

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

10 October 2013

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

### Buy

Recommended Stock

### Target price change

## Another year of robust growth in prospect

We are confident in the group's capacity to meet its guidance (OG >5%, OM 10.5%). Limited leverage on prices, higher R&D costs and the forex impact will be offset by operating leverage and the non-recurrence of additional production costs.

- **We are maintaining our Buy rating with a lower target price of €105 (vs. €110 previously).** The current valuation (15x PE 12M) does not reflect the group's medium-term growth potential (EPS +12% per year for 2014-2015), which will be underpinned by: 1/ the upturn in the vegetable seeds segment (from 2013), 2/ continued market share gains in corn (particularly the US and Latin America), 3/ ongoing expansion in international markets (mainly through acquisition growth), and 4/ the impact, at the operating profit level, of the marketing of GM strains developed on a proprietary basis (by 2016/18).
- **We have trimmed our 2014/16e EPS estimates by 3.5%.** This downward revision relates to: 1/ **more cautious operating margin assumptions for 2014** (bigger-than-expected increase in R&D spending + higher overheads), and 2/ **a more unfavourable currency effect than was previously anticipated.** With our revised estimates, our target price works out to €105 (average target multiples and DCF).
- **After the meeting, we are confident in Vilmorin's capacity to deliver performances in 2013/14 at least in line with its targets (OG >5%, OM : 10.5%).** We see organic growth of 7.7% and an operating margin of 11%, implying sales and operating profit in 2013/14 of €1.586bn and €174m respectively (guidance of €1.56bn and €164m).
- Despite limited leverage on prices (lower corn prices), **we think the field seeds division has the capacity to deliver organic growth of 8.8% this year (vs. guidance of >5%)** given continued market share gains in the US in corn (US, Brazil and India notably) and further robust momentum in sunflowers (Eastern Europe).
- **For vegetable seeds (OG 2013/14e: +7% vs. guidance +5%),** we think the group will benefit from favourable comparison and a sequential improvement in the situation in Mediterranean basin countries.
- **We are comfortable with our forecast 2014 operating margin of 11% (vs. guidance of 10.5%) which implies an operating profit of €174m.** Higher R&D costs (-€20m), the negative currency impact (-€4m) and higher overheads (-€6m) should be offset by operating leverage (+€30m) and the non-recurrence of out-of-season production costs (€15m estimated).

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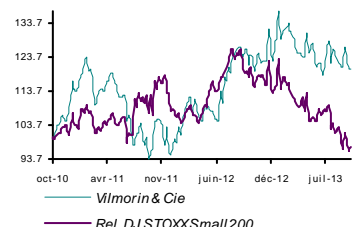
Price	10/09/2013	€89.38
Target	↘	€105.00
Upside		17.5%

Performance	1m	12m	1 Jan
Absolute	-0.7%	-4.9%	-4.5%
Sector	-1.7%	2.7%	1.8%
DJS Small200	0.8%	18.7%	13.8%

Market capitalisation	€1.5bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€842k

on 30/6	2013	2014e	2015e
EPS (€)	5.25	5.77	6.60
Revision	1.0%	-3.6%	-3.1%
Change	5.6%	9.8%	14.5%

P/E (x)	17.2	15.5	13.5
P/CF (x)	6.6	6.1	5.6
EV/EBIT (x)	12.0	11.4	10.1
EV/EBITDA (x)	6.4	6.0	5.4
Net yield	2.1%	2.1%	2.3%
FCF yield	1.1%	3.4%	4.6%



Source: Natixis

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EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2011	2012	2013	2014e	2015e	CAGR 12/15
<b>Turnover</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,586.0</b>	<b>1,712.0</b>	<b>8.6%</b>
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%
<b>Adjusted operating profit</b>	<b>126.7</b>	<b>144.3</b>	<b>156.6</b>	<b>177.7</b>	<b>193.7</b>	<b>10.3%</b>
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%
<b>Adjusted operating margin</b>	<b>10.6%</b>	<b>10.8%</b>	<b>10.6%</b>	<b>11.2%</b>	<b>11.3%</b>	
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%	
<b>Profit &amp; loss statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013</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>1,586.0</b>	<b>1,712.0</b>	<b>8.6%</b>
<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%	
<b>EBITDA</b>	<b>276.0</b>	<b>269.0</b>	<b>303.1</b>	<b>332.1</b>	<b>364.1</b>	<b>10.6%</b>
<i>Change</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>12.7%</i>	<i>9.5%</i>	<i>9.6%</i>	
<b>EBIT</b>	<b>156.7</b>	<b>137.7</b>	<b>156.6</b>	<b>174.2</b>	<b>193.7</b>	<b>12.0%</b>
<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	
<b>Reported net profit</b>	<b>91.0</b>	<b>80.6</b>	<b>99.5</b>	<b>109.2</b>	<b>125.1</b>	<b>15.8%</b>
<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>	
<b>Cash flow statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
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	
<b>Net debt</b>	<b>270.2</b>	<b>315.7</b>	<b>337.3</b>	<b>319.9</b>	<b>287.7</b>	
<b>Gearing</b>	<b>26.1%</b>	<b>28.1%</b>	<b>29.3%</b>	<b>25.9%</b>	<b>21.7%</b>	

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