

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

06 November 2015

Food

## Vilmorin & Cie

VILM.PA / RIN@FP

# Neutral

### Q1 16 sales

## Q1 sales better than expected

**Q1 16 sales beat expectations, thanks to a decent performance in field seeds. Q1 is not a significant quarter, but this performance puts the group on track to deliver on its 2015/16 guidance. Still Neutral with a confirmed target of €69.4.**

- **Vilmorin's Q1 16 sales beat our expectations and those of the consensus at €209.8m** (vs. €195.6me), with organic growth of 3.5%. Revenues at the vegetable seeds division were in line with our estimates at €122.1m (vs. €122.4me). The nice surprise was provided by the field seeds segment, which posted like-for-like growth of 4.3% while we had expected a return to growth more in the second half of the year. In all events, Q1 is a fairly unrepresentative quarter, accounting for on average 15% of full-year sales. The garden division reported sales of €8.3m, vs. €9.4me.
- **We are confirming our target price of €69.4 and our Neutral rating.** The business environment for the field seeds division does not yet offer enough visibility. We have adjusted our revenue assumptions in line with the trends given for the year, with organic growth expected at 1.7% this year and we remain cautious for the next few years. At the operating profit level, we think the group will do better than the guidance of 8% given at the full-year release. We estimate the operating margin at 8.4% for 2016 and see a return to close to 9% by 2019.
- **The company confirmed its guidance for 2015/16.** For the vegetable seeds division, the group continues to grow and is achieving further market share gains. For the field seeds segment, the market environment remains tough, due to the downward pressure from agricultural prices. **A positive point is the situation in Ukraine and Russia** which seems to be stabilising. To recap, the company suffered negative sales growth of €20m in the zone, which knocked around €10m off the operating margin. The 2015/16 operating margin should include an R&D effort of €225m, compared to €210m for 2014/15.

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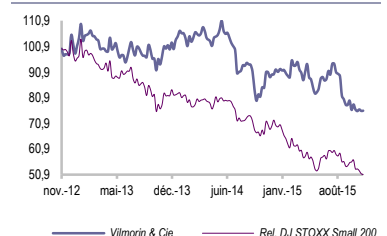
<b>Price</b>	<b>11/05/2015</b>	<b>€64.08</b>
<b>Target</b>		<b>€69.40</b>
<b>Upside</b>		<b>8.3%</b>

Performance	1m	12m	1 Jan
Absolute	-4.6%	-10.4%	-16.7%
Sector	7.9%	22.0%	19.0%
DJS Small200	4.4%	18.0%	13.8%

Market capitalisation	€1.3bn
Free float	32.6%
Limagrain	67.4%
Daily volume	€196k

on 30/6	2015e	2016e	2017e
EPS (€)	3.18	3.40	3.92
Revision	-10.3%	-16.3%	-15.1%
Change	-26.2%	6.9%	15.2%

P/E (x)	20.1	18.8	16.4
P/CF (x)	20.8	6.4	6.0
EV/EBIT (x)	25.0	24.5	22.3
EV/EBITDA (x)	10.7	10.9	10.2
Net yield	2.9%	1.9%	2.2%
FCF yield	-5.9%	2.0%	2.8%



Source: Natixis

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## Financial Data on 30/6

Vilmorin &amp; Cie

Breakdown by activity (€m)	2013	2014	2015e	2016e	2017e	CAGR 14/17
<b>Turnover</b>	<b>1,472.5</b>	<b>1,499.9</b>	<b>1,269.4</b>	<b>1,291.1</b>	<b>1,352.7</b>	<b>-3.4%</b>
Field seeds	846.8	856.1	595.3	589.3	624.7	-10.0%
Vegetable seeds	544.9	562.6	614.6	642.3	667.9	5.9%
Home garden	79.5	79.9	58.4	58.4	59.0	-9.6%
Holding	1.3	1.3	1.1	1.1	1.1	-5.4%
<b>Adjusted operating profit</b>	<b>158.3</b>	<b>149.9</b>	<b>100.2</b>	<b>108.4</b>	<b>118.8</b>	<b>-7.5%</b>
Field seeds	84.0	72.9	20.9	20.7	23.8	-31.1%
Vegetable seeds	82.0	89.7	95.8	100.8	105.5	5.5%
Home garden	-2.9	-3.5	-0.7	-0.2	0.4	
Holding	-4.8	-9.2	-15.8	-12.9	-10.8	-5.6%
<b>Adjusted operating margin</b>	<b>10.8%</b>	<b>10.0%</b>	<b>7.9%</b>	<b>8.4%</b>	<b>8.8%</b>	
Field seeds	9.9%	8.5%	3.5%	3.5%	3.8%	
Vegetable seeds	15.0%	15.9%	15.6%	15.7%	15.8%	
Home garden	-3.6%	-4.4%	-1.2%	-0.3%	0.6%	
Holding	-369.2%	-707.7%	-1,436.4%	-1,173.7%	-983.8%	
<b>Profit &amp; loss statement (€m)</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>	<b>CAGR 14/17</b>
<b>Revenues</b>	<b>1,472.0</b>	<b>1,499.6</b>	<b>1,269.4</b>	<b>1,291.1</b>	<b>1,352.7</b>	<b>-3.4%</b>
<i>Change</i>	<i>10.0%</i>	<i>1.9%</i>	<i>-15.4%</i>	<i>1.7%</i>	<i>4.8%</i>	
Organic growth	9.4%	4.6%	0.7%	1.7%	3.0%	
EBITDA	303.0	305.0	229.0	240.5	254.7	-5.8%
<i>Change</i>	<i>12.6%</i>	<i>0.7%</i>	<i>-24.9%</i>	<i>5.0%</i>	<i>5.9%</i>	
<b>EBIT</b>	<b>159.2</b>	<b>149.9</b>	<b>100.2</b>	<b>107.0</b>	<b>117.2</b>	<b>-7.9%</b>
<i>Change</i>	<i>15.6%</i>	<i>-5.8%</i>	<i>-33.2%</i>	<i>6.7%</i>	<i>9.6%</i>	
Adjusted EBIT	160.9	150.6	98.1	107.0	117.2	-8.0%
<i>Change</i>	<i>11.5%</i>	<i>-6.4%</i>	<i>-34.9%</i>	<i>9.0%</i>	<i>9.6%</i>	
Operating margin	10.9%	10.0%	7.7%	8.3%	8.7%	
Financial items	-27.9	-38.0	-39.2	-42.9	-42.9	
Pre-tax profit on ordinary activities	131.3	111.9	61.0	64.0	74.3	-12.7%
Exceptional items	0.0	-1.8	0.0	0.0	0.0	
Corporate tax	-23.6	-27.4	-21.5	-23.0	-26.4	
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	
<b>Reported net profit</b>	<b>101.8</b>	<b>82.3</b>	<b>65.3</b>	<b>71.9</b>	<b>82.8</b>	<b>0.2%</b>
<i>Change</i>	<i>26.3%</i>	<i>-19.2%</i>	<i>-20.7%</i>	<i>10.2%</i>	<i>15.2%</i>	
Adjusted net profit	106.3	83.0	67.3	71.9	82.8	-0.1%
<i>Change</i>	<i>24.1%</i>	<i>-21.9%</i>	<i>-19.0%</i>	<i>6.9%</i>	<i>15.2%</i>	
<b>Cash flow statement (€m)</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>	<b>CAGR 14/17</b>
Cash flow from operations	256.0	258.0	65.2	210.5	225.9	-4.3%
Net Investments	-193.0	-212.0	-199.4	-189.9	-188.9	-3.8%
Decrease (Increase) in WCR	3.6	-71.1	56.1	5.5	0.2	
Free cash flow	66.6	-25.1	-78.1	26.2	37.3	na
Acquisitions	-51.0	-104.0	-50.0	0.0	0.0	
Dividend	-31.2	-35.0	-38.5	-25.2	-29.0	-6.1%
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	-216.6	1.0	8.3	
<b>Net debt</b>	<b>337.0</b>	<b>493.9</b>	<b>495.8</b>	<b>659.5</b>	<b>651.2</b>	
<b>Gearing</b>	<b>29.7%</b>	<b>42.6%</b>	<b>41.5%</b>	<b>53.0%</b>	<b>49.9%</b>	

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