

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.

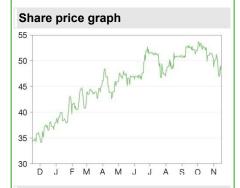
Historical financials and consensus estimates							
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)	
12/15	90.9	0.6	0.16	0.11	N/A	0.2	
12/16	112.5	3.4	0.70	0.11	67.5	0.2	
12/17e	169.6	3.9	0.58	0.12	81.5	0.2	
12/18e	183.0	6.3	0.87	0.12	54.3	0.2	

Source: Company data, Bloomberg

Advanced materials technology

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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 designoriented, 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 nonstick, 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

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