

MORNING NEWS MIDCAPS

EQUITY RESEARCH

1 August 2013

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

2013 turnover

Recommended Stock

Encouraging prospects in vegetable seeds

Q4 13 results came in well above our estimates in terms of organic growth (+22% vs. +9% expected) due notably to a strong rebound in vegetable seeds (+14%) and good momentum in field seeds (+35%). The message for 2013/14 is encouraging, notably in vegetable seeds.

- **We maintain our Buy rating with a target price of €115.** We continue to believe that the valuation is attractive in absolute terms (15x PE 12m based on our estimates) and relative to the sector (8% discount vs. in line historically) given the group's fundamentals and medium-term growth potential (2013/18e EPS +15% / year).
- **Q4 12/13 sales were in line with our estimate on a reported basis at €358m but far exceeded our estimate in terms of organic growth (+22.2% vs. +9.1% est.).** The difference is due mainly to a much more unfavourable currency effect than we expected (-€21m in Q4 13) and a scope effect of -€7m.
- **Organic growth in vegetable seeds accelerated sharply to +14.3% (i.e. the highest level in the last five years) in Q4 13.** We understand that there were no exceptional items (Q3 billings delayed until Q4 for example) in this good performance and that a further €5m (+3%) could even have been added if the group had managed to catch up billing lags in Latin America. The good performance is due to the good momentum in North America and a rebound of the European market (notably in southern European countries). **The good Q4 13 figures (shared by the group's rivals), and the management's comments, bolster our scenario of a recovery in the vegetable seeds segment in the next few years (2013/2018e organic growth in vegetable seeds of +5%).**
- **Organic growth in field seeds came to +35% in Q4 13.** The group benefited from price increases in corn in the USA and Europe, market share gains in corn (notably in Europe) and a good trend in sunflowers (notably in eastern Europe and Turkey).
- **Despite organic growth exceeding the full-year guidance (+9.4% over the year vs. guidance >8%), the group maintained its full-year operating margin target of ~11% (incl. a research effort of > €180m).** Given the price hikes in corn seeds, and the good performance in vegetable seeds (operating margin > the group operating margin), **we believe that an operating margin slightly above the guidance is possible (Natixis estimate 11.3%).**

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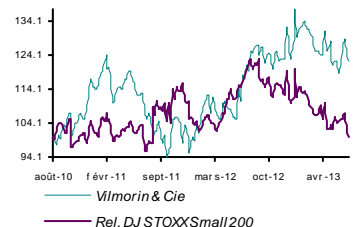
Price	07/31/2013	€90.55
Target		€115.00
Upside		27.0%

Performance	1m	12m	1 Jan
Absolute	2.8%	-1.1%	-3.3%
Sector	2.5%	8.0%	6.3%
DJS Small200	6.8%	19.9%	9.3%

Market capitalisation	€1.6bn
Free float	32.6%
Limagrain	67.4%
Daily volume	0.61

On 30/6	2013e	2014e	2015e
EPS (€)	5.35	6.15	6.89
Revision	-	-	-
Change	7.6%	14.8%	12.1%

P/E (x)	16.9	14.7	13.1
P/CF (x)	6.7	6.1	5.6
EV/EBIT (x)	12.1	10.7	9.6
EV/EBITDA (x)	6.4	5.8	5.2
Net yield	2.1%	2.4%	2.6%
FCF yield	1.3%	3.6%	4.8%



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EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2011	2012	2013e	2014e	2015e	CAGR 12/15
Turnover	1,191.8	1,338.0	1,472.5	1,577.3	1,692.5	8.2%
Field seeds	598.6	728.7	832.8	905.3	990.3	10.8%
Vegetable seeds	510.3	527.2	559.1	588.3	617.7	5.4%
Home garden	81.9	80.8	79.2	82.4	83.2	1.0%
Holding	1.0	1.3	1.3	1.3	1.3	0.0%
Adjusted operating profit	126.7	144.3	166.5	187.0	206.3	12.6%
Field seeds	39.8	74.0	93.3	104.1	116.9	16.4%
Vegetable seeds	80.2	76.9	82.8	92.4	98.8	8.7%
Home garden	6.5	-1.8	1.5	1.6	1.6	
Holding	0.2	-4.8	-11.0	-11.0	-11.0	-31.8%
Adjusted operating margin	10.6%	10.8%	11.3%	11.9%	12.2%	
Field seeds	6.6%	10.2%	11.2%	11.5%	11.8%	
Vegetable seeds	15.7%	14.6%	14.8%	15.7%	16.0%	
Home garden	7.9%	-2.2%	1.9%	1.9%	1.9%	
Holding	20.0%	-369.8%	-846.2%	-846.2%	-846.2%	
Profit & loss statement (€m)	2011	2012	2013e	2014e	2015e	CAGR 12/15
Revenues	1,191.8	1,338.0	1,472.5	1,577.3	1,692.5	8.2%
<i>Change</i>	<i>12.0%</i>	<i>12.3%</i>	<i>10.1%</i>	<i>7.1%</i>	<i>7.3%</i>	
Organic growth	9.6%	11.0%	8.1%	5.7%	7.3%	
EBITDA	276.0	269.0	313.9	344.9	375.7	11.8%
<i>Change</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>16.7%</i>	<i>9.9%</i>	<i>8.9%</i>	
EBIT	156.7	137.7	166.5	187.0	206.3	14.4%
<i>Change</i>	<i>61.2%</i>	<i>-12.1%</i>	<i>20.9%</i>	<i>12.3%</i>	<i>10.3%</i>	
Adjusted EBIT	126.7	144.3	166.5	187.0	206.3	12.6%
<i>Change</i>	<i>24.5%</i>	<i>13.9%</i>	<i>15.4%</i>	<i>12.3%</i>	<i>10.3%</i>	
Operating margin	10.6%	10.8%	11.3%	11.9%	12.2%	
Financial items	-21.3	-26.3	-16.5	-15.0	-13.5	
Pre-tax profit on ordinary activities	105.4	118.0	150.0	172.0	192.8	17.8%
Exceptional items	30.0	-6.6	0.0	0.0	0.0	
Corporate tax	-38.7	-26.1	-43.3	-49.5	-55.5	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.6	1.8	1.8	1.8	1.8	
Minority interests	-6.3	-6.5	-7.2	-7.9	-8.7	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	91.0	80.6	101.4	116.4	130.5	17.4%
<i>Change</i>	<i>67.6%</i>	<i>-11.4%</i>	<i>25.8%</i>	<i>14.8%</i>	<i>12.1%</i>	
Adjusted net profit	69.5	85.7	101.4	116.4	130.5	15.0%
<i>Change</i>	<i>28.3%</i>	<i>23.2%</i>	<i>18.4%</i>	<i>14.8%</i>	<i>12.1%</i>	
Cash flow statement (€m)	2011	2012	2013e	2014e	2015e	CAGR 12/15
Cash flow from operations	167.0	225.7	255.9	282.2	308.5	11.0%
Net Investments	-148.0	-168.0	-175.6	-188.9	-193.4	4.8%
Decrease (Increase) in WCR	-11.9	-67.0	-60.2	-36.7	-40.3	
Free cash flow	7.1	-9.3	20.1	56.6	74.8	na
Acquisitions	17.0	-13.0	0.0	0.0	0.0	
Dividend	-35.0	-30.3	-36.0	-40.3	-45.1	14.2%
Capital increase	-11.5	55.7	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	0.4	-48.7	0.0	0.0	0.0	
Increase (Decrease) in cash	-22.0	-45.6	-15.9	16.3	29.6	
Net debt	270.2	315.7	331.6	315.4	285.7	
Gearing	26.1%	28.1%	27.8%	24.7%	20.8%	

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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.

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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.

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