

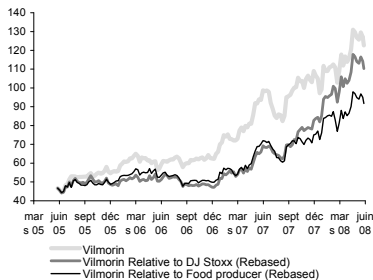
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Vilmorin

Food products France

Conference call

Recommendation Buy (1)
Price (24/06/2008) 122.65 EUR
Target price 135.00 EUR



Reuter: VILM.PA
Bloomberg: RIN FP
12-month high: 131.48
12-month low: 82.30

Multiples

	06/07	06/08e	06/09e	06/10e
P/E	17.0	28.2	27.0	24.8
Net. yield (%)	2.4%	1.5%	1.7%	1.9%
FCF yield (%)	2.2%	3.5%	2.3%	3.1%
P/Book value	1.5	2.5	2.4	2.2
EV/Sales	1.4	2.2	2.1	2.0
EV/EBITDA	8.4	10.4	9.6	9.0
EV/EBIT(recur)	16.4	18.2	16.7	15.6

Per share data

EUR	06/07	06/08e	06/09e	06/10e
EPS (AANP)	4.09	4.35	4.54	4.95
%Change	2.3%	6.1%	4.4%	9.1%
EPS (ANP)	4.09	4.50	4.86	5.31
%Change	-10.6%	9.8%	8.1%	9.1%
Dividend	1.66	1.84	2.04	2.28
Book value	45.43	48.27	51.28	54.55

Income statement

(EUR m)	06/07	06/08e	06/09e	06/10e
Sales	938.4	902.0	961.8	1 000
%Change	88.7%	-3.9%	6.6%	3.9%
Op.profit(recur.)	80.5	111.0	120.3	127.0
%Change	42.8%	37.8%	8.4%	5.5%
Op.profit(EBIT)	95.0	111.0	120.3	127.0
Attr. net profit	54.8	60.2	65.1	71.0
Adj. attr. NP	54.8	58.2	65.1	71.0

Financial data

	06/07	06/08e	06/09e	06/10e
ROCE bef. Tax	12.1%	10.0%	10.5%	10.8%
ROCE after Tax	9.4%	7.4%	7.8%	8.0%
ROE	11.8%	9.3%	9.8%	10.0%
FCF	20.5	57.9	38.3	50.9
Net debt	345	332	318	295
Gearing	48.9%	44.3%	40.0%	34.9%
Net Debt/EBITDA	2.2	1.7	1.5	1.3
EBITDA/interest	8.0	7.8	8.7	9.9

Performance

	1 mo	3 mos	12 mos
Absolute perf.	-5.4%	19.3%	31.0%
Perf./country	1.00	1.42	1.54
Perf./DJ sector	0.92	1.28	1.27

Liquidity

Market Cap.	1 643
EV	2 004
No. of shares (m)	13.4
avg. volume /d	
Groupe Limagrain	69.0%
Free Float	31.0%

Setback for the sale of the retail activities - operating guidance confirmed

The sale of the retail activities will not be finalised by year end (FYE June 30, 2008). However, this unfortunate mishap does not undermine the targets for the group's operating results. Conversely, the group will incur restructuring costs for Flora Frey (net impact of € 10-15m) in FY 2007-08, while proceeds from the sale of Oxadis will not impact the group's 2008-09 results. Initially, these two flows should cancel each other out.

2007-08 net profit should amount to € 43m (vs. € 60m) but with a significant improvement in operating margin (12.3%, 12% according to management vs. 9.9% last year).

We reiterate our Buy (1) recommendation and target price of € 135 per share.

Slight delay in sale

Although management recently announced (see our equity note of May 22) the impending sales of the retail activities (especially Oxadis and CNOS as well as Flora Frey and Sperling), the group has unfortunately suffered a slight setback with:

1/ a delay in finalising the sale agreements with Plan SAS for Oxadis and CNOS Vilmorin. Although the overall valuation of this divestment, with an estimated EV of € 60m, is not challenged, the sale terms for the professional brands (Vilmorin, Clause and Tézier) and the drawing up of operating licensing contracts require further negotiation.

2/ extended negotiations as well for the sale of German assets with Flora Frey. As stated in our previous note, even though most of the Flora Frey assets were written down, some adjustments could take place. Under the current negotiations with a financial buyer, the group will first incur restructuring charges while the buyer may ultimately close one of the two sites, or both, and carry out a downsizing. This preliminary restructuring will result in non-recurring exceptional costs.

This is a regrettable setback but it does not affect

1/ the group's strategy of refocusing on professional activities and

2/ the group's targets for operating results with an expected significant improvement in operating margin in 2007-08.

The accounting methods will not be changed, namely in accordance with IFRS 5, booking the results of the retail division as a result of the discontinued operations. Given the positive results generated by Oxadis (approx. 8% operating margin), but also losses at Flora Frey (-€ 5-6m) and restructuring costs, the net impact on the group's results is estimated at -€ 10-15m hence group attributable net profit of around € 43m vs. € 60m anticipated.

It is a non-recurring impact that reflects a difference in timing. Initially, the restructuring costs expected at Flora Frey were to be cancelled out by proceeds from the sale of Oxadis. All told, FY 2007-08 will bear the restructuring costs and 2008-09 will incorporate the capital gain on these disposals. Note however that the overall EV (€ 70-80m of which € 60m for Oxadis) will probably be lower. Overall, we estimate the cash-in more in the region of € 40m vs. € 50m previously (€ 3 per share).

No change to Buy (1) recommendation and target price of € 135

The divestments are not undermined, only their timing is not on schedule. The disposals could most probably take place by early September, i.e. during FY 2008-09. Management confirmed its guidance for 2007-08 with an operating margin target of 12% vs. our estimate of 12.3% and 9.9% proforma in 2006-07.

Next event: FY 2007-08 sales on August 5 after the close

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