

Recommendation:
BUY (BUY)

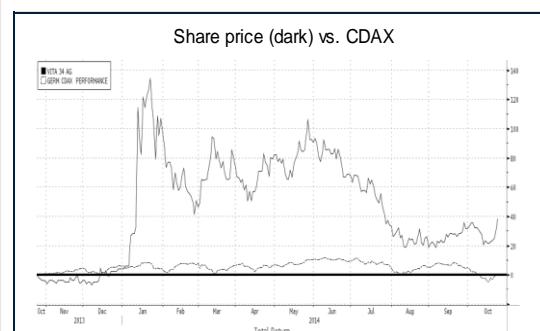
Risk:
HIGH (HIGH)

Price Target:
EUR 6.00 (6.00)

24 October 2014

3Q14 results

- 3Q14 results:** Vita 34 published 3Q14 results. The number of new storages of UCB and tissue in 3Q14 grew to 2,059 (PY: 1,812; +13.6% yoy). Total operating income increased to EUR 4.2m in the 3Q14 (PY: EUR 3.7m; +15.2% yoy). Revenues rose to EUR 4.0m in 3Q14 (PY: EUR 3.3m; +21% yoy).
- EBITDA in 3Q14 improved to EUR 0.8m (PY: EUR 0.6m), corresponding to 20.6% margin (PY: 18.6%). EBIT increased to EUR 0.5m (PY: EUR 0.4m), while EPS in 3Q14 increased to EUR 0.11 (PY: EUR 0.07).**
- Solid cash flow metrics:** 9M14 results showed solid improvement of FCF which increased to EUR 1.3m (EUR 0.7m). Liquid funds increased to EUR 4.5m (End 2013: EUR 2.9m) representing 12% of total assets (end of 2013: 8%).
- Regional breakdown:** 3Q results were particularly strong in DACH with revenue growth of +25% yoy and EBITDA at EUR 0.8m (PY: EUR 0.6m). Spain region remains a drag; however, the company sees it as a temporary issue.
- FY 2014 guidance:** Vita 34 now expects EBITDA for FY 2014 to be below previous expectations (old guidance: EUR 3.3m), but higher than the prior year's level. The more cautious EBITDA guidance is due to the delayed issuance of official approvals for the collection of umbilical cord tissue. Our EBITDA estimate at EUR 2.8m for FY 2014E implied a conservative growth of 4.4% yoy, therefore, we leave it unchanged. However, considering better than expected amount of new storages we have slightly increased our top line estimate for FY2014E.
- Our DCF-based valuation derives now EUR 6.62/share. We leave our PT at EUR 6.00 and confirm our BUY recommendation.**



Source: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Revenue	13.6	13.3	-	13.9	-	14.3
EBITDA	-	2.8	-	3.0	-	3.1
EPS	-	0.37	-	0.42	-	0.43

www.vita34.de

Sector: Healthcare

WKN: AOBLL84

ISIN: DE000AOBL849

Reuters: V3V/Gn.DE

Bloomberg: VSV GR Equity

Short company profile

Vita 34 AG is a private umbilical cord blood bank in Europe, which specializes in collection, preparation and long-term storage of umbilical cord blood and tissue

Share data:

Share price (last closing price, EUR):	4.32
Shares outstanding (m):	3.03
Market capitalisation (EURm):	13.08
Enterprise value (EURm):	10.07
Ø daily trading volume (3 m., no. of shares):	5,628

Performance data:

High 52 weeks (EUR):	7.75
Low 52 weeks (EUR):	2.84
Absolute performance (12 months):	38.49
Relative performance: (vs. CDAX)	
1 month	14.57%
3 months	2.7%
6 months	-16.2%
12 months	37.7%

Shareholders:

HSCI OJSC	15.00%
Landesbank Baden-Württemberg	7.00%
Founder/Management	17.90%
Free float	60.10%

Financial calendar:

FY 2014 figures	26 March 2015
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Y/E 31.12., EUR m	2010	2011	2012	2013	2014E	2015E	2016E
Sales revenues	17.0	16.0	13.6	13.6	13.6	13.9	14.3
Total operating income	18.1	16.6	14.4	14.9	15.0	15.3	15.8
Gross profit	10.8	9.5	8.0	8.1	8.0	8.3	8.5
EBITDA	1.7	0.6	0.4	2.7	2.8	3.0	3.1
EBIT	0.7	-0.3	-0.7	1.5	1.6	1.8	1.9
Net income/loss	0.3	1.2	-0.6	0.8	1.1	1.2	1.3
EPS	0.18	0.48	-0.20	0.28	0.37	0.42	0.43
Gross margin	63.8%	59.1%	59.1%	59.5%	59.3%	59.3%	59.3%
EBITDA margin	9.9%	4.0%	3.0%	19.6%	20.5%	21.7%	21.7%
EBIT margin	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.0%
EV/EBITDA	6.0	15.8	24.3	3.8	3.6	3.3	3.3
EV/EBIT	13.6	n.m.	n.m.	6.9	6.4	5.6	5.4
P/E	24.0	9.0	n.m.	15.4	11.5	10.2	9.9

Source: Vita 34 AG; CBS Research AG

Appendix

Discounted Cash Flow Model

EUR m	PHASE 1			PHASE 2							PHASE 3
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	∞
Sales	13.6	13.9	14.3	14.8	15.3	15.6	15.9	16.3	16.6	16.9	
Sales growth	0.1%	2.6%	2.7%	3.2%	3.4%	2.6%	2.0%	2.0%	2.0%	2.0%	
EBIT	1.6	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.2	
EBIT margin	11.6%	12.9%	13.0%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.7%	
Income tax on EBIT	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	
Depreciation and amortisation	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.2	1.3	1.4	
Change in net working capital	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
Net capital expenditure	-1.1	-1.1	-1.2	-1.2	-1.2	-1.3	-1.3	-1.3	-1.4	-1.4	
Free cash flow	1.1	1.4	1.4	1.3	1.3	1.4	1.4	1.4	1.5	1.5	
Present values	1.1	1.3	1.1	1.0	0.9	0.9	0.8	0.7	0.7	0.6	8.1
Present value Phase 1	3.5										
Present value Phase 2	5.5										
Present value Phase 3	8.1										
Total present value	17.0										
+Excess cash	4.5										
- Financial debt, pension liabilities and silent investors	-1.3										
- Minority interest	-0.2										
Fair value of equity	20.0										
Number of shares (m)	3.0										
Fair value per share (EUR)	6.62										

Risk free rate	3.0%	Target equity ratio	70.0%
Equity risk premium	6.5%	Beta (fundamental)	1.40
Debt risk premium	2.5%	WACC	9.59%
Tax shield	32%	Terminal growth	2.0%

Sensitivity analysis						
Terminal growth (Phase 3)						
		1.0%	1.5%	2.0%	2.5%	3.0%
	8.6%	6.97	7.19	7.44	7.74	8.08
	9.1%	6.61	6.79	7.00	7.24	7.52
WACC	9.6%	6.29	6.44	6.62	6.82	7.05
	10.1%	6.00	6.14	6.29	6.45	6.65
	10.6%	5.75	5.86	5.99	6.13	6.29

Source: Bloomberg; CBS Research AG

Key figures and ratios

	2009	2010	2011	2012	2013	2014E	2015E	2016E
Valuation multiples and dividend yield								
EV/ Sales (x)	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7
EV/ EBITDA (x)	n.m.	6.0	15.8	24.3	3.8	3.6	3.3	3.3
EV/ EBIT (x)	n.m.	13.6	n.m.	n.m.	6.9	6.4	5.6	5.4
P/E (x)	n.m.	24.0	9.0	n.m.	15.4	11.5	10.2	9.9
P/B (Price to book ratio) (x)	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.5
Per share data (in EUR)								
EPS (Basic earnings per share)	0.23	0.18	0.48	-0.20	0.28	0.37	0.42	0.43
CPS (Operating cash flow per share)	0.43	0.38	-0.26	0.72	0.59	0.64	0.83	0.85
Free cash flow per share	-0.08	-1.33	-0.06	0.40	0.34	0.30	0.47	0.49
Book value/share (ex. non-controlling interest)	7.13	6.98	7.46	7.14	6.97	7.34	7.77	8.20
Growth rates								
Sales (%)	0.9%	12.4%	-5.7%	-15.0%	-0.4%	0.1%	2.6%	2.7%
Gross profit (%)	3.4%	6.7%	-12.6%	-15.0%	0.2%	-0.2%	2.6%	2.7%
EBITDA (%)	-140.5%	128.3%	-62.2%	-35.1%	542.0%	4.7%	8.6%	2.6%
EBIT (%)	-107.1%	358.6%	-145.1%	121.5%	-298.0%	7.6%	14.0%	2.9%
Net income (%)	-134.8%	-19.0%	161.3%	-145.9%	-244.7%	35.3%	12.6%	3.0%
Profitability								
Gross margin (%)	67.2%	63.8%	59.1%	59.1%	59.5%	59.3%	59.3%	59.3%
EBITDA margin (%)	4.9%	9.9%	4.0%	3.0%	19.6%	20.5%	21.7%	21.7%
EBIT margin (%)	1.1%	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.0%
EBT margin (%)	4.4%	3.9%	-3.1%	-6.3%	9.9%	11.8%	13.0%	13.0%
Net margin (%)	3.9%	2.8%	7.9%	-4.3%	6.2%	8.4%	9.2%	9.2%
ROCE	0.8%	3.5%	-1.5%	-3.3%	6.5%	6.7%	7.3%	7.1%
ROE	3.2%	2.6%	6.5%	-2.9%	4.0%	5.2%	5.6%	5.4%
ROTA	1.9%	1.4%	3.5%	-1.6%	2.3%	3.1%	3.4%	3.4%
Solvency								
Net debt (EUR m)	-4.6	0.1	0.2	-1.4	-2.6	-3.5	-4.9	-6.4
Equity ratio (%)	60.6%	51.3%	57.6%	56.0%	59.8%	61.4%	62.3%	63.2%
Interest coverage ratio (x)	1.0	2.6	-1.3	-3.6	7.2	26.4	30.1	31.0
Fixed Assets/ CAPEX								
Fixed assets turnover ratio (x)	0.9	0.8	0.7	0.5	0.5	0.5	0.5	0.6
CAPEX (EUR m)	-0.7	-5.2	-1.0	-1.0	-0.8	-1.1	-1.1	-1.2
CAPEX/ Depreciation (%)	93.8%	108.2%	66.5%	62.5%	43.4%	43.1%	43.6%	43.8%
CAPEX/ Sales (%)	3.6%	6.0%	4.0%	5.3%	3.8%	3.8%	3.8%	3.8%
Depreciation/ Sales (%)	3.8%	5.6%	6.1%	8.5%	8.8%	8.9%	8.8%	8.7%

Source: Bloomberg; CBS Research AG

Income statement

IFRS EUR m	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Revenues	15.0	15.1	17.0	16.0	13.6	13.6	13.6	13.9	14.3
YoY growth	-3.0%	0.9%	12.4%	-5.7%	-15.0%	-0.4%	0.1%	2.6%	2.7%
Cost of sales	-5.1	-5.0	-6.1	-6.5	-5.6	-5.5	-5.5	-5.7	-5.8
as % of sales	34.4%	32.8%	36.2%	40.9%	40.9%	40.5%	40.7%	40.7%	40.7%
Gross profit	9.8	10.1	10.8	9.5	8.0	8.1	8.0	8.3	8.5
as % of sales	65.6%	67.2%	63.8%	59.1%	59.1%	59.5%	59.3%	59.3%	59.3%
Other operating income	0.7	0.6	1.1	0.6	0.7	1.4	1.4	1.4	1.5
as % of sales	4.9%	3.7%	6.6%	3.8%	5.5%	10.2%	10.4%	10.2%	10.2%
Selling expenses	-9.6	-7.6	-7.2	-7.0	-5.8	-4.7	-4.8	-4.8	-4.9
as % of sales	64.4%	50.5%	42.7%	43.6%	42.4%	34.7%	35.4%	34.3%	34.3%
Administrative expenses	-2.9	-2.8	-3.0	-2.9	-3.1	-2.9	-3.0	-3.0	-3.1
as % of sales	19.6%	18.3%	18.0%	18.3%	22.7%	21.4%	22.0%	21.5%	21.5%
Other operating expenses	-0.2	-0.1	-0.9	-0.5	-0.7	-0.4	-0.1	-0.1	-0.1
as % of sales	1.6%	0.9%	5.4%	3.1%	5.0%	2.9%	0.7%	0.7%	0.7%
EBITDA	-1.8	0.7	1.7	0.6	0.4	2.7	2.8	3.0	3.1
as % of sales	-12.2%	4.9%	9.9%	4.0%	3.0%	19.6%	20.5%	21.7%	21.7%
Depreciation and amortisation	-0.4	-0.6	-0.9	-1.0	-1.2	-1.2	-1.2	-1.2	-1.2
as % of sales	3.0%	3.8%	5.6%	6.1%	8.5%	8.8%	8.9%	8.8%	8.7%
EBIT	-2.3	0.2	0.7	-0.3	-0.7	1.5	1.6	1.8	1.9
as % of sales	-15.2%	1.1%	4.4%	-2.1%	-5.5%	10.8%	11.6%	12.9%	13.0%
EBT (Earnings before income taxes)	-2.4	0.7	0.7	-0.5	-0.9	1.3	1.6	1.8	1.9
as % of sales	-15.9%	4.4%	3.9%	-3.1%	-6.3%	9.9%	11.8%	13.0%	13.0%
Income taxes	0.4	-0.1	-0.3	1.7	0.2	-0.6	-0.5	-0.6	-0.6
as % of EBT	17.5%	9.4%	47.6%	340.1%	-28.8%	-41.3%	-32.0%	-32.0%	-32.0%
Net income	-2.0	0.6	0.3	1.2	-0.6	0.8	1.1	1.2	1.3
as % of sales	-13.1%	3.9%	2.1%	7.4%	-4.5%	5.8%	8.0%	8.8%	8.8%
Thereof:									
Non controlling interests	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	-0.1	-0.1
Earnings attributable to shareholders	-2.0	0.6	0.5	1.3	-0.6	0.8	1.1	1.3	1.3
as % of sales	-13.1%	3.9%	2.8%	7.9%	-4.3%	6.2%	8.4%	9.2%	9.2%
EPS									
Basic EPS in EUR	-0.64	0.23	0.18	0.48	-0.20	0.28	0.37	0.42	0.43
Diluted EPS in EUR	-0.74	0.23	0.18	0.48	-0.20	0.28	0.37	0.42	0.43

Source: Vita 34 AG, CBS Research AG

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Recommendation System:

CBSR uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
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

Risk-scaling System:

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LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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