

# Equity Note

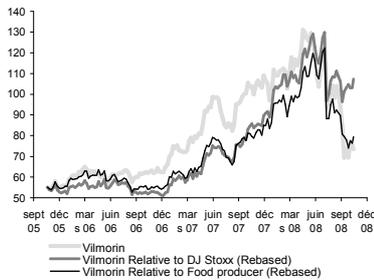
Jean-François Granjon  
+33 (0)4 72 68 27 05  
jfggranjon@oddo.fr

## Vilmorin

Food products France

### Quarterly sales

**Recommendation Buy (1)**  
**Price (12/11/2008) 73.49 EUR**  
**Target price 100.00 EUR**



Reuter: VILM.PA  
Bloomberg: RIN FP  
12-month high: 131.48  
12-month low: 68.40

### Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	16.4	15.1	13.8
Net. yield (%)	1.6%	2.6%	2.8%	3.1%
FCF yield (%)	3.5%	3.6%	5.2%	6.5%
P/Book value	2.2	1.5	1.4	1.3
EV/Sales	2.0	1.5	1.4	1.3
EV/EBITDA	9.0	6.5	6.0	5.5
EV/EBIT(recur)	15.2	11.7	10.9	10.0

### Per share data

EUR	06/08	06/09e	06/10e	06/11e
EPS (AANP)	4.54	4.49	4.86	5.34
%Change	10.9%	-1.2%	8.3%	10.0%
EPS (ANP)	3.31	4.81	5.21	5.73
%Change	-19.2%	45.3%	8.3%	10.0%
Dividend	1.66	1.92	2.08	2.29
Book value	47.08	50.23	53.51	57.16

### Income statement

(EUR m)	06/08	06/09e	06/10e	06/11e
Sales	896.9	950.6	988.1	1 028
%Change	-4.4%	6.0%	3.9%	4.0%
Op.profit(recur.)	119.7	118.9	125.7	133.7
%Change	48.6%	-0.7%	5.7%	6.3%
Op.profit(EBIT)	115.2	118.9	125.7	133.7
Attr. net profit	44.3	64.4	69.7	76.7
Adj. attr. NP	60.8	64.4	69.7	76.7

### Financial data

	06/08	06/09e	06/10e	06/11e
ROCE bef. Tax	10.3%	10.2%	10.4%	10.9%
ROCE after Tax	7.9%	7.7%	7.8%	8.2%
ROE	9.8%	9.9%	10.0%	10.4%
FCF	48.7	35.6	51.6	64.4
Net debt	372	367	340	304
Gearing	50.6%	46.9%	40.9%	34.2%
Net Debt/EBITDA	1.8	1.7	1.5	1.3
EBITDA/interest	6.8	8.1	9.2	10.3

### Performance

	1 mo	3 mos	12 mos
Absolute perf.	6.1%	-21.7%	-26.4%
Perf./country	1.06	1.11	1.32
Perf./DJ sector	1.05	1.07	1.14

### Liquidity

Market Cap.	984
EV	1 368
No. of shares (m)	13.4
Groupe	1
Free Float	31.0%

## Start to the year in line with forecasts

Vilmorin has reported Q1 sales in line with our forecasts and confirmed FY targets. The group has put in an excellent performance for crop seeds in Europe with a good autumn campaign. The disappointment stems from breaking off talks with Plan SAS about selling Oxadis. However, there are talks with other partners. The group has confirmed FY targets with topline growth of 5-6% and is comfortable that the next campaigns will go well. Buy (1) recommendation maintained.

### Q1 2008 sales

Vilmorin has reported Q1 sales of € 116m (€ 116.9m Oddo Midcap estimates) vs. € 112.4m up +3.2% and +5.1% like-for-like (constant currencies). Sales are therefore in line with our own targets and support our full year targets despite a traditionally limited weighting for the first quarter (less than 15% of FY sales).

### Q1 SALES

€ m	Reported	Oddo Midcap estimates	Previous period Prev.	Reported/ Previous period	I-f-I chg
Sales	116,0	116,9	112,4	+3,2%	+5,1%
o/w vegetable seeds	78,6	79,2	76,5	+2,7%	+3,3%
o/w field crops	37,2	37,7	35,9	+3,6%	+8,5%

SOURCE: COMPANY – ODDO MIDCAP ESTIMATES

### Full-year targets confirmed

The main points from the conference call were as follows:

- **The quarter was generally in line** Vegetable seed sales climbed 2.7% and by 3.3% like-for-like. Sales were dented by less robust business in the Mediterranean basin (including Spain) with a few falls noted for certain seeds (tomatoes, chillies) that particularly affected subsidiary Hazera. **Over October, the situation is stabilising and FY guidance has been confirmed (+5%).**
- For field crops, the group boasted another excellent performance with sales up +3.6% and **+8.5% like-for-like**. This stemmed mainly from an excellent colza seed campaign (growth of over +30%) and grains. This growth follows a key quarter that itself saw sharp growth (+9.7% like-for-like). **Moreover, the growth trend in Europe continues.**
- With regard to trends, and on the basis of October indicators, **the wheat campaign in Europe is shaping up well and a strong Q2 is expected.** The corn campaign could be trickier due to the more limited availability of stocks. **Conversely, the group should benefit from a favourable price impact.** Lastly, with regard to the US, it is still too early to gauge the Spring campaign. Nevertheless, the trend of more space being given over to corn appears to be confirmed, orders are in line with expectations and the next prepayments should approve these trends. **The topline growth assumption of +6% has also been confirmed on the basis of limited corn availability in Europe.**
- With regard to the discontinuation of retail, talks with Plan SAS were broken off in the absence of an agreement from Oxadis. Vilmorin is considering other offers and the valuation (estimated EV of € 60m) does not appear to be at risk. Disposal of the UK division Suttons is almost complete (aiming for before end December 2008). In the worst of cases, extending the talks would not affect the group's profitability since Oxadis is in the black (8% operating margin on sales of about € 100m).

---

## Equity Note

---

### Buy (1) recommendation reiterated

The group's market plan has been confirmed with the benefit of both a volume and price impact (5 -10% for corn). As usual, the next campaigns will be key. So far, and despite falling commodities prices, the group is sticking to its growth targets. **Volume, price and mix impacts should again expand margins.**

Buy (1) recommendation confirmed

*Next event: AGM on 11 December 2008 (10am) – Interim sales on February 4, 2009 (after trading).*