

MORNING NEWS MIDCAPS

EQUITY RESEARCH

29 April 2014

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Analysts' meeting

Q3 slightly weaker than we expected

Q3 13/14 sales slightly weaker than we expected. The pleasant surprise from Vegetable Seeds was more than offset by a disappointing performance from Field Seeds. The group reiterated its FY guidance (organic growth > 6%, operating margin 10.5%). Buy rating reiterated.

- **Q3 13/14 sales came out slightly weaker than we expected (-3%) at €704m.** The disappointing performance from Field Seeds (+5.6% organic growth vs. +10%e) was partly offset by a pleasant surprise from Vegetable Seeds (+10.5% vs. +6.0%e). **We remain at Buy with a target price of €110.** We continue to play the stock based on its long-term growth (a buoyant market, stronger positions in the vegetable seeds segment, further market share gains in corn and an active acquisitions policy) and operating margin gains (a recovery in the Vegetable Seeds division, introduction of GM traits developed in-house), which should result in EPS growth >10% per year over the medium term. The stock's current valuation (12.3x EV/EBIT 12m) is in line with the group's peer average.
- **Q3 13/14 sales amounted to €704m (+3.2% reported).** After restating for currency effects (-3.6%) and scope effects (+0.4%), organic growth reached +6.4% (vs. +8.7%e).
- **Vegetable Seed sales continued to perform well (+10.5% organic growth in Q3 vs. +10.1% in H1 13/14)** thanks to solid trends in the segment's underlying markets (particularly in Europe) and further market share gains.
- **The Field Seeds division's sales showed 5.6% organic growth.** The division was penalised by: 1/ less farming area devoted to corn in favour of soya (-4%e in the USA, -3% in Brazil, -4% in the EU), 2/ little pricing leverage (especially in the USA) and 3/ tough conditions in Russia and Ukraine (7% of the Field Seeds division's sales).
- **Management reiterated its full-year guidance (organic growth > 6%, operating margin => 10.5%).**
- **We are leaving our forecasts unchanged for now.** A small downward revision to our organic growth forecasts (weaker organic growth in Field Seed sales) should be offset on the operating profit line by a small upward revision to our operating margin forecasts (a favourable product mix thanks to stronger growth in Vegetable Seed sales > Field Seed sales).

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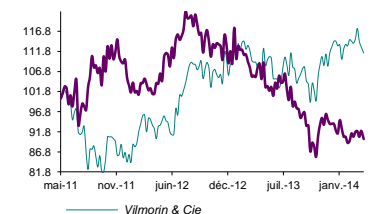
Price	04/28/2014	€95.86
Target		€110.00
Upside		14.8%

Performance	1m	12m	1 Jan
Absolute	-3.4%	2.0%	-1.4%
Sector	1.2%	0.7%	2.0%
DJS Small200	-1.7%	19.8%	2.6%

Market capitalisation	€1.7bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€710k

on 30/6	2014e	2015e	2016e
EPS (€)	5.74	6.45	7.20
Revision	-	-	-
Change	9.2%	12.3%	11.7%

P/E (x)	16.7	14.9	13.3
P/CF (x)	6.7	6.1	5.6
EV/EBIT (x)	12.8	11.5	10.3
EV/EBITDA (x)	6.7	6.1	5.5
Net yield	1.9%	2.2%	2.6%
FCF yield	2.4%	2.7%	3.6%



Source : Natixis

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EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Turnover	1,338.0	1,472.5	1,542.4	1,665.3	1,793.5	6.8%
Field seeds	728.7	846.8	895.2	985.6	1,083.2	8.6%
Vegetable seeds	527.2	544.9	565.0	596.7	626.6	4.8%
Home garden	80.8	79.5	80.9	81.7	82.5	1.3%
Holding	1.3	1.3	1.3	1.3	1.3	0.0%
Adjusted operating profit	144.3	156.6	167.9	186.7	206.1	9.6%
Field seeds	74.0	84.0	91.3	103.5	116.4	11.5%
Vegetable seeds	76.9	82.0	87.6	93.7	99.6	6.7%
Home garden	-1.8	-2.9	-1.0	-0.5	0.0	
Holding	-4.8	-6.5	-10.0	-10.0	-10.0	-15.4%
Adjusted operating margin	10.8%	10.6%	10.9%	11.2%	11.5%	
Field seeds	10.2%	9.9%	10.2%	10.5%	10.8%	
Vegetable seeds	14.6%	15.0%	15.5%	15.7%	15.9%	
Home garden	-2.2%	-3.6%	-1.2%	-0.6%	-	
Holding	-369.8%	-500.0%	-769.2%	-769.2%	-769.2%	
Profit & loss statement (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Revenues	1,338.0	1,472.5	1,542.4	1,665.3	1,793.5	6.8%
<i>Change</i>	<i>12.3%</i>	<i>10.1%</i>	<i>4.7%</i>	<i>8.0%</i>	<i>7.7%</i>	
Organic growth	11.0%	9.4%	7.2%	7.7%	7.7%	
EBITDA	269.0	303.1	321.3	352.4	384.5	8.3%
<i>Change</i>	<i>-2.5%</i>	<i>12.7%</i>	<i>6.0%</i>	<i>9.7%</i>	<i>9.1%</i>	
EBIT	137.7	156.6	167.9	186.7	206.1	9.6%
<i>Change</i>	<i>-12.1%</i>	<i>13.7%</i>	<i>7.2%</i>	<i>11.2%</i>	<i>10.4%</i>	
Adjusted EBIT	144.3	150.8	167.9	186.7	206.1	11.0%
<i>Change</i>	<i>13.9%</i>	<i>4.5%</i>	<i>11.3%</i>	<i>11.2%</i>	<i>10.4%</i>	
Operating margin	10.8%	10.2%	10.9%	11.2%	11.5%	
Financial items	-26.3	-27.9	-25.3	-24.2	-22.0	
Pre-tax profit on ordinary activities	118.0	122.9	142.6	162.5	184.1	14.4%
Exceptional items	-6.6	5.8	0.0	0.0	0.0	
Corporate tax	-26.1	-23.3	-29.3	-34.9	-41.3	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.8	1.7	3.7	3.7	3.7	
Minority interests	-6.5	-7.6	-8.4	-9.2	-10.1	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	80.6	99.5	108.7	122.1	136.4	11.1%
<i>Change</i>	<i>-11.4%</i>	<i>23.4%</i>	<i>9.2%</i>	<i>12.3%</i>	<i>11.7%</i>	
Adjusted net profit	85.7	95.4	108.7	122.1	136.4	12.6%
<i>Change</i>	<i>23.2%</i>	<i>11.4%</i>	<i>13.9%</i>	<i>12.3%</i>	<i>11.7%</i>	
Cash flow statement (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Cash flow from operations	225.7	256.1	270.5	297.0	325.0	8.3%
Net Investments	-168.0	-193.0	-209.9	-215.1	-227.2	5.6%
Decrease (Increase) in WCR	-67.0	3.6	-20.8	-36.6	-38.2	
Free cash flow	-9.3	66.7	39.8	45.3	59.6	-3.7%
Acquisitions	-13.0	-51.0	-40.0	0.0	0.0	
Dividend	-30.3	-31.2	-35.0	-39.2	-47.7	15.2%
Capital increase	55.7	1.0	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	-48.7	-19.0	-40.0	0.0	0.0	
Increase (Decrease) in cash	-45.6	-33.5	-75.2	6.1	11.9	
Net debt	315.7	337.0	372.2	366.1	354.0	
Gearing	28.1%	29.3%	30.2%	27.6%	24.9%	

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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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