



## **BASF signs agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses**

October 13, 2017

# Cautionary note regarding forward-looking statements

*This presentation contains forward-looking statements. These forward-looking statements are based on current estimates and projections of the Board of Executive Directors and on currently available information. These forward-looking statements are not guarantees of the future developments and results outlined therein. Rather, they depend on a number of factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate. Such risk factors particularly include those discussed on pages 111 to 118 of the BASF Report 2016. The BASF Report is available online at [basf.com/report](http://basf.com/report). BASF does not assume any obligation to update the forward-looking statements contained in this presentation.*

# BASF signs agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses

## Transaction highlights

- Excellent opportunity to acquire high-quality and fully-enabled seed businesses for canola/oilseed rape, soybean and cotton as well as a global non-selective herbicide business
- High-growth and profitable business: CAGR 2014–2016 of 15%; EBITDA margin > 25%
- Transaction will expand BASF's agricultural solutions offering and leverage its crop protection expertise to cater to a broader range of farmers' needs
- Significant top-line growth potential identified based on complementary portfolios
- All-cash purchase price\* of €5.9 billion; EBITDA multiple\* of ~15x (asset deal)
- Financing through a combination of cash on hand, commercial papers and bonds
- Cash EPS accretive in the first full fiscal year, EPS accretive by 2020
- Closing expected in Q1 2018, subject to the closing of the Bayer/Monsanto transaction and relevant regulatory approvals

# Strong seed and non-selective herbicide portfolio and excellent R&D platform

## Facts

Fully enabled seed and trait businesses

- Attractive and sizeable seed portfolio for canola/oilseed rape, soybean and cotton in the Americas and Europe
- Excellent trait research for canola, soybean and cotton
- LibertyLink® technology for herbicide tolerance and related trademarks

Complementary crop protection business

- Global glufosinate-ammonium-based non-selective herbicide business
- State-of-the-art production facilities in the U.S., Canada and Germany

Experienced team of dedicated professionals

## Figures

Sales 2016

~€1.3 billion

Sales by region

~70% North America  
 ~15% South America  
 ~10% Asia Pacific  
 ~5% Europe, Middle East, Africa

EBITDA 2016

~€385 million

R&D pipeline and IP

>250 patent families

Employees

>1,800

Sites

- 5 chemical production and formulation sites
- 10 R&D sites
- Regional seed production and breeding facilities

# Bayer's seed and non-selective herbicide businesses – an excellent fit with BASF's “We create chemistry” strategy

## Customer focus

Businesses positioned close to customers and attuned to their needs; earlier touchpoints with farmers and distributors via seeds in key regions

## Innovation-driven

Strong track record of successful innovation

## Leading seed brands

Attractive and sizeable seed portfolio for canola/oilseed rape, soybean, cotton; strong premium brands: InVigor<sup>®</sup>, Credenz<sup>®</sup>, FiberMax<sup>®</sup>, Stoneville<sup>®</sup>

## Complementary portfolio

Enhancement of BASF's agricultural solutions portfolio with seed and non-selective herbicide assets

## Growth above industry average

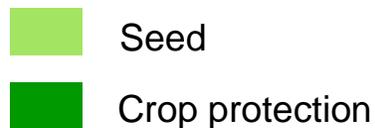
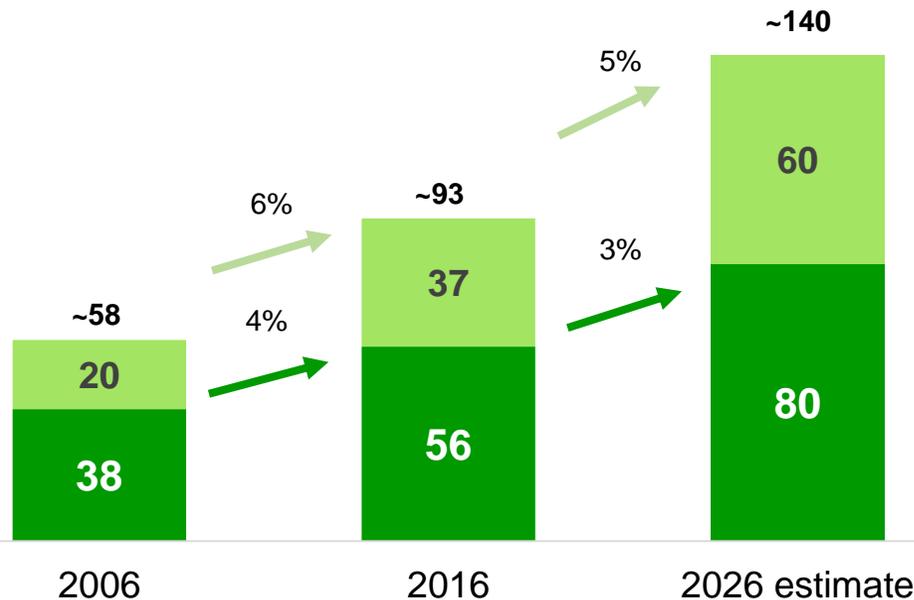
Strong top-line growth potential identified due to complementary portfolios; potential for further growth via combination of complementary R&D pipelines

# Attractive and globally growing agricultural market

## Market development and key growth drivers

### Crop protection and seed market

billion US\$; CAGR



Source: PMD Market Data 2016; BASF estimates

### Fundamental growth drivers for agricultural market intact

- ~10 billion people by 2050
- 30% more food needed by 2050
- 70% higher productivity needed by 2050
- Need for sustainable yield increase drives growth

### Key drivers for seed market growth

- Rapid adoption of GM seeds
- New breeding technologies

# Seeds – an attractive opportunity arising from current market consolidation

## Facts

- Canola/oilseed rape, soybean and cotton in the U.S., Canada, Brazil and Europe
- Businesses positioned close to customers and attuned to meeting local needs
- Market-leading canola business in North America with high cash conversion
- Well-established license business for LibertyLink<sup>®</sup>-technology with mid-term patent protection
- High-quality seed research for canola/oilseed rape, cotton and soybean

## Figures

**Growth  
2014–2016**

~14% p.a.

**Sales 2016**

~€830 million

**Sales 2016  
by crop**

~45% canola/oilseed rape  
~20% soybeans  
~25% cotton  
~10% LibertyLink<sup>®</sup> license

# Seed assets in scope – well-positioned in key row crops and with strong growth potential



- Canola/oilseed rape seed business in Canada, the U.S. and Europe
- Market-leading and well-recognized InVigor® brand
- Innovation-led growth drivers: superior Pod Shatter Reduction technology and clubroot resistance



- Soybean seed and trait business focused on the Americas
- Credenz®-branded business based on LibertyLink® trait
- Growth drivers: excellent germplasm for the U.S. and South America, tailored and enabled trait development



- Cotton seed business in the Americas, Greece and Turkey
- Well-recognized FiberMax® and Stoneville® brands
- Growth drivers: high yield and fiber quality, excellent germplasm

# Glufosinate-ammonium – non-selective herbicide to complement BASF’s herbicide portfolio

## Facts

- Attractive non-selective herbicide with large global footprint and strong track record
- Growth drivers:
  - resistance management
  - market adoption in North America
  - growth potential in Asia and South America
- Premium brands: Liberty<sup>®</sup>, Basta<sup>®</sup> and Finale<sup>®</sup>
- State-of-the-art production network
- Novel mode of action in BASF’s portfolio to contribute to resistance management
- Linkage to herbicide tolerance research

## Figures

**Growth  
2014–2016**

~17% p.a.

**Sales 2016**

~€495 million

**Sales 2016  
by region**

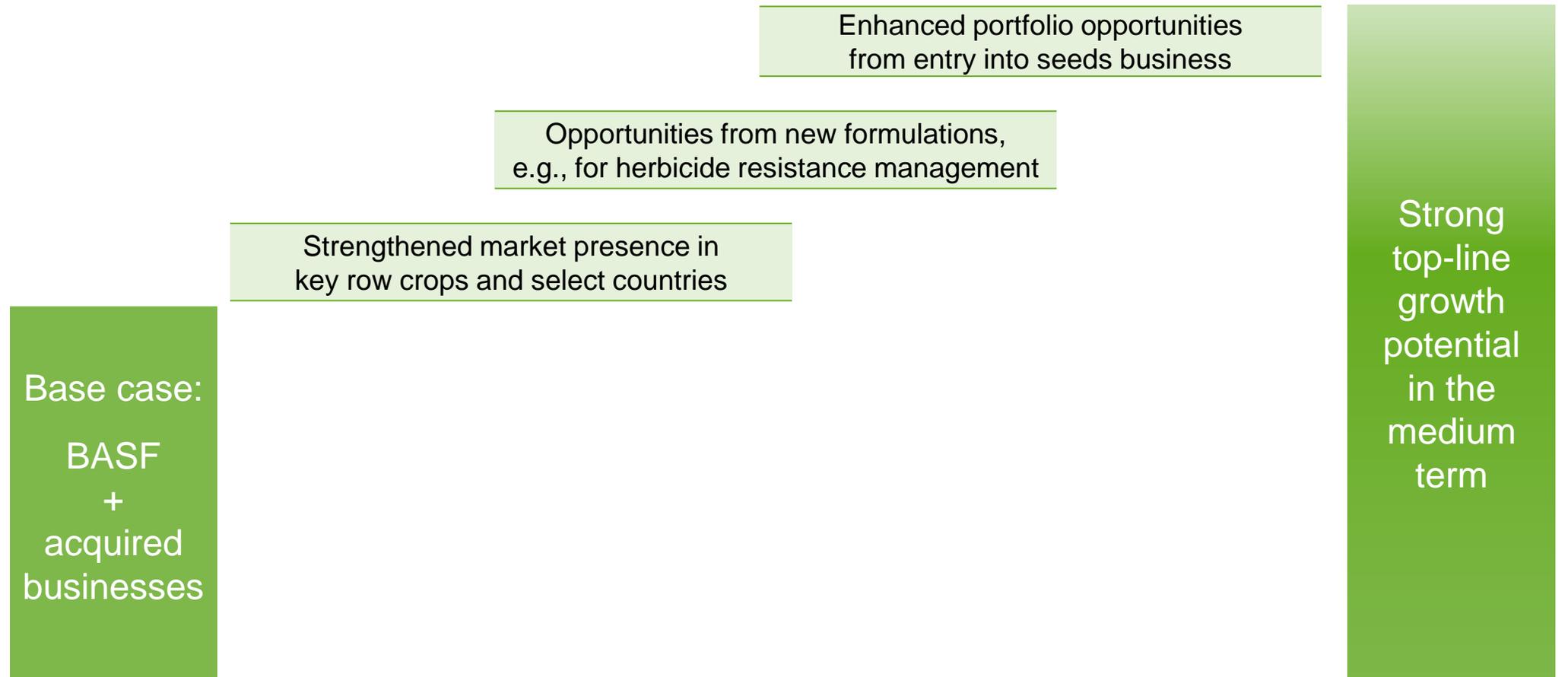
~55% North America  
~10% South America  
~25% Asia Pacific  
~10% Europe

**Sales 2016  
by crop**

~25% soybean  
~15% canola/oilseed rape  
~15% cotton  
~5% corn  
~40% fruits, vegetables and others

# Significant top-line growth potential based on complementary portfolios

Mid triple-digit million euro top-line growth potential with high profitability identified



# BASF's R&D pipeline focused on innovative crop protection products and trait discovery

## Crop protection research pipeline

### Indication

### Peak sales potential

Launch period: 2016–2020

Fungicides

Herbicides

Insecticides

Herbicide Tolerance

Functional Crop Care

**>€2.0 billion**

Launch period: 2021–2026

Fungicides

Herbicides

Insecticides

Herbicide Tolerance

Functional Crop Care

**>€1.0 billion**

**>€3.0 billion**

## Trait discovery research pipeline



**Fungal resistance**



**Herbicide tolerance**

# Combined R&D pipelines and access to seed markets to drive innovation and growth



## Combination of two innovation-driven businesses

### Creates better solutions for farmers

- Tailored solutions for key markets to help farmers produce more and better crops

### Connects expertise to find new solutions

- Earlier touchpoints with farmers and distributors

### Boosts innovation output

- Robust foundation and market access for BASF's trait discovery research
- Enhanced innovation potential for relevant markets and key crops

# Integration concept to ensure seamless transfer of businesses and realization of top-line growth potential

## Integration concept

- Integration team set up to ensure seamless integration
- BASF to take over sales responsibility in all major countries on day one
- Glufosinate-ammonium activities to be integrated in BASF's existing herbicide business
- Seed businesses to be set up in a dedicated global unit within BASF's agricultural solutions business
- Strong cultural fit between BASF and Bayer facilitating smooth integration

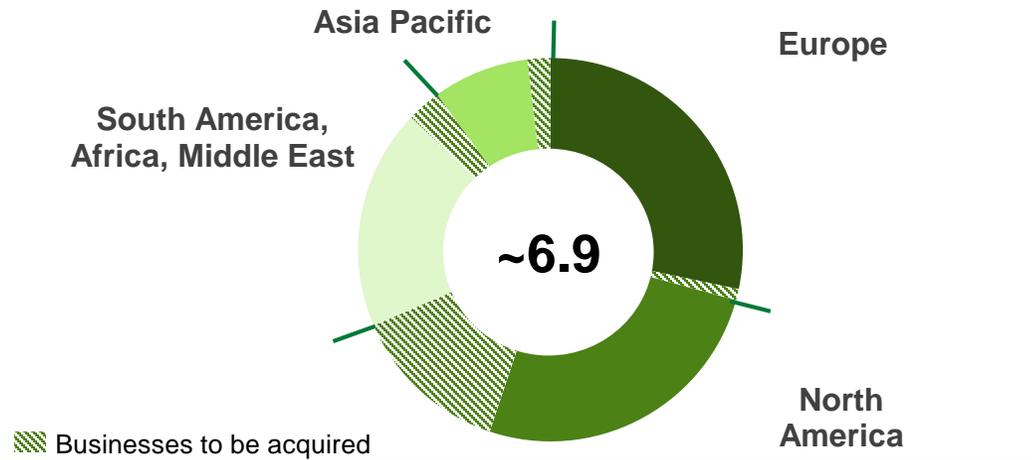
## Closing expected in Q1 2018

Subject to:

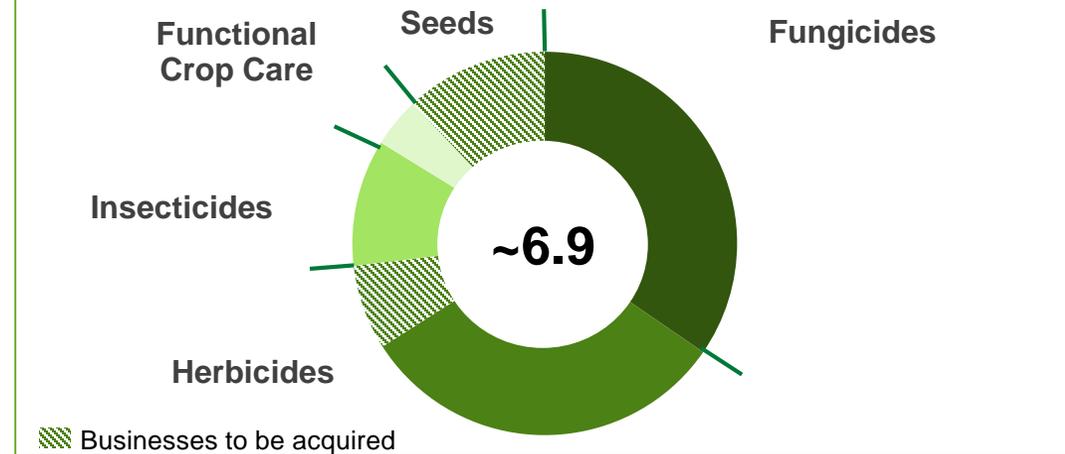
- Closing of the Bayer/Monsanto transaction
- Relevant regulatory approvals

# Pro-forma 2016 data of future Agricultural Solutions segment

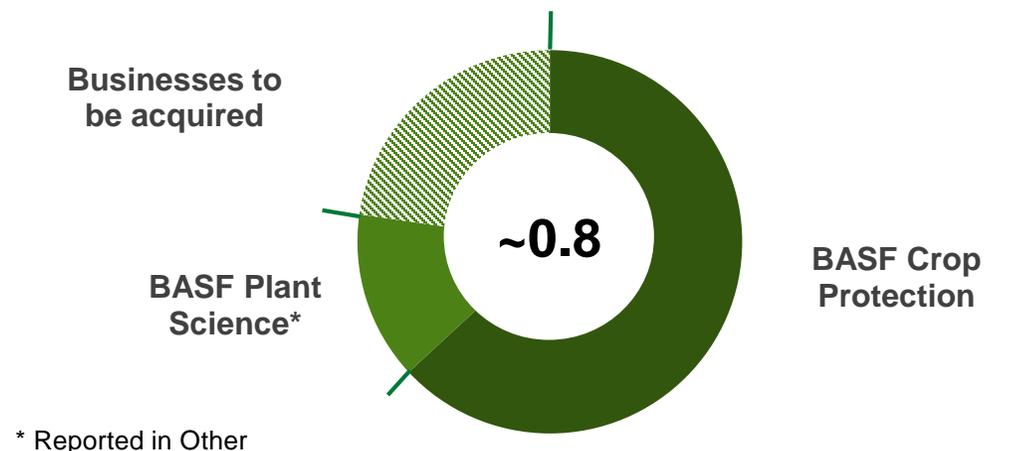
## Sales by region [€ billion]



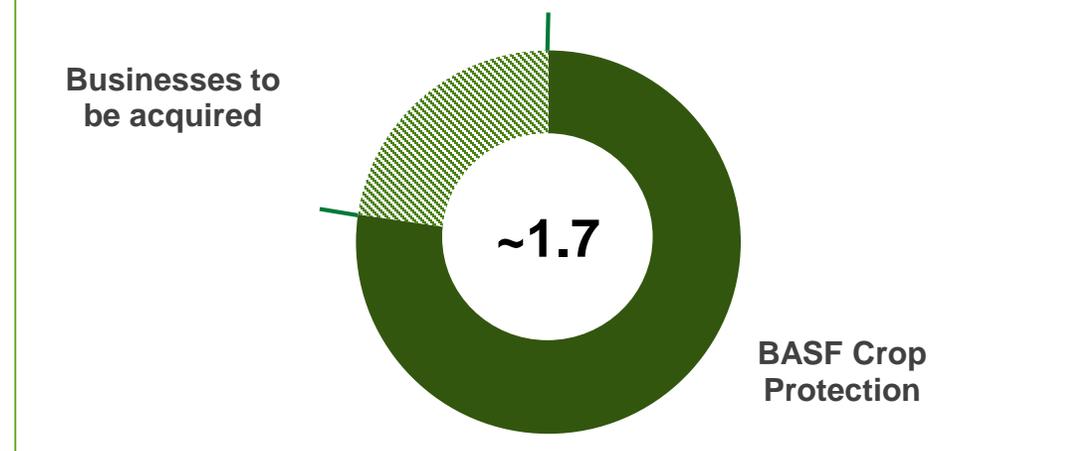
## Sales by indication [€ billion]



## R&D expenses [€ billion]



## EBITDA [€ billion]



# Transaction meets BASF's acquisition criteria

## We want to acquire businesses which ...

- generate profitable growth above the industry average ✓
- are innovation-driven ✓
- offer a special value proposition to customers ✓
- reduce earnings cyclicality ✓
- provide a return on investment above the WACC ✓
- are EPS accretive by year three at the latest ✓

# A significant step to accelerate growth in BASF's agricultural solutions business





We create chemistry