

February 13, 2009

## Dear clients and colleagues,

January retail figures were stronger than expected, but it was not enough to restrain the wave of pessimism over the Obama administration plans announced Monday. Global stock markets finished the week in negative territory, with financial stocks being severely hit. The vast majority of companies reporting bring to light the lack of visibility moving into 2009. In this context, we feel very comfortable being overexposed to Health Care, Consumer Staples and other defensive names in the IT or Industrials sectors. As such, no change has been made to the portfolio.

Few companies reported this week in the portfolio. We were very satisfied with the results of Carl Zeiss, Cerner, and Waste Connection as their quarterly sales rose 25%, 18%, and 5% respectively. Other software companies such as Perot System and Manhattan Associate suffered from delays with new project bookings, and thus reported declining quarterly revenue in the range of 7-11%. Although this situation has penalized all players in this space, we trust it is only temporary and that there is no need to worry. These companies' business models are resilient and the growth outlook remains strong.

### **Vilmorin (€84.40)**

Founded in 1742, Vilmorin is a European producer of novel vegetable and field crop plants intended for agricultural production and home gardeners. With the support of its subsidiaries, it also coordinates the breeding and the production of cereal and oil crop seeds.

#### *Target Market Size*

The seeds industry is a huge market with an estimated production value of \$22bn.

#### *Competitive advantages*

Vilmorin enjoys a strong market position: European leader in the field crops (corn & wheat) with 20% market share, and the second largest international player in the vegetable/flower seeds. The company is well-known for the quality of their research in the genetically modified seeds. Their innovative platform allows them to produce seeds with stronger resistance to diseases, herbicides, or other external factors, while increasing yield. Moreover, Vilmorin is developing a new hybrid species that will offer greater value added. Vilmorin invests massively in R&D, injecting more than 12% of its sales.

### *Growth strategy*

Growth will essentially come from the development of new genetically modified seeds, and the penetration of new or existing markets. The company is working toward intensifying its presence in Japan, India, and China, three markets that offer great opportunities. In the U.S. and Europe, the group continues to gain market share from competitors.

### *Risk*

Development of new genetic modified seeds, and the expansion into new markets might drive the cost of operation higher. The price fluctuation of seeds and the drastic change in the personal income of farmers must be taken into consideration.

### *Investment Theme*

Farmers and growers are constantly looking to increase their yield of various crop types. Worldwide demand for agriculture products and changing eating habits are favourable trends. Pricing power for the agriculture products should remain.

### *Valuation*

Based on a WACC of 8.5% and a terminal growth of 2.5%, our target price is € 150 for an expected return of 78%.

Vilmorin: [www.vilmorin.com](http://www.vilmorin.com) (RIN on the Euronext Exchange).

Market cap: €1130 million, P/E (TTM): 16.9x, P/E (2010): 15.9x, EV/EBITDA (TTM): 7.5x,  
Net debt: €318 million, Expected sales growth: 5%, Dividend yield: 2.0%.

Regards,

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Assistant portfolio manager