

COMPANY: <b>Syngenta</b>	EPIC: <b>SYNN.S</b>	MARKET CAP: <b>CHF26.7bn</b>	RECOMMENDATION: <b>Buy</b>	RISK RATING: <b>7</b>	PRICE: <b>CHF285</b>
CATEGORY: UNRESTRICTED (see bottom of note for risk categories)					

Syngenta is one of the world's leading agribusiness companies, using biotechnology and genomic research to increase crop productivity, protect the environment and improve health and quality of life. Syngenta has two main product lines, Crop Protection and Seeds, meeting growers' needs for higher productivity through continuous innovation, resulting in more food produced from limited arable acres. In Crop Protection, Syngenta is a global leader whilst in high value commercial Seeds, it ranks third.

### Investment case

- Strong demand drivers for food production from growing global population, rising emerging market prosperity and increased use of biofuels.
- Strong supply side drivers to increase yield from limited farmland, increasing urbanisation and increased water scarcity.
- Rising penetration of hybrid crops offering drought and pest resistance.
- High correlation to rising crop prices driving demand for yield enhancers.
- Competitive advantage in strong proprietary product portfolio and pipeline of new development products.

Syngenta is trading on 16.2x 2011 consensus earnings and 14.5x 2012 consensus earnings. This is a significant discount to Monsanto, a pure comparative with both agrichemical and seeds exposure. With an attractive valuation and strong exposure to long-term demographic trends, Syngenta is a Buy.

52 Week High	CHF317
52 Week Low	CHF211
Price to Book Value	3.9x
Dividend Yield	2.8%
Free Cash Flow Yield	4.4%
Dividend Cover	4.7x
Net Debt	CHF1.6bn
Interest Cover	11.3x
Emerging markets sales	50%
Next announcement	8 February 2012

Source: Company Data and Bloomberg Consensus

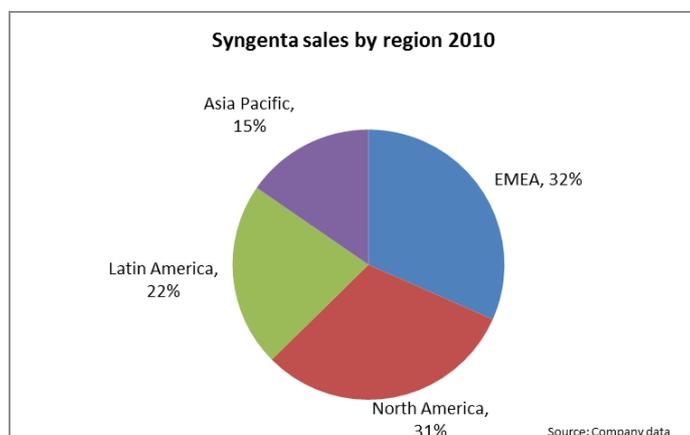
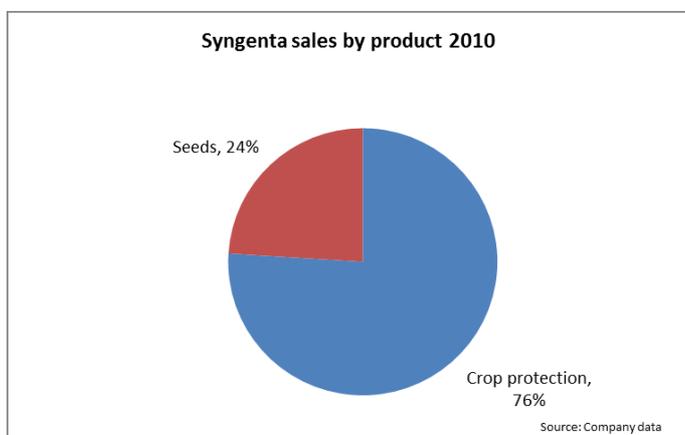


Note: UK investors may be subject to a withholding tax of 35% on dividends from Swiss companies. Dividend yields are stated gross of this withholding tax. We do not automatically reclaim the withholding tax on investments held with us. This will reduce the amount of dividend income that you receive.

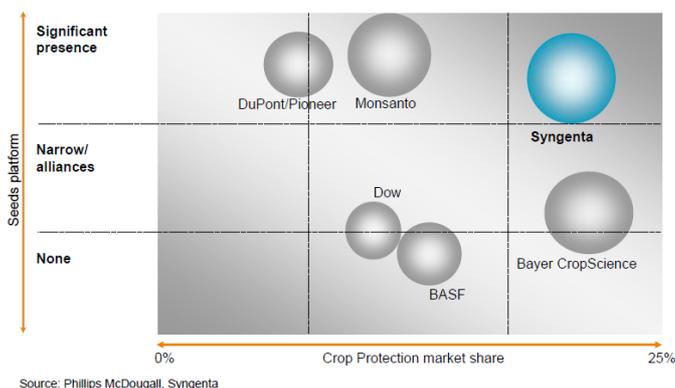
Year End	Sales (CHFm)	PBT (CHFm)	EPS (CHF)	PE (x)	DPS (CHF)	Yield (%)
Dec 2010	11,641	1,677	15.07	20.6	7.0	2.5
Dec 2011	13,319	2,112	19.21	16.2	8.0	2.8
Dec 2012	14,275	2,415	21.48	14.5	8.8	3.1
Dec 2013	15,065	2,705	23.80	13.1	9.9	3.5

## Background

Syngenta is one of the world's leading agribusiness companies, using biotechnology and genomic research to increase crop productivity, protect the environment and improve health and quality of life. Syngenta employs over 25,900 people in over 90 countries, and was formed by the merger of the Novartis crop protection and seeds business with the AstraZeneca agrochemicals business. The global agribusiness market has estimated revenues of US\$71bn, comprising crop protection chemicals (\$38bn), seeds (\$27bn) and professional products, which are non-agricultural crop protection chemicals (\$6bn). Syngenta has two main product lines, Crop Protection and Seeds, meeting growers' needs for higher productivity through continuous innovation, resulting in more food produced from limited arable acres. In Crop Protection, Syngenta is a global leader whilst in high value commercial Seeds, it ranks third. As a leading global agribusiness, Syngenta is active in four regional markets. North America (NAFTA) and Europe, Africa and Middle East (EAME) are the larger ones, each representing approximately one third of overall sales. Growth in emerging markets has been strong, with Syngenta gaining market share, especially in Brazil, the world's largest domestic agriculture market.

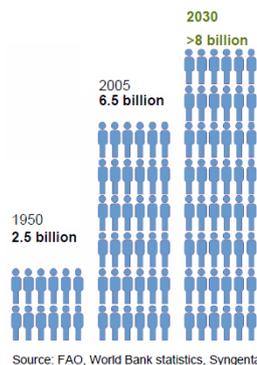


## Six global competitors

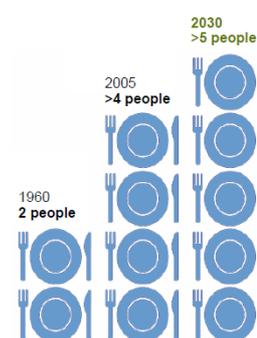


## World population and food requirement

### World population



### People fed per hectare



## The long term opportunity

The long-term opportunity is easily summarised as the world needs to grow more with less. Agricultural production will need to increase substantially with limited natural resources. Since 1980, grain demand has increased almost 75%, from 1.2bn to almost 2.1bn metric tons, with the demand for greater food and feed being key drivers. Global grain demand is expected to grow around 1.5% per year, with total demand up 35% by 2030 and 70% by 2050. Supply constraints will further intensify the demand for improved yields. Demand will be driven by three factors:

- **Population growth** – The global population is expected to rise from around 6.7bn people today to more than 9bn by 2050.

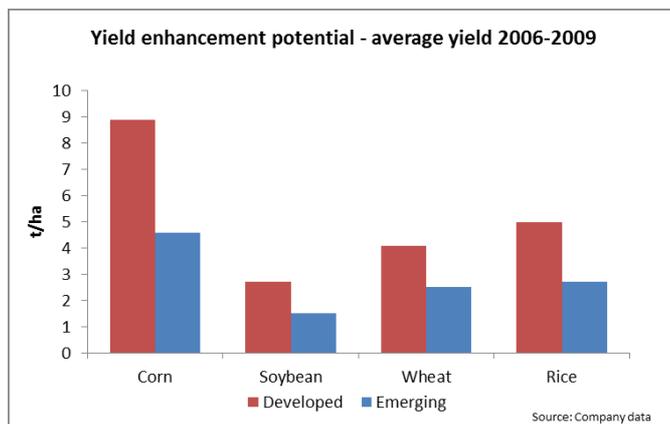
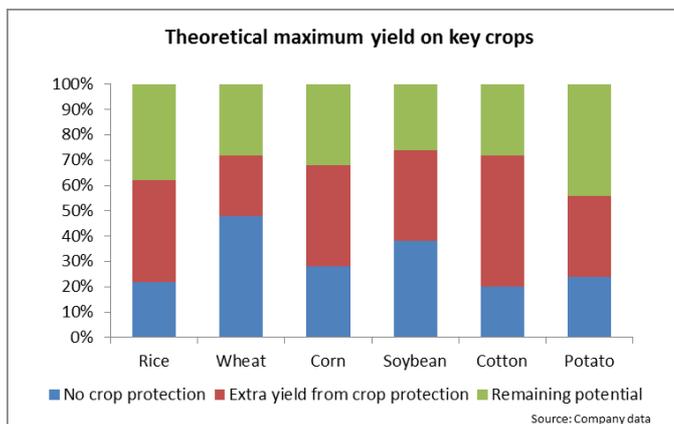
- **Emerging market prosperity** – Demand for meat and dairy is growing with prosperity, especially in emerging markets, diverting more grain to animal feed.
- **Biofuels** – Global energy demand is expected to increase by approximately 50% by 2030, with renewable energy from plants playing an increasingly important role as an alternative to fossil fuels.

Supply constraints will further intensify the demand for improved yields due to:

- **Limited farmland** – As population grows and farmland remains limited, the farmland per capita is expected to decline from 0.23 hectares to 0.16 hectares by 2050, a decrease of around 30%, so the yield from existing farmland needs to be increased significantly to meet demand.
- **Urbanisation** – By 2050, around 3bn more people are expected to be living in cities, with urban sprawl reducing farmland and putting pressure on rural communities to increase agricultural productivity. Approximately 10m hectares of cultivated land will be lost to urbanisation and soil erosion each year.
- **Water scarcity** – Water is the number one limiting factor for agriculture, as it currently uses 70% of the world's fresh water supplies, of which up to 40% of that amount is wasted. Water availability will be under increasing pressure as global water consumption continues to increase steadily and climate change affects supply levels. There is an urgent need to increase water use efficiency in agriculture and to develop new technologies that will help to secure and enhance yields with less water

## Crop Protection

Crop Protection chemicals include herbicides, insecticides, fungicides and seed treatments to control weeds, insects and diseases in crops, and are essential inputs enabling growers around the world to improve agricultural productivity and food quality. Without the use of crop protection products, around 40% of the world's crops would be lost to pests and diseases. About 600m hectares of land – three times the arable land in the USA – would be needed to compensate for that loss. Whilst crop protection has increased yields on many crops, there is still potential for further improvements towards the maximum theoretical yields. Also, there is significant potential in emerging markets from improving yields through crop protection products. Syngenta has a broad product portfolio and has a number one or two market position in all of its target segments.



## Seeds

The seed industry has changed dramatically over the past century, with farmers increasing the amount of purchased hybrid seed instead of using seed saved from the previous harvest. Advances in seed technology have accelerated through marker-assisted breeding. More recently, the industry has been further shaped by the introduction of genetically modified crops in 1996. Since 2000, the global seed market has grown almost 60%, reaching approximately \$27bn in 2009. Growth has occurred in both conventional and genetically modified seed over that period, with growth rates of almost 20% and greater than 300%, respectively. The market is expected to continue to grow to over \$40bn by 2020, primarily due to the continuing hybridisation of seeds and further penetration of GM globally. The seeds industry is concentrated in more industrialised and developed economies, with North America and Europe accounting for over 65% of the total seeds industry in 2008.

Syngenta's key products are field crops, vegetables and flower seeds, as well as seed care products. Syngenta's seed portfolio is one of the broadest in the industry, offering over 200 product lines and 6,800 varieties of Syngenta's own proprietary genetics. Syngenta has a leading market share in vegetables, flowers, corn, soybean, sugar beet and sunflower. Developed markets are the main market for Syngenta, but emerging markets are showing strong growth and are now 37% of global sales up from 22% in 2005. Emerging markets growth will be driven by strength in field crops and strong growth potential in vegetables.

## Valuation

Syngenta is the global market leader in crop protection and has the strongest market position in emerging markets. This leading position has allowed Syngenta to grow sales by 7.5% CAGR (2005-2010) with the next-fastest growing company, Dow Chemical, growing only 5% CAGR over the same period. Syngenta is on track to meet its medium-term sales target of \$15bn in 2015 and generate an EBITDA margin of 22%-24%. With its significant R&D spend, it has a strong pipeline of new products with sales potential of \$4bn. The capital structure is strong, offering financial flexibility, high cashflow and returns on invested capital of over 20%. Syngenta's sales and profits are highly correlated to crop prices, as farmers are incentivised to use more yield enhancing products (both crop protection and seeds) to maximise profits.

Syngenta is trading on 16.2x 2011 consensus earnings and 14.5x 2012 consensus earnings, a premium to other chemicals comparatives with agrichemical exposure. However, looking at Monsanto, a pure comparative with both agrichemical and seeds exposure, Syngenta is at a significant discount. With an attractive valuation and strong exposure to the theme of growing food needs and a larger emerging markets middle class, Syngenta is a **Buy**.

Comparative valuation	Mkt cap (\$m)	PE 2011 (x)	PE 2012 (x)	PE 2013 (x)
SYNGENTA AG-REG	29,180	16.2	14.5	13.1
<b>Comparatives</b>				
MONSANTO CO	43,973	26.6	22.2	19.2
POTASH CORP OF SASKATCHEWAN	40,610	13.1	12.6	12.1
AGRIUM INC	12,968	8.8	9.0	9.3
K+S AG-REG	9,966	11.4	10.8	9.7
BAYER AG-REG	59,166	11.3	11.0	9.8
ISRAEL CHEMICALS LTD	13,406	8.6	8.2	7.6
SUMITOMO CHEMICAL CO LTD	6,710	50.4	13.6	9.5
YARA INTERNATIONAL ASA	12,484	7.3	8.1	8.2
SAUDI ARABIAN FERTILIZER CO	12,132	11.4	11.4	11.2
MOSAIC CO/THE	24,295	12.4	11.2	10.5
DOW CHEMICAL CO/THE	39,638	12.8	12.0	9.8
		<b>15.8</b>	<b>11.8</b>	<b>10.9</b>

## Risks to this recommendation

- R&D expenditure may not result in commercially viable products.
- Increasing competition.
- Regulation may restrict the ability to sell products.
- Changes in agricultural policies of governments may be unfavourable.
- Consumer resistance to genetically modified organisms may negatively affect Syngenta's public image and reduce sales.

<b>KILLIK &amp; Co RESEARCH RECOMMENDATIONS</b>					
<b>Equity Research</b>			<b>Fund Research</b>		
<b>Large Cap</b>	<b>Mid Cap</b>	<b>Global</b>	<b>Absolute Return</b>	<b>Income</b>	<b>Growth</b>
<i>Investment ideas in the FTSE 100 which we believe will generate returns ahead of the All-Share index.</i>	<i>Investment ideas in the FTSE 250 which we believe will generate returns ahead of the All-Share index.</i>	<i>Global investment ideas which we believe will generate returns ahead of the FTSE World (ex UK) index over the long term.</i>	<i>Funds that aim to generate an absolute return over the medium to long term, i.e. a positive return irrespective of equity or bond market direction.</i>	<i>Income producing funds, which are attractive in the context of the yield available from cash, gilts and UK equities.</i>	<i>Funds which we believe have the potential to generate a high level of capital growth over the long term.</i>
<b>KILLIK &amp; Co RESEARCH PERIODIC PUBLICATIONS</b>					
<b>Daily Note</b>	<b>ETFs Bulletin</b>		<b>Thematic</b>		
<i>A summary of the day's newsflow and an update of opinion on covered stocks.</i>	<i>Focusing on London-listed Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs).</i>		<i>A number of direct equity and fund ideas that are well positioned to exploit a key investment theme.</i>		
<i>The Killik &amp; Co Research Policy and recommendation definitions can be found at <a href="http://www.killik.com/research">www.killik.com/research</a></i>					

The Killik & Co Risk Rating system uses categories which are intended as guidelines to the specific risks involved, as follows:  
**Restricted Lower Risk (1), Restricted Medium Risk (2-3) and Unrestricted (4-9).**  
 Please see the Killik & Co Terms & Conditions for further detail.

## Disclaimers

### Information for clients of Killik & Co

The Information within this publication is not directed at any person in the United States and is not intended to be used by any person in the United States unless those persons are already Killik & Co clients and they have applicable US exemptions. This document has been issued by Killik & Co on the basis of publicly available information, internally developed data and other sources believed to be reliable, but we have not independently verified such information and we do not give any warranty as to its accuracy. This document does not purport to be a complete description of the securities, markets or developments referred to in the material. All expressions of opinion are subject to change without notice. Killik & Co does not undertake to keep the subject of all of its recommendations under review, therefore any recommendations in this publication are given at this point in time and will not necessarily be updated in future. Clients should seek advice from their Broker on the suitability for their personal circumstances of any investments covered by this publication prior to acting on its contents. The past performance of an investment is not a reliable guide to its future performance and the value of an investment may fall as well as rise. Higher volatility investments may be subject to sudden and large falls in value and you may realise a large loss equal to the amount invested. Some investments are not readily realisable and investors may have difficulty in selling or realising the investment or obtaining reliable information on the value or risks associated with the investment. Where a security is denominated in a currency other than sterling, changes in exchange rates may have an adverse effect on the value of the security and the income thereon. In addition, if the security is listed outside the United Kingdom (UK), the listing regime and local regulation may differ from that which pertains in the UK. This may affect the degree of protection that consumers receive. Prior to publication, this document may have been disclosed to the company that is the subject of the research and factual amendments may have been made at their request prior to publication. When producing investment research, Killik & Co acts independently and has implemented measures to manage any potential conflicts of interest that may arise. The institutional sales team that forms part of Killik Capital may provide broking services to some of the fund management companies that run funds recommended by and/or commented upon by the research team within Killik & Co. Details of these measures can be found in Killik & Co's research policy which can be found on the website [www.killik.com/research](http://www.killik.com/research). Killik & Co is a trading name of Killik & Co LLP, a limited liability partnership authorised and regulated by the Financial Services Authority and a member of the London Stock Exchange. Registered in England and Wales No. OC325132. Registered office: 46 Grosvenor Street, London W1K 3HN. A list of Partners is available upon request. [www.killik.com](http://www.killik.com) Member of the London Stock Exchange

### Information for clients of Killik & Co (Middle East & Asia)

This document is provided by Killik & Co (Middle East & Asia) Clients as defined by the DFSA. Killik & Co (Middle East & Asia) is regulated by the Dubai Financial Services Authority (DFSA) and is a branch of Killik & Co LLP which is authorised and regulated by the UK FSA and a member of the London Stock Exchange. Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only current views of the author and are subject to change without notice. Killik & Co (Middle East & Asia) has not been a party to or had any material input towards this research publication. Killik & Co (Middle East & Asia) has no obligation to notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The investments referred to in this publication do not take into account the recipient's suitability requirements or investment risk appetite. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and Killik & Co (Middle East & Asia), accepts no liability for any such loss or consequence. Please note past performance is not necessarily a reliable guide to future performance of an investment. Killik & Co (Middle East & Asia) aims to be transparent, fair in business dealings and adhere to DFSA conflicts of interest requirements. For further information please contact the Dubai office. Killik & Co (Middle East & Asia) Principal place of business: No 55, Level 2, The Gate Precinct Building 5, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. Tel: +971 (0) 4 425 0354 Fax: +971 (0) 4 425 0355 Website: [www.killik.com](http://www.killik.com)