

## VITA 34 AG

GERMANY / HEALTH CARE

Primary exchange: Frankfurt  
 Bloomberg symbol: V3V GR  
 ISIN: DE000A0BL849

### FY 2011 RESULTS

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€5.60</b>
RETURN POTENTIAL:	<b>66.4%</b>
RISK RATING:	<b>Medium</b>

### 2011 ANNUAL RESULTS

**VITA 34 has published final 2011 results. While sales and operating income fell short of our expectations, the company reported better than expected net income. The guidance for 2012 is basically in line with our expectations. For the current year, VITA 34 predicts sales at the FY 2011 level and a slight increase in operating income. We reiterate our Buy recommendation based on a new price target of €5.60 (previously: €6.00).**

**As expected, sales declined** Mainly due to the weak economic development in Spain and the omission of storages by the Norddeutsche Knochenmark- und Stammzellregister (NKR), umbilical cord blood storages declined by 20% y/y to 8,806 (2010: 11,038; thereof roughly 1,000 storages by the NKR in 2010). In 2011, VITA 34 managed to increase the average storage price. Thus, the decline in sales was somewhat smaller than the decline in storages. Sales decreased by 6% y/y to €16.0m (2010: €17.0m; FBe: €16.6m).

**Secuvita consolidation burdens operating development** As a result of the Secuvita consolidation for the whole fiscal year (2010: only 7.5 months), the company's gross margin declined to 59.1% (2010: 63.8%; FBe: 60.0%) in 2011. Operating expenditures came in at prior year's level (for example G&A costs of €2.9m; 2010: €3.0m; FBe: €3.0m). Consequently, EBIT declined to €-0.3m (2010: €0.7m; FBe: €-0.1m). Following the capitalization of deferred taxes, net income improved to €1.2m (2010: €0.3m; FBe: €0.9m). (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	16.96	16.00	16.11	16.63	17.23	17.88
Y-o-y growth	n.a.	-5.7%	0.7%	3.2%	3.6%	3.8%
EBIT (€m)	0.74	-0.34	0.23	0.47	0.74	1.19
EBIT margin	4.4%	-2.1%	1.4%	2.8%	4.3%	6.7%
Net income (€m)	0.35	1.19	0.17	0.46	0.75	1.14
EPS (diluted) (€)	0.13	0.45	0.07	0.17	0.28	0.43
EV / Sales (x)	0.8	0.8	0.8	0.8	0.8	0.7
EV / EBIT (x)	18.0	n.a.	59.0	28.8	18.1	11.3
P/E (x)	25.5	7.5	51.5	19.5	11.8	7.8
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	0.03	-1.69	0.68	0.71	0.67	0.93
Net gearing	93.0%	74.6%	67.9%	62.4%	60.2%	57.3%
Liquid assets (€m)	3.69	3.03	2.33	2.04	2.71	3.64

### RISKS

Risks to our price target include but are not limited to: marketing risk, competition risk, financial risk, and a lack of progress in scientific research.

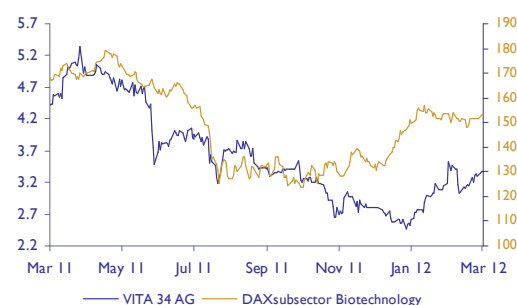
### COMPANY PROFILE

VITA 34 AG is a private umbilical-cord blood bank headquartered in Leipzig, Germany. The company offers expectant parents the one-time opportunity to preserve and store their baby's umbilical-cord blood for potential medical use.

### TRADING DATA

Closing price (20.03.12)	<b>€3.37</b>
Shares outstanding	2.65m
Market capitalisation	<b>€8.91m</b>
52-week range	<b>€2.46 / 5.34</b>
Average volume (12 months)	2,454

### STOCK OVERVIEW



### COMPANY DATA (as of 31 December 2011)

Liquid assets	<b>€3.03m</b>
Current assets	<b>€7.67m</b>
Intangible assets	<b>€20.07m</b>
Total assets	<b>€34.74m</b>
Current liabilities	<b>€4.19m</b>
Shareholders' equity	<b>€19.74m</b>

### SHAREHOLDERS

Elvaston Partner GmbH	20.7%
Landesbank Baden-Württemberg	15.8%
Founder/Management	14.7%
Free float	48.8%

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**Balance sheet remains strong** Due to FY 2011's positive income development, VITA 34's consolidated equity position improved to €20.0m as of 31 December 2011 (end of 2010: €18.8m). The Equity ratio rose to 57.6% (end of 2010: 51.3%). Short- and long-term debt decreased to €3.2m (end of 2010: €3.8m). Net debt at the end of December 2011 was €0.2m (end of 2010: €0.1m). In 2011, operating cash flow decreased to €-0.7m (2010: €1.0m) mainly due to the reduction of non-interest-bearing current liabilities.

**Focus on further cost containment** For the current fiscal year, VITA 34 predicts sales at the prior year level. Sales and marketing activities will be intensified in 2012. However, according to the company, further cost optimisation should lead to a moderate increase in operating income.

Due to the difficult economic situation, VITA 34 expects that the operating environment, in particular in Spain, will again be challenging. However, VITA's Spanish operations should benefit from the cooperation with the Hospital de Madrid clinic chain (five hospitals with more than 6,900 births per year). Hospital de Madrid uses VITA's DESY system to collect umbilical cord blood in normal medical laboratories in accordance with quality standards. Subsequent long-term storage will be at VITA 34's headquarter in Leipzig. In Germany, the company will continue to focus on high-income regions with high birth rates.

**Adjustment of our forecasts** Even though the company's guidance is basically in line with our expectation regarding VITA 34's future development, we have adjusted our forecasts for 2012 and thereafter based on the FY 2011 figures and the 2012 guidance (see table below). We still predict slight to moderate sales growth in the coming years and a gradual increase in profitability due to improvements in VITA 34's cost structure (for example with regard to sales and marketing expenses). Our updated DCF model yields a price target of €5.60 (previously: €6.00). We reiterate our Buy rating.

#### ESTIMATES VS. REPORTED FIGURES

All figures in €m	FY 2011 A	FY 2011E	% diff.
Sales	16.00	16.59	-3.6%
EBIT	-0.34	-0.08	-
margin	-2.1%	-0.5%	-
Net income	1.19	0.85	39.6%
margin	7.4%	5.1%	-
EPS (diluted, in €)	0.45	0.32	40.6%

Table 1

Source: First Berlin

#### CHANGES TO FORECASTS

All figures in €m	2011E			2012E			2013E		
	old	new	% change	old	new	% change	old	new	% change
Sales	17.05	16.11	-5.5%	17.65	16.63	-5.8%	18.32	17.23	-6.0%
EBIT	0.34	0.23	-33.4%	0.79	0.47	-41.1%	1.10	0.74	-32.6%
margin	2.0%	1.4%	-	4.5%	2.8%	-	6.0%	4.3%	-
Net profit	0.26	0.17	-33.5%	0.72	0.46	-36.6%	0.99	0.75	-23.6%
margin	1.5%	1.1%	-	4.1%	2.7%	-	5.4%	4.4%	-
EPS (diluted, in €)	0.10	0.07	-34.6%	0.27	0.17	-36.1%	0.37	0.28	-23.2%

Table 2

Source: First Berlin

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	12 July 2007	€12.43	Buy	€20.00
2...20	↓	↓	↓	↓
21	15 June 2011	€4.43	Buy	€7.00
22	19 July 2011	€4.06	Buy	€6.00
23	18 October 2011	€3.55	Buy	€6.00
24	22 March 2012	€3.37	Buy	€5.60

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**STRONG BUY:** Expected return greater than 50% and a high level of confidence in management's financial guidance

**BUY:** Expected return greater than 25%

**ADD:** Expected return between 0% and 25%

**REDUCE:** Expected negative return between 0% and -15%

**SELL:** Expected negative return greater than -15%

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