

MORNING NEWS MIDCAPS

EQUITY RESEARCH

08 October 2015

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Neutral

Target price change

A complicated year

A complicated year, with earnings performances varying from one division to another. We have cut our target price to €69.4 and remain at Neutral owing to poor visibility on the Field Seeds division.

- **Vilmorin published a mixed set of full-year results**, with sales growth coming out in line with the consensus at 1%, but this concealed varying operating performances. Operating income came to €100m vs. €111m expected. The meeting we organised with French investors gave us a chance to discuss in detail this financial performance which reflects the company's struggles in the field seeds market.
- **We have cut our target price to €69.4** (vs. €73) **and remain at Neutral on the stock**. Conditions in the field seeds market show no signs of stabilising, even if current corn and wheat prices are extremely low. We adhere to the company's strategy and management's long-term vision, but we have only partly factored in the indications given out to 2020 as we wait for visibility to improve on field seeds. Our 2016 forecasts include 1.7% organic growth and a current operating margin of 8.3%.
- We knew that conditions for the Field Seeds (FS) division were complicated, but we had not fully gauged the impact. Vilmorin reported FS sales of €595.3m, down 3.3% lfl, with operating income plummeting by €30.8m to €20.9m vs. €30m expected. Management said that several factors were responsible for this: 1/ a drop in sales in Russia and Ukraine (-€20m), 2/ a €7m surge in R&D expenses, 3/ €6m spent to structure operations in South America and Asia, and 4/ a price effect that we estimate in the region of €8m.
- **The solid performance delivered by the Vegetable Seeds (VS) division almost went unnoticed**, with sales growing by 6.3% organically to €614.6m and operating income reaching €95.8m, despite further investment spending with €7m of R&D expenses and a negative mix effect. All the group's BUs continue to gain market share, especially in key zones and in strategic crop species.
- **Syngenta is an ongoing topic**. Management confirmed that the operation is a tricky one as the Swiss company has its vegetable seeds and plant health products under the same umbrella. The rationale behind creating a leading world player, in a vegetable seeds market that is local by nature, is the big question here.

Analyst(s)

Steve Levy +33 1 58 55 31 58

Stéphane Sumar +33 1 58 55 05 06

Kathleen Gailliot +33 1 58 55 68 47

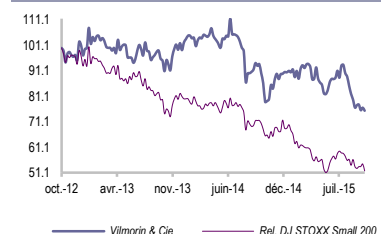
Price	10/07/2015	€64.41
Target	↘	€69.40
Upside		7.7%

Performance	1m	12m	1 Jan
Absolute	-2.1%	-9.5%	-16.2%
Sector	6.3%	16.8%	9.5%
DJS Small200	1.2%	16.7%	9.7%

Market capitalisation	€1.3bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€950k

on 30/6	2015e	2016e	2017e
EPS (€)	3.55	4.07	4.62
Revision	-	-	-
Change	-17.7%	14.6%	13.6%

P/E (x)	18.2	15.8	13.9
P/CF (x)	6.5	5.9	5.5
EV/EBIT (x)	23.0	21.7	20.1
EV/EBITDA (x)	10.5	10.0	9.5
Net yield	2.6%	2.9%	3.3%
FCF yield	-1.3%	0.2%	2.5%



Source : Natixis

Equity Markets research.natixis.com

Bloomberg access NXGR

Distribution of this report in the United States. See important disclosures at the end of this report.

Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2013	2014	2015e	2016e	2017e	CAGR 14/17
Turnover	1,472.5	1,499.9	1,270.8	1,344.0	1,415.0	-1.9%
Field seeds	846.8	856.1	595.4	631.1	669.0	-7.9%
Vegetable seeds	544.9	562.6	614.6	651.5	684.0	6.7%
Home garden	79.5	79.9	59.5	60.1	60.7	-8.8%
Holding	1.3	1.3	1.3	1.3	1.3	0.0%
Adjusted operating profit	158.3	149.9	111.4	120.0	129.8	-4.7%
Field seeds	84.0	72.9	29.8	31.6	35.1	-21.6%
Vegetable seeds	82.0	89.7	94.6	101.0	106.7	6.0%
Home garden	-2.9	-3.5	-3.0	-2.5	-2.0	17.0%
Holding	-4.8	-9.2	-10.0	-10.0	-10.0	-2.8%
Adjusted operating margin	10.8%	10.0%	8.8%	8.9%	9.2%	
Field seeds	9.9%	8.5%	5.0%	5.0%	5.2%	
Vegetable seeds	15.0%	15.9%	15.4%	15.5%	15.6%	
Home garden	-3.6%	-4.4%	-5.0%	-4.2%	-3.3%	
Holding	-369.2%	-707.7%	-769.2%	-769.2%	-769.2%	
Profit & loss statement (€m)	2013	2014	2015e	2016e	2017e	CAGR 14/17
Revenues	1,472.0	1,499.6	1,270.8	1,344.0	1,415.0	-1.9%
<i>Change</i>	10.0%	1.9%	-15.3%	5.8%	5.3%	
Organic growth	9.4%	4.6%	0.8%	5.8%	5.3%	
EBITDA	303.0	305.0	242.9	259.0	276.2	-3.3%
<i>Change</i>	12.6%	0.7%	-20.4%	6.7%	6.6%	
EBIT	159.2	149.9	111.4	120.0	129.8	-4.7%
<i>Change</i>	15.6%	-5.8%	-25.7%	7.7%	8.2%	
Adjusted EBIT	160.9	150.6	111.4	120.0	129.8	-4.8%
<i>Change</i>	11.5%	-6.4%	-26.0%	7.7%	8.2%	
Operating margin	10.9%	10.0%	8.8%	8.9%	9.2%	
Financial items	-27.9	-38.0	-37.0	-35.8	-34.8	
Pre-tax profit on ordinary activities	131.3	111.9	74.4	84.3	95.0	-5.3%
Exceptional items	0.0	-1.8	0.0	0.0	0.0	
Corporate tax	-23.6	-27.4	-25.1	-29.2	-32.3	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	1.7	3.8	30.3	36.0	40.5	
Minority interests	-7.6	-4.2	-4.6	-5.1	-5.6	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	101.8	82.3	75.0	86.0	97.6	5.9%
<i>Change</i>	26.3%	-19.2%	-8.9%	14.6%	13.6%	
Adjusted net profit	106.3	83.0	75.0	86.0	97.6	5.6%
<i>Change</i>	24.1%	-21.9%	-9.6%	14.6%	13.6%	
Cash flow statement (€m)	2013	2014	2015e	2016e	2017e	CAGR 14/17
Cash flow from operations	256.0	258.0	211.1	230.0	249.6	-1.1%
Net Investments	-193.0	-212.0	-199.6	-197.7	-201.1	-1.8%
Decrease (Increase) in WCR	3.6	-71.1	-29.3	-30.3	-15.3	
Free cash flow	66.6	-25.1	-17.9	2.1	33.2	na
Acquisitions	-51.0	-104.0	-50.0	0.0	0.0	
Dividend	-31.2	-35.0	-34.4	-39.4	-44.7	8.5%
Capital increase	1.0	0.0	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	-7.0	-55.6	-50.0	0.0	0.0	
Increase (Decrease) in cash	-21.6	-219.7	-152.3	-37.3	-11.5	
Net debt	337.0	493.9	596.2	633.5	645.0	
Gearing	29.7%	42.6%	49.5%	50.4%	49.0%	

Natixis and/or its subsidiaries is/are Liquidity Provider or Market Maker in the issuer's financial instruments and has/have been under contract with the issuer to provide liquidity in its financial instrument(s) (i.e. "contrat de liquidité")

Rating changes for Vilmorin & Cie in the last 12 months

Date	Rating	Previous	Price
10/13/2014	Neutral	Buy	€67.46

This document may mention valuation methods, which are defined as follows:

- 1/ Peer comparison method: valuation multiples for the company in question are compared with those of a sample of companies in the same sector, or with a similar financial profile. The sample average acts as a valuation benchmark, to which the analyst can, where necessary, apply discounts or premiums resulting from his/her perception of the company's specific features (legal status, growth outlook, profitability, etc.).
- 2/ NAV method: Net asset value is an assessment of the market value of the assets on a company's balance sheet using the method that the analyst deems most relevant.
- 3/ Sum of the parts method: this method involves valuing each of the company's businesses separately using the most appropriate valuation methods for each, and then adding them together.
- 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.
- 6/ Dividend discount method: with this method, the analyst establishes the present value of dividends to be paid to shareholders by the company, using a projection of dividend payments and an appropriate discount rate (generally the economic cost of equity).
- 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.

Natixis ratings cover the next six months and are as follows:

Buy	upside over 10%
Neutral	upside between +10% and -10%
Reduce	downside of more than -10% and/or high risks on business and financial fundamentals.
Present shares	favorable response to a public offer (takeover, delisting,...)

At 10/08/2015, Natixis ratings and the proportion of total stocks for which its parent company Natixis has provided investment services over the past 12 months break down as follows:

	Companies covered	Corporate companies
Buy	36.16%	3.70%
Neutral	50.00%	2.68%
Reduce	13.84%	3.23%

Reference prices are based on closing prices.

The information contained in this document and any attachment thereto is exclusively intended for a client base consisting of professionals and qualified investors. This document and any attachment thereto are strictly confidential and cannot be divulged to a third party without the prior written consent of Natixis. If you are not the intended recipient of this document and/or the attachments, please delete them and immediately notify the sender. Distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions. Neither Natixis, nor any of its affiliates, directors, employees, agents or advisers or any other person accepts any liability to any person in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction.

This document is a financial analysis that has been developed in accordance with legal requirements designed to promote the independence of investment research. Natixis developed this document for investment research activities and not for a public offering of securities nor in its capacity as agent of the issuer of the securities and independently of any issuer of securities mentioned in this document. The investments mentioned in this document may not be suitable for all types of investors. However, it is intended for general distribution and the products or services described herein do not take into account any specific investment objective, financial situation or particular need of any recipient.

This document and all attachments are communicated to each recipient for information purposes only and do not constitute a personalized investment recommendation. Natixis has neither verified nor carried out independent analysis of the information contained in this document. Accordingly, no representation, warranty or undertaking, either express or implied, is made to the recipients of this document as to or in relation to the relevance, accuracy or completeness of this document or as to the reasonableness of any assumption contained in this document. Information does not take into account specific tax rules or accounting methods applicable to counterparties, clients or potential clients of Natixis. Therefore, Natixis shall not be liable for differences, if any, between its own valuations and those valuations provided by third parties; as such differences may arise as a result of the application and implementation of alternative accounting methods, tax rules or valuation models. The statements, assumptions and opinions contained in this document may be changed or may be withdrawn by Natixis at any time without notice.

The information contained in this document may include results of analyses from a quantitative model, which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Information may be changed or may be withdrawn by Natixis at any time without notice. More generally, no responsibility is accepted by Natixis, nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisers as to or in relation to the characteristics of this information. The statements, assumptions and forecasts contained in this document and any attachment thereto reflect the judgment of its author, unless otherwise specified, and do not reflect the judgment of any other person or of Natixis.

Natixis shall not be liable for any financial loss or any decision taken on the basis of the information disclosed in this presentation and Natixis does not provide any advice, including in case of investment services.

In any event, you should request for any internal and/or external advice that you consider necessary or desirable to obtain, including from any financial, legal, tax or accounting adviser, or any other specialist, in order to verify in particular that the transaction described in this document complies with your objectives and constraints and to obtain an independent valuation of the transaction, its risk factors and rewards.

Natixis has set up due procedures for the separation of activities, notably in order to prevent conflicts of interest between research activities and its other activities. Details of these "information barriers" are available upon request from the head of compliance. Natixis implemented rules of professional conduct in order to prohibit analysts from executing personal transactions (excluding UCITS, managed accounts, etc.). Natixis also implemented an in-house policy on the remuneration of analysts in order to guarantee their independence and manage potential conflicts of interest.

It should be noted that, in the context of its activities, Natixis may have positions in financial instruments and in the issuer concerned by the recommendations or opinions provided in this document or any attachment thereto.

Natixis can be remunerated for underwriting services, investment services, advice services and any other investment service provision or banking activity and any other service related to financial instruments of the company or the companies mentioned in this document.

In this case, references made to conflicts of interests that Natixis and its affiliates may experience, with respect to the issuer(s) mentioned in this document are available on the website of the Research by clicking on the following link: <https://www.research.natixis.com/GlobalResearchWeb/main/globalresearch/DisclaimersSpecifiques>

Natixis is authorized in France by the *Autorité de Contrôle Prudentiel et de Régulation* (ACPR) as a Bank - Investment Service Provider and subject to its supervision.

Natixis is regulated by the *Autorité des Marchés Financiers* in respect of its investment services activities.

Natixis is authorized by the ACPR in France and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the United Kingdom. Details on the extent of regulation by the FCA and the Prudential Regulation Authority are available from Natixis' branch in London upon request.

Natixis is authorized by the ACPR and regulated by the BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for the conduct of its business under the right of establishment in Germany.

Natixis is authorized by the ACPR and regulated by Bank of Spain and the CNMV (*Comisión Nacional de Mercado de Valores*) for the conduct of its business under the right of establishment in Spain.

Natixis is authorized by the ACPR and regulated by Bank of Italy and the CONSOB (*Commissione Nazionale per le Società e la Borsa*) for the conduct of its business under the right of establishment in Italy.

Natixis is authorised by the ACPR and regulated by the Dubai Financial Services Authority (DFSA) for the conduct of its business in and from the Dubai International Financial Centre (DIFC). The document is being made available to the recipient with the understanding that it meets the DFSA definition of a Professional Client; the recipient is otherwise required to inform Natixis if this is not the case and return the document. The recipient also acknowledges and understands that neither the document nor its contents have been approved, licensed by or registered with any regulatory body or governmental agency in the GCC or Lebanon.

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this research report.

I(WE), ANALYST(S), WHO WROTE THIS REPORT HEREBY CERTIFY THAT THE VIEWS EXPRESSED IN THIS REPORT ACCURATELY REFLECT OUR(MY) PERSONAL VIEWS ABOUT THE SUBJECT COMPANY OR COMPANIES AND ITS OR THEIR SECURITIES, AND THAT NO PART OF OUR COMPENSATION WAS, IS OR WILL BE, DIRECTLY OR INDIRECTLY, RELATED TO THE SPECIFIC RECOMMENDATIONS OR VIEWS EXPRESSED IN THIS REPORT.

The personal views of analysts may differ from one another. Natixis, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein.

Natixis, a foreign bank and broker-dealer, makes this research report available solely for distribution in the United States to major U.S. institutional investors as defined in Rule 15a-6 under the U.S. securities Exchange Act of 1934. This document shall not be distributed to any other persons in the United States. All major U.S. institutional investors receiving this document shall not distribute the original nor a copy thereof to any other person in the United States. Natixis Securities Americas LLC, a U.S. registered broker-dealer and member of FINRA, is a subsidiary of Natixis. Natixis Securities Americas LLC did not participate in the preparation of this research report and as such assumes no responsibility for its content. This research report has been prepared and reviewed by research analysts employed by Natixis, who are not associated persons of Natixis Securities Americas LLC and are not registered or qualified as research analysts with FINRA, and are not subject to the rules of the FINRA. In order to receive any additional information about or to effect a transaction in any security or financial instrument mentioned herein, please contact your usual registered representative at Natixis Securities Americas LLC, by email or by mail at 1251 Avenue of the Americas, New York, NY 10020.

The stocks mentioned might be subject to specific disclaimers. Please click on the following link to consult them:
<https://www.research.natixis.com/GlobalResearchWeb/main/globalresearch/DisclaimersSpecifiques>