

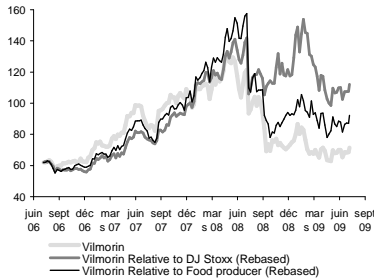
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## Vilmorin

Food products France

### Full year sales

**Recommendation** Add (2)  
**Price (04/08/2009)** 71.50 EUR  
**Target price** 70.00 EUR



Reuter: VILM.PA  
Bloomberg: RIN FP  
12-month high: 119.79  
12-month low: 59.50

### Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	18.5	16.0	14.3
Net. yield (%)	1.6%	1.9%	2.2%	2.5%
FCF yield (%)	3.0%	1.3%	4.5%	5.6%
P/Book value	2.3	1.7	1.4	1.3
EV/Sales	2.0	1.5	1.3	1.2
EV/EBITDA	8.8	7.4	6.4	5.7
EV/EBIT(recur)	14.9	14.1	12.4	11.1

### Per share data

EUR	06/08	06/09e	06/10e	06/11e
EPS (AANP)	4.54	4.38	4.47	5.01
%Change	10.9%	-3.5%	1.9%	12.0%
EPS (ANP)	3.31	4.37	4.46	5.03
%Change	-19.2%	32.0%	2.1%	12.9%
Dividend	1.66	1.53	1.56	1.76
Book value	45.95	48.65	51.58	55.05

### Income statement

(EUR m)	06/08	06/09e	06/10e	06/11e
Sales	896.9	1 000	1 023	1 059
%Change	-4.4%	11.5%	2.3%	3.5%
Op.profit(recur.)	118.8	104.0	106.5	115.9
%Change	47.5%	-12.4%	2.4%	8.8%
Op.profit(EBIT)	115.2	104.0	106.5	115.9
Attr. net profit	44.3	58.5	59.7	67.4
Adj. attr. NP	60.8	58.5	59.7	67.4

### Financial data

	06/08	06/09e	06/10e	06/11e
ROCE bef. Tax	10.5%	9.2%	9.1%	9.7%
ROCE after Tax	8.1%	7.1%	6.8%	7.3%
ROE	9.9%	9.2%	8.9%	9.4%
FCF	42.4	13.8	42.7	54.1
Net debt	323	340	318	285
Gearing	43.7%	43.6%	38.8%	32.7%
Net Debt/EBITDA	1.6	1.7	1.5	1.3
EBITDA/interest	6.7	8.2	9.0	10.2

### Performance

	1 mo	3 mos	12 mos
Absolute perf.	2.0%	-1.9%	-40.5%
Perf./country	0.96	0.83	0.91
Perf./DJ sector	1.01	0.86	0.67

### Liquidity

Market Cap.	958
EV	1 285
No. of shares (m)	13.4
Groupe	1
Free Float	30.0%

## Full-year sales: as expected

Vilmorin's reported full-year sales are right in line at €1.0014bn, up 1.3% like for like. The company finished the year with a good performance in the Vegetable seed business, which beat guidance with growth of 3.3%. As expected, there was a slight decline at the Field seed business, although it turned in an excellent performance in the US, where sales rose 14% (see Monsanto's press releases and the weight of the value impact).

This confirms our FY earnings estimates, especially since the company is likely to benefit from a better business mix (garden products). Our Add (2) rating is unchanged.

## Full-year sales are totally in line with estimates, but mix is slightly different

Vilmorin's reported full-year sales are totally in line with Oddo estimates and consensus estimates. Sales amounted to €1.0014bn (Oddo: €1bn), down 1.6% on a reported basis and up 1.3% LFL. In Q4 alone, sales fell by 9.1%, or by 7.6% LFL, due to the expected strategy of reducing risks in Eastern Europe, and due to less favourable performances late in the campaign in the US. Conversely, the company experienced good performances in vegetable seeds, returning to growth of over 5% in Q4.

### FULL-YEAR SALES

(€m)	Reported	Oddo estimates	Prev. period pro forma	Reported /Prev. period	LFL change
<b>Q4 sales</b>	<b>246.4</b>	<b>246.2</b>	<b>271.2</b>	<b>-9.1%</b>	<b>-7.6%</b>
Veg. seeds	126.4	120.1	117.2	+7.8%	+5.5%
Field seeds	94.9	103.2	118.7	-20.0%	-21.3%
Garden pdts.	24.6	22.9	35.3	-30.3%	-6.6%
<b>FY sales</b>	<b>1,001.4</b>	<b>1,000.4</b>	<b>1,018.0</b>	<b>-1.6%</b>	<b>+1.3%</b>
Veg. seeds	409.4	403.1	387.5	+5.6%	+3.3%
Field seeds	499.0	507.3	502.6	-0.7%	-0.2%
Garden pdts.	91.7	90.0	128.0	-28.3%	-0.1%

SOURCE: VILMORIN- ODDO MIDCAP ESTIMATES

## Numbers confirm our earnings estimates

Following the conference call, in our view the key takeaways are:

- **This sales figure is exactly what we expected.** With organic growth of 1.3% and FY sales just over €1bn, this performance is in line with expectations and management guidance.
- The vegetable seed division ended the financial year with a **very good performance, including Q4 sales growth of 5.5% compared with 2.3% over 9 months.** FY growth of 3.3% exceeded guidance and reflected progress at the Israeli subsidiary, Hazera, and a good overall performance in the US. At €409.4m, FY revenue was slightly stronger than we had expected.
- **For the field seed division,** FY sales were flat overall compared with 6.5% growth over 9 months. In Europe, the company deliberately scaled back its activities in Eastern Europe by €25m to €30m, i.e. a drop of 35-40%. All told, European sales came to €364m, in line with our estimates and down 4.6%, reflecting good sales in Western Europe (up 5-6%?). This was due in part to a favourable pricing policy, with European corn up 5-10%. **In the US, FY sales came to €135m, up 14%,** a solid performance attributable mainly to the value impact (price increases and product mix) despite a tough late season similar to last year (price pressures, although nothing that jeopardises underlying trends; weather conditions; etc.). For these same reasons, sales were 6.5% lower than our estimate.
- The company also announced that it has strengthened its stake in Australia's AGT to 32%, **giving it a leg up in certain research areas, such as hybrid wheat.** Furthermore, Vilmorin acquired Belgian company Clovis Matton (€15m), reinforcing the company's presence on the corn silage market. The move is likely to boost EPS slightly.

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## Equity Note

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- We reiterate our earnings estimates, including operating profit of €104m vs. €115.2m a year ago. **Operating margin is expected to be 10.4% vs. 12.8%, in line with management guidance of 10-11%.** This estimate is also in line with the consensus. We note that **the sales mix, including a better contribution from vegetable seeds late in the period, is likely to boost margins** (2007/08 vegetable seed operating margin was 18% vs. under 10% for field seeds).
- For 2009/10, we reiterate our more cautious outlook, including limited top-line growth of 2.3% and flat margins, in order to reflect several points: food market conditions remain tough, price effects are weaker because inventories are less of a factor, and the company is expected to maintain its R&D spending.

### Add (2) rating maintained

While it is still too early to assess the impact of the next campaign, the release of full-year results on 6 October after the market closes will give us an opportunity to update our outlook. Even so, we can say that during the company's next campaign, it is likely to **re-energise its Eastern European operations, which will have more modest but still positive pricing power.**

Our Add (2) rating is unchanged.

*Next event: Full-year results due out 6 October after the market closes*

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