

Vita 34 AG

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

Price (last closing price) : EUR 6.37 | Upside : 17.7%

Est. change EPS	2016e	2017e
	-	-

1Q15 as expected; business remains stable

Tuesday, 28 April 2015



1Q15 Results / 2015 Guidance / Vivocell acquisition

Vita 34's 1Q15 results were relatively stable and in line with our expectations. New deposits of umbilical cord blood (UCB) and tissue rose 6.4% yoy to 1,766 (PY: 1,659) this was accompanied by a higher demand for the new product VitaPlusNabelschnur. Sales decreased to EUR 3.07m (PY: EUR 3.21m). Other operating income came in at EUR 376k, resulting in stable total output (= sales + other op. income) of EUR 3.43m (PY: EUR 3.46m). EBITDA increased to EUR 612k, representing an EBITDA margin of 19.9% (PY: EUR 588k / margin: 18.3%). EBIT improved to EUR 339k (PY: EUR 310k), while net profit increased to EUR 229k (PY: EUR 204k), corresponding to an EPS of EUR 0.09 (PY: EUR 0.07).

Having started 2015 in line with its expectations, Vita 34 reaffirmed its outlook for 2015 – i.e. stable total output, EBITDA, EBIT, new deposits. We consider the outlook realistic, also considering that 1) revenues from the cooperation of Immunolita will start in 2H15, and 2) the launch of operating business at VITA 34 Slovakia, which received approval to collect distribute and export cord blood in 1Q15.

The quarterly report also reveals further details of the Vivocell acquisition. In 1Q15, negative goodwill (bargain purchase) of EUR 154k was realized, which has a positive impact on other operating income. The acquired autologous storage contracts are recognized as intangible assets; deductions have been taken to reflect the risk that Vivocell customers may terminate their storage contracts. We expect more clarity during the year as to how many Vivocell customers have opted for storage at Vita 34.

Capital			
V3V GY V3VGn.f			
Market Cap (EURm)			19
Enterprise value (EURm)			17
Extrema 12 months	7.3		3.6
Free Float (%)			69.2%

Performance (%)	1m	3m	12m
Absolute	15.7	23.7	14.0
Perf. rel. "sector"	13.0	12.2	-15.4
Perf. rel. CDAX	15.3	11.7	-9.4

P & L	12/15e	12/16e	12/17e
Sales (EURm)	14.2	14.5	14.8
EBITDA (EURm)	2.8	3.0	3.1
EBIT (EURm)	1.6	1.8	1.8
Attr. net profit (EURm)	1.1	1.2	1.2
EPS (EUR)	0.37	0.39	0.41
Dividend (EUR)	0.15	0.15	0.17
P/E (x)	17.4	16.5	15.7
P/B (x)	0.9	0.8	0.8
Dividend yield (%)	2%	2%	3%
FCF yield (%)	6%	9%	8%
EV/Sales (x)	1.2	1.2	1.1
EV/EBITDA (x)	6.0	5.7	5.5
EV/EBIT (x)	10.3	9.6	9.2
Gearing (%)	-18%	-23%	-27%
Net Debt/EBITDA(x)	n.m.	n.m.	n.m.

Equity-story intact

Vita 34's equity story offers three drivers for the stock price going forward: 1) Continued market share gains. The company has also bolstered its acquisition firepower, adding a loan to its cash. 2) Dividends. The company will propose a dividend of EUR 0.15. Based on the current share price, this equates to a dividend yield of 2.3%, attractive in this low interest rate environment. Moreover, we assume the dividend policy will be sustainable, thus turning Vita 34 into a solid value stock. The company's sustainable FCF growth also suggests the dividend may be increased in the medium term. 3) Catch-up potential in terms of P/B ratio. Book value per share, at EUR 7.38, is still above the current share price. The stock's catch-up potential is also supported by Vita 34's stable business model and outlook for continued positive net earnings and dividend payments.

Currently, the EV multiples are standing at EV/EBITDA of 6.0x for 2015e and 5.7x for 2016e. The P/E ratio (adjusted for cash and cash equivalents) is at 12.7x for 2015e and 11.0x in 2016e. We reiterate our BUY recommendation with an unchanged target price of EUR 7.50.

Next Events	
1H15 results	23 July 2015

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Profit and loss account

IFRS EUR m	2011	2012	2013	2014	2015E	2016E	2017E
Revenues	16.0	13.6	13.6	13.8	14.2	14.5	14.8
YoY growth	-5.7%	-15.0%	-0.4%	1.7%	3.0%	1.9%	1.9%
Cost of sales	-6.5	-5.6	-5.5	-5.9	-5.7	-5.8	-5.9
as % of sales	40.9%	40.9%	40.5%	42.9%	40.2%	40.2%	40.2%
Gross profit	9.5	8.0	8.1	7.9	8.5	8.7	8.8
as % of sales	59.1%	59.1%	59.5%	57.1%	59.8%	59.8%	59.8%
Other operating income	0.6	0.7	1.4	1.7	1.0	1.1	1.1
as % of sales	3.8%	5.5%	10.2%	12.1%	7.3%	7.4%	7.4%
Selling expenses	-7.0	-5.8	-4.7	-4.4	-4.3	-4.4	-4.5
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	-3.3	-3.4	-3.4
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	-0.2	-0.1	-0.1
as % of sales	3.1%	5.0%	2.9%	1.0%	1.7%	1.0%	1.0%
EBITDA	0.6	0.4	2.7	2.8	2.8	3.0	3.1
as % of sales	4.0%	3.0%	19.6%	20.1%	19.9%	20.6%	20.7%
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%	8.3%	8.4%	8.2%
EBIT	-0.3	-0.7	1.5	1.7	1.6	1.8	1.8
as % of sales	-2.1%	-5.5%	10.8%	12.3%	11.6%	12.2%	12.5%
EBT (Earnings before income taxes)	-0.5	-0.9	1.3	1.7	1.6	1.7	1.8
as % of sales	-3.1%	-6.3%	9.9%	12.3%	11.5%	11.9%	12.3%
Income taxes	1.7	0.2	-0.6	-0.7	-0.5	-0.6	-0.6
as % of EBT	340.1%	-28.8%	-41.3%	-41.7%	-32.0%	-32.0%	-32.0%
Net income	1.2	-0.6	0.8	1.0	1.1	1.2	1.2
as % of sales	7.4%	-4.5%	5.8%	7.2%	7.8%	8.1%	8.3%
<i>Thereof:</i>							
Non controlling interests	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
Earnings attributable to shareholders	1.3	-0.6	0.8	1.1	1.1	1.2	1.2
as % of sales	7.9%	-4.3%	6.2%	8.0%	7.8%	8.1%	8.3%
EPS							
Basic EPS in EUR	0.48	-0.20	0.28	0.36	0.37	0.39	0.41
Diluted EPS in EUR	0.48	-0.20	0.28	0.36	0.37	0.39	0.41

Source: Company Data, Oddo Seydler Bank AG

Balance sheet

IFRS EUR m	2011	2012	2013	2014	2015E	2016E	2017E
Assets							
Non-current assets	27.1	28.4	27.3	27.1	26.7	26.3	26.0
% of total assets	77.9%	77.7%	76.6%	73.1%	70.1%	67.6%	65.1%
Intangible assets	20.1	21.4	21.1	20.6	20.6	20.3	20.0
PPE	4.2	4.5	4.8	4.6	4.7	4.6	4.5
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.1	0.1	0.1	0.6	0.2	0.2	0.2
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	1.5	1.5	1.5
Current assets	7.7	8.2	8.3	10.0	11.4	12.6	13.9
% of total assets	22.1%	22.3%	23.4%	26.9%	29.9%	32.4%	34.9%
Inventories	0.5	0.6	0.6	0.3	0.5	0.4	0.4
Trade receivables	2.7	2.7	2.8	3.9	3.6	3.6	3.7
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	5.2	6.5	7.8
Total assets	34.7	36.6	35.6	37.1	38.1	39.0	39.9

Shareholders' equity and liabilities

Shareholders' equity	20.0	20.5	21.3	22.2	22.7	23.4	24.2
as % of total equity and liabilities	57.6%	56.0%	59.8%	59.8%	59.7%	60.2%	60.7%
Equity of shareholder's of Vita 34	19.7	20.3	21.1	22.1	22.7	23.4	24.2
Non-controlling interest	0.3	0.2	0.2	0.1	0.0	0.0	0.0
Non-current liabilities and provisions	10.5	10.5	10.4	11.1	11.4	11.4	11.5
as % of total equity and liabilities	30.4%	28.7%	29.1%	29.8%	29.8%	29.3%	28.8%
Interest bearing loans	1.8	0.3	0.2	0.2	0.8	0.8	0.8
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	2.1	2.1	2.1
Current liabilities and provisions	4.2	5.6	4.0	3.8	4.0	4.1	4.2
as % of total equity and liabilities	12.1%	15.3%	11.1%	10.4%	10.5%	10.5%	10.6%
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
Total equity and liabilities	34.7	36.6	35.6	37.1	38.1	39.0	39.9

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	1.6	1.7	1.8
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	0.4	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	-0.1	-0.1
Finance costs	0.3	0.2	0.2	0.1	0.1	0.1	0.1
Increase/decrease in receivables and other assets	0.3	0.5	-0.5	-1.5	0.3	0.0	-0.1
Increase/ decrease in inventories	0.1	0.0	0.1	0.3	-0.2	0.0	0.1
Increase/decrease in liabilities	-2.7	0.1	-0.1	-0.3	0.0	0.0	0.0
Increase/decrease in provisions	0.0	0.2	-0.4	-0.1	0.0	-0.1	0.0
Increase/decrease in deferred income	1.1	1.3	0.2	0.3	0.2	0.2	0.2
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	-1.1	-0.6	-0.6
Cash flow from/ used in operating activities	-0.7	2.0	1.8	1.1	2.4	2.5	2.6
Purchase of intangible assets	-0.4	-0.3	-0.3	-0.3	-0.8	-0.5	-0.5
Purchase of property, plant und equipment	-0.6	-0.7	-0.5	-0.2	-0.4	-0.3	-0.3
Purchase of companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of short term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash received from short-term investments	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Cash flow from investing activities	0.5	-0.9	-0.8	-0.4	-1.1	-0.8	-0.8
Cash flow from financing activities	-0.3	-0.8	-1.6	0.2	0.3	-0.5	-0.5
Changes in consolidation scope	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Net cash for the period	-0.5	0.5	-0.6	0.8	1.5	1.2	1.3
Cash and cash equivalents, beginning of year	3.5	3.0	3.5	2.9	3.7	5.2	6.5
Cash and cash equivalents at year's end	3.0	3.5	2.9	3.7	5.2	6.5	7.8

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
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
13 May 2014	BUY (Initial Coverage)	EUR 5.16	EUR 7.10

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