

VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

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

Q3 RESULTS

RATING:	Buy
PRICE TARGET:	€12.00
RETURN POTENTIAL:	159.2%
RISK RATING:	Medium

Q3 RESULTS SEE SALES START TO RECOVER

Vita 34's Q3 2008 results reported yesterday were in line with our expectations. Sales and storage units showed recovering momentum after a weak H1 2008; the company now believes it is on course to achieve break even next year through tight cost management. Based on the stock's current low valuation, which equates to an enterprise value of only €6.7m, we maintain our Buy rating with a price target of €12.00.

Q3 2008 sales show recovery The company posted sales of €11.3m for 9M 2008 against our estimate of €11.1m. Importantly, quarterly sales showed signs of a recovery, increasing to €4.1m from €3.6m in both Q1 and Q2. The number of storage units increased to 8,282 in 9M 2008 (in line with our estimate of 8,286) from 7,968 in 9M 2007. As we expected, sales in Spain – being carried out by Secuvita, Vita 34's marketing partner – continue to be a strong growth driver, with the number of storage units rising more than 50% from last year's 9M level.

Operating result as forecast – Vita 34 guides for break even in 2009 The company reported an operating loss of €1.7m for 9M 2008 (our estimate: loss of €1.8m). The net loss from continued operations came in at €1.4m in 9M 2008 (our estimate: net loss of €1.5m). Vita 34 reported a cash position of €7.2m at the end of September 2008. Management reiterated their sales and operating performance outlook for 2008. In order to keep costs low, the company will optimise its sales structure further. Vita 34 will reduce its sales force by 10 before the end of the year – retaining its 20 best sales reps – which we estimate will save the company some €1.5m in 2009. We do not expect these measures to have a negative impact to our sales estimates. The company now believes it is on course to achieve break even in 2009 through tight cost management. Accordingly, we upgrade our 2009 EBIT estimate to €0.04m (previously -€1.5m).

Stock offers value – buy on current weakness Vita 34's Q3 results – especially sales and storage unit figures – show initial signs of a recovery after weak H1 results. The significant price decline following Vita 34's lowered outlook on release of its H1 results is in our opinion overstated. We believe the stock's current level is attractive for value investors. Vita 34's present enterprise value of some €6.7m (market cap of €12.3m) 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	21.08	28.04
Y-o-y growth	13.1%	12.9%	33.5%	0.5%	36.0%	33.0%
EBIT (€m)	1.19	0.50	-0.83	-2.50	0.04	2.01
EBIT margin	11.7%	4.3%	na	na	0.2%	7.2%
Net income (€m)	-1.92	-2.87	-1.19	-1.84	0.07	1.46
EPS (€)	-1.07	-1.40	-0.47	-0.74	0.03	0.58
P/E (x)	na	na	na	na	154.3	8.0
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 September, Vita 34 had 119 full-time employees.

TRADING DATA

Closing price (13.10.08)	€4.63
Shares outstanding	2.65m
Market capitalisation (13.10.08)	€12.25m
52-week range	€4.18 / 18.13
Av. vol. (12 months)	4,225

STOCK OVERVIEW



COMPANY DATA (as of 30 September 2008)

Liquid assets (incl. securities)	€7.19m
Current assets	€11.96m
Intangible assets (incl. goodwill)	€12.80m
Total assets	€30.36m
Current liabilities	€2.66m
Shareholders' equity	€18.64m

SHAREHOLDERS

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

* This only includes management & founders with a stake of 5% or above

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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..4	↓	↓	↓	↓	↓	↓
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	10 October 2008	€4.36	Buy	€12.00	€4.63	6.2%
8	Today	€4.63	Buy	€12.00	-	-

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

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.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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