

MONSANTO CO /NEW/  
Form 10-Q  
April 02, 2015  
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MONSANTO COMPANY

SECOND QUARTER 2015 FORM 10-Q

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended Feb. 28, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-16167

MONSANTO COMPANY

(Exact name of registrant as specified in its charter)

Delaware 43-1878297  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

800 North Lindbergh Blvd., 63167  
St. Louis, MO (Zip Code)

(Address of principal executive offices)

(314) 694-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 476,102,850 shares of Common Stock, \$0.01 par value, outstanding as of March 30, 2015.

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**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

In the interests of our investors, and in accordance with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, this section of our report explains some of the important reasons that actual results may be materially different from those that we anticipate. In this report, and from time to time throughout the year, we share our expectations for our company’s future performance. These forward-looking statements include statements about our business plans; the potential development, regulatory approval, and public acceptance of our products; our expected financial performance, including sales performance, and the anticipated effect of our strategic actions; the anticipated benefits of recent acquisitions; the outcome of contingencies, such as litigation and the previously announced SEC investigation; domestic or international economic, political and market conditions; and other factors that could affect our future results of operations or financial position, including, without limitation, statements under the captions “Overview — Executive Summary — Outlook,” “Seeds and Genomics Segment,” “Agricultural Productivity Segment,” “Financial Condition, Liquidity, and Capital Resources,” “Outlook,” “Critical Accounting Policies and Estimates” and “Legal Proceedings.” Any statements we make that are not matters of current reportage or historical fact should be considered forward-looking. Such statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “will,” and similar expressions. By their nature, these types of statements are uncertain and are not guarantees of our future performance.

Since these statements are based on factors that involve risks and uncertainties, our company’s actual performance and results may differ materially from those described or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, among others: continued competition in seeds, traits and agricultural chemicals; the company’s exposure to various contingencies, including those related to intellectual property protection, regulatory compliance and the speed with which approvals are received, and public acceptance of biotechnology products; the success of the company’s research and development activities; the outcomes of major lawsuits; developments related to foreign currencies and economies; successful operation of recent acquisitions; fluctuations in commodity prices; compliance with regulations affecting our manufacturing; the accuracy of the company’s estimates related to distribution inventory levels; recent increases in and expected higher levels of indebtedness; the company’s ability to obtain payment for the products that it sells; the effect of weather conditions, natural disasters and accidents on the agriculture business or the company’s facilities; and other risks and factors described or referenced in Part II — Item 1A — Risk Factors — below and Part I — Item 1A of our Report on Form 10-K for the fiscal year ended Aug. 31, 2014. Our forward-looking statements represent our estimates and expectations and are based on currently available information at the time that we make those statements. However, circumstances change constantly, often unpredictably, and many events beyond our control will determine whether the expectations encompassed in our forward-looking statements will be realized. As a result, investors should not place undue reliance on these forward-looking statements. We disclaim any current intention or obligation to revise or update any forward-looking statements, or the factors that may affect their realization, whether in light of new information, future events or otherwise, and investors should not rely on us to do so.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Statements of Consolidated Operations of Monsanto Company and its consolidated subsidiaries for the three and six months ended Feb. 28, 2015, and Feb. 28, 2014, the Statements of Consolidated Comprehensive Income (Loss) for the three and six months ended Feb. 28, 2015, and Feb. 28, 2014, the Statements of Consolidated Financial Position as of Feb. 28, 2015, and Aug. 31, 2014, the Statements of Consolidated Cash Flows for the six months ended Feb. 28, 2015, and Feb. 28, 2014, the Statements of Consolidated Shareowners' Equity for the six months ended Feb. 28, 2015, and year ended Aug. 31, 2014, and related Notes to the Consolidated Financial Statements follow. Unless otherwise indicated, "Monsanto" and the "company" are used interchangeably to refer to Monsanto Company or to Monsanto Company and its consolidated subsidiaries, as appropriate to the context. Unless otherwise indicated, "earnings per share" and "per share" mean diluted earnings per share. In the notes to the consolidated financial statements, all dollars are expressed in millions, except per share amounts. Unless otherwise indicated, trademarks owned or licensed by Monsanto or its subsidiaries are shown in special type. Unless otherwise indicated, references to "Roundup herbicides" mean Roundup branded herbicides, excluding all lawn-and-garden herbicides, and references to "Roundup and other glyphosate-based herbicides" exclude all lawn-and-garden herbicides.

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MONSANTO COMPANY

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## Statements of Consolidated Operations

Unaudited (Dollars in millions, except per share amounts)	Three Months Ended		Six Months Ended	
	Feb. 28, 2015	Feb. 28, 2014	Feb. 28, 2015	Feb. 28, 2014
Net Sales	\$5,197	\$5,832	\$8,067	\$8,975
Cost of goods sold	2,158	2,385	3,617	3,965
Gross Profit	3,039	3,447	4,450	5,010
Operating Expenses:				
Selling, general and administrative expenses	647	625	1,227	1,214
Research and development expenses	372	404	784	813
Total Operating Expenses	1,019	1,029	2,011	2,027
Income from Operations	2,020	2,418	2,439	2,983
Interest expense	92	40	207	93
Interest income	(28)	)(23	)(66	)(47
Other (income) expense, net	(6	)61	9	81
Income from Continuing Operations Before Income Taxes	1,962	2,340	2,289	2,856
Income tax provision	550	672	650	824
Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest	\$1,412	\$1,668	\$1,639	\$2,032
Discontinued Operations:				
Income from operations of discontinued businesses	11	8	37	22
Income tax provision	4	4	14	9
Income from Discontinued Operations	7	4	23	13
Net Income	\$1,419	\$1,672	\$1,662	\$2,045
Less: Net (loss) income attributable to noncontrolling interest	(6	)2	(6	)7
Net Income Attributable to Monsanto Company	\$1,425	\$1,670	\$1,668	\$2,038
Amounts Attributable to Monsanto Company:				
Income from continuing operations	\$1,418	\$1,666	\$1,645	\$2,025
Income from discontinued operations	7	4	23	13
Net Income Attributable to Monsanto Company	\$1,425	\$1,670	\$1,668	\$2,038
Basic Earnings per Share Attributable to Monsanto Company:				
Income from continuing operations	\$2.93	\$3.18	\$3.40	\$3.86
Income from discontinued operations	0.02	—	0.05	0.02
Net Income Attributable to Monsanto Company	\$2.95	\$3.18	\$3.45	\$3.88
Diluted Earnings per Share Attributable to Monsanto Company:				
Income from continuing operations	\$2.90	\$3.15	\$3.36	\$3.81
Income from discontinued operations	0.02	—	0.05	0.02
Net Income Attributable to Monsanto Company	\$2.92	\$3.15	\$3.41	\$3.83
Weighted Average Shares Outstanding:				
Basic	483.4	524.8	483.9	525.9
Diluted	488.1	530.3	488.8	531.6
Dividends Declared per Share	\$0.98	\$0.86	\$0.98	\$0.86

The accompanying notes are an integral part of these consolidated financial statements.



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MONSANTO COMPANY

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## Statements of Consolidated Comprehensive Income (Loss)

Unaudited (Dollars in millions)	Three Months Ended		Six Months Ended	
	Feb. 28, 2015	Feb. 28, 2014	Feb. 28, 2015	Feb. 28, 2014
Comprehensive Income Attributable to Monsanto Company				
Net Income Attributable to Monsanto Company	\$1,425	\$1,670	\$1,668	\$2,038
Other Comprehensive (Loss) Income, Net of Tax:				
Foreign currency translation, net of tax of \$(24), \$(4), \$(30), and \$(12), respectively	(621	) (48	) (1,105	) 79
Postretirement benefit plan activity, net of tax of \$6, \$4, \$12, and \$9, respectively	10	6	20	14
Unrealized net gains on investment holdings, net of tax of \$3, \$2, \$0, and \$5, respectively	5	3	—	8
Realized net gains on investment holdings, net of tax of \$0, \$0, \$0, and \$0, respectively	—	1	—	1
Unrealized net derivative (losses) gains, net of tax of \$(25), \$9, \$(27), and \$(16), respectively	(32	) 12	(27	) (31
Realized net derivative gains, net of tax of \$15, \$3, \$15, and \$6, respectively	24	6	23	11
Total Other Comprehensive (Loss) Income, Net of Tax	(614	) (20	) (1,089	) 82
Comprehensive Income Attributable to Monsanto Company	\$811	\$1,650	\$579	\$2,120
Comprehensive (Loss) Income Attributable to Noncontrolling Interests				
Net Income Attributable to Noncontrolling Interests	(6	) 2	(6	) 7
Other Comprehensive (Loss) Income				
Foreign currency translation	—	1	(1	) 6
Total Other Comprehensive (Loss) Income	—	1	(1	) 6
Comprehensive (Loss) Income Attributable to Noncontrolling Interests	\$(6	) \$3	\$(7	) \$13
Total Comprehensive Income	\$805	\$1,653	\$572	\$2,133

The accompanying notes are an integral part of these consolidated financial statements.

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## Statements of Consolidated Financial Position

Unaudited

(Dollars in millions, except share amounts)

As of

Feb. 28, 2015 Aug. 31, 2014

## Assets

## Current Assets:

Cash and cash equivalents (variable interest entity restricted - 2015: \$16 and 2014: \$118) \$2,732 \$2,367

Short-term investments — 40

Trade receivables, net (variable interest entity restricted - 2015: \$107 and 2014: \$39) 2,357 2,014

Miscellaneous receivables 711 817

Deferred tax assets 652 635

Inventory, net 3,978 3,597

Other current assets 269 205

Total Current Assets 10,699 9,675

Total property, plant and equipment 10,186 10,357

Less accumulated depreciation 5,317 5,275

Property, Plant and Equipment, Net (variable interest entity restricted - 2015: \$2 and 2014: \$2) 4,869 5,082

Goodwill 4,189 4,319

Other Intangible Assets, Net 1,466 1,554

Noncurrent Deferred Tax Assets 350 450

Long-Term Receivables, Net 18 92

Other Assets 811 809

Total Assets \$22,402 \$21,981

## Liabilities and Shareowners' Equity

## Current Liabilities:

Short-term debt, including current portion of long-term debt (variable interest entity restricted - 2015: \$106 and 2014: \$136) \$346 \$233

Accounts payable (variable interest entity restricted - 2015: \$34 and 2014: \$25) 785 1,111

Income taxes payable 526 99

Accrued compensation and benefits (variable interest entity restricted - 2015: \$1 and 2014: \$1) 241 500

Accrued marketing programs 1,263 1,394

Deferred revenues 1,041 438

Grower production accruals 197 54

Dividends payable 238 239

Customer payable 44 82

Miscellaneous short-term accruals (variable interest entity restricted - 2015: \$6 and 2014: \$0) 791 962

Total Current Liabilities 5,472 5,112

Long-Term Debt 7,894 7,528

Postretirement Liabilities 332 345

Long-Term Deferred Revenue 38 47

Noncurrent Deferred Tax Liabilities 491 509

Long-Term Portion of Environmental and Litigation Liabilities 180 184

Other Liabilities 327 342

## Shareowners' Equity:

Common stock (authorized: 1,500,000,000 shares, par value \$0.01)

Issued 608,528,976 and 606,457,369 shares, respectively



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Outstanding 483,148,539 and 485,261,017 shares, respectively	6	6	
Treasury stock 125,380,437 and 121,196,352 shares, respectively, at cost	(10,519	)(10,032	)
Additional contributed capital	10,168	10,003	
Retained earnings	10,207	9,012	
Accumulated other comprehensive loss	(2,203	)(1,114	)
Total Monsanto Company Shareowners' Equity	7,659	7,875	
Noncontrolling Interest	9	39	
Total Shareowners' Equity	7,668	7,914	
Total Liabilities and Shareowners' Equity	\$22,402	\$21,981	

The accompanying notes are an integral part of these consolidated financial statements.

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## Statements of Consolidated Cash Flows

Unaudited

(Dollars in millions)

Six Months Ended

Feb. 28, 2015 Feb. 28, 2014

## Operating Activities:

Net Income

\$1,662 \$2,045

Adjustments to reconcile cash provided by operating activities:

Items that did not require (provide) cash:

Depreciation and amortization

362 332

Bad-debt expense

31 20

Stock-based compensation expense

61 57

Excess tax benefits from stock-based compensation

(33 ) (36 )

Deferred income taxes

(74 ) 32

Equity affiliate expense, net

5 4

Net gain on sales of a business or other assets

(2 ) (2 )

Other items

69 42

Changes in assets and liabilities that (required) provided cash, net of acquisitions:

Trade receivables, net

(482 ) (705 )

Inventory, net

(697 ) (742 )

Deferred revenues

657 313

Accounts payable and other accrued liabilities

188 588

Pension contributions

(18 ) (49 )

Other items

(211 ) (53 )

Net Cash Provided by Operating Activities

1,518 1,846

## Cash Flows (Required) Provided by Investing Activities:

Purchases of short-term investments

— (105 )

Maturities of short-term investments

40 314

Capital expenditures

(511 ) (471 )

Acquisition of businesses, net of cash acquired

(8 ) (922 )

Purchases of long-term debt and equity securities

(30 ) (12 )

Technology and other investments

(26 ) (378 )

Other proceeds

3 18

Net Cash Required by Investing Activities

(532 ) (1,556 )

## Cash Flows Provided (Required) by Financing Activities:

Net change in financing with less than 90-day maturities

145 (44 )

Short-term debt proceeds

15 28

Short-term debt reductions

(36 ) —

Long-term debt proceeds

368 999

Long-term debt reductions

(5 ) (3 )

Payments on other financing

— (39 )

Debt issuance costs

(4 ) (8 )

Treasury stock purchases

(492 ) (764 )

Stock option exercises

94 128

Excess tax benefits from stock-based compensation

33 36

Tax withholding on restricted stock and restricted stock units

(29 ) (8 )

Dividend payments

(475 ) (453 )

Payments to noncontrolling interests

(20 ) (19 )

Net Cash Required by Financing Activities

(406 ) (147 )

Effect of Exchange Rate Changes on Cash and Cash Equivalents

(215 ) (6 )

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Net Increase in Cash and Cash Equivalents	365	137
Cash and Cash Equivalents at Beginning of Period	2,367	3,668
Cash and Cash Equivalents at End of Period	\$2,732	\$3,805

See Note 1 — Background and Basis of Presentation and Note 19 — Supplemental Cash Flow Information for further details.

The accompanying notes are an integral part of these consolidated financial statements.

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## Statements of Consolidated Shareowners' Equity

## Monsanto Shareowners

Unaudited (Dollars in millions, except per share data)	Common Stock	Treasury Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (1)	Non-Controlling Interest	Total
Balance as of Aug. 31, 2013	\$6	\$(4,140)	)\$10,783	\$7,188	\$ (1,278)	) \$ 169	\$12,728
Net income	—	—	—	2,740	—	22	2,762
Other comprehensive income	—	—	—	—	164	10	174
Treasury stock purchases	—	(5,892)	) (1,204)	—	—	—	(7,096)
Restricted stock withholding	—	—	(16)	—	—	—	(16)
Issuance of shares under employee stock plans	—	—	248	—	—	—	248
Net excess tax benefits from stock-based compensation	—	—	72	—	—	—	72
Stock-based compensation expense	—	—	120	—	—	—	120
Cash dividends of \$1.78 per common share	—	—	—	(916)	)—	—	(916)
Recognition of redeemable shares of VIE	—	—	—	—	—	(134)	) (134)
Payments to noncontrolling interest	—	—	—	—	—	(28)	) (28)
Balance as of Aug. 31, 2014	\$6	\$(10,032)	)\$10,003	\$9,012	\$ (1,114)	) \$ 39	\$7,914
Net income (loss)	—	—	—	1,668	—	(6)	) 1,662
Other comprehensive loss	—	—	—	—	(1,089)	) (1)	) (1,090)
Treasury stock purchases	—	(487)	)—	—	—	—	(487)
Restricted stock withholding	—	—	(22)	—	—	—	(22)
Issuance of shares under employee stock plans	—	—	95	—	—	—	95
Net excess tax benefits from stock-based compensation	—	—	31	—	—	—	31
Stock-based compensation expense	—	—	61	—	—	—	61
Cash dividends of \$0.98 per common share	—	—	—	(473)	)—	—	(473)
Acquisition of noncontrolling interest	—	—	—	—	—	(3)	) (3)

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Payments to noncontrolling interest	—	—	—	—	—	(20	) (20	)
Balance as of Feb. 28, 2015	\$6	\$(10,519	)\$10,168	\$10,207	\$ (2,203	) \$ 9	\$	