

Update

Equities | Germany

November 25th, 2010

Rating:

Buy

Risk:

Medium

Current Price: EUR 7.20

New Target: EUR 8.60

Old Target: EUR 7.60

Potential: 20%

Sector: Specialty Chemicals

Reuters Code: NTGG.F

Bloomberg Code: NTG GR

Internet Page: www.nabaltec.de

Fiscal Year Ending: December

Trading Data

High/Low 52w EUR 7.96- 3.50

Market Cap. EUR 77.6 mill.

Shares Outsst. 8 mill.

Free Float: 38%

Price Graph



Financial Calendar

April 2011

Annual Report 2010

Date and Time Of Prices

November 25th, 2010 9:30

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

Nabaltec AG

Q3 2010 results are again very satisfying

Nabaltec AG has announced its Q3 2010 results. The company has again surprised positively. Sales were EUR 28.4 mill., which is equal to a growth rate of 42% compared to the same quarter last year. Operative profits were EUR 1.75 mill. (equal to an EBIT margin of 6.2%). In Q3 2009, the EBIT margin has just reached 1,5%.

Its running well for Nabaltec AG.

Success could be shown in both segments. With "Functional Fillers" a sales growth of 32,6% compared to the same quarter 2009 could be achieved; mainly due to the ongoing trend towards halogen free materials as well as a high demand from the telecom and the IT industry. With "Technical Ceramics" an even higher sales growth of 61% could be achieved. There, the ongoing strong economic recovery was mainly responsible for the success.

The US daughter Nashtec is developing strong in particular. The production is almost running at full capacity. We believe that Nashtec especially benefits from new orders from former Almatris clients. Almatris has announced to stop the production of hydroxides in the USA.

Nabaltecs new boehmite factory was finished as planned. We expect a positive sales contribution in Q4 2010, but particularly in 2011.

We stick to our positive future targets

The third quarter 2010 has shown: Nabaltec AG should reach our sales as well as profit targets for 2010. We expect total sales of EUR 103.4 mill. and operative earnings of EUR 6,85 mill. (EBIT margin 6,6%). For 2011 we are positive as well. We calculate with sales of EUR 116.2 mill. (+12,4%) and an extension of the EBIT margin to 8,9%. We find our estimates conservative. Growth drivers will be the positive market environment for "Functional Fillers" as well as "Technical Ceramics" in Germany and abroad, increasing sales generated from the growth product boehmite and a strong as well as increasing demand for "additives", used mainly in PVC products.

We have raised our longer term forecast for the margin development of the company. We have been unsure for a while, whether Nabaltec should be able to be sustainably profitable. Now we believe, in mid-term EBITDA margins of 15%, due to the reached profitability of Nashtec, general market share gains as well as the ability to raise prices.

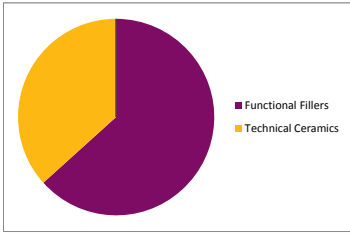
Raising price target from EUR 7.60 to EUR 8.60

We are raising our price target from EUR 7.60 to EUR 8.60; mainly due to a better profitability in the short as well as mid run.

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

We still recommend buying the stock.

Sales Distribution (H3 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	2,273	1,978
in % of Total Sales	9.1%	9.1%	5.2%	13.6%	15.0%	Operative Cash Flow			4,519	11,653	13,747
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	4,293	8,506
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	4,293	8,506
EPS (reported)	0.08	-0.02	-0.67	0.27	0.59	Cash at the beginning of the Year			1,942	497	4,790
						Cash at the end of the Year		1,942	497	4,790	13,296

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		27.2	12.5
Inventories	28,408	19,213	17,677	19,489	P/Sales		0.6	0.5
Trade Debtors	4,519	3,399	8,566	9,269	P/B		1.5	1.4
Cash	1,942	497	4,790	13,296	Dividend Yield		0.0%	0.0%
					Equity Ratio		31%	32%
Share Capital	45,051	40,043	42,192	46,879	Tax Rate		30%	30%
Provisions	10,573	11,946	13,141	14,359				
Liabilities	76,537	79,822	82,170	83,204				

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

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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

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Company	Disclosure
Nabaltec AG	3 - 5 - 11

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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 %.

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Additional important information:

Date of first publication of this analysis by VEM November 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.