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Bayer to acquire Monsanto for $66 billion

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Bayer and Monsanto announced that they signed a definitive merger agreement under which Bayer will acquire Monsanto for USD 128 per share in an all-cash transaction. Monsanto's Board of Directors, Bayer's Board of Management and Bayer's Supervisory Board have unanimously approved the agreement. Based on Monsanto's closing share price on May 9, 2016, the day before Bayer's first written proposal to Monsanto, the offer represents a premium of 44 percent to that price.

"We are pleased to announce the combination of our two great organizations. This represents a major step forward for our Crop Science business and reinforces Bayer's leadership position as a global innovation driven Life Science company with leadership positions in its core segments, delivering substantial value to shareholders, our customers, employees and society at large," said Werner Baumann, CEO of Bayer AG.

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"Today's announcement is a testament to everything we've achieved and the value that we have created for our stakeholders at Monsanto. We believe that this combination with Bayer represents the most compelling value for our shareowners, with the most certainty through the all-cash consideration," said Hugh Grant, Chairman and Chief Executive Officer of Monsanto.

Enhanced Solutions for Growers

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This transaction brings together two different, but highly complementary businesses. The combined business will benefit from Monsanto's leadership in Seeds & Traits and Climate Corporation platform along with Bayer's broad Crop Protection product line across a comprehensive range of indications and crops in all key geographies. As a result, growers will benefit from a broad set of solutions to meet their current and future needs, including enhanced solutions in seeds and traits, digital agriculture, and crop protection.

The combination also brings together both companies' leading innovation capabilities and R&D technology platforms, with an annual pro-forma R&D budget of approximately EUR 2.5 billion. Over the mid to long-term, the combined business will be able to accelerate innovation and provide customers with enhanced solutions and an optimized product suite based on analytical agronomic insight supported by Digital Farming applications. These are expected to result in significant and lasting benefits for farmers: from improved sourcing and increased convenience to higher yield, better environmental protection and sustainability.

"The agriculture industry is at the heart of one of the greatest challenges of our time: how to feed an additional 3 billion people in the world by 2050 in an environmentally sustainable way. It has been both companies' belief that this challenge requires a new approach that more systematically integrates expertise across Seeds, Traits and Crop Protection including Biologicals with a deep commitment to innovation and sustainable agriculture practices," said Liam Condon, member of the Board of Management of Bayer AG and head of the Crop Science Division.

"We are entering a new era in agriculture - one with significant challenges that demand new, sustainable solutions and technologies to enable growers to produce more with less. This combination with Bayer will deliver just that - an innovation engine that pairs Bayer's crop protection portfolio with our world-class seeds and traits and digital agriculture tools to help growers overcome the obstacles of tomorrow. Together Monsanto and Bayer will build on our proud tradition and respective track records of innovation in the agriculture industry, delivering a more comprehensive and broader set of solutions to growers," said Grant.

Value Creation

Pro forma sales of the combined agricultural business amounted to EUR 23 billion in calendar year 2015. The combined company will be well positioned to participate in the agricultural industry with significant long-term growth potential. Beyond the attractive long term value creation potential of the combination, Bayer expects the transaction to provide its shareholders with accretion to core EPS (earnings per share) in the first full year after closing and a double-digit percentage accretion in the third full year. Bayer has confirmed sales and cost synergies assumptions in due diligence and expects annual EBITDA contributions from total synergies of approximately USD 1.5 billion after year three, plus additional synergies from integrated solutions in future years.

Financing and Closing Conditions

Bayer intends to finance the transaction with a combination of debt and equity. The equity component of approximately USD 19 billion is expected to be raised through an issuance of mandatory convertible bonds and through a rights issue with subscription rights. Bridge financing for USD 57 billion is committed by BofA Merrill Lynch, Credit Suisse, Goldman Sachs, HSBC and JP Morgan.

Bayer has a proven track record of disciplined deleveraging after large acquisitions and believes that the strong cash flows of the combined business will contribute to improving its financial profile. Bayer targets an investment grade credit rating post-closing and is committed to the single "A" credit rating category over the long-term.

The acquisition is subject to customary closing conditions, including Monsanto shareholder approval of the merger agreement and receipt of required regulatory approvals. Closing is expected by the end of 2017. The companies will work diligently with regulators to ensure a successful closing. In addition, Bayer has committed to a USD 2 billion reverse antitrust break fee, reaffirming its confidence that it will obtain the necessary regulatory approvals.

Headquarters and Employees

The combined agriculture business will have its global Seeds & Traits and North American commercial headquarters in St. Louis, Missouri, its global Crop Protection and overall 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. The Digital Farming activities for the combined business will be based in San Francisco, California.

"This combination is a great opportunity for employees, who will be at the forefront of innovation in our sector. This transaction also enhances Bayer's strong commitment to the U.S., building on our 150-year history with operations across 25 states employing more than 12,000 people in the country. I am convinced that Monsanto will flourish as part of one of the most respected and trusted companies in the world," said Baumann.

Bayer has extensive experience in successfully integrating acquisitions from a business, geographic and cultural perspective, and remains committed to its strong culture of innovation, sustainability and social responsibility.

Advisors to the Transaction

BofA Merrill Lynch and Credit Suisse are acting as lead financial advisors and structuring banks to Bayer in addition to providing committed financing for 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).

Morgan Stanley & Co. and Ducera Partners are acting as financial advisors, and Wachtell, Lipton, Rosen & Katz is acting as legal advisor to Monsanto.