



Agriculture Industry Flash

Monday, April 9th, 2018

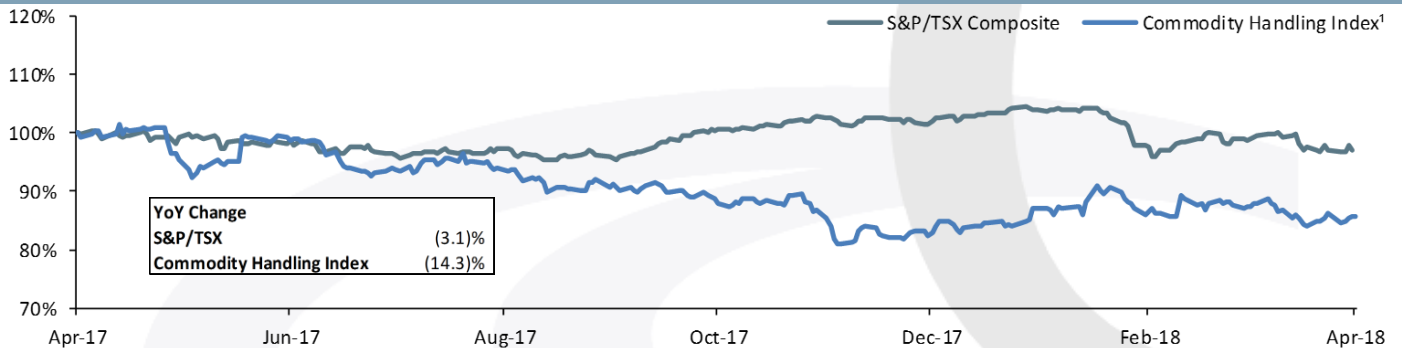


COMMODITY HANDLING

News Scan

- On Mar. 29th, **Corboin NV** announced it will acquire **Bunge Ltd.**'s 49.9% stake in **SB Renewable Oils**, a joint venture between the two companies that operates an algae ingredient production facility in Brazil, for an undisclosed amount. Bunge stated the sale of its stake in the venture was part of its strategic plan to recover from the losses the company reported in 2017
- On Apr. 2nd, **The Andersons, Inc.** announced the completion of its previously announced sale of three grain elevators in Tennessee to **Local Grain Services**, a subsidiary of **Tyson Foods**, for an undisclosed amount. Following the sale of the three grain elevators, The Andersons stated it is evaluating options for three other elevator facilities, located in Trenton, Como and Union City, Tennessee
- On Apr. 3rd, **ZFS Creston LLC**, a subsidiary of **Zeeland Farm Services, Inc.**, announced it will acquire a soybean processing facility, soy flour mill and grain elevator in Creston, Iowa from **CHS Inc.**, for an undisclosed amount. ZFS Creston plans to use the facility to produce products for specialty markets targeting food manufacturers and agricultural producers
- On Apr. 3rd, **LDC Trading Co., Ltd.** completed the previously announced acquisition **Sinarmas Natural Resources Foodstuff Technologies Co., Ltd.**, which owns and operates oilseeds crushing and refining facilities in China's Lingang Economic Area, for approximately US\$110 million. LDC stated China is a vital market for global agricultural trade and integral to the company's long-term growth ambitions

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	24,775	31,865	8.3x	7.8x	15.3x	14.3x	2.8 %	(3.4)%
Bunge Limited	10,636	14,874	8.6x	7.7x	17.8x	14.7x	2.0 %	(9.7)%
Graincorp Limited	1,482	2,034	9.6x	7.8x	29.1x	18.3x	0.5 %	(19.5)%
The Andersons, Inc	919	1,409	7.1x	6.3x	16.4x	13.0x	1.4 %	(17.9)%
AGT Food and Ingredients	313	802	13.4x	9.6x	31.4x	11.1x	0.4 %	(49.3)%
Ceres Global Ag	97	131	na	na	na	na	(1.1)%	(20.8)%
Mean			9.4x	7.9x	22.0x	14.3x	1.0 %	(20.1)%

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

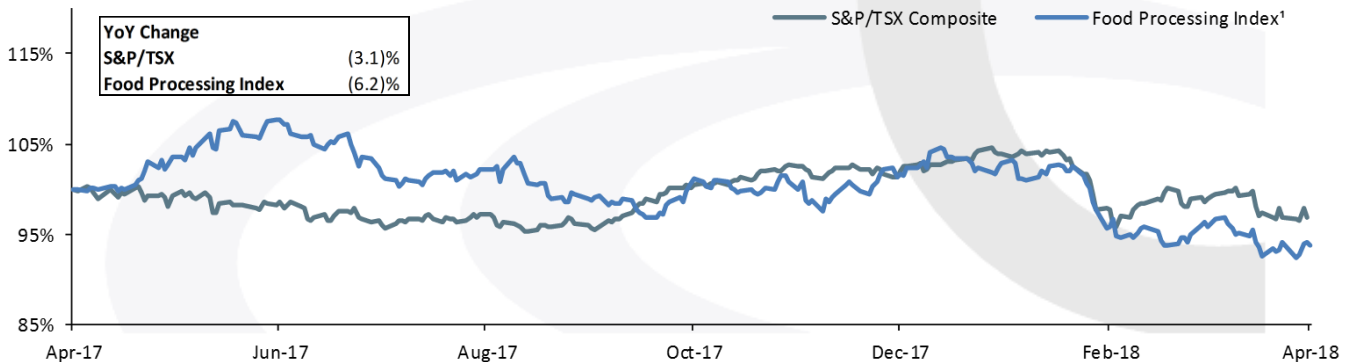


FOOD PROCESSING

News Scan

- On Apr. 2nd, **The Ferrero Group** completed the previously announced acquisition of **Nestle USA's** confectionary business, with a portfolio of more than 20 brands including Butterfinger, BabyRuth, Crunch, Laffy Taffy and Nerds, for approximately US\$2.8 billion. Nestle USA's three confectionary manufacturing plants in Illinois and office space in California will be managed by the Ferrara Candy Co.
- On Mar. 29th, **Post Holdings** announced it has filed a draft registration with the Securities and Exchange Commission, moving it closer towards a possible initial public offering for its private brands business. The potential price range for the new stock, if the company decides to move forward, has not been disclosed. Post Holdings previously announced it is evaluating strategic alternatives for its private brands business, which includes Golden Boy nut butters, Dakota Growers pasta and Attune Foods non-GMO granolas
- On Apr. 5th, **J.M. Smucker** announced it will acquire **Ainsworth Pet Nutrition** for a net cost of approximately US\$1.7 billion, after an estimated US\$200 million tax benefit. The acquisition brings with it the Rachael Ray Nutrish premium dry dog food brand, which Smucker stated complements its existing Nature's Recipe line of dog foods and treats. The all-cash acquisition will be financed using debt
- On Apr. 3rd, **Saputo Inc.** announced it won approval from Australia's competition regulator for the planned US\$1 billion acquisition of the country's largest dairy processor, **Murray Goulburn Co-operative**. The approval came after Saputo agreed to sell the Koroit plant in Victoria, which accounts for about a fifth of Australia's national milk production
- On Apr. 4th, **Carlyle Group LP** announced it will acquire **Accolade Wines**, Australia's second largest wine producer, from **CHAMP Private Equity** for approximately US\$770 million. Developed brands with strong market positions, and multiple growth opportunities, particularly in Asia, were stated as rationale behind the purchase by Carlyle

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
		Cap	TEV	2018E	2019E	2018E	2019E		
George Weston Limited	10,330	24,027	6.2x	6.1x	14.3x	13.4x	0.0 %	(17.9)%	
ConAgra Foods, Inc.	14,458	18,226	11.9x	11.4x	16.3x	15.3x	1.5 %	(10.5)%	
Ingredion Incorporated	9,166	10,622	9.2x	8.9x	15.3x	14.2x	0.4 %	(13.3)%	
Tate & Lyle plc	3,611	4,172	6.7x	6.7x	11.6x	11.4x	1.6 %	(30.5)%	
Maple Leaf Foods Inc.	3,094	3,020	9.3x	8.6x	18.9x	16.8x	0.7 %	(15.6)%	
Premium Brands	2,812	3,424	16.8x	14.8x	26.2x	22.2x	(1.3)%	(3.0)%	
SunOpta Inc.	629	1,190	13.4x	11.2x	nmf	43.6x	5.8 %	(31.6)%	
Rogers Sugar	508	771	8.9x	8.8x	11.2x	11.0x	(0.3)%	(11.5)%	
Mean			10.5x	9.7x	17.1x	19.6x	1.3 %	(17.5)%	

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.

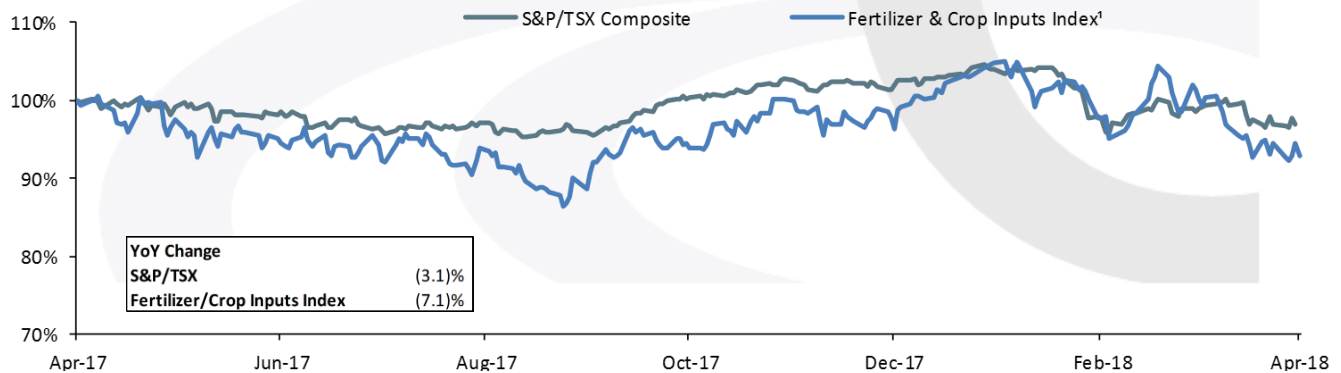


FERTILIZERS & CROP INPUTS

News Scan

- On Apr. 6th, **Nutrien Ltd.** announced the launch of **Nutrien Ag Solutions**, a re-branded retail crop inputs business. Nutrien hopes the name change will align the retail businesses across the globe and strengthen the long-term goal of helping growers sustainably increase food production. The name change will apply to all offices and operating facilities in both North and South America that hold the names Crop Production Services, Agroservicios Pampeanos and Utilfertil
- On Mar. 28th, **Monsanto Co.** and **Pairwise Plants**, a California-based agricultural startup, entered into an exclusive collaboration contract in which the two companies will work on gene-editing corn, soybeans, wheat, cotton and canola crops. The deal includes a US\$100 million Monsanto contribution to bolster Pairwise's intellectual property in row crop applications and the opportunity to develop products emerging from the collaboration for commercial use
- On Apr. 6th, **Richardson International Ltd.** announced it acquired **Eagle Agro Services Ltd.**, a full-service retail crop inputs business with one location in the community of Veteran, Alberta, for an undisclosed amount. The company was acquired as the Veteran area was previously identified as a gap within the Richardson Pioneer crop inputs network in Western Canada
- On Mar. 26th, **Input Capital Corp.** announced it has approved over C\$13 million in new mortgage streams with 20 customers, as part of the mortgage stream pilot project that was announced on Jan. 30th. The objective of the project was to flesh out the details and assess demand for conventional farmland mortgages which use canola streaming as a payment vehicle
- On Mar. 29th, **KBR Inc.** announced it has been awarded an ammonia plant contract by **Toyo Engineering Corp.** for the Hindustan Urvarak and Rasayan Ltd. greenfield urea project in Gorakhpur, India. Under the terms of the contract, KBR will provide licensing and basic engineering design services for the project

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
Nutrien Ltd.	22,557	29,890	10.4x	9.1x	15.3x	12.0x	(3.0)%	(18.1)%
CF Industries Holdings, Inc.	8,595	15,581	10.8x	9.4x	39.7x	22.1x	0.6 %	(18.2)%
Yara International ASA	11,472	14,243	6.7x	5.6x	14.9x	11.1x	(0.8)%	(17.4)%
The Mosaic Company	9,335	12,492	6.9x	6.2x	18.1x	14.4x	2.3 %	(17.1)%
Nufarm Ltd.	2,130	2,745	7.1x	6.2x	14.5x	13.4x	0.2 %	(19.1)%
Input Capital Corp.	91	69	na	na	na	na	(1.4)%	(38.7)%
Mean			8.4x	7.3x	20.5x	14.6x	(0.3)%	(18.3)%

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

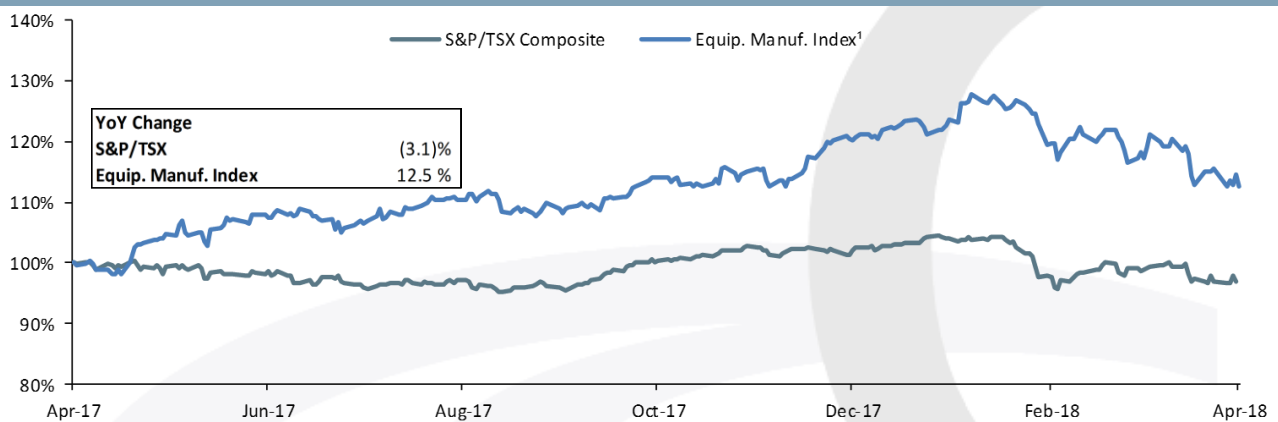


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Apr. 6th, reports indicated **Canadian Pacific Railway Ltd.** may face a possible work stoppage by more than 3,000 train engineers, conductors and yard workers on Apr. 21st, after union members authorized strike action as contract talks drag on. The union said in a statement that 94% of members who voted approved the strike action
- On Mar. 22nd, **Deere & Co.** CEO Sam Allen expressed concern that recently imposed US tariffs on steel and aluminum by the Trump administration could create a blowback effect on international sales, as well as US agricultural exports. Reports indicate the tariffs may raise the price of steel by as much as 30%, which could prompt the company to switch input materials

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	47,076	51,858	16.1x	15.1x	25.3x	23.7x	(4.2)%	(17.0)%
AGCO Corp	5,150	6,726	8.0x	7.4x	17.4x	14.2x	0.4 %	(14.7)%
Ag Growth International Inc.	672	1,099	9.9x	8.9x	17.1x	14.3x	0.3 %	(13.7)%
Rocky Mountain Dealerships	194	447	12.3x	11.2x	9.4x	8.4x	2.5 %	(12.9)%
Cervus Equipment Corporation	168	304	6.7x	6.1x	9.6x	8.4x	4.6 %	(13.9)%
Mean			10.6x	9.8x	15.8x	13.8x	0.7 %	(14.5)%

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. 4th, just 11 hours after US President Donald Trump's administration proposed 25% tariffs on 1,300 Chinese industrial, technology, transport and medical products, the Chinese government announced it will impose similar tariffs on major American imports including soybean, beef, planes, cars and chemicals
- On Mar. 28th, US Trade Representative Robert Lighthizer expressed optimism that talks to modify NAFTA could be wrapped up quickly. The United States hopes to speed up the slow pace of negotiations on the \$1.2 trillion North American Free Trade Agreement, citing a need to finish before a July 1st presidential election in Mexico
- On Mar. 26th, reports indicated the **World Bank** is supporting efforts to control agricultural pollution in East Asia, as the region's food demand increases due to rising consumption and urbanisation. Efforts by the Bank in China include decreasing crop and livestock pollution in Guangdong province, as well as decreasing ammonia from fertilizer application in Hebei province. The country will also reportedly create a new food and safety regulator, that will help strengthen oversight of mergers and acquisitions and price fixing, ensuring policy making is more efficient
- On Apr. 3rd, reports indicated ocean shipping costs paid by grain shippers surged in the latter part of 2017, as bulk freight demand spiked and vessel supply growth slowed. While a traditional seasonal slowdown could be in the cards in the first quarter, analysts believe freight rates likely will remain buoyant for much of 2018
- On Mar. 26th, reports indicated soy yields in Brazil's new agricultural frontier Matopiba indicate a positive bias for the country's soy crop this season. Matopiba, a region that also includes the states of Bahia and Tocantins and accounts for 11% of Brazil's soybean output, enjoyed good weather and an increase in on-farm investments which positively impacted yield and production volumes
- On Apr. 7th, reports indicated Canada's competition regulator is investigating allegations of anti-competitive conduct in the wild blueberry industry. The investigation is focused on an allegation that growers from the Maritime provinces are the victims of an alleged price-fixing conspiracy by processors operating in the three provinces, although nothing has been confirmed
- On Apr. 3rd, Canada's Minister of Agriculture and Agri-Food, Lawrence MacAulay, announced an investment of C\$80 million to replace the Centre for Plant Health in Sidney, B.C. The development of the plant health research facility will provide Canadian Food Inspection Agency scientists and partners with state-of-the-art facilities to advance plant science research
- On Apr. 9th, reports indicated grocery retailers are concerned about the Trump administration's proposed US\$130 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP), which would amount to a 20% reduction in the annual budget. SNAP provides low-income households with electronic benefits that allow them to purchase groceries at supermarkets and other authorized retailers. Large stores such as Walmart and Target have received approximately US\$33 billion from SNAP dollars spent
- On Apr. 6th, reports indicated **La Colombe**, which is majority owned by **Chobani** yogurt founder Hamdi Ulukaya, is looking to sell a minority or majority stake. La Colombe, which runs a chain of cafes and sells its coffees in bottles and cans, would use the funding to fuel growth. Reports estimate the funding could value the business at more than US\$1 billion

Commodities Futures as of April 6th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.97	2.52 %	12.38 %
Wheat (CBOT)	\$ per bu.	\$4.72	5.83 %	8.94 %
Oats (CBOT)	\$ per bu.	\$2.33	0.65 %	(3.81)%
Rough Rice (CBOT)	\$ per cwt.	\$12.50	1.50 %	6.11 %
Rapeseed (Canola) (ICE)	CAD per T	\$522.30	(0.48)%	6.42 %
Ethanol (CBOT)	\$ per gal.	\$1.43	0.49 %	5.05 %



Recent Earnings News

Company	Last Quarter		Analyst Consensus	Premium to Current
	EPS YoY Change	Comments		
Commodity Handling				
Cargill, Inc.	(24.0%)	Companywide net earnings for the quarter decreased 24% to US\$495 million, while revenue increased 2% Y/Y to US\$27.85 billion. Cocoa, chocolate and edible oils posted performance gains within Cargill's Food Ingredients & Applications segment in the third quarter of the fiscal year, but lower ethanol prices in North America and higher manufacturing costs in Europe tempered results in global sweeteners and starches	N/A	N/A
Food Processing				
Conagra Brands, Inc.	112.2%	Net sales grew 0.7% Y/Y, aided by recent acquisitions. Diluted EPS from continuing operations grew from \$0.41 to \$0.87 in the quarter, primarily reflecting a reduction in the effective tax rate, fewer shares outstanding, and favourable SG&A and A&P compared to the prior year quarter, partially offset by lower gross profit from increased input costs and transportation expenses	C\$41.53	13.0%
Fertilizers & Crop Inputs				
Nufarm Limited	(58.5%)	Group revenues increased 7.4% Y/Y, reflecting sales growth in North America, Europe, Asia, and in the company's seed business. First half earnings were impacted by production interruptions due to the planned upgrade of the company's Laverton manufacturing plant and challenging operating conditions in Brazil	A\$9.44	11.5%

Origin Merchant Partners

220 Bay Street, Suite 1500
P.O. Box 23
Toronto, Ontario
M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk@originmerchant.com