

Equities - Germany

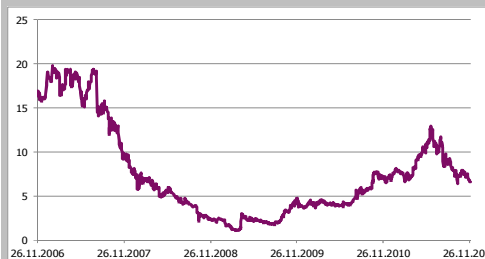
Nov. 29th, 2011

Rating:	Buy
Risk:	Medium
Current Price:	EUR 6.45
Price Target New:	EUR 13.0
Price target old:	EUR 15.0
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 13.0 - 6.42
Market Capitalisation:	EUR 53.4m
Shares Outstanding:	8.0m
Free Float:	38%

Price Graph



Financial Calendar

April 30, 2012	Annual Report 2011
May 29, 2012	Q1 2011

Date and Time of Prices
Nov 29, 2011 10:30 (CET)

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

Nabaltec AG

Third Quarter 2011 results weaken

Nabaltec AG has reported Q3 2011 results. After very convincing first and second quarter results, Q3 2011 weakened. Compared to the same quarter in the prior year sales still gained 7.7% to EUR 30.6m, which was nevertheless slightly below our expectations. The segment "Functional Fillers" was characterized by a distinct slowdown. There, sales just gained a slow 2.7%, while the second segment "Technical Ceramics" was - with a sales growth of 17.3% - still very strong.

The new segment "Additives" - for the production of PVC - is still developing below our expectations. Several potential clients are in different test phases, but it seems to take longer than hoped, till a company is making the final decision to really use Nabaltecs Additive.

In Q3 2011 operative earnings were EUR 2.59m, which is equal to a satisfying EBIT margin of 8.5%. On a segment level Nabaltec AG was with a operative margin of 9.6% more successful in "Technical Ceramics" than in "Functional Fillers", where EBIT margins were 6.3%.

Nabaltecs interest payments are still high due to the significant debt level. Consequently, net margin of Q3 2011 sank to 1.56%. In Q3 2010 it still was at a level of 2.8%.

We are reducing our 2011 and 2012 estimates

The slower than expected growing Additive business combined with a general slowdown in the third quarter 2011 forces us to reduce our sales as well as profit targets for 2011 and 2012.

We stay positive, but expect for fiscal year 2011 now total sales of EUR 128.8m (old estimate: EUR 138.6m). For 2012 we have cut our sales growth target from 15% to 10% and now expect 2012 sales to come in at EUR 141.7m.

Additionally, we believe that our profit targets can not be achieved. The management still hopes to reach its EBIT 2011 target of EUR 12.0m, we expect this might be too optimistic and now calculate with an 2011 operative result of EUR 10.8m (old: EUR 13.8m). Nevertheless, we still believe that Nabaltec AG should be able to extend the 2011 EBIT margin to 8.4%. In 2010 the operating margin was 5.8%. For 2012 we calculate with a slight margin extension to 8.5%.

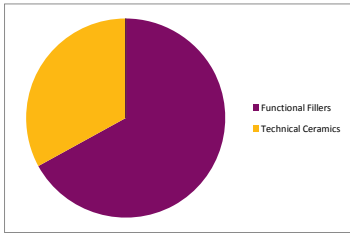
Reduction of price target to EUR 13.0 from EUR 15.0

After the stock was flying in the first half of 2011, the share came under pressure again in Q3 and we are now at a similar level than at the beginning of the year. Reason was the very difficult stock market environment in combination with the fear of a likely future recession.

Our DCF calculation resulted in a reduced new company value of EUR 13.0 per share.

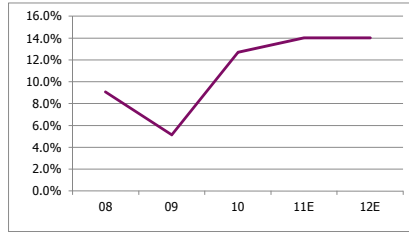
The stock is still highly undervalued and we recommend BUYING.

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					Cash Flow Statement					
	2008	2009	2010	2011E	2012E		2009	2010	2011E	2012E
in EUR tsd.						in EUR tsd.				
Total Sales	102,580	72,381	112,645	128,835	141,719	Profit			4,077	5,150
Changes in %		-29%	56%	14.4%	10.0%	Depreciation			7,269	7,784
EBITDA	9,318	3,733	14,324	18,069	19,876	Changes in Working Capital			2,559	1,848
in % of Total Sales	9.1%	5.2%	12.7%	14.0%	14.0%	Operative Cash Flow		15,402	13,905	14,782
EBIT	4,128	-2,708	6,548	10,800	12,092	Investments		-7,493	-15,000	-13,000
in % of Total Sales	4.0%	-3.7%	5.8%	8.4%	8.5%	Financial Activities		10,520	0	-1,980
Net Profit	-182	-5,365	2,091	4,077	5,150	Free Cash Flow		18,429	-1,095	-198
in % of Total Sales	-0.2%	-7.4%	1.9%	3.2%	3.6%	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	17,862
EPS (reported)	-0.02	-0.67	0.26	0.51	0.64	Cash at the end of the Year	497	18,957	17,862	17,664

Balance Sheet					Key Ratios			
	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	12.66	10.02
Inventories		19,213	21,415	20,905	22,995	P/Sales	0.40	0.36
Trade Debtors		3,399	15,067	13,874	12,840	P/B	1.22	1.12
Cash		497	18,957	17,862	17,664	Dividend Yield	0.00	0.00
Share Capital		40,043	42,137	46,214	51,364	Equity Ratio	27%	29%
Provisions		11,946	13,407	14,712	16,148	Tax Rate	25%	25%
Liabilities		79,822	110,454	110,005	109,493			

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
10.06.2011	EUR 11,68	Buy	EUR 15,00
09.09.2011	EUR 8,20	Buy	EUR 15,00

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Company	Disclosure
Nabaltec AG	3 - 5 - 9 -10

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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.
- The persons and/or enterprises mentioned above have, within the past 12 month, been party to an agreement on provision of investment banking services with the issuer that is, or whose financial instruments are, the subject of this financial analysis; or have received services or a promise to perform under the terms of such an agreement during the same period.
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- The persons and/or enterprises mentioned above have entered into an agreement on the preparation of this financial agreement with the issuer that is, or whose financial instruments are, the subject of this financial analysis.
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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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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: November 29th, 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.