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Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Target price change

Analyst(s)

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Updated model and preview of Q2 12/13 sales

The allotment of free shares at the start of the week has automatically lowered our 2013/14 EPS estimates by -8%. We remain at Buy and have trimmed our target price to €109 (vs. €110). The Q2 12/13e results (organic growth at +6.3%e) could constitute a trigger for the stock.

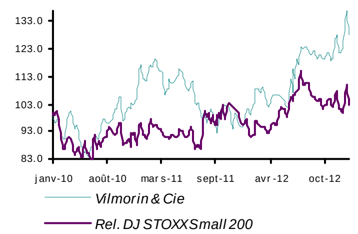
- **We remain at Buy on Vilmorin**. The **stock is still attractively valued** (18x 12m PE vs. a 5-year average of 17x) **considering its medium-term growth momentum** (2012/2015e EPS CAGR +11%) and **its potential for sales growth and margin gains in the long term** (6% annual growth in the market, continued market share gains, expansion in emerging countries, commercialisation of proprietary GM varieties). **In the short term**, we believe the **stock** could be **buoyed up by the favourable agricultural environment** (prices for the main cereals are still at very high levels) and **pleasant surprises from upcoming releases (e.g. the Q2 13 sales figures to be published on 5 February).**
- **Following the allotment of free shares** at a rate of one new share for every 10 shares already owned on 21 January 2013, **we have increased the number of shares in our model to 18.94m (19.24m diluted) vs. 17.22m previously. This has automatically lowered our 2013/14 EPS estimates by 8%.**
- **We have trimmed our target price to €109 (vs. €110).** The **higher number of shares** is partly **offset by**: 1/ more favourable market data, prompting us to lower our **WACC estimate from 9.1% to 8.4%**, and 2/ **higher target valuation multiples** (in line with the sector: 18.6x vs. 18x for 12m PE and 12.8x vs. 12.3x for EV/EBIT).
- **We expect 6.3% organic growth in Q2 13**, which is much stronger than in Q1 12/13 (+1.6%). The Vegetable Seeds division (Q2 12/13e organic growth +5%) should benefit from: 1/ the gradual upturn in the market and 2/ a positive catch-up effect (~€2m, +1.6%) after Q1 12/13 was penalised by billings in Japan. **Although the comparison base will be challenging (+17.5% in Q2 11/12), we still see the Field Seeds division delivering +8% organic growth.** The group will have **benefited from a buoyant environment in South America** and from the **upmarket drive of farmers in this region**. Moreover, Vilmorin is also likely to have enjoyed **very positive momentum in the USA** where the backlog is bigger than it was last year according to Monsanto (Q1 13 report).

Price	01/24/2013	€97.75
Target	↘	€109.00
Upside		11.5%

Performance	1m	12m	1 Jan
Absolute	7.2%	28.9%	4.4%
Sector	2.1%	22.9%	2.7%
DJS Small200	3.8%	16.5%	3.9%

Market capitalisation	€1.7bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€1m

on 30/6	2012	2013e	2014e
EPS (€)	4.98	5.24	5.80
Revision	na	-8.7%	-7.7%
Change	23.2%	5.2%	10.7%
P/E (x)	15.3	18.7	16.9
P/CF (x)	6.0	7.4	6.9
EV/EBIT (x)	12.3	13.0	11.9
EV/EBITDA (x)	6.5	6.9	6.4
Net yield	3.0%	1.9%	2.2%
FCF yield	1.0%	1.7%	3.1%



Source : Natixis

Equity Markets	equity.natixis.com
Bloomberg access	NXSE

Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Turnover	1,064.3	1,191.8	1,338.0	1,433.3	1,522.8	8.5%
Field seeds	520.0	598.6	728.7	796.4	860.1	12.8%
Vegetable seeds	454.3	510.3	527.2	554.0	579.0	4.3%
Home garden	88.0	81.9	80.8	81.6	82.4	0.2%
	2.0	1.0	1.3	1.3	1.3	9.1%
Adjusted operating profit	97.1	126.7	137.7	163.4	177.7	11.9%
Field seeds	35.8	39.8	74.0	87.6	96.3	34.3%
Vegetable seeds	65.4	80.2	76.9	85.3	90.9	4.3%
Home garden	2.6	6.5	-1.8	1.5	1.5	-38.5%
	-6.7	0.2	-11.4	-11.0	-11.0	
Adjusted operating margin	9.1%	10.6%	10.3%	11.4%	11.7%	
Field seeds	6.9%	6.6%	10.2%	11.0%	11.2%	
Vegetable seeds	14.4%	15.7%	14.6%	15.4%	15.7%	
Home garden	3.0%	7.9%	-2.2%	1.8%	1.8%	
	-335.0%	20.0%	-876.9%	-846.2%	-846.2%	

Profit & loss statement (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Revenues	1,064.3	1,191.8	1,338.0	1,433.3	1,522.8	8.5%
Change	*6.4%*	*12.0%*	*12.3%*	*7.1%*	*6.2%*	
Organic growth	4.6%	9.6%	11.0%	7.2%	6.2%	
EBITDA	206.0	276.0	269.0	306.9	330.2	6.2%
Change	*-0.5%*	*34.0%*	*-2.5%*	*14.1%*	*7.6%*	
EBIT	97.2	156.7	137.7	163.4	177.7	4.3%
Change	*-9.9%*	*61.2%*	*-12.1%*	*18.7%*	*8.8%*	
Adjusted EBIT	101.8	126.7	144.3	163.4	177.7	11.9%
Change	*-3.2%*	*24.5%*	*13.9%*	*13.3%*	*8.8%*	
Operating margin	9.6%	10.6%	10.8%	11.4%	11.7%	
Financial items	-12.2	-21.3	-26.3	-16.5	-15.0	
Pre-tax profit on ordinary activities	89.6	105.4	118.0	146.9	162.7	15.6%
Exceptional items	-4.6	30.0	-6.6	0.0	0.0	
Corporate tax	-27.8	-38.7	-26.1	-42.4	-46.9	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.5	0.6	1.8	1.8	1.8	
Minority interests	-5.9	-6.3	-6.5	-7.2	-7.9	
Net profit on divested activities	2.5	0.0	0.0	0.0	0.0	
Reported net profit	54.3	91.0	80.6	99.2	109.8	6.5%
Change	*2.5%*	*67.6%*	*-11.4%*	*23.1%*	*10.7%*	
Adjusted net profit	54.2	69.5	85.7	99.2	109.8	16.4%
Change	*2.3%*	*28.3%*	*23.2%*	*15.8%*	*10.7%*	

Cash flow statement (€m)	2010	2011	2012	2013e	2014e	CAGR 11/14
Cash flow from operations	138.0	167.0	225.7	249.8	270.1	17.4%
Net Investments	-144.0	-148.0	-168.0	-174.4	-187.2	8.1%
Decrease (Increase) in WCR	-19.5	-11.9	-67.0	-46.5	-31.3	
Free cash flow	-25.5	7.1	-9.3	28.8	51.5	93.6%
Acquisitions	-38.0	17.0	-13.0	0.0	0.0	
Dividend	-24.0	-35.0	-30.3	-36.0	-40.3	4.8%
Capital increase	203.6	-11.5	55.7	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	13.9	0.4	-48.7	0.0	0.0	
Increase (Decrease) in cash	130.0	-22.0	-45.6	-7.2	11.2	
Net debt	247.8	270.2	315.7	322.9	311.6	
Gearing	23.7%	26.1%	28.1%	27.1%	24.5%	

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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.
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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:

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Present shares	favorable response to a public offer (takeover, delisting,…)

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