

MORNING NEWS MIDCAPS

EQUITY RESEARCH

09 November 2016

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Neutral

Turnover Q1 17

Sales rebound in Q1 17

Vilmorin chalked up a surge in its business in Q1 17 with sales at €232m (+11.3%) over our forecasts. The group confirms its targets for FY 2016/17. We reiterate our €62 target price.

- A strong start to the financial year, over our forecasts:** the group has reported consolidated sales for Q1 at €232m (vs. €219.5me) up 11.3% like-for-like. The garden seeds division shows sales of €138m (vs. €130me), showing organic growth of 12.3% and a nice start to the financial year for the field seeds division with sales of €85m (vs. €81me), for 11% organic growth. The expansion at this year start is driven by the American continent (+51.4%) and mainly South America, which is clearly the most dynamic region. The group shows a steep rise (>+100%) in the first maize season in Brazil in a context of substantial rise in cultivated surface area, which suggests a good year in this country.
- Confirmation of the targets presented at the annual results:** Although Q1 only represents an historical average of 15% of annual sales, it is a good indicator. The group has reiterated its guidance of 5% growth in consolidated sales revenue for financial 2016/17. Another important point is that the group will not be hampered by the climate difficulties experienced in autumn 2015, which weighed heavily on the commercial and operational margin in the field seed activity.
- An environment that is becoming standardised and a more favourable comparison basis:** In a still-difficult climate, the group has performed extremely well. At 13x and 11.9x 2017e and 2018e profits, the group is valued at a five-year low. The sector's average P/E is 18x and 16.3x for 2017e and 2018e. For now, we are reiterating our Neutral rating and our €62 target price pending greater visibility on the competitive climate.

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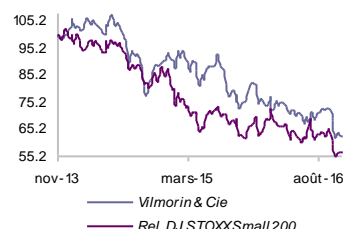
Price	11/08/2016	€53.36
Target		€62.00
Upside		16.2%

Performance	1m	12m	1 Jan
Absolute	-3.4%	-17.9%	-19.4%
Sector	-4.2%	-7.9%	-6.6%
DJS Small200	-1.8%	-9.7%	-8.5%

Market capitalisation	€1.1bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€266k

on 30/6	2016e	2017e	2018e
EPS (€)	3.39	4.09	4.48
Revision	-	-	-
Change	6.5%	20.6%	9.6%

P/E (x)	15.7	13.1	11.9
P/CF (x)	5.4	4.9	4.6
EV/EBIT (x)	21.4	20.0	18.6
EV/EBITDA (x)	9.5	9.1	8.5
Net yield	2.4%	3.0%	3.2%
FCF yield	6.3%	0.7%	1.7%



Source : Natixis

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Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Turnover	1,499.9	1,269.4	1,326.2	1,389.2	1,480.1	5.3%
Field seeds	856.1	595.3	581.7	616.6	678.3	4.4%
Vegetable seeds	562.6	614.6	688.7	716.2	744.9	6.6%
Home garden	79.9	58.4	54.7	55.2	55.8	-1.5%
Holding	1.3	1.1	1.1	1.1	1.1	0.0%
Adjusted operating profit	149.9	100.2	110.4	118.7	127.9	8.5%
Field seeds	72.9	20.9	15.8	18.6	21.8	1.4%
Vegetable seeds	89.7	95.8	108.0	112.4	117.6	7.1%
Home garden	-3.5	-0.7	-0.2	-0.2	0.3	
Holding	-9.2	-15.8	-13.3	-12.1	-11.8	9.2%
Adjusted operating margin	10.0%	7.9%	8.3%	8.5%	8.6%	
Field seeds	8.5%	3.5%	2.7%	3.0%	3.2%	
Vegetable seeds	15.9%	15.6%	15.7%	15.7%	15.8%	
Home garden	-4.4%	-1.2%	-0.3%	-0.3%	0.6%	
Holding	-707.7%	-1,436.4%	-1,204.6%	-1,101.2%	-1,076.4%	
Profit & loss statement (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Revenues	1,499.6	1,269.4	1,325.1	1,389.2	1,480.1	5.3%
<i>Change</i>	1.9%	-15.4%	4.4%	4.8%	6.5%	
Organic growth	4.6%	0.7%	4.6%	4.5%	5.8%	
EBITDA	305.0	229.0	247.1	261.9	280.5	7.0%
<i>Change</i>	0.7%	-24.9%	7.9%	6.0%	7.1%	
EBIT	149.9	100.2	100.4	118.7	127.9	8.5%
<i>Change</i>	-5.8%	-33.2%	0.2%	18.2%	7.8%	
Adjusted EBIT	150.6	98.1	110.4	118.7	127.9	9.2%
<i>Change</i>	-6.4%	-34.9%	12.5%	7.5%	7.8%	
Operating margin	10.0%	7.7%	8.3%	8.5%	8.6%	
Financial items	-38.0	-39.2	-37.0	-37.0	-37.0	
Pre-tax profit on ordinary activities	111.9	61.0	117.7	129.1	140.4	32.0%
Exceptional items	-1.8	0.0	0.0	0.0	0.0	
Corporate tax	-27.4	-21.5	-27.7	-30.3	-33.0	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	3.8	30.3	36.1	38.2	40.7	
Minority interests	-4.2	-4.6	3.6	4.0	4.4	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	82.3	65.3	71.6	86.4	94.7	13.2%
<i>Change</i>	-19.2%	-20.7%	9.8%	20.6%	9.6%	
Adjusted net profit	83.0	67.3	71.6	86.4	94.7	12.1%
<i>Change</i>	-21.9%	-19.0%	6.5%	20.6%	9.6%	
Cash flow statement (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Cash flow from operations	258.0	65.2	208.3	229.7	247.4	56.0%
Net Investments	-212.0	-199.4	-212.5	-213.3	-213.3	2.3%
Decrease (Increase) in WCR	-71.1	56.1	74.1	-8.3	-15.7	
Free cash flow	-25.1	-78.1	69.9	8.2	18.4	na
Acquisitions	-104.0	-50.0	0.0	0.0	0.0	
Dividend	-35.0	-38.5	-32.7	-27.2	-32.8	-5.2%
Capital increase	0.0	0.0	0.0	0.0	0.0	
Divestments	-	-	0.0	0.0	0.0	
Miscellaneous	-55.6	-50.0	0.0	0.0	0.0	
Increase (Decrease) in cash	-219.7	-216.6	37.2	-19.1	-14.4	
Net debt	493.9	495.8	623.0	638.4	648.9	
Gearing	42.6%	41.5%	45.4%	44.3%	42.9%	

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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.
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- 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).
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Neutral	upside between +10% and -10%
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Neutral	49.76%	3.85%
Reduce	12.92%	0.00%

Reference prices are based on closing prices.

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