

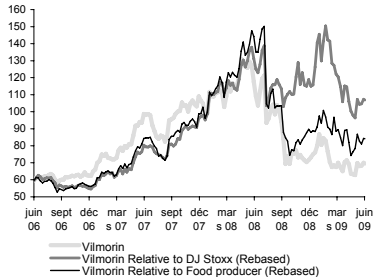
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Vilmorin

Food products France

Conference feedback

Recommendation Add (2)
Price (30/06/2009) 69.63 EUR
Target price 70.00 EUR



Reuter: VILM.PA
Bloomberg: RIN FP
12-month high: 122.60
12-month low: 59.50

Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	15.9	15.6	13.9
Net. yield (%)	1.6%	2.2%	2.2%	2.5%
FCF yield (%)	3.0%	1.3%	4.6%	5.8%
P/Book value	2.3	1.4	1.3	1.3
EV/Sales	2.0	1.5	1.3	1.2
EV/EBITDA	8.8	7.4	6.2	5.6
EV/EBIT(recur)	14.9	14.1	12.1	10.9

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.	10.9%	-0.4%	-41.9%
Perf./country	1.04	0.84	0.89
Perf./DJ sector	1.10	0.88	0.65

Liquidity

Market Cap.	932
EV	1 293
No. of shares (m)	13.4
Groupe	1
Free Float	30.0%

Feed back from investors' day - guidance confirmed

The recent investors' day provided the opportunity to focus on corn sales in Europe, where the group stands in second place. Vilmorin has reaffirmed its determination to increase its profile i/ in the corn market, ii/ in eastern Europe iii/ looking at, amongst others, the GM market. The group's brand strategy also remains a strategic focus (LG and Advanta). Management was also able to provide an update on its exercise to end-June with confirmation of guidance, adjusted at the time of the Q3 sales release. The contribution from the garden products activity should be greater than anticipated. Overall, we confirm our forecasts with our Add (2) recommendation and target price unchanged at € 70.

Long term challenges

Despite an undeniably substantial market share (no. 2 in Europe in corn and no.1 in wheat), Vilmorin is investing heavily (€ 15m increase in R&D budget, i.e. +13% in 2008-09), to bolster its presence in markets with strong growth potential:

- No. 2 in Europe in corn with a market share of around 15%**, the group is especially well positioned in the corn silage markets. The group aims to bolster its presence in the corn grain market which represents 158 million hectares worldwide (vs. 12 million hectares for silage corn) i.e. 22.5% of the earth's surface, all categories included. The corn market has seen the most sustained rate of development (cf. 2007) linked to the bio-fuels market (20% of the corn producing surface area in the US).
- The GM market remains one of the group's priorities**, while the worldwide surface area represents 125 million hectares. Despite opposition in Europe (moratorium in France), the group is to pursue its R&D activities focused on new varieties with their own characteristics in order to dent the predominance of Monsanto. **The group is looking to launch varieties of this type within 5-6 years**
- Research remains a strategic priority both for conventional seed crops and for GM.** Controlling techniques is key (for example molecular marking, Double Haploid technology etc.). The group is to increase the budget allocated to the European corn activity and is looking to extend its R&D units (transferring resources to Eastern Europe, amongst others). Note that "this race for research" is inevitable judging by the strategies of the group's rivals. In addition to the agreement between Monsanto and Dow (seeds integrating 8 GM characteristics), **Bayer and Dupont have just announced a reciprocal agreement on licence use for the development of GM soya and corn seed.**
- A recent press release from Monsanto (Q3 earnings) lends weight to the bright outlook in the seeds segment while the group has been somewhat hard hit in the domain of agrochemicals. For the first 9 months, seed sales increased by close to 18% with a 22% increase in the gross margin. This performance which is largely due to a substantial value impact from the commercialisation of GM seeds (predominantly corn and soya in the US).
- At the investors' day, **management also confirmed guidance of the full year** (the recent KWS release also validated our forecast for the group's subsidiary AgReliant). Nevertheless we have factored in to our forecasts a greater contribution to sales from the garden products activity, probably in excess of € 90m vs. € 85m, hence our full-year sales forecast of € 1bn. We are maintaining our earnings forecasts unchanged with operating profit estimated at € 104m, i.e. a margin of 10.4% in line with the guidance (10-11%) and close to the consensus (€ 101m).

Add (2) recommendation maintained

The forthcoming full-year sales release, due on 4 August 2009 after market close is unlikely to contain any surprises. We are maintaining our Add (2) recommendation and our target price of € 70 unchanged.

Next event: publication of Q3 2008 sales on 4 August 2009 (after market close).

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CONFLICTS OF INTEREST