



## Agriculture Industry Flash

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Tuesday, January 30<sup>th</sup>, 2018

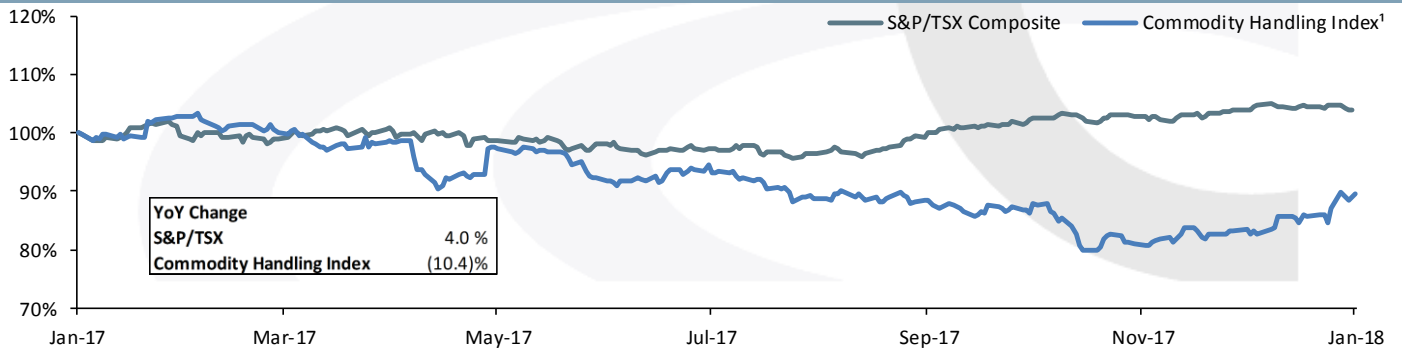


## COMMODITY HANDLING

### News Scan

- On Jan. 19<sup>th</sup>, shares of **Bunge Ltd.** jumped 11% to close at \$77.56, the highest price for Bunge since July. Reports indicated **ADM** approached Bunge about a possible takeover bid. Reports also suggested an auction with ADM and **Glencore P.L.C.** could ensue
- On Jan. 18<sup>th</sup>, **Cargill** announced it has purchased an equity stake in **Puris**, a Minneapolis-based pea protein supplier that recently expanded into starches, fibers and carbohydrates, for an undisclosed amount. Puris plans to use Cargill's financial backing to add substantial capacity, including a second plant
  - On Jan. 22<sup>nd</sup>, **Cargill** also announced it opened a corn milling facility in Saudi Arabia through a joint venture with **ARASCO**, a Saudi Arabia-based food manufacturer. The facility represents Cargill's first investment in Saudi Arabia, and will help the company meet growing demand from the region's food and beverage industry; one of its fastest growing industries
- On Jan. 22<sup>nd</sup>, **Seaboard Corporation** announced it acquired **Groupe Mirman's** flour milling and associated businesses located in Senegal, Ivory Coast and Monaco, for an undisclosed amount. The deal will increase the flour and feed milling capacity of its consolidated and non-consolidated businesses by approximately 15%
- On Jan. 25<sup>th</sup>, **Louis Dreyfus Company** announced it teamed up with **Shandong Bohi Industry Co., Ltd**, **ING**, **Societe Generale** and **ABN Amro** to complete a full agricultural commodity transaction using a blockchain platform. According to LDC, for the first time ever in the agricultural commodities sector, this trade included a full set of digitalized documents and automatic data-matching, thus avoiding task duplication and manual checks
- On Jan. 29<sup>th</sup>, **Noble Group Ltd.** announced it reached a deal to restructure US\$3.5 billion in debt, nearly half of which will be converted into new equity, saving the company from bankruptcy at the cost of handing control to creditors and nearly wiping out existing shareholders. Creditors will own 70 percent of the restructured company while management will own 20 percent

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
ADM	24,378	31,316	9.0x	8.9x	16.1x	15.0x	2.0%	(8.1)%
Bunge Limited	11,502	16,867	9.6x	9.5x	17.5x	14.7x	(0.4)%	(2.3)%
Graincorp Limited	1,405	1,987	7.9x	7.0x	15.8x	15.2x	(0.1)%	(28.1)%
The Andersons, Inc	975	1,403	7.3x	5.7x	20.2x	12.1x	(0.3)%	(16.4)%
AGT Food and Ingredients	422	897	11.6x	9.2x	20.2x	12.3x	(4.4)%	(41.5)%
Ceres Global Ag	113	169	na	na	na	na	0.8%	(15.1)%
<b>Mean</b>			<b>9.1x</b>	<b>8.1x</b>	<b>18.0x</b>	<b>13.8x</b>	<b>(0.4)%</b>	<b>(18.6)%</b>

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

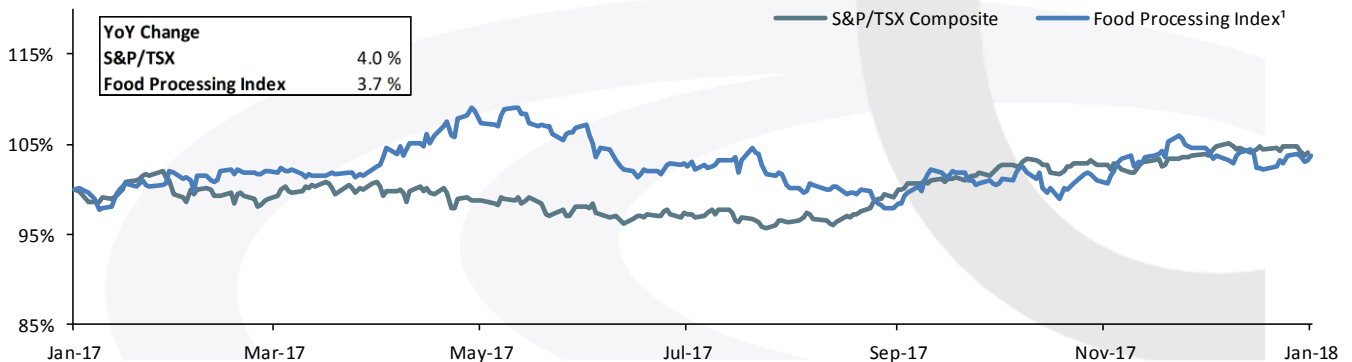


## FOOD PROCESSING

### News Scan

- On Jan. 29<sup>th</sup>, **Dr. Pepper Snapple** announced it will merge with single serve home brewer **Keurig Green Mountain**. Under the terms of the agreement, Dr. Pepper Snapple shareholders will receive \$103.75 per share in a special cash dividend and retain 13% of the combined company, putting the value of the deal in excess of US\$21 billion
- On Jan. 23<sup>rd</sup>, **Bacardi** announced it will acquire **Patron Spirits**, for approximately US\$5.1 billion. With the acquisition, Bacardi would become the second largest spirits company by market share in the US. Bacardi plans to harness its international distribution network to grow Patron's global presence
- On Jan. 12<sup>th</sup>, **Post Holdings** announced it is looking into several options for its private brands segment, including a sale, IPO, private equity placement or strategic combination. Post's private brands segment produces nut butter, dried fruit and nut, pasta and granola products and includes the brands Golden Boy, Dakota Growers and Attune Foods
- On Jan. 17<sup>th</sup>, **Urban Remedy**, a producer of plant-based ready-to-eat meals, announced the close of a C\$17 million series B fundraising round led by General Mills' business development and venturing arm, 301 INC
- On Jan. 22<sup>nd</sup>, **Evolve Brands, L.L.C.**, a newly established health-focused snack holding company, announced it will acquire **Gorilly Goods**, a manufacturer of organic, raw, on-the-go snacks and **Supernola**, a manufacturer of grain-free granolas, for an undisclosed amount. Evolve plans to consolidate and operate both businesses out of Wisconsin

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
George Weston Limited	11,503	26,571	6.6x	6.4x	15.3x	13.5x	1.0 %	(11.8)%
ConAgra Foods, Inc.	15,425	19,034	12.5x	12.0x	19.4x	18.2x	1.9 %	(7.6)%
Ingredion Incorporated	10,495	12,148	10.5x	10.2x	17.5x	16.5x	6.5 %	(0.2)%
Tate & Lyle plc	4,241	4,815	7.6x	7.5x	13.1x	12.8x	(3.8)%	(18.9)%
Maple Leaf Foods Inc.	3,673	3,709	10.8x	10.0x	20.9x	18.7x	0.1 %	(4.1)%
Premium Brands	2,664	2,926	14.3x	12.8x	24.4x	20.4x	(0.6)%	(3.8)%
SunOpta Inc.	681	1,262	13.1x	10.8x	nmf	28.6x	(5.5)%	(28.5)%
Rogers Sugar	547	796	9.0x	na	11.8x	na	(0.8)%	(8.1)%
<b>Mean</b>			<b>10.8x</b>	<b>10.0x</b>	<b>18.4x</b>	<b>18.4x</b>	<b>(0.0)%</b>	<b>(10.7)%</b>

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.

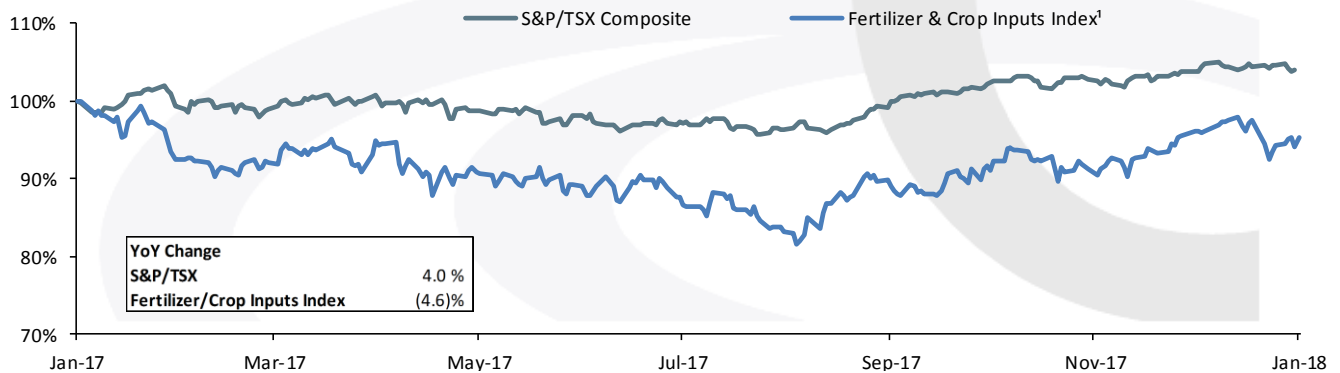


## FERTILIZERS & CROP INPUTS

### News Scan

- On Jan. 29<sup>th</sup>, **Nutrien Ltd.** announced it will acquire **Agrichem**, a speciality plant nutrition and plant health product company in Brazil, for an undisclosed amount. Agrichem's primary production facility is located close to key agricultural markets in Brazil, with an annual production capacity of almost 12 million litres. Agrichem is expected to be accretive to earnings in 2018, with total annual historic net sales of over US\$55 million and historic EBITDA of over US\$15 million. Nutrien expects to capture synergies through the distribution of a variety of its existing crop input products and services in Brazil
- On Jan. 12<sup>th</sup>, **Yara International ASA** announced it completed the acquisition of **Tata Chemical's** urea business in India, for US\$421 million. The acquired plant produces 0.7 million tonnes of ammonia and 1.2 million tonnes of urea annually, and is the most energy-efficient urea plant in India
- On Jan. 19<sup>th</sup>, **Sigma Agriscience** announced it acquired **AM-AG**, an international marketer and distributor of agriculture products with operations in Latin America and the US, for an undisclosed amount. AM-AG will operate as a subsidiary of Sigma Agriscience under its present name. Sigma Agriscience will benefit from AM-AG's exclusive distribution rights to a unique granular product line of all-natural high analysis secondary and micronutrient plant nutrition
- On Jan. 17<sup>th</sup>, reports indicated China's agriculture production costs are set to rise fairly quickly in 2018, due to higher fertilizer and pesticide prices. Domestic urea and compound fertilizer prices rose 34% and 17% respectively over the year, largely due to higher raw materials prices and falling operating rates at fertilizer producers in China. Higher agricultural machinery prices and emerging environmental protection expenses are expected to further increase costs

### 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	2018E	2019E		
Nutrien Ltd.	28,246	36,959	11.7x	10.3x	18.1x	14.9x	0.6 % (5.0)%
CF Industries Holdings, Inc.	9,827	16,723	12.8x	11.1x	nmf	31.5x	4.3 % (4.2)%
Yara International ASA	13,367	15,797	7.1x	5.9x	15.7x	12.0x	(2.1)% (5.4)%
The Mosaic Company	10,640	13,980	8.9x	7.6x	24.4x	19.5x	4.1 % (19.6)%
Nufarm Ltd.	2,163	2,916	7.3x	6.6x	13.2x	12.6x	(0.5)% (22.2)%
Input Capital Corp.	100	92	3.2x	na	18.0x	na	0.0 % (32.0)%
<b>Mean</b>			<b>8.5x</b>	<b>8.3x</b>	<b>17.9x</b>	<b>18.1x</b>	<b>0.9 % (12.6)%</b>

<sup>1</sup> "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Nutrien, CF Industries, Yara, Mosaic, Nufarm and Input Capital.

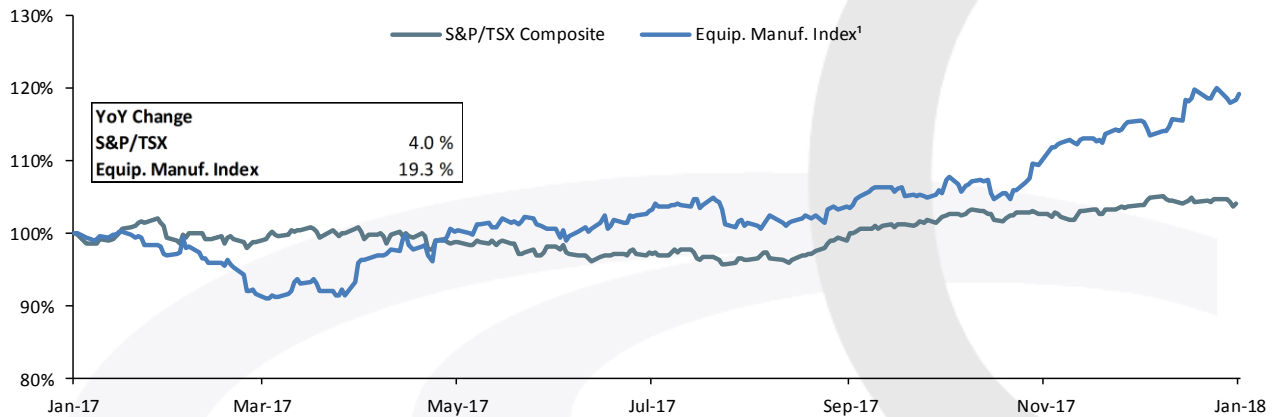


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Jan. 17<sup>th</sup>, **Ag Growth International Inc.** announced it acquired **CMC Industrial Electronics**, a supplier of hazard monitoring sensors and systems used in agricultural material handling applications, and **Jungle Control Inc.**, a manufacturer of automation, measurement and blending systems for the agriculture and fuel industries, for an undisclosed amount. Combined sales and adjusted EBITDA for the two entities in their most recently completed fiscal years were approximately US\$15 million and US\$4 million respectively
- On Jan. 23<sup>rd</sup>, **Canadian National Railway** announced it is prepared to spend a record C\$3.2 billion on capital expenditures this year, with C\$800 million to expand network capacity in the face of growing shipper demand. CN plans to expand the railways workforce with hiring throughout 2018 and 400 new conductors to become qualified in the next two months, and by acquiring 200 new locomotives over the new three years

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Deere & Company	55,435	54,285	17.1x	16.0x	29.8x	27.9x	0.7 %	(0.3)%
AGCO Corp	5,889	7,898	9.9x	8.8x	19.8x	16.6x	0.4 %	(2.5)%
Ag Growth International Inc.	762	1,185	10.3x	9.3x	18.2x	15.7x	(3.4)%	(4.1)%
Rocky Mountain Dealerships	206	441	11.9x	10.5x	9.5x	8.2x	(6.7)%	(11.2)%
Cervus Equipment Corporation	185	349	7.9x	7.5x	9.9x	8.9x	(0.5)%	(8.2)%
<b>Mean</b>			<b>11.4x</b>	<b>10.4x</b>	<b>17.5x</b>	<b>15.5x</b>	<b>(1.9)%</b>	<b>(5.3)%</b>

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 Jan. 22<sup>nd</sup>, the International Grains Council (ICG) raised its forecast for total grains production in 2017-18 to 2.1 billion tonnes, up from 2.079 billion tonnes in November, but down from the 2016-17 forecast of 2.14 billion tonnes. Total consumption was lowered from 2.107 billion tonnes to 2.104 billion tonnes
- On Jan. 19<sup>th</sup>, the United Kingdom received approval to export beef products to Canada. According to a news release from the U.K. Agriculture and Horticulture Development Board, representatives from the British meat trade in England, Scotland and Wales have been negotiating the deal since 2015. There will be a quota system in place, with the quota expanding to 35,000 tonnes over five years
- On Jan. 23<sup>rd</sup>, Canada announced it has agreed to a resurrected version of the Trans-Pacific Partnership and will sign on to the deal this March. The deal, renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, comes after talks in Japan with 11 countries still committed to the deal
- On Jan. 24<sup>th</sup>, reports indicated weekly grain barge tonnage on rivers in the midwestern United States have been significantly lower than previous years due to ice accumulation beginning in late December. For the period from Jan. 1<sup>st</sup> to Jan. 15<sup>th</sup>, grain barge tonnages were 496,000 tons, 63% lower than the first two weeks of January 2017
- On Jan. 25<sup>th</sup>, reports indicated Canada's hemp industry may have an oversupply of hempseed. Canadian hemp acreage topped 130,000 in 2017, a record for the sector and 30,000 more than the previous high. Many industry leaders were hoping that strong demand from South Korea for hempseed would continue throughout 2017 and into 2018, but that failed to materialize due to China's entry into the South Korean hempseed market
- On Jan. 25<sup>th</sup>, reports indicated that larger-than-expected production and seasonal slow-down in demand are overhanging the Canadian durum market, with steady to lower prices anticipated over the next few months. Looming Italian COOL regulations that are set to come into effect in mid-February could further drive price down. The regulations will require pasta makers in the country to segregate foreign durum, which will add costs and may cut into demand for some Canadian grain
- On Jan. 25<sup>th</sup>, reports indicated international feed production in 2017 was 1.07 billion tonnes, marking the second consecutive year that it eclipsed the 1-billion tonne mark and a 2.6% increase over last year. The feed industry, valued at US\$430 billion has seen 13% growth over the past five years, equating to an average of 2.5% per annum
- On Jan. 26<sup>th</sup>, reports indicated Molinos de Puerto Rico, LLC was running 24 hours a day, 7 days a week, after resuming operations following Hurricane Maria. While a robust pace has been maintained ever since, employees at the Ardent Mills facility in San Juan continue to struggle to regain normalcy in their lives together with the other 3 million-plus residents of the U.S. territory in the Caribbean, many of whom are living without electricity

### Commodities Futures as of January 26<sup>th</sup>, 2017

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.57	0.92 %	0.92 %
Wheat (CBOT)	\$ per bu.	\$4.41	1.73 %	1.73 %
Oats (CBOT)	\$ per bu.	\$2.66	9.69 %	9.69 %
Rough Rice (CBOT)	\$ per cwt.	\$12.34	4.76 %	4.76 %
Barley (USDA)	\$ per bu.	\$4.85	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	CAD per T	\$493.70	0.59 %	0.59 %
Ethanol (CBOT)	\$ per gal.	\$1.38	1.10 %	1.10 %



## Recent Earnings News

Company	Last Quarter			
	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
Conagra Brands, Inc.	114.5%	Net sales grew 4.1% and organic net sales grew 2.3% in the quarter with growth in each operating segment. The Refrigerated & Frozen segment continued its growth momentum in the second quarter with 4% volume growth. The company estimates that the recent hurricanes increased its net sales growth rate by 220 basis points	US \$41.33	7.4%
McCormick & Company, Incorporated	7.7%	Revenue increased 21.5% to nearly US \$1.5 billion, with strong results in both the consumer and industrial segments. Cash flow from operations grew 24% to a record US \$815 million. In November, an 11% increase to the quarterly dividend was authorized, marking the 32nd consecutive year of dividend increases	US \$105.92	(1.4%)

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