

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

21 February 2013

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

### Buy

### Target price change

### Heading for a sound Q3

Annual guidance (organic growth ('OG') >8%), raised, looks cautious (Natixis +9.4%), notably for field seeds and for the operating margin (11% vs Natixis 11.4%). We repeat our Buy stance with a target price upped to €112.

- We are still Buyers of Vilmorin with a target price lifted from €109 to €112.
- Our 2013/2015e EPS are raised by 2% which places us 7% over the consensus (pre publication). This revision is due to upped expectations for the field seeds division and a rise in our estimates for OG in the vegetable seed division.
- The group slates OG over 10% for field seeds, over 3% for vegetable seeds and stable sales for garden products. **At the group level, this leads to OG expected over 8%. The group maintains its adjusted operating margin target at 11%.**
- **The guidance for OG in field seeds (>10%, implies OG of 10.4% in H2 13) looks cautious** given a favourable climate for maize and soya (stability for surface area, surge in prices). **We expect OG of +15% for the year** with maize OG of +22% (broadly in line with our expectations for the KWS maize business) and OG of 5% for other field seeds. After a 'very strong' Q3 13, OG in Q4 13 could edge down as was the case in 2012.
- **Our estimates for vegetable seeds (organic growth +3%) are in line with the group's guidance.** The potential for upward revisions for this division looks limited. Indeed, expected organic growth of more than 3% implies organic growth of at least +3.9% in H2 13. We understand that the **positive trends in North and South America should offset the persistent weakness in Europe.**
- As regards the margin, **the group maintained its target of 11% but we understand that it might be revised upward (Natixis estimate 11.4%).** On the one hand, the group is likely to suffer from an unfavourable activity mix, while on the other 1/ the **vegetable seeds operating margin could improve slightly** against the backdrop of an improvement in the geomix (Nat. est. 14.8% vs. 14.6% in 2012); 2/ the "field seeds" division will benefit from a **solid price/mix effect** more than offsetting the rise in costs linked to out-of-season production, and 3/ the group will benefit from **operating leverage in the "maize" division in the USA.**

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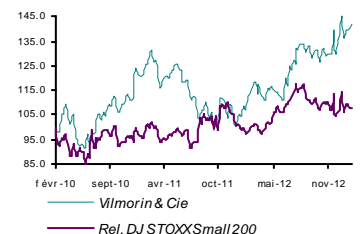
Price	02/20/2013	€99.59
Target	↗	€112.00
Upside		12.5%

Performance	1m	12m	1 Jan
Absolute	-5.0%	20.1%	6.4%
Sector	3.8%	20.9%	5.6%
DJS Small200	2.4%	11.1%	6.1%

Market capitalisation	€1.7bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€339k

on 30/6	2013e	2014e	2015e
EPS (€)	5.36	6.16	6.82
Revision	0.7%	2.2%	2.3%
Change	7.7%	14.9%	10.7%

P/E (x)	18.6	16.2	14.6
P/CF (x)	7.4	6.7	6.2
EV/EBIT (x)	13.0	11.5	10.4
EV/EBITDA (x)	6.9	6.2	5.7
Net yield	1.9%	2.1%	2.4%
FCF yield	1.1%	3.2%	4.9%



Source : Natixis

Equity Markets equity.natixis.com

Bloomberg access NXSE

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EQUITY MARKETS

WHOLESALE BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2011	2012	2013e	2014e	2015e	CAGR 12/15
<b>Turnover</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,475.5</b>	<b>1,587.6</b>	<b>1,686.7</b>	<b>8.0%</b>
Field seeds	598.6	728.7	843.4	926.0	1,001.2	11.2%
Vegetable seeds	510.3	527.2	549.2	577.9	601.0	4.5%
Home garden	81.9	80.8	81.6	82.4	83.2	1.0%
	1.0	1.3	1.3	1.3	1.3	0.0%
<b>Adjusted operating profit</b>	<b>126.7</b>	<b>137.7</b>	<b>166.7</b>	<b>187.3</b>	<b>204.3</b>	<b>14.1%</b>
Field seeds	39.8	74.0	94.9	106.0	117.6	16.7%
Vegetable seeds	80.2	76.9	81.3	90.7	96.2	7.7%
Home garden	6.5	-1.8	1.5	1.5	1.5	
	0.2	-11.4	-11.0	-11.0	-11.0	1.2%
<b>Adjusted operating margin</b>	<b>10.6%</b>	<b>10.3%</b>	<b>11.3%</b>	<b>11.8%</b>	<b>12.1%</b>	
Field seeds	6.6%	10.2%	11.3%	11.4%	11.7%	
Vegetable seeds	15.7%	14.6%	14.8%	15.7%	16.0%	
Home garden	7.9%	-2.2%	1.8%	1.8%	1.8%	
	20.0%	-876.9%	-846.2%	-846.2%	-846.2%	
<b>Profit &amp; loss statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
<b>Revenues</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,475.5</b>	<b>1,587.6</b>	<b>1,686.7</b>	<b>8.0%</b>
<i>Change</i>	<i>12.0%</i>	<i>12.3%</i>	<i>10.3%</i>	<i>7.6%</i>	<i>6.2%</i>	
Organic growth	9.6%	11.0%	9.4%	6.6%	6.2%	
<b>EBITDA</b>	<b>276.0</b>	<b>269.0</b>	<b>314.3</b>	<b>346.2</b>	<b>373.1</b>	<b>11.5%</b>
<i>Change</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>16.9%</i>	<i>10.1%</i>	<i>7.8%</i>	
<b>EBIT</b>	<b>156.7</b>	<b>137.7</b>	<b>166.7</b>	<b>187.3</b>	<b>204.3</b>	<b>14.1%</b>
<i>Change</i>	<i>61.2%</i>	<i>-12.1%</i>	<i>21.0%</i>	<i>12.4%</i>	<i>9.1%</i>	
Adjusted EBIT	126.7	144.3	166.7	187.3	204.3	12.3%
<i>Change</i>	<i>24.5%</i>	<i>13.9%</i>	<i>15.5%</i>	<i>12.4%</i>	<i>9.1%</i>	
Operating margin	10.6%	10.8%	11.3%	11.8%	12.1%	
Financial items	-21.3	-26.3	-16.5	-15.0	-13.5	
Pre-tax profit on ordinary activities	105.4	118.0	150.2	172.3	190.8	17.4%
Exceptional items	30.0	-6.6	0.0	0.0	0.0	
Corporate tax	-38.7	-26.1	-43.3	-49.6	-54.9	
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	
<b>Reported net profit</b>	<b>91.0</b>	<b>80.6</b>	<b>101.5</b>	<b>116.6</b>	<b>129.1</b>	<b>17.0%</b>
<i>Change</i>	<i>67.6%</i>	<i>-11.4%</i>	<i>25.9%</i>	<i>14.9%</i>	<i>10.7%</i>	
Adjusted net profit	69.5	85.7	101.5	116.6	129.1	14.6%
<i>Change</i>	<i>28.3%</i>	<i>23.2%</i>	<i>18.5%</i>	<i>14.9%</i>	<i>10.7%</i>	
<b>Cash flow statement (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
Cash flow from operations	167.0	225.7	256.3	283.4	306.5	10.7%
Net Investments	-148.0	-168.0	-175.7	-189.2	-187.3	3.7%
Decrease (Increase) in WCR	-11.9	-67.0	-61.3	-39.2	-34.7	
Free cash flow	7.1	-9.3	19.3	54.9	84.6	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	-16.7	14.6	39.4	
<b>Net debt</b>	<b>270.2</b>	<b>315.7</b>	<b>332.4</b>	<b>317.8</b>	<b>278.4</b>	
<b>Gearing</b>	<b>26.1%</b>	<b>28.1%</b>	<b>27.8%</b>	<b>24.9%</b>	<b>20.3%</b>	

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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.

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.

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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.

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Reference prices are based on closing prices.

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