

## VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

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

### 9M RESULTS

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€7.80</b>
RETURN POTENTIAL:	<b>37.6%</b>
RISK RATING:	<b>Medium</b>

### COMPANY ACHIEVED PROFITABILITY IN 9M 2009

On October 14, Vita 34 published its 9M 2009 results. The company achieved its break-even target ahead of expectations, which is good news. After solid 9M results, we believe Vita34 is in a comfortable position to achieve a slight profit, on a full-year basis. The company strengthened its cash position to €7.7m by September 30, driven by a positive operating cash flow. We reiterate our Buy rating and our price target of €7.80.

**Flat Q3 2009 sales sustained by international expansion strategy** The company reported flat sales of €4.1m in Q3 2009 (Q3 2008 €4.1m), underscored by the highest ever number of storages at 2,980 (vs. 2,976 in Q3 2008). We note that the sales figure is slightly affected by a higher participation of Spanish sales, which are booked at a lower transfer price (but more profitable due to lower marketing costs) compared to German sales. Sales in Germany remain weak and are still being affected by the difficult economic environment, in our view. Therefore, we recognise the company's internationalisation strategy emerging as a relevant growth driver. Sales in Spain, carried out by its marketing partner Secuvita, remain strong and are growing at a double digit rate. Two further marketing partnerships, for Italy and Slovenia, have been added and started storage during Q3. We expect them to gain critical mass over the next few quarters. We view Italy as an especially attractive growth market, given the current birth rate of some 500,000 births per year.

### Positive EBIT and operating cash flow strengthen the cash position

The company's tight budgeting is proving successful, driven by a reduction of marketing expenses, which were down from €7.6m in 9M 2008 to €5.8m in 9M 2009. As a result, the company achieved a positive bottom-line of €0.4m in 9M 2009. This puts the company in a comfortable position to achieve a positive bottom-line for FY 2009 and going forward. The cash flow positive business model is strengthening the company's cash position, which amounted to €7.6m or €2.89 per share by the 30 September 2009. However, despite these recent positive developments, we adjust our 2010 and 2011 sales numbers slightly downward, but maintain our original EBIT and bottom-line forecasts.

### Stock to become increasingly attractive; we reiterate our Buy rating

After profitable 9M results, we believe the cash flow positive business model has been successfully implemented. The company's current solid cash position of €7.6m or €2.89 per share equates to approx. 50% of Vita 34's share price, which is why we currently view the stock as a bargain. We anticipate the company's international expansion strategy, by means of partnerships, to gain momentum over the next quarters, leading to stronger sales growth. Further consolidation and higher M&A activity will likely increase the prices of the European stem cell banking players. Cryo-Save and private fund Riverside have done acquisitions in the sector at high multiples recently. We therefore reiterate our Buy rating and price target of €7.80.

### FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	11.56	15.43	15.00	15.20	15.50	16.70
Y-o-y growth	12.9%	33.5%	-2.8%	1.3%	2.0%	7.7%
EBIT (€m)	0.50	-0.83	-2.30	0.04	1.00	1.80
EBIT margin	4.3%	-5.4%	-15.3%	0.2%	6.5%	10.8%
Net income (€m)	-2.87	-1.19	-1.70	0.07	1.10	1.90
EPS (diluted) (€)	-1.40	-0.47	-0.64	0.03	0.42	0.72
P/E (x)	na	na	na	201.8	13.6	7.9
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%

### 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.

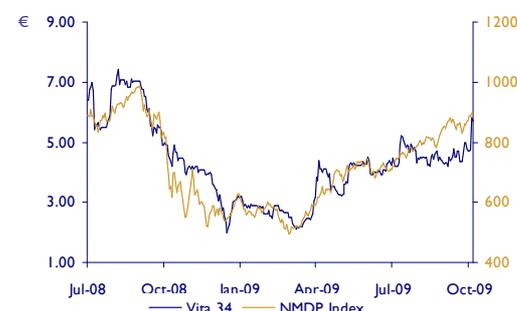
### COMPANY PROFILE

Vita 34 International 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. As of 30 September, Vita 34 had 104 full-time employees.

### TRADING DATA

Closing price (15.10.09)	€5.67
Shares outstanding	2.65m
Market capitalisation	€15.01m
52-week range	€2.00 / 5.80
Average volume (12 months)	3,002

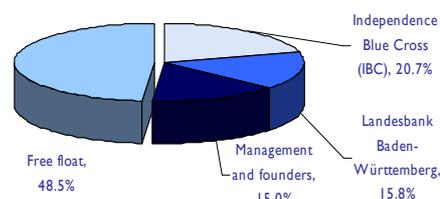
### STOCK OVERVIEW



### COMPANY DATA (as of 30 September 2009)

Liquid assets (incl. short-term and other investments)	€7.65m
Current assets	€11.17m
Intangible assets (incl. goodwill)	€12.66m
Total assets	€30.62m
Current liabilities	€3.29m
Shareholders' equity	€18.65m

### SHAREHOLDERS



**FIRST BERLIN RATING & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Rating	Price target	Interim high	% change to high
Initial Report	12 July 2007	€12.43	Buy	€20.00	-	-
2...8	↓	↓	↓	↓	↓	↓
9	27 February 2009	€2.75	Buy	€8.00	€4.90	78.2%
10	22 April 2009	€4.10	Buy	€8.00	€4.51	10.0%
11	15 July 2009	€4.27	Buy	€7.80	€5.80	35.8%
12	Today	€5.67	Buy	€7.80	-	-

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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