

Bayer says Monsanto deal on track, eyes record 2017

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German pharmaceuticals and chemicals giant Bayer on Wednesday said it expected further growth this year after a record performance in 2016, as its mammoth takeover of US seedmaker Monsanto remains on track.

"We again posted a record operating performance—and are making good progress with the agreed acquisition of Monsanto as well," chief executive Werner Baumann said in a statement.

The Aspirin-maker said net profit grew by 10.2 percent to 4.5 billion euros (\$4.7 billion) last year.

Group sales increased by 1.5 percent to 46.8 billion euros, while underlying or operating profit was up 10.2 percent at 11.3 billion euros.

Growth was mainly powered by Bayer's prescription medicine division, led by a 30-percent jump in sales for its blockbuster drug Xarelto, an anti-coagulant.

The over-the-counter medicines unit, which includes household brands such as Alka-Seltzer and Rennie antacids, saw earnings fall.

The firm's closely watched agrochemicals division disappointed in 2016, with sales down more than two percent to 9.9 billion euros.

Bayer blamed the setback on a "difficult market environment", particularly in Latin America, and falling demand for insecticides

globally.

Bayer's agriculture activities are in the spotlight as it seeks a \$66-billion takeover of US seed and pesticide supplier Monsanto, in what would be the largest ever acquisition by a German firm.

The deal still requires regulatory approval from the European Union and the United States.

But Bayer said it was "confident" that the transaction would be completed this year.

The proposed tie-up has been slammed by environmentalists as a "marriage made in hell" over fears it would hold excessive power over farmers and the food chain.

'Not a sprint, but a marathon'

CEO Baumann said he was confident the deal would get the regulatory green light, underlining the complementary geographical fit of the two businesses.

The two firms were working to assuage regulatory concerns over overlapping areas in their seeds and herbicides units, he added, without going into detail.

They planned to seek EU approval for the deal in the second quarter, he said, slightly later than planned after the European Commission asked for more details.

"A takeover of this size is not a sprint but a marathon," Baumann noted.

Asked about a meeting last month with US President Donald Trump,

Baumann said they had a "very good and constructive discussion".

Bayer and Monsanto announced after the meeting that they would jointly invest \$8 billion in agriculture research in the US, creating thousands of jobs.

If the tie-up goes ahead, the new firm would have some 140,000 employees around the world with combined annual revenues from agriculture alone of some 23 billion euros.

The planned takeover is the latest in a wave of consolidation in the competitive agrochemicals sector.

China's state-owned ChemChina is hoping to complete its \$43-billion takeover of Switzerland's Syngenta by the middle of the year, while US giants Dow Chemical and DuPont have proposed a \$130-billion tie-up.

Grounds for optimism

Looking ahead, Bayer said it expects group sales to grow to more than 49 billion euros in 2017, and a "mid-to-single-digit percentage" increase in underlying profits.

"We have every reason to be optimistic about the future and started the new business year well," said Baumann.

Bayer had already announced on Tuesday that it would pay out an increased dividend for 2016 of 2.70 euros per share, up from 2.50 euros for 2015.

Investors however were underwhelmed, with Bayer shares falling by 1.8 percent to 106.95 euros in early afternoon trade in Frankfurt as the Dax index of leading German firms was largely flat.

"The 2017 outlook is fine, but unlikely to excite," Berenberg analysts said in a note to clients.

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