

Bayer offers to acquire Monsanto for \$62 bn

23 May 2016 | News | By BioSpectrum Bureau

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In response to further market speculation and stakeholder inquiries, Bayer is publicly disclosing the contents of its private proposal to acquire Monsanto. Bayer has made an all-cash offer to acquire all of the issued and outstanding shares of common stock of Monsanto Company for \$122 per share or an aggregate value of \$62 billion. This offer, based on Bayer's written proposal to Monsanto dated May 10, 2016, represents a substantial premium of:

- 37 percent over Monsanto's closing share price of \$89.03 on May 9, 2016
- 36 percent over the three-month volume weighted average share price
- 33 percent over the six-month volume weighted average share price
- Last twelve months EBITDA multiple of 15.8x as of February 29, 2016

The acquisition of Monsanto would be a compelling opportunity to create a global agriculture leader, while reinforcing Bayer as a Life Science company with a deepened position in a long-term growth industry. The combination is expected to provide Bayer's shareholders with accretion to core EPS by a mid-single-digit percentage in the first full year after closing and a double-digit percentage thereafter. Initially, Bayer expects annual earnings contributions from total synergies of approximately \$1.5 billion after year three plus additional integrated offer benefits in future years.

"We have long respected Monsanto's business and share their vision to create an integrated business that we believe is capable of generating substantial value for both companies' shareholders," said Werner Baumann, CEO of Bayer AG. "Together we would draw on the collective expertise of both companies to build a leading agriculture player with exceptional innovation capabilities to the benefit of farmers, consumers, our employees and the communities in which we operate."

This transaction would bring together leading Seeds & Traits, Crop Protection, Biologics, and Digital Farming platforms. Specifically, the combined business would benefit from Monsanto's leadership in Seeds & Traits and Bayer's broad Crop Protection product line across a comprehensive range of indications and crops. The combination would also be truly complementary from a geographic perspective, significantly expanding Bayer's long-standing presence in the Americas and

its position in Europe and Asia/Pacific. Customers of both companies would benefit from the broad product portfolio and the deep R&D pipeline.

"Bayer is committed to enabling farmers to sustainably produce enough healthy, safe and affordable food capable of feeding the world's growing population," said Liam Condon, member of the Board of Management of Bayer AG and head of the Crop Science Division. "Faced with the complex challenge of operating in a resource-constrained world with increasing climate volatility, there is a clear need for more innovative solutions that advance the next generation of farming. By supporting farmers of all sizes on every continent, the combined business would be positioned as the partner of choice for truly integrated, superior solutions."

Under the proposed transaction, the combined business would provide attractive opportunities for the employees of both companies and have its global Seeds & Traits and North American commercial headquarters in St. Louis, Missouri, its global Crop Protection and divisional Crop Science headquarters in Monheim, Germany, and an important presence in Durham, North Carolina, as well as many other locations throughout the U.S. and around the world. Digital Farming for the combined business would be based near San Francisco, California.

Bayer is highly confident in its ability to finance the transaction based on advanced discussions with and support from its financing banks, BofA Merrill Lynch and Credit Suisse. The offer is not subject to a financing condition. Bayer intends to finance the transaction with a combination of debt and equity. The expected equity portion represents approximately 25 percent of the transaction's enterprise value and is expected to be raised primarily via a rights offering.

The strong cash flow generation of the combined business as well as Bayer's track record of disciplined deleveraging after large acquisitions would enable rapid deleveraging post-acquisition. This is in line with Bayer's target of an investment-grade rating immediately after closing of the transaction and its commitment to the single "A" credit rating category in the long term. Bayer has a successful track record of working with global authorities to secure the necessary regulatory approvals and has extensive experience integrating acquisitions from a business, geographic, and cultural perspective.

Bayer's Board of Management and Supervisory Board unanimously approved the proposal and are fully committed to pursuing the transaction. Bayer is prepared to proceed immediately to due diligence and negotiations and to quickly agree to a transaction. The transaction will be subject to customary closing conditions.

BofA Merrill Lynch and Credit Suisse are acting as lead financial advisors to Bayer and support the financing of the transaction; Rothschild has been retained as an additional financial advisor to Bayer. Bayer's legal advisors are Sullivan & Cromwell LLP (M&A) and Allen & Overy LLP (Financing).