

# MORNING NEWS MIDCAPS

## EQUITY RESEARCH

02 August 2016

Food

# Vilmorin & Cie

VILM.PA / RIN@FP

## Neutral

### Q4 16 sales

## Good end to 2015/16

**Vilmorin has ended 2015/16 on a positive note in what is still a difficult climate for field seeds. Earnings will be marked by €10m of non-recurrent charges. We are standing by our €62 target and Neutral rating.**

- A long-term strategy:** We continue to share the group's long-term vision, and note the continued solid performance by the vegetable division and the fact that the field seeds division is stabilising. However, given the level of visibility on field seeds at the moment, we cannot adopt a more positive approach on the stock. No change to our target price of €62 and our Neutral rating. At 15.2x and 13.8x EPS for 2017e and 2018e, and even though the stock is trading at a discount to its competitors, mainly due to the capital transactions in the sector, we think it is fairly valued.
- Good business levels despite a challenging environment:** Vilmorin posted 2015/16 sales of €1.325bn, with organic growth of 4.7%, vs. €1.291bne (vs. consensus: €1.303bn). We had expected organic growth of 1.7%. Q4 15/16 came to €335m, with organic growth of +7%, while we expected €299m. The vegetable division continues to grow apace, with organic growth of 9.7% in Q4 15/16 and sales of €218m (vs. €191me). The field seeds division posted growth of 3.3% lfl in Q4 15/16 with sales of €103m (vs. €95me).
- Operating margin improvement, but non-recurrent charges to be expected:** Vilmorin said that the operating margin was expected to improve on the year (we expect +50bp), but it will be impacted by €10m (-€5me) of non-recurrent charges. We have adjusted our forecasts to take account of greater exceptional items and have not altered our average margin outlook for 2015/16.
- Field seeds market in US showing signs of stabilising:** The AgReliant business is up 7.6%, due to an increase in sown areas. However, the field seeds market in Europe, both for corn and sunflower, is characterised by pressure on agricultural production and on prices. We remain cautious in this climate despite the initial positive signs.

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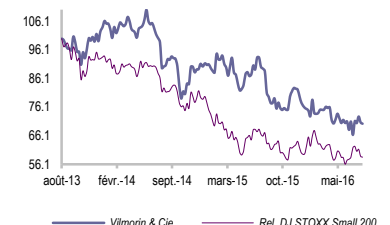
<b>Price</b>	<b>08/01/2016</b>	<b>€59.85</b>
<b>Target</b>		<b>€62.00</b>
<b>Upside</b>		<b>3.6%</b>

Performance	1m	12m	1 Jan
Absolute	-1.3%	-20.9%	-9.6%
Sector	0.7%	4.3%	0.9%
DJS Small200	3.7%	-11.5%	-7.6%

Market capitalisation	€1.2bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€101k

on 30/6	2016e	2017e	2018e
EPS (€)	3.39	4.09	4.48
Revision	-0.4%	4.6%	4.4%
Change	6.5%	20.6%	9.6%

P/E (x)	17.7	14.6	13.4
P/CF (x)	6.1	5.5	5.1
EV/EBIT (x)	22.6	21.1	19.7
EV/EBITDA (x)	10.1	9.6	9.0
Net yield	2.2%	2.6%	2.9%
FCF yield	5.6%	0.7%	1.5%



Source: Natixis

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## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
<b>Turnover</b>	<b>1,499.9</b>	<b>1,269.4</b>	<b>1,326.2</b>	<b>1,389.2</b>	<b>1,480.1</b>	<b>5.3%</b>
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%
<b>Adjusted operating profit</b>	<b>149.9</b>	<b>100.2</b>	<b>110.4</b>	<b>118.7</b>	<b>127.9</b>	<b>8.5%</b>
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%
<b>Adjusted operating margin</b>	<b>10.0%</b>	<b>7.9%</b>	<b>8.3%</b>	<b>8.5%</b>	<b>8.6%</b>	
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%	
<b>Profit &amp; loss statement (€m)</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>	<b>CAGR 15/18</b>
<b>Revenues</b>	<b>1,499.6</b>	<b>1,269.4</b>	<b>1,325.1</b>	<b>1,389.2</b>	<b>1,480.1</b>	<b>5.3%</b>
<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%	
<b>EBIT</b>	<b>149.9</b>	<b>100.2</b>	<b>100.4</b>	<b>118.7</b>	<b>127.9</b>	<b>8.5%</b>
<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	
<b>Reported net profit</b>	<b>82.3</b>	<b>65.3</b>	<b>71.6</b>	<b>86.4</b>	<b>94.7</b>	<b>13.2%</b>
<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%	
<b>Cash flow statement (€m)</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>	<b>CAGR 15/18</b>
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	
<b>Net debt</b>	<b>493.9</b>	<b>495.8</b>	<b>623.0</b>	<b>638.4</b>	<b>648.9</b>	
<b>Gearing</b>	<b>42.6%</b>	<b>41.5%</b>	<b>45.4%</b>	<b>44.3%</b>	<b>42.9%</b>	

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