b>	<b>17.5%</b>	<b>17.6%</b>
Depreciation	6.8%	6.0%	6.3%	6.4%	6.9%	6.8%
<b>EBITA</b>	<b>13.1%</b>	<b>13.3%</b>	<b>9.2%</b>	<b>8.6%</b>	<b>10.6%</b>	<b>10.8%</b>
Amortisation of goodwill	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%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>13.1%</b>	<b>13.3%</b>	<b>9.2%</b>	<b>8.6%</b>	<b>10.6%</b>	<b>10.8%</b>
Interest income	0.0%	0.2%	1.1%	1.0%	0.9%	1.0%
Interest expenses	1.0%	1.0%	2.2%	2.0%	1.8%	1.7%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>12.2%</b>	<b>12.5%</b>	<b>8.1%</b>	<b>7.6%</b>	<b>9.7%</b>	<b>10.1%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>12.2%</b>	<b>12.5%</b>	<b>8.1%</b>	<b>7.6%</b>	<b>9.7%</b>	<b>10.1%</b>
Tax rate	28.6%	3.9%	29.3%	29.3%	29.3%	29.3%
<b>Net income from continuing operations</b>	<b>8.7%</b>	<b>12.1%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>6.8%</b>	<b>7.1%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>8.7%</b>	<b>12.1%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>6.8%</b>	<b>7.1%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>8.7%</b>	<b>12.1%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>6.8%</b>	<b>7.1%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	0.4	0.6	0.9	0.6	0.9	0.6
Property, plant and equipment	119.9	118.8	119.0	137.8	144.5	143.4
Financial assets	0.5	15.9	0.5	0.5	0.5	0.5
<b>FIXED ASSETS</b>	<b>120.8</b>	<b>135.3</b>	<b>120.4</b>	<b>138.9</b>	<b>145.9</b>	<b>144.5</b>
Inventories	33.9	45.7	51.1	41.6	44.3	47.3
Accounts receivable	5.5	6.5	1.4	6.8	7.3	7.8
Other assets and short-term financial assets	6.2	5.1	21.1	21.1	21.1	21.1
Liquid assets	52.2	87.5	86.0	79.5	82.9	95.1
Deferred taxes	2.1	1.0	0.9	0.9	0.9	0.9
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>99.9</b>	<b>145.8</b>	<b>160.5</b>	<b>149.9</b>	<b>156.4</b>	<b>172.1</b>
<b>TOTAL ASSETS</b>	<b>220.7</b>	<b>281.1</b>	<b>280.9</b>	<b>288.8</b>	<b>302.3</b>	<b>316.6</b>

<b>SHAREHOLDERS EQUITY</b>	<b>96.5</b>	<b>133.5</b>	<b>141.8</b>	<b>151.7</b>	<b>164.3</b>	<b>177.6</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	43.3	28.0	27.9	27.9	27.9	27.9
Other provisions and accrued liabilities	1.8	1.9	1.8	0.0	0.0	0.0
Short-term liabilities to banks	59.3	0.8	1.0	0.0	0.0	0.0
Accounts payable	10.7	15.1	10.1	14.3	15.3	16.3
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	5.5	5.5	3.9	3.9	3.9	3.9
Deferred taxes	3.7	2.9	1.0	1.0	1.0	1.0
Deferred income	0.0	3.5	3.4	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>16.2</b>	<b>20.6</b>	<b>14.0</b>	<b>18.2</b>	<b>19.1</b>	<b>20.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>220.7</b>	<b>281.1</b>	<b>280.9</b>	<b>288.8</b>	<b>302.3</b>	<b>316.6</b>

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%
Property, plant and equipment	54.3%	42.3%	42.4%	47.7%	47.8%	45.3%
Financial assets	0.2%	5.7%	0.2%	0.2%	0.2%	0.2%
<b>FIXED ASSETS</b>	<b>54.7%</b>	<b>48.1%</b>	<b>42.9%</b>	<b>48.1%</b>	<b>48.2%</b>	<b>45.6%</b>
Inventories	15.4%	16.3%	18.2%	14.4%	14.6%	14.9%
Accounts receivable	2.5%	2.3%	0.5%	2.4%	2.4%	2.5%
Other assets and short-term financial assets	2.8%	1.8%	7.5%	7.3%	7.0%	6.7%
Liquid assets	23.7%	31.1%	30.6%	27.5%	27.4%	30.0%
Deferred taxes	1.0%	0.3%	0.3%	0.3%	0.3%	0.3%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>45.3%</b>	<b>51.9%</b>	<b>57.1%</b>	<b>51.9%</b>	<b>51.8%</b>	<b>54.4%</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>SHAREHOLDERS EQUITY</b>	<b>43.7%</b>	<b>47.5%</b>	<b>50.5%</b>	<b>52.5%</b>	<b>54.3%</b>	<b>56.1%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	19.6%	10.0%	9.9%	9.7%	9.2%	8.8%
Other provisions and accrued liabilities	0.8%	0.7%	0.7%	0.0%	0.0%	0.0%
Short-term liabilities to banks	26.9%	0.3%	0.3%	0.0%	0.0%	0.0%
Accounts payable	4.8%	5.4%	3.6%	5.0%	5.0%	5.1%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	2.5%	2.0%	1.4%	1.3%	1.3%	1.2%
Deferred taxes	1.7%	1.0%	0.4%	0.3%	0.3%	0.3%
Deferred income	0.0%	1.2%	1.2%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>7.3%</b>	<b>7.3%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>6.3%</b>	<b>6.4%</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>

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	16.3	26.4	11.4	11.2	15.1	16.9
Depreciation of fixed assets (incl. leases)	12.7	13.2	12.7	13.2	15.3	16.1
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	25.1	24.4	8.5	21.4	20.4	22.4
Increase/decrease in inventory	-1.0	-11.8	-5.4	9.6	-2.7	-3.0
Increase/decrease in accounts receivable	-0.2	-1.0	5.0	-5.4	-0.4	-0.5
Increase/decrease in accounts payable	0.9	-4.4	5.0	-4.2	-0.9	-1.0
Increase/decrease in other working capital positions	5.7	25.3	-12.1	5.0	2.0	2.0
Increase/decrease in working capital	5.4	8.1	-7.6	5.0	-2.1	-2.5
<b>Cash flow from operating activities</b>	<b>33.1</b>	<b>32.4</b>	<b>16.5</b>	<b>29.4</b>	<b>28.4</b>	<b>30.4</b>
CAPEX	6.7	10.8	14.0	32.0	22.0	15.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	15.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-6.7</b>	<b>-25.7</b>	<b>-14.0</b>	<b>-32.0</b>	<b>-22.0</b>	<b>-15.0</b>
Cash flow before financing	26.4	4.5	-0.1	-5.4	3.4	12.2
Increase/decrease in debt position	0.0	31.0	0.2	-1.0	0.0	0.0
Purchase of own shares	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
Dividends paid	0.0	2.2	2.5	2.7	3.0	3.3
Others	-1.4	-0.8	-1.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.8	0.6	-0.6	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-1.4</b>	<b>28.0</b>	<b>-3.4</b>	<b>-3.7</b>	<b>-3.0</b>	<b>-3.3</b>
Increase/decrease in liquid assets	25.8	35.3	-1.6	-6.3	3.4	12.2
<b>Liquid assets at end of period</b>	<b>52.2</b>	<b>87.5</b>	<b>85.9</b>	<b>79.5</b>	<b>82.9</b>	<b>95.1</b>

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>P&amp;L growth analysis</b>						
Sales growth	17.2%	17.0%	-8.5%	3.9%	6.5%	6.8%
EBITDA growth	58.3%	13.6%	-26.8%	0.4%	24.3%	7.5%
EBIT growth	-254.8%	18.8%	-37.1%	-2.4%	30.6%	9.3%
EPS growth	-182.7%	62.2%	-56.7%	-2.1%	35.5%	11.6%
<b>Efficiency</b>						
Sales per employee	388.8	432.5	387.9	402.9	429.1	458.0
EBITDA per employee	77.5	83.7	60.1	60.3	75.0	80.6
No. employees (average)	481	506	516	516	516	516
<b>Balance sheet analysis</b>						
Avg. working capital / sales	16.4%	14.5%	17.8%	17.1%	17.8%	15.4%
Inventory turnover (sales/inventory)	5.5	4.8	3.9	5.0	5.0	5.0
Accounts receivable turnover	10.7	10.8	2.6	12.0	12.0	12.0
Accounts payable turnover	20.8	25.2	25.2	25.2	25.2	25.2
<b>Cash flow analysis</b>						
Free cash flow	26.4	21.6	2.4	-2.6	6.4	15.4
Free cash flow/sales	14.1%	9.9%	1.2%	-1.3%	2.9%	6.5%
FCF / net profit	162.4%	82.0%	21.1%	neg.	42.1%	91.3%
Capex / sales	3.6%	11.8%	7.0%	15.4%	9.9%	6.3%
<b>Solvency</b>						
Net debt	7.1	3.2	5.0	10.4	7.0	-5.1
Net Debt/EBITDA	0.2	0.1	0.2	0.3	0.2	0.0
Dividend payout ratio	13.5%	9.3%	23.9%	26.8%	21.5%	20.8%
Interest paid / avg. debt	2.8%	2.8%	5.8%	4.5%	4.5%	4.5%
<b>Returns</b>						
ROCE	11.6%	13.4%	7.9%	6.8%	8.6%	9.0%
ROE	16.9%	19.8%	8.1%	7.4%	9.2%	9.5%
Adjusted FCF yield	11.8%	21.3%	10.5%	10.4%	14.0%	16.4%
Dividend yield	1.5%	1.7%	1.9%	2.1%	2.3%	2.5%
DPS	0.2	0.3	0.3	0.3	0.4	0.4
EPS reported	1.85	3.00	1.30	1.27	1.72	1.92
Average number of shares	8.8	8.8	8.8	8.8	8.8	8.8
<b>Valuation ratios</b>						
P/BV	1.5	1.1	1.0	0.9	0.9	0.8
EV/sales	1.0	0.8	0.9	0.9	0.8	0.7
EV/EBITDA	5.2	4.1	5.7	5.8	4.6	4.0
EV/EBIT	7.9	6.0	9.6	10.2	7.6	6.5

Source: Company data, NuWays

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Company	Disclosures
Nabaltec AG	2

### Historical target price and rating changes for Nabaltec AG

Company	Date	Analyst	Rating	Target Price	Close
Nabaltec AG	05.03.2024	Sandherr, Christian	Buy	EUR 25.00	EUR 13.45
	04.08.2023	Sandherr, Christian	Buy	EUR 31.00	EUR 19.35

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