

# MORNING NEWS MIDCAPS

## EQUITY RESEARCH

31 July 2014

Food

# Vilmorin & Cie

VILM.PA / RIN@FP

# Buy

## Target price change

### Tougher than expected end to the year

With Q4 14 sales falling short of its guidance, Vilmorin has cut its 2013/14 operating margin outlook to ~10% vs. ~10.5%. These numbers, though clearly disappointing, do not call into question the long-term growth story offered by Vilmorin. Buy.

- **Based on its Q4 sales, which came in short of the guidance** (organic growth of -0.6% in Q4 2013/14 vs. guidance of +~6.5%), **Vilmorin has warned that the adjusted operating margin for 2013/14** (due in September) **could be close to 10% vs. a previous target of 10.5%. This points to downward revisions in the consensus of 6-8%.** But these numbers, though clearly disappointing, do not call into question the long-term growth potential offered by Vilmorin. **We are therefore maintaining our Buy rating with a target price of €105 vs. €110.**
- **We have lowered our 2014/16 EPS estimates by 10% on average** to take account of the warning on 2013/14 operating profit.
- **Q4 2013/14 sales came in at €353m** (6% short of our expectations), down 0.6% in organic terms.
- **The unpleasant surprise came from the field seeds division, which saw its sales decline by 2.4% in organic terms in Q4 2013/14.** In addition to a very demanding comparison base (organic growth of +22% in Q4 2012/13), the group said it had been hit by adverse market conditions, with: 1/ a decline in grown areas for corn (Europe and US) and 2/ pressure on grain and oil seed prices. The group would rather take a cautious stance for the coming year at this stage. For our part, we see return to momentum of +10% (in organic terms).
- Despite a slowdown in Q4 2013/14 (organic growth of +1.7% vs. +10.3% over 9m 2013/14), **the performance from vegetable seeds remains solid**, despite demanding comparison (+14.3% in Q4 2012/13). The group continues to benefit from: 1/ globally positive conditions, and 2/ further market share gains. The recovery seen this year (organic growth +7.3%) should extend into next year (organic growth of +5% estimated).
- **An operating margin of close to 10% implies an adjusted operating profit of €150m over the year.** It is our understanding that the downgraded guidance relates to weaker-than-expected sales in Q4 2013/14 (including a weaker price effect than field seeds) and a slightly more unfavourable currency effect than expected.

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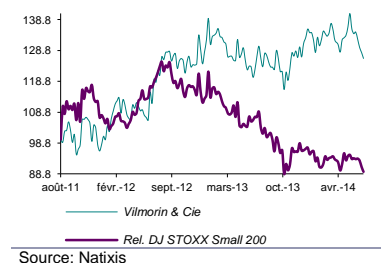
Price	07/30/2014	€92.50
Target	↘	€105.00
Upside		13.5%

Performance	1m	12m	1 Jan
Absolute	-6.3%	1.4%	-4.8%
Sector	-1.4%	8.9%	5.1%
DJS Small200	-1.3%	15.7%	2.2%

Market capitalisation	€1.6bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€163k

on 30/6	2014e	2015e	2016e
EPS (€)	5.02	5.57	6.22
Revision	-10.0%	-8.9%	-9.0%
Change	-7.2%	11.0%	11.7%

P/E (x)	18.4	16.6	14.9
P/CF (x)	7.0	6.4	5.9
EV/EBIT (x)	13.9	12.5	11.3
EV/EBITDA (x)	7.1	6.4	5.9
Net yield	2.0%	2.2%	2.4%
FCF yield	2.3%	1.6%	2.8%



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## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2012	2013	2014e	2015e	2016e	CAGR 13/16
<b>Turnover</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,499.9</b>	<b>1,637.1</b>	<b>1,761.5</b>	<b>6.2%</b>
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%
<b>Adjusted operating profit</b>	<b>144.3</b>	<b>158.3</b>	<b>152.7</b>	<b>171.6</b>	<b>189.3</b>	<b>6.1%</b>
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%
<b>Adjusted operating margin</b>	<b>10.8%</b>	<b>10.8%</b>	<b>10.2%</b>	<b>10.5%</b>	<b>10.7%</b>	
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%	
<b>Profit &amp; loss statement (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>CAGR 13/16</b>
<b>Revenues</b>	<b>1,338.0</b>	<b>1,472.5</b>	<b>1,499.9</b>	<b>1,637.1</b>	<b>1,761.5</b>	<b>6.2%</b>
<i>Change</i>	12.3%	10.1%	1.9%	9.1%	7.6%	
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>	-2.5%	12.3%	-0.4%	10.8%	9.0%	
<b>EBIT</b>	<b>137.7</b>	<b>156.6</b>	<b>152.7</b>	<b>171.6</b>	<b>189.3</b>	<b>6.5%</b>
<i>Change</i>	-12.1%	13.7%	-2.5%	12.4%	10.3%	
Adjusted EBIT	144.3	158.3	152.7	171.6	189.3	6.1%
<i>Change</i>	13.9%	9.7%	-3.5%	12.4%	10.3%	
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	
<b>Reported net profit</b>	<b>80.6</b>	<b>99.5</b>	<b>96.5</b>	<b>107.2</b>	<b>119.7</b>	<b>6.3%</b>
<i>Change</i>	-11.4%	23.4%	-3.0%	11.0%	11.7%	
Adjusted net profit	85.7	104.0	96.5	107.2	119.7	4.8%
<i>Change</i>	23.2%	21.4%	-7.2%	11.0%	11.7%	
<b>Cash flow statement (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>CAGR 13/16</b>
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	
<b>Net debt</b>	<b>315.7</b>	<b>337.0</b>	<b>430.4</b>	<b>443.7</b>	<b>441.8</b>	
<b>Gearing</b>	<b>28.1%</b>	<b>29.3%</b>	<b>35.3%</b>	<b>34.2%</b>	<b>31.9%</b>	

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