

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:	42.0%
RISK RATING:	Medium

Q1 RESULTS WEAK, BUT FY2011 FORECASTS INTACT

Vita 34 has reported results for Q1/2011. Revenues were €3.7m, up 9.3% Y/Y. Q1 EBIT was -€410K, compared to positive €160K a year ago. The company settled a significant amount of trade payables in Q1. This led to negative OCF of -€2.4M. Cash at period-end was €2.1M. Q1 is typically weak for Vita 34 due to seasonal birth-rate fluctuations. Management has affirmed its targets for 2011. We maintain our BUY rating and our €7.0 price target.

Operating challenges in Q1 The Q1 revenue increase was entirely due to the consolidation of Spanish acquisition Secuvita. New umbilical chord blood (UCB) storages actually declined 12% Y/Y to 2,190. The Spanish market was weak due to the economic challenges in the country. In addition, the German Chord Blood Bank was funding-constrained in Q1, and Vita 34 made no UCB preparations for public banking in the quarter.

FY2011 outlook affirmed Despite a weak Q1, management confirmed its FY2011 outlook for revenues above €18M and improved profitability. We stand by our own forecasts for the year, which include sales of €18.7M (+6.8% Y/Y) and EBIT of €1.1M (up 51% Y/Y).

International expansion continues We expect international growth at Vita 34 over the balance of the year. The company has announced that it plans to enter the Slovakian market, in addition to its existing presence in Austria, Switzerland, Spain, Italy and Slovenia. We estimate that international sales will increase from 23% to 29% of total in FY2011.

Increased marketing efforts We also point to the company's renewed sales and marketing push. This includes a new online sales channel, which offers parents attractively priced packages with reduced upfront payment, as well as new zero-interest financing in partnership with TEBA Kreditbank. We expect that by H2/2011, Vita 34 will start to experience the effects of a positive customer response to these new packages.

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	0.8	0.7	0.7
EV / EBIT (x)	n.a.	87.0	19.0	12.6	9.5	7.8
P/E (x)	n.a.	21.9	37.4	19.7	25.7	18.1
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.

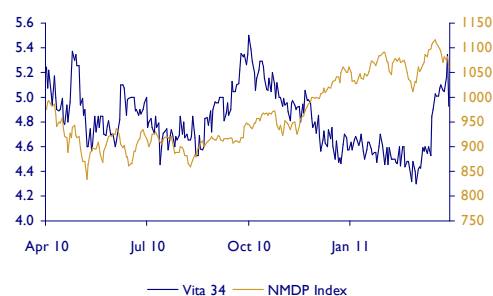
COMPANY PROFILE

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 March, Vita 34 had 138 full-time employees.

TRADING DATA

Closing price (18.04.11)	€4.93
Shares outstanding	2.65m
Market capitalisation	€13.04m
52-week range	€4.30 / 5.50
Average volume (12 months)	4,702

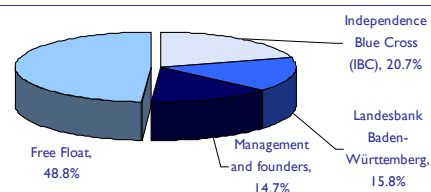
STOCK OVERVIEW



COMPANY DATA (as of 31 March 2011)

Liquid assets (incl. securities)	€2.18m
Current assets	€6.90m
Intangible assets	€6.95m
Total assets	€26.58m
Current liabilities	€4.00m
Shareholders' equity (incl. minorities)	€18.52m

SHAREHOLDERS



**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...16	↓	↓	↓	↓
17	7 September 2010	€4.57	Buy	€7.92
18	14 October 2010	€5.35	Buy	€7.00
19	25 March 2011	€4.59	Buy	€7.00
20	Today	€4.93	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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