



Vilmorin Clause & Cie

Reuters: VILM.PA

Bloomberg: RIN FP

Food Manufacturing France

BUY
€82.7

Favourable news flow

Preview

Next event: FY earnings – 11/10/02

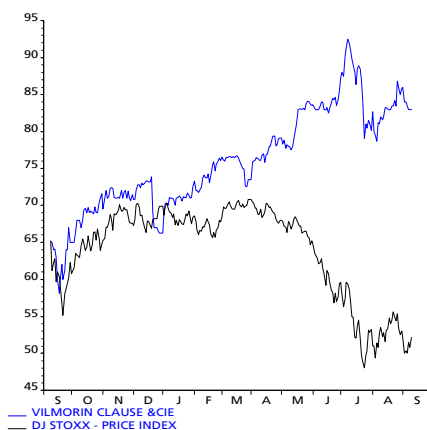
Market cap: **€264m**
Net debt 2003E: **€97m**
BV/share 2003E: **€99.02**

Range (12m): **€92.5–58.1**
Av. daily volume: **1,300**
Free float: **27%**

Year to Jun	EPS *	P/E	EV/ EBITDA	Net yield
	(€)	(x)	(x)	(%)
2001	5.99	13.8	+11.7	3.6
2002E	6.76	12.2	+9.2	4.1
2003E	8.36	9.9	+7.8	5.0
2004E	9.57	8.6	+6.9	5.7

* Before goodwill and exceps

Share price vs DJ Stoxx (1 year)



Source: DATASTREAM

■ **A good season.** The year ending 30th June 2002 saw **sales growth of 3.3% to €438.2m**, slightly below our forecast of €444m (for operating revenue). Adjusted for exchange rate effects and changes to the consolidation basis, sales increased by **5.3%**. The year-end was marked by a slowdown in sales in Germany and the US for the consumer division (–0.8% in 4Q), which offset the solid performance of the previous nine months (+8.5% on an unchanged consolidation basis and at constant exchange rates), particularly in the French market. The group was also affected by returns of unsold stock in Germany and changes to accounting methods in the US. However, the trade division achieved better performances, particularly in the US, where subsidiary Harris Moran not only made up for lost ground but even achieved growth of 2%. Overall, these trends offset one other and reveal a consolidated trend that is in line with expectations.

■ **Strong improvement in earnings.** The forthcoming publication of the group's earnings (on 11th October 2002) should also corroborate expectations, with **attributable net profit (€21.7m estimated)** close to the level achieved two years ago and signalling an end to the performance seen last year. The strong performance of the group's trade subsidiaries, with the exception of Japan, should sustain high profit margins (estimated increase of 0.5 percentage points in the operating margin for the division to 14.6%), while the consumer division is expected to equal last year's performance (operating margin of nearly 2%). We reiterate our **operating profit target of €40m, or operating margin of 9%**, up 0.5 percentage points, as well as **growth of nearly 13% in 2002E EPS from €5.99 to €6.76**.

■ **Upside of 25%.** The outlook remains intact, as agricultural production is progressing in line with expectations, creating a certain amount of confidence on the trade division, while the consumer division will have to overcome its weakness in Germany and the US. Margins should continue to improve (**operating margin of nearly 10% for 2003E and 10.5% for 2004E**, compared with 9% estimated for 2002E), corresponding to an **EPS CAGR of 15%** for the period 2001–05E. Currency risks are also under control (budgeted at \$0.99). We reiterate our **BUY** recommendation with a **share price target of €103**.

Jean-François Granjon
+33 (0)4 72 68 27 05
jean-francois.granjon@clse.com
16th September 2002

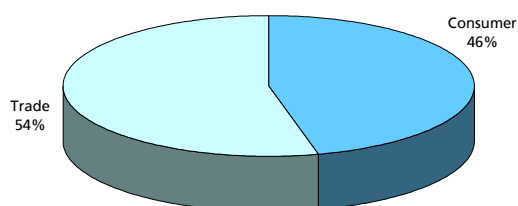
Profit and loss account 2001–2004E

Year to June (€m)	2001	2002E	2003E	2004E
Sales	418.0	433.6	450.8	468.7
% change	+12.3	+3.7	+4.0	+4.0
Personnel costs	-112.5	-113.6	-115.8	-118.7
EBITDA	32.2	40.1	46.1	50.8
EBITDA margin (%)	+7.7	+9.3	+10.2	+10.8
Depreciation & provisions	-9.8	-10.1	-10.9	-11.2
Other	13.5	10.0	10.0	10.0
EBIT	35.9	40.0	45.2	49.6
Net interest charge	-6.6	-6.4	-6.1	-5.6
Earnings bef tax & exceps	29.3	33.5	39.2	44.1
Tax	-9.1	-11.0	-11.5	-12.5
Associates	-0.1	0.0	0.0	0.0
Minorities	-1.0	-1.0	-1.0	-1.0
Joint ventures & holdings	0.0	0.0	0.0	0.0
Exceptional items	-1.1	0.5	0.0	0.0
Goodwill amortisation	-0.4	-0.4	-0.4	-0.4
Attrib net profit	17.6	21.7	26.3	30.1
NP bef exceps, GW & tax	28.2	32.5	38.2	43.1
NP bef exceps & GW	19.1	21.6	26.7	30.5
Tax rate (%)	31.1	32.8	29.4	28.4
Average headcount	2 756	2 784	2 839	2 910
Shares (m)	3	3	3	3
EPS declared (€)	5.52	6.79	8.23	9.45
EPS before exceps & GW (€)	5.99	6.76	8.36	9.57
Goodwill per share (€)	0.13	0.13	0.13	0.13
CFPS (€)	-8.00	4.68	6.17	7.36
Free CFPS (€)	-11.69	1.96	3.31	4.49
BV per share (€)	90.25	94.21	99.02	104.18
Dividend (€)	3.00	3.39	4.12	4.72

Investment ratios 2001–2004E

Year to June	2001	2002E	2003E	2004E
P/E before goodwill	13.8	12.2	9.9	8.6
Published P/E	15.0	12.2	10.0	8.8
P/CF	-10.3	17.7	13.4	11.2
P/BV	0.9	0.9	0.8	0.8
Net yield	3.6	4.1	5.0	5.7
EV/sales	0.9	0.9	0.8	0.8
EV/EBITDA	11.7	9.2	7.8	6.9
EV/EBIT	10.5	9.2	8.0	7.1
ROE (%)	7.1	7.3	8.7	9.4
ROCE (%)	9.4	9.7	10.8	11.6
Gearing (%)	38.8	35.2	30.9	26.6
Payout (%)	54.4	50.0	50.0	50.0

Sales split by activity



Cash flow statement 2001–2004E

Year to June (€m)	2001	2002E	2003E	2004E
EBITDA	32.2	40.1	46.1	50.8
Exceptional items	-1.1	0.5	0.0	0.0
Change in WCR	-42.0	-7.8	-8.9	-9.2
Provisions	0.0	0.0	0.0	0.0
Operating cash flow	-10.9	32.8	37.3	41.6
Net interest charge	-6.6	-6.4	-6.1	-5.6
Tax	-9.1	-11.0	-11.5	-12.5
Capex	-10.7	-9.1	-9.1	-9.1
Free cash flow	-37.3	6.3	10.5	14.3
Dividends paid	-11.1	-9.6	-10.8	-13.1
Acquisitions/disposals	-11.4	0.0	0.0	0.0
Capital increase	17.5	0.0	0.0	0.0
Other (currencies etc)	24.5	9.4	8.5	8.0
Change in net cash	-17.8	6.1	8.2	9.2

Summary balance sheet 2001–2004E

Year to June (€m)	2001	2002E	2003E	2004E
Fixed assets	100.4	99.3	98.0	96.4
Goodwill & intangibles	92.1	91.7	91.3	90.9
Operating WCR	217.3	225.1	233.9	243.2
Net cash (debt)	-111.8	-105.7	-97.5	-88.3
Provisions	10.2	10.0	10.0	10.0
Shareholders' funds	287.8	300.4	315.8	332.2
Minorities and pref shares	0.0	0.0	0.0	0.0
Attrib shareholders' funds	287.8	300.4	315.8	332.2

Company data

Shareholders	73%	Groupe Limagrain Holding
	27%	Free float
Management		Pierre Lefebvre (MD)
		Daniel Jacquemond (FD)
Address		4 quai de la Mégisserie
		75 001 Paris
		Tel: +33 (0) 4 73 63 41 95
		Fax: + 33 (0) 4 73 63 41 80

Source for tables on this page: Company, CLS

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%



CREDIT LYONNAIS SECURITIES

Credit Lyonnais Group Companies

Credit Lyonnais Securities

Broadwalk House
5 Appold Street
London EC2A 2DA
T: +44 (0)20 7588 4000
F: +44 (0)20 7588 0288
Contact: Emmanuel Valavanis

Credit Lyonnais Securities Europe – France

81–83 rue de Richelieu
75002 Paris
T: +33 (0)1 49 24 80 80
F: +33 (0)1 42 95 36 87
Contact: Arnaud de Courson

Credit Lyonnais Securities Europe – Small Caps

Tour Suisse
1 boulevard Vivier Merle
69443 Lyon Cedex 03
T: +33 (0)4 72 68 27 00
F: +33 (0)4 72 35 16 95
Contact: Edith Laborie

Credit Lyonnais Securities Europe Switzerland AG

Zollikerstrasse 4 Postfach 1873
8032 Zurich
T: +41 1421 1521
F: +41 1421 1530
Contact: Olivier Motte

Credit Lyonnais Securities Europe España SV. SA.

C/Juan Bravo 3–B 1a Planta
28006 Madrid
T: +34 (91) 578 2660
F: +34 (91) 423 4518
Contact: Philippe Sardet

Credit Lyonnais Securities (USA) Inc.

Credit Lyonnais Building
1301 Avenue of the Americas
New York NY 10019
T: +1 212 408 5955
F: +1 212 261 2510
Contact: Jean–Yannick Liatis

Credit Lyonnais

Pollux Gebäude
Platz der Einheit 2
60327 Frankfurt am Main
T: +49 (0) 69 7543 4804
F: +49 (0) 69 7543 4797
Contact: Jens Kruse

Credit Lyonnais Italia

Corso Buenos Aires, 54
20124 Milano
T: +39 02 277 14 82
F: +39 02 277 14 90
Contact: Luis Phillips

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