

## Equities - Germany

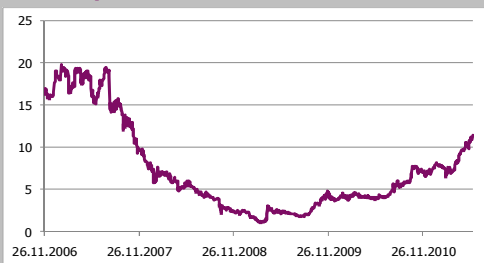
June 10th, 2011

Rating:	<b>Buy</b>
Risk:	Medium
Current Price:	EUR 11.68
Price Target New (Old):	EUR 15.0 (EUR 12)
Potential:	28%
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 12.20 - 3.95
Market Capitalisation:	EUR 93.4 mn.
Shares Outstanding:	8 Mio.
Free Float:	38%

### Price Graph



### Financial Calendar

August 23, 2011      Q2 2011

**Date and Time of Prices**  
**June 10, 2011 10:30 (CET)**

**Dipl. Volkswirt Raimund Saier, CEFA, Analyst**  
**VEM Aktienbank AG**  
**089 30903 4881**  
r.saier@vem-aktienbank.de

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

## Nabaltec AG

### Company has a strong start into fiscal year 2011: very satisfying Q1 results

Nabaltec AG convinced again. Q1 2011 results have been very good. The company achieved a sales growth of 44.7% compared to Q1 2010 and reached total sales of EUR 35.3 mn.. Both segments "Functional Fillers (+45.2%) and "Technical Ceramics" (+43.6%) showed over proportionally high growth rates. Demand was strong across the globe, capacity utilisation is very high and price increase could be achieved.

Only the new "Additives" segment, for the production of PVC, is currently developing below our expectations. It seems like it takes clients longer than hoped to use the new additive. But we are confident, that Nabaltec AG will announce first successes in the mid-term. All it needs is a key client, which we expect to happen soon. Then, demand should grow strongly in this product segment as well.

Nabaltecs profits are developing very positively. Historically the company was burned by very low profits. Now the picture looks very different. For the first time Nabaltec AG could achieve a double digit operating profit margin. In Q1 2011 the EBIT margin has reached a very good 11%, which is equal to EUR 3.9 mn..

Net profit came in at EUR 1.6 mn.. Due to the high debt level of Nabaltec the company still has high interest payments, but they can nowadays be absorbed by the strong sales figures.

### We are increasing our 2011 estimates

Due to the positive future company prospects we now believe that Nabaltec should be able to reach a sales growth of 25% (formerly 22%). Therefore, total sales 2011 should come in at EUR 140.7 mn.. We have increased our 2011 EBIT margin expectations as well and calculating with 9.8%. Consequently the operating profit should reach EUR 13.76 mn. in 2011. For 2012 we expect an additional margins expansion to 10.8%. Capital expenses should stay high in 2011 and 2012. The company might soon reach its capacity limits. For this year we calculate with investments of EUR 15.0 mn..

### Again and again and again: We are increasing our price target to EUR 15.0

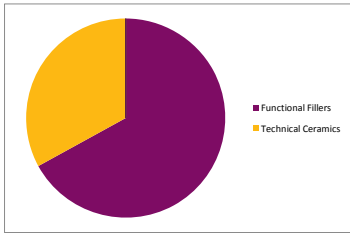
Since our first recommendation on June 9, 2009 the value of the stock has more than quadrupled.

As hoped, Nabaltec AG has emerged into a very profitable company with an innovative product line. Even the former problem child, the US Nashtec, has emerged into a successful company. We believe, that the company specific risk has decreased and are consequently reducing our WACC from 10.63% to 9.0% in our DCF fair value calculation.

Our fair value increases from EUR 12.0 to EUR 15.0

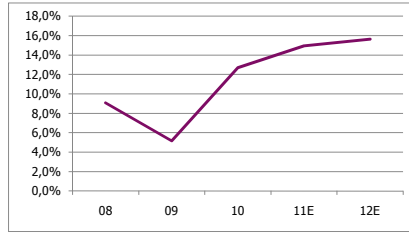
We still recommend to purchase the stock.

**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

<b>Profit &amp; Loss</b>					<b>Cash Flow Statement</b>					
	2008	2009	2010	2011E	2012E		2009	2010	2011E	2012E
in EUR tsd.						in EUR tsd.				
Total Sales	102.580	72.381	112.645	140.656	161.755	Profit			5.878	8.588
Changes in %		-29%	56%	24,9%	15,0%	Depreciation			7.269	7.784
EBITDA	9.318	3.733	14.324	21.031	25.279	Changes in Working Capital			1.480	1.098
in % of Total Sales	9,1%	5,2%	12,7%	15,0%	15,6%	Operative Cash Flow		15.402	14.627	17.470
EBIT	4.128	-2.708	6.548	13.762	17.494	Investments		-7.493	-15.000	-13.000
in % of Total Sales	4,0%	-3,7%	5,8%	9,8%	10,8%	Financial Activities		10.520	0	-1.980
Net Profit	-182	-5.365	2.091	5.878	8.588	Free Cash Flow		18.429	-373	2.490
in % of Total Sales	-0,2%	-7,4%	1,9%	4,2%	5,3%	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		497	18.957	18.584
EPS (reported)	-0,02	-0,67	0,26	0,73	1,07	Cash at the end of the Year		497	18.957	21.074

<b>Balance Sheet</b>					<b>Key Ratios</b>			
	EUR 95.6	2009	2010	2011E	2012E		2011E	2012E
in EUR tsd.								
Long-term Assets		108.702	110.559	118.290	123.506	P/E	15,90	10,88
Inventories		19.213	21.415	22.823	26.246	P/Sales	0,66	0,58
Trade Debtors		3.399	15.067	14.036	13.114	P/B	2,22	1,95
Cash		497	18.957	18.584	21.074	Dividend Yield	0,00	0,00
Share Capital		40.043	42.137	48.015	56.603	Equity Ratio	28%	31%
Provisions		11.946	13.407	14.712	16.148	Tax Rate	30%	30%
Liabilities		79.822	110.454	111.006	111.189			

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 dependent on the economic outlook

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Date of publication	Share Price at this date	Recommendation	New Fair Value (at date of publication)
09.06.2009	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
20.04.2011	EUR 9,00	Buy	EUR 12,00

## Disclosure of potential conflicts of interests according to Section 34b of the German Securities Trading Act (WpHG) in combination with the German Ordinance on the Analysis of Financial Instruments (FinAnV) at the date of publication of the analysis:

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Company	Disclosure
Nabaltec AG	3 - 5 - 11

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- The persons and/or enterprises mentioned above have acted as investment bank or selling agent in connection with initial public offering of the issuer that is, or whose financial instruments are, the subject of this financial analysis, in the way of a public offering.
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- Prior to its first publication, this financial analysis has been made available to the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The persons and/or members of the management board of the enterprises mentioned above are members of the management or supervisory board of the issuer that is, or whose financial instruments are, the subject of this financial analysis.
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## Authors of this financial analysis:

Raimund Saier, Diplom Volkswirt, CEFA, M.A.

## Company responsible for the preparation and communication of this financial analysis:

VEM Aktienbank AG, Prannerstr. 8, 80333 Munich („VEM“)

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This financial analysis is based on public available information (Company presentations, Annual Reports, Quarterly Reports, Press Information, prospectus, ad-hoc announcements etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

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The valuations underlying the ratings of the securities analysed by VEM are based on generally accepted and widely used methods of fundamental valuation, such as DCF model, Peer group comparison, NAV valuation and - where applicable - a Sum-of-the-parts model.

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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.

## Quarterly summary:

VEM is evaluating its ratings on a quarterly basis. The evaluation for the last quarter compares VEM's recommendations "Buy", "Hold", and "Sell" in total with VEM's recommendations "Buy", "Hold", and "Sell" for companies to which VEM has delivered significant investment banking services during the last 12 month. To view this evaluation, please visit [www.vem-aktienbank.de](http://www.vem-aktienbank.de).

## Additional important information:

Date of first publication of this analysis by VEM: June 10th, 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.