

Small/Mid Cap
Germany**Vita 34**

V3V GR; V3VGn.DE

Buy

(Unchanged)

Preliminary 2007 results confirm health**Current price €10.60, Target price €22.00**

Yesterday Vita 34 published a strong set of preliminary 2007 results, ahead of management guidance and our expectations. The company confirmed its robust outlook for 2008 and 2009. We believe Vita 34 is capitalising nicely on its leading position in the fast growing German market of storing UCB stem cells. Based on solid underlying fundamentals we reiterate our Buy rating and €22.00 target price.

Number of storage units driving strong sales growth Vita 34 increased sales by 33% to €15.4m (our estimate: €14.9m). The number of UCB stem cells storage units, which is driving sales growth, increased by an impressive 43% to 10,458. Stored samples typically translate into revenues six weeks after closing the contract, which suggests that this momentum will continue into Q1 2008. In addition, management confirmed that revenues in Vita 34's core markets of Germany and Spain continue to exceed their expectations.

EBIT higher than forecast The company achieved a sound operating performance, with EBIT –showing a loss of €0.8m; significantly beating our forecast of a loss of €2.2m. Management confirmed that Vita 34 is on track with the expansion of sales and marketing activities, which includes an advertisement aired on German TV channel RTL in December. Vita 34 achieved a net loss of €1.2m, only slightly better than our estimate of a loss of €1.6m. The net loss figure was weakened by a higher-than-expected €1.6m write-off (our estimate: €1.0m) relating to Vita 34's holding in Cord Blood America; this was, however, a one-time event and does not affect Vita 34's cash flow.

Maintaining Buy recommendation Management are delivering results as promised, which should improve investor confidence. The share price has fallen lately due to unfounded fears that skin-derived stem cells have the potential to rival UCB stem cells. These concerns are, in our view, unjustified. The current fragility of the capital market has also hurt the share price. Nevertheless, we forecast that Vita 34 will continue its strong financial performance in 2008, accentuating its robust fundamentals and boosting sentiment. We maintain our Buy recommendation and €22.00 target price.

Key data

Year-end Dec	2004	2005	2006	2007E	2008E	2009E
Net sales (€m)	9.0	10.2	11.6	14.9	19.0	28.9
EBITDA (€m)	0.5	1.5	0.8	-1.9	-2.0	1.3
EBITDA margin	5.9%	14.2%	6.9%	-12.4%	-10.7%	4.4%
Free cash flow (€m)	0.5	0.7	0.4	-3.5	-3.3	-0.5
FCF margin	5.9%	7.1%	3.1%	-23.6%	-17.2%	-1.8%
Net profit (€m)	-0.5	-1.9	-2.9	-1.6	-1.7	0.6
EPS as reported (€)	-0.26	-1.07	-1.40	-0.61	-0.64	0.23
EPS as adjusted (€)	-0.26	-1.07	-1.40	-0.61	-0.64	0.23
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales (x)	4.1	3.7	3.2	2.5	2.0	1.3
EV/EBITDA (x)	69.7	25.7	47.0	-20.1	-18.4	29.3
P/E (x)	-40.1	-9.9	-7.6	-17.4	-16.6	46.4
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	-18.9%	-29.8%	-26.4%	-49.8%	-35.4%	-28.3%
Net debt/ EBITDA	-4.90	-3.21	-4.29	5.05	2.85	-3.77

Source: Vita 34, First Berlin Equity Research

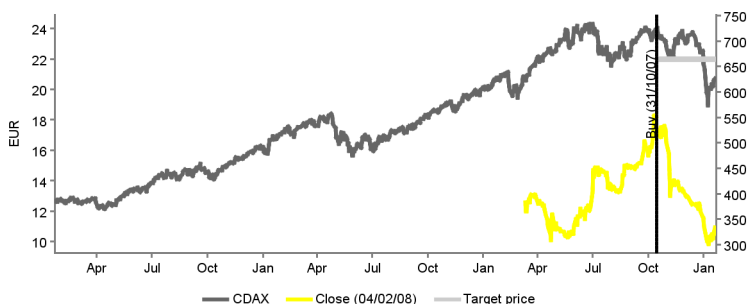
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VITA 34 price chart



Source: Commerzbank Corporates & Markets

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