Vita 34 AG

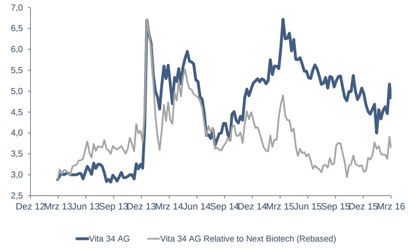
Buy ➔ | Target price : 7.50 EUR

Price : 4.84 EUR | Upside : 55 %

Est.chg	2016e	2017e
EPS	-67,8%	-36,9%

Final 2015 figures surpass guidance and expectations ...

Thursday 31 March 2016



Capital			
V3V GY | V3VGn.DE			
Market Cap (EURm)			14
Enterprise value (EURm)			14
Extrema 12 months		4,00 -	7,26
Free Float (%)			68,7

Performance (%)	**1m**	**3m**	**12m**
Absolute	12,9	-1,9	-17,8
Perf. rel. Country Index	10,5	5,7	-3,7
Perf. rel. Next Biotech	7,4	19,5	-19,3

P&L	**12/15**	**12/16e**	**12/17e**
Sales (EURm)	14,2	15,2	15,4
EBITDA (EURm)	3,9	1,5	2,3
Current EBIT (EURm)	1,6	0,2	0,9
Attr. net profit (EURm)	2,0	0	1
Adjusted EPS (EUR)	0,67	0,12	0,28
Dividend (EUR)	0,16	0,16	0,17
P/E (x)	8,1	40,9	17,5
P/B (x)	0,7	0,6	0,6
Dividend Yield (%)	3,0	3,3	3,5
FCF yield (%)	14,3	6,7	8,8
EV/Sales (x)	1,10	0,93	0,87
EV/EBITDA (x)	4,0	9,5	5,7
EV/Current EBIT (x)	9,7	66,0	14,5
Gearing (%)	3	4	2
Net Debt/EBITDA(x)	0,2	0,6	0,2

Next Events	
25.05.2016	Q1 Results
25.08.2016	AGM

... but were buoyed by special effects

Vita 34's 2015 was shaped by two acquisitions and two investments, which not only increased its market presence in Europe, but strongly influenced its financial metrics. Total output (defined as sales plus other operating income) rose 22% yoy to € 18.5m (our estimate: € 16.1m), mainly due to a sharp rise in other operating income from € 1.7m to € 4.3m, although sales also increased from € 13.8m to € 14.2m (+ 3% yoy). The sharp rise in other operating income was mainly driven by the positive effects of two purchase price allocations (negative goodwill): Vivocell: € 606k and StemCare: € 2.5m. (Note: we already indicated in our last update that there could be positive PPA effects.) Accordingly, EBITDA of € 3.9m (margin: 27.5%) significantly exceeded both our estimate (€ 2.4m) and the company's guidance (stable yoy, i.e. c.€ 2.8m). Due however to higher depreciation expense (special write-offs of c.€ 1.1m), EBIT was virtually unchanged yoy at € 1.6m (our estimate: € 1.2m). The 72% yoy increase in net income to € 1.7m was aided by a tax gain. Thanks to the acquisitions stem cell deposits rose 32% yoy. In Q4 alone around 2,000 deposits were made, in line with our expectation.

The dividend proposal for 2015 was increased by 6.7% yoy to € 0.16 per share

Outlook for 2016: a year of restructuring and consolidation

After an eventful 2015, 2016 should be dominated by restructuring and consolidation. Total output, EBITDA, EBIT, net income should all be down yoy due to i) the non-recurrence of positive one-off effects, and ii) rising restructuring costs. Revenues, by contrast, should continue to grow in 2016 as they are unaffected by special items and will be supported by the first full-year consolidation of the acquired consolidated companies. Correspondingly, the company guides for i) yoy growth in total output excl. special effects and in sales, ii) an EBITDA margin of 8-12%.

Given the company's new guidance, we have adjusted our 2016e estimates as follows: revenue of € 15.2m (starting from 2015 pro-forma revenue of € 15.7m, i.e. including the companies acquired in 2015, and assuming a slight revenue contraction in Germany). Adding to revenue other operating income of € 1.1m, we estimate total output of € 16.3m. For 2016e EBITDA, we expect € 1.5m, corresponding to an EBITDA margin of 9.7%. For D&A, we expect a decline to € 1.3m, resulting in EBIT of € 0.2m.

Medium-term outlook positive; target price € 7.50

While the 2016 sales guidance (yoy growth) was in line with our expectation, we had expected higher EBITDA guidance due to the new investments and a lower integration expenses. We now expect EBITDA improvement in 2017e at the earliest, esp. with a successful restructuring of StemCare. Despite this postponement, we leave our target price unchanged at € 7.50 due to Vita 34's expanded market position in Europe, its sustainable positive FCF growth, and prospects for regular dividends and a stable business model.

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V3VGn.DE | V3V GY
Healthcare | Germany

Buy	Price	4.84EUR
Upside 54,96%	TP	7.50EUR

PER SHARE DATA (EUR)	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
Adjusted EPS	0,18	0,48	-0,20	0,28	0,37	0,67	0,12	0,28
Reported EPS	**0,18**	**0,48**	**-0,20**	**0,28**	**0,37**	**0,67**	**0,12**	**0,28**
Growth in EPS(%)	-19,0%	ns	ns	ns	34,8%	79,4%	-82,3%	ns
Net dividend per share	0,00	0,00	0,00	0,00	0,15	0,16	0,16	0,17
FCF to equity per share	0,02	-0,68	0,37	0,36	0,23	0,77	0,33	0,42
Book value per share	6,98	7,46	7,14	6,97	7,49	8,01	7,78	7,90
Number of shares market cap	2,65	2,65	2,84	3,03	2,95	2,96	3,03	3,03
Number of diluted shares	2,65	2,65	2,84	3,03	2,95	2,96	3,03	3,03
VALUATION	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
12m highest price	5,55	5,28	3,59	3,37	7,30	7,26	5,17	
12m lowest price	4,40	2,80	2,49	2,75	3,16	4,67	4,00	
(*) Reference price	4,93	4,04	2,97	3,01	4,87	5,41	4,84	4,84
Capitalization	13	11	8,4	9,1	14	16	15	15
Restated Net debt	0,1	0,2	-1,4	-2,6	-3,5	0,7	0,9	0,4
Minorities (fair value)	0,3	0,3	0,2	0,2	0,1	0,1	-0,2	-0,5
Financial fixed assets (fair value)	2,3	2,8	2,5	1,4	1,9	5,1	5,1	5,1
Provisions	3,2	2,3	2,6	2,3	3,0	4,0	4,0	4,0
Enterprise Value	**14**	**11**	**7,4**	**7,6**	**12**	**16**	**14**	**13**
P/E (x)	27	8,5	ns	11	13	8,1	41	18
P/CF (x)	7,5	15	20	3,6	5,4	23	9,9	6,2
Net Yield (%)	0,0%	0,0%	0,0%	0,0%	3,1%	3,0%	3,3%	3,5%
FCF yield (%)	0,3%	ns	12,3%	11,9%	4,8%	14,3%	6,7%	8,8%
P/B incl. GW (x)	0,71	0,54	0,42	0,43	0,65	0,68	0,62	0,61
P/B excl. GW (x)	2,58	1,69	1,33	1,27	1,77	1,68	1,55	1,50
EV/Sales (x)	0,85	0,66	0,54	0,56	0,87	1,10	0,93	0,87
EV/EBITDA (x)	8,5	17	18	2,9	4,3	4,0	9,5	5,7
EV/EBIT (x)	**19**	**ns**	**ns**	**5,2**	**7,1**	**9,7**	**66**	**15**
(*) historical average price								
PROFIT AND LOSS (EURm)	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
Sales	17,0	16,0	13,6	13,6	13,8	14,2	15,2	15,4
EBITDA	1,7	0,6	0,4	2,7	2,8	3,9	1,5	2,3
Depreciations	-0,9	-1,0	-1,2	-1,2	-1,1	-2,3	-1,3	-1,4
Current EBIT	**0,7**	**-0,3**	**-0,7**	**1,5**	**1,7**	**1,6**	**0,2**	**0,9**
Published EBIT	0,7	-0,3	-0,7	1,5	1,7	1,6	0,2	0,9
Net financial income	-0,1	-0,2	-0,1	-0,1	0,0	0,0	-0,1	-0,1
Corporate Tax	-0,3	1,7	0,2	-0,6	-0,7	0,1	0,0	-0,3
Net income of equity-accounted companies	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Profit/loss of discontinued activities (after tax)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Minority interests	0,1	0,1	0,0	0,1	0,1	0,3	0,3	0,3
Attributable net profit	0,5	1,3	-0,6	0,8	1,1	2,0	0,4	0,8
Adjusted attributable net profit	**0,5**	**1,3**	**-0,6**	**0,8**	**1,1**	**2,0**	**0,4**	**0,8**
BALANCE SHEET (EURm)	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
Goodwill	13	13	14	14	14	14	14	14
Other intangible assets	7,0	6,7	7,5	7,2	6,7	12	13	13
Tangible fixed assets	3,8	4,2	4,5	4,8	4,6	5,1	4,6	4,2
WCR	-4,4	-4,6	-6,7	-6,3	-5,5	-7,5	-7,7	-7,8
Financial assets	2,3	2,8	2,5	1,4	1,9	5,1	5,1	5,1
Ordinary shareholders equity	18	20	20	21	22	24	24	24
Minority interests	0,3	0,3	0,2	0,2	0,1	0,1	-0,2	-0,5
Shareholders equity	19	20	20	21	22	24	23	23
Non-current provisions	3,2	2,3	2,6	2,3	3,0	4,0	4,0	4,0
Net debt	**0,1**	**0,2**	**-1,4**	**-2,6**	**-3,5**	**0,7**	**0,9**	**0,4**
CASH FLOW STATEMENT (EURm)	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
EBITDA	**1,7**	**0,6**	**0,4**	**2,7**	**2,8**	**3,9**	**1,5**	**2,3**
Change in WCR	-0,7	-1,4	1,6	-0,8	-1,6	1,9	-0,1	-0,3
Interests & taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Others	0,0	0,1	0,0	-0,1	-0,1	-3,2	0,0	0,0
Operating Cash flow	1,0	-0,7	2,0	1,8	1,1	2,6	1,4	2,1
CAPEX	-1,0	-1,0	-0,9	-0,8	-0,4	-0,6	-1,2	-1,2
Free cash-flow	**0,0**	**-1,7**	**1,1**	**1,0**	**0,6**	**2,0**	**0,2**	**0,9**
Acquisitions / disposals	0,5	1,5	0,0	0,0	0,0	-3,0	0,0	0,0
Dividends	0,0	0,0	0,0	0,0	0,0	-0,4	-0,5	-0,5
Net capital increase	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Others	1,0	-0,3	-0,6	-1,6	0,2	0,9	0,0	0,0
Change in net debt	-3,2	0,0	1,5	1,2	0,9	-2,5	-0,2	0,5
GROWTH MARGINS PRODUCTIVITY	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
Sales growth	12,4%	-5,7%	-15,0%	-0,4%	1,7%	2,8%	7,3%	1,4%
Lfl sales growth	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**
Current EBIT growth	ns	ns	ns	ns	15,0%	-4,6%	-86,7%	ns
Growth in EPS(%)	-19,0%	ns	ns	ns	34,8%	79,4%	-82,3%	ns
Net margin	2,8%	7,9%	-4,3%	6,2%	8,0%	14,0%	2,4%	5,4%
EBITDA margin	**9,9%**	**4,0%**	**3,0%**	**19,6%**	**20,1%**	**27,5%**	**9,7%**	**15,2%**
Current EBIT margin	**4,4%**	**-2,1%**	**-5,5%**	**10,8%**	**12,3%**	**11,4%**	**1,4%**	**6,0%**
CAPEX / Sales	-5,8%	-6,3%	-7,0%	-5,6%	-3,2%	-4,4%	-7,9%	-7,9%
WCR / Sales	-26,1%	-29,1%	-49,4%	-46,4%	-39,6%	-52,9%	-50,4%	-50,9%
Tax Rate	47,6%	ns	28,8%	41,3%	41,7%	-7,2%	32,0%	32,0%
Normative tax rate	32,0%	32,0%	32,0%	32,0%	32,0%	32,0%	32,0%	32,0%
Asset Turnover	1,0	0,8	0,7	0,7	0,7	0,6	0,6	0,7
ROCE post-tax (normative tax rate)	**3,0%**	**-1,2%**	**-2,6%**	**5,1%**	**5,8%**	**5,0%**	**0,6%**	**2,7%**
ROCE post-tax hors GW (normative tax rate)	12,9%	-3,6%	-8,8%	18,3%	20,1%	14,1%	1,5%	6,7%
ROE	2,6%	6,6%	-2,9%	4,1%	5,1%	8,7%	1,5%	3,5%
DEBT RATIOS	**12/10**	**12/11**	**12/12**	**12/13**	**12/14**	**12/15**	**12/16e**	**12/17e**
Gearing	1%	1%	-7%	-12%	-16%	3%	4%	2%
Net Debt / Market Cap	0,01	0,01	-0,16	-0,28	-0,24	0,04	0,06	0,03
Net debt / EBITDA	**0,08**	**0,25**	**ns**	**ns**	**ns**	**0,18**	**0,58**	**0,16**
EBITDA / net financial charges	21,9	4,0	3,7	21,1	-396,4	149,8	15,5	23,8

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
28.04.15	Buy	7,50	6,36

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