



Agriculture Industry Flash

Tuesday, May 24th, 2016

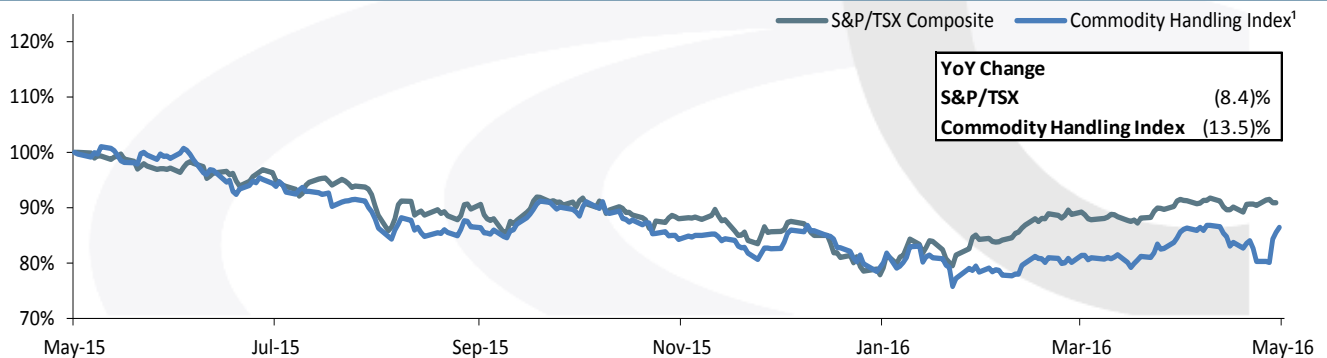


COMMODITY HANDLING

News Scan

- On May 18th, The Andersons rejected a US\$1.0 billion (US\$37/share) takeover offer from HC2 Holdings as too low, calling the bid an attempt to capitalize on a sharp downturn in the agricultural economy, and stating it was better off remaining a standalone entity. HC2 backed their bid by stating that Andersons has “not effectively extracted synergies among its 5 distinct businesses” and has a “bloated corporate overhead expense structure”
- On May 19th, reports indicated Cargill was in talks to sell two crushing plants in Western Europe. The assets included a soybean crushing plant of ~600,000 tonnes capacity p.a. in Amsterdam, and a soybean and canola crushing plant of ~300,000 tonnes capacity in Brest, France. Reports suggest Bunge may be interested in the assets
- On May 10th, Agrocrop International announced it will purchase Veikle Grain, a grains, pulses and oilseeds handler located in Western Saskatchewan, for an undisclosed sum. The plant is located on a main CP Rail line, and supports Agrocrop’s expansion plans into Canada, one of the major suppliers of pulses for the world’s increasing population
- On May 16th, ADM announced it increased its 40% stake in Amazon Flavors to full ownership, as it looks to become the go-to source for Brazilian food and beverage customers, a key growth market for Brazil. Amazon Flavors creates natural extracts derived from the guarana plant and açai berries, as well as cola, energy and other compounds for the Brazilian beverage market
- On May 10th, CHS and MKC announced plans to build and operate a high-speed rail-shuttle grain storage and loading facility in Kansas, U.S with storage capacity of 7 million bushels, and rail load-out capacity of 80,000 bushels per hour. The facility gives area producers direct access and ownership in the supply and distribution chain, improving their access to world markets

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2016E	2017E			2016E
ADM	23,403	29,078	8.9x	8.2x	16.4x	14.0x	5.8 %	(25.3)%
Bunge Limited	8,781	13,776	6.9x	6.8x	11.6x	10.4x	3.4 %	(32.6)%
Graincorp Limited	1,442	2,408	11.7x	9.4x	33.5x	20.5x	13.1 %	(8.7)%
The Andersons, Inc	956	1,658	10.5x	7.2x	41.5x	13.0x	30.1 %	(26.0)%
AGT Food and Ingredients	673	1,073	11.0x	9.7x	18.1x	13.0x	1.8 %	(12.5)%
Ceres Global Ag	116	186	na	na	na	na	0.4 %	(24.6)%
Mean			9.8x	8.3x	24.2x	14.2x	9.1 %	(21.6)%

1 “Commodity Handling Index” is composed of equally weighted market prices for: ADM, Bunge, Graincorp, The Andersons, AGT, and Ceres

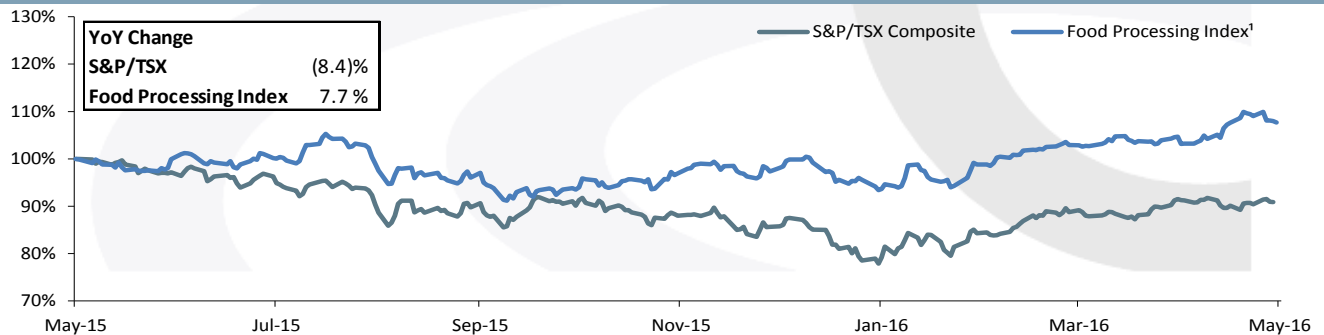


FOOD PROCESSING

News Scan

- On May 18th, Hormel Foods announced it will acquire nut-butter based snack maker Justin's, for US\$286 million. The purchase supports Hormel's strategy towards targeting on-the-go and health-conscious consumers. Justin's portfolio include gluten-free snacks, peanut butter cups, and nut butters that serve as a healthier alternative to Hormel's Skippy brand
- On May 10th, Dean Foods announced it is acquiring the manufacturing and retail ice cream business of Friendly's Ice Cream from Friendly's Restaurants, a Northeast U.S.-based ice cream and dining brand, for US\$155 million. The acquisition aligns with Dean Foods' strategy of shifting its portfolio toward branded milk and ice cream products, which are more profitable. Friendly's Ice Cream reported US\$166 million in sales for 2015, and is currently distributed in more than 8,000 retailers
- On May 18th, DSM announced it has undertaken two expansion projects in China to boost both gellan gum and pectin capabilities. The company will also establish a Global Innovation Center for hydrocolloids adjacent to its gellan facility. The expansions will further strengthen DSM's global position in hydrocolloids and help meet increasing demand for gellan gum
- On May 18th, reports indicated KKR and Saudi's largest dairy company Almarei were among the four rival groups shortlisted to bid for a majority stake in Abu Dhabi-based National Food Products Company (NFPC). With young, fast-growing populations, evolving culinary tastes, and low global milk prices, the Gulf food and dairy sector is seen as a strong potential growth market. NFPC is looking to raise funds for the company's expansion, including a \$400 million development of a production complex in Abu Dhabi, and to reduce the founder's stake as he prepares for his eventual retirement
- On May 10th, Dutch brewer Bavaria reported it acquired a 60% stake in Palm Belgian Brewers, famous for their eponymous ale, for an undisclosed sum. The two family-owned brewers will have combined production of 6.5 million hectolitres in 2016, and the acquisition allows Bavaria to further expand into the attractive specialty beers market

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2016E	2017E	2016E	2017E		
ConAgra Foods, Inc.	19,368	24,885	12.8x	11.8x	18.9x	17.5x	(3.3)%	(4.8)%
George Weston Limited	10,963	21,583	6.2x	6.0x	17.9x	16.2x	1.1%	(6.4)%
Ingredion Incorporated	8,420	10,056	10.2x	9.7x	17.5x	16.2x	(1.0)%	(2.9)%
Tate & Lyle plc	4,098	4,987	10.5x	10.0x	16.9x	16.0x	(0.7)%	(3.0)%
Maple Leaf Foods Inc.	3,019	2,888	10.8x	10.0x	23.1x	20.6x	0.6%	(2.2)%
SunOpta Inc.	321	840	8.2x	6.8x	14.7x	8.5x	(15.0)%	(67.2)%
Rogers Sugar	406	551	9.4x	9.4x	13.5x	13.5x	0.7%	(1.7)%
Mean			9.7x	9.1x	17.5x	15.5x	(2.5)%	(12.6)%

1 "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, SunOpta, and Rogers Sugar.

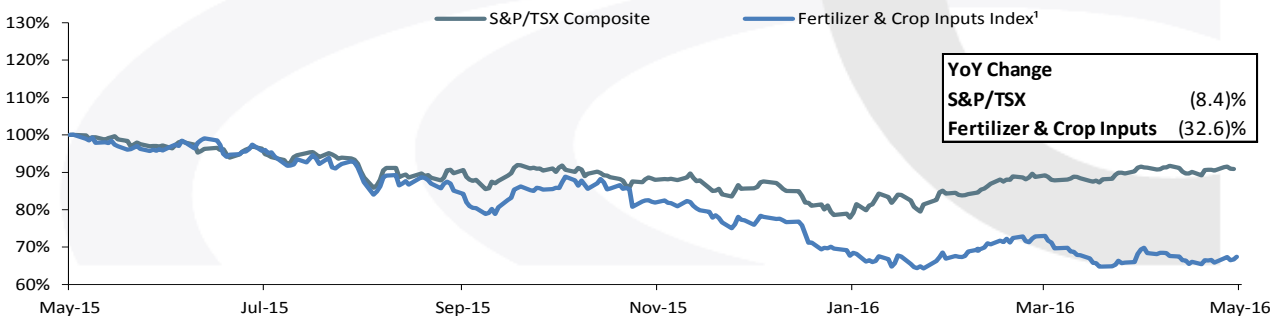


FERTILIZERS & CROP INPUTS

News Scan

- On May 19th, Monsanto announced that Bayer had made an unsolicited takeover proposal for \$62 billion (\$122/share). Bayer aims to create the world's biggest agricultural supplier and take advantage of converging pesticides and seeds markets and the potential for \$1.5 billion in annual synergies from combining the development and sale of seeds and crop protection chemicals. A deal could shift Bayer's focus to agriculture, accounting for about 55 percent of core earnings, up from roughly 28 percent last year excluding the Covestro chemicals business Bayer plans to sell. Analysts raised concerns that the purchase may create a burden on Bayer's finances, and a joint venture / partnership might be a more viable solution
- On May 17th, Syngenta extended its offer deadline for ChemChina from May 23rd to July 13th, as the company awaits outstanding regulatory approvals. The deal faces added scrutiny from the U.S. Department of Agriculture, which is joining a U.S. government panel to vet the deal. The rush for ag-chem megadeals has clogged regulatory paths, as the sheer size, scope and number of deals (ie. Dow/Dupont and potentially Bayer/Monsanto) inevitably slow regulatory reviews and potentially complicate the process of finding buyers for divested assets
- On May 23rd, CF Industries terminated an agreement to purchase Dutch rival OCI NV's North American and European plants for \$8 billion, to create the world's largest public nitrogen company. The bid was terminated due to adverse changes in tax law after the U.S. Treasury changed tax rules in April 2016 to restrict inversion deals that move U.S. companies to more favourable tax regimes. CF Industries will pay OCI a \$150 million breakup fee
- On May 23rd, reports indicated Japanese conglomerate Sumitomo is set to purchase a 44% stake in Excel Crop Care, a Mumbai-based pesticides and agrochem company, for US\$170 - \$190 million. The Indian agrochemicals market is expected to grow rapidly with an increase in farmer awareness, improvement in rural income and increase in pressure for greater productivity

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
		Cap	TEV	2016E	2017E		
Potash Corp.	13,860	17,282	12.9x	10.8x	30.4x	22.0x	6.8 % (46.9)%
Agrium Inc.	12,140	17,126	9.0x	8.2x	15.4x	13.4x	3.0 % (17.6)%
Yara International ASA	12,593	13,836	5.9x	5.8x	12.9x	12.4x	(0.6)% (32.7)%
CF Industries Holdings, Inc.	6,664	12,680	8.6x	7.0x	13.1x	11.5x	3.4 % (59.3)%
The Mosaic Company	9,074	11,947	8.6x	7.0x	27.5x	16.7x	4.4 % (45.0)%
Nufarm Ltd.	1,396	2,259	8.5x	7.8x	16.4x	13.2x	(1.2)% (18.0)%
Input Capital Corp.	124	97	5.0x	na	31.5x	na	4.7 % (37.5)%
Mean			8.4x	7.8x	21.0x	14.9x	2.9 % (36.7)%

¹ "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Potash, Mosaic, Agrium, Yara, CF Industries, Nufarm and Input Capital

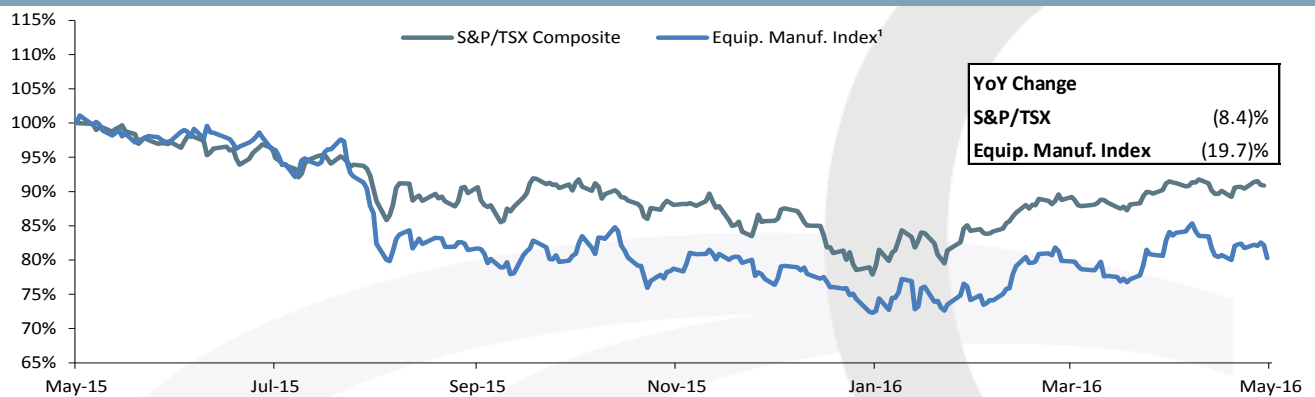


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On May 20th, Yara International announced it will acquire the Farm Management System business of Bulgarian-based MicroAccount for an undisclosed sum. By combining Yara's extensive crop nutrition knowledge with a broad portfolio of digital farm management tools and services, the company will have a unique platform from which to support customers, far beyond the geographical area the business currently serves
- On May 10th, The Essmueller Company announced the acquisition of the entire slide gate product line owned by Abel Manufacturing. The addition of the Abel product line will complement and expand Essmueller's extensive line of bulk material handling equipment, which includes drag conveyors, bucket elevators, screw feeders and turnhead distributors, and will maintain Abel's long tradition of quality

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
Deere & Company	24,513	26,627	10.6x	11.4x	24.7x	26.7x	(5.7)%	(20.9)%
AGCO Corp	4,107	5,651	9.6x	9.3x	21.2x	18.8x	(3.2)%	(14.0)%
Ag Growth International Inc.	435	701	10.2x	9.0x	14.9x	12.9x	5.1%	(28.6)%
Rocky Mountain Dealerships	104	407	18.5x	15.7x	10.2x	8.2x	(0.7)%	(25.7)%
Cervus Equipment Corporation	135	387	9.9x	9.4x	13.8x	10.3x	(1.2)%	(33.6)%
Mean			11.8x	11.0x	16.9x	15.4x	(1.2)%	(24.6)%

¹ "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International and Cervus.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On May 19th, Avrio Capital announced it has deployed C\$15 million of capital from its third institutional late stage venture fund. Avrio's new portfolio investees include Intelia Technologies, Alasko Inc and CheeCha Puffs
 - Intelia develops the market for data analytics services to optimize production management across multiple animal husbandry applications. The digitization of animal health represents a new frontier for precision agriculture
 - Alasko Foods, a leading supplier of frozen fruits and vegetables raised additional funds in support of the next phase of its growth strategy. Alasko's market leadership position in addressing global food security trends, including optimizing supply chains, minimizing waste, and enhancing overall preservation of foods was very attractive to Avrio
 - CheeCha Puffs is a better-for-you snack foods company with minimally processed products and fulfills strong consumer demand for gluten-free, low calorie snacking solutions
- On May 9th, Krispy Kreme Doughnuts agreed to be taken private by JAB Holdings for ~US\$1.4 billion. Krispy Kreme has 1,121 stores worldwide, and also sells ready-to-drink and bagged coffee and K-cup coffee pods for Keurig machines. With the acquisition, JAB achieves its goals of becoming the world's largest pure play coffee company by volume, after acquiring Keurig Green Mountain in March 2016
- On May 16th, a lawsuit by the New Zealand Exchange (NZX) claims that Ralec, the former owners of The Clear Grain Exchange, misled NZX when it was acquiring the grain exchange. NZX claims it was misled with "wildly inaccurate" forecasts, and that the system was not as flexible and modular as it was told, turning even simple changes into a significant IT workload. Further, NZX claims Ralec talked up its relationship with Graincorp and concealed internal opposition within Australia's largest bulk grain handler to using the Clear platform
- According to the U.S. Department of Agriculture, China's demand for imported soybeans is expected to remain strong over the next decade, increasing 32% from 83 million tonnes in 2016-17 to 109.5 million tonnes in 2025-26. China's dominance as an importer reflects government policies that favor imports of soybeans over feed grains, coupled with dietary shifts toward more animal proteins, which creates a strong demand for soybean meal used for livestock feed rations
- On May 11th, European Parliament approved the use of the herbicide glyphosate for another seven years with the conditions that it not be used around public parks, playgrounds, and for non-professional uses. The WHO classified glyphosate as 'probably carcinogenic to humans' based on laboratory studies, but UN experts believe glyphosate is likely not carcinogenic
- Plant scientists at Cold Spring Harbor Laboratory in New York have discovered a way to gently up-regulate stem cell growth so that maize produces optimally more stem cells, increasing the plant's yield by up to 50%. They also learned it's possible to "up regulate" the genes and gene expression that are in charge of stem cell development in corn, thereby learning how to modify the plant's growth. DuPont Pioneer scientists will test to see if the method works in commercial corn varieties
- The Association of American Railroads says U.S. carload traffic fell below 945,000 loads in April, down more than 16% from April 2015. All but five of the freight categories tracked by AAR showed year-over-year carload declines with coal dropping by 40%, petroleum by 25% and grain mill products by 7%. Railway operators are parking locomotives as they adjust to lower shipper demand

Commodities Futures as of May 20th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.94	0.73 %	12.24 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.67	(4.10)%	2.02 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$1.89	(7.80)%	(9.99)%
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$11.77	3.84 %	0.00 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$526.00	5.26 %	9.15 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.60	4.63 %	15.99 %



Recent Earnings News

Ticker	Company	Period Ended	EPS YoY Change	Last Quarter		
				Comments	Analyst Consensus (US\$)	Premium to Current
Commodity Handling						
ASX:GNC	GrainCorp. Ltd.	31-Mar-16	(33.1%)	Challenges in Oils due to lower crush margins and weakness in the New Zealand dairy sector, as well as lower grain carry and movement to export	A\$8.33	(3.3%)
TSX:AGT	AGT Food and Ingredients Inc.	31-Mar-16	5500.0%	Strong EBITDA and earnings growth driven by strong harvest in Australia and record levels of lentils and peas harvested in Canada	C\$43.25	17.2%
Food Processing						
TSX:WN	George Weston Limited	26-Mar-16	10.1%	Topline growth in Weston Foods driven by increased volumes and positive impact of pricing and changes in sales mix. Solid EBITDA growth in Loblaws driven by higher sales volumes, and operational improvements	C\$124.25	10.5%
NasdaqGS:ST	SunOpta Inc.	2-Apr-16	nmf	Strong sequential gains in revenue and EBITDA with good progress against operational goals - earnings loss as a result of non-operational costs related to the acquisition of Sunrise and the aseptic beverage facility expansion	\$6.88	105.2%
Equipment Manufacturers and Services						
NYSE:DE	Deere & Company	30-Apr-16	(23.1%)	Global farm recession and weak construction-equipment markets led to lower sales and earnings but all businesses remain profitable, aided by sound execution and disciplined cost management	\$77.05	(1.1%)
TSX:CVL	Cervus Equipment Corporation	31-Mar-16	nmf	Strong EBITDA and earnings growth driven by increased Transportation parts and service gross profit due to service efficiencies, and reductions in SG&A more than offset a 6% decline in Agriculture revenue	C\$13.00	14.7%

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