

Valuation & Research Specialists (VRS)
Equity Research Team
info@valueinvest.gr

Share Price (07/08/2018) **96.61 €**

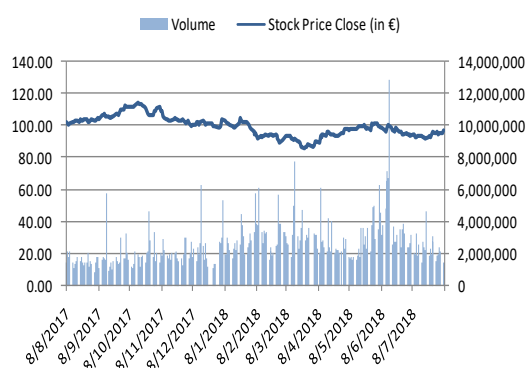
of Shares (mn) 932.55
Market Cap (in € mn) 90,093.85
A.D. Volume (p) 2,630,111
Beta Co-efficient 1.121

Statistical Data

Max 52 week, € 114.44
Min 52 week, € 85.61
1-M Rtn 2.08%
6-M Rtn 5.50%
12-M Rtn -5.46%

Source: VRS Calculations, Reuters.
Period as day/month/year.

Stock Price Performance & Transaction Volume
(1 year, in € and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.
Period as day/month/year.

BAYER A.G.

Listed on Deutsche Börse, Germany

[Bloomberg Ticker: BAYN:GR] [Reuters Ticker: BAYGn.DE]

Business Sector / Industry: Health Care / Drug Manufacturers - Major

Corporate & Investment Highlights

- Bayer AG is a life science company. The Company's segments are Pharmaceuticals, Consumer Health, Crop Science and Animal Health.
- The Pharmaceuticals segment focuses on researching, developing and marketing prescription products and specialty therapeutics especially in the areas of cardiology, oncology, gynecology, hematology and ophthalmology, as well as radiopharmacology and others. The Consumer Health segment develops, produces and markets nonprescription over-the-counter products in the dermatology, dietary supplement, analgesic, gastrointestinal, cold, allergy, sinus and flu, foot care and sun protection categories, among others. The Crop Science segment researches, develops and markets crop protection solutions and seeds, and includes the subsidiary Monsanto. The Animal Health segment is engaged in the development, production and marketing of prescription and nonprescription veterinary products.

Consolidated Interim Financial Results (Q1 2018 versus Q1 2017, € millions)

(in € mn)	Q1 2018	%	Q1 2017
Sales	9,138	-5.60%	9,680
Gross Profit	6,229	-6.93%	6,693
Operating Income	2,310	-4.82%	2,427
EBT	2,440	14.50%	2,131
EATAM	1,954	-6.19%	2,083

Note: Period refers to January - March.

Consolidated Annual Financial Results (2017 versus 2016, € millions)

(in € million)	2017	%	2016
Sales	35,015	0.21%	34,943
Gross Profit	23,633	1.92%	23,187
EBITDA	8,563	-2.70%	8,801
EBT	4,577	-4.11%	4,773
EATAM	7,336	61.91%	4,531

Source: Company. Note: Fiscal Year ends on December 31st.

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Company Report

FLASH NOTE
August 7, 2018

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Business Sector / Industry: Health Care / Drug Manufacturers - Major

BASIC FINANCIAL INDICATORS

<i>in € million</i>	Sales	Gross Profit	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2011	36,528	18,553	3,363	2,470	36.5	4.7	14.5	0.61	13%
2012	39,760	20,701	3,248	2,446	36.8	4.9	14.2	0.51	13%
2013	40,157	20,810	4,207	3,189	28.3	4.3	12.4	0.43	15%
2014	42,239	21,973	4,525	3,426	26.3	4.5	13.2	1.08	17%
2015	46,324	25,166	5,245	4,110	21.9	3.5	11.3	0.78	16%
2016	34,943	23,187	4,773	4,531	19.9	3.0	12.2	0.65	15%
2017	35,015	23,633	4,577	7,336	12.3	2.4	11.3	0.39	20%
2018 E	34,780	23,474	4,225	6,550	13.8	2.3	11.6	0.33	17%
2019 E	35,850	24,197	4,385	6,850	13.2	2.1	11.1	0.28	16%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non calculable.

Working Capital Ratios

<i>in € million</i>	2014	2015	2016	2017	2018 E	2019 E
Revenues	42,239	46,324	34,943	35,015	34,780	35,850
Cost (net of depreciation)	20,266	21,158	11,756	11,382	11,306	11,653
Gross Profit Margin	% 52.02%	54.33%	66.36%	67.49%	67.49%	67.49%
Net Income / Profit	3,426	4,110	4,531	7,336	6,550	6,850
Net Profit Margin	% 8.1%	8.9%	13.0%	21.0%	18.8%	19.1%
Cash & Cash Equivalents	1,853	1,859	1,899	7,581	7,699	7,819
Stock Days						
Days	153	147	261	210	210	210
Stock Inventory	8,478	8,550	8,408	6,550	6,506	6,706
Debtors Days						
Days	79	78	115	89	89	89
Debtors - Receivables	9,097	9,933	10,969	8,582	8,524	8,787
Creditors Days						
Days	97	103	199	164	164	164
Creditors - Suppliers	5,363	5,945	6,410	5,129	5,095	5,251
Operating Cycle (Days)						
Days	231	226	376	300	300	300
Cash Cycle (Days)						
Days	135	123	177	135	135	135

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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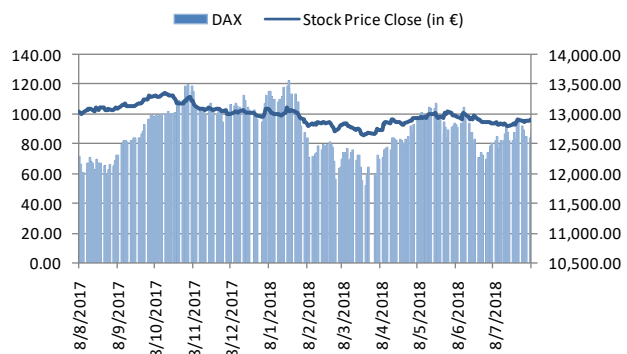
Business Sector / Industry: Health Care / Drug Manufacturers – Major

Shareholders' Structure

Private Investors	12.00%
Bayer Employees	1.00%
Others	87.00%
Total	100.00%

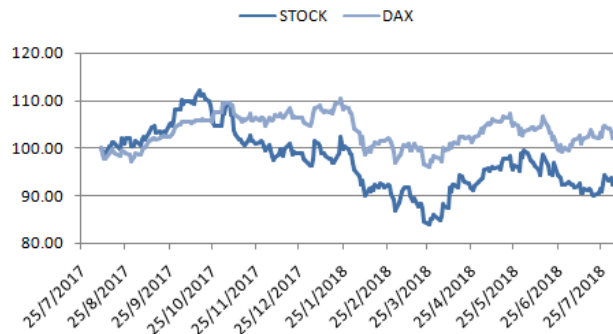
Source: Company.

Stock versus Index
(Last 52 Weeks or since listing, Stock Price in €, Index in points)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

Stock versus Index
(Last 52 Weeks or since listing, Base = 100)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.
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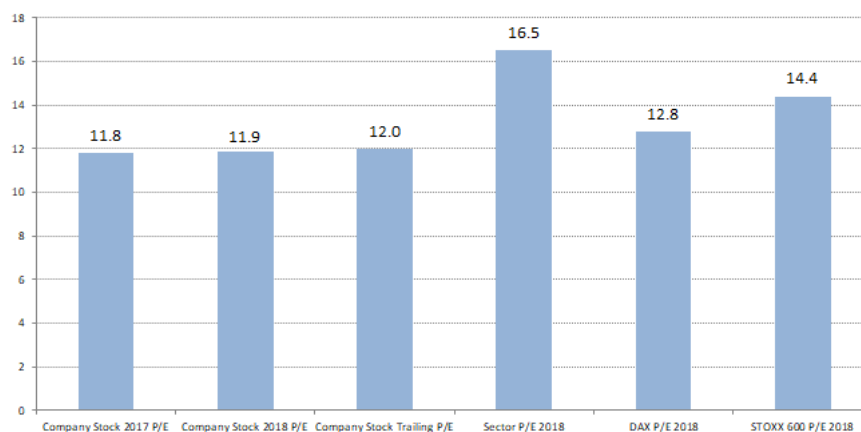
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Business Sector / Industry: Health Care / Drug Manufacturers – Major

	P/E Multiple
Company Stock 2017 P/E	12.3
Company Stock 2018 P/E	13.8
Company Stock Trailing P/E	12.5
Sector P/E 2018	16.5
DAX P/E 2018	12.8
STOXX 600 P/E 2018	14.4

Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

EPS Estimates

In €	EPS
2017	7.867
2018 E	7.024
2019 E	7.345

Source: VRS calculations & estimates.

Note: Based on current number of shares.

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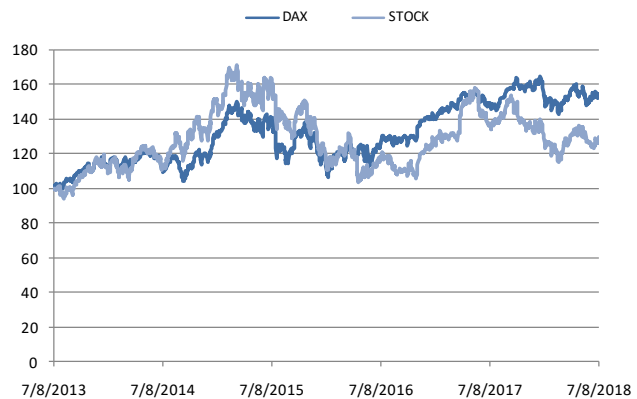
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Stock Price Performance
(Last 5 Years or since listing, Stock Price in €)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

Stock versus Index
(Last 5 Years or since listing, Base = 100)



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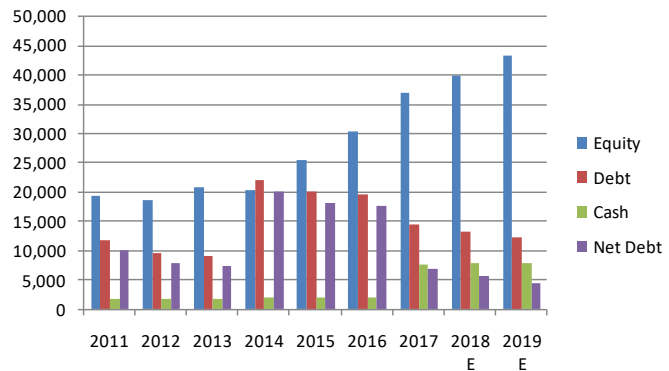
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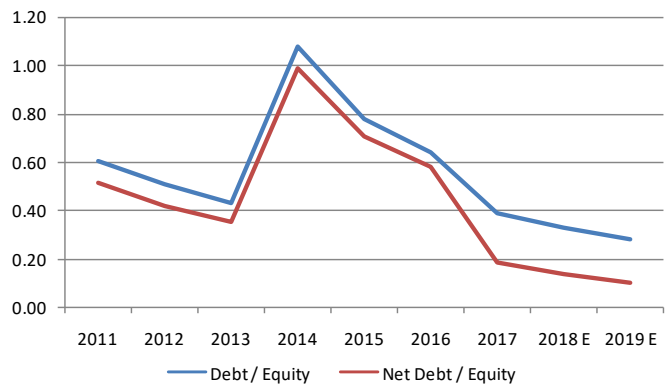
Business Sector / Industry: Health Care / Drug Manufacturers – Major

Equity, Debt, Cash & Net Debt
(in € millions)



Source: Company, VRS estimates

"Debt/Equity" & "Net Debt/Equity" Ratios
(times)



Source: Company, VRS estimates

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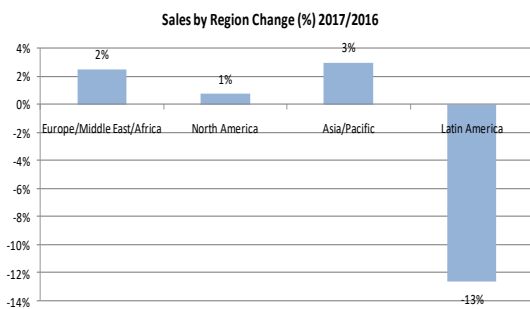
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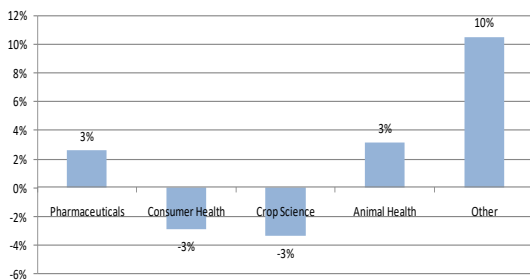
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Business Sector / Industry: Health Care / Drug Manufacturers – Major

Sales by Region & by Segment Change, FY 2017 vs FY 2016



Sales by Segment Change (%) 2017/2016



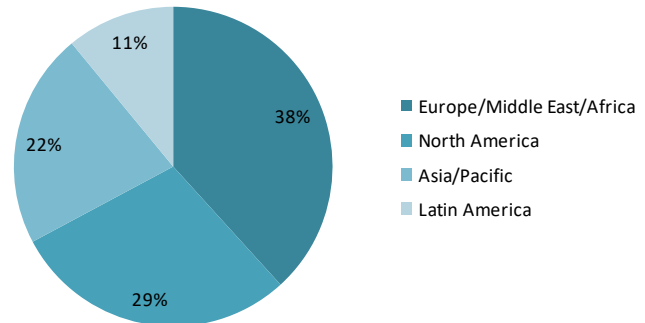
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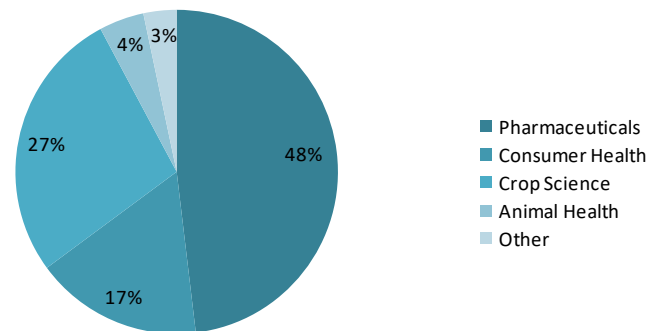
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Consolidated Sales Breakdown by Region & by Segment, FY 2017

Sales Breakdown by Region, FY 2017



Sales Breakdown by Segment, FY 2017



Source: Company

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Business Sector / Industry: Health Care / Drug Manufacturers – Major

Consolidated Income Statement (In € millions)

€ million	2017	2016
Net sales	35,015	34,943
Cost of goods sold	-11,382	-11,756
Gross profit	23,633	23,187
Selling expenses	-11,116	-11,148
Research and development expenses	-4,504	-4,405
General administration expenses	-2,026	-1,804
Other operating income	864	787
Other operating expenses	-948	-879
EBIT	5,903	5,738
Equity-method income (loss)	20	-6
Financial income	289	149
Financial expenses	-1,635	-1,108
Financial result	-1,326	-965
Income before income taxes	4,577	4,773
Income taxes	-1,329	-1,017
Income from continuing operations after income taxes	3,248	3,756
of which attributable to noncontrolling interest	-1	13
of which attributable to Bayer AG stockholders	3,249	3,743
Income from discontinued operations after income taxes	4,846	1,070
of which attributable to noncontrolling interest	759	282
of which attributable to Bayer AG stockholders	4,087	788
Income after income taxes	8,094	4,826
of which attributable to noncontrolling interest	758	295
of which attributable to Bayer AG stockholders (net income)	7,336	4,531
Earnings per share		
From continuing operations		
Basic	3.73	4.50
Diluted	3.73	4.50
From discontinued operations		
Basic	4.68	0.94
Diluted	4.68	0.94
From continuing and discontinued operations		
Basic	8.41	5.44
Diluted	8.41	5.44

Source: Company

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Consolidated Balance Sheet (In € millions)

€ million	2017	2016
Noncurrent assets		
Goodwill	14,751	16,312
Other intangible assets	11,674	13,567
Property, plant and equipment	7,633	13,114
Investments accounted for using the equity method	4,007	584
Other financial assets	1,634	1,281
Other receivables	400	583
Deferred taxes	4,915	6,350
	45,014	51,791
Current assets		
Inventories	6,550	8,408
Trade accounts receivable	8,582	10,969
Other financial assets	3,529	6,275
Other receivables	1,276	2,210
Claims for income tax refunds	474	676
Cash and cash equivalents	7,581	1,899
Assets held for sale	2,081	10
	30,073	30,447
Total assets	75,087	82,238
Equity		
Capital stock	2,117	2,117
Capital reserves	9,658	9,658
Other reserves	25,026	18,558
Equity attributable to Bayer AG stockholders	36,801	30,333
Equity attributable to noncontrolling interest	60	1,564
	36,861	31,897
Noncurrent liabilities		
Provisions for pensions and other post-employment benefits	8,020	11,134
Other provisions	1,366	1,780
Financial liabilities	12,483	16,180
Income tax liabilities	495	423
Other liabilities	1,116	957
Deferred taxes	1,153	1,330
	24,633	31,804
Current liabilities		
Other provisions	4,344	5,421
Financial liabilities	1,935	3,401
Trade accounts payable	5,129	6,410
Income tax liabilities	422	884
Other liabilities	1,652	2,421
Liabilities directly related to assets held for sale	111	0
	13,593	18,537
Total equity and liabilities	75,087	82,238

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Business Sector / Industry: Health Care / Drug Manufacturers – Major

Consolidated Cash Flow Statement (In € millions)

€ million	2017	2016
Income from continuing operations after income taxes	3,248	3,756
Income taxes	1,329	1,017
Financial result	1,326	965
Income taxes paid	-1,821	-1,701
Depreciation, amortization and impairments	2,660	3,063
Change in pension provisions	-227	-297
(Gains) losses on retirements of noncurrent assets	-133	-45
Decrease (increase) in inventories	-293	-78
Decrease (increase) in trade accounts receivable	-18	-385
(Decrease) increase in trade accounts payable	265	310
Changes in other working capital, other noncash items	275	-170
Net cash provided by (used in) operating activities from continuing operations	6,611	6,435
Net cash provided by (used in) operating activities from discontinued operations	1,523	2,654
Net cash provided by (used in) operating activities	8,134	9,089
Cash outflows for additions to property, plant, equipment and intangible assets	-2,366	-2,578
Cash inflows from sales of property, plant, equipment and other assets	241	111
Cash inflows from (outflows for) divestments	453	-18
Cash outflows for noncurrent financial assets	-313	-690
Cash inflows from (outflows for) acquisitions less acquired cash	-158	2
Interest and dividends received	168	89
Cash inflows from (outflows for) current financial assets	1,543	-5,645
Net cash provided by (used in) investing activities	-432	-8,729
Capital contributions	0	3,300
Proceeds from shares of Covestro AG	3,717	0
Dividend payments	-2,364	-2,126
Issuances of debt	10,369	15,190
Retirements of debt	-12,848	-15,920
Interest paid including interest-rate swaps	-801	-853
Interest received from interest-rate swaps	69	59
Cash outflows for the purchase of additional interests in subsidiaries	-23	0
Net cash provided by (used in) financing activities	-1,881	-350
Change in cash and cash equivalents due to business activities	5,821	10
Cash and cash equivalents at beginning of year	1,899	1,859
Change in cash and cash equivalents due to changes in scope of consolidation	0	3
Change in cash and cash equivalents due to exchange rate movements	-139	27
Cash and cash equivalents at end of year	7,581	1,899

Source: Company

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VALUATION & RESEARCH SPECIALISTS (VRS)

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DISCLOSURE STATEMENT (1)

VALUATION & RESEARCH SPECIALISTS (VRS) is an independent firm providing advanced equity research, quality valuations and value-related advisory services to local and international business entities and / or communities. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies."

VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

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To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

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DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
BAYER A.G.	BAYN:GR	BAYGn.DE	€ 96.61	August 7, 2018	----

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