

***FINANCIAL DUE DILIGENCE:
A CASE STUDY ON BAYER ACQUISITION OF MONSANTO***



MONSANTO

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Table of Content

1. Company Introduction
 - 1.1 Bayer AG
 - 1.2 Monsanto Co.
2. Overview of the Case
 - 2.1 Strategy and reason for Merger
 - 2.2 Risk factors
3. Time line
4. Financial Due Dilligence Monsanto
 - 4.1 Statement of Financial Position
 - 4.2 Statement of Operations
 - 4.3 Statement of Comprehensive Income
 - 4.4 Statement of Cash Flow
5. Valuation
 - 5.1 DCF Approach
6. Financing Process
7. Synergy Potential
8. Post Merger Integration & Success Factors



Bayer AG

- Listed at german stock exchange (DAX)
- Founded in 1863
- Located in Leverkusen, Germany
- CEO: Werner Baumann (Since 2016)
- Employers: 103.824 (in 2019)
- Net Sales in 2019: 43.545 billion €
- 392 Consolidated Companies in 187 countries
- Producer of pharmaceuticals, agricultural products and chemicals



Pharma-
ceuticals

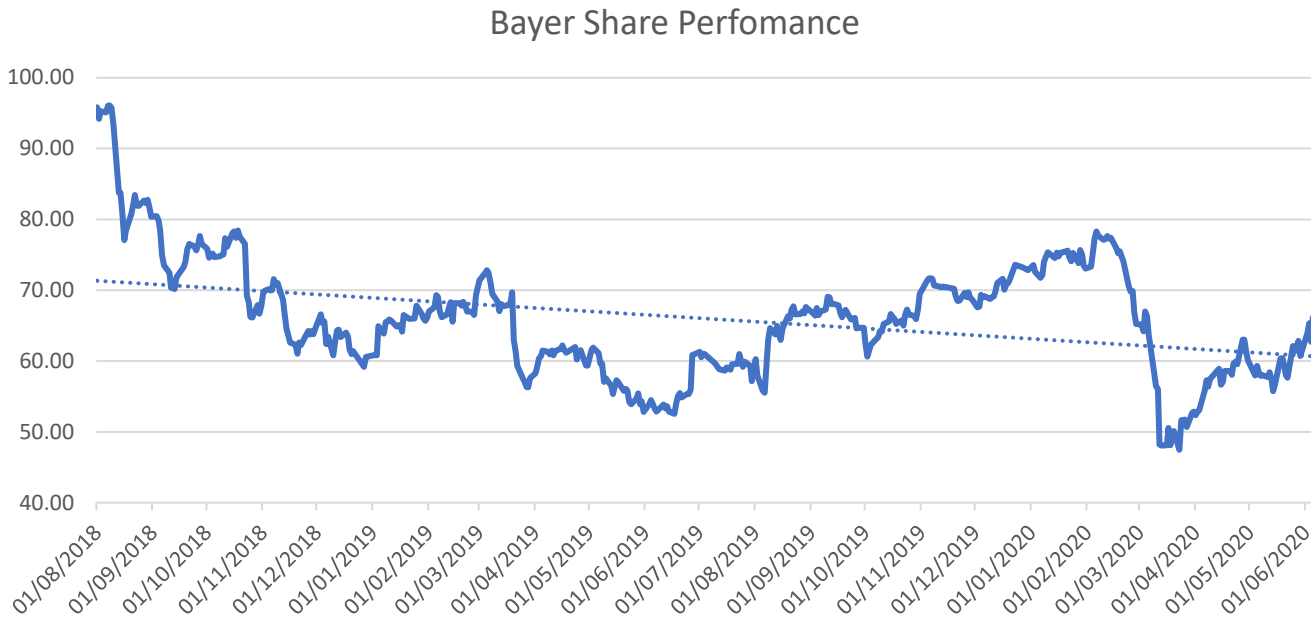
- Prescription medicine for diseases

Consumer
Health

- over-the-counter medications
- nutritional supplements
- dermatology products
- selfcare products

Crop Science

- Crop Protection
- Seeds
- Digital Farming
- Environmental Science



- Bayer has lost several litigations in the past with very high penalties and litigations will follow in the next months
- since the merger of Monsanto is fulfilled the trend of Bayer’s share is going down
- Animal Health was sold in 2019 (7.6 bilion USD but the transaction is not already fulfilled) to reduce liabilities

Source: 1) Bayer AG - company profile (2020) 2) Bayer AG - share price (2020) 3) Bayer AG - annual report 2019 (2020)

1. COMPANY INTRODUCTION >

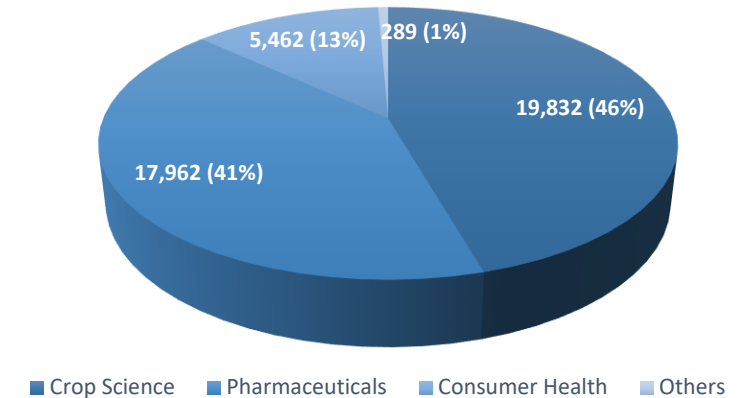
1.1 Bayer AG

	2015	2016	2017	2018	2019
Sales	46.324 €	46.769 €	35.015 €	39.586 €	43.545 €
EBITDA	9.573 €	8.801 €	8.563 €	9.695 €	9.554 €
EBIT	6.241 €	5.738 €	5.903 €	3.454 €	4.189 €
Net income	4.110 €	4.531 €	7.336 €	1.695 €	4.091 €
Free Cash Flow	3.827 €	5.806 €	5.202 €	4.652 €	4.214 €
Net financial debt	17.449 €	11.778 €	3.595 €	35.679 €	34.068 €
Earnings per share	4,97 €	5,44 €	8,29 €	1,80 €	4,17 €
Dividend per share	2,50 €	2,70 €	2,80 €	2,80 €	2,80 €

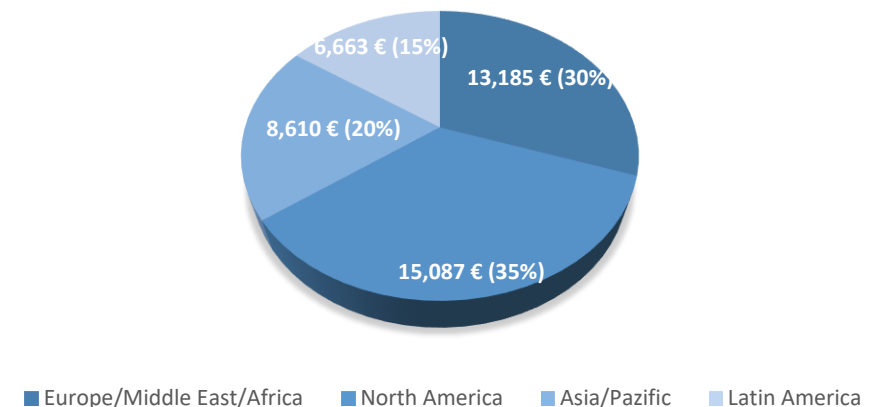
- Sales decreased in 2017
- Net income and earnings per share decreased in 2018
- Net financial debt increased in 2018
- Crop Science is the business with highest sales in 2019 (46%)

Source: 1) Bayer AG - annual report 2019 (2020)

Sales by businesses in 2019 (in mio. €)



Sales by regions in 2019 (in mio. €)





Unprecedented vote of no confidence for Bayer CEO Baumann

April 27, 2019



- Only just under 44.5 percent of Bayer shareholders express the discharge to Werner Baumann's board of directors for his work in the past year. Anything less than 90 percent counts as "punishment by the shareholders".
- It was the first annual general meeting since Bayer took over the US seed producer Monsanto. Hardly any takeover has ever been so criticized.
- The supervisory board, on the other hand, expresses its trust in the Bayer executive board.

The chronicle of a disaster

May 14, 2019



The purchase of Monsanto and the associated risks weigh heavily on Bayer. How could it possibly come this far? The story of a decline in value.

Bayer share after 40 percent price drop

The riskiest value in the DAX – and the most tempting

April 29, 2019



The Monsanto takeover and the glyphosate problem have already caused chemical giant Bayer's share to slide down by around 40 percent. Because the Group's business is still going well, experts recommend buying - but the risks are enormous..

Source: 1) Süddeutsche Zeitung (2019) 2) Süddeutsche Zeitung (2019) 3) Manager Magazin (2019)

Monsanto₁

- Founded in 1901
- Located in St. Louis, Missouri, USA
- CEO: Hugh Grant
- Employers: 20.800 (in 2016)
- Net Sales: 13.502 billion USD (2016)
- The company is a agrichemical and agricultural biotechnology corporation which produced seeds, herbizides and is a major producer of genetically engineered crops



Seeds and Genomics

- Corn seed and traits
- Soybean seed and traits
- Cotton seed and traits
- Vegetable seeds
- Other seed and traits

Agricultural Productivity

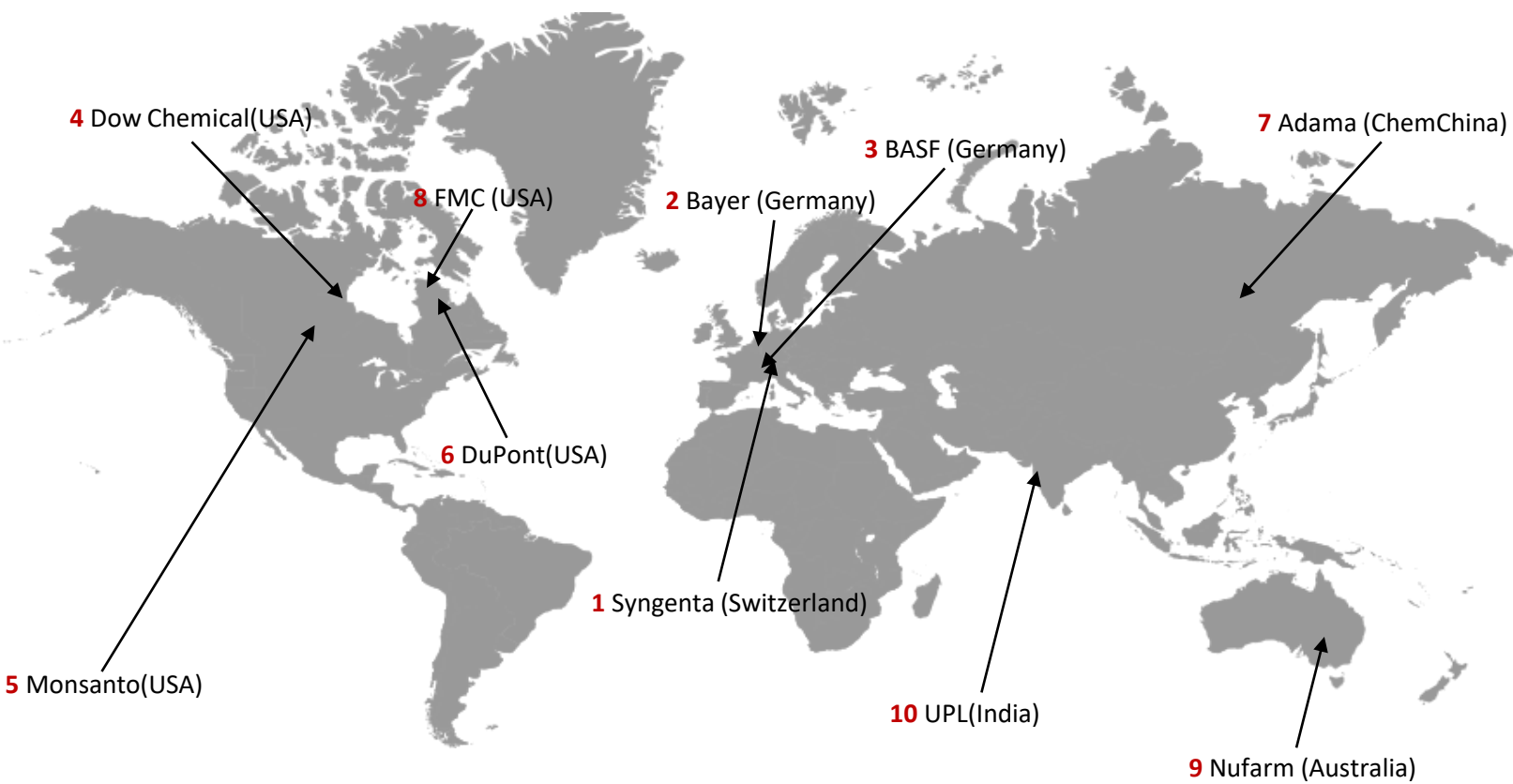
- Herbicides

Sales by businesses (in bilion \$)



Source: 1) Monsanto company - annual report 2016 (2016)

TOP 10 IN AGROCHEMICALS (2015)

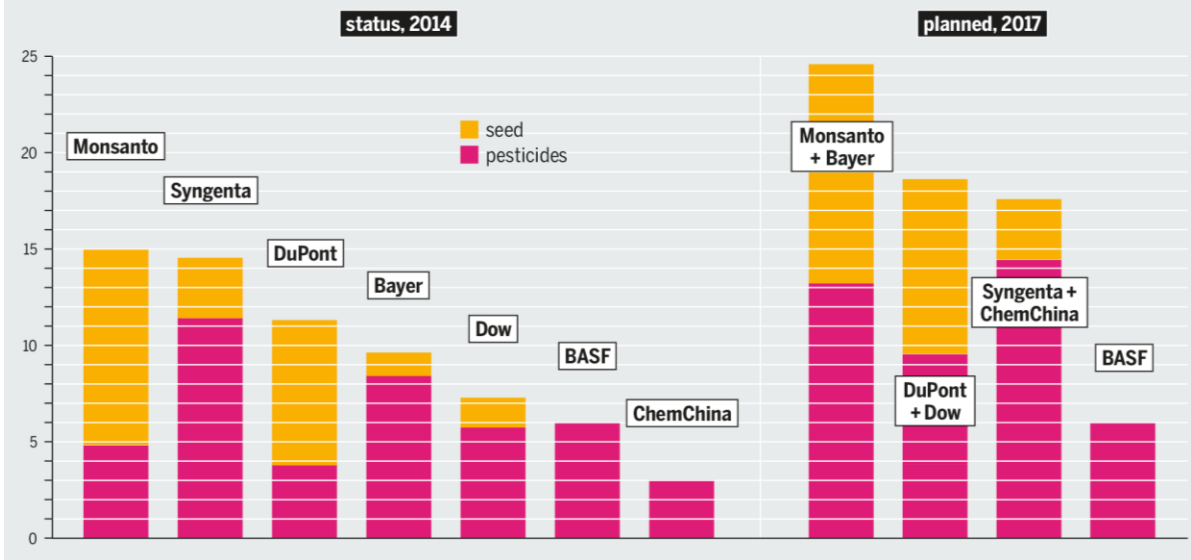


- ✓ Bayer wants to buy Monsanto and become the world's largest producer of seeds and agrochemicals
- ✓ Bayer expects the global turnover of seeds and pesticides to increase from US\$85bn in 2015 to US\$ 120bn in 2025
- ✓ The new Bayer – Monsanto would be the world's largest agricultural corporation, holding one-third of the global market for commercial seeds and a quarter of the market for pesticides

Source: Heinrich-Boell-Foundation (2017) – Agrifood Atlas 2017, p. 20

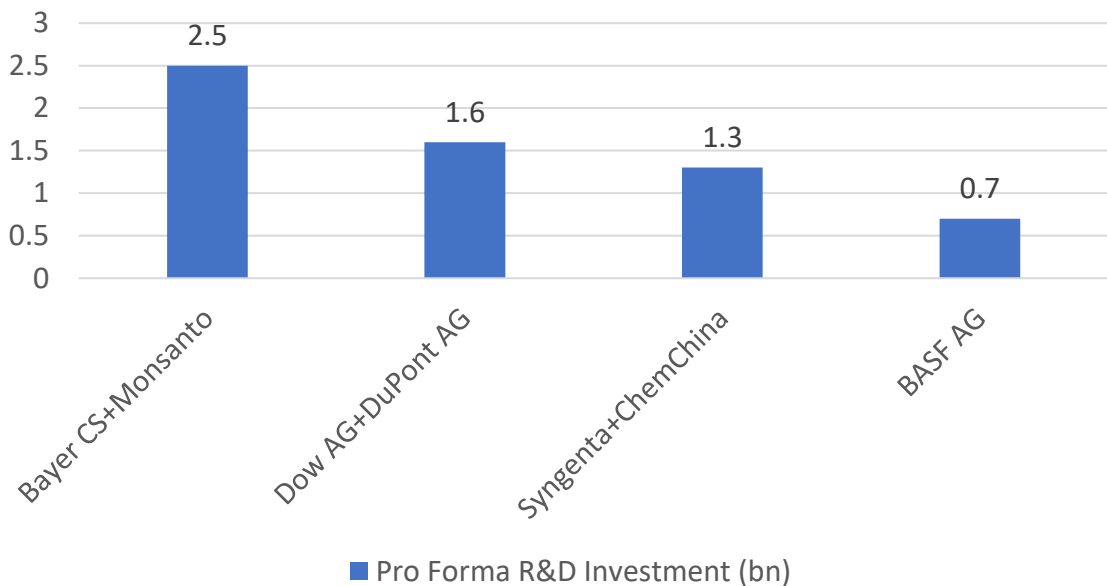
BUY TO SQUEEZE OUT THE COMPETITION

Concentration of the world's biggest agrochemicals companies, 2014 turnover, without merger-related sell-offs, in billion US dollars



Source: Heinrich-Boell-Foundation (2017) – Agrifood Atlas 2017, p. 20

Pro Forma R&D Investment (bn)



Source: Investor Conference call Presentation (2016) pg.18

Crop Science

- Consumer do not buy Bayer's products or selling will be forbidden
- Consolidation process in agriculture business
- Economic or environmental factors
- Regulations and laws

Acquisition of Monsanto

Requirements for closing

- reverse break fee of \$2 bn if the necessary antitrust approvals are not granted by June 14, 2018

Objectives may not be met

- Assumptions and estimates including earnings, cost structure, synergies or future growth of Monsanto

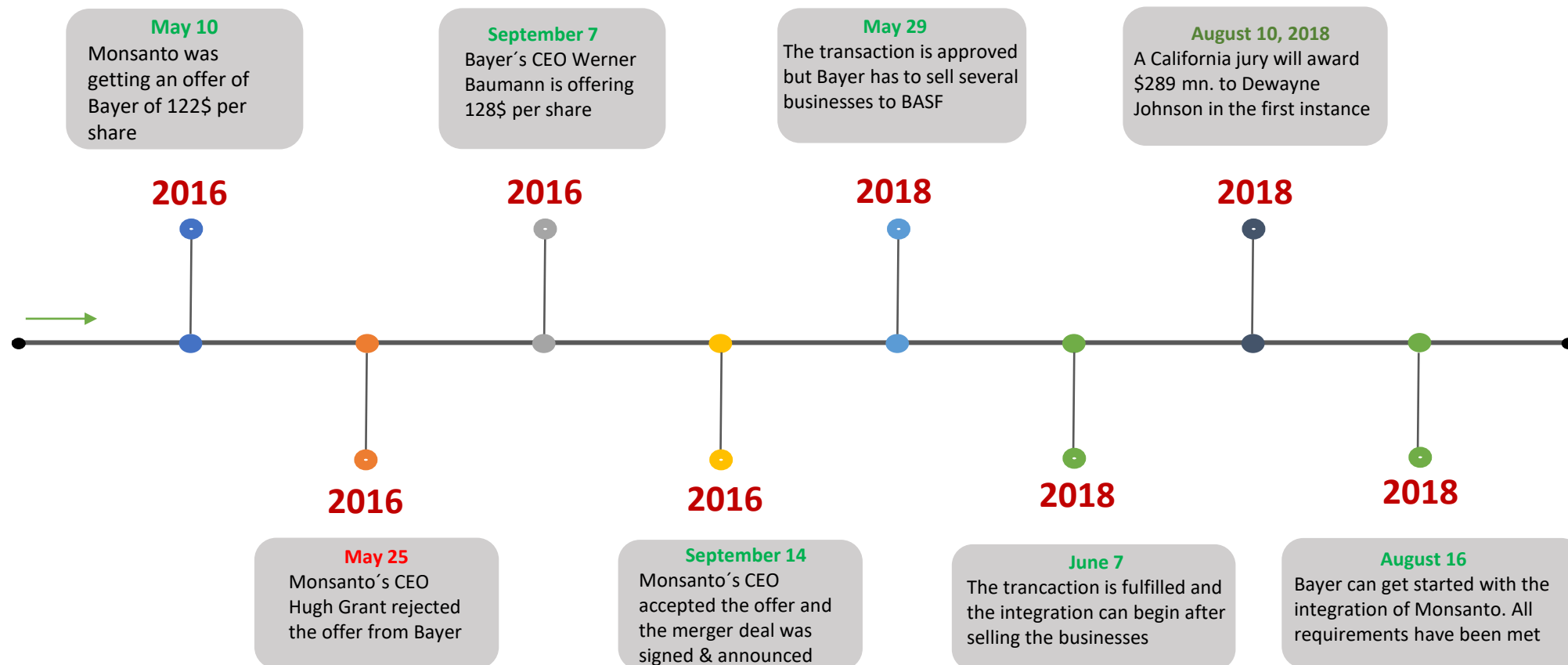
Change in risk profile

- Additional risk as a consequence of acquiring and integrating Monsanto's business

Risk from the financing process

- Increasing debt, credit rating, changes of exchange and interest rate

Source: 1) Bayer AG – annual report 2016 (2017), p. 172 and 178

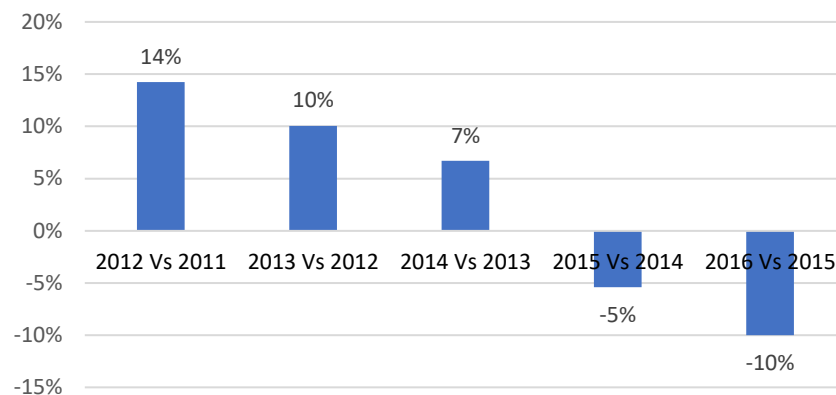


Source: 1) Sueddeutsche Zeitung (2019)

US\$ in millions	2016	2015	2014	2013	2012
Net sales	13,502	15,001	15,855	14,861	13,504
Cost of goods sold	(6,485)	(6,819)	(7,281)	(7,208)	(6,459)
Gross profit	7,017	8,182	8,574	7,653	7,045

SEEDS AND GENOMICS SEGMENT	2016	2015	2014	2013	2012
Net Sales					
Corn seed and traits	5,825	5,953	6401	6596	5814
Soybean seed and traits	2,162	2,276	2102	1653	1771
Cotton seed and traits	440	523	665	695	779
Vegetable seeds	801	816	867	821	851
All other crops seeds and traits	760	675	705	575	574
Total Net Sales	9988	10243	10740	10340	9789
AGRICULTURAL PRODUCTIVITY SEGMENT					
Net Sales					
AGRICULTURAL PRODUCTIVITY	3514	4758	5115	4521	3715
Total Net Sales	3514	4758	5115	4521	3715

Percentage change in Net Sales

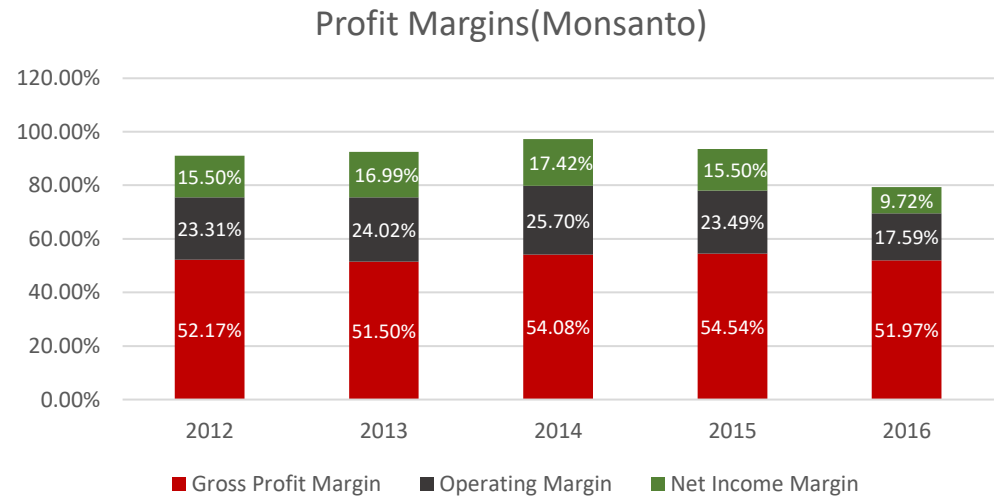


- Net Sales decrease of \$128mn in corn seed and traits was primarily driven by unfavourable currency impact and decreased average selling price
- High discounting to counter competitive offers in United States resulted in low revenue

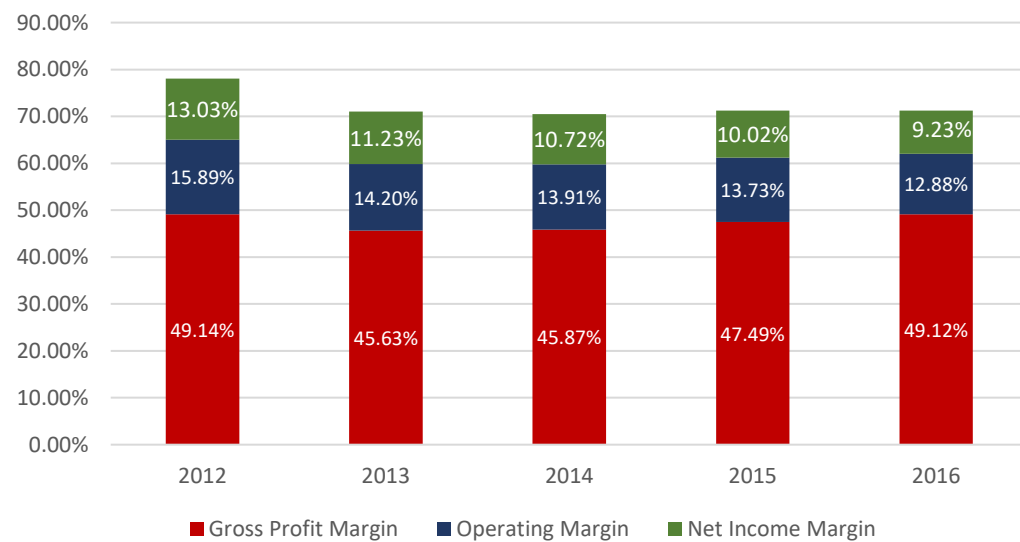
Source: Own Calculations based on Annual Report Monsanto(2012-2016)

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Gross profit	7,017	8,182	8,574	7,653	7,045
Selling, general and administrative expenses	(2,833)	(2,686)	(2,774)	(2,550)	(2,390)
Research and development expenses	(1,512)	(1,580)	(1,725)	(1,533)	(1,517)
Restructuring charges	(297)	(393)	—	—	10
Pending Bayer transaction related costs	—	—	—	—	—
Operating expenses	(4,642)	(4,659)	(4,499)	(4,083)	(3,897)
Income from operations	2,375	3,523	4,075	3,570	3,148
Interest expense	(436)	(433)	(248)	(172)	(191)
Interest income	74	105	102	92	77
Other income (expense), net	(22)	(34)	(102)	(61)	(46)
Income from continuing operations before income taxes	1,991	3,161	3,827	3,429	2,988
Income tax provision	(695)	(864)	(1,078)	(915)	(901)
Income from continuing operations including portion attributable to noncontrolling interest	1,296	2,297	2,749	2,514	2,087
Income on discontinued operations	17	28	13	11	6
Net income	1,313	2,325	2,762	2,525	2,093
Net (income) loss attributable to noncontrolling interest	23	(11)	(22)	(43)	(48)
Net income attributable to Monsanto Company	1,336	2,314	2,740	2,482	2,045

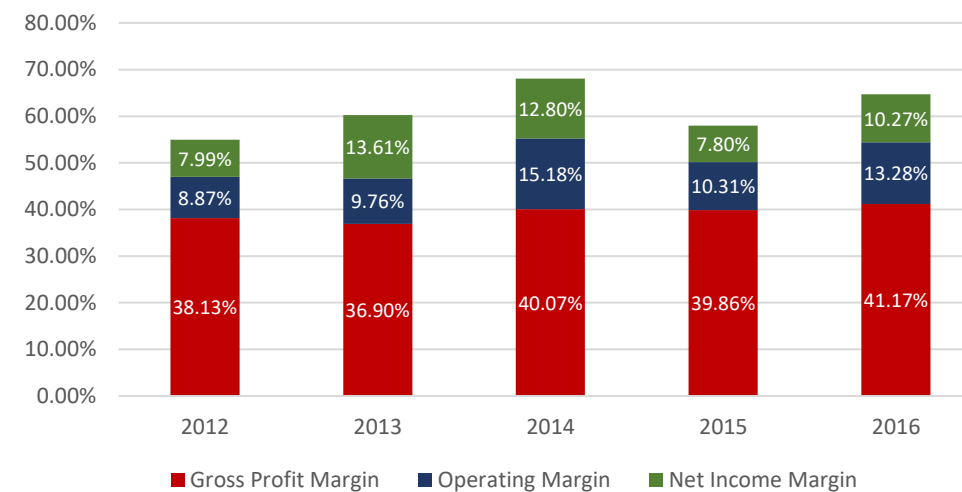
Source: Own Calculations based on Annual Report Monsanto(2012-2016)



SYNGENTA

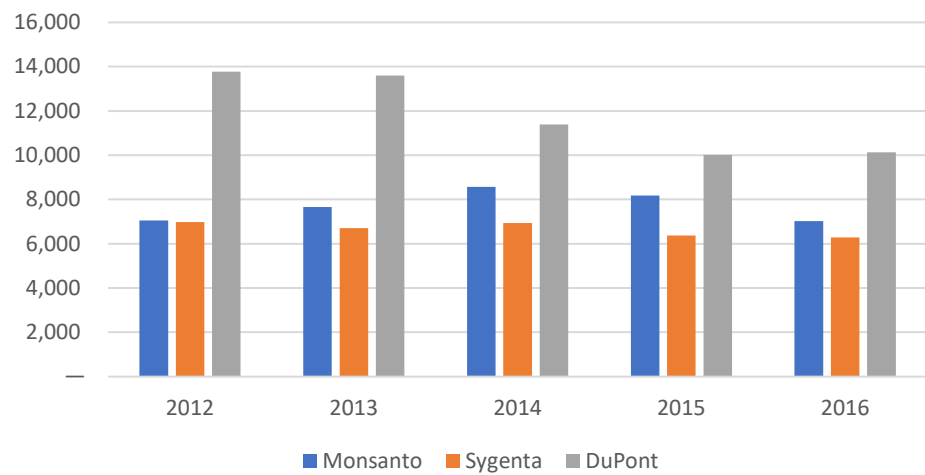


DUPONT

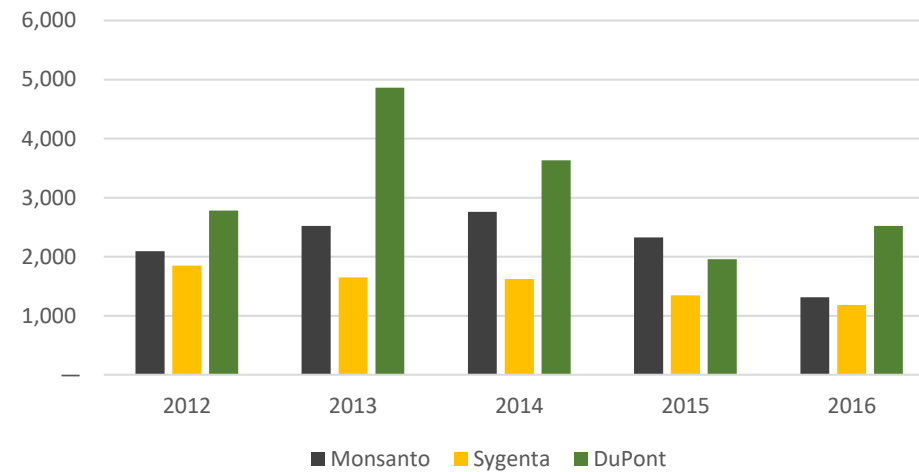


Source: Own Calculations based on Annual Report Syngenta & DuPont(2012-2016)

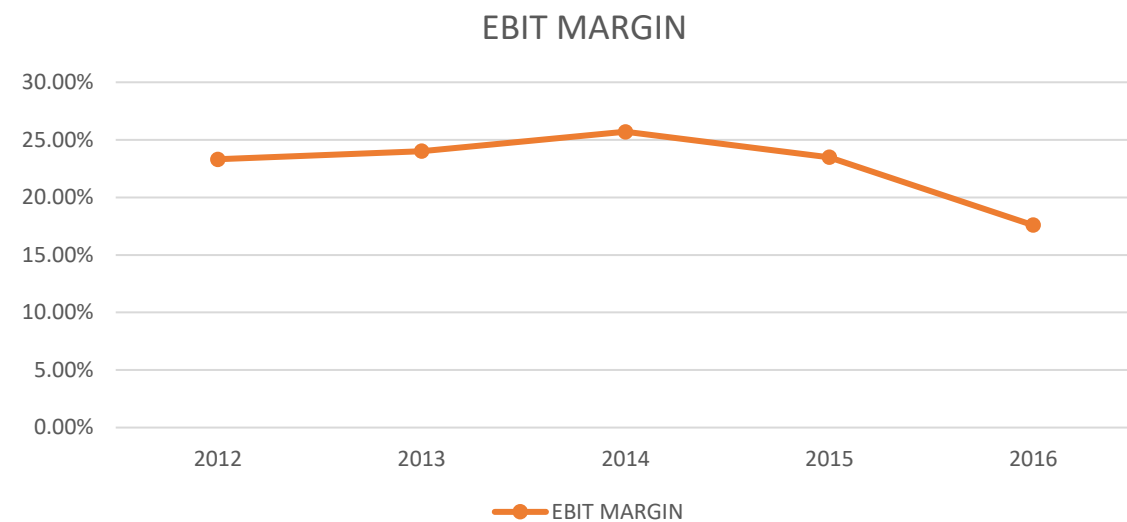
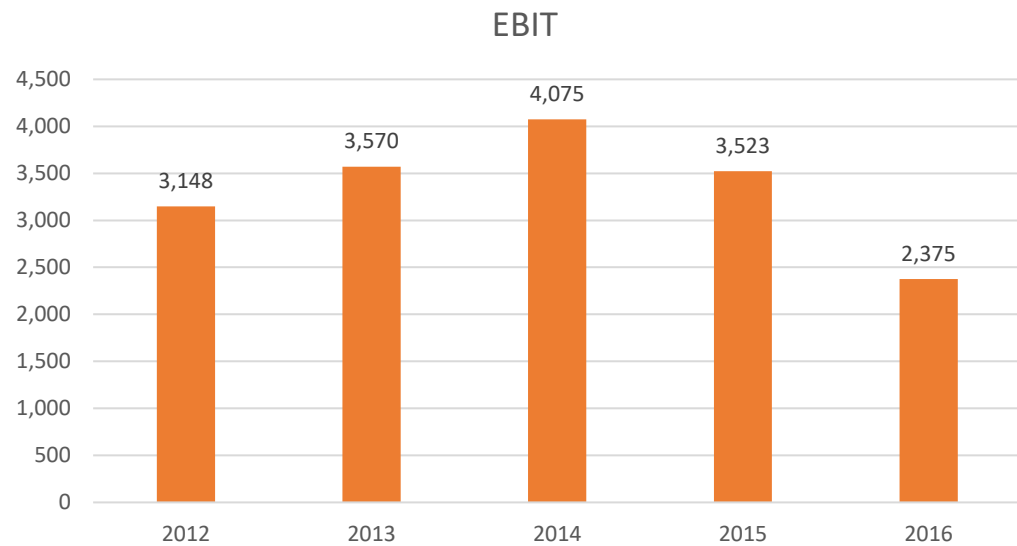
Gross Profit



Net Income



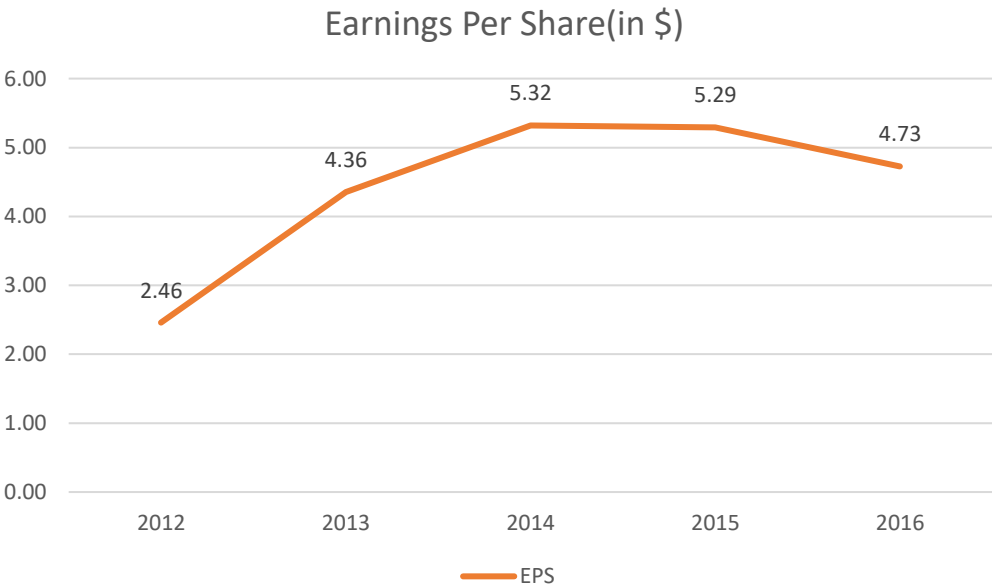
Source: Own Calculations based on Annual Report ,Syngenta & DuPont(2012-2016)



Source: Own Calculations based on Annual Report Monsanto(2012-2016)

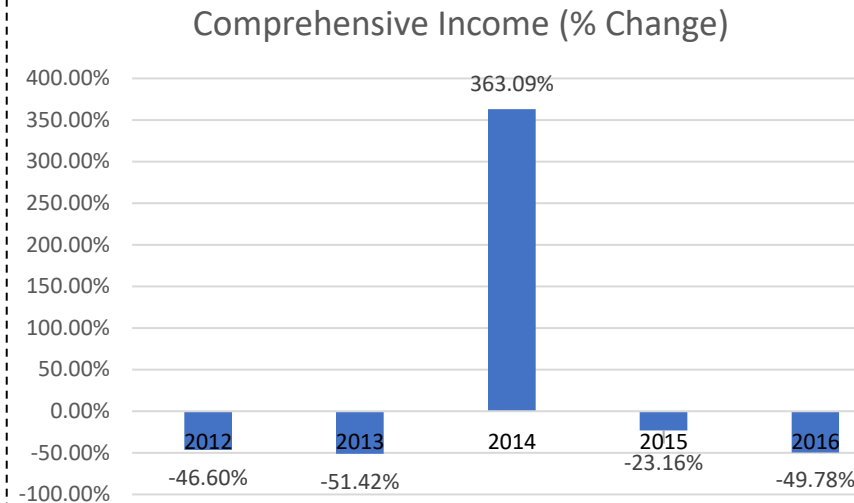
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Source: Own Calculations based on Annual Report Monsanto(2012-2016)

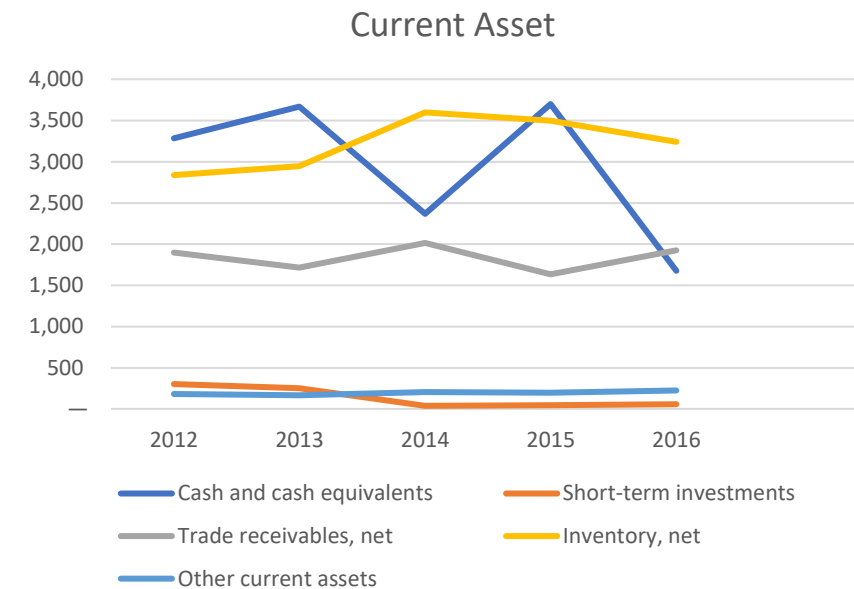


Statements of Consolidated Comprehensive Income					
(Dollars in millions)	2012	2013	2014	2015	2016
Comprehensive Income Attributable to Monsanto Company					
Net Income Attributable to Monsanto Company	2045	2482	2740	2314	1336
Other Comprehensive (Loss) Income, Net of Tax:					
Foreign currency translation, net of tax of \$2, \$(18) and \$(33), respectively	-872	-229	100	-1596	35
Postretirement benefit plan activity, net of tax of \$(35), \$(39) and \$76, respectively	-19	128	119	-65	-54
Unrealized net losses on investment holdings, net of tax of \$(1), \$0 and \$0, respectively	-	9	-	-	-2
Realized net losses (gains) on investment holdings, net of tax of \$1, \$(1) and \$(2), respectively	5	-6	-3	-3	1
Unrealized net derivative losses, net of tax of \$(26), \$(46) and \$(42), respectively	16	-78	-69	-54	-42
Realized net derivative losses, net of tax of \$44, \$23 and \$9, respectively	-50	-66	17	31	55
Total Other Comprehensive (Loss) Income, Net of T	-920	-242	164	-1687	-7
Comprehensive Income Attributable to Monsanto Company	1125	2240	2904	627	1329
Comprehensive Income Attributable to Noncontrolling Interests					
Net (Loss) Income Attributable to Noncontrolling Interests	48	43	22	11	-23
Other Comprehensive (Loss) Income:					
Foreign currency translation	-40	-27	10	-4	-1
Total Other Comprehensive (Loss) Income	-40	-27	10	-4	-1
Comprehensive (Loss) Income Attributable to Noncontrolling Interests	8	16	32	7	-24
Total Comprehensive Income	1133	2256	2936	634	1305

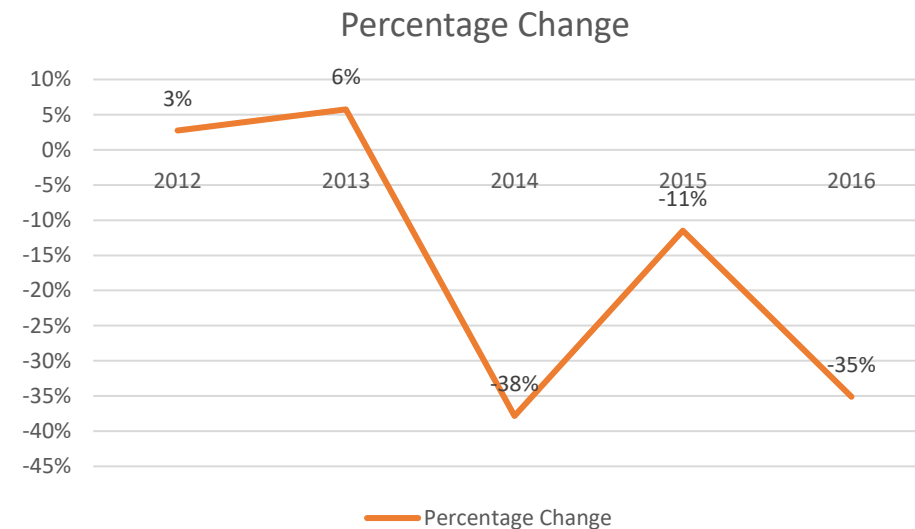
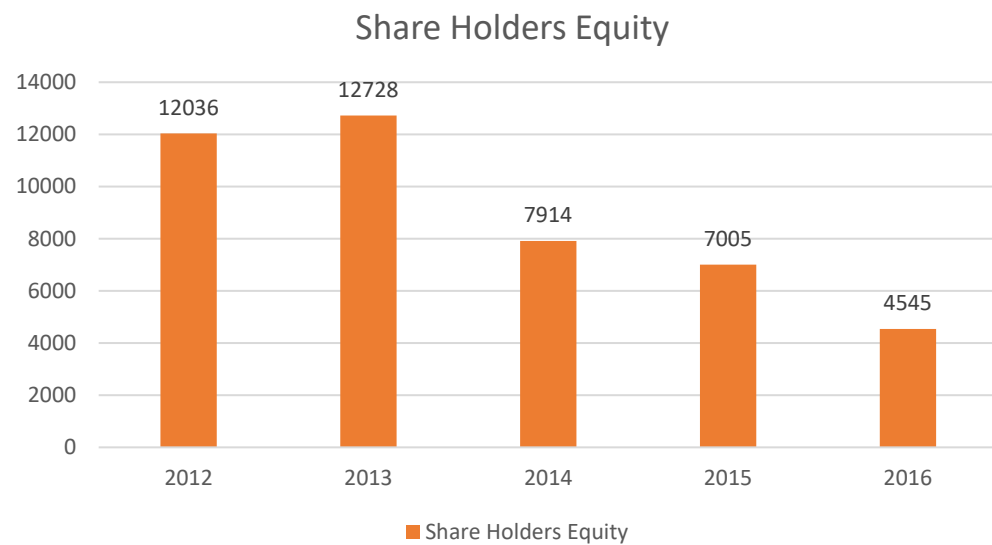
Source: Own Calculations based on Annual Report Monsanto(2012-2016)



US\$ in millions					
Assets	Aug 31, 2016	Aug 31, 2015	Aug 31, 2014	Aug 31, 2013	Aug 31, 2012
Cash and cash equivalents	1,676	3,701	2,367	3,668	3,283
Short-term investments	60	47	40	254	302
Trade receivables, net	1,926	1,636	2,014	1,715	1,897
Miscellaneous receivables	755	803	817	748	620
Deferred tax assets	—	743	635	579	534
Inventory, net	3,241	3,496	3,597	2,947	2,839
Assets held for sale	272	—	—	—	—
Other current assets	227	199	205	166	183
Current assets	8,157	10,625	9,675	10,077	9,658
Property, plant and equipment, net	5,231	4,973	5,082	4,654	4,365
Goodwill	4,020	4,061	4,319	3,520	3,435
Other intangible assets, net	1,125	1,332	1,554	1,226	1,237
Noncurrent deferred tax assets	613	277	450	454	551
Long-term receivables, net	101	42	92	237	376
Other assets	489	610	809	496	602
Noncurrent assets	11,579	11,295	12,306	10,587	10,566
Total assets	19,736	21,920	21,981	20,664	20,224

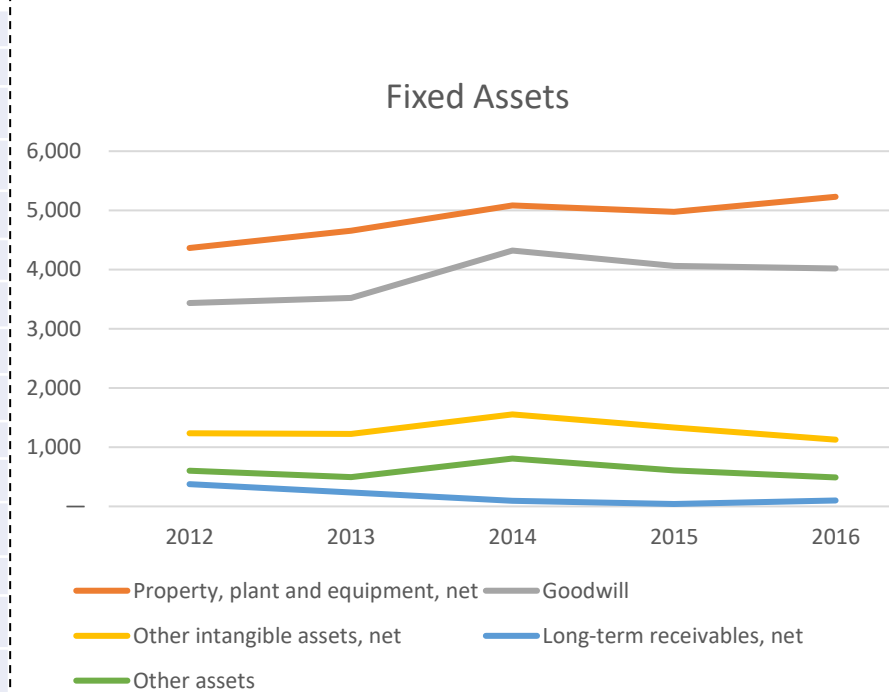


Source: Own Calculations based on Annual Report Monsanto(2012-2016)



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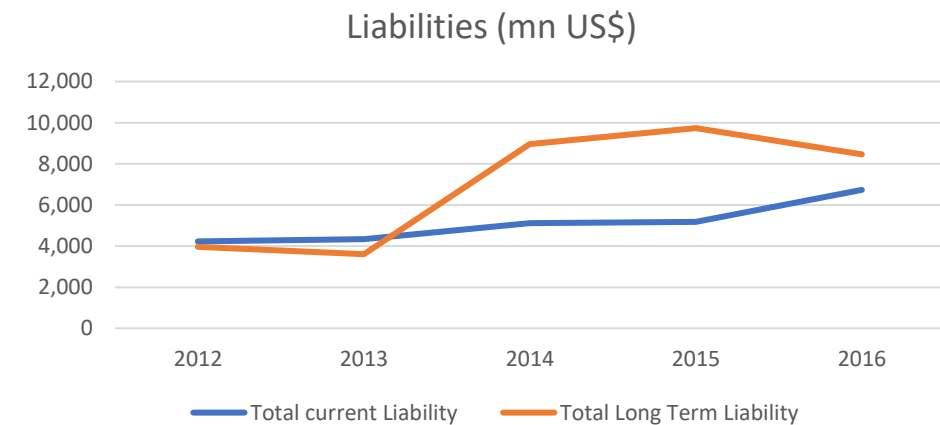
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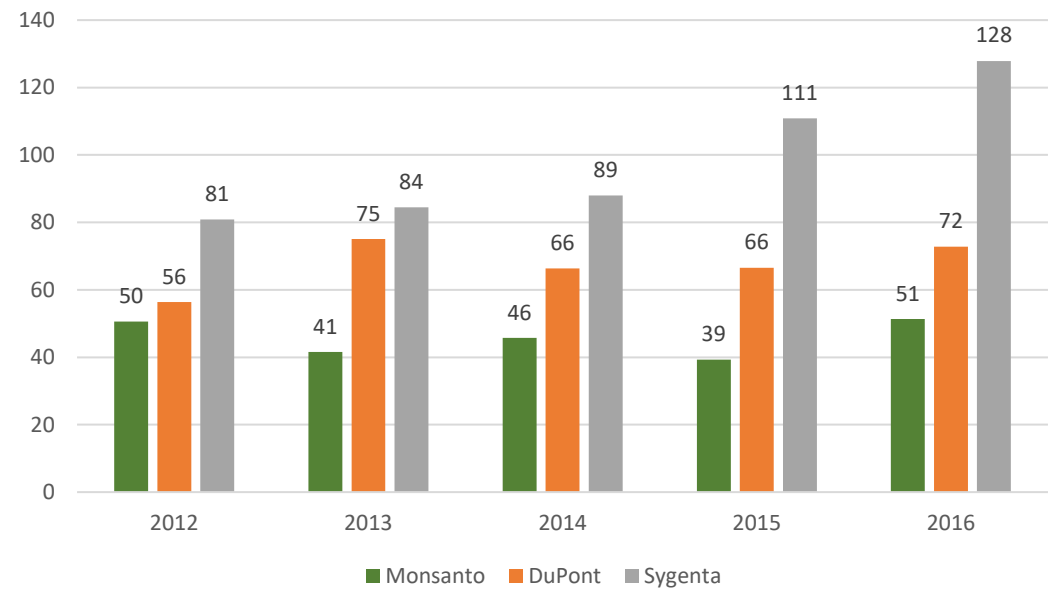
Source: Own Calculations based on Annual Report Monsanto(2012-2016)

Current liabilities	2016	2015	2014	2013	2012
Short-term debt, including current portion of long-term debt	1,587	615	233	51	36
Accounts payable	1,006	836	1,111	995	794
Income taxes payable	41	234	99	91	75
Accrued compensation and benefits	239	304	500	492	546
Accrued marketing programs	1,650	1,492	1,394	1,078	1,281
Deferred revenues	568	370	438	517	396
Grower production accruals	47	39	54	60	194
Dividends payable	237	254	239	228	200
Customer payable	123	72	82	12	14
Restructuring reserves	227	170	0	0	0
Miscellaneous short-term accruals	1,004	791	962	812	685
	6,729	5,177	5,112	4,336	4,221
Noncurrent liabilities					
Long-Term Debt	7,453	8,429	7,528	2,061	2,038
Postretirement Liabilities	371	336	345	357	543
Long-Term Deferred Revenue	35	47	47	138	245
Noncurrent Deferred Tax Liabilities	68	340	509	469	313
Long-Term Portion of Environmental and Litigation Liabilities	200	194	184	193	213
Long-Term Restructuring Reserve	17	47	0	0	0
Other Liabilities	318	345	342	382	615
	8,462	9,738	8,955	3,600	3,967

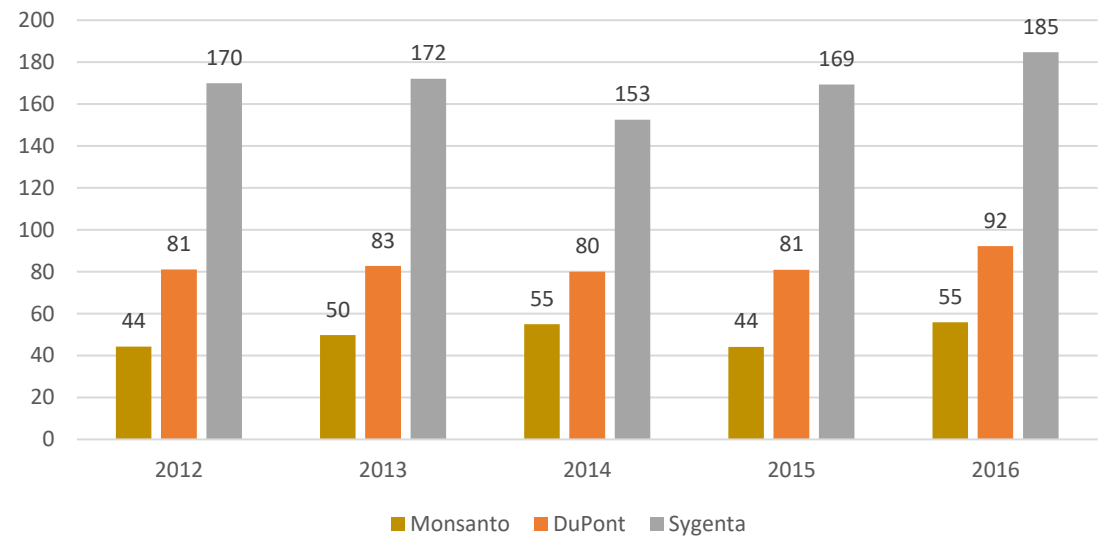
Source: Own Calculations based on Annual Report Monsanto(2012-2016)



Trade Recievables Turnover(in Days)

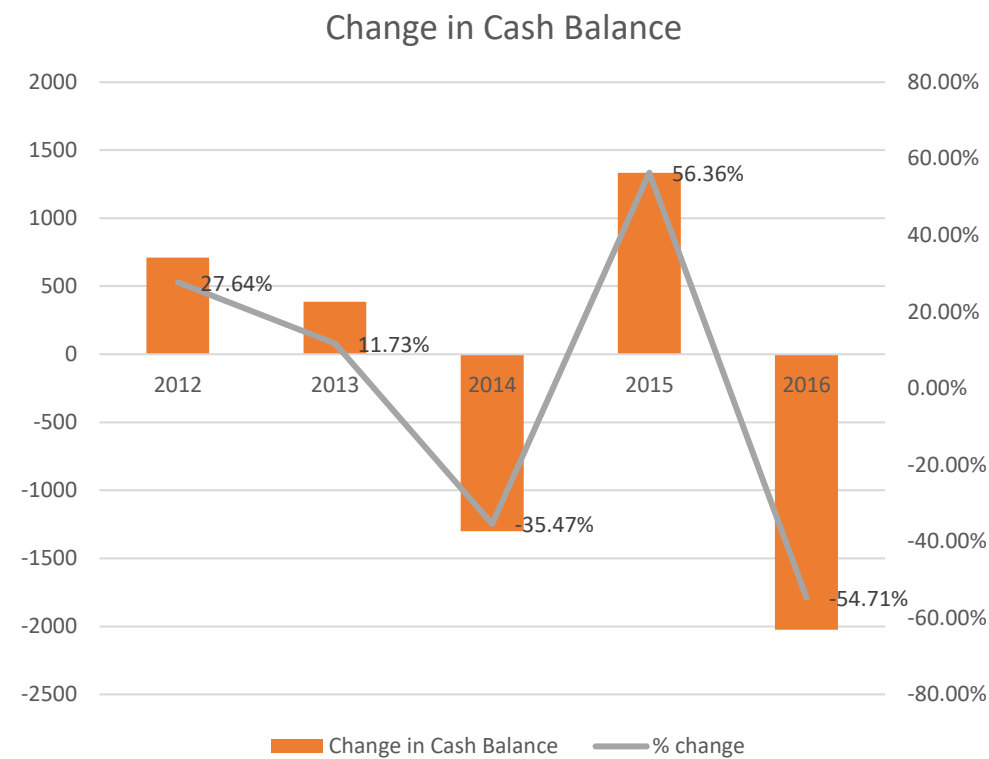


Accounts Payable Turnover(in Days)



Source: Own Calculations based on Annual Report Monsanto,Syngenta & DuPont(2012-2016)

Year	2016	2015	2014	2013	2012
Cash and Cash Equivalents at Beginning of Period	3,701	2,367	3,668	3,283	2,572
Cash and Cash Equivalents at End of Period	1,676	3,701	2,367	3,668	3,283
Change in Cash Flow(Ending Balance Vs Beginning Balance)	(2,025)	1,334	(1,301)	385	711

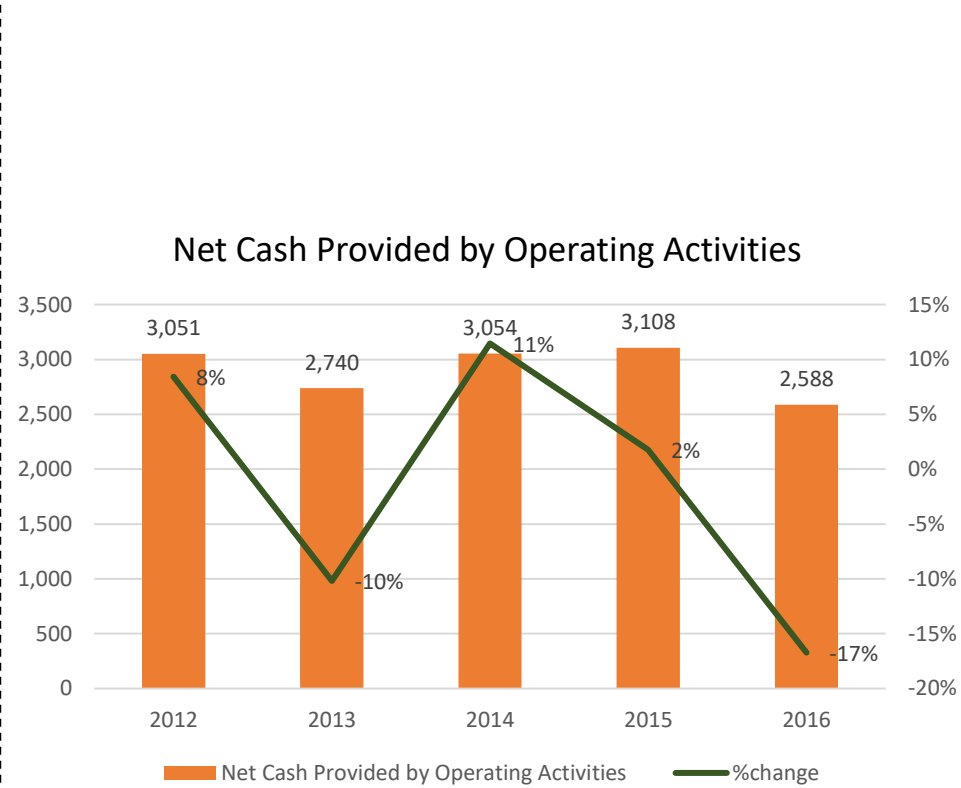


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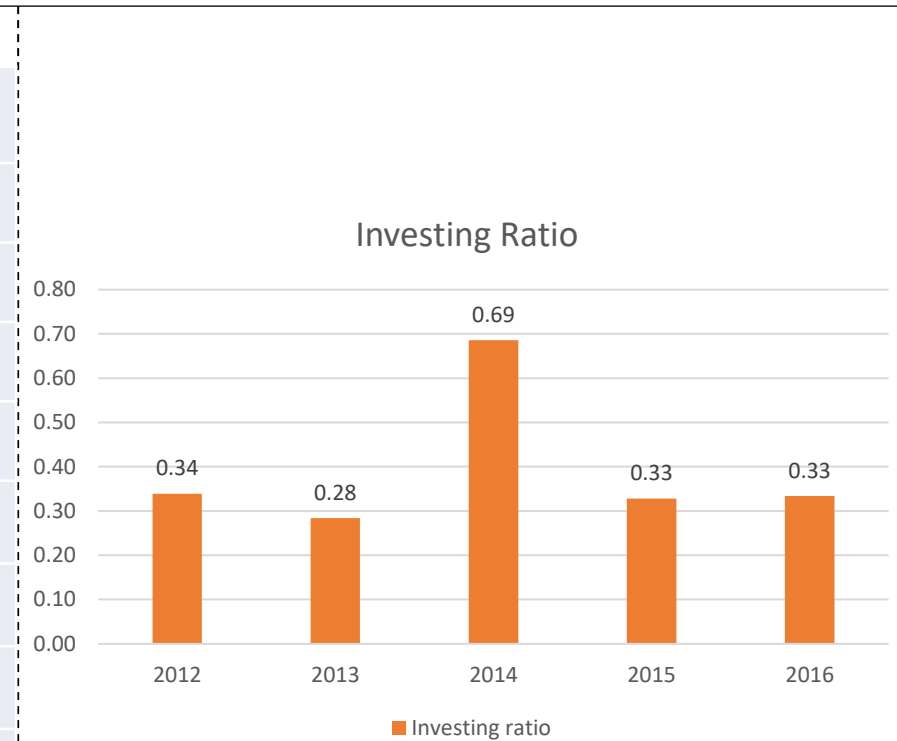


	2016	2015	2014	2013	2012
	in million \$	in million \$	in million \$	in million \$	in million \$
Operating Activities:					
Net Income	1,313	2,325	2,762	2,525	2,093
Adjustments to reconcile cash provided by operating activities:					
Items that did not require (provide) cash:					
Depreciation and amortization	727	716	691	615	622
Bad-debt expense	152	45	41	27	3
Stock-based compensation expense	111	111	120	100	128
Excess tax benefits from stock-based compensation	-16	-44	-72	-79	-50
Deferred income taxes	97	-271	12	176	242
Restructuring charges, net	147	276	0	0	-10
Equity affiliate income, net	15	7	4	-17	-19
Net gain on sales of a business or other assets	-181	-2	-11	-17	-4
Other items	181	118	139	-77	158
Changes in assets and liabilities that provided (required) cash, net of acquisitions:					
Trade receivables, net	-498	68	-172	222	89
Inventory, net	181	-425	-650	-192	-422
Deferred revenues	189	32	-163	50	-43
Accounts payable and other accrued liabilities	176	235	709	-104	430
Restructuring cash payments	25	217	0	0	-12
Pension contributions	-78	-27	-64	-75	-83
Net investment hedge settlement	0	0	0	0	0
Other items	47	-273	-292	-414	-71
Net Cash Provided by Operating Activities	2,588	3,108	3,054	2,740	3,051

Source: Own Calculations based on Annual Report Monsanto(2012-2016)

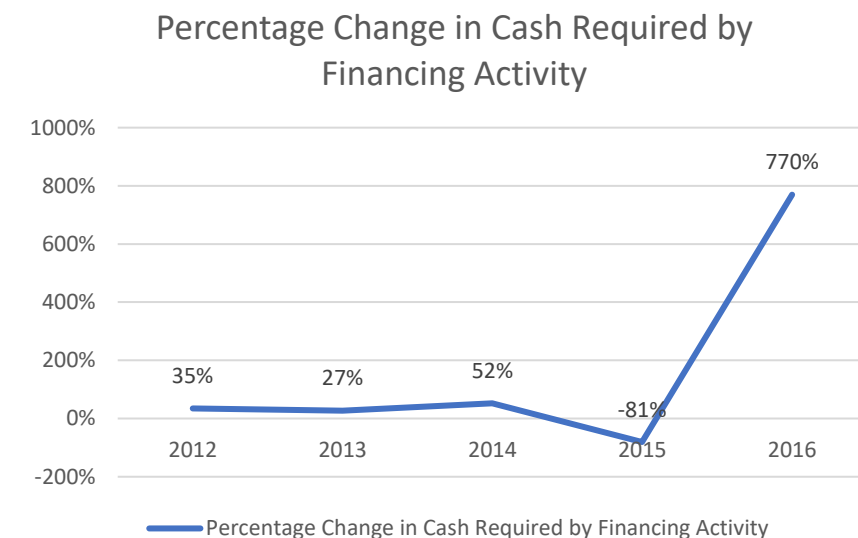


	2016	2015	2014	2013	2012
Cash Flows Provided (Required) by Investing Activities:					
Purchases of short-term investments	-50	-63	-145	-716	-746
Maturities of short-term investments	35	56	359	764	746
Capital expenditures	-923	-967	-1,005	-741	-646
Acquisition of businesses, net of cash acquired	-2	-8	-922	-165	-322
Purchases of long-term debt and equity securities	0	-30	-12	0	0
Technology and other investments	-69	-48	-403	-88	-77
Other investments and property disposal proceeds	145	41	33	169	11
Net Cash Required by Investing Activities	-864	-1,019	-2,095	-777	-1,034



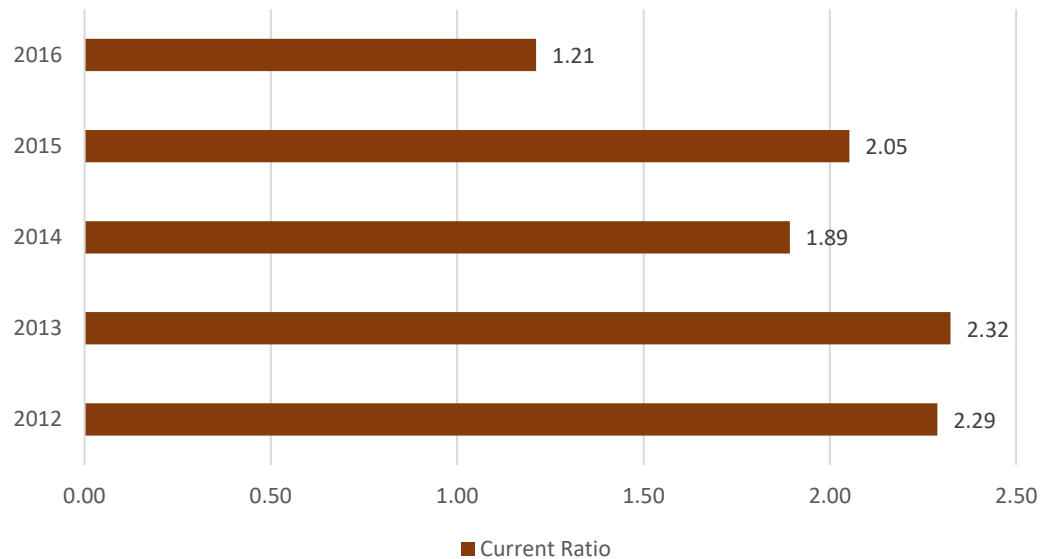
Source: Own Calculations based on Annual Report Monsanto(2012-2016)

Cash Flows Provided (Required) by Financing Activities:	2016	2015	2014	2013	2012
Net change in financing with less than 90-day maturities	676	45	38	104	-116
Short-term debt proceeds	49	57	50	22	30
Short-term debt reductions	-272	-36	-24	-29	-42
Long-term debt proceeds	9	1,279	5,479	32	499
Long-term debt reductions	(306)	(107)	(7)	(2)	(629)
Payments on other financing	0	0	-39	0	0
Debt issuance costs	0	-12	-53	0	-5
Treasury stock purchases	-3,001	-835	-7,082	-1,095	-432
Stock option exercises	81	137	248	257	117
Excess tax benefits from stock-based compensation	16	44	72	79	50
Tax withholding on restricted stock and restricted stock units	-24	-36	-9	-10	-19
Dividend payments	-964	-938	-904	-802	-642
Proceeds from noncontrolling interest	0	0	0	133	101
Dividend payments to noncontrolling interests	-6	-28	-28	-174	-77
Net Cash Required by Financing Activities	-3,742	-430	-2,259	-1,485	-1,165

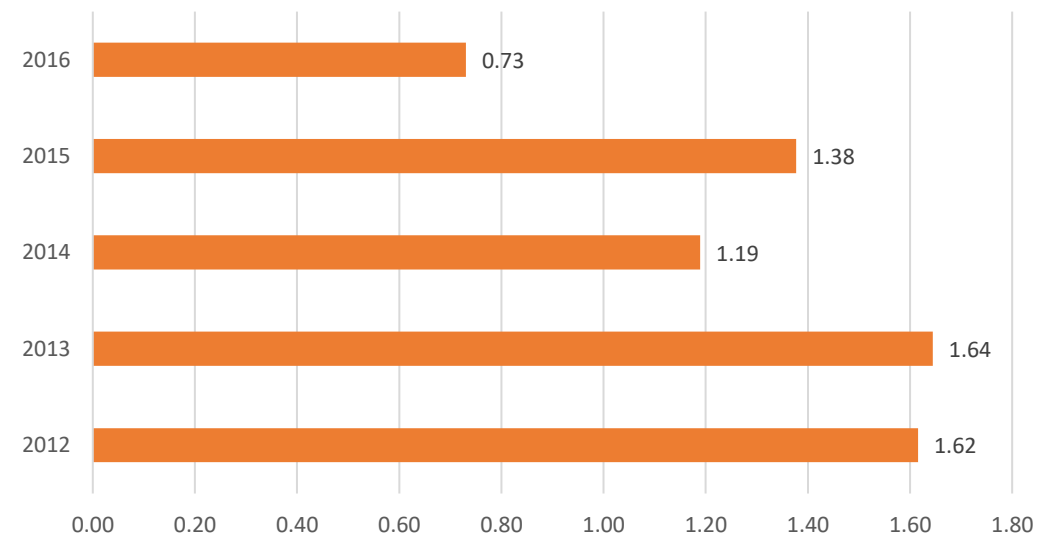


Source: Own Calculations based on Annual Report Monsanto(2012-2016)

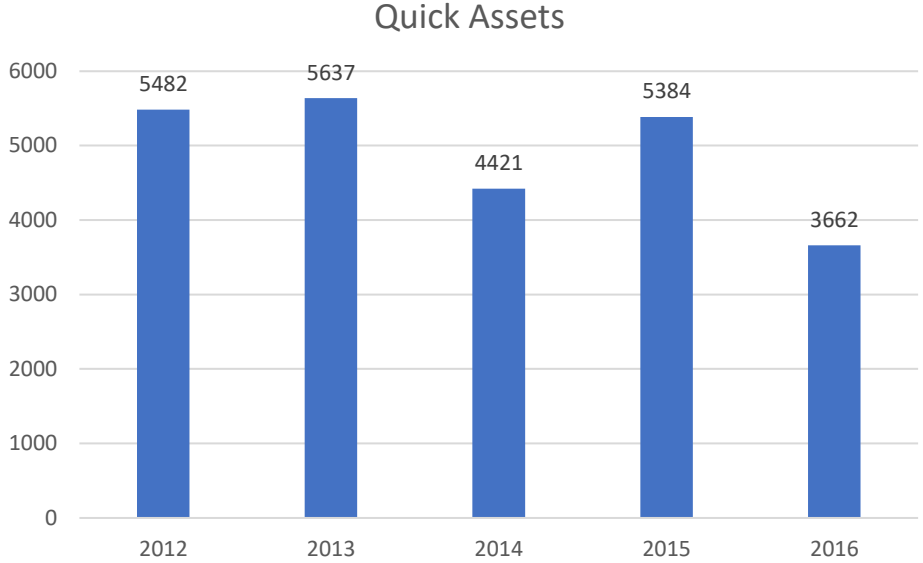
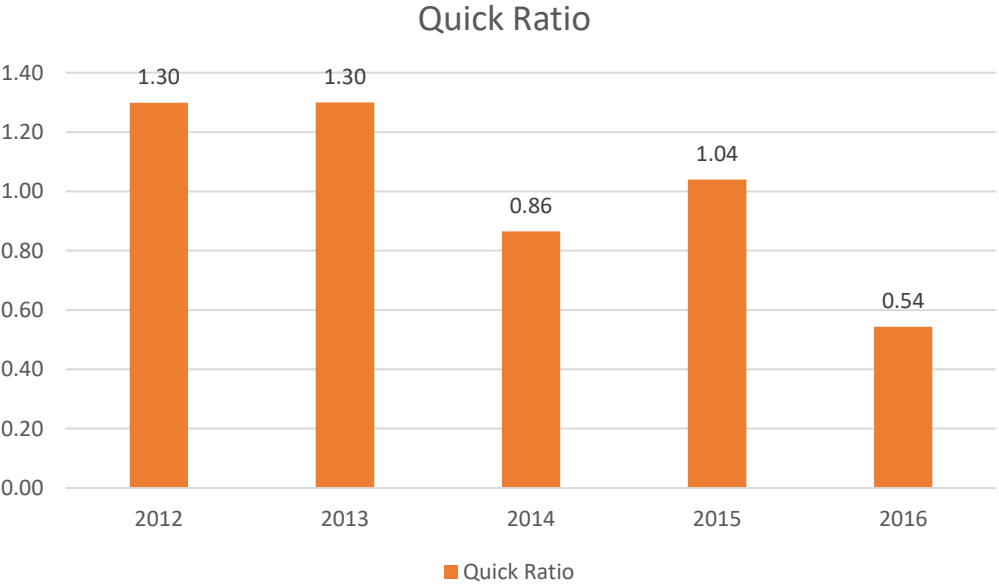
Current Ratio



Acid Test Ratio

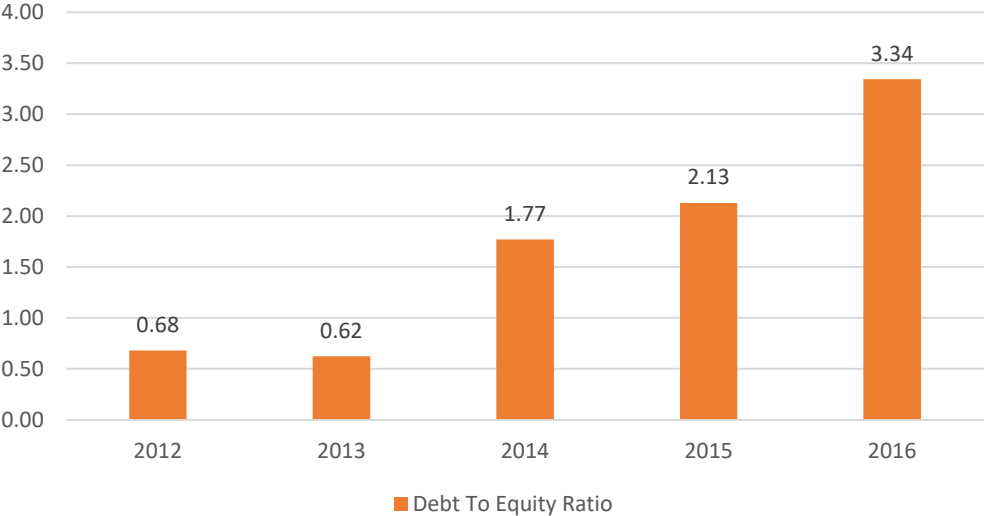


Source: Own Calculations based on Annual Report Monsanto(2012-2016)

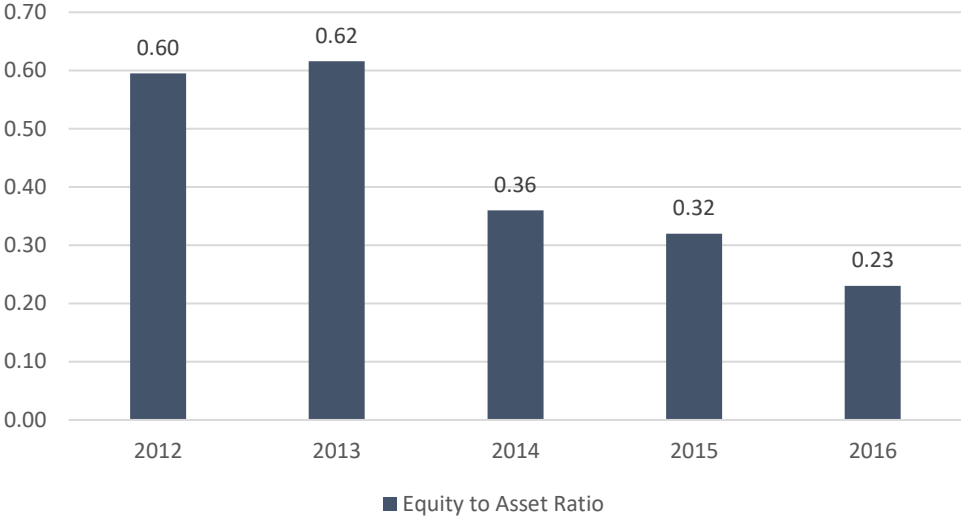


Source: Own Calculations based on Annual Report Monsanto(2012-2016)

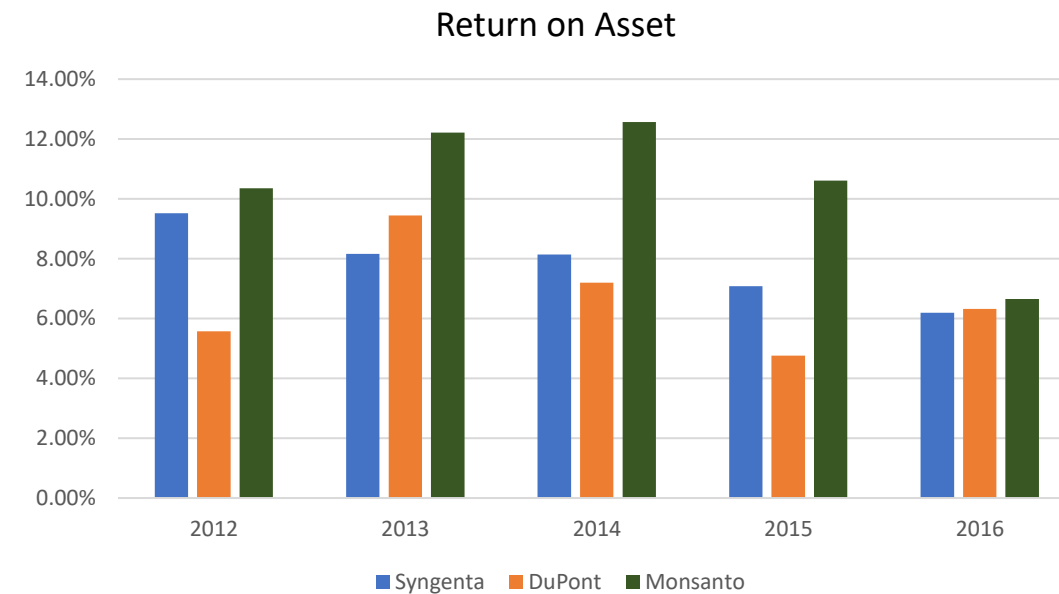
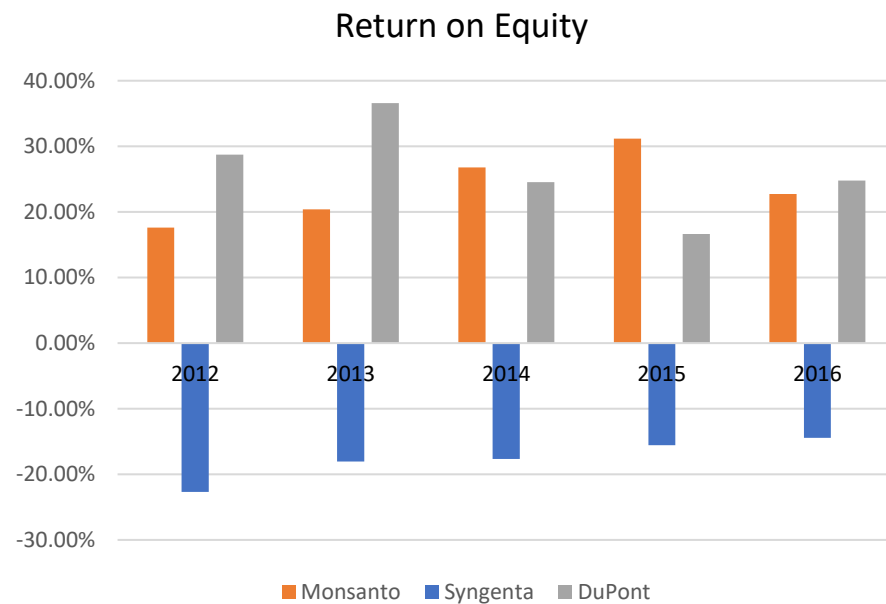
Debt To Equity Ratio



Equity to Asset Ratio

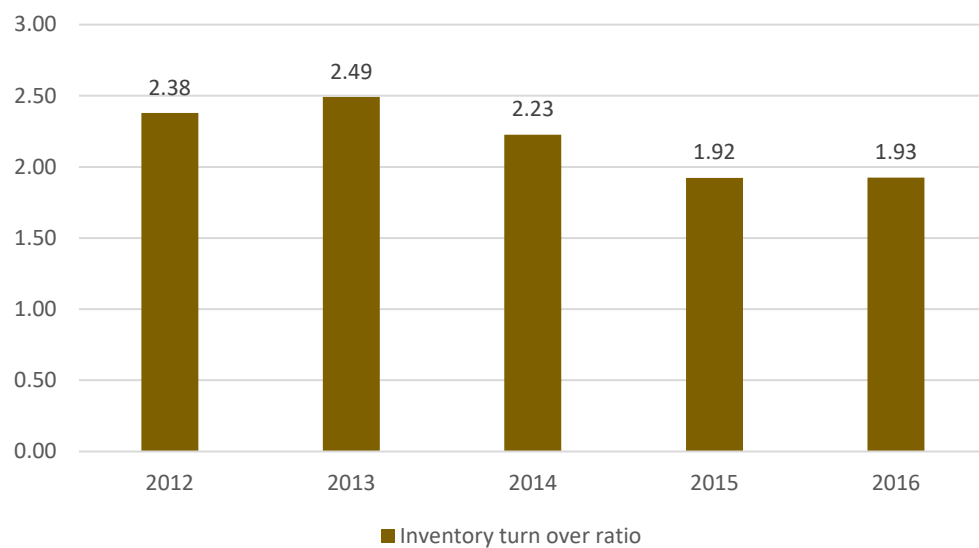


Source: Own Calculations based on Annual Report Monsanto(2012-2016)

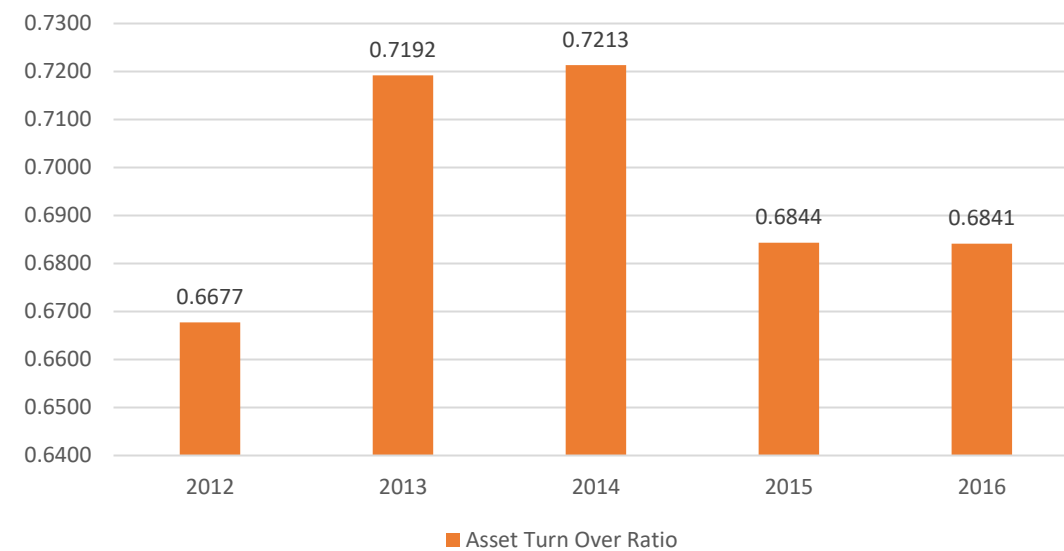


Source: Own Calculations based on Annual Report Monsanto,Syngenta & Dupont(2012-2016)

Inventory turn over ratio



Asset Turn Over Ratio



Source: Own Calculations based on Annual Report Monsanto(2012-2016)

Key Figures	2012	2013	2014	2015	2016	2017E	2018E	2019E	Trend
Revenue	13504	14861	15855	15001	13502	14132	14791	15481	
Gross profit	7045	7653	8574	8181	7017	7602	7957	8328	
EBIT	3148	3570	4075	3523	2375	3358	3515	3679	
Net Income	2093	2525	2762	2325	1313	1510	1737	1998	
Net Working Capital	4,642	4,658	4,499	4,083	3,897	4369	4572	4786	
Free Cash Flow	1889.75	1594.38	4278.14	1370.05	1250.96	1574.25	1647.67	1724.52	

		Past										Actual	Future				
FY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	Average 5 years
Revenue	6294.00	7344.00	8563.00	11365.00	11724.00	10483.00	11822.00	13504.00	14861.00	15855.00	15001.00	13502.00	14131.73	14790.84	15480.69	16202.71	
Growth		1050.00	1219.00	2802.00	359.00	-1241.00	1339.00	1682.00	1357.00	994.00	-854.00	-1499.00	629.73	659.11	689.85	722.02	
Growth (%)		16.68%	16.60%	32.72%	3.16%	-10.59%	12.77%	14.23%	10.05%	6.69%	-5.39%	-9.99%	4.66%	4.66%	4.66%	4.66%	
Average 11-15													3.12%	3.12%	3.12%	3.12%	3.12%
Median 06-15																	
Average 06-15																	
CoGS	3290.00	3796.00	4277.00	5188.00	4962.00	5416.00	5743.00	6459.00	7208.00	7281.00	6819.00	6485.00	6529.64	6834.18	7152.93	7486.54	
CoGS (%)	52.27%	51.69%	49.95%	45.65%	42.32%	51.66%	48.58%	47.83%	48.50%	45.92%	45.46%	48.03%	46.21%	46.21%	46.21%	46.21%	
Average 11-15													47.15%	47.15%	47.15%	47.15%	47.15%
Median 06-15																	
Average 06-15																	
Gross Profit	3004.00	3548.00	4286.00	6177.00	6762.00	5067.00	6079.00	7045.00	7653.00	8574.00	8182.00	7017.00	7602.10	7956.66	8327.76	8716.16	
Total Operating Expenses	2262.00	2371.00	2868.00	3456.00	3659.00	3464.00	3577.00	3897.00	4083.00	4499.00	4659.00	4642.00	4243.66	4441.59	4648.75	4865.56	
Total Operating Expenses in %	35.94%	32.28%	33.49%	30.41%	31.21%	33.04%	30.26%	28.86%	27.47%	28.38%	31.06%	34.38%	30.03%	30.03%	30.03%	30.03%	
Average 11-15													30.03%	30.03%	30.03%	30.03%	30.03%
Median 06-15																	
Average 06-15																	
EBIT = OP	742.00	1177.00	1418.00	2721.00	3103.00	1603.00	2502.00	3148.00	3570.00	4075.00	3523.00	2375.00	3358.43	3515.07	3679.01	3850.60	

Source: Own Calculations based on Annual Report Monsanto(2005-2016)



WACC	4.11%
β	0.09
Debt Interest Rate	2.87%
Equity Interest Rate	6.93%
Risk Free Rate	1.58%
Market Interest Rate	6.15%
Market Risk Premium	4.57%
Tax Rate	34.91%
Debt Ratio	24.37%
Equity Ratio	75.63%

As of 31 Aug 2016		
Debt	15,191.00	24.37%
Share Price Monsanto	106.50	
Shares Outstanding	442.70	
Equity	47,147.55	75.63%
Total Liabilities and Equity	62,338.55	100.00%

Source: 1) Own Calculations based on Annual Report Monsanto(2005-2016)

2) <https://www.investing.com/equities/monsanto-historical-data>



					Actual	Forecast			
	2012	2013	2014	2015	2016	2017	2018	2019	2020
EBIT	3148.00	3570.00	4075.00	3523.00	2375.00	3358.43	3515.07	3679.01	3850.60
Tax	30%	27%	28%	27%	35%	29%	29%	29%	29%
NOPAT	2198.75	2617.38	2927.14	2560.05	1545.96	2369.40	2479.90	2595.57	2716.62
(+)depreciation	622	615	691	716	727	657	688	720	754
depreciation in %	4.61%	4.14%	4.36%	4.77%	5.38%	4.65%	4.65%	4.65%	4.65%
(-) CapEx	-646	-741	-1,005	-967	-923	-830.69	-869.43	-909.98	-952.43
CapEx in %	-4.78%	-4.99%	-6.34%	-6.45%	-6.84%	-5.88%	-5.88%	-5.88%	-5.88%
Delta NWC	-763	134	-1,531	-592	-493	-621.87	-650.87	-681.23	-713.00
NWC in %	-5.65%	0.90%	-9.66%	-3.95%	-3.65%	-4.40%	-4.40%	-4.40%	-4.40%
(-) increase/(+) decrease NWC	285	897	-1,665	939	99				
FCF	1889.75	1594.38	4278.14	1370.05	1250.96	1574.25	1647.67	1724.52	1804.95
Period						1	2	3	4
discounted fcf 2016						1520.98	1538.06	1555.32	46482.34
EV DCF					51,096.70	51,311.92	51,461.24	51,538.96	51538.96

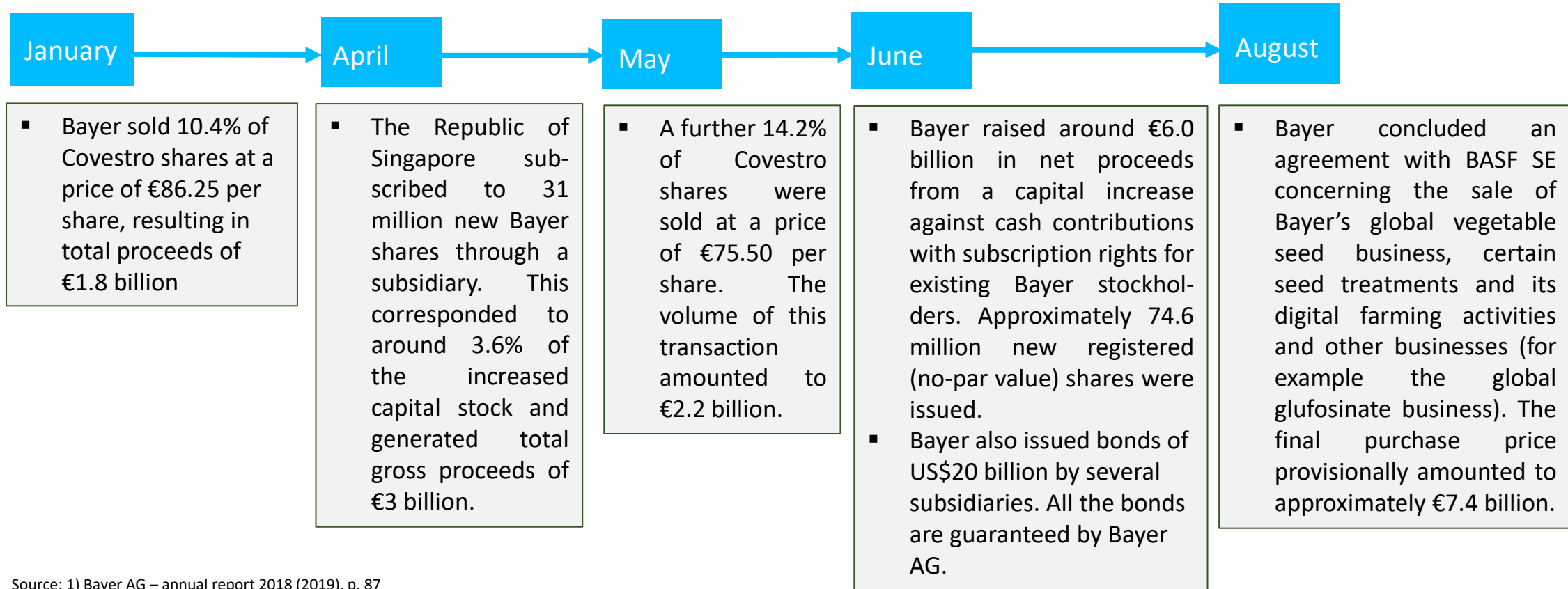


Book Value Per Share Calculation	
Interest bearing liabilities	8462
Equity value	42,634.70
Shares outstanding	442.7
BVPS	96.31

Source:1) Own Calculations based on Annual Report Monsanto(2005-2016)
2) <https://www.investing.com/equities/monsanto-historical-data>



- The purchase price of US\$63 billion included Monsanto's net debt of approximately US\$6 billion (which equals US\$128 per share). Therefore Bayer secured bridge financing from a consortium of 26 banks for the remaining amount of US\$57 billion which was drawn on June 7, and reduced in 2018 by several measures:



Source: 1) Bayer AG – annual report 2018 (2019), p. 87

Synergy Breakdown (Net EBITDA Impact)

Total Cost Synergy ~\$1.2bn

Total Sales Synergy ~\$0.3bn

Total Synergy ~\$1.5bn

Cost Synergy Breakdown

- **70% stemming from SG&A savings**
 - Integration of country platforms / IT landscape
 - Public company expenses
 - Overlapping marketing & sales functions while maintaining exceptional global footprint for future growth
- **R&D synergies**
- **COGS synergies**

~ Combined Entity Expected to deliver 1.5bn total annual synergies after Year Three, plus additional synergies from integrated solutions in future years

INTEGRATION WORKSTREAM



✓ Functional Integration Planning



✓ Country Integration Planning



✓ Organisation & Systems



✓ Communication & Culture

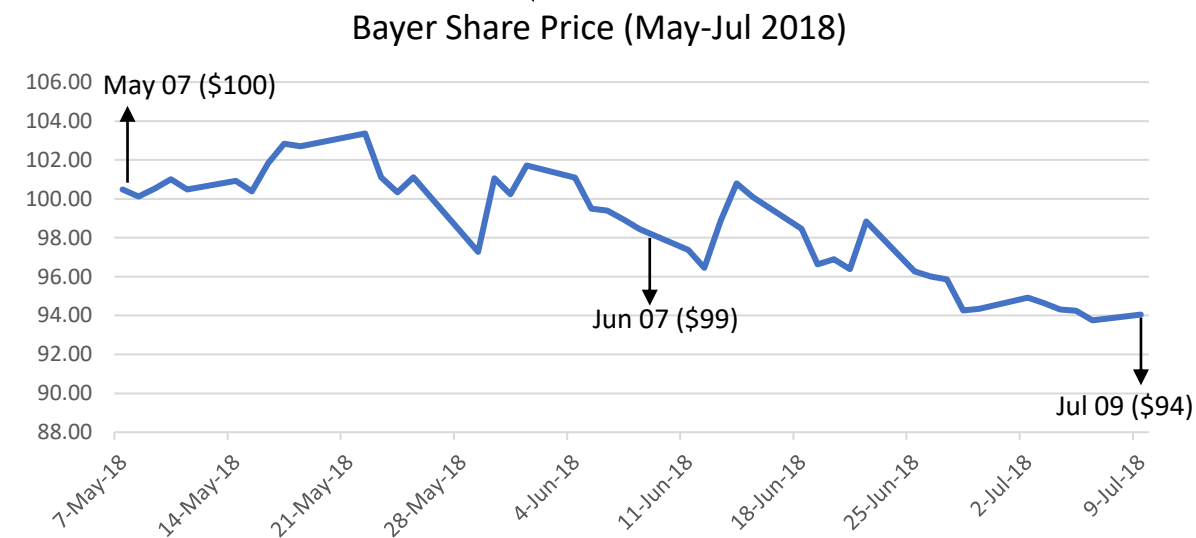
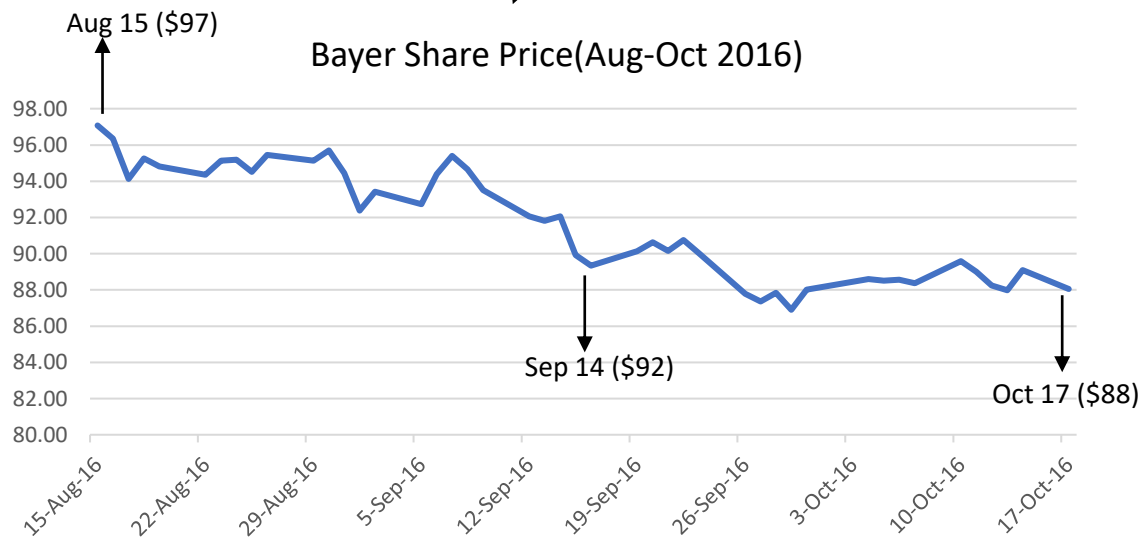
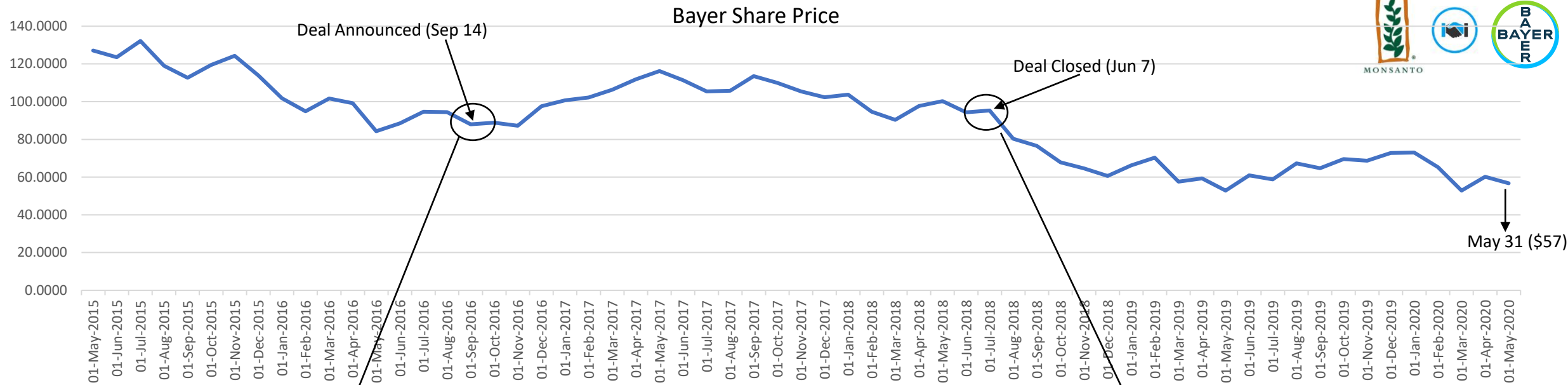


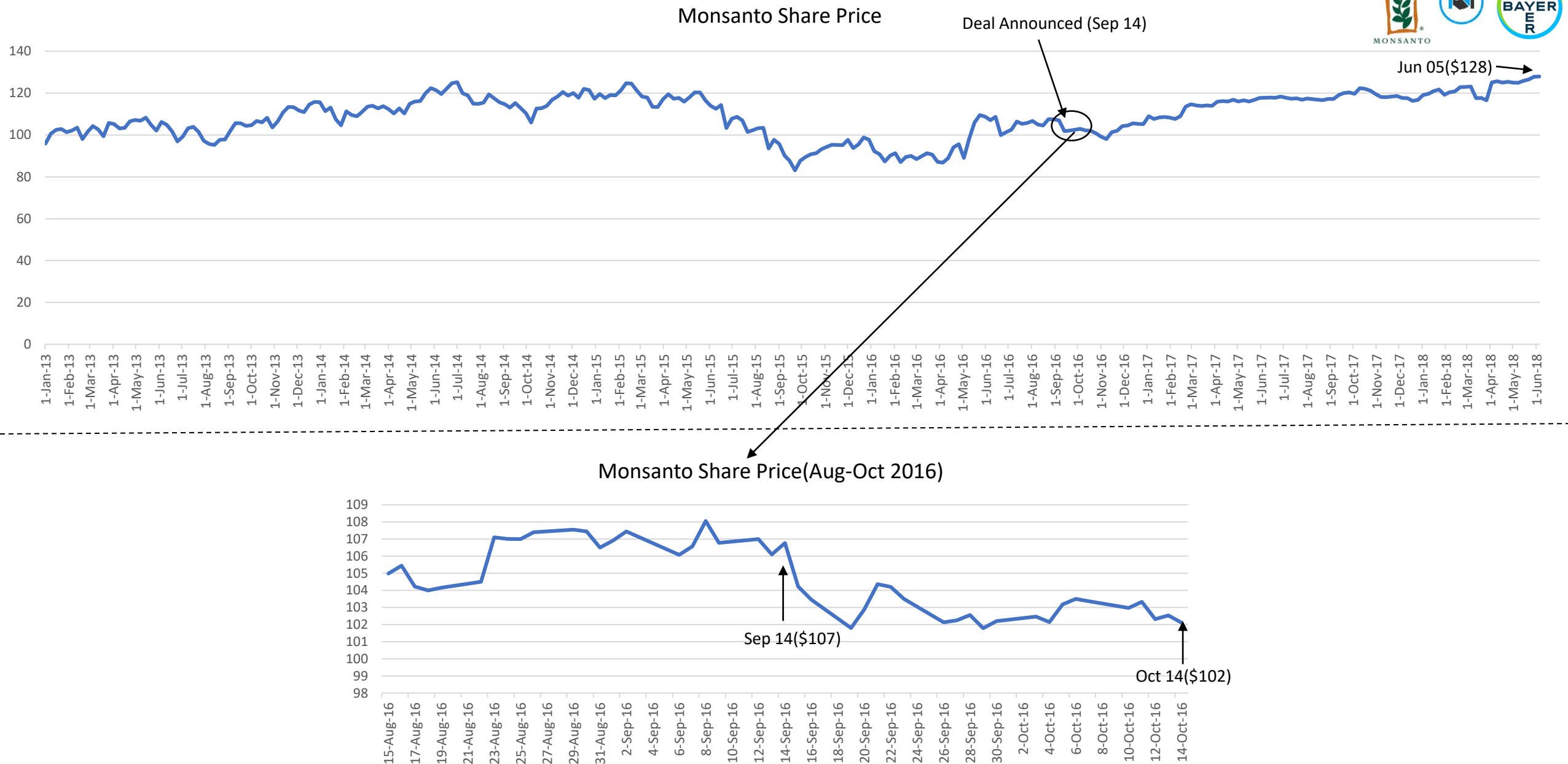
✓ Synergies & Financial Readiness

The merger will only be successful if Bayer ...

- is able to integrate and consolidate functions and business processes (IT, Accounting, HR for example)
- will quickly generate its synergies (especially cost synergies to reduce debt)
- will create market share in its growth markets
- is acting in a consequent way to implement its measures
- is able to resist against decreasing demand
- enhances the reputation of Monsanto and risks will be reduced (especially legal risks)

Quelle: 1) Bayer AG (2018) – Investor Presentation 2018, p. 23







Acquisition was aimed to boost agriculture research and innovation for doubling world's food supply

Largest Overseas deal by German company

As per our valuation price paid by Bayer to acquire Monsanto is high

Real Price paid by Bayer - \$128 per share

To justify the offer price Bayer needs to achieve the following:

- ✓ Successful adapting to the demands and overcoming the competition
- ✓ Careful monitoring of investment budget

SOURCE

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