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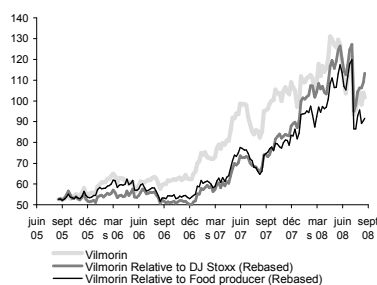
Vilmorin

Food products

France

Newsflow

Recommendation Buy (1)
Price (16/09/2008) 101.67 EUR
Target price 135.00 EUR



Reuter: VILM.PA
Bloomberg: RIN FP
12-month high: 131.48
12-month low: 85.00

Multiples

	06/07	06/08e	06/09e	06/10e
P/E	17.0	22.1	21.6	19.8
Net. yield (%)	2.4%	1.4%	2.1%	2.3%
FCF yield (%)	2.2%	3.0%	2.9%	3.7%
P/Book value	1.5	2.2	2.0	1.9
EV/Sales	1.4	2.0	1.8	1.7
EV/EBITDA	8.4	9.3	8.4	7.8
EV/EBIT(recur)	16.4	16.2	14.5	13.5

Per share data

EUR	06/07	06/08e	06/09e	06/10e
EPS (AANP)	4.09	4.77	4.71	5.14
%Change	2.3%	16.6%	-1.3%	9.1%
EPS (ANP)	4.09	3.58	5.05	5.51
%Change	-10.6%	-12.6%	41.1%	9.1%
Dividend	1.66	1.47	2.12	2.37
Book value	45.43	47.35	50.93	54.32

Income statement

(EUR m)	06/07	06/08e	06/09e	06/10e
Sales	938.4	896.9	950.6	988.1
%Change	88.7%	-4.4%	6.0%	3.9%
Op.profit(recur.)	80.5	111.1	120.2	127.0
%Change	42.8%	38.0%	8.1%	5.7%
Op.profit(EBIT)	95.0	111.1	120.2	127.0
Attr. net profit	54.8	47.9	67.7	73.8
Adj. attr. NP	54.8	63.9	67.7	73.8

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%	7.5%	7.8%	8.0%
ROE	11.8%	10.3%	10.3%	10.5%
FCF	20.5	42.0	39.0	50.3
Net debt	345	346	335	313
Gearing	48.9%	47.2%	42.7%	37.6%
Net Debt/EBITDA	2.2	1.8	1.6	1.4
EBITDA/interest	8.0	7.7	8.4	9.5

Performance

	1 mo	3 mos	12 mos
Absolute perf.	6.0%	-19.3%	19.4%
Perf./country	1.15	0.93	1.67
Perf./DJ sector	1.10	0.89	1.35

Liquidity

Market Cap.	1 362
EV	1 740
No. of shares (m)	13.4
avg. volume /d	
Groupe	69.0%
Free Float	31.0%

Monsanto readacross: 2008 EPS revised up

Monsanto has revised up its earnings estimates for FY 2008, with EPS expected at \$3.58/3.60, i.e. 6% above the previous estimates, giving annual growth of c.80%. This good performance can be explained, among other things, by the group's GMO strategy, which also underpins continued growth in 2009. Vilmorin should publish good results on October 7 (after the close), in line with expectations, with a 250bp gain in operating margin excluding the consumer activity.

We confirm our 2008/09 assumptions and maintain our rating and target price.

Seed market still buoyant

At its Investor Day, Monsanto revised up its earnings guidance for 2008 by more than 6% to \$3.58/3.60 vs \$3.37 previously.

This upward revision is mainly justified by strong sales from its seeds and herbicide businesses. In particular, the group is benefiting from strong growth of GMO seeds. **The group's profits are therefore set to grow by around 80%.** Monsanto forecasts a **+25% increase in gross margin on sales of GMO seeds to \$3.8bn** vs \$3.7bn previously forecast. For its corn seed activity, the group forecasts gross margin of more than \$2bn and **ongoing growth at a rate of 25-30% for FY 2009.**

All financial indicators are positive, with FCF estimated at \$750m, 36% above previous guidance (\$550m).

The group's strategy is based on innovation, with the aim of perfecting new varieties that significantly boost yield. This strategy is founded on the continued development of GMO seeds, in which the group is clear world leader.

Good news flow for Vilmorin

This news clearly augurs well for Vilmorin's upcoming earnings release, scheduled for October 7 (after the close).

Remember that in the FY sales release (see Midcap Daily Briefing of August 6, 2008), management confirmed its guidance, with a **minimum operating margin target of 12%**. For our part, we confirm our target of 12.4%, giving operating profit of €111m compared with €95m (published) and €80m excluding consumer, up around 40%.

Monsanto's comments also give grounds for optimism on continued market growth, with: i/ continued growth in the corn market; ii/ a probable reallocation in favour of corn in the US in 2009; and iii/ increased market share in GMO seeds. Remember Vilmorin's strong performance in the US in 2007/08, with sales up +2.2% or **+14.5% at constant exchange rates, despite a fall in surface area dedicated to corn, giving a favourable mix.**

Our assumptions for 2008/09 remain unchanged, and conservative, with expected top-line growth of +6% (minimum sales of €950m) and ongoing margin improvement, though at a slower rate (operating profit estimated at €120m, +8.2%) with a gain of 20bp. The main question mark concerns the rate at which production can be brought on stream to satisfy demand. **Initial indicators are relatively optimistic.**

Buy (1) reiterated with a target price of €135

We maintain our rating unchanged on Vilmorin, which is proving remarkable resilient in a more uncertain investment climate. Our target price remains unchanged at €135.

Next event: FY results, October 7 (after the close)

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