



Agriculture Industry Flash

Monday, November 20th, 2017

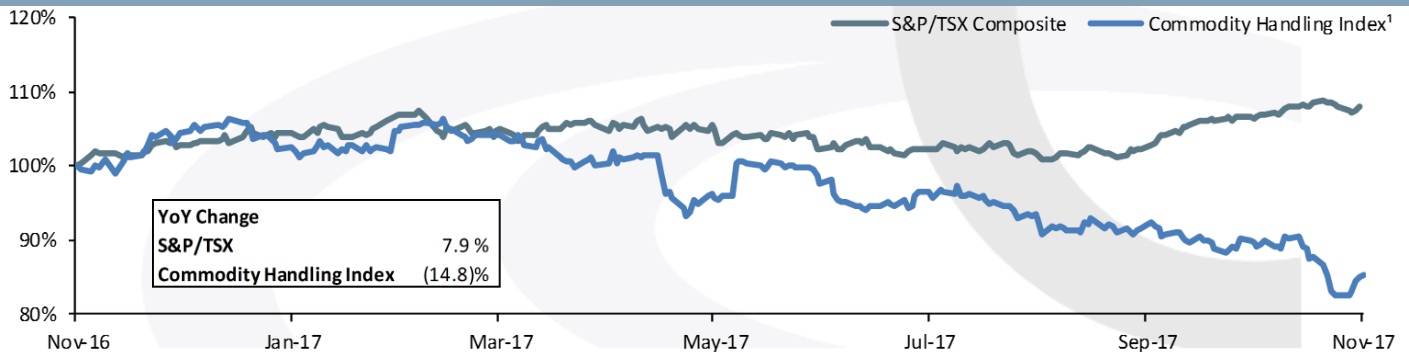


COMMODITY HANDLING

News Scan

- On Nov. 16th, **Bunge** announced that it is simplifying its operating structure from five operating units to three regions, a move intended to streamline operations, leverage its global scale and increase focus on customers and growth. The restructuring is part of the company's US\$250 million global Competitiveness Program revealed in mid-July. The company will operate under three regions: North America, South America and Europe & Asia
- On Nov. 10th, Tokyo-based **Nitto Fuji Flour Milling** made a US\$ 40 million takeover bid for **Masuda Flour Milling Co.**, a manufacturer of wheat flour, bran and dried noodles in Japan. The transaction is expected to improve performance by reducing operating costs by utilizing locations of both companies, expanding sales of products into new markets and improving R&D capabilities
- On Nov. 9th, **Archer Daniels Midland Company** and **COFCO Group** signed an MOU for the export of US soybeans into China. The partnership represents increased collaboration between the US and China, creating a foundation for a stronger bilateral relationship
- On Nov. 6th, **Aurelius Equity Opportunities SE & Co.**, a European asset manager, announced the acquisition of **Cargill's** animal nutrition business in Switzerland for an undisclosed amount. The acquisition provides a market leading business to Aurelius' portfolio
- On Nov. 17th, **The Andersons** named Jeffrey Blair as the new president of its Plant Nutrient Group. Blair joins the company from Intrepid Potash where he was the vice-president of Sales & Marketing. Blair replaces Bill Wolf who previously announced his retirement
- A new modernized grain terminal was opened in Ventspils, Latvia. Following the modernization, the terminal increased its capacity to 30,000 tonnes and is able to handle a larger range of agricultural products. The ice-free port of Ventspils is one of the leading deep-water ports in Europe located on the East coast of the Baltic sea and has access to multiple sea and land routes

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
ADM	22,046	28,915	9.4x	8.0x	16.9x	14.5x	(0.8)%	(17.7)%
Bunge Limited	9,210	14,476	10.6x	7.9x	22.0x	13.4x	(1.2)%	(21.8)%
Graincorp Limited	1,499	2,449	8.1x	9.0x	12.6x	15.5x	(1.5)%	(17.8)%
The Andersons, Inc	844	1,272	7.4x	6.5x	21.1x	11.8x	(0.3)%	(33.2)%
AGT Food and Ingredients	378	834	15.9x	10.2x	35.0x	13.7x	7.9%	(46.9)%
Ceres Global Ag	105	173	na	na	na	na	22.0%	(18.0)%
Mean			10.3x	8.3x	21.5x	13.8x	4.4%	(25.9)%

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

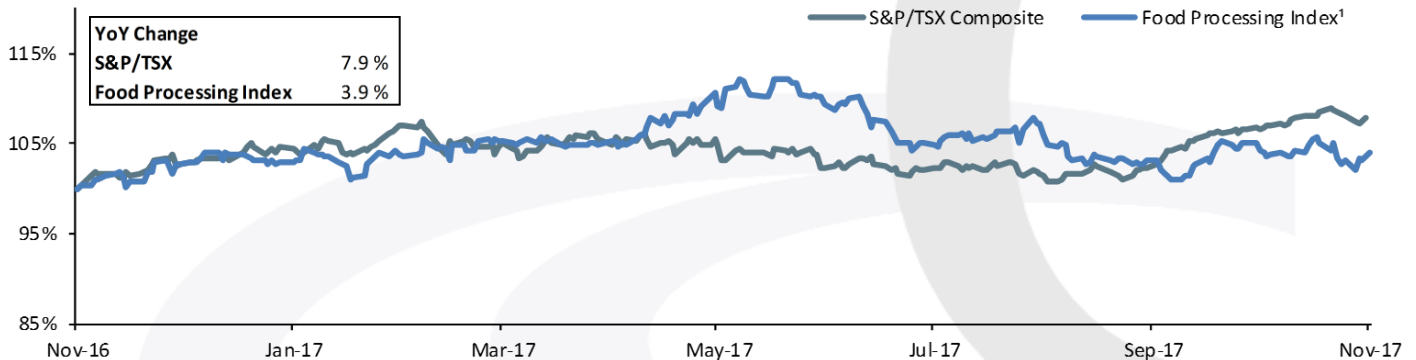


FOOD PROCESSING

News Scan

- On Nov. 14th, **Tyson Foods** completed its acquisition of **Original Philly Holdings**, a firm engaged in the production of raw and fully cooked Philly style sandwich steak and cheesesteak products, for an undisclosed amount. The acquisition provides Tyson with a highly regarded portfolio of products and expands the company's customer relationships with chain store operators
- On Nov. 13th, **Saputo Inc.** announced plans to close its cheese manufacturing facility in Fond du Lac, Wisconsin. The move is part of the company's latest wave of continual analysis of its activities aimed at improving operational efficiency. Following the plant closure in May 2018, existing production will be integrated into a facility in Almena, Wisconsin
- On Nov. 10th, **Frutarom** announced the acquisition of **AB Biotics'** micro-encapsulation technology for an undisclosed amount. The technology enables the delivery of iron with increased biological absorption without the side effects of metallic taste and digestive problems. The acquisition continues to fulfill the company's push in becoming a leading supplier of natural specialty products
- On Nov. 10th, **Evans Food Group**, a portfolio company of **Wind Point Partners**, announced the acquisition of **Gaytan Foods Inc.**, a California-based producer of pork rinds, wheat snacks and pickled snacks, for an undisclosed amount. The merger creates the opportunity to leverage both brands complementary products, brand portfolios and distribution networks
- On Nov. 9th, **Icelandic Group** completed the sale of **Seachill**, a supplier of chilled and frozen natural whitefish and salmon products, to the **Hilton Food Group** for approximately £84 million. The acquisition broadens Hilton's offering to its UK and overseas customers

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2017E	2018E			2017E
George Weston Limited	11,208	25,652	7.0x	6.5x	16.3x	15.1x	0.2 %	(10.8)%
ConAgra Foods, Inc.	14,587	17,766	10.8x	10.6x	19.6x	18.3x	2.5 %	(26.9)%
Ingredion Incorporated	9,615	11,233	10.2x	9.7x	17.4x	16.1x	2.7 %	(0.2)%
Tate & Lyle plc	4,149	4,687	8.0x	7.9x	14.4x	13.7x	(3.5)%	(14.4)%
Maple Leaf Foods Inc.	3,357	3,383	11.2x	10.3x	22.5x	20.0x	0.6 %	(5.2)%
Premium Brands	2,274	2,509	16.0x	13.5x	28.6x	22.1x	(4.6)%	(8.3)%
SunOpta Inc.	668	1,248	17.3x	12.8x	nmf	36.2x	3.4 %	(27.4)%
Rogers Sugar	500	650	9.1x	7.8x	12.3x	11.0x	(1.1)%	(12.8)%
Mean			11.5x	10.2x	19.8x	20.2x	0.2 %	(13.3)%

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

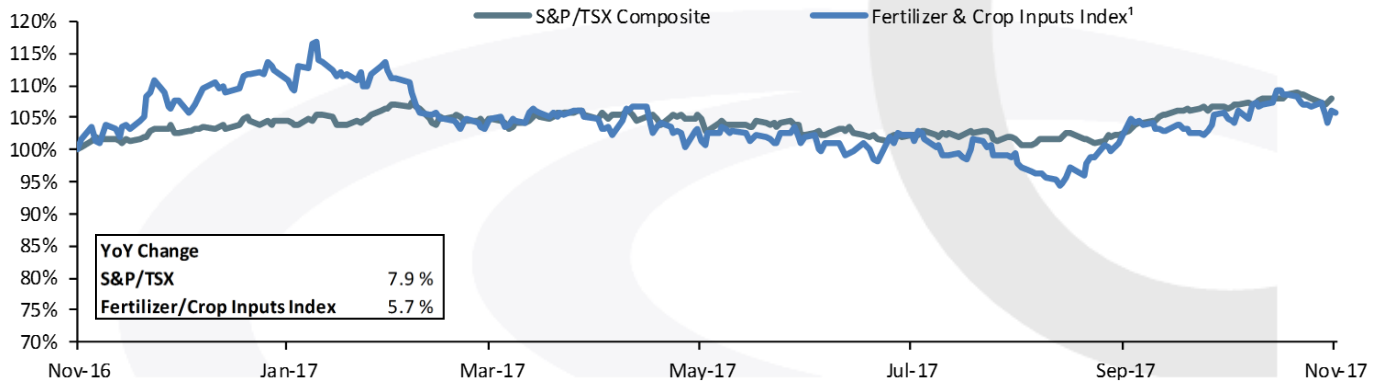


FERTILIZERS & CROP INPUTS

News Scan

- On Nov. 9th, **Acron Group**, a producer of mineral fertilizers in Russia and globally, announced that it has launched a new distribution company in France called, **Acron France**. The new company will expand Acron's presence in its top priority export market
- On Nov. 8th, Philadelphia-based **AgroFresh**, a leader in produce freshness solutions, announced the acquisition of **Tecnidex**, a leading provider of post-harvest fungicides, waxes and biocides for the citrus market, for an undisclosed amount. The transaction expands AgroFresh's presence into additional crops and increases its access to the produce markets in Southern Europe, Latin America and Africa
- On Nov. 7th, **Agrium Inc.** and **Potash Corp** stated that the Chinese Ministry of Commerce has approved their merger. Conditions include the sale of Potash Corp's minority holdings in **Arab Potash Company** and **Sociedad Quimica y Minera de Chile** within 18 months of closing
- On Nov. 7th, Toronto-based **Itafos** announced the acquisition of **Conda Phosphate Operations**, a subsidiary of **Agrium**, that produces phosphate fertilizers and specialty products, for US\$100 million. The transaction includes long-term supply and offtake agreements. Under the agreements, Agrium will supply 100% of the ammonia requirements of Conda and will purchase 100% of mono-ammonium phosphate produced by the company
- On Nov. 6th, **Yara International** announced that it has completed the acquisition of **Agronomic Technology Corp**, a leading crop nutrition recommendation platform. The acquisition expands Yara's presence in the digital farming space and allows the company to continue to implement its farmer-centric strategy. The scientific focus of ATC strengthens Yara's position as a leading crop nutrition provider

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
Agrium Inc.	14,732	20,115	11.4x	10.0x	21.7x	18.2x	0.7 %	(7.2)%
Potash Corp.	12,507	15,981	13.9x	11.9x	33.1x	28.7x	0.8 %	(8.4)%
CF Industries Holdings, Inc.	8,276	15,166	14.8x	11.7x	neg	nmf	(4.8)%	(9.8)%
Yara International ASA	12,402	14,665	9.3x	7.1x	24.2x	15.8x	0.2 %	(5.0)%
The Mosaic Company	8,053	11,459	9.2x	7.7x	24.4x	21.7x	0.4 %	(33.2)%
Nufarm Ltd.	2,079	2,782	8.7x	7.5x	15.9x	14.7x	(2.0)%	(16.0)%
Input Capital Corp.	98	89	3.9x	2.9x	neg	49.5x	0.0 %	(28.4)%
Mean			10.2x	8.4x	23.9x	24.8x	(0.7)%	(15.4)%

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

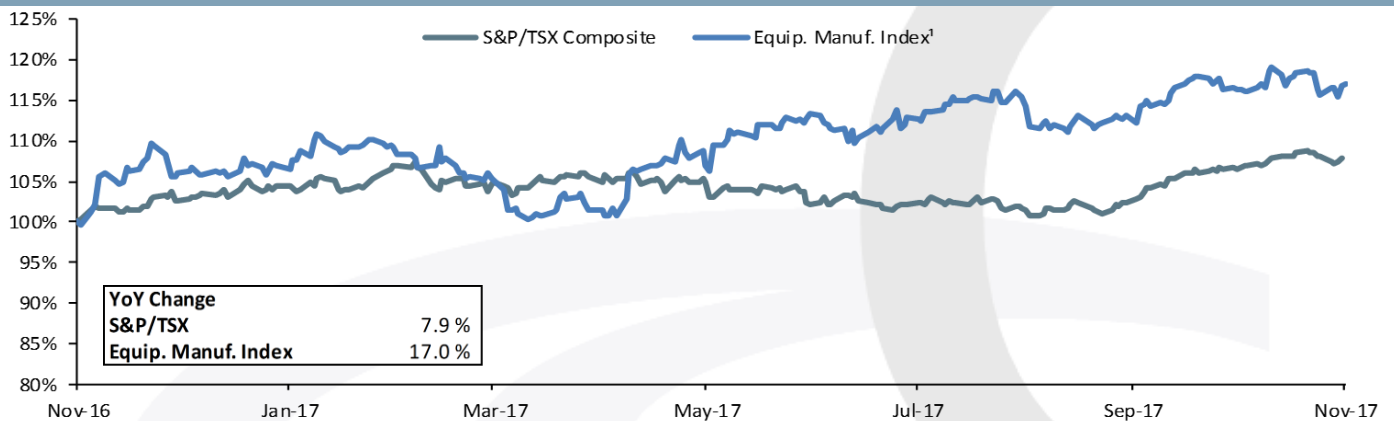


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Nov. 10th, **SwarmFarm Robotics**, an Australian developer of driverless robot farming machines, joined a partnership with global technology and services provider, **Bosch**. The partnership ensures that SwarmFarm can begin manufacturing and delivering the new products to farmers in the new year. The company's technology is expected to help farmers achieve consistency and increase yields
- On Nov. 10th, **Bayer** announced that it will begin marketing its Digital Farming Solutions under the brand **Xarvio**. The technologies are expected to optimize the way crop protection is deployed, reducing costs and increasing yields by increasing access to crop information
- On Nov. 3rd, **John Deere & Co.** reached an agreement with Cuba to supply farm tractors to the country. The deal represents the first direct sale of US machines to Cuba in more than half a century and will help modernize Cuba's agriculture sector. The first shipment is expected to arrive in mid-November. John Deere Finance is handling the financial arrangements of the deal

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
	Cap	TEV	2017E	2018E	2017E	2018E		
Deere & Company	43,622	43,866	13.5x	12.7x	23.6x	22.1x	2.7%	(0.7)%
AGCO Corp	5,302	7,284	10.2x	9.3x	21.9x	17.8x	(1.9)%	(11.8)%
Ag Growth International Inc.	643	846	8.7x	7.6x	20.1x	15.2x	1.8%	(15.7)%
Rocky Mountain Dealerships	193	419	13.2x	11.7x	12.6x	10.5x	2.6%	(2.5)%
Cervus Equipment Corporation	186	344	8.9x	8.1x	12.6x	10.7x	2.1%	(7.4)%
Mean			10.9x	9.9x	18.1x	15.3x	1.5%	(7.6)%

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



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On Nov. 14th, a group of 168 commodity groups, farm associations and Fortune 500 companies sent letters urging the US government to remain in NAFTA. The group noted that a withdrawal from NAFTA creates unnecessary uncertainty in their businesses. Impacts include the renegotiation or cancellation of contracts, the delay or loss of sales and the loss of market share to foreign competition
- On Nov. 13th, the CME Group, a worldwide derivatives marketplace, launched its Black Sea Wheat FOB and Black Sea Corn FOB futures contracts which will begin trading on Dec. 18th. The launch of the new futures reflects customer demand for cleared products from the region and allows customers to manage price exposure to the Black Sea markets
- On Nov. 10th, China's Ministry of Commerce announced the exemption of an 11% value-added-tax on the import of dried grain solubles (DDGS) from the US. The exemption improves the competitiveness of US DDGS in the Chinese market, which was once the top market for US DDGS. The Chinese market represents US\$1.5 billion to the US grains and ethanol industries
- The Canadian Competition Bureau started an investigation related to the price fixing of bread in the grocery industry. Several large national grocers are being investigated over pricing conduct from 2001
- On Nov. 8th, India's ministry of Finance doubled the import duty on wheat to 20%. The government did not provide a reason for the increase, but media speculates that the increase is intended to limit cheap imports from the Black Sea and to accommodate local output
- The Canadian Grain Commission is conducting a major review of Canada's grain grading system. The purpose of the review is to support the transition from a subjective grading system to a more objective system involving tests and numerical values assigned to relevant factors. The system intends to ensure that farmers get the value that matches what the commodity is being sold for to the end user
- US Wheat Associates and the National Association of Wheat Growers alleged that US wheat is not treated fairly in Canada. The groups want to gain access to the Canadian grading system. Currently, any US wheat that enters Canada is automatically assigned a feed grade, even when it is a variety registered in Canada. The issue has resurfaced in the latest round of NAFTA talks. Canada typically exports 2.5 to 3 million tonnes of wheat to the US, while only importing 50,000 tonnes
- Elevator and crusher operators who are members of the Canola Council of Canada, one of the largest agriculture industry associations in Canada, may leave the council over dissatisfaction. The companies are unhappy with the levies they pay to the council and the return on their investment. As a result, there is increased pressure on the CCC to adjust priorities and manage costs
- Alternative flour, such as those derived from plants is entering the mainstream market as producers attempt to appeal to health-conscious consumers. The new flours are expected to provide multiple benefits such as high-quality flavour and better nutrition

Commodities Futures as of November 17th, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.55	1.94 %	(0.11)%
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.44	6.10 %	9.17 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.72	0.28 %	15.73 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$12.29	6.78 %	27.90 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.70	0.00 %	(5.05)%
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$519.40	(0.33)%	3.86 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.42	(2.48)%	(7.52)%



Recent Earnings News

Company	Last Quarter		Analyst Consensus	Premium to Current
	EPS YoY Change	Comments		
Commodity Handling				
AGT Food and Ingredients Inc.	nmf	Reported Revenues inline with Q3'16, but reported Q3'17 adjusted EBITDA of C\$10.1 million, down 63% YoY, driven by compressed margins and lower volumes. Markets in AGT's core pulses segment have been impacted by low prices and oversupply	C\$22.72	14.0%
The Andersons, Inc.	48.9%	Grain Group recorded pretax income of \$2.6 million from strong grain storage capacity utilization. The Ethanol Group also earned \$6.2 million of pretax income despite weaker YoY margins. The Nutrient group reported a pretax loss of \$7.9 million due to low prices and margins	US\$35.25	17.5%
Food Processing				
SunOpta Inc.	nmf	Revenues were down 8% YoY due to weak performance in the consumer products segment, driven by reduced sales of retail packaged frozen fruit products. Operating income decreased to 1.5% of revenues, from 3.8% the year prior. The decrease was attributed to lower gross margins and increased structural and non-structural costs associated with the value creation plan	US\$10.67	38.5%
Equipment & Services				
Cervus Equipment Corporation	(10.9%)	Revenue increased 10% YoY while EBITDA and Net Income decreased by 15% and 9.5% respectively. Decreases were driven by slight reductions in margins and increased SG&A	C\$16.61	8.7%
Ag Growth International Inc.	9.3%	Sales increased significantly over the prior year due to improved demand for portable farm equipment in the US and contributions from acquisitions offset a decrease in commercial sales. The increase in sales did not result in a higher adjusted EBITDA as the full impact of synergies has not been realized, resulting in a flat EBITDA YoY	C\$63.38	24.7%
Rocky Mountain Dealerships Inc.	38.2%	Total Sales increased 7.3% YoY due to growth across all segments, gross profit also increased by 5.3%. SG&A decreased to 9.2% of revenue, and Finance costs decreased 16% YoY, resulting in an Adjusted EBITDA increase of 15.7% YoY	C\$14.17	11.5%

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