



## Agriculture Industry Flash

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Tuesday, April 24<sup>th</sup>, 2018

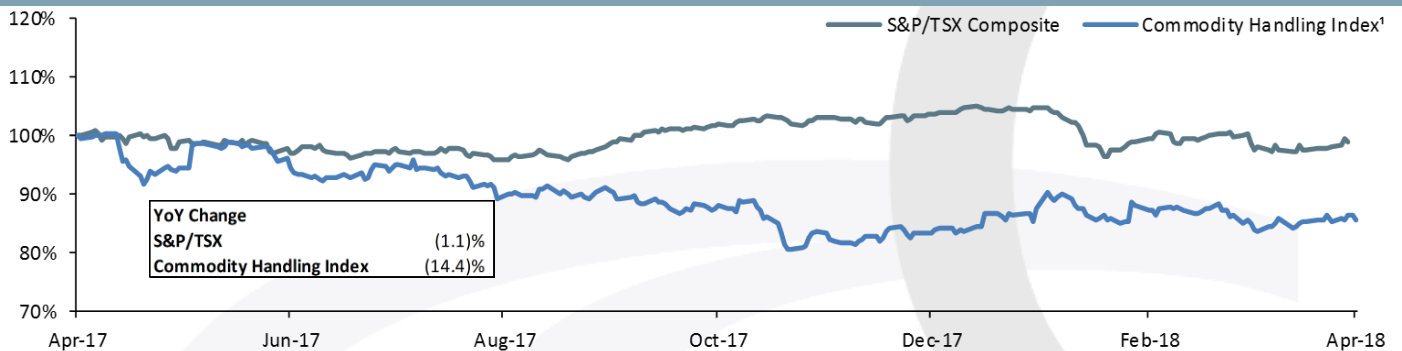


## COMMODITY HANDLING

### News Scan

- On Apr. 11<sup>th</sup>, **Cargill** announced it will invest US\$20 million to expand its Big Lake, Minnesota egg processing facility. The expansion will include capabilities to pasteurize, mix and cook additional egg products for food service and protein ingredient customers. The expansion is part of nearly US\$900 million of investments Cargill has announced in the past two years to grow its traditional protein business in North America
- On Apr. 16<sup>th</sup>, **Lamont Grain Growers**, a 90-year-old grain company operating two facilities in Lamont and Revere, Washington, announced it will merge with **Ritzville Warehouse Co.** Ritzville is one of the oldest farmer-owned grain cooperatives in Washington, and operates 23 grain storage facilities with a total capacity of 20.9 million bushels. Financial terms of the merger were not disclosed
- On Apr. 13<sup>th</sup>, **Advanced BioEnergy LLC**, a producer of fuel grade, corn-based ethanol and related co-products, announced plans to add 800,000 bushels of year-round corn storage and related grain receiving capabilities at its ethanol plant in Aberdeen, South Dakota. The company also intends to review potential options to enhance the grain receiving and storage capabilities at its ethanol plant in Huron, South Dakota

### 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          |
| ADM                      | 25,429 | 32,534     | 8.5x        | 8.0x           | 15.6x        | 14.6x        | 0.1%          | (1.6)%         |
| Bunge Limited            | 10,389 | 14,613     | 8.3x        | 7.6x           | 16.8x        | 14.2x        | (1.8)%        | (12.0)%        |
| Graincorp Limited        | 1,546  | 2,098      | 9.9x        | 8.0x           | 30.4x        | 19.2x        | (0.8)%        | (17.3)%        |
| The Andersons, Inc       | 934    | 1,424      | 7.2x        | 6.4x           | 17.0x        | 13.3x        | (0.6)%        | (13.5)%        |
| AGT Food and Ingredients | 312    | 804        | 13.4x       | 9.6x           | 31.2x        | 11.0x        | (2.5)%        | (49.5)%        |
| Ceres Global Ag          | 95     | 129        | na          | na             | na           | na           | 2.9%          | (22.4)%        |
| <b>Mean</b>              |        |            | <b>9.5x</b> | <b>7.9x</b>    | <b>22.2x</b> | <b>14.5x</b> | <b>(0.5)%</b> | <b>(19.4)%</b> |

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

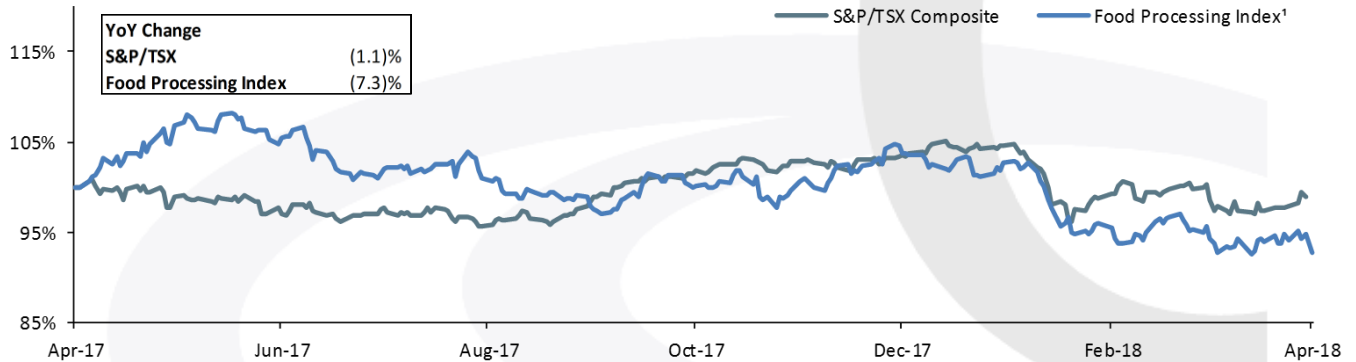


## FOOD PROCESSING

### News Scan

- On Apr. 17<sup>th</sup>, **Charlesbank Capital Partners** and **Partners Group** announced they will acquire **Hearthside Food Solutions**, the largest independent bakery in the US, for approximately US\$2.4 billion. Approximately US\$1.7 billion of the buyout will be financed through debt. The selling parties, **Goldman Sachs** and **Vestar Capital Partners**, acquired Hearthside from **Wind Point Partners** in 2014 for US\$1.1bn and have scaled the business in part through acquisitions, including **Standard Functional Foods Group** in 2017
- On Apr. 9<sup>th</sup>, **Marfrig Global Foods SA** announced it will acquire a 50.99% stake in **National Beef Packing Co.**, the fourth largest beef processor in the US, for approximately US\$970 million. The acquisition will make Marfrig the second largest beef processor in the world, with consolidated sales of US\$13 billion. Marfrig also announced it is looking to sell an existing U.S. unit, **Keystone Food LLC**, in order to finance the National Beef Packing acquisition
- On Apr. 19<sup>th</sup>, **Jana Partners** disclosed a 9.1% stake in **Pinnacle Foods Inc.**, and announced it would seek talks with the company on a range of subjects including a possible sale of the packaged foods maker. Jana, in a regulatory filing, also said it would have talks with Pinnacle about the composition of its board of directors
- On Apr. 18<sup>th</sup>, reports indicated **Yildiz Holdings** plans to restructure US\$6.5 billion of its outstanding US\$8.5 billion in debt, as investor concerns increase about Turkish corporate debt from weakness of the Turkish Lira. Yildiz, which owns international food brands **Godiva** chocolate and **McVitie's** biscuits, is offering almost all of its domestic real estate and some overseas assets as collateral

### 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  | 10,528 | 24,285 | 6.2x         | 6.1x        | 14.6x          | 13.6x        | 2.6 %         | (16.7)%        |
| ConAgra Foods, Inc.    | 14,336 | 18,101 | 11.8x        | 11.5x       | 16.2x          | 15.2x        | (2.1)%        | (11.2)%        |
| Ingredion Incorporated | 9,117  | 10,571 | 9.2x         | 8.8x        | 15.2x          | 14.2x        | (1.9)%        | (13.7)%        |
| Tate & Lyle plc        | 3,633  | 4,193  | 6.8x         | 6.8x        | 11.7x          | 11.6x        | 0.3 %         | (29.8)%        |
| Maple Leaf Foods Inc.  | 3,034  | 2,956  | 9.1x         | 8.4x        | 18.6x          | 16.4x        | (0.4)%        | (17.5)%        |
| Premium Brands         | 2,946  | 3,575  | 16.9x        | 14.7x       | 27.8x          | 23.1x        | (0.3)%        | (1.8)%         |
| SunOpta Inc.           | 599    | 1,158  | 13.0x        | 10.9x       | nmf            | 41.5x        | (7.7)%        | (35.8)%        |
| Rogers Sugar           | 506    | 770    | 8.9x         | 8.7x        | 11.1x          | 10.9x        | (0.5)%        | (12.2)%        |
| <b>Mean</b>            |        |        | <b>10.4x</b> | <b>9.6x</b> | <b>17.3x</b>   | <b>19.4x</b> | <b>(1.4)%</b> | <b>(18.1)%</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.

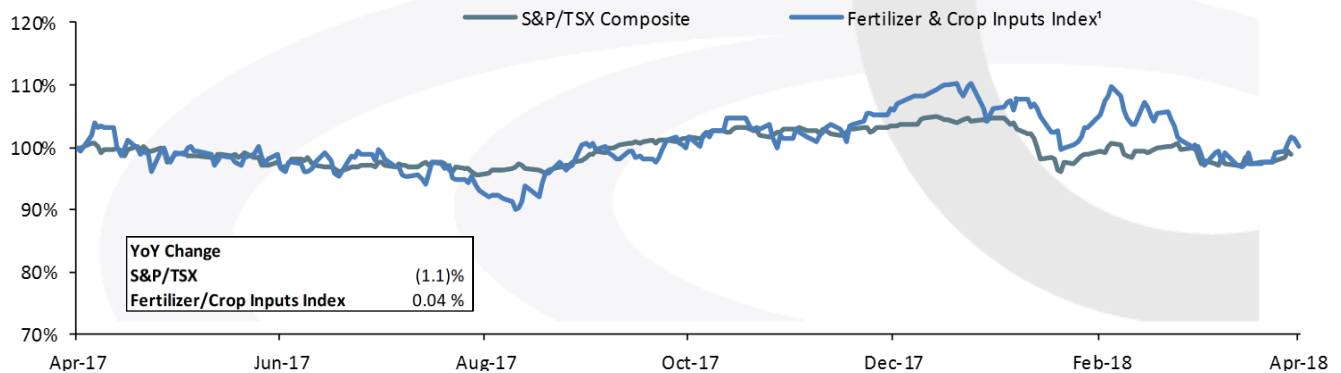


## FERTILIZERS & CROP INPUTS

### News Scan

- On Apr. 16<sup>th</sup>, **Bayer** announced it is raising US\$3.7 billion towards its planned US\$62.5 billion acquisition of **Monsanto** by selling a 3.6% stake to Singapore's state investment company, **Temasek**. Together with its existing holdings in Bayer, Temasek would own about 4% in Bayer after the transaction. The head of Temasek Europe announced the company wanted to make acquisitions in Germany, citing agriculture, pharma and biotech as target industries, among other sectors
- On Apr. 11<sup>th</sup>, reports indicated Brazil's antitrust regulator decided to more closely study the US\$255 million sale of a fertilizer complex in Cubatao, Brazil from **Vale SA** to **Yara International ASA**, overturning an earlier ruling to approve the deal without restrictions. A technical body at Cade, the anti-trust regulator, signed off on the transaction in March, arguing it would not grant Yara a dominant foothold in any of the markets where it operates
- On Apr. 11<sup>th</sup>, **Bayer** announced it plans to sell its **digital farming business** to **BASF** for an undisclosed amount, as part of changes to concessions it has offered to win over antitrust regulators for its proposed takeover of **Monsanto**, for which it has already secured conditional European approval. Bayer's digital farming business develops and markets IT solutions and applications for the agricultural sector with the objective of conserving resources, safeguarding harvests and protecting the environment
- On Apr. 9<sup>th</sup>, **BayoTech Inc.**, a developer of advanced chemical reactors for the distributed production of hydrogen and fertilizers, announced it closed a US\$12.5 million Series B round of financing from investors including **Cottonwood Technology Fund**, **Sun Mountain Capital**, and an undisclosed key player in the global fertilizer market. The funds will be used to expand the company's infrastructure and complete the commercialisation of its technology

### 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.                 | 23,609 | 30,979     | 10.8x       | 9.4x           | 16.5x        | 12.6x        | 1.3 % (14.9)%        |
| CF Industries Holdings, Inc. | 9,036  | 16,023     | 11.1x       | 9.6x           | 39.4x        | 23.6x        | 0.8 % (14.0)%        |
| Yara International ASA       | 11,439 | 14,598     | 7.6x        | 5.9x           | 2.0x         | 1.5x         | 0.3 % (17.5)%        |
| The Mosaic Company           | 9,898  | 13,058     | 7.1x        | 6.4x           | 18.1x        | 14.9x        | 3.4 % (12.1)%        |
| Nufarm Ltd.                  | 2,198  | 2,812      | 7.3x        | 6.3x           | 14.9x        | 13.8x        | 1.5 % (17.4)%        |
| Input Capital Corp.          | 90     | 68         | na          | na             | na           | na           | (1.4)% (39.6)%       |
| <b>Mean</b>                  |        |            | <b>8.8x</b> | <b>7.5x</b>    | <b>18.2x</b> | <b>13.3x</b> | <b>0.8 % (16.5)%</b> |

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

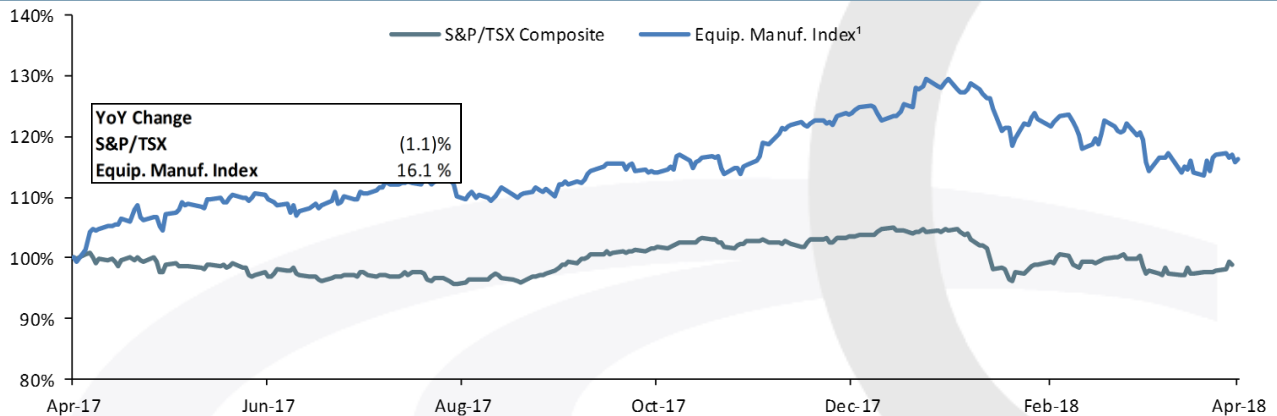


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Apr. 20<sup>th</sup>, reports indicated a rail strike was temporarily averted after the federal labour minister ordered employees of **Canadian Pacific Railway Ltd.** to vote on the company's final offers, just hours before they were set to begin a strike. Statements from both CP Rail and two unions representing workers stated the minister's order to administer a ratification vote on each of the offers follows advice of federal mediators. CP Rail said in statement that the minister's order means there will be no disruption in commuter or freight service as was previously expected in Ontario and B.C.
- On Apr. 10<sup>th</sup>, the **Western Equipment Dealers Association** announced it will acquire **Friend Management Systems**, a Canadian-based management consulting firm providing leadership development and peer-to-peer learning to agricultural dealerships in Canada, USA and Australia, for an undisclosed amount. Friend Management Systems has spent 30 years providing management and financial advice and peer group facilitation to **John Deere** dealer groups

### 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       | 2018E          | 2019E        |               |                   |
| Deere & Company              | 47,584 | 52,385 | 16.3x        | 15.3x       | 25.5x          | 23.9x        | (2.0)%        | (16.1)%           |
| AGCO Corp                    | 5,272  | 6,854  | 8.1x         | 7.5x        | 17.8x          | 14.5x        | 1.3%          | (12.7)%           |
| Ag Growth International Inc. | 682    | 1,111  | 9.9x         | 9.0x        | 17.2x          | 14.4x        | (1.3)%        | (13.0)%           |
| Rocky Mountain Dealerships   | 194    | 448    | 12.3x        | 11.2x       | 9.4x           | 8.4x         | 0.4%          | (13.4)%           |
| Cervus Equipment Corporation | 174    | 311    | 6.8x         | 6.3x        | 10.2x          | 8.9x         | (0.1)%        | (11.1)%           |
| <b>Mean</b>                  |        |        | <b>10.7x</b> | <b>9.8x</b> | <b>16.0x</b>   | <b>14.0x</b> | <b>(0.3)%</b> | <b>(13.3)%</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 Apr. 17<sup>th</sup>, China announced a 178.9% anti-dumping deposit on the value of US sorghum shipments to the country. Reports indicated the higher-than expected deposit would essentially halt US sorghum shipments to China, and raise prices of feed alternatives, such as barley and corn. The announcement from **China's Commerce Ministry** said the deposits are temporary during the government's ongoing anti-dumping investigation
- On Apr. 19<sup>th</sup>, reports indicated India is forecasting an average monsoon rainfall this year, reducing the chance of India importing Canadian pulse crops. In 2015 and 2016, India had back-to-back droughts which caused the country to import large volumes of pulses, driving up the price in large pulse crop producing countries like Canada
- On Apr. 12<sup>th</sup>, **US Senator Ben Sasse** of Nebraska announced that **President Donald Trump** is open to the United States negotiating an entrance into a Trans-Pacific Partnership (TPP), which could potentially open export markets, including those for agricultural goods.
- On Apr. 12<sup>th</sup>, Republicans on the **US House Agriculture Committee** called for changes to the government's food assistance program for the poor, in a package of long-awaited proposals for the next US Farm Bill that could complicate its passage through Congress. Among the proposed changes is a plan to raise the age to 59 from 49 for able-bodied individuals without dependents who receive food stamps if they meet certain work requirements. About 40 million individuals currently benefit from the program, officially known as the Supplemental Nutrition Assistance Program
- On Apr. 20<sup>th</sup>, the **European Investment Bank** (EIB) announced the launch of a new financing initiative that is expected to unlock close to €1 billion in investment in Europe's agriculture and bio-economy sector. Projects allocated under the program loan will be implemented between 2018 and 2022. Targeted investments will seek to promote the efficient and sustainable use of resources and the re-use of by-products, and to develop intellectual property through the support of private sector research, development and innovation
- On Apr. 19<sup>th</sup>, reports indicated Canada's dairy system continues to be the main agricultural issue vexing North American Free Trade Agreement renegotiations, as it was the only specific NAFTA complaint about agricultural trade raised by a number of Washington players in meetings with North American Agricultural Journalists
- On Apr. 18<sup>th</sup>, the **Bureau of Labor Statistics** of the **U.S. Department of Labor** announced the Consumer Price Index for baked goods and cereal products rose 0.4% in March, led higher by the largest month-over-month increase in the bread index since 2008. The index for all food at home was unchanged

### Commodities Futures as of April 20<sup>th</sup>, 2018

| Commodities Futures     | Price Unit  | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|-------------|---------------------|---------------|--------------|
| Corn (CBOT)             | \$ per bu.  | \$3.86              | (0.45)%       | 9.13 %       |
| Wheat (CBOT)            | \$ per bu.  | \$4.77              | 6.95 %        | 10.09 %      |
| Oats (CBOT)             | \$ per bu.  | \$2.36              | 1.83 %        | (2.68)%      |
| Rough Rice (CBOT)       | \$ per cwt. | \$13.07             | 6.17 %        | 11.00 %      |
| Rapeseed (Canola) (ICE) | CAD per T   | \$533.80            | 1.71 %        | 8.76 %       |
| Ethanol (CBOT)          | \$ per gal. | \$1.50              | 5.05 %        | 9.82 %       |



## Recent Earnings News

| Company                              | Last Quarter   |  | Analyst Consensus | Premium to Current |
|--------------------------------------|----------------|--|-------------------|--------------------|
|                                      | EPS YoY Change | Comments   |                   |                    |
| <b>Fertilizers &amp; Crop Inputs</b> |                |  |                   |                    |
| Yara International ASA               | (42.3%)        | Adjusted net income for the quarter decreased 28.6% Y/Y, largely due to 7 growth projects coming on stream during 2018 contributing to increased depreciation. EBITDA decreased 3%, as both volumes and energy costs were impacted by the cold weather in Europe which delayed planting and fertilizer application | NOK 368.62        | 12.5%              |

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