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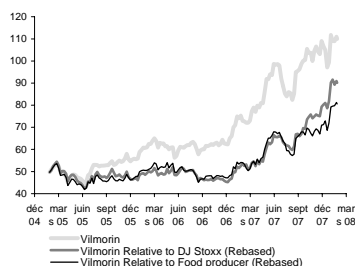
Vilmorin

Food products

France

Half-year earnings

Recommendation	Buy (1)
Price (25/02/2008)	110.00 EUR
Target price	115.00 EUR



Reuter: VILM.PA
Bloomberg: RIN FP
12-month high: 112.5
12-month low: 72.0

Multiples

	06/07	06/08e	06/09e	06/10e
P/E	17.0	24.0	22.4	20.6
Net. yield (%)	2.4%	1.7%	1.9%	2.1%
FCF yield (%)	2.2%	2.2%	3.4%	4.1%
P/Book value	1.5	2.3	2.1	2.0
EV/Sales	1.4	1.8	1.8	1.7
EV/EBITDA	8.4	9.9	9.3	8.6
EV/EBIT(recur)	16.4	17.7	16.6	15.4

Per share data

EUR	06/07	06/08e	06/09e	06/10e
EPS (AANP)	4.09	4.59	4.92	5.34
%Change	2.3%	12.2%	7.1%	8.7%
EPS (ANP)	4.09	4.59	4.92	5.34
%Change	-10.6%	12.2%	7.1%	8.7%
Dividend	1.66	1.88	2.06	2.30
Book value	45.43	48.36	51.40	54.67

Income statement

(EUR m)	06/07	06/08e	06/09e	06/10e
Sales	938.3	1 000	1 034	1 070
%Change	88.7%	6.6%	3.4%	3.5%
Op.profit(recur.)	80.5	104.3	109.7	116.6
%Change	42.8%	29.5%	5.2%	6.3%
Op.profit(EBIT)	95.0	105.3	110.7	117.6
Attr. net profit	54.8	61.5	65.8	71.5
Adj. attr. NP	54.8	61.5	65.8	71.5

Financial data

	06/07	06/08e	06/09e	06/10e
ROCE bef. Tax	12.1%	9.5%	9.7%	10.2%
ROCE after Tax	9.4%	7.0%	7.2%	7.5%
ROE	11.8%	9.8%	9.9%	10.1%
FCF	20.5	32.8	50.0	60.9
Net debt	345	334	308	274
Gearing	48.9%	44.5%	38.7%	32.4%
Net Debt/EBITDA	2.2	1.8	1.6	1.3
EBITDA/Interest	8.0	12.2	13.5	15.7

Performance

	1 mo	3 mos	12 mos
Absolute perf.	10.8%	10.0%	46.1%
Perf./country	1.18	1.26	1.72
Perf./DJ sector	1.16	1.23	1.49

Liquidity

Market Cap.	1 473
EV	1 825
No. of shares (m)	13.4
avg. volume /d	1 114
Groupe Limagrain	69.0%
Free Float	31.0%

Significant improvement in operating profitability

Vilmorin has reported excellent H1 earnings, even though they should be interpreted with caution due to the highly seasonal nature of its business. In parallel with a 14% increase in H1 sales, the group substantially reduced its operating losses to -€9.8m vs. -€18.6m. Adjusted for non-recurring items that had a positive impact on earnings in H1 last year, the group reduced its operating losses by €18.3m. This is an encouraging sign for the rest of the year. We expect sales of around €900m (excluding consumer business vs. €855m previously) and operating profit of €105m, with operating margin of 11.8% vs. 10.1%.

Buy (1) recommendation maintained.

H1 earnings

Having recently reported excellent H1 sales (see our Equity Flash of January 30), up 14% or 15.5% like-for-like and at constant exchange rates, Vilmorin today announced significant improvement in its H1 earnings. Remember that in H1, the group achieved a strong performance for the trade vegetable seeds division (sales up 4% like-for-like and at constant exchange rates), as well as the field seeds division with sales growth of nearly 34% like-for-like and at constant exchange rates.

In H1, the group sustained an operating loss of -€9.8m vs. -€18.6m adjusted for H1 last year (the consumer business is now included on the balance sheet and income statement separately under "income from discontinued operations"). However, it was subject to a higher net financial charge of €14m vs. €9.9m. The consumer business penalised the group's earnings by €7.6m vs. €2.5m in H1 last year. Lastly, it sustained a net loss of -€27.6m vs. -€25.6m.

H1 RESULTS

(€m)	Reported	Odco Midcap	Prior period	% change
Sales	279.7		245.2	+14.0%
Op. profit	-9.8	-28.8	-18.6	n.m.
Op. margin	-3.5%	-10.3%	-7.5%	+400bp
Net profit	-27.6	-24.8	-25.6	ns

SOURCE: COMPANY – ODDO MIDCAP ESTIMATES

An encouraging H1 performance

We would note the following key points:

- Remember that H1 earnings are usually not very representative of the group's full-year performance due to the highly seasonal nature of its business, reinforced since the integration of the field seeds business, with H1 sales accounting for less than one-third of full-year sales. However, they reflect a trend of significant improvement in operating profitability. **With an operating loss of just €9.8m, the group reduced its H1 loss by €8.8m.** Furthermore, its performance in H1 of last year was positively impacted by non-recurring factors (badwill relating to the takeover of Hazera, gains on asset sales of a total of nearly €10m). **Adjusted for these non-recurring factors, operating profit improved by €18.3m.**
- Margin on cost of sales was around 44%. The group also ensured tight control of its operating expenses at €133.3m, an increase of just €1.8m while sales rose by €34.5m over the period.
- The group did provide a breakdown by division. We believe that the vegetable seeds business was close to breakeven (positive contribution of €5.5m in H1 last year), while the field seeds division reduced its losses significantly (-€29m in H1 2006-07).
- However, the group was subject to a higher net financial charge of -€14m (vs. -€9.9m) due to the rise in interest rates. The consumer division – recognised under income from discontinued operations – penalised earnings by €7.6m (vs. €2.5m).

Equity Note

Buy (1) recommendation maintained

Vilmorin's H1 earnings reflect significant improvement in operating profitability. Management expects strong growth in sales and operating margin. Remember that its previous guidance was top line growth of 5% and operating margin of 9.5-10%. We already expected operating margin of 10.5%.

We are therefore looking for sales of around €900m (excluding the consumer business), representing pro forma growth of 12%, and operating profit of €105m with operating margin of 11.8% vs. 10.1% in 2006 (including the consumer business).

The withdrawal from consumer activities, expected by the end of the financial year, should help to improve the margin mix.

We reiterate our Buy (1) recommendation.

The stock is included in our selection of H1 2008 recommendations.

Next event: analyst meeting today (3.00pm Paris time)

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