04/05/2010

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Sales Q3 10

Q3 sales release

Analysts

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Vilmorin has posted a 1.8% organic sales decline for Q3 09/10. Following the capital increase, the group has invested in North America to boost its positions there. Management reiterated its sales growth guidance. Buy rating maintained.

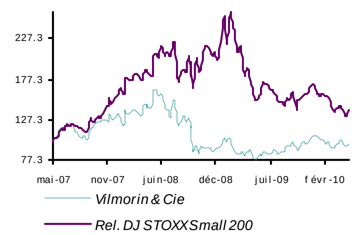
- **Yesterday evening the group posted a 1.8% organic sales decline for Q3 09/10 (vs. +0.6% expected).**
- **We nonetheless remain at Buy as Vilmorin should benefit from an acceleration in external growth** (development of the vegetable seeds activity in particular, especially in Asia which accounts for 70% of growth in this segment) and from a gradual step-up in organic growth (development of plant varieties with proprietary technologies in corn and wheat; commercialisation of GMOs in the medium term). **Our DCF-based target price values the share at €82.44.**
- **This implies that organic growth over 9 months reached 0.2%** (vs. our forecast for 1.5% organic growth). Q3 is the group's biggest quarter owing to the seasonal pattern of its activities (45% of sales). But the comparison base was high, which puts this poor performance into perspective (Q3 08/09 organic growth of +6.8%). Management confirmed its full-year target to "moderately increase its consolidated sales".
- **Sales of vegetable seeds came out in line with our forecast,** i.e. 9% organic growth in Q3, but field seeds declined more steeply than expected at -5.6%. This is partly attributable to agricultural commodity prices, with pressure in Western Europe, but also to postponed orders in the USA, a situation that should return to normal in Q4. The group declined to comment on its operating profit targets, but did indicate that it expected its commercial margin to improve. We believe the group will boost its profitability, despite higher R&D expenses, thanks to a favourable product mix in terms of sales.
- **Vilmorin also provided details about is recent investments** aimed at bolstering its positions in North America: the 7.5% stake bought in Arcadia Bioscience, which should enable it to develop environmentally-friendly technologies (input savings), and the takeover of Mesa Mais, a sweet corn specialist in the USA. These investments are moderately sized but reflect the group's expansion drive.

Price	05/03/2010	€73.88
Target		€82.44
Upside		11.6%

Performance	1m	12m	1 Jan
Absolute	-3.9%	10.3%	-8.8%
Sector	-1.1%	51.2%	7.3%
DJS Small200	0.3%	45.8%	11.0%

Market capitalisation	€1.3bn
Free float	31.0%
Limagrain	69.0%
Daily volume	€2m

on 30/6	2010e	2011e	2012e
EPS (€)	4.11	4.55	5.18
Revision	-	-	-
Change	9.7%	10.8%	13.8%
P/E (x)	18.0	16.2	14.3
P/CF (x)	6.5	6.0	5.6
EV/EBIT (x)	11.8	10.6	9.4
EV/EBITDA (x)	6.0	5.5	5.0
Net yield	2.5%	2.8%	3.2%
FCF yield	4.9%	5.6%	4.3%



Source : Natixis Securities

Equity Markets	www.sec.natixis.com
Bloomberg access	NXSE

Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	896.9	1,000.4	1,050.1	1,103.2	1,153.9	4.9%
Field seeds	502.5	499.0	530.9	562.5	590.6	5.8%
Vegetable seeds	394.4	409.7	430.1	451.6	474.2	5.0%
Home garden	0.0	91.7	89.1	89.1	89.1	-0.9%
Reported operating profit	115.2	107.9	120.4	130.5	145.6	10.5%
Field seeds	47.5	42.5	45.1	47.8	56.3	9.9%
Vegetable seeds	70.5	68.8	74.0	81.4	87.9	8.5%
Home garden	0.0	3.2	4.4	4.4	4.4	11.4%
	-2.8	-6.6	-3.0	-3.0	-3.0	23.1%
Reported operating margin	12.8%	10.8%	11.5%	11.8%	12.6%	
Field seeds	9.5%	8.5%	8.5%	8.5%	9.5%	
Vegetable seeds	17.9%	16.8%	17.2%	18.0%	18.5%	
Home garden	-	3.5%	5.0%	5.0%	5.0%	

Profit & loss statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	896.9	1,000.4	1,050.1	1,103.2	1,153.9	4.9%
Change	*-4.4%*	*11.5%*	*5.0%*	*5.1%*	*4.6%*	
Organic growth	13.5%	1.4%	2.2%	5.1%	4.6%	
EBITDA	202.5	196.1	236.4	252.4	273.1	11.7%
Change	*15.7%*	*-3.2%*	*20.6%*	*6.8%*	*8.2%*	
EBIT	115.2	107.9	120.4	130.5	145.6	10.5%
Change	*21.3%*	*-6.3%*	*11.6%*	*8.4%*	*11.6%*	
Adjusted EBIT	115.2	107.9	120.4	130.5	145.6	10.5%
Change	*33.0%*	*-6.3%*	*11.6%*	*8.4%*	*11.6%*	
Operating margin	12.8%	10.8%	11.5%	11.8%	12.6%	
Financial items	-30.1	-20.8	-12.2	-10.8	-9.8	
Pre-tax profit on ordinary activities	85.1	87.2	108.2	119.8	135.9	15.9%
Exceptional items	0.0	0.0	0.0	0.0	0.0	
Corporate tax	-19.2	-20.0	-29.2	-32.3	-36.7	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.7	-1.1	-1.1	-1.1	-1.1	
Minority interests	-6.8	-7.2	-7.5	-7.9	-8.2	
Net profit on divested activities	-16.5	0.0	0.0	0.0	0.0	
Reported net profit	44.3	58.9	70.4	78.5	89.9	15.2%
Change	*-19.2%*	*32.8%*	*19.7%*	*11.4%*	*14.5%*	
Adjusted net profit	60.8	53.0	70.4	78.5	89.9	19.2%
Change	*26.9%*	*-12.8%*	*32.9%*	*11.4%*	*14.5%*	

Cash flow statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Cash flow from operations	159.9	151.5	196.1	210.4	227.7	14.6%
Nets Investments	-104.9	-139.2	-145.3	-149.5	-153.3	3.3%
Decrease (Increase) in WCR	7.2	4.9	11.2	10.3	-19.5	
Free cash flow	62.2	17.2	62.0	71.2	55.0	47.3%
Acquisitions	-52.6	-14.8	0.0	0.0	0.0	
Dividend	-21.4	-23.5	-31.8	-35.5	-40.6	20.0%
Capital increase	-	-	200.0	-	-	
Divestments	-	-	-	-	-	
Miscellaneous	34.4	-33.3	0.0	0.0	0.0	
Increase (Decrease) in cash	22.6	-54.4	230.2	35.8	14.4	
Net debt	323.3	377.7	147.5	111.7	97.3	
Gearing	43.7%	50.1%	18.6%	13.4%	11.0%	

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Rating changes for Vilmorin & Cie sur les 12 derniers mois

Date	Rating	Previous	Price
05/08/2009	Add (*)	Buy (*)	€65.21

* Erreur ! Nom de propriété de document inconnu.

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 Securities 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 Securities 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%

At 05/04/2010, Natixis Securities 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	50.4%	1.7%
Neutral	26.9%	1.1%
Reduce	19.2%	0.3%

Reference prices are based on closing prices.

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