

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

21 March 2014

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

# Buy

## News

### Further development in field seeds in Asia

Seed Asia (Thailand) is not a major acquisition in size terms (sales of €6m), but it is important strategically, as it helps the group establish a presence in south east Asia and strengthens its genetic resources in tropical corn. Buy rating maintained.

- After the stake in Bisco Sciences (India) in 2013, **the group is continuing its development in field seeds in Asia** with the acquisition of Thailand-based Seed Asia. The deal, though limited in size (€6.4m, i.e. 0.4% of 2012/13 sales), is nonetheless an interesting move. **We are maintaining our Buy rating on Vilmorin with a target of €110.** We continue to play the long-term growth story (buoyant market, strengthening positions in the vegetable seeds market, continuing market share gains in corn and active acquisition policy) and the improving operating margin (recovery in vegetable seeds division, introduction of GM strains developed in house) which should drive EPS growth of >10% a year in the medium term.
- Seed Asia (headquartered in Bangkok) specialises in the creation, production and distribution of tropical hybrid corn.** It employs over 80 people and boasts an extensive sales network spanning over 200 distributors in south east Asia. Seed Asia generated 2013 sales of \$9m (€6.4m), with 60% coming from Thailand and the rest from international markets (Cambodia, Myanmar, Sri Lanka, etc.). The group has an estimated 8% of the market in Thailand.
- While this is not a large-scale deal, it is valuable in strategic terms, as it gives the group: 1/ **a presence in a new high-growth zone** – south east Asia, which accounts for nearly 9m hectares of corn, and 2/ **access to high-quality proprietary genetic resources for corn**, which is also suited to other regions, including India, Brazil, south China and Africa.
- The group has not given any details on the price tag.** Assuming the transaction is based on average sector multiples (between 1x and 2x for field seeds), the cash outlay should be limited to between €6m and €12me.

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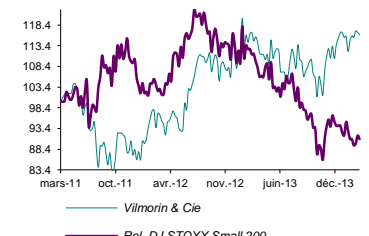
Price	03/20/2014	€97.78
Target		€110.00
Upside		12.5%

Performance	1m	12m	1 Jan
Absolute	2.4%	1.9%	0.6%
Sector	-2.9%	-7.0%	-4.2%
DJS Small200	-0.1%	20.3%	3.9%

Market capitalisation	€1.7bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€328k

on 30/6	2014e	2015e	2016e
EPS (€)	5.74	6.45	7.20
Revision	-	-	-
Change	9.2%	12.3%	11.7%

P/E (x)	17.0	15.2	13.6
P/CF (x)	6.8	6.2	5.7
EV/EBIT (x)	13.0	11.7	10.5
EV/EBITDA (x)	6.8	6.2	5.6
Net yield	1.9%	2.1%	2.6%
FCF yield	2.4%	2.7%	3.5%



Source: Natixis

Equity Markets [equity.natixis.com](http://equity.natixis.com)

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## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
<b>Turnover</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,542.4</b>	<b>1,665.3</b>	<b>1,793.5</b>	<b>6.8%</b>
Field seeds	728.7	846.8	895.2	985.6	1,083.2	8.6%
Vegetable seeds	527.2	544.9	565.0	596.7	626.6	4.8%
Home garden	80.8	79.5	80.9	81.7	82.5	1.3%
Holding	1.3	1.3	1.3	1.3	1.3	0.0%
<b>Adjusted operating profit</b>	<b>144.3</b>	<b>156.6</b>	<b>167.9</b>	<b>186.7</b>	<b>206.1</b>	<b>9.6%</b>
Field seeds	74.0	84.0	91.3	103.5	116.4	11.5%
Vegetable seeds	76.9	82.0	87.6	93.7	99.6	6.7%
Home garden	-1.8	-2.9	-1.0	-0.5	0.0	
Holding	-4.8	-6.5	-10.0	-10.0	-10.0	-15.4%
<b>Adjusted operating margin</b>	<b>10.8%</b>	<b>10.6%</b>	<b>10.9%</b>	<b>11.2%</b>	<b>11.5%</b>	
Field seeds	10.2%	9.9%	10.2%	10.5%	10.8%	
Vegetable seeds	14.6%	15.0%	15.5%	15.7%	15.9%	
Home garden	-2.2%	-3.6%	-1.2%	-0.6%	-	
Holding	-369.8%	-500.0%	-769.2%	-769.2%	-769.2%	
<b>Profit &amp; loss statement (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>CAGR 13/16</b>
<b>Revenues</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,542.4</b>	<b>1,665.3</b>	<b>1,793.5</b>	<b>6.8%</b>
Change	12.3%	10.1%	4.7%	8.0%	7.7%	
Organic growth	11.0%	9.4%	7.2%	7.7%	7.7%	
EBITDA	269.0	303.1	321.3	352.4	384.5	8.3%
Change	-2.5%	12.7%	6.0%	9.7%	9.1%	
<b>EBIT</b>	<b>137.7</b>	<b>156.6</b>	<b>167.9</b>	<b>186.7</b>	<b>206.1</b>	<b>9.6%</b>
Change	-12.1%	13.7%	7.2%	11.2%	10.4%	
Adjusted EBIT	144.3	150.8	167.9	186.7	206.1	11.0%
Change	13.9%	4.5%	11.3%	11.2%	10.4%	
Operating margin	10.8%	10.2%	10.9%	11.2%	11.5%	
Financial items	-26.3	-27.9	-25.3	-24.2	-22.0	
Pre-tax profit on ordinary activities	118.0	122.9	142.6	162.5	184.1	14.4%
Exceptional items	-6.6	5.8	0.0	0.0	0.0	
Corporate tax	-26.1	-23.3	-29.3	-34.9	-41.3	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.8	1.7	3.7	3.7	3.7	
Minority interests	-6.5	-7.6	-8.4	-9.2	-10.1	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
<b>Reported net profit</b>	<b>80.6</b>	<b>99.5</b>	<b>108.7</b>	<b>122.1</b>	<b>136.4</b>	<b>11.1%</b>
Change	-11.4%	23.4%	9.2%	12.3%	11.7%	
Adjusted net profit	85.7	95.4	108.7	122.1	136.4	12.6%
Change	23.2%	11.4%	13.9%	12.3%	11.7%	
<b>Cash flow statement (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>CAGR 13/16</b>
Cash flow from operations	225.7	256.1	270.5	297.0	325.0	8.3%
Net Investments	-168.0	-193.0	-209.9	-215.1	-227.2	5.6%
Decrease (Increase) in WCR	-67.0	3.6	-20.8	-36.6	-38.2	
Free cash flow	-9.3	66.7	39.8	45.3	59.6	-3.7%
Acquisitions	-13.0	-51.0	-40.0	0.0	0.0	
Dividend	-30.3	-31.2	-35.0	-39.2	-47.7	15.2%
Capital increase	55.7	1.0	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	-48.7	-19.0	-40.0	0.0	0.0	
Increase (Decrease) in cash	-45.6	-33.5	-75.2	6.1	11.9	
<b>Net debt</b>	<b>315.7</b>	<b>337.0</b>	<b>372.2</b>	<b>366.1</b>	<b>354.0</b>	
<b>Gearing</b>	<b>28.1%</b>	<b>29.3%</b>	<b>30.2%</b>	<b>27.6%</b>	<b>24.9%</b>	

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- 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.
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