

# Vita 34 AG

**BUY (BUY) | Target EUR 7.50 (EUR 7.50)**

Price (last closing price) : EUR 5.95 | Upside : 26%

Est. change EPS	<b>2016e</b> +10%	<b>2017e</b> +10%
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## Solid Q2, new investments improve growth prospects from H2 15

Friday, 24 July 2015



<b>Capital</b>	
<b>V3V GY   V3V Gn.f</b>	
Market Cap (EURm)	18
Enterprise value (EURm)	15
Extrema 12 months	7.3 – 3.6
Free Float (%)	68.8%

<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	10.3	-5.1	30.7
Perf. rel. "sector"	6.4	-3.9	1.2
Perf. rel. CDAX	9.5	-3.1	10.3

<b>P &amp; L</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Sales (EURm)	15.2	16.8	17.1
EBITDA (EURm)	2.9	3.3	3.4
EBIT (EURm)	1.8	2.1	2.2
Attr. net profit (EURm)	1.2	1.3	1.4
EPS (EUR)	0.39	0.43	0.45
Dividend (EUR)	0.15	0.15	0.17
P/E (x)	15.1	14.0	13.3
P/B (x)	0.8	0.8	0.7
Dividend yield (%)	3%	3%	3%
FCF yield (%)	-10%	8%	11%
EV/Sales (x)	1.0	0.9	0.9
EV/EBITDA (x)	5.0	4.5	4.3
EV/EBIT (x)	8.4	7.1	6.8
Gearing (%)	-6%	-10%	-15%
Net Debt/EBITDA(x)	n.m.	n.m.	n.m.

<b>Next Events</b>	
AGM	28 July 2015
Q3 results	22 October 2015

### Strong yoy growth in Q2 2015, continuing where Q1 15 left off

Vita 34 delivered a solid set of results for Q2 2015, thus continuing from Q1 2015. Sales increased yoy to € 3.35m (PY: € 2.87m). Total output (= sales + other operating income) rose yoy to € 3.66m (PY: € 3.13m) as other operating income rose to € 300k. EBITDA was up yoy to € 505k (PY: € 231k), and net income swung to € 133k (PY: € -90k), equivalent to an EPS of € 0.04 (PY: € -0.02). On a sequential basis, sales were up qoq (PQ: € 3.07m), while EBITDA (PQ: € 0.61m) and net profit (PQ: € 229k) were down qoq respectively due in particular to higher marketing and sales expenses.

Management confirmed its outlook for 2015, supported by 1) revenues in H2 2015 from the partnership with Imunolita; and 2) the start of operational business at VITA 34 Slovakia. Taking the full consolidation of the new investments into account (Bio Save and Imunolita, see below), the company could still in fact exceed its outlook (provided the organic business remains stable in H2 2015).

### New investments in the attractive Eastern European markets

Strategically, Vita 34 has focused in recent months on inorganic growth through partnerships and investments. In early July, the company announced that it had acquired (effective 1 July) a 30% interest in current partner Bio Save and a 35% stake in Imunolita (partner since January 2015). Vita 34 holds a majority of the voting rights at both companies and thus will fully consolidate them as of H2 2015. In 2014, Bio Save group generated sales of € 1.7m and an operating profit of ~€ 0.3m. Imunolita is expected to contribute about 4% to consolidated sales by 2016.

We have adjusted our estimates for 2015e accordingly. For Bio Save we assume flat yoy sales in 2015, translating to H2 2015 sales of ~€ 800k and EBIT of ~€100k (net of integration costs). For Imunolita, we assume H2 2015 revenues of € 150k and break-even on the EBIT line. For 2016-17e we currently assume stable revenues as well (~€ 2.3m) and EBIT (~€ 0.3m) for both companies combined.

In particular, the Bio Save' stake should be beneficial to Vita 34. Bio Save's EBIT margin is above Vita 34's average. Thus, this acquisition will support achievement of Vita 34's medium-term group targets, i.e. sales growth of ~10% and an EBITDA margin of 20%. Moreover, since the southern/eastern European markets are characterized by stronger demand for stem cell storage, Vita 34 could benefit directly from the economic growth in these regions and the accompanying higher income levels.

Overall, Vita 34 is moving in the right direction. The above-mentioned investments should bring the company forward at all levels in the medium term. Assuming continued positive newsflow going forward (e.g. more investments, positive reports on recent investments), we believe the share can return to previous highs. We feel comfortable with our estimates and maintain our target price of € 7.50. Buy recommendation confirmed.

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## Profit and loss account

IFRS EUR m	2011	2012	2013	2014	2015E	2016E	2017E
<b>Revenues</b>	<b>16.0</b>	<b>13.6</b>	<b>13.6</b>	<b>13.8</b>	<b>15.2</b>	<b>16.8</b>	<b>17.1</b>
YoY growth	-5.7%	-15.0%	-0.4%	1.7%	9.9%	11.1%	1.8%
Cost of sales	-6.5	-5.6	-5.5	-5.9	-6.0	-6.6	-6.7
as % of sales	40.9%	40.9%	40.5%	42.9%	39.6%	39.2%	39.2%
<b>Gross profit</b>	<b>9.5</b>	<b>8.0</b>	<b>8.1</b>	<b>7.9</b>	<b>9.2</b>	<b>10.2</b>	<b>10.4</b>
as % of sales	59.1%	59.1%	59.5%	57.1%	60.4%	60.8%	60.8%
Other operating income	0.6	0.7	1.4	1.7	1.1	1.1	1.1
as % of sales	3.8%	5.5%	10.2%	12.1%	7.0%	6.6%	6.7%
Selling expenses	-7.0	-5.8	-4.7	-4.4	-4.6	-5.1	-5.2
as % of sales	43.6%	42.4%	34.7%	32.1%	30.5%	30.5%	30.5%
Administrative expenses	-2.9	-3.1	-2.9	-3.3	-3.5	-4.0	-4.0
as % of sales	18.3%	22.7%	21.4%	23.9%	23.4%	23.5%	23.3%
Other operating expenses	-0.5	-0.7	-0.4	-0.1	-0.3	-0.2	-0.2
as % of sales	3.1%	5.0%	2.9%	1.0%	2.0%	1.1%	1.1%
<b>EBITDA</b>	<b>0.6</b>	<b>0.4</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>3.3</b>	<b>3.4</b>
as % of sales	4.0%	3.0%	19.6%	20.1%	19.3%	19.6%	19.8%
Depreciation and amortisation	-1.0	-1.2	-1.2	-1.1	-1.2	-1.2	-1.2
as % of sales	6.1%	8.5%	8.8%	7.9%	7.8%	7.2%	7.1%
<b>EBIT</b>	<b>-0.3</b>	<b>-0.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>2.1</b>	<b>2.2</b>
as % of sales	-2.1%	-5.5%	10.8%	12.3%	11.6%	12.4%	12.6%
<b>EBT (Earnings before income taxes)</b>	<b>-0.5</b>	<b>-0.9</b>	<b>1.3</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>
as % of sales	-3.1%	-6.3%	9.9%	12.3%	11.6%	11.9%	12.2%
<b>Income taxes</b>	<b>1.7</b>	<b>0.2</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.7</b>
as % of EBT	340.1%	-28.8%	-41.3%	-41.7%	-32.0%	-32.0%	-32.0%
<b>Net income</b>	<b>1.2</b>	<b>-0.6</b>	<b>0.8</b>	<b>1.0</b>	<b>1.2</b>	<b>1.4</b>	<b>1.4</b>
as % of sales	7.4%	-4.5%	5.8%	7.2%	7.9%	8.1%	8.3%
Thereof:							
Non controlling interests	-0.1	0.0	-0.1	-0.1	0.0	0.1	0.1
<b>Earnings attributable to shareholders</b>	<b>1.3</b>	<b>-0.6</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>
as % of sales	7.9%	-4.3%	6.2%	8.0%	7.9%	7.7%	7.9%
<b>EPS</b>							
Basic EPS in EUR	0.48	-0.20	0.28	0.36	0.39	0.43	0.45
Diluted EPS in EUR	0.48	-0.20	0.28	0.36	0.39	0.43	0.45

Source: Company Data, Oddo Seydler Bank AG

## Balance sheet

IFRS EUR m	2011	2012	2013	2014	2015E	2016E	2017E
<b>Assets</b>							
<b>Non-current assets</b>	<b>27.1</b>	<b>28.4</b>	<b>27.3</b>	<b>27.1</b>	<b>30.2</b>	<b>30.0</b>	<b>29.7</b>
% of total assets	77.9%	77.7%	76.6%	73.1%	77.1%	74.5%	71.8%
Intangible assets	20.1	21.4	21.1	20.6	20.6	20.3	20.1
PPE	4.2	4.5	4.8	4.6	4.7	4.6	4.6
Investments	0.0	0.0	0.0	0.0	0.5	0.5	0.5
Other financial assets	0.1	0.1	0.1	0.6	3.2	3.2	3.2
Deferred tax assets	0.7	0.7	0.0	0.0	0.0	0.0	0.0
Non-current trade receivables	1.7	1.4	1.2	1.1	1.1	1.1	1.1
Restricted cash	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Other long term assets	2.8	2.5	1.4	1.9	5.0	5.0	5.0
<b>Current assets</b>	<b>7.7</b>	<b>8.2</b>	<b>8.3</b>	<b>10.0</b>	<b>9.0</b>	<b>10.3</b>	<b>11.7</b>
% of total assets	22.1%	22.3%	23.4%	26.9%	22.9%	25.5%	28.2%
Inventories	0.5	0.6	0.6	0.3	0.5	0.5	0.4
Trade receivables	2.7	2.7	2.8	3.9	3.8	4.2	4.1
Other receivables and assets	1.4	1.4	2.1	2.1	2.1	2.1	2.1
Short-term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	3.0	3.5	2.9	3.7	2.6	3.5	5.1
<b>Total assets</b>	<b>34.7</b>	<b>36.6</b>	<b>35.6</b>	<b>37.1</b>	<b>39.2</b>	<b>40.2</b>	<b>41.4</b>

## Shareholders' equity and liabilities

<b>Shareholders' equity</b>	<b>20.0</b>	<b>20.5</b>	<b>21.3</b>	<b>22.2</b>	<b>22.9</b>	<b>23.8</b>	<b>24.8</b>
as % of total equity and liabilities	57.6%	56.0%	59.8%	59.8%	58.6%	59.3%	59.9%
Equity of shareholder's of Vita 34	19.7	20.3	21.1	22.1	22.9	23.7	24.6
Non-controlling interest	0.3	0.2	0.2	0.1	0.1	0.2	0.2
<b>Non-current liabilities and provisions</b>	<b>10.5</b>	<b>10.5</b>	<b>10.4</b>	<b>11.1</b>	<b>12.2</b>	<b>12.3</b>	<b>12.4</b>
as % of total equity and liabilities	30.4%	28.7%	29.1%	29.8%	31.2%	30.6%	29.9%
Interest bearing loans	1.8	0.3	0.2	0.2	1.0	1.0	1.0
Deferred income	6.8	8.0	8.2	8.4	8.4	8.5	8.6
Other non-current liabilities	1.9	2.2	2.0	2.5	2.8	2.8	2.8
<b>Current liabilities and provisions</b>	<b>4.2</b>	<b>5.6</b>	<b>4.0</b>	<b>3.8</b>	<b>4.0</b>	<b>4.1</b>	<b>4.2</b>
as % of total equity and liabilities	12.1%	15.3%	11.1%	10.4%	10.2%	10.1%	10.2%
Deferred income	1.2	1.4	1.4	1.5	1.7	1.8	2.0
Trade payables	0.6	1.2	1.1	0.7	0.7	0.7	0.7
Interest bearing loans	1.4	1.8	0.1	0.1	0.2	0.2	0.2
Other current liabilities	1.0	1.3	1.3	1.5	1.4	1.4	1.4
<b>Total equity and liabilities</b>	<b>34.7</b>	<b>36.6</b>	<b>35.6</b>	<b>37.1</b>	<b>39.2</b>	<b>40.2</b>	<b>41.4</b>

Source: Company Data, Oddo Seydler Bank AG

## Cash flow statement

IFRS EUR m	2011	2012	2013	2014	2015E	2016E	2017E
EBT	-0.5	-0.9	1.3	1.7	1.8	2.0	2.1
Depreciation and amortization	1.0	1.2	1.2	1.1	1.2	1.2	1.2
Gains/losses on the disposal of non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash expenses /income	0.1	0.0	-0.1	-0.2	0.0	0.0	0.0
Share-based payments expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance revenue	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Finance costs	0.3	0.2	0.2	0.1	0.1	0.1	0.1
<b>Gross cash flow</b>	<b>0.7</b>	<b>0.4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.9</b>	<b>3.3</b>	<b>3.4</b>
Changes Working Capital	-1.2	2.1	-0.7	-1.4	0.0	-0.2	0.3
Interest paid	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Income taxes paid	0.0	-0.2	0.0	-0.1	-0.4	-0.6	-0.7
<b>Cash flow from/ used in operating activities</b>	<b>-0.7</b>	<b>2.0</b>	<b>1.8</b>	<b>1.1</b>	<b>2.5</b>	<b>2.4</b>	<b>2.9</b>
<b>Cash flow from investing activities</b>	<b>0.5</b>	<b>-0.9</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-4.2</b>	<b>-0.9</b>	<b>-0.9</b>
<b>Cash flow from financing activities</b>	<b>-0.3</b>	<b>-0.8</b>	<b>-1.6</b>	<b>0.2</b>	<b>0.6</b>	<b>-0.5</b>	<b>-0.5</b>
Changes in consolidation scope	0.0	0.2	0.0	0.0	0.0	0.0	0.0
<b>Net cash for the period</b>	<b>-0.5</b>	<b>0.5</b>	<b>-0.6</b>	<b>0.8</b>	<b>-1.2</b>	<b>1.0</b>	<b>1.5</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3.5</b>	<b>3.0</b>	<b>3.5</b>	<b>2.9</b>	<b>3.7</b>	<b>2.6</b>	<b>3.5</b>
<b>Cash and cash equivalents at year's end</b>	<b>3.0</b>	<b>3.5</b>	<b>2.9</b>	<b>3.7</b>	<b>2.6</b>	<b>3.5</b>	<b>5.1</b>

Source: Company Data, Oddo Seydler Bank AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
24 July 2015	BUY (Update)	EUR 5.95	EUR 7.50
28 April 2015	BUY (Update)	EUR 6.37	EUR 7.50
15 April 2015	BUY (Update)	EUR 6.95	EUR 7.50
06 March 2015	BUY (Update)	EUR 5.25	EUR 6.10
13 January 2015	BUY (Update)	EUR 5.10	EUR 6.30
03 December 2014	BUY (Update)	EUR 4.50	EUR 6.30
24 October 2014	BUY (Update)	EUR 4.32	EUR 6.00
25 July 2014	BUY (Update)	EUR 4.55	EUR 6.00

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