

MORNING NEWS MIDCAPS

EQUITY RESEARCH

30 April 2013

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Q3 13 turnover

Solid Q3, guidance confirmed

Q3 13 sales grew by 10% lfl thanks to solid growth in the Field Seeds division (organic growth +13.9%). On the back of these 9M figures, management reiterated its FY guidance (organic growth >8%, operating margin ~11%). Analysts' meeting this morning. We remain at Buy.

- We reiterate our Buy rating on Vilmorin with a target price of €115, as we believe that: 1/ the group is capable of generating EPS growth in excess of 15% per year over the medium term; 2/ the consensus underestimates its potential for growth and margin gains over the period 2013/2015e (Natixis 6% above the consensus for 2013/15e EPS); 3/ the stock's discount to the sector (-12% in terms of 12m PE) is unjustified.
- We have left our forecasts unchanged pending today's analysts' meeting. Judging by the Q3 13 performance, we might slightly lower our full-year organic growth forecast (~+8/9% vs. +10%) resulting in a downward revision of <1% to our 2013/15e EPS estimates.
- Q3 13 sales grew by 10% lfl (+10.7% reported) to €682m. The solid organic performances in the Field Seeds division (organic growth +13.9%) and Vegetable Seeds division (organic growth +3.5%) helped to offset the organic decline in the Garden Products division (organic growth -8.4%). Management reiterated its full-year targets (organic growth >8%, current operating margin ~11% including research spending of €180m).
- Benefiting from a favourable agricultural context, positive price trends across all regions and market share gains, sales in the Field Seeds division grew by 13.9% organically despite a very challenging comparison base (+31.5% Q3 12). All regions delivered growth (North America +19%, Europe + 13%, South America +50%). The organic growth guidance of >10% implies at least flat organic growth in Q4 13.
- Organic growth in the Vegetable Seeds division reached +3.5% (vs. +1.6% in H1 13). Improvements in North America and Africa Middle East offset the weak performance in Europe. The group was penalised by invoicing delays which should be offset in Q4 13. This should enable Vilmorin to at least meet its organic growth guidance of >3% (implying +4% in Q4 13).
- Sales in the Garden Products division fell by 8.4% lfl owing to unfavourable weather conditions and sluggish consumption in France and the UK.

Analyst(s)

| | |
|----------------------|--------------------|
| Nicolas Langlet | (33 1) 58 55 00 95 |
| Joséphine Chevallier | (33 1) 58 55 96 55 |
| Pierre Tegnér | (33 1) 58 55 24 34 |
| Olivier Delahousse | (33 1) 58 55 04 47 |

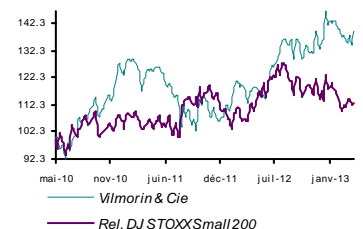
| | | |
|--------|------------|---------|
| Price | 04/29/2013 | €95.73 |
| Target | | €115.00 |
| Upside | | 20.1% |

| Performance | 1m | 12m | 1 Jan |
|--------------|-------|-------|-------|
| Absolute | 2.0% | 18.2% | 2.3% |
| Sector | -2.2% | 22.3% | 11.0% |
| DJS Small200 | 0.7% | 14.2% | 6.5% |

| | |
|-----------------------|--------|
| Market capitalisation | €1.6bn |
| Free float | 32.6% |
| Limagrain | 67.4% |
| Daily volume | 0.85 |

| on 30/6 | 2013e | 2014e | 2015e |
|----------|-------|-------|-------|
| EPS (€) | 5.42 | 6.22 | 6.99 |
| Revision | - | - | - |
| Change | 8.9% | 14.7% | 12.5% |

| | | | |
|---------------|------|------|------|
| P/E (x) | 17.7 | 15.4 | 13.7 |
| P/CF (x) | 7.0 | 6.4 | 5.8 |
| EV/EBIT (x) | 12.5 | 11.1 | 9.9 |
| EV/EBITDA (x) | 6.7 | 6.0 | 5.4 |
| Net yield | 2.0% | 2.2% | 2.5% |
| FCF yield | 1.2% | 3.4% | 4.5% |



Source : Natixis

Equity Markets equity.natixis.com
Bloomberg access NXSE

Distribution of this report in the United States. See important disclosures at the end of this report.

EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



Financial Data on 30/6

Vilmorin & Cie

| Breakdown by activity (€m) | 2011 | 2012 | 2013e | 2014e | 2015e | CAGR 12/15 |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|
| Turnover | 1,191.8 | 1,338.0 | 1,478.4 | 1,589.1 | 1,711.4 | 8.6% |
| Field seeds | 598.6 | 728.7 | 845.4 | 926.5 | 1,019.1 | 11.8% |
| Vegetable seeds | 510.3 | 527.2 | 550.1 | 578.9 | 607.8 | 4.9% |
| Home garden | 81.9 | 80.8 | 81.6 | 82.4 | 83.2 | 1.0% |
| Holding | 1.0 | 1.3 | 1.3 | 1.3 | 1.3 | 0.0% |
| Adjusted operating profit | 126.7 | 144.3 | 168.3 | 188.9 | 209.0 | 13.2% |
| Field seeds | 39.8 | 74.0 | 96.4 | 107.5 | 121.3 | 17.9% |
| Vegetable seeds | 80.2 | 76.9 | 81.4 | 90.9 | 97.2 | 8.1% |
| 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% |
| Adjusted operating margin | 10.6% | 10.8% | 11.4% | 11.9% | 12.2% | |
| Field seeds | 6.6% | 10.2% | 11.4% | 11.6% | 11.9% | |
| Vegetable seeds | 15.7% | 14.6% | 14.8% | 15.7% | 16.0% | |
| Home garden | 7.9% | -2.2% | 1.8% | 1.8% | 1.8% | |
| Holding | 20.0% | -369.8% | -846.2% | -846.2% | -846.2% | |
| Profit & loss statement (€m) | 2011 | 2012 | 2013e | 2014e | 2015e | CAGR 12/15 |
| Revenues | 1,191.8 | 1,338.0 | 1,478.4 | 1,589.1 | 1,711.4 | 8.6% |
| <i>Change</i> | <i>12.0%</i> | <i>12.3%</i> | <i>10.5%</i> | <i>7.5%</i> | <i>7.7%</i> | |
| Organic growth | 9.6% | 11.0% | 10.0% | 6.5% | 7.7% | |
| EBITDA | 276.0 | 269.0 | 316.2 | 347.9 | 380.3 | 12.2% |
| <i>Change</i> | <i>34.0%</i> | <i>-2.5%</i> | <i>17.6%</i> | <i>10.0%</i> | <i>9.3%</i> | |
| EBIT | 156.7 | 137.7 | 168.3 | 188.9 | 209.0 | 14.9% |
| <i>Change</i> | <i>61.2%</i> | <i>-12.1%</i> | <i>22.2%</i> | <i>12.2%</i> | <i>10.7%</i> | |
| Adjusted EBIT | 126.7 | 144.3 | 168.3 | 188.9 | 209.0 | 13.2% |
| <i>Change</i> | <i>24.5%</i> | <i>13.9%</i> | <i>16.6%</i> | <i>12.2%</i> | <i>10.7%</i> | |
| Operating margin | 10.6% | 10.8% | 11.4% | 11.9% | 12.2% | |
| Financial items | -21.3 | -26.3 | -16.5 | -15.0 | -13.5 | |
| Pre-tax profit on ordinary activities | 105.4 | 118.0 | 151.8 | 173.9 | 195.5 | 18.3% |
| Exceptional items | 30.0 | -6.6 | 0.0 | 0.0 | 0.0 | |
| Corporate tax | -38.7 | -26.1 | -43.8 | -50.1 | -56.2 | |
| 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 | |
| Reported net profit | 91.0 | 80.6 | 102.7 | 117.7 | 132.5 | 18.0% |
| <i>Change</i> | <i>67.6%</i> | <i>-11.4%</i> | <i>27.4%</i> | <i>14.7%</i> | <i>12.5%</i> | |
| Adjusted net profit | 69.5 | 85.7 | 102.7 | 117.7 | 132.5 | 15.6% |
| <i>Change</i> | <i>28.3%</i> | <i>23.2%</i> | <i>19.8%</i> | <i>14.7%</i> | <i>12.5%</i> | |
| Cash flow statement (€m) | 2011 | 2012 | 2013e | 2014e | 2015e | CAGR 12/15 |
| Cash flow from operations | 167.0 | 225.7 | 257.8 | 284.6 | 312.4 | 11.4% |
| Net Investments | -148.0 | -168.0 | -175.8 | -189.3 | -195.0 | 5.1% |
| Decrease (Increase) in WCR | -11.9 | -67.0 | -62.3 | -38.7 | -42.8 | |
| Free cash flow | 7.1 | -9.3 | 19.7 | 56.6 | 74.6 | 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 | -16.3 | 16.3 | 29.4 | |
| Net debt | 270.2 | 315.7 | 332.0 | 315.7 | 286.3 | |
| Gearing | 26.1% | 28.1% | 27.8% | 24.6% | 20.8% | |

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1/ Peer comparison method: valuation multiples for the company in question are compared with those of a sample of companies in the same sector, or with a similar financial profile. The sample average acts as a valuation benchmark, to which the analyst can, where necessary, apply discounts or premiums resulting from his/her perception of the company's specific features (legal status, growth outlook, profitability, etc.).

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.

3/ Sum of the parts method: this method involves valuing each of the company's businesses separately using the most appropriate valuation methods for each, and then adding them together.

4/ DCF method: the discounted cash flow method involves assessing the current value of cash that a company will generate in the future. The analyst draws up cash flow projections based on his/her assumptions and models. The discount rate used is the average weighted cost of capital, which equates to the company's cost of debt and the theoretical cost of equity as estimated by the analyst, and weighted by the proportion of each of these two components in the company's financing.

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.

6/ Dividend discount method: with this method, the analyst establishes the present value of dividends to be paid to shareholders by the company, using a projection of dividend payments and an appropriate discount rate (generally the economic cost of equity).

7/ EVA method: with the Economic Value Added method, the analyst determines the additional level of profitability generated annually by a company on its assets relative to its cost of capital (difference also known as value creation). This additional profitability can then be discounted over the coming years using a rate corresponding to the weighted average cost of capital, and the resulting amount is added to the net asset value.

* Up to 04/30/2010, Natixis ratings covered the next six months and were as follows:

| | |
|--------|---|
| Buy | upside of 15% to market and high-quality fundamentals. |
| Add | upside of 0-15% and/or high risk. |
| Reduce | downside of 0-15%. |
| Sell | downside of more than 15% and/or high risks on business and financial fundamentals. |

From 05/01/2010, Natixis ratings cover the next six months and are as follows:

| | |
|----------------|--|
| Buy | upside over 10% |
| Neutral | upside between +10% and -10% |
| Reduce | downside of more than -10% and/or high risks on business and financial fundamentals. |
| Present shares | favorable response to a public offer (takeover, delisting,...) |

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| | Companies covered | Corporate companies |
|---------|-------------------|---------------------|
| Buy | 43.19% | 1.83% |
| Neutral | 42.67% | 0.79% |
| Reduce | 13.09% | 0.00% |

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