

# Vilmorin Clause & Cie (€128.5)

Reuters: VILM.PA

Bloomberg: RIN FP

Food Producers France

**BUY**  
**€147.5** (Target)

## 1H earnings/3Q sales

Next event: 4Q sales - 04/08/04

Market cap: €410m

Net debt 2004E: €93m

Book value per share 2004E: €89.8

Range (12m): €142-78.1

Av. daily volume: 1,600

Free float: 29.9%

Rel perf/SBF 250 (%):

1m -1

3m +20

12m +33

Abs perf (%):

1m -5

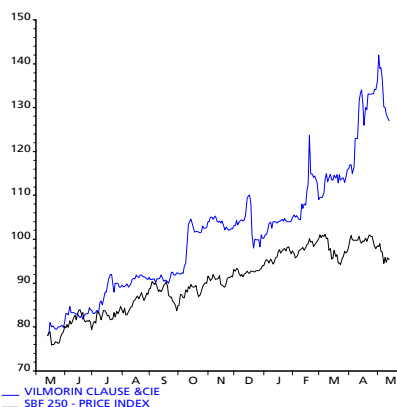
3m +18

12m +63

## Excellent figures

- Full-year targets increased.** As usual, the group had an excellent surprise in store with its extremely solid 1H earnings and 3Q sales. This has prompted us to **increase our EBIT forecasts by 8-9% and our EPS forecast by 12%**, with operating margin of over 11%. We therefore predict **EPS CAGR of around 12%** for the period from 2003-07E, compared with a rate of closer to 9% in the past.
- Main growth drivers.** We are still confident, as the group should benefit from a number of growth drivers, with considerable potential for improvement in productivity. **Asia** is still a major growth driver, as the structure of the market is likely to favour further **mergers** (eg Seminis), which will probably allow the group to become world market leader in the trade segment in the long term. Furthermore, given the group's R&D expertise, the recovery of the consumer division and its financial resources to pursue its acquisition strategy, we are confident that it will be able to continue to improve its margins.
- Status should be factored into the share price.** We maintain our **BUY** recommendation and have adjusted our share price target to **€147.5**. This would be closer to €155-160 if we take into account a reduction in Vilmorin's discount to the rest of the market and in view of sector acquisition multiples which would value the group at over 1x sales. Forthcoming news flow should support this uptrend.

### Vilmorin vs SBF 250 (1 year)



Source: Datastream

Year to June	Sales (€m)	EBITDA (€m)	Attrib net profit (€m)	EPS* (€)	Net div (€)	P/E (x)	EV/EBITDA (x)	Net yield (%)
2003	429.8	51.9	23.3	8.67	3.80	14.8	9.4	3.0
2004E	491.8	70.3	29.7	10.23	4.66	12.6	7.2	3.6
2005E	513.6	75.1	34.1	11.31	5.34	11.4	6.6	4.2
2006E	537.0	80.5	37.2	12.30	5.84	10.4	6.0	4.5

\* Before exceptionals and goodwill

This is a translated résumé of a note in French published on 14th May 2004

Jean-François Granjon

+33 (0)4 72 68 27 05

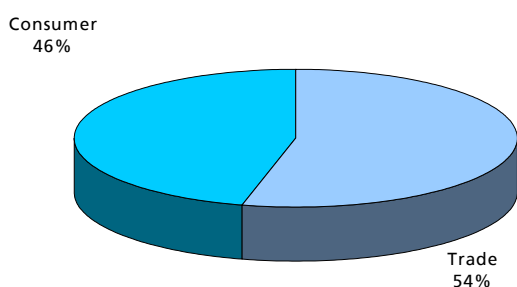
jean-francois.granjon@clse.com

17th May 2004

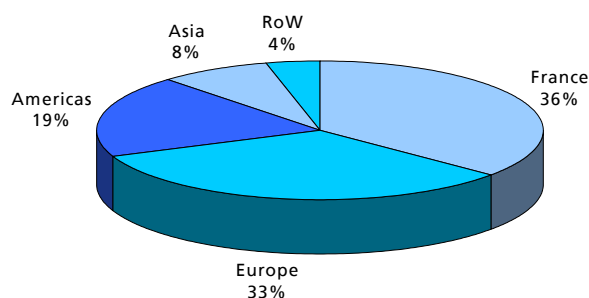
## Profit and loss account 2003-06E

Year to Jun (€m)	2003	2004E	2005E	2006E
<b>Sales</b>	<b>429.8</b>	<b>491.8</b>	<b>513.6</b>	<b>537.0</b>
% change	-0.1	+14.4	+4.4	+4.6
Labour cost	-114.2	-125.6	-129.4	-133.3
<b>EBITDA</b>	<b>51.9</b>	<b>70.3</b>	<b>75.1</b>	<b>80.5</b>
EBITDA margin (%)	12.1	14.3	14.6	15.0
Depreciation & provisions	-12.3	-13.3	-13.6	-15.0
Other items	6.8	0.0	0.0	0.0
<b>EBIT</b>	<b>46.4</b>	<b>57.0</b>	<b>61.4</b>	<b>65.5</b>
Net interest charge	-5.3	-4.4	-4.1	-3.6
Earnings before tax	41.1	52.6	57.3	61.8
Tax	-12.1	-18.7	-20.0	-21.4
Net associates after tax	-0.1	0.0	0.0	0.0
Minorities	-1.2	-1.2	-1.2	-1.2
Joint venture income	0.0	0.0	0.0	0.0
Exceptional items	-3.9	-2.0	-1.0	-1.0
Goodwill amortisation	-0.5	-0.9	-1.0	-1.0
<b>Attributable net profit</b>	<b>23.3</b>	<b>29.7</b>	<b>34.1</b>	<b>37.2</b>
Adjusted profit before tax	39.8	51.4	56.1	60.6
<b>Adj attributable profit</b>	<b>27.7</b>	<b>32.6</b>	<b>36.1</b>	<b>39.2</b>
Tax rate (%)	29.5	35.6	35.0	34.6
Average workforce (unit)	2,786	3,075	3,167	3,262
Number of shares (m)	3	3	3	3
<b>EPS reported (€)</b>	<b>7.29</b>	<b>9.32</b>	<b>10.68</b>	<b>11.67</b>
EPS adj before goodwill (€)	8.67	10.23	11.31	12.30
Goodwill per share (€)	0.16	0.28	0.31	0.31
CFPS (€)	5.06	5.25	12.81	13.99
Free CFPS (€)	-1.21	0.86	8.73	9.92
Book value per share (€)	83.95	89.79	95.76	101.89
Net dividend (€)	3.80	4.66	5.34	5.84

## Sales by activity



## Geographical sales split



## Cash flow statement 2003-06E

Year to Jun (€m)	2003	2004E	2005E	2006E
<b>EBITDA</b>	<b>51.9</b>	<b>70.3</b>	<b>75.1</b>	<b>80.5</b>
Exceptional items	-3.9	-2.0	-1.0	-1.0
Change in working capital	-18.3	-30.4	-10.1	-10.8
Provisions & other items	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>29.7</b>	<b>37.9</b>	<b>64.0</b>	<b>68.7</b>
Net interest	-5.3	-4.4	-4.1	-3.6
Tax paid	-12.1	-18.7	-20.0	-21.4
Capital expenditure	-16.1	-12.0	-12.0	-12.0
<b>Free cash flow</b>	<b>-3.8</b>	<b>2.7</b>	<b>27.8</b>	<b>31.6</b>
Dividends	-10.3	-12.1	-14.9	-17.0
Acquisitions/disposals	-0.1	-23.5	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0
Other (currency etc)	7.2	19.6	-1.7	-2.6
<b>Change in net cash</b>	<b>-7.0</b>	<b>-13.2</b>	<b>11.3</b>	<b>11.9</b>

## Balance sheet summary 2003-06E

Year to Jun (€m)	2003	2004E	2005E	2006E
<b>Fixed assets</b>	<b>94.9</b>	<b>107.0</b>	<b>107.4</b>	<b>107.4</b>
Goodwill & intangibles	91.3	102.4	101.4	100.4
Non monetary working cap	197.4	227.8	237.8	248.6
<b>Net cash/(debt)</b>	<b>-79.8</b>	<b>-93.0</b>	<b>-81.8</b>	<b>-69.8</b>
Provisions & others	17.2	17.7	18.2	19.2
<b>Shareholders' funds</b>	<b>286.6</b>	<b>326.5</b>	<b>346.7</b>	<b>367.4</b>
Minorities & preference	18.9	40.1	41.3	42.5
Ordinary shareholders' equity	267.7	286.4	305.4	324.9

## Investment ratios 2003-06E

Year to Jun	2003	2004E	2005E	2006E
<b>P/E before goodwill (x)</b>	<b>14.8</b>	<b>12.6</b>	<b>11.4</b>	<b>10.4</b>
Reported P/E (x)	17.6	13.8	12.0	11.0
P/CF (x)	25.4	24.5	10.0	9.2
P/BV (x)	1.5	1.4	1.3	1.3
Net yield (%)	3.0	3.6	4.2	4.5
EV/sales (x)	1.1	1.0	1.0	0.9
<b>EV/EBITDA (x)</b>	<b>9.4</b>	<b>7.2</b>	<b>6.6</b>	<b>6.0</b>
EV/EBIT (x)	10.6	8.8	8.0	7.3
ROE (%)	10.4	11.8	12.2	12.4
ROCE (%)	12.3	13.9	13.9	14.5
Gearing (%)	27.8	28.5	23.6	19.0
Pay out (%)	52.1	50.0	50.0	50.0

## Company data

<b>Shareholders</b>	51.4%	Groupe Limagrain Holding
	29.9%	Public
	9.3%	Limagrain
	9.3%	Sélia
	0.1%	Treasure shares

**Management** M. Daniel CHERON (MD)  
M. Daniel JACQUEMOND (FD)

**Address** 4, quai de la Mégisserie 75001 PARIS  
Tel: +33 (0)4 73 63 41 95 - Fax: +33 (0)  
4 73 63 41 80

Source for all tables on this page: Company data/Oddo Midcap

**Our system of recommendations reflects expected absolute returns in local currencies on a 6-month time horizon:**

<b>BUY</b>	=	expected return above 15%
<b>ADD</b>	=	expected return between 0% and 15%
<b>REDUCE</b>	=	expected return between 0% and -15%
<b>SELL</b>	=	expected return worse than -15%

**CLSE France - Groupe Oddo**

81-83 rue de Richelieu  
75002 Paris  
T : +33 (0)1 49 24 80 80  
F : +33 (0)1 42 95 36 87  
Contact : Christophe Havret

**Oddo Midcap**

Tour Suisse  
1 boulevard Vivier Merle  
69443 Lyon Cedex 03  
T : +33 (0)4 72 68 27 00  
F : +33 (0)4 72 35 16 95  
Contact : Edith Laborie

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