

MORNING NEWS MIDCAPS

EQUITY RESEARCH

19 February 2014

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Q2 14 earnings

Catch-up on the cards in Q3

Buy rating reiterated. Although H1 13/14 came out lower than expected, the group has raised its organic growth guidance and maintained its operating margin target. This upward revision and comments about the order book suggest that Q3 13/14 will be a solid quarter.

- **Although the Q2 13/14 figures came out lower than expected** (in terms of sales and operating profit alike), **the group has slightly raised its group organic growth guidance** (>6% vs. >5% previously and Natixis +7.8%) **and kept its operating margin target at 10.5%** (vs. Natixis 10.9%). Our understanding is that Q3 13/14 has got off to a good start and should enable the group to make up for the ground lost in H1 13. Note that Q3 accounts for ~45% of full-year sales. **We reiterate our Buy rating and €105 target price.** We still consider the stock's valuation attractive considering the group's long-term growth potential (inherent growth in the seeds market + stronger positions in the vegetable seeds segment + continued market share gains in corn + pro-active acquisitions policy) and operating margin expansion (recovery in the vegetable seeds segment + introduction of proprietary GMO traits).
- **We have left our forecasts unchanged pending today's meeting scheduled at 3pm (Paris time).** However, based on the H1 13 figures (operating result -€37m vs. -€22m est.) and recent (unfavourable) forex trends, **we might have to trim our 2013/14 forecasts a little.** Note that our forecasts were 3% above the consensus pre-release.
- **Q2 13/14 sales were flat at €244.5m.** After restating for currency effects (-4.6%) and scope effects (+4.5%), organic **growth** reached +0.4%. Vegetable seed sales remained robust (+7.9% organic growth). Field seed sales showed an organic decline of -6% due to a fall in sales of straw cereal seeds and a late spring campaign in Western Europe. **Comments about the order book in Q3 13** (buoyant in Western Europe, satisfactory in North America) **were encouraging.**
- **The operating loss widened by €15m in H1 13/14 to -€37.3m (vs. -€22m expected).** The gap between the forecast and the actual figure was attributable to: 1/ the advance payment of royalties (-€6m), 2/ higher R&D expenses (-€5m) and 3/ higher operating expenses (-€4m).

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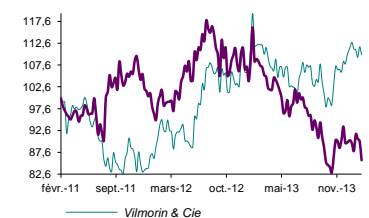
Price	02/18/2014	€96.99
Target		€105.00
Upside		8.3%

Performance	1m	12m	1 Jan
Absolute	-0.6%	-1.5%	-0.2%
Sector	-2.0%	2.8%	-2.0%
DJS Small200	0.8%	23.1%	4.1%

Market capitalisation	€1.7bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€460k

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

P/E (x)	18.5	16.8	14.7
P/CF (x)	7.3	6.7	6.0
EV/EBIT (x)	13.0	12.1	10.8
EV/EBITDA (x)	6.9	6.4	5.7
Net yield	1.9%	1.9%	2.1%
FCF yield	1.4%	3.1%	4.3%



Source : Natixis

Equity Markets equity.natixis.com

Bloomberg access NXGR

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EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



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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- 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.
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Neutral	upside between +10% and -10%
Reduce	downside of more than -10% and/or high risks on business and financial fundamentals.
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