

VITA 34 AG

GERMANY / HEALTH CARE

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

Q3 RESULTS

| | |
|-------------------|---------------|
| RATING: | Buy |
| PRICE TARGET: | €6.00 |
| RETURN POTENTIAL: | 69.0% |
| RISK RATING: | Medium |

MIXED Q3 FIGURES

In Q3 2011, business development was once more dragged down by the poor performance of the Spanish market and the lack of public cord blood banking business in Germany. On the other hand, VITA 34 benefited from a positive one-off effect. Since the company lowered its guidance for 2011 and now predicts sales below prior year's level, we have adjusted our forecasts. However, we maintain our **BUY** rating and our price target of **€6.00**.

Q3 sees strong decline in UCB storages. In Q3 2011, UCB storages declined by 25% y/y to 2,363 (previous year: 3,141) - mainly due to the weak economic development in Spain and the omission of storages by the Norddeutsche Knochenmark- und Stammzellregister (NKR). Sales of €4.33m (previous year: €4.36m) fell slightly short of our expectations. As in the preceding quarters, the decline in gross margin continued (-9pp y/y to 62.2%). However, EBIT margin increased by 1.2 pp y/y to 5.6% - mainly due to declining administration costs (-28% y/y to €717k). Following the capitalization of deferred taxes (€768k), net income improved to €961k (previous year: €32k).

Debt reduction leads to negative OCF. Due to a reduction in "other liabilities" (€-2.59m YTD; payment of outstanding VAT liabilities at Spanish subsidiary, amongst others), operating cash flow was negative (€-1.61m) in 9M 2011. As of September 30, 2011, VITA 34 had cash of €2.21m (12/31/2010: €3.69m) and net debt of €1.05m (12/31/2010: €0.13m). The company's equity ratio improved to 57.6% (12/31/2010: 51.3%), goodwill remains high (€13.41m, corresponding to 69% of VITA 34's equity).

FINANCIAL HISTORY & PROJECTIONS

| | 2009 | 2010 | 2011E | 2012E | 2013E | 2014E |
|--------------------|-------|-------|--------|-------|-------|-------|
| Revenue (€m) | 15.10 | 16.96 | 16.59 | 17.05 | 17.65 | 18.32 |
| Y-o-y growth | n.a. | 12.4% | -2.2% | 2.8% | 3.5% | 3.8% |
| EBIT (€m) | 0.16 | 0.74 | -0.08 | 0.34 | 0.79 | 1.10 |
| EBIT margin | 1.1% | 4.4% | -0.5% | 2.0% | 4.5% | 6.0% |
| Net income (€m) | 0.60 | 0.35 | 0.85 | 0.26 | 0.72 | 0.99 |
| EPS (diluted) (€) | 0.23 | 0.13 | 0.32 | 0.10 | 0.27 | 0.37 |
| EV / Sales (x) | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 |
| EV / EBIT (x) | 84.3 | 18.4 | -164.6 | 40.0 | 17.2 | 12.4 |
| P/E (x) | 15.8 | 26.9 | 11.0 | 35.5 | 13.1 | 9.5 |
| 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) | 0.42 | 0.03 | -0.47 | 0.20 | 0.53 | 0.71 |
| Net gearing | 63.7% | 96.7% | 86.2% | 79.5% | 76.6% | 73.0% |
| Liquid assets (€m) | 6.06 | 3.69 | 2.90 | 2.10 | 2.63 | 3.35 |

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.

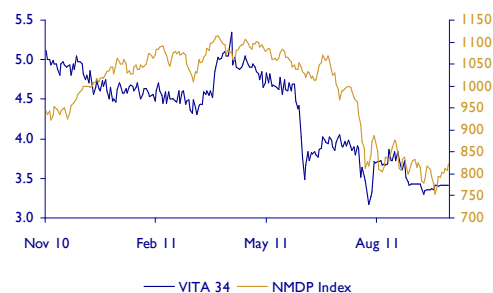
COMPANY PROFILE

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 (17.10.11) | €3.55 |
| Shares outstanding | 2.65m |
| Market capitalisation | €9.40m |
| 52-week range | €3.18 / 5.50 |
| Average volume (12 months) | 3,106 |

STOCK OVERVIEW



COMPANY DATA (as of 30 September 2011)

| | |
|----------------------|---------|
| Liquid assets | €2.21m |
| Current assets | €6.96m |
| Intangible assets | €20.19m |
| Total assets | €33.57m |
| Current liabilities | €4.01m |
| Shareholders' equity | €19.33m |

SHAREHOLDERS

| | |
|-------------------------------|-------|
| Independence Blue Cross (IBC) | 20.7% |
| Landesbank Baden-Württemberg | 15.8% |
| Founder/Management | 14.7% |
| Free float | 48.8% |



Lower sales guidance for 2011. According to VITA 34, Q4 2011 will be challenging. In Q4, the company will primarily focus on stabilizing the Spanish activities and ramping up cooperation with MVZ synlab in Germany. Development in Q4 2011 will also be dragged down by a basis effect due to the omission of the NKR business. Thus, VITA 34 forecasts that FY 2011 sales should be below prior year's level (before: at least on prior year's level).

Adjustment of our forecasts. We have adjusted our forecasts for 2011E and the following years. We now predict sales to decline slightly in 2011E (-2.2% y/y to €16.59m) and negative EBIT of €-83k. Furthermore, we now predict EPS of €0.32 due to the positive one-off effects in 9M 2011. In subsequent years, we now assume a more moderate sales growth. As a result, EBIT margin will remain in the low to mid-single digit range into 2014E. However, mainly due to the cost cutting measures and severe cost discipline following the consolidation of Secuvita, we believe that VITA's profitability will improve again throughout the coming years. Our increase in net income forecasts is a result of lower tax rates in the future (loss carried forward as a result of the merger from VITA 34 AG and VITA 34 International AG was €-6.4m as of September 30, 2011). An updated DCF model still yields the price target of €6.00. We reiterate our BUY recommendation.

ESTIMATES VS. REPORTED FIGURES

| All figures in €m | Q3 2011 A | Q3 2011E | % diff. | Q3 2010 | % change |
|-------------------|-----------|----------|---------|---------|----------|
| Sales | 4.33 | 4.42 | -2.0% | 4.36 | -0.6% |
| EBIT | 0.24 | 0.63 | -61.6% | 0.19 | 27.4% |
| <i>margin</i> | 5.6% | 14.3% | - | 4.4% | - |
| Net income | 0.96 | 0.45 | 114.5% | 0.03 | 2903.1% |
| <i>margin</i> | 22.2% | 10.1% | - | 0.7% | - |
| EPS € | 0.19 | 0.08 | 137.5% | 0.01 | 1800.0% |

Table 1

Source: First Berlin

CHANGES TO FORECASTS

| All figures in €k | 2011E | | | 2012E | | | 2013E | | |
|-------------------|-------|-------|----------|-------|-------|----------|-------|-------|----------|
| | old | new | % change | old | new | % change | old | new | % change |
| Sales | 17.30 | 16.59 | -4.1% | 18.17 | 17.05 | -6.1% | 19.26 | 17.65 | -8.4% |
| EBIT | 0.09 | -0.08 | - | 0.36 | 0.34 | -5.3% | 0.96 | 0.79 | -17.3% |
| <i>margin</i> | 0.5% | neg. | - | 2.0% | 2.0% | - | 5.0% | 4.5% | - |
| Net profit | 0.02 | 0.85 | 4163.2% | 0.22 | 0.26 | 20.2% | 0.65 | 0.72 | 10.1% |
| <i>margin</i> | 0.1% | 5.1% | - | 1.2% | 1.6% | - | 3.4% | 4.1% | - |
| EPS (€) | 0.01 | 0.32 | 3121.8% | 0.08 | 0.10 | 24.9% | 0.25 | 0.27 | 8.2% |

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...19 | ↓ | ↓ | ↓ | ↓ |
| 20 | 3 May 2011 | €4.93 | Buy | €7.00 |
| 21 | 15 June 2011 | €4.43 | Buy | €7.00 |
| 22 | 19 July 2011 | €4.06 | Buy | €6.00 |
| 23 | Today | €3.55 | Buy | €6.00 |

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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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