



Vita 34 AG

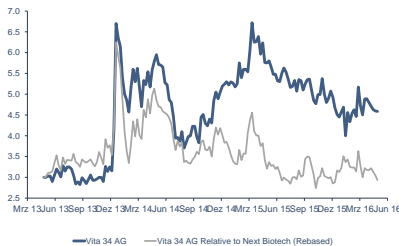
Buy → | Target price : 7.50 EUR

Price : 4.59 EUR | Upside : 64 %

Est.chng	2016e	2017e
EPS	-	-

Q1 2016 in line with expectations; more new partnership agreements

Monday 30 May 2016



Capital

V3V GY V3VGn.DE	
Market Cap (EURm)	14
Enterprise value (EURm)	13
Extrema 12 months	4.00 - 5.95
Free Float (%)	68.7

Performance (%)	1m	3m	12m
Absolute	-4.5	5.7	-20.9
Perf. rel. Country Index	-4.8	0.2	-7.6
Perf. rel. Next Biotech	-6.7	-9.8	-11.9

P&L	12/15	12/16e	12/17e
Sales (EURm)	14.2	15.2	15.4
EBITDA (EURm)	3.9	1.5	2.3
Adj. EBIT (EURm)	1.6	0.2	0.9
Attr. net profit (EURm)	2.0	0	1
Adjusted EPS (EUR)	0.67	0.12	0.28
Dividend (EUR)	0.16	0.16	0.17

P/E (x)	8.1	38.8	16.6
P/B (x)	0.7	0.6	0.6
Dividend Yield (%)	3.0	3.5	3.7
FCF yield (%)	14.3	7.1	9.2
EV/Sales (x)	1.10	0.88	0.82
EV/EBITDA (x)	4.0	9.0	5.4
EV/Current EBIT (x)	9.7	62.4	13.7
Gearing (%)	3	4	2
Net Debt/EBITDA(x)	0.2	0.6	0.2

Next Events

23.08.2016	Q2 Results
25.08.2016	AGM

Q1: acquisitions burden margins

Overall, Vita 34's Q1 2016 results were in line with our estimates. Sales were up 24.2% yoy to € 3.8m (Oddo Seydler est.: € 3.8m), attributable to acquisitions closed in 2015. Total output, at € 4.0m, was also broadly in line with our estimate (€ 4.1m). Earnings were below our estimates, however. We had estimated € 370k, which would have implied a margin of 9.7%, while the company reported EBITDA of € 317k for a margin of 8.3% (Q1 2015 EBITDA: € 612k/19.9% margin.). We had expected a somewhat lower EBITDA margin due to the integration of loss-making StemCare, but the actual result was still a negative surprise. Net profit fell to zero (Q1 15: € 229k), while we had expected a slight profit of € 20k. Due to the negative minority result (i.e. by Secuvita), EPS was € 0.01 for shareholders of Vita 34.

Vita 34 Q1 2016 figures, € k

	Reported	Estimated	Difference	Q1 2015
Revenue	3,811	3,802	0%	3,069
EBITDA	317	370	-14%	612
EBIT	39	54	ns	339
Net	0	20	ns	229

Source : Oddo Seydler ; Vita 34

New partnerships, outlook for 2016

Vita 34 entered two new partnerships in Q1 2016, one each in Dubai and Lebanon. The company will assume the processing and storage of preparations in Leipzig for these two partners. The first preparations have already been stored, although no significant revenue contributions are expected in 2016.

According to the company, its outlook for 2016 remains unchanged, i.e. i) total output excluding one-offs and revenues are both expected to increase, and ii), an EBITDA margin of 8-12%. The company also underlined in its Q1 16 report that medium-term it expects to return to margins similar to levels it had achieved before the StemCare acquisition (pre StemCare margin target: ~ 20%).

Our EBITDA estimates imply improvement in both absolute terms and margins driven by ongoing successful cost-cutting measures at StemCare. For the full year 2016e we expect an EBITDA margin of 9.7% followed by 15.4% in 2017e and ~20% in 2018e at the earliest.

Coming quarters to show efficiency enhancement programmes

The next few quarters should reveal whether Vita 34 has successfully implemented restructuring measures at StemCare and whether this acquisition is value-accretive. Key will be margin improvement. With an EV/EBITDA multiple of 9.0x Vita 34 is no longer as cheap as in recent years (2013: 2.9x, 2014: 4.3x, 2015: 4.0x), but is still below its highs of 17-18x in 2011 and 2012. In 2017e, the multiple drops back to 5.4x. We therefore maintain our Buy recommendation with a target price of € 7.50

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V3VGn.DE | V3V GY
Healthcare | Germany

Buy

Upside

63.58%

Price

TP

4.59EUR

7.50EUR

PER SHARE DATA (EUR)	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
Adjusted EPS	0.18	0.48	-0.20	0.28	0.37	0.67	0.12	0.28
Reported EPS	0.18	0.48	-0.20	0.28	0.37	0.67	0.12	0.28
Growth in EPS(%)	-19.0%	ns	ns	ns	34.8%	79.4%	-82.3%	ns
Net dividend per share	0.00	0.00	0.00	0.00	0.15	0.16	0.16	0.17
FCF to equity per share	0.02	-0.68	0.37	0.36	0.23	0.77	0.33	0.42
Book value per share	6.98	7.46	7.14	6.97	7.49	8.01	7.78	7.90
Number of shares market cap	2.65	2.65	2.84	3.03	2.95	2.96	3.03	3.03
Number of diluted shares	2.65	2.65	2.84	3.03	2.95	2.96	3.03	3.03
VALUATION	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
12m highest price	5.55	5.28	3.59	3.37	7.30	7.26	5.17	
12m lowest price	4.40	2.80	2.49	2.75	3.16	4.67	4.00	
(*) Reference price	4.93	4.04	2.97	3.01	4.87	5.41	4.59	4.59
Capitalization	13	11	8.4	9.1	14	16	14	14
Restated Net debt	0.1	0.2	-1.4	-2.6	-3.5	0.7	0.9	0.4
Minorities (fair value)	0.3	0.3	0.2	0.2	0.1	0.1	-0.2	-0.5
Financial fixed assets (fair value)	2.3	2.8	2.5	1.4	1.9	5.1	5.1	5.1
Provisions	3.2	2.3	2.6	2.3	3.0	4.0	4.0	4.0
Enterprise Value	14	11	7.4	7.6	12	16	13	13
P/E (x)	27	8.5	ns	11	13	8.1	39	17
P/CF (x)	7.5	15	20	3.6	5.4	23	9.4	5.9
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	3.1%	3.0%	3.5%	3.7%
FCF yield (%)	0.3%	ns	12.3%	11.9%	4.8%	14.3%	7.1%	9.2%
P/B incl. GW (x)	0.71	0.54	0.42	0.43	0.65	0.68	0.59	0.58
P/B excl. GW (x)	2.58	1.69	1.33	1.27	1.77	1.68	1.47	1.42
EV/Sales (x)	0.85	0.66	0.54	0.56	0.87	1.10	0.88	0.82
EV/EBITDA (x)	8.5	17	18	2.9	4.3	4.0	9.0	5.4
EV/EBIT (x)	19	ns	ns	5.2	7.1	9.7	62	14
(*) historical average price								
PROFIT AND LOSS (EURm)	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
Sales	17.0	16.0	13.6	13.6	13.8	14.2	15.2	15.4
EBITDA	1.7	0.6	0.4	2.7	2.8	3.9	1.5	2.3
Depreciations	-0.9	-1.0	-1.2	-1.2	-1.1	-2.3	-1.3	-1.4
Adj. EBIT	0.7	-0.3	-0.7	1.5	1.7	1.6	0.2	0.9
Published EBIT	0.7	-0.3	-0.7	1.5	1.7	1.6	0.2	0.9
Net financial income	-0.1	-0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1
Corporate Tax	-0.3	1.7	0.2	-0.6	-0.7	0.1	0.0	-0.3
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.1	0.1	0.0	0.1	0.1	0.3	0.3	0.3
Attributable net profit	0.5	1.3	-0.6	0.8	1.1	2.0	0.4	0.8
Adjusted attributable net profit	0.5	1.3	-0.6	0.8	1.1	2.0	0.4	0.8
BALANCE SHEET (EURm)	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
Goodwill	13	13	14	14	14	14	14	14
Other intangible assets	7.0	6.7	7.5	7.2	6.7	12	13	13
Tangible fixed assets	3.8	4.2	4.5	4.8	4.6	5.1	4.6	4.2
WCR	-4.4	-4.6	-6.7	-6.3	-5.5	-7.5	-7.7	-7.8
Financial assets	2.3	2.8	2.5	1.4	1.9	5.1	5.1	5.1
Ordinary shareholders equity	18	20	20	21	22	24	24	24
Minority interests	0.3	0.3	0.2	0.2	0.1	0.1	-0.2	-0.5
Shareholders equity	19	20	20	21	22	24	23	23
Non-current provisions	3.2	2.3	2.6	2.3	3.0	4.0	4.0	4.0
Net debt	0.1	0.2	-1.4	-2.6	-3.5	0.7	0.9	0.4
CASH FLOW STATEMENT (EURm)	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
EBITDA	1.7	0.6	0.4	2.7	2.8	3.9	1.5	2.3
Change in WCR	-0.7	-1.4	1.6	-0.8	-1.6	1.9	-0.1	-0.3
Interests & taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.1	0.0	-0.1	-0.1	-3.2	0.0	0.0
Operating Cash flow	1.0	-0.7	2.0	1.8	1.1	2.6	1.4	2.1
CAPEX	-1.0	-1.0	-0.9	-0.8	-0.4	-0.6	-1.2	-1.2
Free cash-flow	0.0	-1.7	1.1	1.0	0.6	2.0	0.2	0.9
Acquisitions / disposals	0.5	1.5	0.0	0.0	0.0	-3.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	-0.4	-0.5	-0.5
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	1.0	-0.3	-0.6	-1.6	0.2	0.9	0.0	0.0
Change in net debt	-3.2	0.0	1.5	1.2	0.9	-2.5	-0.2	0.5
GROWTH MARGINS PRODUCTIVITY	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
Sales growth	12.4%	-5.7%	-15.0%	-0.4%	1.7%	2.8%	7.3%	1.4%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	ns	ns	ns	ns	15.0%	-4.6%	-86.7%	ns
Growth in EPS(%)	-19.0%	ns	ns	ns	34.8%	79.4%	-82.3%	ns
Net margin	2.8%	7.9%	-4.3%	6.2%	8.0%	14.0%	2.4%	5.4%
EBITDA margin	9.9%	4.0%	3.0%	19.6%	20.1%	27.5%	9.7%	15.2%
Current EBIT margin	4.4%	-2.1%	-5.5%	10.8%	12.3%	11.4%	1.4%	6.0%
CAPEX / Sales	-5.8%	-6.3%	-7.0%	-5.6%	-3.2%	-4.4%	-7.9%	-7.9%
WCR / Sales	-26.1%	-29.1%	-49.4%	-46.4%	-39.6%	-52.9%	-50.4%	-50.9%
Tax Rate	47.6%	ns	28.8%	41.3%	41.7%	-7.2%	32.0%	32.0%
Normative tax rate	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Asset Turnover	1.0	0.8	0.7	0.7	0.7	0.6	0.6	0.7
ROCE post-tax (normative tax rate)	3.0%	-1.2%	-2.6%	5.1%	5.8%	5.0%	0.6%	2.7%
ROCE post-tax hors GW (normative tax rate)	12.9%	-3.6%	-8.8%	18.3%	20.1%	14.1%	1.5%	6.7%
ROE	2.6%	6.6%	-2.9%	4.1%	5.1%	8.7%	1.5%	3.5%
DEBT RATIOS	12/10	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
Gearing	1%	1%	-7%	-12%	-16%	3%	4%	2%
Net Debt / Market Cap	0.01	0.01	-0.16	-0.28	-0.24	0.04	0.06	0.03
Net debt / EBITDA	0.08	0.25	ns	ns	ns	0.18	0.58	0.16
EBITDA / net financial charges	21.9	4.0	3.7	21.1	-396.4	149.8	15.5	23.8

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
28.04.15	Buy	7.50	6.36

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