

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

07 November 2012

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

### Buy

#### Q1 13 turnover

### Organic growth misses our forecast, no impact

The Q1 12/13 sales figures (reported figure in line, organic trend below) do not undermine our 2012/13 expectations. FY guidance reiterated (organic growth >6%, operating margin 11%). Encouraging comments about the production deficit being closed in the USA. Buy reiterated.

- Subsequent to the Q1 12/13 sales figures, **we reiterate our positive stance on Vilmorin for the following reasons: 1/ the potential for a stock rerating vs. the sector** (Vilmorin's 12m PE is 15.6x based on our forecasts vs. 16.7x for the sector), and **2/ the group's capacity to surprise on the upside** with its next releases and to **exceed its guidance**, and **3/ the long-term potential for top-line growth >5%** and for **operating margin gains**.
- Q1 12/13 revenues came out broadly in line with our forecast at €187.3m. Organic growth was lower than expected (+1.6% vs. +4%e) but this was offset by currency effects (+3.2%).** This lower-than-expected organic growth was largely attributable to a downturn in the Home Garden division (-7.6% organic vs. 0% expected) and +1.9% organic growth in the Vegetable Seeds division vs. +4% expected. Note that, **after restating for invoicing delays in Japan (~€1.75bn)**, the Vegetable Seeds division's **organic growth came to +3.6% and the group's organic growth rate came to +2.5%**. Note also that Q1 only accounts for ~15% of full-year revenues and is not representative of the group's business mix.
- The group confirmed its organic growth target of >6%** (of which >4% for Vegetable Seeds and >8% for Field Seeds) **and its operating margin target of 11% including €180m in research spending** (vs. 10.8% in 2011/12).
- The Vegetable Seeds division's organic growth rate came to +1.9% (+3.6% restated for Japan).** A rebound in business activity in Africa/Middle East and the buoyant momentum in the USA helped to offset a weak performance in Europe where the market is still under pressure. **This does not undermine our 2012/13e organic growth estimate of 5%.**
- Organic growth in the Field Seeds division came to 2.9%** thanks to a good harvest for rapeseed and straw cereals in Europe. Management said that **a good counter-season production plan will make it possible to close the corn production deficit in the USA.** All the sector's players have had to face this problem, so **it should not be difficult to pass these extra production costs on to selling prices.** We therefore feel **comfortable with our 2012/13e organic growth forecast for the Field Seeds division of +10% vs. guidance >8%.**

Analyst(s)

Nicolas Langlet (33 1) 58 55 00 95  
 Joséphine Chevallier (33 1) 58 55 96 55  
 Pierre Tegnér (33 1) 58 55 24 34  
 Olivier Delahousse (33 1) 58 55 04 47

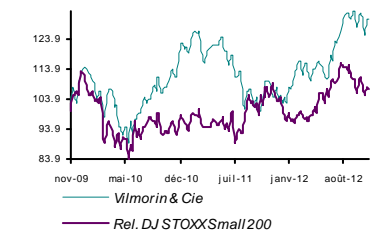
Price	11/06/2012	€92.49
Target		€110.00
Upside		18.9%

Performance	1m	12m	1 Jan
Absolute	0.1%	18.8%	25.6%
Sector	-0.8%	26.6%	17.7%
DJS Small200	0.9%	16.4%	17.9%

Market capitalisation	€1.6bn
Free float	27.7%
Limagrain	72.3%
Daily volume	€415k

on 30/6	2013e	2014e	2015e
EPS (€)	5.74	6.28	6.89
Revision	-	-	-
Change	15.3%	9.4%	9.8%

P/E (x)	16.1	14.7	13.4
P/CF (x)	6.4	6.0	5.6
EV/EBIT (x)	12.5	11.5	10.5
EV/EBITDA (x)	6.7	6.2	5.7
Net yield	2.1%	2.3%	2.6%
FCF yield	1.9%	3.4%	4.7%



Equity Markets equity.natixis.com  
 Bloomberg access NXSE

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

EQUITY MARKETS

CORPORATE & INVESTMENT BANKING / INVESTMENT SOLUTIONS / SPECIALIZED FINANCIAL SERVICES



## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2011	2012e	2013e	2014e	2015e	CAGR 12/15
<b>Turnover</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,429.0</b>	<b>1,502.3</b>	<b>1,576.7</b>	<b>5.6%</b>
Field seeds	598.6	728.7	793.5	841.1	891.6	7.0%
Vegetable seeds	510.3	527.2	552.5	577.4	600.5	4.4%
Home garden	81.9	80.8	81.6	82.4	83.2	1.0%
Unallocated costs	1.0	1.3	1.3	1.3	1.3	0.0%
<b>Adjusted operating profit</b>	<b>126.7</b>	<b>137.7</b>	<b>162.9</b>	<b>175.4</b>	<b>189.7</b>	<b>11.3%</b>
Field seeds	39.8	74.0	87.3	94.2	102.5	11.5%
Vegetable seeds	80.2	76.9	85.1	90.7	96.7	7.9%
Home garden	6.5	-1.8	1.5	1.5	1.5	
	0.2	-11.4	-11.0	-11.0	-11.0	1.2%
<b>Adjusted operating margin</b>	<b>10.6%</b>	<b>10.3%</b>	<b>11.4%</b>	<b>11.7%</b>	<b>12.0%</b>	
Field seeds	6.6%	10.2%	11.0%	11.2%	11.5%	
Vegetable seeds	15.7%	14.6%	15.4%	15.7%	16.1%	
Home garden	7.9%	-2.2%	1.8%	1.8%	1.8%	
	20.0%	-876.9%	-846.2%	-846.2%	-846.2%	
<b>Profit &amp; loss statement (€m)</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
<b>Revenues</b>	<b>1,191.8</b>	<b>1,338.0</b>	<b>1,429.0</b>	<b>1,502.3</b>	<b>1,576.7</b>	<b>5.6%</b>
<i>Change</i>	<i>12.0%</i>	<i>12.3%</i>	<i>6.8%</i>	<i>5.1%</i>	<i>5.0%</i>	
Organic growth	9.6%	11.0%	7.5%	5.1%	5.0%	
<b>EBITDA</b>	<b>276.0</b>	<b>269.0</b>	<b>305.9</b>	<b>325.7</b>	<b>347.5</b>	<b>8.9%</b>
<i>Change</i>	<i>37.4%</i>	<i>-2.5%</i>	<i>13.7%</i>	<i>6.5%</i>	<i>6.7%</i>	
<b>EBIT</b>	<b>156.7</b>	<b>137.7</b>	<b>162.9</b>	<b>175.4</b>	<b>189.7</b>	<b>11.3%</b>
<i>Change</i>	<i>43.4%</i>	<i>-12.1%</i>	<i>18.3%</i>	<i>7.7%</i>	<i>8.2%</i>	
Adjusted EBIT	126.7	144.3	162.9	175.4	189.7	9.6%
<i>Change</i>	<i>15.9%</i>	<i>13.9%</i>	<i>12.9%</i>	<i>7.7%</i>	<i>8.2%</i>	
Operating margin	10.6%	10.8%	11.4%	11.7%	12.0%	
Financial items	-21.3	-26.3	-16.5	-15.0	-13.5	
Pre-tax profit on ordinary activities	105.4	118.0	146.4	160.4	176.2	14.3%
Exceptional items	30.0	-6.6	0.0	0.0	0.0	
Corporate tax	-38.7	-26.1	-42.2	-46.2	-50.7	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.6	1.8	1.8	1.8	1.8	
Minority interests	-6.3	-6.5	-7.2	-7.9	-8.7	
Net profit on divested activities	0.0	0.0	0.0	0.0	0.0	
<b>Reported net profit</b>	<b>91.0</b>	<b>80.6</b>	<b>98.8</b>	<b>108.1</b>	<b>118.7</b>	<b>13.8%</b>
<i>Change</i>	<i>67.9%</i>	<i>-11.4%</i>	<i>22.6%</i>	<i>9.4%</i>	<i>9.8%</i>	
Adjusted net profit	69.5	85.7	98.8	108.1	118.7	11.5%
<i>Change</i>	<i>15.1%</i>	<i>23.2%</i>	<i>15.3%</i>	<i>9.4%</i>	<i>9.8%</i>	
<b>Cash flow statement (€m)</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>	<b>CAGR 12/15</b>
Cash flow from operations	167.0	225.7	249.0	266.3	285.1	8.1%
Net Investments	-148.0	-168.0	-174.3	-186.6	-183.9	3.1%
Decrease (Increase) in WCR	-11.9	-67.0	-45.0	-25.7	-26.0	
Free cash flow	7.1	-9.3	29.7	54.1	75.2	na
Acquisitions	17.0	-13.0	0.0	0.0	0.0	
Dividend	-35.0	-30.3	-32.7	-36.6	-41.0	10.6%
Capital increase	-11.5	55.7	0.0	0.0	0.0	
Divestments	-	-	-	-	-	
Miscellaneous	0.4	-48.7	0.0	0.0	0.0	
Increase (Decrease) in cash	-22.0	-45.6	-3.0	17.5	34.2	
<b>Net debt</b>	<b>270.2</b>	<b>315.7</b>	<b>318.7</b>	<b>301.3</b>	<b>267.1</b>	
<b>Gearing</b>	<b>26.1%</b>	<b>28.1%</b>	<b>26.7%</b>	<b>23.6%</b>	<b>19.6%</b>	

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

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.

\* Up to 04/30/2010, Natixis ratings covered the next six months and were as follows:

Buy	upside of 15% to market and high-quality fundamentals.
Add	upside of 0-15% and/or high risk.
Reduce	downside of 0-15%.
Sell	downside of more than 15% and/or high risks on business and financial fundamentals.

From 05/01/2010, 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 11/07/2012, 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	40.92%	2.17%
Neutral	42.28%	0.54%
Reduce	15.18%	0.00%

Reference prices are based on closing prices.

The information contained in these publications is exclusively intended for a client base consisting of professionals or qualified investors. It is sent to you by way of information and cannot be divulged to a third party without the prior consent of Natixis. It cannot be considered under any circumstances as an offer to sell, or a solicitation of any offer to buy financial instruments. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past and simulated performances offer no guarantee as to future performances. Any opinions offered herein reflect our current judgement and may change without notice. Natixis cannot be held responsible for the consequences of any decision made with regard to the information contained in those documents. Natixis has set up due procedures for the separation of activities, notably in order to prevent conflicts of interest between the research activities and its other activities. Details of these 'information barriers' are available on request from the head of compliance. On the date of those reports, Natixis and/or one of its subsidiaries may be in a conflict of interest with the issuer mentioned herein. In particular, it may be that Natixis or any person or company linked thereto, their respective directors and/or representatives and/or employees, have invested on their own account in, or act or intend to act, in the next twelve months, as an advisor, provider of liquidity, market maker, or corporate banker (and notably for underwriting transactions, placements or connected transactions), for a company discussed in this report.

This research may be disseminated from the United Kingdom by Natixis, London Branch, which is authorised by the ACP and subject to limited regulation by the Financial Services Authority. Details about the extent of regulation by the Financial Services Authority are available from the London Branch on request.

The transfer / distribution of this document in Germany is done by / under the responsibility of Natixis Zweigniederlassung Deutschland. NATIXIS is authorized by the ACP and regulated by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) for the conduct of its business in Germany.

Natixis is authorised by the ACP and regulated by Bank of Spain and the CNMV for the conduct of its business in Spain.

Natixis is authorised by the ACP and regulated by Bank of Italy and the CONSOB (Commissione Nazionale per le Società e la Borsa) for the conduct of its business in Italy.

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 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.

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.