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Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Q3 12 earnings

Better than expected – no impact

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The group has reported Q3 sales up sharply (+21%), well over forecasts. It will have no major impact at the earnings level (negative product mix). We maintain our Buy rating, given a favourable raw materials context.

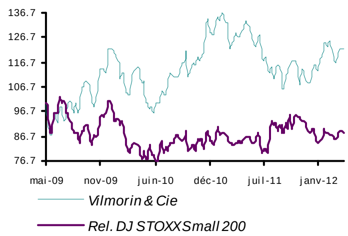
- **Better than expected Q3 figures.** The group has reported a sharp rise in sales in Q3, i.e. up 20.9% organic (€616m), lifting 9 month growth to 15.3% (€1,017m). **This growth has been driven by field seeds** (+31% for Q3, a strong half in view of the seasonal nature of sales). **The group has repeated its guidance (sales organic growth over 7%, and underlying operating margin at 11%).**
- **We repeat our Buy stance and €92 target price** based on DCF and a cycle high multiple (rarity of supplies). **From our point of view, the group is still profiting from the climate for raw materials (agricultural demand, pricing power).**
- These very fine figures are well above our expectations (Natixis 6.6% for Q3, with sales of €556m), all the more surprising since the comparative base was very difficult (Q3 2010/11 at +14.6%, including +21% for field seeds). Still, they should not entail any upward revision of our estimates. **In the 2011/12 financial year, two factors will have an adverse effect: 1/ a negative product mix** due to weak growth in highly profitable vegetable seeds; **and 2/ an expected fall in sales for field seeds in Q4,** given the anticipated level of orders in Q3.
- **We expect overall organic sales growth in 2011/12 to exceed the guidance** (i.e. +9/10% vs more than 7%), **but the operating margin should come out slightly lower** (10.6% vs 11%). The impact on EPS, not yet factored in, should be minor (less than 2%).
- By division, the group turned in a fine performance in field seeds (+21%), thanks to anticipation of orders and its substantial pricing power (the price and mix is estimated to account for 2/3 of growth in sales). Anticipated extra growth from seed production should this year put a limit on profitability gains. Vegetable seeds did slightly better (+3.5% in the quarter), but they are still suffering from tough conditions (political and sanitary crises). However, we anticipate growth for this division in Q4.

Price	05/03/2012	€81.00
Target		€92.00
Upside		13.6%

Performance	1m	12m	1 Jan
Absolute	1.6%	-6.0%	10.0%
Sector	1.7%	15.9%	9.1%
DJS Small200	-1.1%	-9.7%	11.7%

Market capitalisation	€1.4bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€290k

on 30/6	2012e	2013e	2014e
EPS (€)	4.97	5.32	5.50
Revision	-	-	-
Change	23.2%	7.0%	3.3%
P/E (x)	-	-	-
P/CF (x)	6.4	6.1	5.9
EV/EBIT (x)	12.9	12.2	11.8
EV/EBITDA (x)	6.8	6.9	6.9
Net yield	-	-	-
FCF yield	1.0%	2.1%	2.9%



Source : Natixis

Equity Markets equity.natixis.com
Bloomberg access NXSE

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Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2010	2011	2012e	2013e	2014e	CAGR 11/14
Turnover	1,063.8	1,191.5	1,292.6	1,353.2	1,391.4	5.3%
Field seeds	519.7	598.4	666.3	699.6	720.6	6.4%
Vegetable seeds	454.3	509.8	545.5	572.7	589.9	5.0%
Home garden	88.3	81.9	79.5	79.5	79.5	-1.0%
	1.5	1.4	1.4	1.4	1.4	0.0%
Reported operating profit	109.3	126.5	142.1	151.3	155.7	7.2%
Field seeds	35.8	39.8	49.0	53.9	55.5	11.7%
Vegetable seeds	77.5	80.2	86.6	90.9	93.7	5.3%
Home garden	2.6	6.5	6.5	6.5	6.5	0.0%
	-6.6	0.0	0.0	0.0	0.0	
Reported operating margin	10.3%	10.6%	11.0%	11.2%	11.2%	
Field seeds	6.9%	6.7%	7.3%	7.7%	7.7%	
Vegetable seeds	17.1%	15.7%	15.9%	15.9%	15.9%	
Home garden	2.9%	7.9%	8.2%	8.2%	8.2%	
	-440.0%	-	-	-	-	

Profit & loss statement (€m)	2010	2011	2012e	2013e	2014e	CAGR 11/14
Revenues	1,063.8	1,191.5	1,292.6	1,353.2	1,391.4	5.3%
Change	*6.3%*	*12.0%*	*8.5%*	*4.7%*	*2.8%*	
Organic growth	4.6%	9.6%	6.8%	4.7%	0.0%	
EBITDA	200.9	272.9	268.1	268.1	268.1	-0.6%
Change	*2.4%*	*35.8%*	*-1.7%*	*0.0%*	*0.0%*	
EBIT	109.3	126.5	142.1	151.3	155.7	7.2%
Change	*1.3%*	*15.7%*	*12.3%*	*6.5%*	*2.9%*	
Adjusted EBIT	109.3	126.5	142.1	151.3	155.7	7.2%
Change	*1.3%*	*15.7%*	*12.3%*	*6.5%*	*2.9%*	
Operating margin	10.3%	10.6%	11.0%	11.2%	11.2%	
Financial items	-12.2	-21.4	-10.0	-9.7	-9.2	
Pre-tax profit on ordinary activities	97.1	105.1	132.1	141.6	146.4	11.7%
Exceptional items	-12.1	30.2	0.0	0.0	0.0	
Corporate tax	-27.8	-38.7	-39.6	-42.5	-43.9	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.5	0.6	0.6	0.6	0.6	
Minority interests	-6.0	-6.3	-6.8	-7.2	-7.4	
Net profit on divested activities	2.5	0.0	0.0	0.0	0.0	
Reported net profit	54.2	90.9	86.2	92.6	95.7	1.7%
Change	*-7.9%*	*67.7%*	*-5.2%*	*7.4%*	*3.4%*	
Adjusted net profit	60.4	69.2	86.2	92.6	95.7	11.5%
Change	*14.0%*	*14.5%*	*24.7%*	*7.4%*	*3.4%*	

Cash flow statement (€m)	2010	2011	2012e	2013e	2014e	CAGR 11/14
Cash flow from operations	164.0	184.7	217.8	230.4	237.5	8.7%
Net Investments	-153.1	-148.0	-177.5	-183.7	-187.6	8.2%
Decrease (Increase) in WCR	-44.6	-22.0	-26.7	-18.1	-10.1	
Free cash flow	-33.7	14.7	13.6	28.7	39.8	39.4%
Acquisitions	-19.8	0.0	0.0	0.0	0.0	
Dividend	-25.5	-35.0	-38.6	-41.5	-42.9	7.0%
Capital increase	203.6	-	-	-	-	
Divestments	-	-	-	-	-	
Miscellaneous	5.3	-15.0	0.0	0.0	3.0	
Increase (Decrease) in cash	129.9	-35.3	-25.0	-12.8	0.0	
Net debt	247.8	283.1	308.1	320.9	320.9	
Gearing	23.7%	25.5%	26.6%	26.5%	25.4%	

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This document may mention valuation methods, which are defined as follows:

1/ Peer comparison method: valuation multiples for the company in question are compared with those of a sample of companies in the same sector, or with a similar financial profile. The sample average acts as a valuation benchmark, to which the analyst can, where necessary, apply discounts or premiums resulting from his/her perception of the company's specific features (legal status, growth outlook, profitability, etc.).
2/ NAV method: Net asset value is an assessment of the market value of the assets on a company's balance sheet using the method that the analyst deems most relevant.
3/ Sum of the parts method: this method involves valuing each of the company's businesses separately using the most appropriate valuation methods for each, and then adding them together.
4/ DCF method: the discounted cash flow method involves assessing the current value of cash that a company will generate in the future. The analyst draws up cash flow projections based on his/her assumptions and models. The discount rate used is the average weighted cost of capital, which equates to the company's cost of debt and the theoretical cost of equity as estimated by the analyst, and weighted by the proportion of each of these two components in the company's financing.
5/ Method based on transaction multiples: with this valuation method, the company's multiples are compared with those seen in transactions involving groups with a similar business profile.
6/ Dividend discount method: with this method, the analyst establishes the present value of dividends to be paid to shareholders by the company, using a projection of dividend payments and an appropriate discount rate (generally the economic cost of equity).
7/ EVA method: with the Economic Value Added method, the analyst determines the additional level of profitability generated annually by a company on its assets relative to its cost of capital (difference also known as value creation). This additional profitability can then be discounted over the coming years using a rate corresponding to the weighted average cost of capital, and the resulting amount is added to the net asset value.

* Up to 04/30/2010, Natixis ratings covered the next six months and were as follows:

Buy	upside of 15% to market and high-quality fundamentals.
Add	upside of 0-15% and/or high risk.
Reduce	downside of 0-15%.
Sell	downside of more than 15% and/or high risks on business and financial fundamentals.

From 05/01/2010, Natixis ratings cover the next six months and are as follows:

Buy	upside over 10%
Neutral	upside between +10% and -10%
Reduce	downside of more than -10% and/or high risks on business and financial fundamentals.
Present shares	favorable response to a public offer (takeover, delisting,…)

At 05/04/2012, Natixis ratings and the proportion of total stocks for which its parent company Natixis has provided investment services over the past 12 months break down as follows:

	Companies covered	Corporate companies
Buy	44.23%	2.25%
Neutral	39.15%	0.85%
Reduce	15.49%	0.00%

Reference prices are based on closing prices.