

Vilmorin Clause & Cie (€ 130.3)

Reuters : VILM.PA Bloomberg : RIN FP

Food producers France

Buy
€ 147.5 (target)

Strategy 2H04

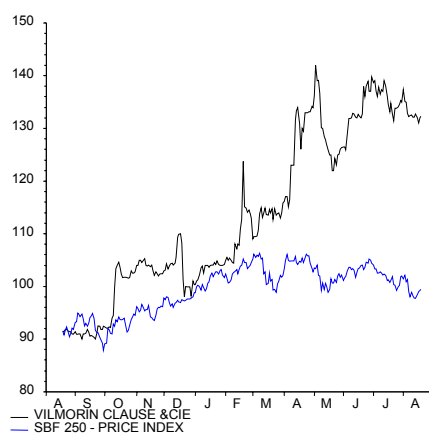
Next event : **Annual Earnings - 07/10/04**

Mkt cap : **€416m**Net cash 2005: **€-80m**Book value per share 2005: **€95.95**Range (12m) : **€98 - 142**Free float : **29.9%**

Year to june	EPS * (€)	P/E (x)	EV/ EBITDA (x)	Yield (%)
2003	8.67	15.0	+9.6	2.9
2004e	10.23	12.7	+7.2	3.6
2005e	11.31	11.5	+6.6	4.1
2006e	12.30	10.6	+6.0	4.5

* Before exceptionals and goodwill

Vilmorin vs SBF 250 (1 year)



Source: DATASTREAM

Fully developed structure

- Main growth drivers.** We maintain our confident stance towards Vilmorin, which recently published full-year sales (year to June) of € 492.2m - in line with our forecast – and should benefit from a number of growth drivers, particularly its significant potential for improvement in productivity. **Asia** is still a key growth driver, as the structure of the market is likely to favour further **alliances** (eg. with Seminis), which could eventually make Vilmorin world market leader in the trade segment. Furthermore, given the group's R&D expertise, the recovery of the consumer division and the financial resources available for it to pursue its acquisition strategy, we are confident that it will be able to improve its margins further.
- A major strength: R&D within a fully developed structure.** The creation over the years of a solid skill base in genetic technologies constitutes a real competitive advantage, enhanced by strategic acquisitions (eg. Keygene in molecular markers). The group's R&D expertise therefore forms part of a significant whole combining international presence (diversified production, spreading of risks etc.), integration of seed preparation sites and tightly controlled distribution. This organisational structure has allowed the group to become world market leader for all segments and world No. 2 in the trade segment.
- Full-year forecasts increased.** Given the group's full-year sales - which were in line with our expectations - and excellent H1 performance (operating loss cut to one-third, operating margin close to breakeven, while the majority of sales are generated in H2), we confirm our forecast of an increase of around 1 point in operating margin to around 11.5% vs. 10.7% last year.
- Status should be taken into account.** We reiterate our **Buy (1)** recommendation and have adjusted our target price to **€ 147.5**, which could be revised further to reflect a reduced discount to the market and on the basis of sector ratios, which would value the group at over 1x sales.

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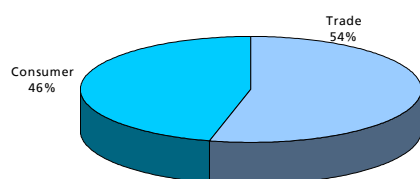
Profit and loss account 2003-2006e

year to june (€m)	2003	2004e	2005e	2006e
Sales	429.8	491.8	513.6	537.0
% change	-0.1	+14.4	+4.4	+4.6
Labour cost	-114.2	-125.6	-129.4	-133.3
EBITDA	51.9	70.3	75.1	80.5
EBITDA margin (%)	+12.1	+14.3	+14.6	+15.0
Depreciation & provisions	-12.3	-13.3	-13.6	-15.0
Other items	6.8	0.0	0.0	0.0
EBIT	46.4	57.0	61.4	65.5
Net interest charge	-5.3	-4.4	-4.1	-3.6
Earnings before tax	41.1	52.6	57.3	61.8
Tax	-12.1	-18.7	-20.0	-21.4
Net associates after tax	-0.1	0.0	0.0	0.0
Minorities	-1.2	-1.2	-1.2	-1.2
Joint venture income	0.0	0.0	0.0	0.0
Exceptional items	-3.9	-2.0	-1.0	-1.0
Goodwill amortisation	-0.5	-0.9	-1.0	-1.0
Attributable net profit	23.3	29.7	34.1	37.2
Adjusted profit before tax	39.8	51.4	56.1	60.6
Adjusted attributable profit	27.7	32.6	36.1	39.2
Tax rate (%)	29.5	35.6	35.0	34.6
Average workforce (unit)	2 786	3 075	3 167	3 262
Number of shares (m)	3	3	3	3
EPS reported (€)	7.29	9.32	10.68	11.67
EPS adjusted before goodwill (€)	8.67	10.23	11.31	12.30
Goodwill per share (€)	0.16	0.28	0.31	0.31
CFPS (€)	5.06	5.25	12.81	13.99
Free CFPS (€)	-1.21	0.86	8.73	9.92
Book value per share (€)	83.95	89.79	95.76	101.89
Net dividend (€)	3.80	4.66	5.34	5.84

Investment ratios 2003-2006e

year to june	2003	2004e	2005e	2006e
P/E before goodwill (x)	15.0	12.7	11.5	10.6
Reported P/E (x)	17.9	14.0	12.2	11.2
P/CF (x)	25.7	24.8	10.2	9.3
P/BV (x)	1.6	1.5	1.4	1.3
Net yield (%)	2.9	3.6	4.1	4.5
EV/sales (x)	1.2	1.0	1.0	0.9
EV/EBITDA (x)	9.6	7.2	6.6	6.0
EV/EBIT (x)	10.7	8.9	8.1	7.4
ROE (%)	10.4	11.8	12.2	12.4
ROCE (%)	12.3	13.9	13.9	14.5
Gearing (%)	27.8	28.5	23.6	19.0
Pay out (%)	52.1	50.0	50.0	50.0

Sales by activity



Cash flow statement 2003-2006e

year to june (€m)	2003	2004e	2005e	2006e
EBITDA	51.9	70.3	75.1	80.5
Exceptional items	-3.9	-2.0	-1.0	-1.0
Change in working capital	-18.3	-30.4	-10.1	-10.8
Provisions & other items	0.0	0.0	0.0	0.0
Operating cash flow	29.7	37.9	64.0	68.7
Net interest	-5.3	-4.4	-4.1	-3.6
Tax Paid	-12.1	-18.7	-20.0	-21.4
Capital expenditure	-16.1	-12.0	-12.0	-12.0
Free cash flow	-3.8	2.7	27.8	31.6
Dividends	-10.3	-12.1	-14.9	-17.0
Acquisitions/disposals	-0.1	-23.5	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0
Others (currency...)	7.2	19.6	-1.7	-2.6
Change in net cash	-7.0	-13.2	11.3	11.9

Balance sheet summary 2003-2006e

year to june (€m)	2003	2004e	2005e	2006e
Fixed assets	94.9	107.0	107.4	107.4
Goodwill & intangibles	91.3	102.4	101.4	100.4
Non monetary working capital	197.4	227.8	237.8	248.6
Net cash/(debt)	-79.8	-93.0	-81.8	-69.8
Provisions & others	17.2	17.7	18.2	19.2
Shareholders' funds	286.6	326.5	346.7	367.4
Minorities & preference	18.9	40.1	41.3	42.5
Ordinary shareholders' equity	267.7	286.4	305.4	324.9

Company data

Shareholders	51.4%	Groupe Limagrain Holding
	29.9%	Free float
	9.3%	Limagrain
	9.3%	Sélia
	0.1%	Treasure shares
Management		M. Daniel CHERON (MD)
		M. Daniel JACQUEMOND (FD)
Address		4, quai de la Mégisserie
		75 001 PARIS
		Tel: 04 73 63 41 95
		Fax: 04 73 63 41 80

Source for all tables on this page: Company, Oddo Midcap

Our system of recommendations reflects expected absolute returns in local currencies on a 6-month time horizon:

BUY	=	expected return above 15%
ADD	=	expected return between 0% and 15%
REDUCE	=	expected return between 0% and -15%
SELL	=	expected return worse than -15%

Note: We draw the reader's attention to the fact that Oddo Securities Midcap has signed a Liquidity Agreement with the company, whereby it has agreed to produce and distribute financial research on the company at least once a year, depending on relevant news.