

Nanogate

A world of new surfaces

Nanogate's management has created a vertically integrated platform that designs and manufactures components with the optical qualities of glass or the durability and shine of chrome-plated parts. These are increasingly in demand as global automotive OEMs seek to lightweight, conventional and electric powered vehicles and OEMs offering domestic appliances or electronic devices aim to differentiate product through deployment of high-performance surfaces that combine both aesthetics and functionality.

Continuing with expansion strategy

Nanogate continues to deliver on its expansion strategy, which has more than doubled revenues since 2014. During H118, both revenues and EBITDA showed double-digit growth. During H118 group revenues rose by 26% year-on-year to €119.4m, benefiting from the operations in Austria and Slovakia that were acquired in January 2018 from HTI, and sustained demand in the strategically important advanced metals and advanced polymers segments. Despite the costs associated with integration of the new sites and the technology investment programme, towards which management has allocated €20m+ investment this year, EBITDA rose by 16% to €12.7m. At the same time, the group enlarged its geographic footprint by completing the acquisition of sites in Austria and Slovakia, extended its vertical integration by purchasing a design studio and broadened its technology portfolio, winning the largest order in its history (<US\$100m) for its new stainless steel replacement platform.

Preliminary FY18 results at top end of guidance

Management has reiterated the guidance it provided in January of an increase in revenues during FY18 to over €220m and EBITDA of over €24m. However, increased depreciation, finance costs and the dilutive effect of shares issued as consideration for HTI are expected to have an adverse effect on EPS.

Valuation: High rating for strong revenue growth

Nanogate trade at a significant discount to our sample's mean with respect to prospective consensus EV/Sales multiples and a modest discount on prospective EV/EBITDA multiples. However, its prospective P/E multiples are significantly higher than the rest of the sample because of the impact the investment programme is expected to have on EPS. We note that the investment programme is expected to result in revenue growth that is substantially faster than peers.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	112.5	3.4	0.70	0.11	45.0	0.3
12/17	186.2	3.9	0.64	0.11	49.2	0.3
12/18e	220.8	3.5	0.47	0.11	67.0	0.3
12/19e	245.2	5.3	0.71	0.11	44.4	0.3

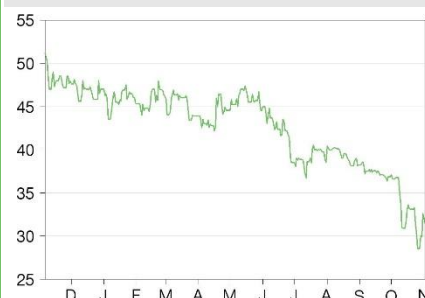
Source: Nanogate data, Bloomberg

Advanced materials technology

Price €31.50

Market cap €151m

Share price graph



Share details

Code	N7G
Shares in issue	4.8m
Last reported net debt (€m) at and June 2018	78.0

Business description

Nanogate is a leading global specialist for design-oriented, high-tech surfaces and components of very high optical quality. Nanogate develops and produces design-oriented surfaces and components and enhances them with additional properties, eg non-stick, scratch-proof, anti-corrosive.

Bull

- Diversity of applications gives access to emerging growth applications.
- Acquisition of design capability extends breadth of vertical integration.
- Increasingly global footprint.

Bear

- Capital cost of succession of acquisitions.
- Cost of investment in technology and capacity.
- High concentration of customers in automotive industry.

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