

# MORNING NEWS MIDCAPS

## EQUITY RESEARCH

09 October 2013

### Food

# Vilmorin & Cie

VILM.PA / RIN@FP

## Buy

### 2013 earnings

## 2013/14 guidance somewhat cautious

**2012/13 results out in line with expectations as regards adjusted operating profit and 3.5% above as regards net profit. The 2013/14 guidance (organic growth >5%, operating margin >10.5%) seems cautious. The group is buying a stake in Seed Co (Zimbabwe).**

- **We reiterate our positive rating on Vilmorin with a target price of €110** following the 2012/13 earnings report (3.5% higher than expected as regards net profit). The stock (currently at 15x 12m PE) does not reflect the group's long-term growth potential (EPS +15% per year), based on: 1/ the recovery in the vegetable seeds segment, 2/ continued market share in corn (especially in the USA and Latin America), 3/ continued international expansion and 4/ the impact on operating profit of marketing GMO traits developed in-house (by 2016/18).
- Having announced 9.4% lfl sales growth (+10.1% reported) back in August, **Vilmorin yesterday reported adjusted operating profit broadly in line with the guidance and market expectations at €159m (+10.2% yoy)**. This adjusted operating profit figures implies an operating margin of 10.8% (flat vs. 2011/12). Our understanding is that operating leverage was offset by the cost of destroying and depreciating inventory, additional costs stemming from out-of-season production and an increase in R&D spending (€181m vs. €162m in 2011/12). **Thanks to a low tax rate (€17.9%), adjusted net profit jumped by 18% to €101.1m (vs. consensus €96m)**.
- For the current year, **the group sees organic sales growth reaching at least 5%** and is aiming to generate **a current operating margin of at least 10.5% (vs. 10.8% this year)**. **After incorporating our projections for currency effects and scope effects, this guidance implies 2014 current operating profit of €162.4m (vs. 2014e consensus of €173m and Natixis at €185m)**. **We consider the guidance cautious** considering the potential for a rebound in the vegetable seeds segment in 2013/14, continued solid momentum in the corn segment (despite falling prices) and the non-recurrence in 2014 of costs stemming from out-of-season production,.
- **Vilmorin also announced that it has signed an agreement with Africa's Seed Co (Zimbabwe) to buy a 15% stake** (via a block sale by core shareholder AICO + participation in a capital increase). The agreement includes an option to increase the stake to 25% by 2014. The acquisition will have **little financial impact** (+~1.5% on EPS) but enable Vilmorin to **continue expanding in a high-potential region**.

Recommended Stock

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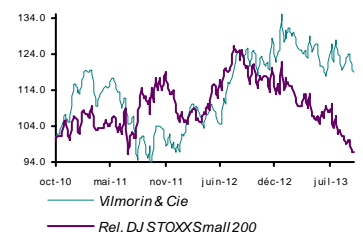
Price	10/08/2013	€89.29
Target		€110.00
Upside		23.2%

Performance	1m	12m	1 Jan
Absolute	-2.5%	-5.0%	-4.6%
Sector	-1.8%	3.2%	2.6%
DJS Small200	1.4%	18.8%	14.3%

Market capitalisation	€1.5bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€640k

on 30/6	2013e	2014e	2015e
EPS (€)	5.20	5.98	6.81
Revision	-	-	-
Change	4.5%	15.0%	13.9%

P/E (x)	17.2	14.9	13.1
P/CF (x)	6.7	6.0	5.4
EV/EBIT (x)	12.0	10.8	9.6
EV/EBITDA (x)	6.4	5.8	5.2
Net yield	2.1%	2.4%	2.7%
FCF yield	1.1%	3.2%	4.2%



Source : Natixis

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## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2011	2012	2013e	2014e	2015e	CAGR 12/15
<b>Turnover</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,592.7</b>	<b>1,729.8</b>	<b>8.9%</b>
Field seeds	598.6	728.7	846.8	930.8	1,034.6	12.4%
Vegetable seeds	510.3	527.2	544.9	580.3	612.8	5.1%
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%
<b>Adjusted operating profit</b>	<b>126.7</b>	<b>144.3</b>	<b>166.0</b>	<b>184.6</b>	<b>205.8</b>	<b>12.6%</b>
Field seeds	39.8	74.0	94.8	107.0	122.1	18.2%
Vegetable seeds	80.2	76.9	80.6	87.0	93.1	6.6%
Home garden	6.5	-1.8	1.5	1.5	1.5	
Holding	0.2	-4.8	-11.0	-11.0	-11.0	-31.8%
<b>Adjusted operating margin</b>	<b>10.6%</b>	<b>10.8%</b>	<b>11.3%</b>	<b>11.6%</b>	<b>11.9%</b>	
Field seeds	6.6%	10.2%	11.2%	11.5%	11.8%	
Vegetable seeds	15.7%	14.6%	14.8%	15.0%	15.2%	
Home garden	7.9%	-2.2%	1.9%	1.9%	1.9%	
Holding	20.0%	-369.8%	-846.2%	-846.2%	-846.2%	
<b>Profit &amp; loss statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
<b>Revenues</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,592.7</b>	<b>1,729.8</b>	<b>8.9%</b>
<i>Change</i>	<i>12.0%</i>	<i>12.3%</i>	<i>10.1%</i>	<i>8.2%</i>	<i>8.6%</i>	
Organic growth	9.6%	11.0%	9.4%	8.1%	8.4%	
<b>EBITDA</b>	<b>276.0</b>	<b>269.0</b>	<b>313.4</b>	<b>344.0</b>	<b>378.9</b>	<b>12.1%</b>
<i>Change</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>16.5%</i>	<i>9.8%</i>	<i>10.1%</i>	
<b>EBIT</b>	<b>156.7</b>	<b>137.7</b>	<b>166.0</b>	<b>184.6</b>	<b>205.8</b>	<b>14.3%</b>
<i>Change</i>	<i>61.2%</i>	<i>-12.1%</i>	<i>20.5%</i>	<i>11.2%</i>	<i>11.5%</i>	
Adjusted EBIT	126.7	144.3	166.0	184.6	205.8	12.6%
<i>Change</i>	<i>24.5%</i>	<i>13.9%</i>	<i>15.0%</i>	<i>11.2%</i>	<i>11.5%</i>	
Operating margin	10.6%	10.8%	11.3%	11.6%	11.9%	
Financial items	-21.3	-26.3	-20.0	-17.0	-15.0	
Pre-tax profit on ordinary activities	105.4	118.0	146.0	167.6	190.8	17.4%
Exceptional items	30.0	-6.6	0.0	0.0	0.0	
Corporate tax	-38.7	-26.1	-42.1	-48.3	-54.9	
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	
<b>Reported net profit</b>	<b>91.0</b>	<b>80.6</b>	<b>98.5</b>	<b>113.3</b>	<b>129.0</b>	<b>17.0%</b>
<i>Change</i>	<i>67.6%</i>	<i>-11.4%</i>	<i>22.2%</i>	<i>15.0%</i>	<i>13.9%</i>	
Adjusted net profit	69.5	85.7	98.5	113.3	129.0	14.6%
<i>Change</i>	<i>28.3%</i>	<i>23.2%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>13.9%</i>	
<b>Cash flow statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
Cash flow from operations	167.0	225.7	253.0	280.5	310.8	11.3%
Net Investments	-148.0	-168.0	-175.6	-189.4	-197.7	5.6%
Decrease (Increase) in WCR	-11.9	-67.0	-60.2	-42.1	-48.0	
Free cash flow	7.1	-9.3	17.2	49.1	65.1	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	-18.8	8.8	20.0	
<b>Net debt</b>	<b>270.2</b>	<b>315.7</b>	<b>334.5</b>	<b>325.7</b>	<b>305.8</b>	
<b>Gearing</b>	<b>26.1%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>25.6%</b>	<b>22.4%</b>	

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