

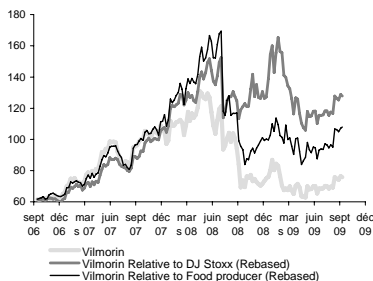
## Vilmorin

Food products

France

### Full-year earnings

<b>Recommendation</b>	<b>Add (2)</b>
<b>Price (08/10/2009)</b>	<b>75.80 EUR</b>
<b>Target price</b>	<b>82.00 EUR</b>



Reuter:	VILM.PA
Bloomberg:	RIN FP
12-month high:	86.80
12-month low:	59.50

### Multiples

	06/09	06/10e	06/11e	06/12e
P/E	20.3	17.6	16.3	14.8
Net. yield (%)	2.2%	2.3%	2.3%	2.4%
FCF yield (%)	1.8%	4.4%	5.2%	6.5%
P/Book value	1.7	1.5	1.4	1.3
EV/Sales	1.5	1.4	1.3	1.2
EV/EBITDA	7.5	6.7	6.2	5.6
EV/EBIT(recur)	14.3	13.1	12.0	11.0

### Per share data

EUR	06/09	06/10e	06/11e	06/12e
EPS (AANP)	4.00	4.30	4.65	5.12
%Change	-11.9%	7.5%	8.3%	10.0%
EPS (ANP)	3.95	4.28	4.66	5.16
%Change	19.5%	8.1%	8.9%	10.7%
Dividend	1.77	1.77	1.77	1.80
Book value	47.60	50.11	53.00	56.38

### Income statement

(EUR m)	06/09	06/10e	06/11e	06/12e
Sales	1 001	1 023	1 058	1 094
%Change	11.6%	2.1%	3.4%	3.4%
Op.profit(recur.)	105.0	107.8	114.4	121.7
%Change	-11.6%	2.7%	6.2%	6.3%
Op.profit(EBIT)	107.9	109.8	116.4	123.7
Attr. net profit	53.0	57.3	62.4	69.0
Adj. attr. NP	53.0	57.3	62.4	69.0

### Financial data

	06/09	06/10e	06/11e	06/12e
ROCE bef. Tax	9.5%	9.3%	9.7%	10.2%
ROCE after Tax	7.1%	7.0%	7.3%	7.7%
ROE	8.5%	8.8%	9.0%	9.4%
FCF	19.1	44.4	53.0	66.3
Net debt	378	357	326	281
Gearing	50.1%	44.9%	38.8%	31.6%
Net Debt/EBITDA	1.9	1.7	1.5	1.2
EBITDA/interest	7.6	8.7	9.3	10.6

### Performance

	1 mo	3 mos	12 mos
Absolute perf.	8.9%	14.5%	8.3%
Perf./country	1.02	0.97	1.65
Perf./DJ sector	1.08	1.01	1.21

### Liquidity

Market Cap.	1 015
EV	1 334
No. of shares (m)	13.4
Groupe	70.0%
Free Float	30.0%

## Good performance in a difficult environment

FY 2008-09 earnings were in line with expectations and reflect factors underpinning resilience in a strained agricultural environment. There are significant challenges over the coming years in terms of GMOs and the development of hybrid species (rape seed/wheat etc.). Despite Monsanto's predominance, Vilmorin is pursuing investment and strengthening its position as a key player worldwide.

In the shorter term, visibility is more limited due to i/ volatility on raw materials and ii/ a still critical situation in eastern Europe. We confirm a more modest growth profile for 2009-10 (+2%) with stable margins to factor in sustained investment.

We are sticking to our Add (2) recommendation.

## Long term challenges will result in value creation – a more cautious profile in the short term

The following points are of note:

- FY 2008-09 results reflect good resilience from the group's performances** with: i/ a high contribution from vegetable seeds, with an **operating margin of close to 17%** (vs. 17.9%) despite difficulties encountered by the group's Israeli subsidiary Hazera, ii/ a creditable contribution from the field crop seeds division (€42.5m vs. €47.5m) whilst the group was particularly adversely affected in eastern Europe (sales down -€30m), iii/ **an increase of 1.5% in EBITDA vs. a decline of 15.4% in operating profit reflecting tight control of the operating margin and cost structure**. The group was not penalised by losses on discontinued activities (Flora Frey / -€24.3m).
- Challenges are significant with a worldwide market buoyed by challenges in the food segment**. Agro-chemists are bolstering their presence in a market segment enjoying robust growth (+20% for the GMO market which accounts for one-third of the overall seed market). Vilmorin will benefit further out from several vectors including i/ **the continued ramp-up of GMOs** (Monsanto has launched its "SmartStax" on the market) and ii/ **the increase in commercial seeds' share of the total, particularly in the rice and wheat markets**. Against this backdrop, the group aims to develop genetically modified wheat and hybrid wheat. The group is likely to maintain a sustained R&D investment strategy as was the case last year. **Thus, the R&D budget (€120m) should increase by around €15m to €20m in 2010.**
- Regarding the **outlook**, management has 2 main areas of uncertainty: **1/ volatility in raw materials and ii/ still uncertain visibility in Eastern Europe**. Conversely, in the event of an improvement, these two parameters could constitute real leverage effects. Thus, we confirm a more conservative profile for FY 2009-10 particularly as the spring season (corn in the US and Europe) is still some way off. We retain our estimate of growth limited to +2% (no price effect after two record financial years) and a stabilisation of the operating margin, i.e. **operating profit of close to €110m (vs. €108m)**.

## Add (2) recommendation reiterated

As specified in our recent publication (see flash of 7 October 2009), the share has largely underperformed since the start of the year (-9.5% relative to the SBF 120). Moreover, Monsanto's recent communication weighed on the share. **Note that the group is planning to make a dividend payment of €1.77, up +6.6% (vs. €1.66).**

Next event: publication of Q1 2009-10 sales on 12 November 2009 (after market close).

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