

01/03/2010

Food

France

Vilmorin & Cie

Add

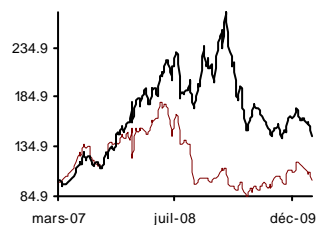
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News

Limagrain will take part in the capital increase

- **Limagrain will subscribe 75% of the capital increase (€150m).**
- **The FSI (Fond Stratégique d'Investissement) will enter GHL's capital.**
- **Positive impact, should reassure investors on success of the capital increase.**

- **News:** Vilmorin issued a press release saying that its majority shareholder Limagrain (71.5% of the capital) planned to take part in Vilmorin's capital increase with preferential subscription rights in an amount of €150m (i.e. 75% of the capital increase). The financing will be provided by the French strategic investment fund (FSI), which thus acquires a stake in GHL (Groupe Limagrain Holding), and will have two representatives out of 10 on the board. Note that the mission of the state-owned FSI, which has €20bn in capital, is to accompany growth projects that offer competitiveness for French companies, in the medium to long term. This deal is, however, a first for the FSI, which has never before invested in a food company, or in a cooperative.
- **Implications:** This acquisition by the FSI of a stake in GLH does not imply a change in the group's strategy, as the FSI is not looking to take control. Its aim is to contribute to financing Vilmorin's growth, notably its acquisition projects and the strengthening of its research. According to Adran Huige, deputy CEO of Vilmorin, "this investment comes at a decisive moment, with an acceleration in the growth of the company, which is heading for a change of dimension". The group said that the capital increase was, however, subject to market conditions.
- **Valuation:** This announcement should reassure investors as to the success of the capital increase. Note that Vilmorin declined to say what the position of its shareholder was when it presented the capital increase last Thursday. Even though we believe that in the short term the absence of detailed information on how the cash raised from the capital increase will be used could still weigh on the share price, the potential for value growth justifies our maintaining an Add rating.



— Vilmorin & Cie
— Rel. DJ STOXX Small 200

Source: Natixis Securities

Price	02/26/2010	€73.88
Target		€88.00
Upside		19.1%

Performance	1m	12m	1 Jan
Absolute	-11.6%	-4.1%	-14.6%
Sector	2.3%	43.2%	2.6%
DJS Small200	-0.8%	61.8%	0.3%

Market capitalisation	€989.4m
Free float	31.0%
Limagrain	69.0%
Daily volume	€1m

On 30/6	2009e	2010e	2011e
EPS (€)	4.00	4.79	5.35
Revision	-	-	-
Change	-11.9%	19.7%	11.7%

P/E (x)	18.5	15.4	13.8
P/CF (x)	6.5	5.2	4.8
EV/EBIT (x)	12.7	11.1	10.0
EV/EBITDA (x)	7.0	5.7	5.2
Net yield	2.4%	2.9%	3.3%
FCF yield	1.7%	5.7%	6.6%

Analysts

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Website	www.vilmorin.info
Natixis Securities	www.sec.natixis.com
Bloomberg access	NXSE

Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2007	2008	2009e	2010e	2011e	CAGR 08/11
Turnover	938.3	896.9	1,000.4	1,050.2	1,103.3	7.1%
Field seeds	431.6	502.5	499.0	531.1	562.6	3.8%
Vegetable seeds	364.9	394.4	409.7	430.7	452.2	4.7%
Home garden	141.8	0.0	91.7	88.4	88.4	
Reported operating profit	95.0	115.2	107.9	120.2	130.3	4.2%
Field seeds	26.0	47.5	42.5	44.9	47.5	0.0%
Vegetable seeds	54.0	70.5	68.8	74.0	81.4	4.9%
Home garden	12.0	0.0	3.2	4.4	4.4	
Unallocated costs	3.0	-2.8	-6.6	-3.0	-3.0	-2.3%
Reported operating margin	10.1%	12.8%	10.8%	11.4%	11.8%	
Field seeds	6.0%	9.5%	8.5%	8.4%	8.4%	
Vegetable seeds	14.8%	17.9%	16.8%	17.2%	18.0%	
Home garden	8.5%	-	3.5%	5.0%	5.0%	
Profit & loss statement (€m)						
Turnover	938.3	896.9	1,000.4	1,050.2	1,103.3	7.1%
<i>Change</i>	<i>89.9%</i>	<i>-4.4%</i>	<i>11.5%</i>	<i>5.0%</i>	<i>5.1%</i>	
Organic growth	3.4%	13.5%	1.4%	2.2%	5.1%	
EBITDA	175.0	202.5	196.1	236.2	252.2	7.6%
<i>Change</i>	<i>91.0%</i>	<i>15.7%</i>	<i>-3.2%</i>	<i>20.5%</i>	<i>6.8%</i>	
EBIT	95.0	115.2	107.9	120.2	130.3	4.2%
<i>Change</i>	<i>71.1%</i>	<i>21.3%</i>	<i>-6.3%</i>	<i>11.4%</i>	<i>8.4%</i>	
Adjusted EBIT	86.6	115.2	107.9	120.2	130.3	4.2%
<i>Change</i>	<i>51.1%</i>	<i>33.0%</i>	<i>-6.3%</i>	<i>11.4%</i>	<i>8.4%</i>	
Operating margin	9.2%	12.8%	10.8%	11.4%	11.8%	
Financial items	-19.8	-30.1	-20.8	-20.2	-18.8	
Pre-tax profit on ordinary activities	66.8	85.1	87.2	100.0	111.5	9.4%
Exceptional items	8.4	0.0	0.0	0.0	0.0	
Corporate tax	-17.2	-19.2	-20.0	-27.0	-30.1	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	-0.7	1.7	-1.1	-1.1	-1.1	
Minority interests	-2.5	-6.8	-7.2	-7.5	-7.9	
Net profit on divested activities	0.0	-16.5	0.0	0.0	0.0	
Reported net profit	54.8	44.3	58.9	64.4	72.5	17.8%
<i>Change</i>	<i>25.1%</i>	<i>-19.2%</i>	<i>32.8%</i>	<i>9.5%</i>	<i>12.5%</i>	
Adjusted net profit	47.9	60.8	53.0	64.4	72.5	6.0%
<i>Change</i>	<i>20.5%</i>	<i>26.9%</i>	<i>-12.8%</i>	<i>21.6%</i>	<i>12.5%</i>	
Cash flow statement (€m)						
Cash flow from operations	108.2	159.9	151.5	190.1	204.4	8.5%
Industrial Investments	-82.0	-104.9	-139.2	-145.3	-149.5	12.5%
Decrease (Increase) in WCR	2.9	7.2	4.9	11.2	10.3	
Free cash flow	29.1	62.2	17.2	56.0	65.2	1.6%
Acquisitions	-50.1	-52.6	-14.8	0.0	0.0	
Dividend	-21.7	-21.4	-23.5	-29.1	-32.7	15.2%
Capital increase	-	-	-	-	-	
Divestments	-	-	-	-	-	
Miscellaneous	100.1	34.4	-33.3	0.0	0.0	
Increase (Decrease) in cash	57.4	22.6	-54.4	26.9	32.5	
Net debt	345.9	323.3	377.7	350.8	318.3	
Gearing	49.0%	43.7%	50.1%	44.5%	38.4%	

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Rating changes for Vilmorin & Cie in the last 36 months

Date	Rating	Previous	Price
05/08/2009	Add	Buy	€69.60
09/12/2008	Buy	Add	€100.30
05/13/2008	Add	-	€124.50

This document may mention valuation methods, which are defined as follows:

- 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.

Natixis Securities ratings cover the next six months and are 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.

At 03/01/2010, Natixis Securities ratings and the proportion of total stocks for which its parent company Natixis has provided investment services over the past 12 months break down as follows:

	Companies covered	Corporate companies
Buy	18.7%	0.8%
Add	39.4%	1.1%
Reduce	37.1%	1.1%
Sell	1.1%	0.0%

Reference prices are based on closing prices.

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