

# VITA 34 AG

Germany / Health care  
 Primary exchange: Frankfurt  
 Bloomberg: V3V GR  
 ISIN: DE000A0BL849

H1 2012 results

**RATING**  
**BUY**

**PRICE TARGET**  
**€5.40**

Return Potential 97.1%  
 Risk Rating Medium

## MARKET ENVIRONMENT STILL CHALLENGING

VITA 34 has published H1 2012 figures. While sales were lower than we had anticipated, bottom-line development was in line with our expectations. The firm lowered its guidance for FY 2012 and now expects sales to decline year-on-year (previously: sales at FY 2011 level). However, VITA 34 still expects operating profitability to increase slightly. Based on revised forecasts, our DCF model yields a new price target of €5.40 (previously: €5.70). We reiterate our Buy recommendation.

**Weak performance of Spanish operations** In H1 2012, umbilical cord blood storages fell 17% y/y to 3,718 (H1/11: 4,477). Sales declined 15% y/y to €6.6m (FBe: €7.8m; H1/11: €7.8m). Sales development was again burdened by the weak performance of VITA 34's Spanish activities (-36% y/y to €1.7m). Sales in the DACH region decreased by 12% y/y to €5.3m. Since the firm's gross margin and OPEX development were better than we had anticipated, EBIT of €-0.5m (H1/11: €-0.6m) was in line with our expectations (FBe: €-0.5m). At the net level, VITA 34 reported a loss of €-0.4m (FBe: €-0.4m; H1/11: €-0.4m) or €-0.14 (FBe: €-0.17; H1/11: €-0.16) per share.

**Solid balance sheet** Due to H1's net loss, VITA 34's equity position declined somewhat to €19.6m (end of FY11: €20.0m). However, the firm's equity ratio of 57.2% (end of FY11: 57.6%) was almost unchanged as of the end of June 2012. With financial debt (short- and long-term) amounting to €2.5m (end of FY11: €3.2m) and liquid funds of €2.6m (end of FY11: €3.0m), VITA 34 reported net liquidity of €0.1m as of 30 June 2012 (net debt of €0.2m as of the end of December 2011). Due mainly to an improved operating cash flow of €0.7m (H1/11: €-2.0m), net cash flows for the period amounted to €-0.4m (H1/11: €-1.2m).

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	16.96	16.00	15.34	16.23	16.93	17.56
Y-o-y growth	n.a.	-5.7%	-4.1%	5.8%	4.3%	3.7%
EBIT (€m)	0.74	-0.34	0.16	0.50	0.97	1.51
EBIT margin	4.4%	-2.1%	1.1%	3.1%	5.7%	8.6%
Net income (€m)	0.35	1.19	0.37	0.77	1.26	1.38
EPS (diluted) (€)	0.13	0.45	0.12	0.25	0.42	0.46
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.03	-1.69	0.55	0.75	1.04	1.12
Net gearing	93.0%	74.6%	72.4%	65.7%	62.1%	58.5%
Liquid assets (€m)	3.69	3.03	2.20	1.95	2.99	4.10

### 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.

### MARKET DATA

As of 20 Jul 2012

Closing Price	€ 2.74
Shares outstanding	2.65m
Market Capitalisation	€ 7.25m
52-week Range	€ 2.46 / 3.98
Avg. Volume (12 Months)	1,780

Multiples	2011	2012E	2013E
P/E	6.1	22.5	10.8
EV/Sales	0.9	0.9	0.9
EV/EBIT	n.a.	87.1	28.2
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2012

Liquid Assets	€ 2.64m
Current Assets	€ 7.22m
Intangible Assets	€ 19.87m
Total assets	€ 34.35m
Current Liabilities	€ 4.57m
Shareholders' Equity	€ 19.63m

### SHAREHOLDERS

Elvaston Partners GmbH	20.7%
Landesbank Baden-Württemberg	15.8%
Founder/Management	9.1%
Free float	54.4%



**FY 2012 guidance lowered** According to the management, the firm's important markets Germany and Spain will remain challenging in the current fiscal year. The firm thus lowered its guidance for 2012 and now expects sales to come in below the prior year level (previously: at prior year level). However, since the firm has already begun to optimise its cost structure in the past, VITA 34 still expects operating profitability to improve slightly in y/y comparison.

**Adjustments to our forecasts** We have adjusted our forecasts for FY 2012 and subsequent years to reflect the reduced guidance. Changes to our forecasts are shown in the table below. In our view, VITA 34's Spanish operations in particular will continue to burden sales development at the group level. For the DACH region, we expect a gradual improvement in H2 2012 (rate of decline in sales will flatten out).

However, the firm has already taken action to reduce its dependence on single regional markets through broader diversification (co-operation agreements signed in Serbia and Mexico; ongoing negotiations in Chile, China and Vietnam, amongst others). VITA 34's acquisition of BioPlanta (cf. our 18 June 2012 update) should fuel regional expansion. BioPlanta is present in numerous markets abroad - not only in Europe, but also in Latin America, Asia and South Africa.

Our updated DCF model yields a new price target of €5.40 (previously: €5.70). We reiterate our Buy recommendation.

**Table 1: H1 results**

All figures in €m	H1-12A	H1-12E	Delta	H1-11A	Delta
Sales	6.63	7.84	-15.5%	7.77	-15.2%
EBIT	-0.48	-0.55	-	-0.63	-
margin	-9.1%	-1.3%	-	-11.0%	-
Net income	-0.38	-0.44	-	-0.45	-
margin	-6.7%	-1.2%	-	-8.0%	-
EPS (in €)	-0.14	-0.17	-	-0.16	-

Source: First Berlin Equity Research

**Table 2: Forecasts**

All figures in €m	2012E			2013E			2014E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	16.55	15.34	-7.3%	17.67	16.23	-8.1%	18.41	16.93	-8.0%
EBIT	0.26	0.16	-37.0%	0.69	0.50	-27.0%	1.23	0.97	-21.8%
margin	1.6%	1.1%		3.9%	3.1%		6.7%	5.7%	
Net income	0.20	0.37	80.4%	0.66	0.77	16.0%	1.19	1.26	6.0%
margin	1.2%	2.4%		3.7%	4.7%		6.5%	7.5%	
EPS (diluted, in €)	0.07	0.12	80.4%	0.22	0.25	16.1%	0.39	0.42	5.9%

Source: First Berlin Equity Research

**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...24	↓	↓	↓	↓
25	22 March 2012	€3.34	Buy	€5.60
26	26 April 2012	€2.96	Buy	€5.60
27	18 June 2012	€2.91	Buy	€5.70
28	Today	€2.74	Buy	€5.40

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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%

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