

MORNING NEWS MIDCAPS

EQUITY RESEARCH

08 October 2014

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Buy

Q4 14 earnings

2014/15 expected to be a complicated year

Adjusted operating profit in line with expectations but net profit lower because of financial charges. The 2014/15 guidance (organic growth >4%, adjusted operating margin 10%) reflects market conditions that are likely to remain challenging, particularly for field seeds.

- The FY 2013/14 earnings report came out in line in terms of adjusted operating profit (€152m) but lower (-6%) in terms of net profit, largely because of much higher-than-expected interest expenses (forex impact). For 2014/15, the group is targeting organic growth >4% and an adjusted operating margin of 10% (including research expenditure >€215m). These targets could prompt the consensus to revise itself slightly downwards. Buy rating reiterated.
- We are sticking with our forecasts pending this afternoon's earnings presentation. Based on the group's targets, we are likely to lower our forecasts post-meeting.
- As announced during the full-year sales presentation (30 July 2014), the adjusted operating margin came to about 10% (10.1% to be precise), implying adjusted operating profit of €151.7m (-4% yoy). Whereas the margin on the cost of goods held up well (+70bp at 44%), operating costs rose sharply because of increased R&D expenditure (€194.4m vs. €183.2m). Net debt was pushed upwards from €157m to €493.9m because of external growth operations carried out this year. Management is aiming to keep the dividend stable at €1.65.
- Attributable net profit missed expectations by 6% at €84.1m. The disappointment was mainly attributable to financial charges (€38m vs. €25m expected). They were impacted by major currency losses (-€17m, mostly because of the Ukrainian hryvnia and Russian rouble). The tax rate was higher (23.7% vs. 17.9% in 2012/13).
- For 2014/15, management expects: 1/ over 4% sales growth like-for-like, including the impact of applying IFRS 11 and 2/ a current operating margin of 10% (in line with the 2013/14 level) including a sharp increase in research expenditure (€215m vs. €194.4m in 2013/14). Based on a slightly positive scope effect (+0.2%) and currency effect (+1.9%e impact on the top line, largely thanks to the dollar), the group's guidance could imply 2014/15 adjusted operating profit of ~€160m (vs. pre-release consensus of €165m).

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Price	10/07/2014	€78.30
Target		€105.00
Upside		34.1%

Performance	1m	12m	1 Jan
Absolute	-10.9%	-11.9%	-19.4%
Sector	-4.7%	9.1%	4.2%
DJS Small200	-6.0%	4.4%	-3.4%

Market capitalisation	€1.3bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€620k

on 30/6	2014e	2015e	2016e
EPS (€)	5.02	5.57	6.22
Revision	-	-	-
Change	-7.2%	11.0%	11.7%

P/E (x)	15.6	14.1	12.6
P/CF (x)	6.0	5.4	5.0
EV/EBIT (x)	12.3	11.0	10.0
EV/EBITDA (x)	6.2	5.7	5.2
Net yield	2.4%	2.6%	2.8%
FCF yield	2.7%	1.9%	3.3%



Source : Natixis

Equity Markets equity.natixis.com

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Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Turnover	1,338.0	1,472.5	1,499.9	1,637.1	1,761.5	6.2%
Field seeds	728.7	846.8	856.1	960.9	1,054.7	7.6%
Vegetable seeds	527.2	544.9	562.6	594.2	623.9	4.6%
Home garden	80.8	79.5	79.9	80.7	81.5	0.8%
Holding	1.3	1.3	1.3	1.3	1.3	0.0%
Adjusted operating profit	144.3	158.3	152.7	171.6	189.3	6.1%
Field seeds	74.0	84.0	77.0	89.4	100.7	6.2%
Vegetable seeds	76.9	82.0	86.6	92.7	98.6	6.3%
Home garden	-1.8	-2.9	-1.0	-0.5	0.0	
Holding	-4.8	-4.8	-10.0	-10.0	-10.0	-27.7%
Adjusted operating margin	10.8%	10.8%	10.2%	10.5%	10.7%	
Field seeds	10.2%	9.9%	9.0%	9.3%	9.5%	
Vegetable seeds	14.6%	15.0%	15.4%	15.6%	15.8%	
Home garden	-2.2%	-3.6%	-1.3%	-0.6%	-	
Holding	-369.8%	-369.2%	-769.2%	-769.2%	-769.2%	
Profit & loss statement (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Revenues	1,338.0	1,472.5	1,499.9	1,637.1	1,761.5	6.2%
<i>Change</i>	<i>12.3%</i>	<i>10.1%</i>	<i>1.9%</i>	<i>9.1%</i>	<i>7.6%</i>	
Organic growth	11.0%	9.4%	4.6%	8.9%	7.6%	
EBITDA	269.0	302.2	301.0	333.4	363.5	6.3%
<i>Change</i>	<i>-2.5%</i>	<i>12.3%</i>	<i>-0.4%</i>	<i>10.8%</i>	<i>9.0%</i>	
EBIT	137.7	156.6	152.7	171.6	189.3	6.5%
<i>Change</i>	<i>-12.1%</i>	<i>13.7%</i>	<i>-2.5%</i>	<i>12.4%</i>	<i>10.3%</i>	
Adjusted EBIT	144.3	158.3	152.7	171.6	189.3	6.1%
<i>Change</i>	<i>13.9%</i>	<i>9.7%</i>	<i>-3.5%</i>	<i>12.4%</i>	<i>10.3%</i>	
Operating margin	10.8%	10.8%	10.2%	10.5%	10.7%	
Financial items	-26.3	-27.9	-25.3	-28.0	-26.6	
Pre-tax profit on ordinary activities	118.0	128.7	127.4	143.6	162.7	8.1%
Exceptional items	-6.6	0.0	0.0	0.0	0.0	
Corporate tax	-26.1	-23.3	-26.2	-30.9	-36.6	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.8	1.7	3.7	3.7	3.7	
Minority interests	-6.5	-7.6	-8.4	-9.2	-10.1	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	80.6	99.5	96.5	107.2	119.7	6.3%
<i>Change</i>	<i>-11.4%</i>	<i>23.4%</i>	<i>-3.0%</i>	<i>11.0%</i>	<i>11.7%</i>	
Adjusted net profit	85.7	104.0	96.5	107.2	119.7	4.8%
<i>Change</i>	<i>23.2%</i>	<i>21.4%</i>	<i>-7.2%</i>	<i>11.0%</i>	<i>11.7%</i>	
Cash flow statement (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
Cash flow from operations	225.7	255.2	253.2	278.2	304.0	6.0%
Net Investments	-168.0	-193.0	-208.5	-211.5	-223.1	5.0%
Decrease (Increase) in WCR	-67.0	3.6	-8.2	-40.8	-37.0	
Free cash flow	-9.3	65.8	36.6	25.9	43.8	-12.7%
Acquisitions	-13.0	-51.0	-95.0	0.0	0.0	
Dividend	-30.3	-31.2	-35.0	-39.2	-41.9	10.3%
Capital increase	55.7	1.0	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	-48.7	-6.0	0.0	0.0	0.0	
Increase (Decrease) in cash	-45.6	-21.4	-93.4	-13.3	1.9	
Net debt	315.7	337.0	430.4	443.7	441.8	
Gearing	28.1%	29.3%	35.3%	34.2%	31.9%	

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