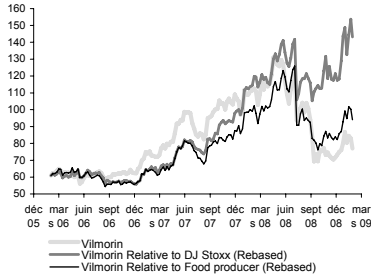


Vilmorin

Food products France

Conference feedback

Recommendation	Buy (1)
Price (26/02/2009)	77.00 EUR
Target price	100.00 EUR



Reuter: VILM.PA
 Bloomberg: RIN FP
 12-month high: 131.48
 12-month low: 68.40

Multiples

	06/08	06/09e	06/10e	06/11e
P/E	23.2	15.8	14.7	13.4
Net. yield (%)	1.6%	2.2%	2.4%	2.7%
FCF yield (%)	3.0%	3.6%	5.2%	6.5%
P/Book value	2.3	1.6	1.5	1.4
EV/Sales	2.0	1.5	1.4	1.3
EV/EBITDA	8.8	6.5	6.0	5.5
EV/EBIT(recur)	14.9	11.8	10.9	9.9

Per share data

EUR	06/08	06/09e	06/10e	06/11e
EPS (AANP)	4.54	4.88	5.25	5.75
%Change	10.9%	7.4%	7.7%	9.5%
EPS (ANP)	3.31	4.90	5.30	5.83
%Change	-19.2%	48.0%	8.2%	10.1%
Dividend	1.66	1.71	1.86	2.04
Book value	45.95	49.18	52.77	56.75

Income statement

(EUR m)	06/08	06/09e	06/10e	06/11e
Sales	896.9	950.6	988.1	1 028
%Change	-4.4%	6.0%	3.9%	4.0%
Op.profit(recur.)	118.8	118.0	124.8	132.7
%Change	47.5%	-0.7%	5.8%	6.4%
Op.profit(EBIT)	115.2	118.0	124.8	132.7
Attr. net profit	44.3	65.6	71.0	78.1
Adj. attr. NP	60.8	65.6	71.0	78.1

Financial data

	06/08	06/09e	06/10e	06/11e
ROCE bef. Tax	10.5%	10.5%	10.8%	11.3%
ROCE after Tax	8.1%	8.0%	8.1%	8.4%
ROE	9.9%	10.3%	10.4%	10.7%
FCF	42.4	37.1	53.4	66.7
Net debt	323	317	286	244
Gearing	43.7%	40.1%	33.9%	27.1%
Net Debt/EBITDA	1.6	1.5	1.3	1.0
EBITDA/interest	6.7	8.9	10.3	11.8

Performance

	1 mo	3 mos	12 mos
Absolute perf.	-3.8%	3.2%	-31.5%
Perf./country	1.03	1.17	1.28
Perf./DJ sector	1.07	1.10	1.11

Liquidity

Market Cap.	1 031
EV	1 360
No. of shares (m)	13.4
Groupe	1
Free Float	30.0%

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Conference feedback - Guidance confirmed

The conference following the company's H1 earnings release confirmed favourable market trends in spite of more difficult conditions in the agricultural sector in general. Vilmorin benefits from its exposure to a number of markets, significant market share and continuing favourable prices. Management confirms its full-year guidance, reiterating its confidence in the development of the earnings, among other things (mix effect, price etc.).

We reiterate our Buy (1) recommendation with an unchanged target price.

Conference feedback

We would note the following:

- Despite a limited interpretation of the company's H1 earnings, we would note that it delivered a strong performance, with: i/ improvement in gross margin of 200bp, mainly thanks to the vegetable seeds business; ii/ continuing R&D, with budgets increased, as expected; iii/ a reduction in financial expenses, with stable net debt. This was achieved in spite of the delay in sales from the maize harvest in Europe due to lower expectations.
- We would also note the excellent performance of the vegetable seeds business, which achieved operating profit growth of 52% to € 11.6m vs. € 7.6m in the year-earlier period, confirming the significant improvement in operating margin seen last year (operating margin of 18%).
- The re-integration of Oxadis due to the temporary pause in the disposal process "pollutes" analysis of the company's H1 performance, particularly given the more seasonal nature of this business line - accounting for less than 30% of H1 sales - resulting in superficially heavier H1 operating losses. Overall, the full-year contribution should be positive, with estimated operating margin of 4-5% (operating profit of € 2-3m), despite less aggressive marketing over the last few months.
- Market trends remain favourable. For the European field seeds business, cultivated land remains stable, with price rises confirmed. Only operations in Eastern Europe (20% of the division's sales) are exposed to a "wait-and-see" stance among farmers. In reality, the risk is confined to Ukraine and Russia, which account for 1% of the company's sales. The configuration of the field seeds business in North America is fairly similar to last year, with a likely reduction in land dedicated to maize but with a significant value effect relating to price rises and the mix/technology effect (weighting of GM seeds). Double-digit growth can be expected in the region, despite the decline in volumes. Lastly, as we have already mentioned, the vegetable seeds business remains brisk.
- Against this backdrop, we reiterate our estimates, with sales of around € 1bn (vs. our initial estimate of € 950m + € 65m contribution from Oxadis). In terms of earnings, we reiterate our operating margin estimate of 12.4% excluding Oxadis (operating profit of € 118m), which is above management's guidance. This target is fully attainable in the light of the company's H1 performance (assuming stable H2 operating profit). Lastly, the contribution from Oxadis should allow for operating profit of around € 120m, with a superficial but limited impact on operating margin (around 12% after consolidation).

Buy (1) recommendation confirmed

Although the company is subject to contrasting conditions, the main drivers are still in place. We reiterate our 2008-09 EPS growth estimate of 7-8%. Buy (1) recommendation confirmed.

Next event: Q3 sales on 6 May (after market close)

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