

MORNING NEWS MIDCAPS

EQUITY RESEARCH

06 November 2013

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Q1 14 sales

Off to a good start, particularly in vegetable seeds

Vilmorin's Q1 2013/14 numbers (OG +9.2% vs +7% expected) are promising (particularly for vegetable seeds) and lend weight to our 2013/14 scenario (OG +7.7%, OM +50pb at 11%). Buy rating maintained with a target price of €105.

- **Q1 2013/14 is encouraging** (particularly for the vegetable seeds business) and strengthens our 2013/14 scenario (improvement in vegetable segment, solid momentum maintained in corn despite limited price leverage, slight improvement in operating margin). **We are maintaining our Buy rating with a target of €105.** Share price weakness of late (-7% in absolute terms over 3 months), amid declining agricultural raw material prices, offers **an attractive point of entry in valuation terms** (12m PE of just 15.3x) for investors in search of a long-term growth story (intrinsic growth in seed market, strengthening positions in the vegetable market, continued market share gains in corn, ongoing and active acquisition policy).
- **Q1 13/14 sales came in 6.2% higher at €198.6m, vs. €192m for Natixis.** Adjusted for currency effects (-5.5%) and consolidation effects (+2.5%), organic growth works out to +9.2%. The group confirmed its full-year guidance: organic sales growth of >5% (incl. OG of 5% for vegetable seeds and >5% for the field seeds division) and an operating margin of 10.5%. **We remain more optimistic than the group**, particularly for vegetable seeds (OG +7% vs. guidance +5%), **with 2013/14 organic growth of 7.7% and an operating margin improvement of 50bp to 11%.**
- **The vegetable seeds division confirmed the trend seen in Q4 12/13 with organic growth of +12.3% (vs. +14.3% in Q4 12/13).** The group said that all zones were growing or at least stable with a notable improvement in western Europe. **Sales in the field seeds segment advanced by 6.6%** on lfl thanks to strong growth in forage seeds and a good start to the campaign in South America for corn.
- Vilmorin also took the opportunity to announce the **acquisition of Eureka seeds**, which specialises in the production of hybrid sunflower seeds and markets corn seeds in the US. The acquisition (estimated investment of €8/9m), should boost sales by €13m. Vilmorin also said that the **stake in Seed Co had been approved** by the AGM of AICO and Seed & Co and **should be finalised by the end of November 2013.**

Recommended Stock

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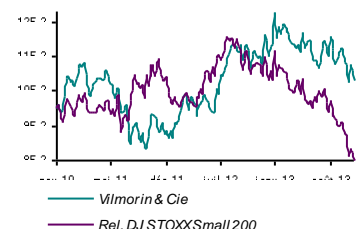
Price	11/05/2013	€85.72
Target		€105.00
Upside		22.5%

Performance	1m	12m	1 Jan
Absolute	-3.4%	-7.1%	-8.4%
Sector	4.2%	9.7%	8.1%
DJS Small200	4.2%	22.5%	19.7%

Market capitalisation	€1.5bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€767k

on 30/6	2013	2014e	2015e
EPS (€)	5.25	5.77	6.60
Revision	-	-	-
Change	5.6%	9.8%	14.5%

P/E (x)	16.3	14.9	13.0
P/CF (x)	6.3	5.9	5.3
EV/EBIT (x)	12.2	11.0	9.8
EV/EBITDA (x)	6.4	5.8	5.2
Net yield	1.9%	2.2%	2.4%
FCF yield	5.3%	3.5%	4.8%



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)	2011	2012	2013	2014e	2015e	CAGR 12/15
Turnover	1,191.8	1,338.0	1,472.5	1,586.0	1,712.0	8.6%
Field seeds	598.6	728.7	846.8	918.8	1,011.2	11.5%
Vegetable seeds	510.3	527.2	544.9	585.6	618.4	5.5%
Home garden	81.9	80.8	79.5	80.3	81.1	0.1%
Holding	1.0	1.3	1.3	1.3	1.3	0.0%
Adjusted operating profit	126.7	144.3	156.6	177.7	193.7	10.3%
Field seeds	39.8	74.0	84.0	97.4	110.2	14.2%
Vegetable seeds	80.2	76.9	82.0	87.8	94.0	6.9%
Home garden	6.5	-1.8	-2.9	-1.0	-0.5	34.8%
Holding	0.2	-4.8	-6.5	-6.5	-10.0	-27.7%
Adjusted operating margin	10.6%	10.8%	10.6%	11.2%	11.3%	
Field seeds	6.6%	10.2%	9.9%	10.6%	10.9%	
Vegetable seeds	15.7%	14.6%	15.0%	15.0%	15.2%	
Home garden	7.9%	-2.2%	-3.6%	-1.2%	-0.6%	
Holding	20.0%	-369.8%	-500.0%	-500.0%	-769.2%	
Profit & loss statement (€m)	2011	2012	2013	2014e	2015e	CAGR 12/15
Revenues	1,191.8	1,338.0	1,472.5	1,586.0	1,712.0	8.6%
<i>Change</i>	<i>12.0%</i>	<i>12.3%</i>	<i>10.1%</i>	<i>7.7%</i>	<i>7.9%</i>	
Organic growth	9.6%	11.0%	9.4%	7.7%	7.7%	
EBITDA	276.0	269.0	303.1	332.1	364.1	10.6%
<i>Change</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>12.7%</i>	<i>9.5%</i>	<i>9.6%</i>	
EBIT	156.7	137.7	156.6	174.2	193.7	12.0%
<i>Change</i>	<i>61.2%</i>	<i>-12.1%</i>	<i>13.7%</i>	<i>11.3%</i>	<i>11.2%</i>	
Adjusted EBIT	126.7	144.3	159.0	174.2	193.7	10.3%
<i>Change</i>	<i>24.5%</i>	<i>13.9%</i>	<i>10.2%</i>	<i>9.6%</i>	<i>11.2%</i>	
Operating margin	10.6%	10.8%	10.8%	11.0%	11.3%	
Financial items	-21.3	-26.3	-27.9	-25.3	-20.8	
Pre-tax profit on ordinary activities	105.4	118.0	131.1	149.0	173.0	13.6%
Exceptional items	30.0	-6.6	-2.4	0.0	0.0	
Corporate tax	-38.7	-26.1	-23.3	-35.1	-42.4	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.6	1.8	1.7	3.7	3.7	
Minority interests	-6.3	-6.5	-7.6	-8.4	-9.2	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	91.0	80.6	99.5	109.2	125.1	15.8%
<i>Change</i>	<i>67.6%</i>	<i>-11.4%</i>	<i>23.4%</i>	<i>9.8%</i>	<i>14.5%</i>	
Adjusted net profit	69.5	85.7	101.2	109.2	125.1	13.4%
<i>Change</i>	<i>28.3%</i>	<i>23.2%</i>	<i>18.1%</i>	<i>7.9%</i>	<i>14.5%</i>	
Cash flow statement (€m)	2011	2012	2013	2014e	2015e	CAGR 12/15
Cash flow from operations	167.0	225.7	256.1	275.4	304.6	10.5%
Net Investments	-148.0	-168.0	-193.0	-189.2	-195.7	5.2%
Decrease (Increase) in WCR	-11.9	-67.0	15.8	-33.9	-37.6	
Free cash flow	7.1	-9.3	78.9	52.3	71.4	na
Acquisitions	17.0	-13.0	-51.0	0.0	0.0	
Dividend	-35.0	-30.3	-31.2	-35.0	-39.2	9.0%
Capital increase	-11.5	55.7	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	0.4	-48.7	-18.0	0.0	0.0	
Increase (Decrease) in cash	-22.0	-45.6	-21.3	17.3	32.2	
Net debt	270.2	315.7	337.3	319.9	287.7	
Gearing	26.1%	28.1%	29.3%	25.9%	21.7%	

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- 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.
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