

Bayer targets Monsanto in biggest-ever German takeover bid (Update)

May 23 2016

German drugs and chemicals giant Bayer said Monday it had offered \$62 billion for US agriculture group Monsanto as it seeks to create the world's biggest supplier of seeds, pesticides and genetically-modified crops.

In the biggest takeover ever attempted by a German company, Bayer said it made an offer for the US giant at \$122 per share in cash, or a total of \$62 billion (55 billion euros).

The move spells a public relations risk for Bayer, especially in Germany, where popular scepticism is high of GM crops and the practice of patenting plant varieties, and where controversy has flared about the health risks of glyphosate, a pesticide which Monsanto markets as Roundup.

Leverkusen-based Bayer promised that "the planned combination with Monsanto is such an extraordinary opportunity to create a global leader in the agricultural industry. Monsanto is a perfect match to our agricultural business."

The German firm said expected synergies from the merger would result in an annual boost to earnings of around \$1.5 billion after three years.

The announcement comes just days after Monsanto said it had received an unsolicited bid from Bayer following weeks of speculation about a possible tie-up. Monsanto has not responded publicly to the latest offer.

Bayer shares, which fell last week on news of the proposal, dropped another 2.5 percent to about 87 euros by mid-morning Monday in Frankfurt, on investor concerns it might have offered too much to acquire Monsanto.

Mega-merger

According to the Wall Street Journal, the two companies would together account for around 28 percent of global sales of pesticides and herbicides.

Such a mega-merger could raise questions about the new company's market dominance.

Bayer said in its statement that it "has a successful track record of working with global authorities to secure the necessary regulatory approvals".

Bayer said the corporate marriage would 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 research and development pipeline."

Low commodity prices—which have caused farmers to cut orders for supplies—have piled the pressure on agricultural suppliers like Monsanto, which is based in Saint Louis, Missouri.

In March, the US firm slashed its earnings forecast for 2016.

Sluggishness in the industry has also sparked consolidation deals such as a merger between DuPont and Dow Chemical.

Switzerland's Syngenta last year rejected an unsolicited offer from Monsanto, later agreeing to be bought by China National Chemical Corp for \$43 billion.

Last year, following the unsuccessful bid for Syngenta, Monsanto embarked on a huge restructuring programme, saying it would axe 3,600 jobs—or 16 percent of its workforce—by 2018, closing sites and writing down assets.

'Good fit'

A major manufacturer of agricultural seeds and herbicides, Monsanto employs about 20,000 workers and describes itself as one of the world's leading biotechnology companies.

The US group has been in the headlines in Europe recently over glyphosate. The EU last week failed to agree on the re-approval of the weed killer in Europe amid fresh fears the product could cause cancer.

Bayer, which employs around 117,000 workers, turned in record profits and sales in 2015, notching up a net profit of 4.1 billion euros on sales of 46.3 billion euros.

The Bayer statement said it was "premature at this stage" to estimate when the two companies would be joined as one.

"If a deal is reached with Monsanto, until closing, Bayer and Monsanto would continue to operate as independent companies," it said.

Peter Spengler, analyst at DZ Bank Equity Research, said in a note that "strategically and regionally Monsanto is a good fit" for Bayer.

"Bayer will be significantly more leveraged than today but grabs a once

in a lifetime chance to become a dominating world market leader in agriculture."

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