

VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

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

UPDATE

RATING:	Buy
PRICE TARGET:	€7.00
RETURN POTENTIAL:	52.5%
RISK RATING:	Medium

FY2010 RESULTS LARGELY IN-LINE; WE LOOK FOR INTERNATIONAL GROWTH IN 2011

Vita 34 has published complete 2010 results, reporting annual revenues of €16.9m (+12% Y/Y) and EBITDA of €1.7m (2009: €0.7m). Revenues exceeded €5M in Q4 for the first time in the company's history. The strong growth over 2009 was in part due to the consolidation of Spanish partner Secuvita in the second half of 2010. Vita 34 also reported full-year EBIT of €743k (2009: €162k) and a net profit of €349k (2009: €596k). Following adjustments to our forecast model on Vita 34 with net neutral impact on valuation, we are maintaining our price target of €7.00 and our Buy rating on Vita 34.

Cash flow generation capability Vita 34's EBITDA margin expanded from 4.9% to 16.8%. Notably, SG&A-to-sales improved from 50.5% in 2009 to 42.7% in 2010. Vita 34 recorded a second consecutive year of positive OCF, with the 2010 result standing at €1.0M. FCF stood at €630K for the year. In 2010, Vita 34 acquired Spanish partner Secuvita, which involved a net cash payment of €4.2M. This was the main contributor to the decline in liquid assets from €8.1M in 2009 to €5.2M in 2010. We expect Vita 34 to remain FCF-positive, providing sufficient liquidity to finance its expansion.

Adjusting our forecast model Vita 34's management published 2011 guidance for revenues above €18M and improved EBIT. The long-term EBIT margin target is 10%. We are revising our forecast model on the company to reflect this input. Our 2011 sales estimate is reduced from €19.9M to €18.7M. We continue to expect international expansion to be the main growth driver this year. This factor, combined with better than expected OPEX-to-sales in 2010, leads us to raise our EBIT margin forecasts on Vita 34 for the next three years. We now model 8.5% margin by 2013.

FINANCIAL HISTORY & PROJECTIONS

	2008	2009	2010	2011E	2012E	2013E
Revenue (€m)	14.96	15.10	16.96	18.65	19.76	21.14
Y-o-y growth	-3.0%	0.9%	15.7%	6.8%	6.0%	7.0%
EBIT (€m)	-2.27	0.16	0.74	1.12	1.48	1.80
EBIT margin	-15.2%	1.1%	4.4%	6.0%	7.5%	8.5%
Net income (€m)	-1.71	0.60	0.35	0.66	0.51	0.72
EPS (diluted) (€)	-0.65	0.23	0.13	0.25	0.19	0.27
EV / Sales (x)	0.9	0.9	0.8	0.7	0.7	0.6
EV / EBIT (x)	n.a.	81.4	17.8	11.8	8.9	7.3
P/E (x)	n.a.	20.4	34.8	18.4	23.9	16.8
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)	-2.63	-0.13	0.63	2.23	1.94	4.41
Net gearing	0.2%	0.1%	0.3%	0.1%	0.0%	-0.1%
Liquid assets (€m)	7.25	8.06	5.19	5.29	5.17	7.46

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.

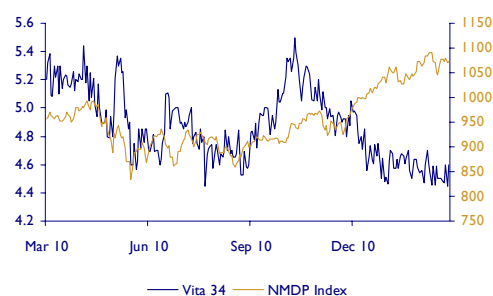
COMPANY PROFILE

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 31 December, Vita 34 had 118 full-time employees.

TRADING DATA

Closing price (24.03.11)	€4.59
Shares outstanding	2.65m
Market capitalisation	€12.15m
52-week range	€4.30 / 5.50
Average volume (12 months)	4,733

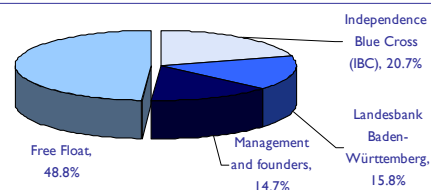
STOCK OVERVIEW



COMPANY DATA (as of 31 December 2010)

Liquid assets (incl. securities)	€5.19m
Current assets	€10.14m
Intangible assets	€7.03m
Total assets	€36.69m
Current liabilities	€7.46m
Shareholders' equity (incl. minorities)	€18.82m

SHAREHOLDERS



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2010 ESTIMATES VS. ACTUALS AND CHANGES IN FORWARD ESTIMATES

All figures in €M	2010A			2011E			2012E		
	est	act	% diff	old	new	% change	old	new	% change
Sales	17.46	16.96	-3%	19.91	18.65	-6%	21.06	19.76	-6%
Operating profit	0.50	0.74	49%	1.18	1.12	-5%	1.40	1.48	6%
Net profit	0.34	0.35	2%	0.70	0.66	-6%	0.45	0.51	13%
Diluted EPS (€)	0.13	0.13	0%	0.27	0.25	-6%	0.17	0.19	13%

Table 1

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...15	↓	↓	↓	↓
16	16 April 2010	€5.30	Buy	€7.80
17	7 September 2010	€4.57	Buy	€7.92
18	14 October 2010	€5.35	Buy	€7.00
19	Today	€4.59	Buy	€7.00

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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%

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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