

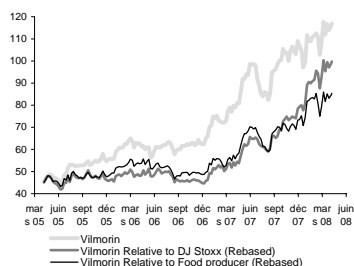
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Vilmorin

Food products France

Quarterly sales

Recommendation Buy (1)
Price (06/05/2008) 117.00 EUR
Target price 116.50 EUR



Reuter: VILM.PA
Bloomberg: RIN FP
12-month high: 119.84
12-month low: 80.05

Multiples

	06/07	06/08e	06/09e	06/10e
P/E	17.0	26.6	24.0	21.7
Net. yield (%)	2.4%	1.6%	1.7%	2.0%
FCF yield (%)	2.2%	3.9%	3.3%	4.0%
P/Book value	1.5	2.4	2.3	2.1
EV/Sales	1.4	2.1	2.0	1.9
EV/EBITDA	8.4	10.1	9.4	8.7
EV/EBIT(recur)	16.4	17.7	16.8	15.3

Per share data

EUR	06/07	06/08e	06/09e	06/10e
EPS (AANP)	4.09	4.40	4.87	5.39
%Change	2.3%	7.5%	10.7%	10.7%
EPS (ANP)	4.09	4.55	4.87	5.39
%Change	-10.6%	11.2%	7.0%	10.7%
Dividend	1.66	1.87	2.05	2.32
Book value	45.43	48.32	51.33	54.67

Income statement

(EUR m)	06/07	06/08e	06/09e	06/10e
Sales	938.3	895.7	925.3	959.5
%Change	88.7%	-4.5%	3.3%	3.7%
Op.profit(recur.)	80.5	108.1	112.7	121.3
%Change	42.8%	34.3%	4.2%	7.6%
Op.profit(EBIT)	95.0	108.1	112.7	121.3
Attr. net profit	54.8	60.9	65.2	72.2
Adj. attr. NP	54.8	58.9	65.2	72.2

Financial data

	06/07	06/08e	06/09e	06/10e
ROCE bef. Tax	12.1%	9.9%	10.2%	10.8%
ROCE after Tax	9.4%	7.3%	7.5%	8.0%
ROE	11.8%	9.4%	9.8%	10.2%
FCF	20.5	61.8	51.5	63.0
Net debt	345	306	279	244
Gearing	48.9%	40.8%	35.1%	28.8%
Net Debt/EBITDA	2.2	1.6	1.4	1.1
EBITDA/Interest	8.0	9.1	11.5	13.3

Performance

	1 mo	3 mos	12 mos
Absolute perf.	-0.6%	6.3%	48.1%
Perf./country	1.05	1.27	1.74
Perf./DJ sector	0.96	1.14	1.43

Liquidity

Market Cap.	1 567
EV	1 890
No. of shares (m)	13.4
avg. volume /d	726
Groupe Limagrain	69.0%
Free Float	31.0%

Faster growth

Vilmorin has reported nine-month sales 2.6% ahead of our estimates at € 660.4m, confirming faster growth during Q3 (Q3 sales 4.6% higher than our estimate). Like-for-like nine month growth stood at 16.7% compared with 15.5% in H1. All divisions posted excellent performances.

Management confirmed that the trend is ongoing by raising its guidance for the full year ending June 30. We are making no change to our full-year targets and our Buy (1) recommendation.

Publication of Q3 sales

Vilmorin has reported outstanding nine-month sales of € 660.4m (vs. our € 643.4m estimate), up 14.7% and 16.7% on a like-for-like basis (same scope of consolidation and currency basis). During Q3 alone, sales rose 15.1% or 17.5% like-for-like to € 380.5m vs. our € 363.7m estimate.

NINE-MONTH /Q3 SALES

(€m)	Reported	Oddo Midcap estimates	Prev. period	Reported /prev. period	Like-for-like.
9m sales	660.4	643.4	579.9	+14.7%	+16.7%
Garden seeds	276.6	267.6	263.1	+5.1%	+4.7%
Field seeds	383.8	375.9	312.8	+22.7%	+27.1%
Q3 sales	380.5	363.7	330.7	+15.1%	+17.5%
Garden seeds	121.7	112.9	112.5	+8.2%	+5.5%
Field seeds	258.8	250.9	218.2	+18.6%	-

SOURCE: COMPANY – ODDO MIDCAP ESTIMATES

Confirmation of excellent year this year

Following the meeting to present nine-month sales, we would note the following main points:

- The publication of Q3 sales reflected further robust momentum in sales of both garden seeds and field seeds. Reported field seed sales were higher than we forecast at €383.8m over nine months, up 27.1% on a like-for-like basis (vs. our €375.9m estimate) while Q3 sales totalled €258.8m (vs. our €250.9m estimate) up 18.6% (vs. our 15% estimate). This performance stemmed primarily from excellent sales in Europe (+24% vs 20% estimated in Q3), especially for the corn and sunflower campaigns (50% of sales in Europe were derived from the corn campaign). The group seems to have benefited not only from volumes with the end to following, but also prices. In addition, royalties increased by 5% to €27m.
- US sales also surged despite the 8% reduction in the amount of corn crops cultivated. Sales rose 7.5% or 20% like-for-like (primarily due to currencies). The group benefited from a value impact given the rise in the share of GMOs (more than 80% of corn marketed by US subsidiary AgReliant)
- The garden seeds businesses also confirmed the trends seen in H1 (+4.7% like-for-like vs 4% for H1) with like-for-like growth of 5.5% during Q3. Adjusted for the trading business at the Japanese subsidiary, like-for-like growth worked out to 7%.
- These performances clearly add weight to our full-year targets while Q3 has generally represented more than 40% of full-year sales since the integration of the field seed businesses, with nine-month sales therefore accounting for more than 70% of full-year targets. Management has raised its guidance and is now forecasting growth of more than 15% in field seeds vs. 8-10% previously. We had already factored in growth of 19% (or implied growth of almost 11% for Q4). The group is maintaining its guidance for 5% growth in garden seeds. We are making no change to our full-year sales estimate of €895m (or even €900m) excluding the consumer businesses set to be sold off before the end of the financial year on June 30, or more likely before the end of the calendar year. This target reflects a rise in sales of almost 12%.

Equity Note

- Management confirmed the disposal of the consumer business with the likely disposal of the French activities (Oxadis) by the end of June and the disposal of other businesses (Germany and the UK) by the end of the year. These operations should not take a negative toll on the group's earnings.

No change to Buy (1) recommendation

As specified during the interim earnings publication (see our note of February 28), we confirm the likelihood of a clear improvement in the group's margins with an operating margin target of 12%, reflecting an EBIT target of € 108m vs. € 95m in the previous year (€79.8m adjusted for the abandoned consumer businesses). Management has also raised its guidance and is now forecasting operating margin of 12% vs. 10.5-11%.

We are making no change to our Buy (1) recommendation despite the fact that our target price has been reached (€ 116.5) and is under review (probably more than € 120 in view of peer comparison). Concentration moves are continuing in the sector with opportunities and/or questions concerning certain players (family-owned independents, Bayer, Dow, KWS...). Note that the share is on our list of recommended stocks for H1 2008.

Next event: publication of full-year sales on August 5 (after trading)

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