

Recommendation:  
**BUY** (BUY)

Risk:  
**HIGH** (HIGH)

Price Target:  
**EUR 6.30** (6.00)

03 December 2014

## Acquisition of Vivocell in Austria

- Vita 34 announced the purchase of Vivocell Biosolutions GmbH & Co KG (Graz, Austria) at a price of EUR 650k. The takeover of all assets of Vivocell comprises of 13,000 stored preparations, equipment and contracts with Austrian clinics. The 13,000 stored preparations will be transferred to Vita 34's cord blood bank in Leipzig. Further contracts with third parties (e.g. rental, employment) are not part of the agreement, therefore there will be no transfer of Vivocell's employees to Vita 34. The deal will come into effect as of 2 January 2015.
- Realizing strategic goals:** The acquisition underlines Vita 34's growth strategy to gain market share in the DACH region and strengthen its market position in Europe. Thanks to the acquisition of Vivocell, which has contracts with ~60 Austrian clinics, Vita 34 also gains a broad access to Austrian clinics (currently Vita has contracts with 11 clinics).
- Changes of estimates:** According to Vita 34, the takeover of Vivocell is expected to have a positive impact of ~7% on group revenues in FY 2015E. Having included the acquired stored preparations in our model, we increased our sales revenue up to EUR 14.8m (Prev. CBSR Est: EUR 13.9m) for FY 2015E. Furthermore, we expect one-time expenses of up to EUR 100k in 1Q15E due to the integration of the acquired assets. Despite the above mentioned one-time expenses we lifted our EBITDA estimate for FY 2015 up to EUR 3.1m (Prev. CBSR Est: EUR 3.0m).
- Recommendation and PT:** Vita 34 executed the acquisition as an asset deal – without taking over liabilities and operating expenses of Vivocell, we view this as positive. While in terms of prices, the Austrian market is similar to the German one, we believe the leveraging cost structure of Vita 34 should facilitate the margin improvement from 2015 onwards. Our updated DCF model yields EUR 7.17/share. We lifted our PT to EUR 6.30/share (Old: CBS Est.: EUR 6.00/share) and reconfirm our BUY recommendation.



Source: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Revenue	-	13.6	14.8	13.9	15.2	14.3
EBITDA	-	2.8	3.1	3.0	3.3	3.1
EPS	-	0.37	0.45	0.42	0.48	0.43

www.vita34.de

Sector: Healthcare

WKN: AOBLL84

ISIN: DE000AOBLL849

Reuters: V3V/Gn.DE

Bloomberg: VSV GR Equity

### Short company profile

Vita 34 AG is a private umbilical cord blood bank in Europe, which specializes in collection, preparation and long-term storage of umbilical cord blood and tissue

### Share data:

Share price (last closing price, EUR):	<b>4.50</b>
Shares outstanding (m):	3.03
Market capitalisation (EURm):	13.08
Enterprise value (EURm):	10.62
Ø daily trading volume (3 m., no. of shares):	5,628

### Performance data:

High 52 weeks (EUR):	7.75
Low 52 weeks (EUR):	2.84
Absolute performance (12 months):	38.49
Relative performance: (vs. CDAX)	
1 month	14.57%
3 months	2.7%
6 months	-16.2%
12 months	37.7%

### Shareholders:

HSCI OJSC	15.00%
Landesbank Baden-Württemberg	7.00%
Founder/Management	17.90%
Free float	60.10%

### Financial calendar:

FY 2014 figures	26 March 2015
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Y/E 31.12., EUR m	2010	2011	2012	2013	2014E	2015E	2016E
Sales revenues	17.0	16.0	13.6	13.6	13.6	14.8	15.2
Total operating income	18.1	16.6	14.4	14.9	15.0	16.2	16.7
Gross profit	10.8	9.5	8.0	8.1	8.0	8.9	9.2
EBITDA	1.7	0.6	0.4	2.7	2.8	3.1	3.3
EBIT	0.7	-0.3	-0.7	1.5	1.6	1.9	2.1
Net income/loss	0.3	1.2	-0.6	0.8	1.1	1.3	1.4
EPS	0.18	0.48	-0.20	0.28	0.37	0.45	0.48
Gross margin	63.8%	59.1%	59.1%	59.5%	59.3%	60.4%	60.4%
EBITDA margin	9.9%	4.0%	3.0%	19.6%	20.5%	21.1%	21.8%
EBIT margin	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.6%
EV/EBITDA	6.3	16.6	25.6	4.0	3.8	3.4	3.2
EV/EBIT	14.3	n.m.	n.m.	7.2	6.7	5.6	5.1
P/E	25.0	9.4	n.m.	16.1	12.0	10.1	9.3

Source: Vita 34 AG; CBS Research AG

## Appendix

### Discounted Cash Flow Model

EUR m	PHASE 1			PHASE 2						PHASE 3	
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	∞
Sales	13.6	14.8	15.2	15.5	16.0	16.4	16.7	17.1	17.4	17.7	
Sales growth	0.1%	9.0%	2.6%	2.3%	3.2%	2.4%	2.0%	2.0%	2.0%	2.0%	
EBIT	1.6	1.9	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	
EBIT margin	11.6%	12.9%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.4%	
Income tax on EBIT	-0.5	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	-0.8	
Depreciation and amortisation	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.5	
Change in net working capital	-0.1	0.0	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.0	
Net capital expenditure	-1.1	-1.2	-1.2	-1.3	-1.3	-1.3	-1.4	-1.4	-1.4	-1.5	
<b>Free cash flow</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	
<b>Present values</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>8.9</b>
Present value Phase 1	3.5										
Present value Phase 2	6.2										
Present value Phase 3	8.9										
Total present value	18.7										
+Excess cash	4.5										
- Financial debt, pension liabilities and silent investors	-1.3										
- Minority interest	-0.2										
<b>Fair value of equity</b>	<b>21.7</b>										
Number of shares (m)	3.0										
<b>Fair value per share (EUR)</b>	<b>7.17</b>										

  

Risk free rate	3.0%	Target equity ratio	70.0%
Equity risk premium	6.5%	Beta (fundamental)	1.40
Debt risk premium	2.5%	<b>WACC</b>	<b>9.59%</b>
Tax shield	32%	<b>Terminal growth</b>	<b>2.0%</b>

  

<b>Sensitivity analysis</b>						
<b>Terminal growth (Phase 3)</b>						
	1.0%	1.5%	2.0%	2.5%	3.0%	
<b>WACC</b>	<b>8.6%</b>	<b>9.1%</b>	<b>9.6%</b>	<b>10.1%</b>	<b>10.6%</b>	
	7.56	7.80	8.08	8.40	8.78	
	7.16	7.36	7.59	7.86	8.17	
	6.80	6.97	7.17	7.39	7.65	
	6.48	6.63	6.80	6.98	7.20	
	6.20	6.32	6.47	6.62	6.80	

Source: Bloomberg; CBS Research AG

**Key figures and ratios**

	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Valuation multiples and dividend yield</b>								
EV / Sales (x)	0.7	0.6	0.7	0.8	0.8	0.8	0.7	0.7
EV / EBITDA (x)	n.m.	6.3	16.6	25.6	4.0	3.8	3.4	3.2
EV / EBIT (x)	n.m.	14.3	n.m.	n.m.	7.2	6.7	5.6	5.1
P/E (x)	n.m.	25.0	9.4	n.m.	16.1	12.0	10.1	9.3
P/B (Price to book ratio) (x)	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.5
<b>Per share data (in EUR)</b>								
EPS (Basic earnings per share)	0.23	0.18	0.48	-0.20	0.28	0.37	0.45	0.48
CPS (Operating cash flow per share)	0.43	0.38	-0.26	0.72	0.59	0.64	0.80	0.93
Free cash flow per share	-0.08	-1.33	-0.06	0.40	0.34	0.30	0.42	0.54
Book value/share (ex. non-controlling interest)	7.13	6.98	7.46	7.14	6.97	7.34	7.79	8.27
<b>Growth rates</b>								
Sales (%)	0.9%	12.4%	-5.7%	-15.0%	-0.4%	0.1%	9.0%	2.6%
Gross profit (%)	3.4%	6.7%	-12.6%	-15.0%	0.2%	-0.2%	11.0%	2.6%
EBITDA (%)	-140.5%	128.3%	-62.2%	-35.1%	542.0%	4.7%	12.3%	6.0%
EBIT (%)	-107.1%	358.6%	-145.1%	121.5%	-298.0%	7.6%	20.7%	8.1%
Net income (%)	-134.8%	-19.0%	161.3%	-145.9%	-244.7%	35.3%	19.2%	7.9%
<b>Profitability</b>								
Gross margin (%)	67.2%	63.8%	59.1%	59.1%	59.5%	59.3%	60.4%	60.4%
EBITDA margin (%)	4.9%	9.9%	4.0%	3.0%	19.6%	20.5%	21.1%	21.8%
EBIT margin (%)	1.1%	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.6%
EBT margin (%)	4.4%	3.9%	-3.1%	-6.3%	9.9%	11.8%	12.9%	13.6%
Net margin (%)	3.9%	2.8%	7.9%	-4.3%	6.2%	8.4%	9.1%	9.6%
ROCE	0.8%	3.5%	-1.5%	-3.3%	6.5%	6.7%	7.7%	7.8%
ROE	3.2%	2.6%	6.5%	-2.9%	4.0%	5.2%	5.9%	6.0%
ROTA	1.9%	1.4%	3.5%	-1.6%	2.3%	3.1%	3.6%	3.8%
<b>Solvency</b>								
Net debt (EUR m)	-4.6	0.1	0.2	-1.4	-2.6	-3.5	-4.8	-6.4
Equity ratio (%)	60.6%	51.3%	57.6%	56.0%	59.8%	61.4%	62.3%	63.3%
Interest coverage ratio (x)	1.0	2.6	-1.3	-3.6	7.2	26.4	31.9	34.4
<b>Fixed Assets/ CAPEX</b>								
Fixed assets turnover ratio (x)	0.9	0.8	0.7	0.5	0.5	0.5	0.6	0.6
CAPEX (EUR m)	-0.7	-5.2	-1.0	-1.0	-0.8	-1.1	-1.2	-1.2
CAPEX / Depreciation (%)	93.8%	108.2%	66.5%	62.5%	43.4%	43.1%	46.3%	46.2%
CAPEX / Sales (%)	3.6%	6.0%	4.0%	5.3%	3.8%	3.8%	3.8%	3.8%
Depreciation / Sales (%)	3.8%	5.6%	6.1%	8.5%	8.8%	8.9%	8.2%	8.3%

Source: Bloomberg; CBS Research AG

## Income statement

IFRS EUR m	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Revenues</b>	<b>15.0</b>	<b>15.1</b>	<b>17.0</b>	<b>16.0</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>	<b>14.8</b>	<b>15.2</b>
YoY growth	-3.0%	0.9%	12.4%	-5.7%	-15.0%	-0.4%	0.1%	9.0%	2.6%
Cost of sales	-5.1	-5.0	-6.1	-6.5	-5.6	-5.5	-5.5	-5.9	-6.0
as % of sales	34.4%	32.8%	36.2%	40.9%	40.9%	40.5%	40.7%	39.6%	39.6%
<b>Gross profit</b>	<b>9.8</b>	<b>10.1</b>	<b>10.8</b>	<b>9.5</b>	<b>8.0</b>	<b>8.1</b>	<b>8.0</b>	<b>8.9</b>	<b>9.2</b>
as % of sales	65.6%	67.2%	63.8%	59.1%	59.1%	59.5%	59.3%	60.4%	60.4%
Other operating income	0.7	0.6	1.1	0.6	0.7	1.4	1.4	1.4	1.5
as % of sales	4.9%	3.7%	6.6%	3.8%	5.5%	10.2%	10.4%	9.7%	9.8%
Selling expenses	-9.6	-7.6	-7.2	-7.0	-5.8	-4.7	-4.8	-5.1	-5.2
as % of sales	64.4%	50.5%	42.7%	43.6%	42.4%	34.7%	35.4%	34.3%	34.3%
Administrative expenses	-2.9	-2.8	-3.0	-2.9	-3.1	-2.9	-3.0	-3.2	-3.3
as % of sales	19.6%	18.3%	18.0%	18.3%	22.7%	21.4%	22.0%	21.5%	21.5%
Other operating expenses	-0.2	-0.1	-0.9	-0.5	-0.7	-0.4	-0.1	-0.2	-0.1
as % of sales	1.6%	0.9%	5.4%	3.1%	5.0%	2.9%	0.7%	1.3%	0.7%
<b>EBITDA</b>	<b>-1.8</b>	<b>0.7</b>	<b>1.7</b>	<b>0.6</b>	<b>0.4</b>	<b>2.7</b>	<b>2.8</b>	<b>3.1</b>	<b>3.3</b>
as % of sales	-12.2%	4.9%	9.9%	4.0%	3.0%	19.6%	20.5%	21.1%	21.8%
Depreciation and amortisation	-0.4	-0.6	-0.9	-1.0	-1.2	-1.2	-1.2	-1.2	-1.3
as % of sales	3.0%	3.8%	5.6%	6.1%	8.5%	8.8%	8.9%	8.2%	8.3%
<b>EBIT</b>	<b>-2.3</b>	<b>0.2</b>	<b>0.7</b>	<b>-0.3</b>	<b>-0.7</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>
as % of sales	-15.2%	1.1%	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.6%
<b>EBT (Earnings before income taxes)</b>	<b>-2.4</b>	<b>0.7</b>	<b>0.7</b>	<b>-0.5</b>	<b>-0.9</b>	<b>1.3</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>
as % of sales	-15.9%	4.4%	3.9%	-3.1%	-6.3%	9.9%	11.8%	12.9%	13.6%
<b>Income taxes</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.3</b>	<b>1.7</b>	<b>0.2</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.7</b>
as % of EBT	17.5%	9.4%	47.6%	340.1%	-28.8%	-41.3%	-32.0%	-32.0%	-32.0%
<b>Net income</b>	<b>-2.0</b>	<b>0.6</b>	<b>0.3</b>	<b>1.2</b>	<b>-0.6</b>	<b>0.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
as % of sales	-13.1%	3.9%	2.1%	7.4%	-4.5%	5.8%	8.0%	8.8%	9.3%
Thereof:									
Non controlling interests	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	-0.1	-0.1
<b>Earnings attributable to shareholders</b>	<b>-2.0</b>	<b>0.6</b>	<b>0.5</b>	<b>1.3</b>	<b>-0.6</b>	<b>0.8</b>	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>
as % of sales	-13.1%	3.9%	2.8%	7.9%	-4.3%	6.2%	8.4%	9.1%	9.6%
<b>EPS</b>									
Basic EPS in EUR	-0.64	0.23	0.18	0.48	-0.20	0.28	0.37	0.45	0.48
Diluted EPS in EUR	-0.74	0.23	0.18	0.48	-0.20	0.28	0.37	0.45	0.48

Source: Bloomberg; CBS Research AG

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Date	Recommendation	Price at change date	Price target
03 December 2014	BUY (Update)	EUR 4.50	EUR 6.30
24 October 2014	BUY (Update)	EUR 4.32	EUR 6.00
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13 May 2014	BUY (Initial Coverage)	EUR 5.16	EUR 7.10

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