ISSN 2815-522X

How much is Monsanto worth?

Автор(и): Нора Иванова, Редактор Растителна Защита /РЗ/
Дата: 23.05.2016 *Брой:* 5/2016

The rumors that the German chemical group Bayer intends to acquire the American company Monsanto have already become a fact. The new Chief Executive Officer of Bayer, Werner Baumann, is preparing the largest acquisition deal in the history of agribusiness in Europe. In recent years, there has been a trend towards consolidation and the creation of oligopolistic markets dealing with plant protection products and seed varieties. If the offer is accepted by the Americans, Bayer will become the undisputed global leader not only in crop protection, but also in the seed business. CropScience, Bayer's agro segment, will increase its sales from the current EUR 10.4 billion to EUR 24 billion in annual profit. Thus, the agricultural division of the German group will assume the leading role in the future development of the company.

Last week, an informal meeting was held between representatives of Monsanto and Bayer, who officially confirmed that financial negotiations are being conducted in the framework of a future merger deal between the two agro giants. "In response to recent media reports, Monsanto

ISSN 2815-522X

Company announces that it has received an unsolicited, non-binding proposal from Bayer AG for a potential acquisition of Monsanto, which is subject to due diligence, regulatory approval and other conditions," the American company reports. The proposal will initially be reviewed by several American financial institutions – US banks Morgan Stanley, Ducera Partners, New York law firm Wachtell, Lipton and Rosen & Katz.

At present, Monsanto has a market valuation of approximately USD 42 billion. In the event of proceeding with the transaction, Bayer is offering to pay USD 60 billion, or about EUR 53 billion. To finance the deal, Bayer is considering the sale of shares, issuance of equity or divestment of assets. It is even possible that it will sell its animal health pharmaceuticals business. The company has already started implementing its plans and is selling its stake in its plastics company Covestro AG through an initial public offering, and in 2014 it acquired the over-the-counter medicines of Merck & Co. So far, the largest merger in the German company was exactly 10 years ago, when Schering was acquired for EUR 17 billion.

If the offer is accepted by the Americans, Bayer will become the undisputed global leader not only in crop protection, but also in the seed business. CropScience, Bayer’s agro segment, will increase its sales from the current EUR 10.4 billion to EUR 24 billion in annual profit. Thus, the agricultural division of the German group will assume the leading role in the future development of the company. This merger “will lead to the strengthening of a global, science-based innovation company with leading positions in the integrated agribusiness environment,” Bayer specifies.

Monsanto recently reported a turnover of USD 15 billion, including USD 3.5 billion operating profit and USD 2.3 billion net profit. Of the total turnover, approximately two-thirds, which equals USD 10.2 billion, is attributable to the seed business. The American company is still the leader in seed production and in conducting genetic research, in contrast to its weak influence in the field of plant protection products.

Big, bigger, biggest

The wave of mergers among leading agro companies began last year, when Monsanto twice attempted to enter the European market through a potential acquisition of its competitor Syngenta. Meanwhile, at the beginning of 2016, the Swiss company Syngenta AG was sold to the state-owned Chinese agricultural company ChemChina for about USD 43 billion. At present, the regulatory authorities are reviewing the USD 130 billion merger between Dow Chemical Co. and DuPont Co., which was concluded at the end of last year.

More on the topic:

Monsanto plans to eliminate its main competitor in Europe – Syngenta

Monsanto

Bayer