

MORNING NEWS MIDCAPS

EQUITY RESEARCH

20 February 2013

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

H1 13 earnings

Full-year revenue guidance raised

The H1 13 net result came out in line with our expectations at **-€25m**. The group has raised its full-year revenue growth guidance to **+8% vs. +6% (Natixis +7.7%)** and kept its operating margin target at **11%**. **€109** target price and Buy rating reiterated.

- **We remain at Buy on Vilmorin with a target price of €109.** The stock does not seem all that overvalued (18x 12m fwd PE) considering the favourable agricultural environment, the group's resilient revenues, its revenue growth potential for the medium term (+6% per year) and its operating margin gains (+40bp per year). **We still consider the consensus forecasts for 2013/2015e too conservative** (Natixis +6% vs. consensus) and we expect them to be raised post-release, which should provide support for the share price.
- **We are leaving our forecasts unchanged** pending the analysts' meeting. **But, on first analysis, we are likely to raise them very slightly (< 5%).**
- For the record, H1 13 revenues came to €432m. Organic revenue growth in H1 13 reached **6.7%** (+6.2%e) thanks to **solid trends in the Field Seeds division (+12%)** which offset **weaker organic growth in the Vegetable Seeds division (+1.2% vs. +5% expected)**.
- **H1 13 operating profit from ordinary activities came out lower than we expected at -€22.1m (vs. -€17.2m in H1 12 and -€14.2m expected).** The decline in operating profit in absolute terms vs. H1 12 (-€4.9m) was mostly attributable to a **step-up in R&D spending.**
- **The H1 13 net result rose by €2m to -€25m (vs. -€24.8m expected).** The shortfall on the operating profit line was offset by interest expenses at -€7.7m vs. -€15.5m in H1 12, with the group benefiting from currency gains amounting to €1.7m (vs. €4.7m losses last year).
- **As expected, management has raised its full-year organic revenue growth guidance to +8% vs. +6% previously (Natixis +7.7% pre-release).** The group did not provide a breakdown of its new figures by division in the press release, but we expect it **revised them downwards from +4% organic growth to +2% in the Vegetable Seeds division and upwards from +8% to +13% in the Field Seeds division.** The group reiterated its adjusted operating margin target of **11%** (Natixis 11.4%).

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Price	02/19/2013	€98.50
Target		€109.00
Upside		10.7%

Performance	1m	12m	1 Jan
Absolute	-6.0%	19.4%	5.2%
Sector	3.5%	20.6%	5.2%
DJS Small200	2.4%	12.5%	6.1%

Market capitalisation	€1.7bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€539k

on 30/6	2012	2013e	2014e
EPS (€)	4.98	5.32	6.02
Revision	-	-	-
Change	23.2%	6.9%	13.2%

P/E (x)	16.6	18.5	16.4
P/CF (x)	6.5	7.4	6.7
EV/EBIT (x)	13.1	13.0	11.6
EV/EBITDA (x)	6.9	6.9	6.3
Net yield	2.7%	1.9%	2.2%
FCF yield	1.0%	1.4%	3.2%



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 & Cie

Breakdown by activity (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Turnover	1,064.3	1,191.8	1,338.0	1,457.0	1,557.5	9.3%
Field seeds	520.0	598.6	728.7	826.2	897.3	14.4%
Vegetable seeds	454.3	510.3	527.2	547.8	576.5	4.1%
Home garden	88.0	81.9	80.8	81.6	82.4	0.2%
	2.0	1.0	1.3	1.3	1.3	9.1%
Adjusted operating profit	97.1	126.7	137.7	165.6	183.8	13.2%
Field seeds	35.8	39.8	74.0	92.9	102.7	37.2%
Vegetable seeds	65.4	80.2	76.9	82.2	90.5	4.1%
Home garden	2.6	6.5	-1.8	1.5	1.5	-38.5%
	-6.7	0.2	-11.4	-11.0	-11.0	
Adjusted operating margin	9.1%	10.6%	10.3%	11.4%	11.8%	
Field seeds	6.9%	6.6%	10.2%	11.2%	11.4%	
Vegetable seeds	14.4%	15.7%	14.6%	15.0%	15.7%	
Home garden	3.0%	7.9%	-2.2%	1.8%	1.8%	
	-335.0%	20.0%	-876.9%	-846.2%	-846.2%	
Profit & loss statement (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Revenues	1,064.3	1,191.8	1,338.0	1,457.0	1,557.5	9.3%
<i>Change</i>	<i>6.4%</i>	<i>12.0%</i>	<i>12.3%</i>	<i>8.9%</i>	<i>6.9%</i>	
Organic growth	4.6%	9.6%	11.0%	7.7%	6.3%	
EBITDA	206.0	276.0	269.0	311.4	339.7	7.2%
<i>Change</i>	<i>-0.5%</i>	<i>34.0%</i>	<i>-2.5%</i>	<i>15.8%</i>	<i>9.1%</i>	
EBIT	97.2	156.7	137.7	165.6	183.8	5.5%
<i>Change</i>	<i>-9.9%</i>	<i>61.2%</i>	<i>-12.1%</i>	<i>20.3%</i>	<i>11.0%</i>	
Adjusted EBIT	101.8	126.7	144.3	165.6	183.8	13.2%
<i>Change</i>	<i>-3.2%</i>	<i>24.5%</i>	<i>13.9%</i>	<i>14.8%</i>	<i>11.0%</i>	
Operating margin	9.6%	10.6%	10.8%	11.4%	11.8%	
Financial items	-12.2	-21.3	-26.3	-16.5	-15.0	
Pre-tax profit on ordinary activities	89.6	105.4	118.0	149.1	168.8	17.0%
Exceptional items	-4.6	30.0	-6.6	0.0	0.0	
Corporate tax	-27.8	-38.7	-26.1	-43.0	-48.6	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.5	0.6	1.8	1.8	1.8	
Minority interests	-5.9	-6.3	-6.5	-7.2	-7.9	
Net profit on divested activities	2.5	0.0	0.0	0.0	0.0	
Reported net profit	54.3	91.0	80.6	100.8	114.1	7.8%
<i>Change</i>	<i>2.5%</i>	<i>67.6%</i>	<i>-11.4%</i>	<i>25.0%</i>	<i>13.2%</i>	
Adjusted net profit	54.2	69.5	85.7	100.8	114.1	17.9%
<i>Change</i>	<i>2.3%</i>	<i>28.3%</i>	<i>23.2%</i>	<i>17.6%</i>	<i>13.2%</i>	
Cash flow statement (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Cash flow from operations	138.0	167.0	225.7	253.7	277.8	18.5%
Net Investments	-144.0	-148.0	-168.0	-175.2	-188.3	8.4%
Decrease (Increase) in WCR	-19.5	-11.9	-67.0	-54.8	-35.2	
Free cash flow	-25.5	7.1	-9.3	23.8	54.4	97.1%
Acquisitions	-38.0	17.0	-13.0	0.0	0.0	
Dividend	-24.0	-35.0	-30.3	-36.0	-40.3	4.8%
Capital increase	203.6	-11.5	55.7	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	13.9	0.4	-48.7	0.0	0.0	
Increase (Decrease) in cash	130.0	-22.0	-45.6	-12.2	14.1	
Net debt	247.8	270.2	315.7	327.9	313.9	
Gearing	23.7%	26.1%	28.1%	27.5%	24.6%	

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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:

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Neutral	upside between +10% and -10%
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Buy	40.74%	2.12%
Neutral	43.39%	0.53%
Reduce	14.81%	0.00%

Reference prices are based on closing prices.

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