

September 28, 1939

Monsanto Chemical Co.

For the year appraisal of Monsanto Chemical Co., its position and prospects are the common shares attractive at present prices.

Thanks to continuance of an extensive program of plant expansion and product diversification, Monsanto Chemical Co. during the past several years has strongly consolidated its well entrenched position in the rapidly growing chemical industry. Bulk of its more than 300 chemicals normally is consumed in food, plastics, drug, rubber, textile, paper, steel, paint and other basic industries in the domestic market. During recent years only about one-sixth of aggregate revenues—and a smaller percentage of net returns—has been obtained from the English subsidiary.

Aided by benefits arising from expansion policies pursued, the enterprise in 1937 had lifted net income to a record peak at nearly \$5,000,000, or \$4.40 a common share. This represented nearly three times the profit which had been obtained back in the boom year, 1929. And while depression conditions prevailing in most of 1938 spelled a return equal to but \$2.35 a share, resumption of the uptrend has been witnessed thus far this year. Attainment of new record earning power seemingly could be looked for coincident with sustained broadening of prosperity.

There is somewhat less than \$12,000,000 par amount of subsidiary and parent company preferred stocks preceding in the capital structure the 1,241,712 "MTC" common shares. Financial condition is strong, cash items of more than \$5,700,000 at latest account alone exceeding in amount all near-term indebtedness. Bulwarking the rising level of earnings, this suggests that directors may see their way clear over the period ahead for supplementing, or increasing, the current regular \$2 per share annual dividend rate. As true of common shares of practically all enterprises engaged in the chemical industry, the junior stock, at 109%, capitalizes with seeming extravagance indicated current returns. Yet, among equities in this classification, it is generally regarded as one of the soundest.

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