

## VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

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

### Q3 PREVIEW

<b>RATING:</b>	<b>Buy</b>
<b>PRICE TARGET:</b>	<b>€12.00</b>
<b>RETURN POTENTIAL:</b>	<b>175.2%</b>
<b>RISK RATING:</b>	<b>Medium</b>

### Q3 SET TO WITNESS QUARTERLY SALES RECOVERY

**Vita 34 will report Q3 2008 results on 13 October. We expect sales and storages to experience strong momentum in Q3 after a relatively weak H1. We believe solid 9M results will put the company on track to achieve our full-year targets. We maintain our €12.00 price target and Buy rating.**

**9M 2008 sales will show a slight recovery** We expect revenues of approximately €11.1m for 9M 2008 (€11.5m in 9M 2007). This equates to a recovery in quarterly sales to €3.9m in Q3, from €3.6m in both Q1 and Q2. This recovery will be driven by an increase in the number of storage units, which we forecast will total 8,286 in 9M 2008 (7,968 in 9M 2007). We expect sales in Spain – being carried out by Secuvita, Vita 34's marketing partner – to maintain their strong momentum, roughly doubling from last year's 9M level.

**Operating loss will increase marginally** Management stated during their presentation of H2 results that Vita 34 will spend carefully and efficiently, which is why we forecast an operating loss of €1.8m for 9M 2008, equating to a loss of €0.7m in Q3 2008. We expect a net loss for continued operations of €1.5m in 9M 2008 (€0.97m loss in 9M 2007).

**Low share price – good time to take positions** We believe improved quarterly results will be a relevant factor for investors in regaining confidence in Vita 34's management after their profit warning following Q2 results. While we assume that it may take some time for investors to digest recent disappointments, we believe the stock's current levels are attractive for value investors. We estimate Vita 34's current enterprise value at some €5.0m (market cap of €11.5m), which is in our view too low and does not reflect the company's above-average growth prospects. As such, we maintain our €12.00 price target and Buy rating.

### FINANCIAL HISTORY & PROJECTIONS

	2005	2006	2007	2008E	2009E	2010E
Revenue (€m)	10.23	11.56	15.43	15.50	21.00	28.00
Y-o-y growth	13.1%	12.9%	33.5%	0.5%	35.5%	33.3%
EBIT (€m)	1.19	0.50	-0.83	-2.50	-1.51	2.01
EBIT margin	na	na	na	na	na	na
Net income (€m)	-1.92	-2.87	-1.19	-1.84	-1.00	1.46
EPS (diluted) (€)	-1.07	-1.40	-0.47	-0.74	-0.40	0.58
P/E (x)	na	na	na	na	na	na
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 June, Vita 34 had 120 full-time employees.

### TRADING DATA

Closing price (09.10.08)	€4.36
Shares outstanding	2.65m
Market capitalisation (09.10.08)	€11.54m
52-week range	€4.36 / 18.13
Av. vol. (12 months)	4,487

### STOCK OVERVIEW



### COMPANY DATA (as of 30 June 2008)

Liquid assets (incl. securities)	€6.21m
Current assets	€12.38m
Intangible assets	€12.64m
Total assets	€30.38m
Current liabilities	€2.36m
Shareholders' equity	€19.08m

### SHAREHOLDERS

Independence Blue Cross (IBC)	20.7%
Landesbank Baden-Württemberg	15.8%
Management and founders	13.0%
Free float	50.5%

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Report No.	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	12 July 2007	€12.43	Buy	€20.00	-	-
2...3	↓	↓	↓	↓	↓	↓
4	7 December 2007	€13.34	Buy	€22.00	€13.33	-0.1%
5	5 February 2008	€10.50	Buy	€22.00	€10.60	1.0%
6	14 July 2008	€5.62	Buy	€12.00	€7.43	32.2%
7	Today	€4.36	Buy	€12.00	-	-

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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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