

Vita 34 AG

Germany / Health care
 Primary exchange: Frankfurt
 Bloomberg: V3V GR
 ISIN: DE000A0BL849

H1 2013 Results

RATING BUY
PRICE TARGET €5.70
 Return Potential 82.8%
 Risk Rating Medium

BACK IN THE BLACK

Vita 34 published H1 2013 results on 25 July. While sales remained at the previous year's level, the firm's operating profitability was better than anticipated. The positive impact of FY 2012's cost containment measures is kicking in earlier than we had expected. Vita 34 confirmed guidance for the current fiscal year and predicts EBITDA of at least EUR1m. Based on revised estimates our updated DCF model yields a new price target of EUR5.70 (previously: EUR5.20). We reiterate our Buy recommendation.

Market environment remains challenging In H1 2013 Vita 34 registered 3,570 umbilical cord blood storages, which corresponds to a decrease of 4% y/y (H1/12: 3,718 storages). However, the downward trend is flattening out. Q2 2013's 1,956 storages declined by a mere 1.5% y/y (+21% q/q). Vita 34 generated EUR6.5m (FBe: EUR6.8m; H1/12: EUR6.6m) in sales in H1 2013. Due to significantly lower operating expenditures (in particular sales & marketing: -26% y/y to EUR2.4m), EBIT improved markedly to EUR0.3m (FBe: EUR0.0m, H1/12: EUR-0.5m). At the net level, the firm reported positive income of EUR0.1m (FBe: EUR-0.1m; H1/12: EUR-0.4m).

Further improved balance sheet Vita 34's operating cash flow of EUR0.7m (H1/12: EUR0.7m) was at the previous year's level. Due mainly to the repayment of financial debt, net cash flow came in at EUR-0.9m (H1/12: EUR-0.4m). Liquid funds thus decreased to EUR2.6m (end of FY12: EUR3.5m). Financial debt (short- and long-term) amounted to EUR1.1m (end of FY12: EUR2.1m). Due to the reporting period's net profit, Vita 34's equity position improved slightly to EUR20.6m (end of FY12: EUR20.5m). The firm's equity ratio at the end of June 2013 improved to 59% (end of FY12: 57%).

Guidance confirmed Vita 34 confirmed guidance for the current fiscal year. The company predicts a moderate increase in sales and a significant improvement in the firm's EBITDA to at least EUR1m. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012	2013E	2014E	2015E
Revenue (€m)	16.96	16.00	13.60	13.92	14.38	14.98
Y-o-y growth	n.a.	-5.7%	-15.0%	2.3%	3.3%	4.2%
EBIT (€m)	0.74	-0.34	-0.74	0.58	0.98	1.29
EBIT margin	4.4%	-2.1%	-5.5%	4.2%	6.8%	8.6%
Net income (€m)	0.35	1.26	-0.58	0.43	0.82	1.06
EPS (diluted) (€)	0.13	0.48	-0.20	0.14	0.27	0.35
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.03	-1.69	1.36	0.71	1.12	1.30
Net gearing	93.0%	74.6%	79.7%	69.8%	67.1%	63.9%
Liquid assets (€m)	3.69	3.03	3.50	2.42	3.53	4.83

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 stem cell bank headquartered in Leipzig, Germany. The company offers expectant parents the one-time opportunity to preserve and store their baby's umbilical-cord blood and umbilical-cord stem cells for potential medical use.

MARKET DATA

As of 26 Jul 2013

Closing Price	€ 3.12
Shares outstanding	3.03m
Market Capitalisation	€ 9.44m
52-week Range	€ 2.51 / 3.35
Avg. Volume (12 Months)	1,406

Multiples	2012	2013E	2014E
P/E	n.a.	20.9	11.1
EV/Sales	0.8	0.8	0.8
EV/EBIT	n.a.	19.2	11.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2013

Liquid Assets	€ 2.63m
Current Assets	€ 7.02m
Intangible Assets	€ 21.12m
Total Assets	€ 35.04m
Current Liabilities	€ 3.90m
Shareholders' Equity	€ 20.56m

SHAREHOLDERS

Founder/Management	20.4%
Landesbank Baden-Württemberg	13.8%
HSCI OJSC	10.5%
Elvaston Partners GmbH	7.8%
Free Float	47.5%



Adjustments to our forecasts We have adjusted our estimates for FY 2013 and subsequent years to reflect the fact that last year's cost containment measures are kicking in more quickly than we expected. Changes to our forecasts are shown in table 2 below.

The downward trend in Vita 34's market is flattening out. Meanwhile, further regional expansion (e.g. co-operation with partner Bio Save expanded to Montenegro, Macedonia, Bosnia-Herzegovina, Romania and Croatia) as well as the expected approval of the new product "VitaPlusUmbilicalCord" (allows storage of the entire umbilical cord) should bolster revenues. In addition, the cost position is likely to improve further due to continuing rationalisation measures. These factors cause us to maintain our positive assessment of Vita 34.

Our updated DCF model yields a new price target of EUR5.70 (previously: EUR5.20). We reiterate our Buy recommendation.

Table 1: Estimates vs. reported figures

All figures in €m	H1-13A	H1-13E	Delta	H1-12A	Delta
Sales	6.50	6.81	-4.5%	6.63	-1.9%
EBIT	0.31	-0.04	-	-0.48	-
margin	4.7%	-0.6%	-	-7.2%	-
Net income	0.11	-0.07	-	-0.36	-
margin	1.6%	-1.0%	-	4.7%	-
EPS (diluted, in €)	0.04	-0.02	-	-0.14	-

Source: First Berlin Equity Research, Vita 34 AG

Table 2: Changes to forecasts

All figures in €m	2013E			2014E			2015E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	14.08	13.92	-1.2%	14.67	14.38	-2.0%	15.36	14.98	-2.5%
EBIT	-0.14	0.58	-	0.40	0.98	146.8%	0.74	1.29	74.8%
margin	-1.0%	4.2%	-	2.7%	6.8%	-	4.8%	8.6%	-
Net income	-0.17	0.43	-	0.42	0.82	97.4%	0.71	1.06	49.9%
margin	-1.2%	3.1%	-	2.8%	5.7%	-	4.6%	7.1%	-
EPS (diluted, in €)	-0.05	0.14	-	0.14	0.27	97.4%	0.23	0.35	50.0%

Source: First Berlin Equity Research

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...28	↓	↓	↓	↓
29	2 November 2012	€3.33	Buy	€5.20
30	18 March 2013	€2.81	Buy	€5.20
31	2 May 2013	€2.95	Buy	€5.20
32	Today	€3.12	Buy	€5.70

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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%

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