

# Nanogate

## A world of new surfaces

Since 2014, Nanogate has achieved stellar growth, doubling revenues to exceed its €100m goal in 2016, at least a year earlier than expected. This is the result of a sequence of acquisitions that has created a vertically integrated business, which designs and manufactures components with the optical qualities of glass or the durability and shine of chrome-plated parts, as well as taking the group into the lucrative North American market.

### Benefit of strong demand and internationalisation

Group sales increased by 81% year-on-year during H117 to €94.5m, through a combination of continued high demand for design-orientated, high-tech components and the impact of Nanogate Jay Systems, acquired in January 2017. EBITDA rose by 86% to €11.0m, with EBITDA margin improving by 0.3pp to 11.6%. EPS reduced by 8% to €0.33, reflecting the dilutive impact of placings in July 2016 and April 2017 to fund the acquisitions of plastics specialist Goletz and US-based Jay Plastics. After spending €40.8m on acquisitions during the period, net debt increased by €29.7m to €44.2m, raising gearing to 48%.

### Continued progress against strategic objectives

Ohio-based Jay Plastics, an integrated provider of high-quality plastic components and enhancement, is delivering on management's objectives. It has received several new orders, including one from a Japanese automotive manufacturer for high-quality decorative enhancement and its first components for an electric vehicle. The total order volume for the new projects is in the double-digit million range and extends over several years. The first projects involving technology transfer between the new US and existing European operations (and vice versa) have commenced. In September management reiterated its FY17 guidance of over €170m in revenues and €20m in consolidated EBITDA. It also set a new target for over €250m in sales within the next five years, at continuously increased margins.

### Strong growth justifies premium rating

Nanogate's share price has risen from less than €30 in August 2016 and is now trading at a premium to the mean of our sample of European speciality chemicals and companies that use specialist chemical processes to provide a service, on both EV/EBITDA and P/E metrics. It appears that the market is confident that Nanogate will succeed in realising both the sales growth from the Jay Plastics deal and a meaningful improvement in EBITDA margin from FY18 onwards.

#### Historical financials and consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	90.9	0.6	0.16	0.11	N/A	0.2
12/16	112.5	3.4	0.70	0.11	67.5	0.2
12/17e	169.6	3.9	0.58	0.12	81.5	0.2
12/18e	183.0	6.3	0.87	0.12	54.3	0.2

Source: Company data, Bloomberg

#### Advanced materials technology

16 November 2017

**Price** €47.26  
**Market cap** €213m

#### Share price graph



#### Share details

Code	N7G
Shares in issue	4.5m
Net debt (€m) as at end June 2017	44.2

#### 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

- Transition to integrated systems provider creates strong growth opportunity.
- Diversity of applications gives access to emerging growth markets.
- Acquisition of Jay Plastics strengthens presence in US.

#### Bear

- Capital cost of succession of acquisitions.
- Cost of investment in technology and capacity.
- Customer concentration.

#### Analysts

Anne Margaret Crow	+44 (0)20 3077 5700
Roger Johnston	+44 (0)20 3077 5722

[industrials@edisongroup.com](mailto:industrials@edisongroup.com)

**EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.**

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](http://www.edisongroup.com)

#### DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or a achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2014]. "FTSE(i)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.