

## Update

### Equities | Germany

August 25th, 2010

Rating:

**Buy**

Risk:

**Medium**

Current Price: EUR 5.6

New Target: EUR 7.60

Old Target: EUR 5.50

Potential: 36%

Sector: Specialty Chemicals

Reuters Code: NTGG.F

Bloomberg Code: NTG GR

Internet Page: [www.nabaltec.de](http://www.nabaltec.de)

Fiscal Year Ending: December

### Trading Data

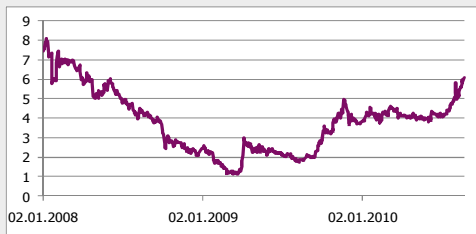
High/Low 52w EUR 6.10- 1.80

Market Cap. EUR 48.8 mill.

Shares Outsst. 8 mill.

Free Float: 38%

### Price Graph



### Financial Calendar

November 23th, 2010

Q1 2010 Results

### Date and Time Of Prices

August 24th, 2010 17:30

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

## Nabaltec AG

### Q2 2010: A record quarter in company history

Nabaltec AG has announced Q2 2010 results. They have exceeded all our expectations. It seems like the good results have even positively surprised the management. Sales grew by 73.2% to EUR 29.1 mill..

Even more impressive was Nabaltecs earnings development as operating earnings were EUR 2.5 mill., which is equal to an EBIT margin of very good 8.6%.

Both segments "Functional Fillers" as well as "Technical Ceramics" were characterized by similar high sales growth rates. Especially strong demand came from the USA and Asia. In the US, sales tripled during Q2 2010, which is surprising, when considering that the US economy is still suffering.

### VEM is substantially increasing its sales and income targets

Although we were aware of the fact that Nabaltec AG should benefit from the revitalization of the global economy due to its cyclical business model, our estimates for 2010 are currently too low. Consequently we are raising our targets clearly. For 2010 we now calculate with sales of EUR 103.4 mill., a plus of 42.9% compared to last year. Our old estimates were at EUR 86.0 mill. (+19%).

Our new EBIT estimates are at EUR 6.8 mill., equal to an EBIT margin of 6.6% (old: 1.9%). Finally, the company should be able to reach positive net results of EUR 2,15 mill., and therefore should clear the loss area earlier than expected.

We believe that Nabaltec AG will surprise with further good announcements. We think this will mainly come from the product side. With the new additive (mainly used for PVC), first sales will be generated in 2010 and the new boehmite, which was introduced in 2009, should generate a positive contribution.

Generally we believe that a sustainable demand recovery for Nabaltec products is likely. In 2010, global steel production should grow strongly, which should have a positive effect on the segment "Technical Ceramics". We also expect strong demand for products from the "Functional Fillers" segment; this mainly due to the ongoing trends towards eco-friendly flame resistant products.

Additionally, Nabaltec AG should gain in market share.

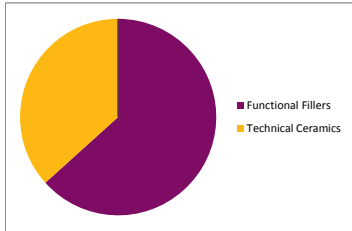
### Raising price target from EUR 5.50 to EUR 7.60

Nabaltec's stock price has developed very well in the last months. Since the beginning of July 2010, the stock has gained 35%. We believe that the stock's potential is still over-proportionally high. We are raising our price target from EUR 5.50 to EUR 7.60; mainly due to far better earnings expectations.

We have used a DCF model to calculate our fair value. The WACC is 10.63%.

We still recommend buying the stock.

**Sales Distribution (H1 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	2007	2008	2009E	2010E	2011E	Cash Flow Statement	2007	2008	2009E	2010E	2011E
in EUR mill.											
Total Sales	91.843	102.580	72.381	103.396	116.236	Profit			-5.047	2.149	4.687
Changes in %		12%	-29%	42,9%	12,4%	Depreciation			6.441	7.231	7.083
EBITDA	8.351	9.318	3.733	14.081	17.401	Changes in Working Capital			3.125	5.672	2.400
in % of Total Sales	9,1%	9,1%	5,2%	13,6%	15,0%	Operative Cash Flow			4.519	15.052	14.170
EBIT	3.976	4.128	-2.708	6.850	10.319	Investments			-20.336	-5.000	-3.000
in % of Total Sales	4,3%	4,0%	-3,7%	6,6%	8,9%	Financial Activities			14.372	-2.360	-2.242
Net Profit	659	-182	-5.365	2.149	4.687	Free Cash Flow			-1.445	7.692	8.928
in % of Total Sales	0,7%	-0,2%	-7,4%	2,1%	4,0%					0	0
Shares Outst. (in Mio)	8.000	8.000	8.000	8.000	8.000	Net Cash			-1.445	7.692	8.928
EPS (reported)	0,08	-0,02	-0,67	0,27	0,59	Cash at the beginning of the Year			1.942	497	8.189
						Cash at the end of the Year		1.942	497	8.189	17.117

Balance Sheet	2008	2009E	2010E	2011E	Key Ratios	2009E	2010E	2011E
in EUR mill.								
Long-term Assets	97.292	108.702	106.471	102.388	P/E		22,3	n.m.
Inventories	28.408	19.213	17.677	19.489	P/Sales		0,5	0,4
Trade Debtors	4.519	3.399	5.166	5.448				
Cash	1.942	497	8.189	17.117	P/B		1,2	1,0
Share Capital	45.051	40.043	42.192	46.879	Dividend Yield		0,0%	0,0%
Provisions	10.573	11.946	13.141	14.359	ROE			
Liabilities	76.537	79.822	82.170	83.204	ROIC			
					Equity Ratio		31%	35%
					Tax Rate		30%	30%

Source: Nabaltec AG, VEM Aktienbank

**SWOT Analyse**

Strengths	Weaknesses
<p><b>Oligopolistic competitive environment and high barriers of entry make price increases possible</b></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><b>Pronounced dependence on raw materials make the operative performance dependent on the price development of these materials</b></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><b>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</b></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><b>The new additive ACTILOX CAHC is not yet market approved and might not achieve the sales targets</b></p>

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## Summary of VEM's recommendations over the last 12 month concerning the securities of the company being subject of this analysis

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

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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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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 : August 25, 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.