30/06/2010

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Analysts' meeting

More confident

Analyst(s)
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The group has said it now expects robust growth in 2009/10 thanks to the accelerating trend in Q4. It is continuing its external growth with small strategic acquisitions in the US and Latin America.

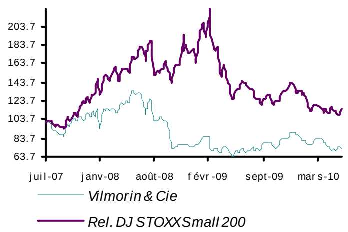
- **We have raised our sales growth forecast (organic growth of +6.5% vs. +2.3%).** But we are making no change to our operating profit estimates, which are well above the consensus (+11.6% at €120.4m by our forecasts vs. €106m for the consensus), as the group has pressed ahead with its R&D investment. No change to our DCF-derived target price of €82.44.
- Without providing more detail (full-year sales due to reported on 3 August), the group said at its investor day devoted to vegetable seeds at HM Clause that at end-May, it had seen **faster growth in the vegetable seeds segment (organic growth of 8.4% over nine months)**, as a result of market share gains for HM Clause mainly in the Americas, Asia, and in the Mediterranean basin. The field seeds business saw 1/ a good late American campaign (deferred to Q4), with some market share gains, and 2/ an excellent sunflower seed campaign which offset the decline in maize. **Vilmorin now expects modest growth for the field seeds business over the year (vs. -5.3% at the nine-month stage)**. The group had reported Q3 09/10 sales down 1.8% in organic terms (+0.2% over nine months), as a result of the decline in the field seeds segment. **This news should reassure the market regarding Vilmorin's capacity to gain market share in a challenging market environment (lower agricultural raw material prices and reduced growing areas), and lead the consensus to substantially raise its estimates.**
- The group also announced the **installation of a new platform in Argentina** (Limagrain South America), with an agreement to acquire the gene resources of DonMario Semillas in the maize segment (on top of an existing joint venture in wheat).
- **The group also emphasized the potential for growth in the vegetable seeds segment**, thanks to its technological and commercial expertise. The accessible market for the main types of plant is estimated at €1.3bn, and HM Clause has invested heavily in innovative species (less than five years), with up to 29% of sales from the tomato activity, which is a key crop. Note that Vilmorin is the world's second-largest player in vegetable seeds behind Monsanto.

Price	06/29/2010	€66.60
Target		€82.44
Upside		23.8%

Performance	1m	12m	1 Jan
Absolute	0.3%	2.2%	-17.8%
Sector	4.4%	39.3%	9.9%
DJS Small200	-0.2%	27.4%	0.9%

Market capitalisation	€1.1bn
Free float	31.0%
Limagrain	69.0%
Daily volume	€5m

on 30/6	2010e	2011e	2012e
EPS (€)	4.11	4.55	5.18
Revision	na	na	na
Change	9.7%	10.8%	13.7%
P/E (x)	16.2	14.6	12.9
P/CF (x)	5.8	5.4	5.0
EV/EBIT (x)	11.4	10.3	9.1
EV/EBITDA (x)	5.8	5.3	4.9
Net yield	2.8%	3.1%	3.5%
FCF yield	4.8%	6.1%	4.6%



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.

Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	896.9	1,000.4	1,066.9	1,121.0	1,172.7	5.4%
Field seeds	502.5	499.0	530.9	562.5	590.6	5.8%
Vegetable seeds	394.4	409.7	450.5	473.1	496.7	6.6%
Home garden	0.0	91.7	85.4	85.4	85.4	-2.3%
Reported operating profit	115.2	107.9	120.4	130.5	145.6	10.5%
Field seeds	47.5	42.5	45.1	47.8	56.3	9.9%
Vegetable seeds	70.5	68.8	74.0	81.4	87.9	8.5%
Home garden	0.0	3.2	4.4	4.4	4.4	11.4%
	-2.8	-6.6	-3.0	-3.0	-3.0	23.1%
Reported operating margin	12.8%	10.8%	11.3%	11.6%	12.4%	
Field seeds	9.5%	8.5%	8.5%	8.5%	9.5%	
Vegetable seeds	17.9%	16.8%	16.4%	17.2%	17.7%	
Home garden	-	3.5%	5.2%	5.2%	5.2%	

Profit & loss statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	896.9	1,000.4	1,066.9	1,121.0	1,172.7	5.4%
Change	*-4.4%*	*11.5%*	*6.6%*	*5.1%*	*4.6%*	
Organic growth	13.5%	1.4%	2.2%	5.1%	4.6%	
EBITDA	202.5	196.1	236.4	252.4	273.1	11.7%
Change	*15.7%*	*-3.2%*	*20.6%*	*6.8%*	*8.2%*	
EBIT	115.2	107.9	120.4	130.5	145.6	10.5%
Change	*21.3%*	*-6.3%*	*11.6%*	*8.4%*	*11.6%*	
Adjusted EBIT	115.2	107.9	120.4	130.5	145.6	10.5%
Change	*33.0%*	*-6.3%*	*11.6%*	*8.4%*	*11.6%*	
Operating margin	12.8%	10.8%	11.3%	11.6%	12.4%	
Financial items	-30.1	-20.8	-12.0	-10.6	-9.6	
Pre-tax profit on ordinary activities	85.1	87.2	108.4	120.0	136.1	16.0%
Exceptional items	0.0	0.0	0.0	0.0	0.0	
Corporate tax	-19.2	-20.0	-29.3	-32.4	-36.7	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.7	-1.1	-1.1	-1.1	-1.1	
Minority interests	-6.8	-7.2	-7.6	-8.0	-8.4	
Net profit on divested activities	-16.5	0.0	0.0	0.0	0.0	
Reported net profit	44.3	58.9	70.4	78.5	89.9	15.2%
Change	*-19.2%*	*32.8%*	*19.7%*	*11.4%*	*14.5%*	
Adjusted net profit	60.8	53.0	70.4	78.5	89.9	19.2%
Change	*26.9%*	*-12.8%*	*32.9%*	*11.4%*	*14.5%*	

Cash flow statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Cash flow from operations	159.9	151.5	196.2	210.6	227.9	14.6%
Nets Investments	-104.9	-139.2	-147.0	-151.3	-155.2	3.7%
Decrease (Increase) in WCR	7.2	4.9	5.7	10.4	-19.7	
Free cash flow	62.2	17.2	55.0	69.7	53.0	45.5%
Acquisitions	-52.6	-14.8	0.0	0.0	0.0	
Dividend	-21.4	-23.5	-31.8	-35.5	-40.6	20.0%
Capital increase	-	-	200.0	-	-	
Divestments	-	-	-	-	-	
Miscellaneous	34.4	-33.3	0.0	0.0	0.0	
Increase (Decrease) in cash	22.6	-54.4	223.1	34.2	12.4	
Net debt	323.3	377.7	154.6	120.4	108.0	
Gearing	43.7%	50.1%	15.6%	11.6%	10.0%	

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* see the methodology applied to ratings before 05/01/2010 and indicated in the disclosure below

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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.

At 06/30/2010, Natixis 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	54.0%	2.3%
Neutral	25.9%	0.6%
Reduce	16.7%	0.3%

Reference prices are based on closing prices.

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