

VITA 34 AG

GERMANY / HEALTH CARE

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

Q1 RESULTS

RATING:	Buy
PRICE TARGET:	€5.60
RETURN POTENTIAL:	89.4%
RISK RATING:	Medium

2012 GUIDANCE CONFIRMED

VITA 34 has published Q1 2012 figures. Q1 sales were below our expectation due mainly to weak performance in Spain. However, since operating expenditures were lower than we had anticipated, income development was in line with our expectations. VITA 34 has confirmed its guidance for 2012. The company predicts sales at the FY 2011 level and a slight increase in operating income. We reiterate our €5.60 price target and our Buy recommendation.

Difficult market environment in Q1 The weak economic development in Spain and reluctant precautionary spending by private customers in Germany meant that umbilical cord blood storages decreased to 1,732 (Q1/11: 2,190) in Q1 2012. Spanish subsidiary Secuvita, S.L. reported a decline in sales to €0.81m (Q1/11: €1.25m). In the D-A-CH region (Germany, Austria, and Switzerland), revenues came in at €2.48m (Q1/11: €2.86m). Consequently, group-level sales decreased to €3.15m (FBe: €3.74m; Q1/11: €3.71m).

Better than expected cost containment Since SG&A costs were lower than we had anticipated (€2.21m; FBe: €2.59m), EBIT of €-0.29m (FBe: €-0.27m; Q1/11: €-0.41m) was in line with our expectations. Net income for the period amounted to €-0.21m (FBe: €-0.18m; Q1/11: €-0.30m) or €-0.08 (FBe: €-0.07; Q1/11: €-0.11) per share.

Strong balance sheet VITA 34's operating cash flow improved to €0.22m (Q1/11: €-2.44m) in Q1 2012 due to tight net working capital management. Net cash flows amounted to €-0.48m (Q1/11: €-1.42m). Cash & cash equivalents thus decreased to €2.55m (end of FY 2011: €3.03m). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	16.96	16.00	15.82	16.32	16.89	17.51
Y-o-y growth	n.a.	-5.7%	-1.1%	3.1%	3.5%	3.7%
EBIT (€m)	0.74	-0.34	0.25	0.50	0.73	1.16
EBIT margin	4.4%	-2.1%	1.6%	3.1%	4.3%	6.7%
Net income (€m)	0.35	1.19	0.19	0.48	0.74	1.11
EPS (diluted) (€)	0.13	0.45	0.07	0.18	0.28	0.42
EV / Sales (x)	0.8	0.8	0.8	0.8	0.8	0.7
EV / EBIT (x)	17.3	n.a.	50.8	25.8	17.5	11.0
P/E (x)	22.4	6.6	40.5	16.3	10.5	7.0
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%
FCF (€m)	0.03	-1.69	0.59	0.75	0.68	0.92
Net gearing	93.0%	74.6%	69.5%	63.8%	61.6%	58.7%
Liquid assets (€m)	3.69	3.03	2.24	1.99	2.67	3.59

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.

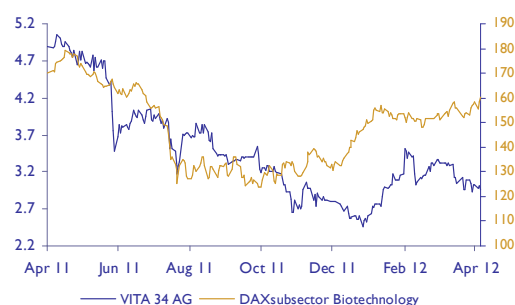
COMPANY PROFILE

VITA 34 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.

TRADING DATA

Closing price (25.04.12)	€2.96
Shares outstanding	2.65m
Market capitalisation	€7.83m
52-week range	€2.46 / 5.05
Average volume (12 months)	2,192

STOCK OVERVIEW



COMPANY DATA (as of 31 March 2012)

Liquid assets	€2.55m
Current assets	€6.87m
Intangible assets	€19.96m
Total assets	€33.91m
Current liabilities	€3.78m
Shareholders' equity	€19.54m

SHAREHOLDERS

Elvaston Partners GmbH	20.7%
Landesbank Baden-Württemberg	15.8%
Founder/Management	14.7%
Free float	48.8%

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Following the repayment of financial debt, net debt was €0.10m (end of FY 2011: €0.16m) at the end of March 2012. Due to Q1's net loss, VITA 34's equity position decreased to €19.80m (end of FY 2011: €20.00m). The firm's equity ratio was 58.4% (end of FY 2011: 57.6%) at the end of Q1.

Guidance confirmed For 2012, VITA 34 predicts sales at the prior year level. Further cost optimisation is expected to lead to a moderate increase in operating income.

Slight adjustment of our forecasts Since Q1's sales development was below our expectations, we have lowered our top-line estimates for 2012 and subsequent years. However, in view of the better than expected cost control we have also adjusted our OPEX forecasts. Changes to our estimates are shown in the table below. Our updated DCF model yields an unchanged price target of €5.60. We reiterate our Buy rating.

ESTIMATES VS REPORTED FIGURES

All figures in €m	Q1-12A	Q1-12E	Delta	Q1-11	Delta
Sales	3.15	3.74	-15.8%	3.71	-15.2%
EBIT	-0.29	-0.27	-	-0.41	-
margin	-9.1%	-7.3%		-11.0%	
Net income	-0.21	-0.18	-	-0.30	-
margin	-6.7%	-4.7%		-8.0%	
EPS (diluted, in €)	-0.08	-0.07	-	-0.11	-

Table 1

Source: First Berlin

CHANGES TO FORECASTS

All figures in €m	2012E			2013E			2014E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	16.11	15.82	-1.8%	16.63	16.32	-1.9%	17.23	16.89	-2.0%
EBIT	0.23	0.25	11.4%	0.47	0.50	6.9%	0.74	0.73	-0.8%
margin	1.4%	1.6%		2.8%	3.1%		4.3%	4.4%	
Net income	0.17	0.19	11.7%	0.46	0.48	5.5%	0.75	0.74	-1.1%
margin	1.1%	1.2%		2.7%	3.0%		4.4%	4.4%	
EPS (diluted, in €)	0.07	0.07	11.7%	0.17	0.18	5.5%	0.28	0.28	-1.1%

Table 2

Source: First Berlin

**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...21	↓	↓	↓	↓
22	19 July 2011	€4.06	Buy	€6.00
23	18 October 2011	€3.55	Buy	€6.00
24	22 March 2012	€3.37	Buy	€5.60
25	Today	€2.96	Buy	€5.60

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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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