

MORNING NEWS MIDCAPS

EQUITY RESEARCH

28 April 2016

Food

Vilmorin & Cie

VILM.PA / RIN@FP

Neutral

Q3 16 turnover

Guidance targets revised upwards

Strong sales growth in the Vegetable Seeds division and a flat performance from the Field Seeds division. Management has raised its full-year growth targets but reiterated its margin guidance. Neutral rating and target price maintained.

- Limited upside given the current market environment:** although sales performed well, the stock's current valuation prevents us from raising our target price. There is still little visibility on the field seeds market. Things are beginning to look brighter for this division with a significant increase in acreage, particularly in the USA. The stock is trading at 18.1x 2016e EPS and, despite its 20% discount to the sector, we are sticking with our Neutral rating and €69.4 target price.
- Full-year guidance revised upwards:** management has raised its growth target to at least 2% (vs. 0%/2% previously). Vilmorin has not changed its operating margin guidance as it will be affected on a one-off basis by sourcing costs in Western Europe for the Field Seeds division. Our forecasts were already at the high end of the range, including 1.7% organic growth and a small increase (+60bp) in the operating margin. At this stage we are not making any changes to our forecasts as 1/ currency effects are slightly higher than we expected, and 2/ there will be the one-off effect mentioned above. An analysts' meeting will be held on 28 April at 8.45am.
- 9M sales higher than we expected:** Vilmorin's 9M sales came out higher than we expected at €989.8m (Natixis €973.5m est.), i.e. +4% lfl (Natixis +2.1%e). This solid figure was attributable to growth in the Vegetable Seeds division where revenues jumped by 11.4% (vs. 3%e lfl) despite a high comparison base in Q2 15/16. Vilmorin is clearly gaining market share at a time when its main rivals are being disrupted by management and shareholder issues. The Fields Seeds division's 9M sales came out slightly higher than we expected at €478.8m (vs. €476m), almost flat (+0.1%) year-on-year. For the record, Q3 accounts for more than 50% of the division's sales. Forex had a -3.9% impact on this division.

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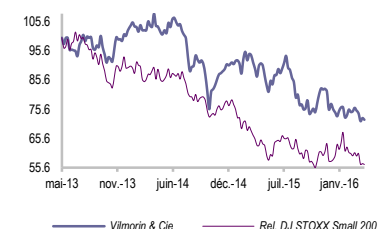
Price	04/27/2016	€61.50
Target		€69.40
Upside		12.8%

Performance	1m	12m	1 Jan
Absolute	-4.7%	-20.5%	-7.1%
Sector	1.5%	-3.8%	-2.7%
DJS Small200	2.5%	-10.6%	-4.8%

Market capitalisation	€1.3bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€79k

on 30/6	2016e	2017e	2018e
EPS (€)	3.40	3.92	5.21
Revision	-	-	-
Change	6.9%	15.2%	32.9%

P/E (x)	18.1	15.7	11.8
P/CF (x)	6.2	5.8	4.8
EV/EBIT (x)	24.0	21.8	18.2
EV/EBITDA (x)	10.7	10.0	8.7
Net yield	2.0%	2.3%	3.9%
FCF yield	2.0%	2.9%	4.0%



Source : Natixis

Equity Markets research.natixis.com

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Financial Data on 30/6

Vilmorin & Cie

Breakdown by activity (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Turnover	1,499.9	1,269.4	1,291.1	1,352.7	1,417.5	3.7%
Field seeds	856.1	595.3	589.3	624.7	662.2	3.6%
Vegetable seeds	562.6	614.6	642.3	667.9	694.7	4.2%
Home garden	79.9	58.4	58.4	59.0	59.6	0.7%
Holding	1.3	1.1	1.1	1.1	1.1	0.0%
Adjusted operating profit	149.9	100.2	108.4	118.8	126.5	8.1%
Field seeds	72.9	20.9	20.7	23.8	26.6	8.3%
Vegetable seeds	89.7	95.8	100.8	105.5	110.4	4.8%
Home garden	-3.5	-0.7	-0.2	0.4	0.9	
Holding	-9.2	-15.8	-12.9	-10.8	-11.3	10.5%
Adjusted operating margin	10.0%	7.9%	8.4%	8.8%	8.9%	
Field seeds	8.5%	3.5%	3.5%	3.8%	4.0%	
Vegetable seeds	15.9%	15.6%	15.7%	15.8%	15.9%	
Home garden	-4.4%	-1.2%	-0.3%	0.6%	1.5%	
Holding	-707.7%	-1,436.4%	-1,173.7%	-983.8%	-1,030.9%	
Profit & loss statement (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Revenues	1,499.6	1,269.4	1,291.1	1,352.7	1,490.0	5.5%
Change	1.9%	-15.4%	1.7%	4.8%	10.1%	
Organic growth	4.6%	0.7%	1.7%	3.0%	5.3%	
EBITDA	305.0	229.0	240.5	254.7	294.4	8.7%
Change	0.7%	-24.9%	5.0%	5.9%	15.6%	
EBIT	149.9	100.2	107.0	117.2	140.3	11.9%
Change	-5.8%	-33.2%	6.7%	9.6%	19.7%	
Adjusted EBIT	150.6	98.1	107.0	117.2	140.3	12.7%
Change	-6.4%	-34.9%	9.0%	9.6%	19.7%	
Operating margin	10.0%	7.7%	8.3%	8.7%	9.4%	
Financial items	-38.0	-39.2	-42.9	-42.9	-32.2	
Pre-tax profit on ordinary activities	111.9	61.0	64.0	74.3	108.0	21.0%
Exceptional items	-1.8	0.0	0.0	0.0	0.0	
Corporate tax	-27.4	-21.5	-23.0	-26.4	-36.4	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	3.8	30.3	36.0	40.5	44.6	
Minority interests	-4.2	-4.6	-5.1	-5.6	-6.1	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
Reported net profit	82.3	65.3	71.9	82.8	110.1	19.0%
Change	-19.2%	-20.7%	10.2%	15.2%	32.9%	
Adjusted net profit	83.0	67.3	71.9	82.8	110.1	17.8%
Change	-21.9%	-19.0%	6.9%	15.2%	32.9%	
Cash flow statement (€m)	2014	2015	2016e	2017e	2018e	CAGR 15/18
Cash flow from operations	258.0	65.2	210.5	225.9	270.3	60.7%
Net Investments	-212.0	-199.4	-189.9	-188.9	-204.3	0.8%
Decrease (Increase) in WCR	-71.1	56.1	5.5	0.2	-15.4	
Free cash flow	-25.1	-78.1	26.2	37.3	50.7	na
Acquisitions	-104.0	-50.0	0.0	0.0	0.0	
Dividend	-35.0	-38.5	-25.2	-29.0	-50.4	9.4%
Capital increase	0.0	0.0	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	-55.6	-50.0	0.0	0.0	0.0	
Increase (Decrease) in cash	-219.7	-216.6	1.0	8.3	0.2	
Net debt	493.9	495.8	659.5	651.2	644.7	
Gearing	42.6%	41.5%	53.0%	49.9%	46.7%	

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Reduce	downside of more than -10% and/or high risks on business and financial fundamentals.
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Reference prices are based on closing prices.

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