

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

10 November 2010

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

# Buy

### Q1 10 revenues

### Trends in line with expectations

Q1 sales were largely impacted by an order being deferred to Q2 in the field seeds division, but they nonetheless confirm the trends set out at the annual meeting.

- **We are maintaining our Buy rating and our DCF-derived target price of €90.** Vilmorin is set to benefit from higher cereal trading prices, and faster growth in the vegetable seeds division.
- **Q1 sales grew by 6.2% in organic terms** to €167.1m, short of our expectations (+10.3% lfl; €166.7m), although this was due entirely to an order being deferred from one quarter to another, on a low sales base.
- Indeed, **small grain cereals suffered from a seasonal shift**, with an impact of €4/5m on field seed sales which totalled €50m in the quarter. The group noted that the situation was completely righted by the end of October. Meanwhile, a good performance in oil seed rape limited the impact for field seeds in Q1 (+0.3%).
- **Vegetable seeds** were boosted by an extraordinary pace of growth (+11.8%), thanks to the tomato segment. The group confirmed very solid market trends in the vegetable seed sector, with market share gains through innovation and reorganisation by business unit. This shift could be structural and prompt the group to upgrade its long-term growth target of 5% for this business.
- **By zone**, the start up of the US campaign was very strong (+61% - though the size of the quarter is not usually that significant), as was Asia (+25%) and Africa/Middle East (+6%). But growth was limited in Europe (+3%), as a result of small grain cereals.
- Despite an excellent performance in vegetable seeds and the order catch-up for small grain cereals in Q2, **the group is still targeting organic sales growth of 7%.** In justifying this, it cited the still-fragile cash position of growers in some areas which makes it tricky to obtain royalties. But it was careful not to talk in terms of a warning as the environment remains robust (cereal trading prices).

Analyst(s)

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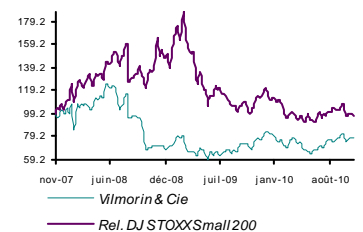
Price	11/09/2010	€77.07
Target		€90.00
Upside		16.8%

Performance	1m	12m	1 Jan
Absolute	3.1%	8.9%	-4.9%
Sector	4.3%	23.1%	15.0%
DJS Small200	5.4%	19.7%	16.7%

Market capitalisation	€1.3bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€450k

on 30/6	2010e	2011e	2012e
EPS (€)	3.54	4.35	5.01
Revision	-	-	-
Change	-5.5%	22.8%	15.3%

P/E (x)	21.8	17.7	15.4
P/CF (x)	7.7	6.4	5.9
EV/EBIT (x)	15.6	13.2	11.8
EV/EBITDA (x)	8.0	6.6	6.1
Net yield	1.8%	2.5%	2.9%
FCF yield	-0.8%	5.6%	3.3%



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EQUITY MARKETS

## Financial Data on 30/6

## Vilmorin &amp; Cie

Breakdown by activity (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
<b>Turnover</b>	<b>896.9</b>	<b>1,000.4</b>	<b>1,062.3</b>	<b>1,154.8</b>	<b>1,213.7</b>	<b>6.7%</b>
Field seeds	502.5	499.0	519.7	560.7	594.3	6.0%
Vegetable seeds	394.4	409.7	454.3	505.8	531.1	9.0%
Home garden	0.0	91.7	88.3	88.3	88.3	-1.3%
<b>Reported operating profit</b>	<b>115.2</b>	<b>107.9</b>	<b>109.3</b>	<b>125.8</b>	<b>140.2</b>	<b>9.1%</b>
Field seeds	47.5	42.5	35.8	41.1	48.5	4.5%
Vegetable seeds	70.5	68.8	77.5	88.6	95.7	11.6%
Home garden	0.0	3.2	2.6	2.6	2.6	-6.7%
Unallocated costs	-2.8	-6.6	-6.6	-6.6	-6.6	0.0%
<b>Reported operating margin</b>	<b>12.8%</b>	<b>10.8%</b>	<b>10.3%</b>	<b>10.9%</b>	<b>11.6%</b>	
Field seeds	9.5%	8.5%	6.9%	7.3%	8.2%	
Vegetable seeds	17.9%	16.8%	17.1%	17.5%	18.0%	
Home garden	-	3.5%	2.9%	2.9%	2.9%	
<b>Profit &amp; loss statement (€m)</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>CAGR 09/12</b>
<b>Turnover</b>	<b>896.9</b>	<b>1,000.4</b>	<b>1,062.3</b>	<b>1,154.8</b>	<b>1,213.7</b>	<b>6.7%</b>
<i>Change</i>	<i>-4.4%</i>	<i>11.5%</i>	<i>6.2%</i>	<i>8.7%</i>	<i>5.1%</i>	
Organic growth	13.5%	1.4%	2.2%	7.3%	5.1%	
<b>EBITDA</b>	<b>202.5</b>	<b>196.1</b>	<b>213.2</b>	<b>251.7</b>	<b>272.6</b>	<b>11.6%</b>
<i>Change</i>	<i>15.7%</i>	<i>-3.2%</i>	<i>8.7%</i>	<i>18.0%</i>	<i>8.3%</i>	
<b>EBIT</b>	<b>115.2</b>	<b>107.9</b>	<b>109.3</b>	<b>125.8</b>	<b>140.2</b>	<b>9.1%</b>
<i>Change</i>	<i>21.3%</i>	<i>-6.3%</i>	<i>1.3%</i>	<i>15.1%</i>	<i>11.5%</i>	
Adjusted EBIT	115.2	107.9	109.3	125.8	140.2	9.1%
<i>Change</i>	<i>33.0%</i>	<i>-6.3%</i>	<i>1.3%</i>	<i>15.1%</i>	<i>11.5%</i>	
Operating margin	12.8%	10.8%	10.3%	10.9%	11.6%	
Financial items	-30.1	-20.8	-12.2	-10.2	-6.9	
Pre-tax profit on ordinary activities	85.1	87.2	97.1	115.6	133.3	15.2%
Exceptional items	0.0	0.0	-12.1	0.0	0.0	
Corporate tax	-19.2	-20.0	-27.8	-34.7	-40.0	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.7	-1.1	0.5	0.5	0.5	
Minority interests	-6.8	-7.2	-6.0	-6.5	-6.8	
Net profit on divested activities	-16.5	0.0	2.5	0.0	0.0	
<b>Reported net profit</b>	<b>44.3</b>	<b>58.9</b>	<b>54.2</b>	<b>74.9</b>	<b>87.0</b>	<b>13.9%</b>
<i>Change</i>	<i>-19.2%</i>	<i>32.8%</i>	<i>-7.9%</i>	<i>38.2%</i>	<i>16.1%</i>	
Adjusted net profit	60.8	53.0	60.4	74.9	87.0	18.0%
<i>Change</i>	<i>26.9%</i>	<i>-12.8%</i>	<i>14.0%</i>	<i>24.0%</i>	<i>16.1%</i>	
<b>Cash flow statement (€m)</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>CAGR 09/12</b>
Cash flow from operations	159.9	151.5	172.7	206.3	225.2	14.1%
Nets Investments	-104.9	-139.2	-161.7	-159.8	-164.4	5.7%
Decrease (Increase) in WCR	7.2	4.9	-22.3	28.2	-16.7	
Free cash flow	62.2	17.2	-11.3	74.8	44.1	36.9%
Acquisitions	-52.6	-14.8	0.0	0.0	0.0	
Dividend	-21.4	-23.5	-24.3	-33.6	-39.0	18.4%
Capital increase	-	-	200.0	-	-	
Divestments	-	-	-	-	-	
Miscellaneous	34.4	-33.3	-34.0	0.0	0.0	
Increase (Decrease) in cash	22.6	-54.4	130.5	41.2	5.1	
<b>Net debt</b>	<b>323.3</b>	<b>377.7</b>	<b>247.2</b>	<b>206.0</b>	<b>200.9</b>	
<b>Gearing</b>	<b>43.7%</b>	<b>50.1%</b>	<b>25.1%</b>	<b>20.1%</b>	<b>18.7%</b>	

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Reduce	downside of 0-15%.
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