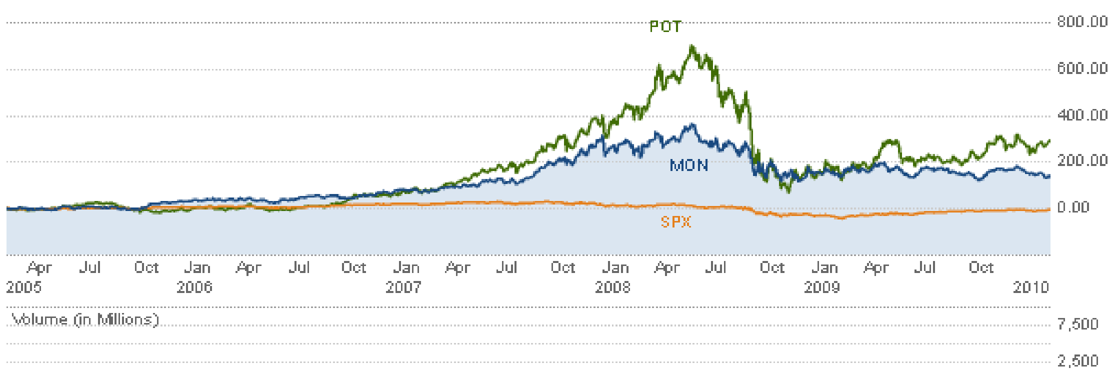
Monsanto Co. (MON) 3/8/10

MON operates as a supplier to the agriculture industry by selling products such as seeds, fertilizers, and pesticides. The company is segmented into two divisions, Seeds and Genomics with 69% of profits and Chemicals with 31% of profits. MON offers products under various brand names including; Roundup, Bollgard, Dekalb, and Seminis. The company sells its products through distributors, retailers, dealers, co-ops, and directly to customers. MON was founded in 2000 and is headquartered in St. Louis, Missouri.

Current Price	$72.02
52 Week High	$93.35
52 Week Low	$66.57
One Yr Target	$91.00
Market Cap (in billions)	$39.30
P/E (Trailing)	25.93
P/E(1 Yr Forward)	16.37
P/E/G	1.48
ROA	8.98%
ROE	15.78%
EPS	$2.78
Beta	0.89
Annualized Dividend	$1.06
Dividend Yield	1.47%
Analyst Consensus	2.60
Debt to Equity	0.71



Income Statement

Annual EPS

2006	1.27	
2007	1.82	43.48%
2008	3.69	102.72%
2009	3.87	4.81%
ttm	2.78	

Annual Revenue (in millions)

2006	$7,065.00	
2007	$8,349.00	18.17%
2008	$11,365.00	36.12%
2009	$11,724.00	3.16%

Annual Net Income (in millions)

2006	$689.00	
2007	$993.00	44.12%
2008	$2,024.00	103.83%
2009	$2,109.00	4.20%

Gross Profit Margin

2006	48.73%	
2007	50.66%	3.96%
2008	54.35%	7.28%
2009	57.68%	6.12%

Analysis

Great growth in EPS and in Margins

Selling costs and administrative expenses have shrunk in relation to Net Income

Balance Sheet

Total Assets (in millions)

2006	$11,728.00	
2007	$12,983.00	10.70%
2008	$17,991.00	38.57%
2009	$17,877.00	-0.63%

Total Liabilities (in millions)

2006	$5,203.00	
2007	$5,480.00	5.32%
2008	$8,617.00	57.24%
2009	$7,821.00	-9.24%

Total Equity (in millions)

2006	$6,540.00	
2007	$7,516.00	14.92%
2008	$9,384.00	24.85%
2009	$10,062.00	7.23%

Debt/Equity Ratio

2006	0.73	
2007	0.66	-9.43%
2008	0.82	24.03%
2009	0.67	-17.64%

Return on Equity

2006	10.54%	
2007	13.21%	25.41%
2008	21.57%	63.25%
2009	20.96%	-2.82%

Analysis

Inventory growth is a concern but is outpaced by cash

Debt is very low and of little concern

Great turnaround in Retained Earnings and increase of Treasury Stock

Statement of Cash Flows

Cash Flows from Operations (in millions)

2006	$1,674.00	
2007	$1,854.00	10.75%
2008	$2,799.00	50.97%
2009	$2,236.00	-20.11%

Net Cash Flows (in millions)

2006	$935.00	
2007	-$594.00	-163.53%
2008	$747.00	225.76%
2009	$343.00	-54.08%

Free Cash Flows (in millions)

2006	$1,304.00	
2007	$1,345.00	3.14%
2008	$1,881.00	39.85%
2009	$1,320.00	-29.82%

Capital Expenditures/Net Income

2006	53.70%	
2007	51.26%	-4.55%
2008	45.36%	-11.52%
2009	43.43%	-4.24%

Analysis

Cash Flows had been relatively good until 2009

Capital Expenditures are relatively low

Valuation Models

Required Rate of Return

	9.99%

Dividend Growth Model

Present Value of 2015 Price	n/a
Holding Period Return (5 years)	n/a

Expected Annualized Return Model

Present Value of 2015 Price	$73.59
Holding Period Return (5 years)	0.37%

Residual Income Model

Intrinsic Stock Price	$31.99

Sortino Ratio

	120

Summary

Positives

Very solid financial ratios and financial statements

In this case it is good that the DG model is n/a due to high dividend growth rates

Negatives

Stock price is overvalued according to two of the valuation models

Industry Analysis

MON's finacial ratios are better than industry averages

The Ag Chemicals industry is dependant on governments, commodity prices, and gas prices

Summary

MON is a very solid company and operates in a financial manner that ficuses on increasing shareholder wealth. The dividend growth rate is around 20% for the past 5 years and there isint much reason for it to slow down. The company has done well in increasing Retained Earnings and Treasury Stock that will continue to drive the stock price higher. The valuation models are a bit low but in line with the lower growth rate that MON is projected to have as it is a large and mature company. Some concerns are the expiration of patents and the role of governments in banning the use of MON's chemicals on crops. Still commodity prices should increase along with the economy and increasing fuel prices. MON is a great value stock that should see gradual and constant price increases over the next couple of years. MON is a recommended **buy** for value investors, still more homework over commodity outlooks (i.e. corn) is advised.