

Update

Equities | Germany

March 5th, 2010

Rating:

Buy

Risk:

Medium

Current Price: EUR 4,40

New Target: EUR 5,50

Potential: 25%

Sector: Chemicals

Reuters Code: NTGG.F

Bloomberg Code: NTG GR

Internet Page: www.nabaltec.de

Fiscal Year Ending: December

Trading Data

High/Low 52w EUR 4,95 - 1,00

Market Cap. EUR 34,5 Mio.

Shares Outsst. 8 Mio

Free Float: 38%

Price Graph



Financial Calendar

April 28th, 2010

May 25th, 2010

Annual Report

Q1 2010 Results

Date and Time Of Prices

March 4th, 2010 17:30

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

Nabaltec AG

Interim Results 2010: Turnaround is achieved

Nabaltec AG has announced Q4 2009 as well as full year 2009 results. As in Q3 2009 the company was again able to surprise positively. Fourth quarter 2009 sales came in at EUR 19,94 Mio. and were - after 3 consecutive negative quarters - for the first time better than the comparable quarter last year.

For the full year 2009 Nabaltec reached sales of EUR 73,1 Mio., representing a decrease of -24,1% compared to 2008. Still sales were slightly above our estimates (EUR 72,88 Mio.). In the second half of 2009 sales were characterized by positive growth rates compared to the first half of 2009 (+20,8%), which is a very good sign.

EBITDA 2009 was EUR 3,7 Mio. and was better than our expectations. Due to an ongoing high depreciation (EUR 6,4 Mio.) the operative result was negative at EUR -2,7 Mio.. But even there the second half of 2009 showed a distinct improvement compared to the first half. Consolidated loss after minorities was EUR -5,0 Mio., slightly better than expected.

The US subsidiary Nashtec L.P. developed very positively: especially in the second half of 2009. Nabaltec's former problem child has become cash positive since 9 months. During a telephone interview, CEO Witzany was very confident and said that Nashtec L.P. is currently running at full capacity. Additionally Nashtecs only competitor Almatix yesterday announced to stop the US production of specialty hydroxide. Consequently Nashtec L.P. will be the only supplier of this product. This should in the midterm have a very positive effect on the sales as well as income development of Nabaltec.

Expected Sales and EBIT growth in 2010/2011

In Q4 2009, the already began trend continued and even the first two months 2010 developed very positively, the management reports. We believe that the economic crisis is over and we expect a sustainable demand for Nabaltec products in the future: "Functional Fillers" as well as "Technical Ceramics". Additionally we expect first sales from the new additive ACTILOX CAHC. For 2010 we calculate with sales of EUR 83,6 Mio (+15% compared to 2009). For 2011 we expect a sales growth of 15%.

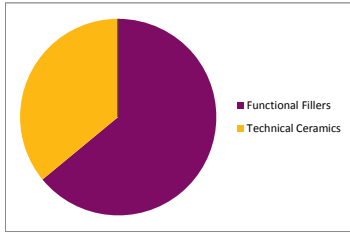
One problem, though, was and is Nabaltec's high debt level and the related high interest payments, which will stay longer term. But capital spending should substantially decrease in the years ahead, as we mainly expect replacement investments. This is positive.

In 2010, EBIT should reach EUR 1,42 Mio. (2011: EUR 4,6 Mio.).

Price target still EUR 5,50

Despite a very good stock performance particularly in the second half of 2009, we still believe in an over proportionally high stock performance potential. Our fair value for the stock is EUR 5.50, which we calculated with a DCF model.

Sales Distribution



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	2007	2008	2009E	2010E	2011E	Cash Flow Statement	2007	2008	2009E	2010E	2011E
in EUR Mio											
Total Sales	91.843	102.580	73.100	83.641	96.155	Profit	659	-182	-5.000	-2.943	323
Changes in %		12%	-29%	14,4%	15,0%	Depreciation	4.375	5.190	6.462	7.498	7.198
EBITDA	8.351	9.318	3.700	8.924	11.870	Changes in Working Capital	13.835	-1.572	14.676	1.178	652
in % of Total Sales	9,1%	9,1%	5,1%	10,7%	12,3%	Operative Cash Flow	18.869	3.436	16.138	5.733	8.173
EBIT	3.976	4.128	-2.700	1.426	4.672	Investments	-27.192	-16.329	-22.000	-3.000	-3.000
in % of Total Sales	4,3%	4,0%	-3,7%	1,7%	4,9%	Financial Activities	-1.025	12.742	9.571	-2.382	-2.263
Net Profit	659	-182	-5.000	-2.943	323	Free Cash Flow	-9.348	-151	3.710	351	2.911
in % of Total Sales	0,7%	-0,2%	-6,8%	-3,5%	0,3%	Net Cash	-9.348	-151	3.710	351	2.911
Shares Outst. (in Mio)	8.000	8.000	8.000	8.000	8.000	Cash at the beginning of the Year	11076	1.728	1.577	5.287	5.638
EPS (reported)	0,08	-0,02	-0,63	-0,37	0,04	Cash at the end of the Year	1.728	1.577	5.287	5.638	8.548

Balance Sheet	2008	2009E	2010E	2011E	Key Ratios	2009E	2010E	2011E
in EUR Mio								
Long-term Assets	97.292	113.534	109.036	104.838	P/E	n.m.	n.m.	n.m.
Inventories	28.408	13.413	14.299	16.438	P/Sales	0,5	0,5	0,4
Trade Debtors	4.519	4.813	5.049	5.323	P/B	0,8	0,9	1,0
Cash	1.942	5.287	5.638	8.548	Dividend Yield	0,0%	0,0%	0,0%
Share Capital	45.051	40.390	37.447	37.770	ROE	n.m.	n.m.	0,9%
Provisions	10.573	11.630	12.793	13.960	ROIC	n.m.	n.m.	0,3%
Liabilities	76.537	85.027	83.782	83.418	Equity Ratio	42%	36%	35%
					Tax Rate	0%	0%	30%

Source: Nabaltec AG, VEM Aktienbank

SWOT Analyse

Strengths	Weaknesses
<p>Oligopolistic competitive environment and high barriers of entry make price increases possible</p> <p>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</p> <p>Excellent product characteristics lead to client trust and should result in market share gains.</p>	<p>Pronounced dependence on raw materials make the operative performance dependent on the price development of these materials</p> <p>Historically sales and profit targets set by the management were not always achieved. Trust has to be rebuild by the management</p>
Opportunities	Risks
<p>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</p> <p>Ongoing investments in research and development allow the discovery of new innovative products and applications</p> <p>Until now the company has a low presence in Asia. We expect strong growth out of this region</p>	<p>The new additive ACTILOX CAHC is not yet market approved and might not achieve the sales targets</p>

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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

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Company	Disclosure
Nabaltec AG	3 - 5 - 11

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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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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 : March 05, 2010

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.