Equity Note

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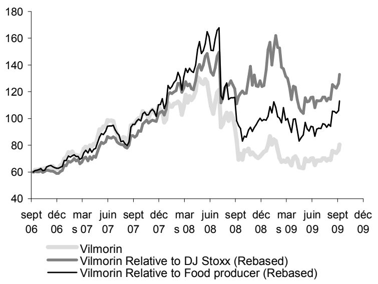
Vilmorin

Food products France

Target price raised 82.00 vs 70.00 EUR
Recommendation Add (2)
Price (06/10/2009) 80.46 EUR



Reuter:	VILM.PA
Bloomberg:	RIN FP
12-month high:	86.80
12-month low:	59.50

Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	18.5	18.0	16.2
Net. yield (%)	1.6%	1.9%	1.9%	2.2%
FCF yield (%)	3.0%	1.2%	4.0%	5.0%
P/Book value	2.3	1.7	1.6	1.5
EV/Sales	2.0	1.5	1.4	1.3
EV/EBITDA	8.8	7.4	6.9	6.3
EV/EBIT(recur)	14.9	14.1	13.5	12.2

Per share data

EUR	06/08	06/09e	06/10e	06/11e
EPS (AANP)	4.54	4.38	4.46	4.98
%Change	10.9%	-3.4%	1.8%	11.6%
EPS (ANP)	3.31	4.37	4.45	5.00
%Change	-19.2%	32.0%	1.9%	12.4%
Dividend	1.66	1.53	1.56	1.75
Book value	45.95	48.65	51.57	55.02

Income statement

(EUR m)	06/08	06/09e	06/10e	06/11e
Sales	896.9	1 001	1 023	1 058
%Change	-4.4%	11.6%	2.1%	3.4%
Op.profit(recur.)	118.8	104.0	106.4	115.3
%Change	47.5%	-12.4%	2.3%	8.4%
Op.profit(EBIT)	115.2	104.0	106.4	115.3
Attr. net profit	44.3	58.5	59.6	67.0
Adj. attr. NP	60.8	58.5	59.6	67.0

Financial data

	06/08	06/09e	06/10e	06/11e
ROCE bef. Tax	10.5%	9.2%	9.1%	9.7%
ROCE after Tax	8.1%	7.1%	6.8%	7.3%
ROE	9.9%	9.2%	8.9%	9.4%
FCF	42.4	13.6	42.9	53.8
Net debt	323	340	318	285
Gearing	43.7%	43.7%	38.8%	32.8%
Net Debt/EBITDA	1.6	1.7	1.5	1.3
EBITDA/interest	6.7	8.2	9.0	10.1

Performance

	1 mo	3 mos	12 mos
Absolute perf.	16.4%	16.9%	1.5%
Perf./country	1.09	0.99	1.55
Perf./DJ sector	1.15	1.03	1.14

Liquidity

Market Cap.	1 078
EV	1 405
No. of shares (m)	13.4
Groupe	70.0%
Free Float	30.0%

Full-year earnings broadly in line – new TP € 82 (vs. € 70)

Full-year earnings, down 15% in terms of operating profit and up 19% for net profit, were broadly in line with expectations and the consensus figures. The group benefited from a favourable product mix (vegetable seeds), performed satisfactorily in a more strained environment (Eastern Europe amongst others), but nonetheless confirmed an ambitious investment plan (+€ 15m, i.e. +14% for R&D).

Management has confirmed an organic growth trend for the next financial year. We are forecasting slight growth and the maintaining of margins.

Lastly, the dividend should return to growth (+6.6%) consistent with a payout of 45%.

Due to the increase in peers and the decline in our WACC (-50bp), our new target price is € 82 (vs. € 70). Add (2) recommendation maintained.

Publication of FY 2008-09 earnings: operating margin ahead of estimates

FY 2008-09 sales, which were already published, totalled € 1,001.4m, down 1.6% on a reported basis, but up +1.3% like-for-like (including garden product activities). **Of note was the strong performances from the vegetable seeds and field crop seeds activities in the U.S.**. Full-year earnings exceeded our estimates at the operating profit level by 3.7%. **Operating profit totalled € 107.9m (€ 104m, Oddo estimates) vs. € 127.6m in FY 2007- 08, i.e. a decline of 15%. Thus, the operating margin came in at 10.8% (10.4% estimated) vs. 12.5% and close to the upper end of the range indicated by management (11%).** Meanwhile, attributable net profit rose by 19.6% to € 53m due to the elimination of losses linked to discontinued activities.

FY 2008-09 RESULTS

(€ m)	Reported	Oddo Midcap estimates	Period Prev.	Rep./ prev. period
Sales	1001,4		1018,0	+1,3%
Op. profit	107,9	104,0	127,6	-15,4%
Op. margin	10,8%	10,4%	12,5%	-170bp
Attr. net profit	53,0	58,5	44,3	+19,6%

SOURCE: COMPANY – ODDO MIDCAP ESTIMATES

A more favourable mix – earnings broadly in line despite sustained investments

Pending today's meeting, we note the following points:

- **FY 2008-09 results reflect a good performance despite operating margin erosion.** The margin on variable costs is stable and the group has maintained a sustained investment strategy (+€ 15m for an overall budget of € 120.6m vs. € 105.1m). Note that sales posted organic growth of over +1% in a more challenging context, with a deliberate strategy of fewer deliveries in Eastern Europe. **Of particular note was the excellent performance from the field crop seeds activity in the US (+14%) and an end of the year which was also favourable for vegetable seeds.** All told, the group benefited from a more favourable mix, which accounts for the fact that the operating profit exceeded our estimates by close to € 4m and the operating margin was close to the high end of the guidance range. Note that this level of margin factors in the garden products division (Oxadis and Sutton Seeds) maintained within the consolidation scope and posting a lower margin than professional activities.

- The group maintained tight control of financial costs (-€ 4.4m) despite the rise in debt (financing of acquisitions) and forex losses (-€ 1.1m). **All told, attributable net profit rose by +19.6% to € 53m (vs. € 44.3m) whilst FY 2007- 08 was marked by losses on discontinued activities (sale of Flora Frey / -€24.3m).** Our estimate was higher at € 58.5m as we underestimated minorities' share.

- Regarding the outlook, management is likely to provide greater details at the meeting scheduled for later today. However, it confirms the extension of an organic growth trend for FY 2009-10 despite a persistently volatile raw materials environment. We maintain our relatively cautious scenario of top line growth of close to **+2% and a margin of close to 11%** to reflect a still sustained investment strategy. **We are likely to revise up our estimates by around +4%, with an operating profit estimate of around € 110m (€106m at present and a consensus figure of € 108m).**

We remain on Add (2) – TP raised to € 82 (from € 70)

The share has largely underperformed since the start of the year. This is notably the case vis-à-vis the SBF 120 which Vilmorin recently integrated (on 22 June 2009) to the tune of -9.5% and also relative to our sample of agrochemicals stocks by around -7.5%. Since the low point reached in February/March 2009, the underperformance stands at -12.5% relative to the same sample.

The rise in peer comparisons and the 50bp decline in our WACC (following the fall in OAT, Oddo equity department assumptions and the reduction in the beta) justify a new target price of **€ 82 (vs. €70 previously) and confirmation of our Add (2) opinion.**

Also of note was the group's intention to pay out **a € 1.77 dividend up +6.6%, after stability the previous year. The payout stands at 45%, i.e. close to previous levels (40/50%).**

Next event: meeting today (3 p.m.) – publication of Q1 2009-10 sales on 12 November 2009 (after the market close).

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