

VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

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

HI RESULTS

RATING:	Buy
PRICE TARGET:	€6.00
RETURN POTENTIAL:	48.1%
RISK RATING:	Medium

LOWERING ESTIMATES ON WEAK HI RESULTS

VITA 34 has reported full HI results. Sales and margins were down Y/Y and lower than expected due to lack of public cord blood banking business in Germany and unfavourable geographic mix developments. This prompts us to reduce our estimates for the near term. We maintain our rating at BUY but reduce our price target from €7.00 to €6.00.

HI sales down Y/Y VITA 34 reported HI sales of €7.77m, below our €8.13m estimate for the period. Sales were up 2% Y/Y but this was solely due to the accounting effect of the first-time consolidation of Spanish subsidiary Secuvita. New cord blood storages declined 13% Y/Y to 4,477 for HI. The main reason was the loss of domestic public banking business due to lack of funding for the German Cord Blood Bank. Storages did improve sequentially by 2% in Q2, signalling a modest recovery in H2.

Margins weaker than expected. The consolidation of Secuvita is negative for VITA 34's margins. While high-margin business in Italy grew Y/Y, the pace was not enough to offset the effects of increased exposure to Spain. VITA 34 reported a HI gross margin of 58.8% compared to 64.1% a year ago. We expect this level to be sustained; it is a function of permanent shifts in the geographic mix on the topline. HI OPEX-to-sales was also worse than expected at 67.6%. As a result, VITA 34 reported negative HI EBIT of -€666K as well as EPS of -€0.16 – the weakest in at least 10 quarters.

We are lowering our estimates. In response to the HI developments, we are lowering our FY2011 forecasts from €18.2M to €17.3M (+2% Y/Y) for sales and from 5.0% to 0.5% for EBIT margin. We now expect full-year EBIT of €87K. Our new sales forecast creates a lower starting base for expected future growth in subsequent years, and our new gross margin and OPEX efficiency views imply that EBIT margin will remain in the low-single-digit range into 2013.

FINANCIAL HISTORY & PROJECTIONS

	2009	2010	2011E	2012E	2013E	2014E
Revenue (€m)	15.10	16.96	17.30	18.17	19.26	20.51
Y-o-y growth	n.a.	0.1%	0.0%	0.1%	0.1%	0.1%
EBIT (€m)	0.16	0.74	0.09	0.36	0.96	1.44
EBIT margin	1.1%	4.4%	0.5%	2.0%	5.0%	7.0%
Net income (€m)	0.60	0.35	0.02	0.22	0.65	0.97
EPS (diluted) (€)	0.23	0.13	0.01	0.08	0.25	0.37
EV / Sales (x)	0.9	0.8	0.8	0.8	0.7	0.7
EV / EBIT (x)	86.5	18.9	162.1	38.6	14.6	9.8
P/E (x)	18.0	30.7	543.6	49.2	16.4	11.1
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)	0.42	0.03	-1.61	0.00	0.27	0.45
Net gearing	0.7%	1.0%	0.9%	0.8%	0.8%	0.8%
Liquid assets (€m)	6.06	3.69	1.75	0.75	1.02	1.47

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.

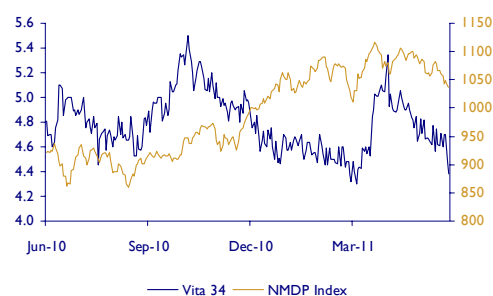
COMPANY PROFILE

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 136 full-time employees.

TRADING DATA

Closing price (19.07.11)	€4.059
Shares outstanding	2.65m
Market capitalisation	€10.72m
52-week range	€3.48 / 5.50
Average volume (12 months)	4,499

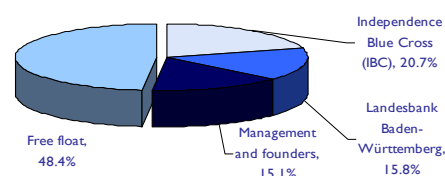
STOCK OVERVIEW



COMPANY DATA (as of 30 June 2011)

Liquid assets	€2.44m
Current assets	€7.15m
Intangible assets	€20.28m
Total assets	€26.40m
Current liabilities	€4.55m
Shareholders' equity	€18.37m

SHAREHOLDERS



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**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...18	↓	↓	↓	↓
19	25 March 2011	€5.35	Buy	€7.00
20	3 May 2011	€4.93	Buy	€7.00
21	15 June 2011	€4.43	Buy	€7.00
22	Today	€4.05	Buy	€6.00

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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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