

VILMORIN

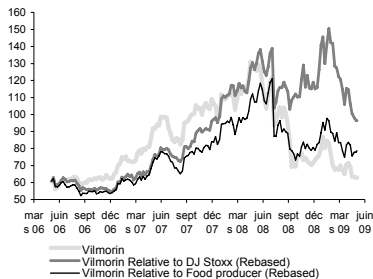
Food products

France

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Newsflow

Recommendation	Add (2)
Price (01/06/2009)	62.80 EUR
Target price	70.00 EUR



Reuters:	VILM.PA
Bloomberg:	RIN FP
12-month high:	129.50
12-month low:	59.50

Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	14.1	13.8	12.3
Net. yield (%)	1.6%	2.5%	2.5%	2.9%
FCF yield (%)	3.0%	1.8%	5.1%	6.5%
P/Book value	2.3	1.3	1.2	1.1
EV/Sales	2.0	1.2	1.2	1.1
EV/EBITDA	8.8	6.1	5.8	5.2
EV/EBIT(recur)	14.9	11.7	11.3	10.1

Per share data

EUR	06/08	06/09e	06/10e	06/11e
EPS (AANP)	4.54	4.45	4.54	5.09
%Change	10.9%	-2.1%	2.1%	12.1%
EPS (ANP)	3.31	4.43	4.53	5.12
%Change	-19.2%	34.0%	2.2%	13.0%
Dividend	1.66	1.55	1.59	1.79
Book value	45.95	48.72	51.70	55.24

Income statement

(EUR m)	06/08	06/09e	06/10e	06/11e
Sales	896.9	995.3	1 018	1 053
%Change	-4.4%	11.0%	2.3%	3.5%
Op.profit(recur.)	118.8	104.0	106.6	116.0
%Change	47.5%	-12.5%	2.5%	8.8%
Op.profit(EBIT)	115.2	104.0	106.6	116.0
Attr. net profit	44.3	59.4	60.7	68.6
Adj. attr. NP	60.8	59.4	60.7	68.6

Financial data

	06/08	06/09e	06/10e	06/11e
ROCE bef. Tax	10.5%	9.2%	9.1%	9.8%
ROCE after Tax	8.1%	7.1%	6.8%	7.3%
ROE	9.9%	9.4%	9.0%	9.6%
FCF	42.4	15.2	42.8	54.3
Net debt	323	338	317	283
Gearing	43.7%	43.5%	38.6%	32.6%
Net Debt/EBITDA	1.6	1.7	1.5	1.3
EBITDA/interest	6.7	8.2	9.0	10.2

Performance

	1 mo	3 mos	12 mos
Absolute perf.	-12.2%	-18.1%	-50.5%
Perf./country	0.82	0.69	0.75
Perf./DJ sector	0.78	0.93	0.82

Liquidity

Market Cap.	841
EV	1 200
No. of shares (m)	13.4
Groupes	1
Free Float	30.0%

Reassuring sector publications

In spite of more recent forecasts by Monsanto and the latest report from KWS, the sector environment for crop and vegetable seeds is proving resilient against the backdrop of the economic slump.

In this context, Vilmorin&Cie should confirm the full year targets that it recently lowered with FY sales estimated at around €1bn.

Add (2) recommendation unchanged with similar TP of € 70.

Positive reports for the seed sector

The recent publications of German company KWS (mainly established in crop seeds, both rival and partner of Vilmorin via their JV in the US AgReliant) and Monsanto suggest that there is a positive trend for seed players in spite of doubt in some areas and expressed in our recent note (May 7, 2009):

- Although the market reaction reflects some disappointment with **Monsanto's targets, the company said the outlook was bright for the see market**. Rather than a profit warning, the group confirmed the lower end of the range for its earnings estimates due to tougher business in its herbicide division (weather, competition, etc.). Conversely, the seed division is still flourishing with a forecast for **earnings growth of over +15% (+20% for crop seeds including corn and soybean)**. One major value boost to Monsanto is the commercialisation of its GMO lines. These account for most crop seeds in the US (80% of corn land and 90% for soybean). The group has strengthened its market share and boasts genuine predominance with its **"triple-stack"** either via direct sales or via its licence policy (which also benefits Vilmorin).
- For KWS, the recent Q3 earnings report confirmed the group's upbeat stance on the crop seed market. With a 17% rise in corn sales and +28% for grain, **the group confirmed its full year growth target of over +15%**. KWS performed well in Germany as well as the US in spite of a slight contraction in corn space to the advantage of soybean. The price/volume impact also contributed to these fine figures. Vilmorin Q3 sales report also confirmed outstanding performances in the US with a 27.9% rise in 9M sales (+26% like-for-like) in spite of a 1-2% contraction in volumes. Conversely and as already mentioned, KWS is confident but more cautious on the margin trend due to a rise in entrant costs.
- In this context, we are sticking to our forecast for Vilmorin, which should achieve **organic growth of about +2%**. Our full-year sales target thereby came to **€ 995m** (closing 30 June). We expect operating profit of € 104m vs. € 115m for the previous year, i.e. operating margin of 10.5% (12.8%). **Our forecast is generally in line with the consensus (€ 105m)**.

Add (2) recommendation maintained

The group's fundamentals are still driven by the inevitable technological improvements made to seeds. Note that Limagrain has just concluded an agreement with Collectis via the exercise of an option for a commercial licence to use Collectis' technology in the GMO domain. However, we are taking a more cautious stance on the earnings growth trend for this year.

Add (2) maintained with TP unchanged at € 70.

Next event: Site visit on 24 June 2009 – FY sales on 4 August after trading