

Equities - Germany

April 20th, 2011

Rating:	Buy
Risk:	Medium
Current Price:	EUR 9.0
Price Target New (Old):	EUR 12.0 (EUR 8.6)
Potential:	25%
Sector:	Sp. Chemicals
Reuters Code:	NTGG.F
Bloomberg Code:	NTG GR
Internet Page:	www.nabaltec.de
Fiscal Year Ending:	December

Trading Data

Price High/Low 52w:	EUR 9.61 - 3.80
Market Capitalisation:	EUR 72.0 mn.
Shares Outstanding:	8 Mio.
Free Float:	38%

Price Graph



Financial Calendar

June 2011 Annual Meeting

Date and Time of Prices
April 19, 2011 15:00 (CET)

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Please take a note of the Disclaimer and other Information on Page 3

Nabaltec AG

Fiscal year 2010: very strong sales figures - margins slightly below expectations

Nabaltec AG has published its final 2010 results. Thanks to an over proportional high product demand, the company was able to achieve record sales of EUR 12.7 mn. (+54.2%) and was therefore clearly above our expectations of EUR 103.4 mn.. Fourth quarter 2010 was strong in particular, although being normally characterized by below average demand. Demand was high around the globe. Especially successful was the segment "Technical Ceramics", where sales growth was almost 61%, equal to EUR 36.8 mn.. 2010 operating profits were EUR 6.5 mn. resulting in an EBIT margin of 5.8%. We expected a slightly higher operating profit margin of 6.6%. The reason for the non achievement of our earnings target lies in an unfavorable the product mix. The two new and high margin segments "Additives" and "Boehmite" were in lower demand than expected.

After losses in 2008 and 2009 Nabaltec was finally able to achieve positive net results of EUR 1.8 mn. in 2010.

Clear margins expansion expected in 2011

Nabaltecs growth drivers - like the trend to flame resistant fillers - are still in tact. For 2011 and 2012 we expect an over proportional high product demand. In 2010 the demand for "Additives" and "Boehmite" was below our expectations. This should change in 2011 and we calculate with increasing demand for these segments. This is also expected by Gerhard Witzany, one of directors of Nabaltec AG.

In fiscal year 2011 we expect total sales of EUR 137.4 mn. (+22%). For 2012 we calculate with a sales growth of 15% to EUR 158.0 mn.. Profit margins should sustainably increase in the coming years. Moderate competition in combination with ongoing high product demand should lead to ongoing price increases. This in combination with a positive product mix (over proportional high demand of "Additives" and "Boehmite", which are characterized by high margins) should lead to operating profit margins of 9.3% (formerly 8.9%) in 2011. Therefore EBIT 2011 should be EUR 12.8 mn.. In 2012 we expect an additional margin expansion to 10.3%.

Capital expenditure should stay high in 2011 and 2012. The company will soon again reach its capacity limits. For 2011 we calculate with investments of EUR 15.0 mn.. Midterm, we do not expect any additional corporate actions.

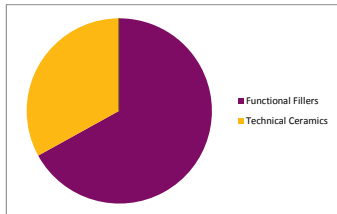
Raising price target from EUR 8.60 to EUR 12.00

Since our first recommendation on June 9th, 2009 the equity value has almost quadrupled and we have several times increased our price target. We do this again due to improved future perspectives.

We are raising our price target from EUR 8.60 to EUR 12.0. We have used a DCF model to calculate our fair value.

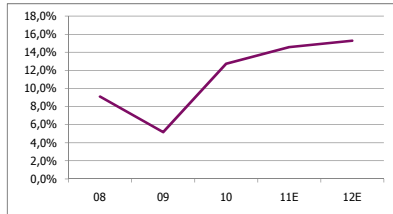
We still recommend buying the stock.

Sales Distribution (2010)



Source: Nabaltec AG, VEM Aktienbank

EBITDA Margins Development



Source: Nabaltec AG, VEM Aktienbank

Company Description

Nabaltec AG headquartered in Schwandorf/Oberplatz focuses on the development, the production as well as the distribution on products based on alumina hydroxide and alumina oxide. The company has two segments: "functional fillers" (products are bought by the cable as well as the plastics industry) and "technical ceramics" (clients come from the ceramics, fire resistant as well as polishing industry).
 In 2005 the company founded a joint venture with Sherwin Alumina under the name of Nashtec L.P. in the USA. There functional fillers are produced and sold to mainly US and Asian clients.

Summary Financials

Fiscal Year End December 31

Profit & Loss in EUR tsd.	2008	2009	2010	2011E	2012E	Cash Flow Statement in EUR tsd.	2009	2010	2011E	2012E
Total Sales	102.580	72.381	112.645	137.382	157.990	Profit			5.179	7.784
Changes in %		-29%	56%	22,0%	15,0%	Depreciation			7.269	7.784
EBITDA	9.318	3.733	14.324	20.032	24.130	Changes in Working Capital			1.779	1.143
in % of Total Sales	9,1%	5,2%	12,7%	14,6%	15,3%	Operative Cash Flow		15.402	14.227	16.712
EBIT	4.128	-2.708	6.548	12.763	16.346	Investments		-7.493	-15.000	-13.000
in % of Total Sales	4,0%	-3,7%	5,8%	9,3%	10,3%	Financial Activities		10.520	0	-1.980
Net Profit	-182	-5.365	2.091	5.179	7.784	Free Cash Flow		18.429	-773	1.731
in % of Total Sales	-0,2%	-7,4%	1,9%	3,8%	4,9%	Net Cash			0	0
Shares Outst. (in tsd.)	8.000	8.000	8.000	8.000	8.000	Cash at the beginning of the Year		18.429	-773	1.731
EPS (reported)	-0,02	-0,67	0,26	0,65	0,97	Cash at the end of the Year		497	18.957	18.184
							497	18.957	18.184	19.915
Balance Sheet in EUR tsd.		2009	2010	2011E	2012E	Key Ratios			2011E	2012E
Long-term Assets		108.702	110.559	118.290	123.506	P/E			13,90	9,25
Inventories		19.213	21.415	22.292	25.635	P/Sales			0,52	0,46
Trade Debtors		3.399	15.067	13.991	13.063	P/B			1,71	1,52
Cash		497	18.957	18.184	19.915	Dividend Yield			0,00	0,00
Share Capital		40.043	42.137	47.316	55.100	Equity Ratio			27%	30%
Provisions		11.946	13.407	14.712	16.148	Tax Rate			30%	30%
Liabilities		79.822	110.454	110.729	110.871					

Source: Nabaltec AG, VEM Aktienbank

SWOT Analyse

Strengths

- Oligopolistic competitive environment and high barriers of entry make price increases possible
- Thanks to improved regulatory general conditions (flame protection as well as environmental protection) it should be possible to achieve an above average growth rate in the long run
- Excellent product characteristics lead to client trust and should result in market share gains.

Weaknesses

- Pronounced dependence on raw materials make the operative performance dependent on the price development of these materials
- Until now the company has achieved below average margins and has to pay high interests due to the high debt level

Opportunities

- The new additive ACTILOX CAHC should lead to a growth spurt in regards to sales and should simultaneously support an increase of the operative margins
- Ongoing investments in research and development allow the discovery of new innovative products and applications
- Until now the company has a low presence in Asia. We expect strong growth out of this region

Risks

- The new additive ACTILOX CAHC is not yet market approved and might not achieve the sales targets
- The business model is dependend on the economic outlook

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Date of publication	Share Price at this date	Recommendation	New Fair Value (at date of publication)
09.07.2008	EUR 2,40	Buy	EUR 3,75
11.09.2009	EUR 2,07	Buy	EUR 3,55
25.11.2009	EUR 4,74	Buy	EUR 5,50
05.03.2010	EUR 4,30	Buy	EUR 5,50
03.05.2010	EUR 4,15	Buy	EUR 5,50
25.08.2010	EUR 5,60	Buy	EUR 7,60
25.11.2010	EUR 7,20	Buy	EUR 8,60

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Company	Disclosure
Nabaltec AG	3 - 5 - 11

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BUY: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is at least + 10 %.

HOLD: The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from - 10 % and + 10 %.

SELL: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than - 10 %.

For further important details concerning the valuation methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section "Valuation" in this analysis.

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Additional important information:

Date of first publication of this analysis by VEM: April 20th, 2011

Date and Time of relevant Share Price: see first page

A schedule for an update of this Analysis is not appointed yet. VEM reserves the right to update any individual analysis without prior notice.