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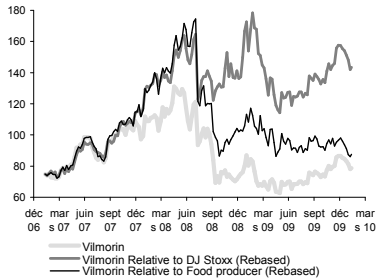
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## Vilmorin

Food products France

### Quarterly sales

**Recommendation Add (2)**  
**Price (09/02/2010) 78.84 EUR**  
**Target price 90.00 EUR**



Reuters: VILM.PA  
Bloomberg: RIN FP  
12-month high: 88.40  
12-month low: 59.50

### Multiples

	06/09	06/10	06/11e	06/12e
P/E	20.3	18.0	16.4	14.7
Net. yield (%)	2.2%	2.4%	2.5%	2.6%
FCF yield (%)	1.6%	2.3%	3.9%	6.3%
P/Book value	1.7	1.6	1.5	1.4
EV/Sales	1.5	1.4	1.3	1.2
EV/EBITDA	7.4	6.7	6.1	5.6
EV/EBIT(recur)	14.3	12.7	11.5	10.3

### Per share data

EUR	06/09	06/10	06/11e	06/12e
EPS (AANP)	4.00	4.38	4.82	5.37
%Change	-11.9%	9.4%	10.0%	11.5%
EPS (ANP)	3.96	4.36	4.83	5.43
%Change	19.6%	10.2%	10.7%	12.3%
Dividend	1.77	1.86	1.95	2.05
Book value	47.60	50.20	53.17	56.64

### Income statement

(EUR m)	06/09	06/10	06/11e	06/12e
Sales	1 002	1 055	1 100	1 154
%Change	11.7%	5.3%	4.3%	4.9%
Op.profit(recur.)	105.1	117.0	127.6	138.1
%Change	-11.5%	11.3%	9.0%	8.3%
Op.profit(EBIT)	107.9	117.0	127.6	138.1
Attr. net profit	53.0	58.4	64.7	72.7
Adj. attr. NP	53.0	58.4	64.7	72.7

### Financial data

	06/09	06/10	06/11e	06/12e
ROCE bef. Tax	9.5%	9.8%	10.3%	10.9%
ROCE after Tax	7.2%	7.3%	7.7%	8.2%
ROE	8.5%	8.9%	9.3%	9.9%
FCF	17.4	24.4	41.0	66.2
Net debt	378	388	373	334
Gearing	50.1%	48.7%	44.1%	37.1%
Net Debt/EBITDA	1.9	1.8	1.6	1.3
EBITDA/interest	7.6	8.1	8.4	9.5

### Performance

	1 mo	3 mos	12 mos
Absolute perf.	-7.7%	4.4%	-2.5%
Perf./country	0.87	0.88	1.49
Perf./DJ sector	0.95	1.01	0.75

### Liquidity

Market Cap.	1 056
EV	1 467
No. of shares (m)	13.4
Groupe	71.5%
Free Float	28.5%

## Q2 sales: good sales in the end

Reported sales were significantly below our forecast at € 166m vs. estimate of € 184m. Even so, the strong growth posted (+11% vs. estimate of 4%) in vegetable seeds (margins twice as high) and the fact that the disappointment at field crop seeds stemmed from a fall in wheat of more than € 10m (very low margins) is reassuring for margins. Management seems upbeat about its H1 results and reasonably confident about H2: it is sticking to its guidance of growth in sales and in margins. Forecasts and Add (2) recommendation unchanged.

## Q2 sales: very good in vegetable seeds but poor in field crop seeds and reassuring for H1 results

**Sharp uptick in growth for vegetable seeds**, which came to 11% in Q2 (versus forecast of +4%) and +4.9% in Q1. This bodes well for the group's margins, since this activity's margins are twice as high (estimated 17.8% in 2009-10) than at field crop seeds (operating margin: estimated 8.1% in 2009-10). This strong growth despite the relatively challenging market (overproduction in Spain, relocation of production zones) is partly due to market share gains in the Mediterranean basin (Morocco and Egypt in particular), in the US, in Mexico and in Asia and partly due to the effects of company reorganisations within this activity, which is spread out over four business units. Although they sometimes resulted in a certain level of wavering at the beginning (e.g. Nickerson Zwaan and Hazera), these reorganisations are currently paying off in terms of range coherence, logistics optimisation and a better market approach.

**A disappointing initial analysis in terms of field crop seeds but no major impact on margins.** After a very strong Q1 (+25.7% lfl), partly due to an early wheat campaign (impact of € 3-4m), Q2 was down sharply by -19.32% lfl and overall, H1 was down 4.1% lfl. The autumn campaign was in fact very mixed with double-digit growth in Europe for rape seed (market share gain and redeployment to Eastern Europe) but a very marked decline in wheat due to the use of farm seeds, which triggered a fall in sales of more than € 10m. The company nonetheless said that this activity had very low margins due to the high production costs and that this fall would "not have a major impact on margins". Finally, royalty charges came to € 21m versus € 23m. This decline was mainly due to the weakening of the pound sterling.

### Q2 SALES AND H1 SALES

€ m	Reported	Oddo Midcap estimates	Previous period	Reported/previous period lfl
Q2 sales	165.9	183.7	176.4	-4.1%
- vegetable seeds	89.8	87.05	83.3	+11%
- field crop seeds	66.5	86.4	83.1	-19.3%
- garden products	9.1	10	9.8	-2%
- holding company	0.4	0.2	0.2	nm
H1 sales	314.2	332	305.8	+2.5%
- vegetable seeds	173.8	171.0	161.2	+8%
- field crop seeds	116.1	136.0	120.3	-4.7%
- garden products	23.7	24.5	23.9	+2.4%
- holding company	0.6	0.4	0.4	+15.5%

SOURCE: VILMORIN - ODDO MIDCAP ESTIMATES

## Guidances reiterated

**The company reiterated the guidances released** in October and still confirms **the prospects for margin improvement** due to a mix effect within the divisions themselves and to the very good performance of vegetable seeds.

**Trend for Q3: it remains favourable for vegetable seeds:** even if the rate of H1 (+8% lfl) is not likely to be maintained. In field crop seeds, the company announced that **the campaigns are in line with its expectations.**

## Equity Note

The reduction in maize surfaces in Europe concerns grain maize and for silage maize (a Vilmorin market), we forecast stability (stable prices also). Furthermore, the group is gaining market share in sunflowers in Europe. In North America, H1 sales came to €9m, up sharply, but the comparison base was not very meaningful, the group posted good growth in the maize order book with a continued positive price effect and the soya order book (less important for Vilmorin) is stable. Overall, the initial indicators seem reassuring even if the season has only just begun.

**Good result expected in H1:** the company reported a contribution in H1 to the operating margin that was “good and even very good” with a favourable mix effect and “an optimisation of financial management” which should result in a fall in financial charges.

**Partnership agreement in wheat.** In line with the previous two agreements with AGT (Australia) and Arcadia (California, technology for the optimisation of nitrogen use), the company has announced a partnership with the Argentine company DonMario (€ 50m of sales, the leading wheat producer in South America, which also has a presence in maize and soya). This alliance (50/50) relates to wheat and aims to sell seeds created from the combination of the gene pools and technologies of Vilmorin and DonMario.

### Forecasts and Add (2) recommendation reiterated.

Although at first glance Q2 sales may cause some concern due to the 4.1% decline lfl, the sales mix (sharp growth in very high margin vegetable seeds), the fact that the decline in field crop seeds was attributable to wheat (very low margin) and the favourable indications on the operating margin in H1 and on the initial trends of H2 are fairly reassuring particularly as they lift some of the concerns raised by the recent fall in maize prices. We therefore reiterate our Add (2) recommendation. No change to target price of € 90 (DCF and peer multiples valuation).

*Next event: H1 results on 24 February in the evening*

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