



## Agriculture Industry Flash

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Monday, August 13<sup>th</sup>, 2018

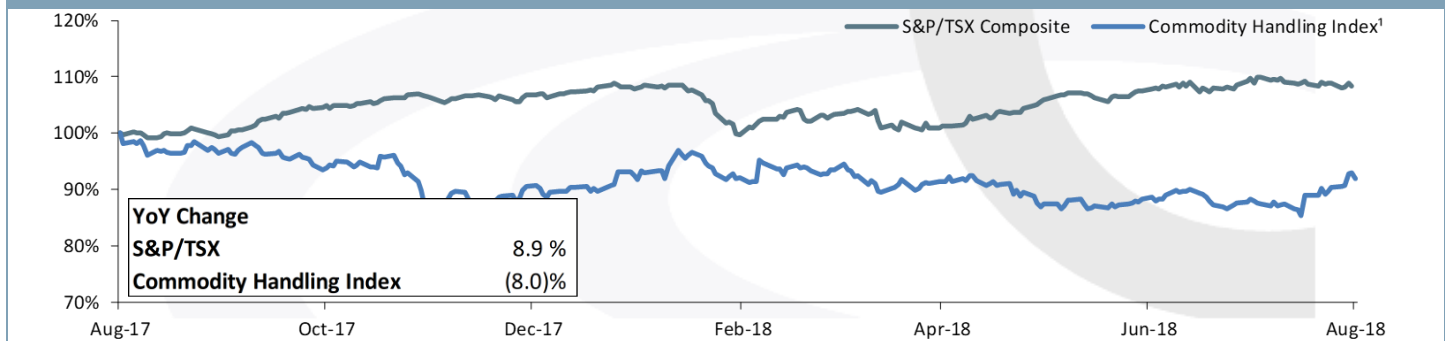


## COMMODITY HANDLING

### News Scan

- On August 7th, **AGT Food and Ingredients** announced that a special committee of independent directors has been established to evaluate the non-binding privatization proposal received from certain members of its management group, led by President & CEO, Murad Al-Katib, with the financial support of **Fairfax Financial**. The special committee and certain members of the buyer group have agreed to cooperate with each other for a period of 60 days (during which time the special committee has agreed not to solicit or consider alternative transactions). The special committee has been advised that the buyer group is not prepared to support any alternative transactions
- On August 8<sup>th</sup>, **Perdue AgriBusiness** acquired and reopened the former **Cargill** grain elevator in Vincennes, Indiana, for an undisclosed amount. The elevator is expected to be open for the 2018 harvest. Perdue's operations in the area include a feed mill and grain complex and poultry processing plant
- On August 2<sup>nd</sup>, **Green Plains Cattle Co.**, a subsidiary of **Green Plains Inc.**, announced that it had signed a definitive agreement to acquire two cattle-feeding operations in Sublette, Kansas, and Tulia, Texas, from **Bartlett Cattle Co. LC** for ~US\$16 million, plus working capital comprised of cattle, grain and other inventories, totaling approximately US\$109 million. The two operations have a combined capacity of ~97,000 head, increasing Green Plains Cattle's feeding operations to 355,000 head of capacity. The two feedlots consist of ~2,100 acres of land, grain storage and excellent water sources
- On August 1<sup>st</sup>, **Savage Companies** and **Bartlett and Co.** finalized the merger of their businesses to create **Savage Enterprises**. Not included in the transaction is the divested Bartlett Cattle business. By combining strategic capabilities and assets, the new venture will be a leading single-source provider of a broad range of supply chain and industrial services such as: rail, truck and marine transportation, logistics, materials handling, oil refining, power generation and food and agriculture

### 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	27,914	35,151	8.7x	8.3x	14.4x	14.3x	(0.4)%	(1.4)%
Bunge Limited	8,942	17,006	8.4x	8.4x	12.0x	11.5x	(4.3)%	(23.8)%
Graincorp Limited	1,262	2,274	12.8x	10.7x	29.4x	31.5x	(1.7)%	(17.9)%
The Andersons, Inc	1,126	1,759	9.1x	8.1x	20.9x	16.1x	13.9%	(4.4)%
AGT Food and Ingredients	341	846	15.6x	10.8x	30.9x	15.1x	(0.3)%	(32.1)%
Ceres Global Ag	106	140	na	na	na	na	(1.8)%	(28.4)%
<b>Mean</b>			<b>10.9x</b>	<b>9.3x</b>	<b>21.6x</b>	<b>17.7x</b>	<b>0.9%</b>	<b>(18.0)%</b>

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

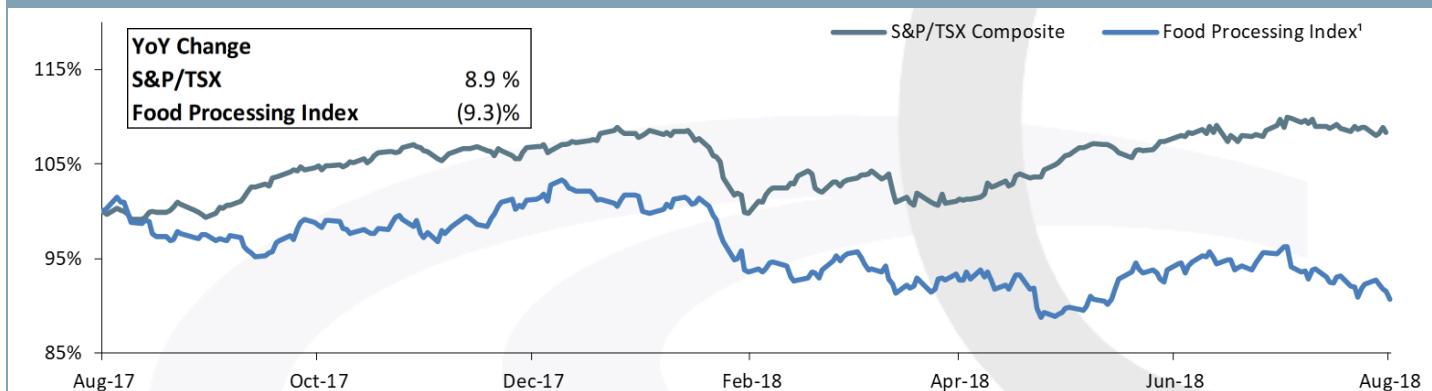


## FOOD PROCESSING

### News Scan

- On August 10<sup>th</sup>, **Tyson Foods, Inc.** announced that it had entered into an agreement to sell its pizza crust business, **TNT Crust**, to private equity firm **Peak Rock Capital**. Terms of the agreement were not disclosed, but it is expected to close in September. Tyson is also divesting some other bakery operations with recently closed sales of its **Sara Lee Frozen Bakery** and **VAN'S** businesses to private equity firm **Kohlberg & Company**
- On August 6<sup>th</sup>, **C.H. Guenther & Son** acquired **Cookietree Bakeries**, producer of premium thaw-and-serve cookies, bake-and-serve cookie dough, brownies and scones, for an undisclosed amount. With the acquisition, Cookietree will enhance C.H. Guenther & Son's existing dessert products
- On August 2<sup>nd</sup>, **Post Holdings** announced its partnership with private equity firm **Thomas H. Lee Partners (THL)** to form **8th Avenue Foods & Provisions**. Under the terms, Post is expected to receive total proceeds of US\$875 million, with final proceeds funded by US\$250 million from THL and 8th Avenue's assumption of US\$625 million of debt. Post will retain 60.5% of the common equity in 8th Avenue and will use its proceeds to reduce its pro forma net leverage ratio to 5.5x. The new subsidiary is set to house Post's private brands. Boston-based THL's portfolio also includes processed food supplier **CTI Foods Holding Co.** and pet food distributor **Phillips Pet Food & Supplies**

### 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	10,062	25,798	6.4x	6.3x	14.5x	13.3x	(2.9)%	(9.5)%
ConAgra Foods, Inc.	14,326	18,163	11.9x	11.9x	16.3x	15.6x	(2.2)%	(7.1)%
Ingredion Incorporated	7,060	8,455	8.0x	7.6x	13.0x	12.2x	(0.9)%	(33.2)%
Tate & Lyle plc	3,787	4,304	7.6x	7.6x	13.4x	12.5x	0.6 %	(10.7)%
Premium Brands	2,520	3,146	14.6x	12.3x	23.9x	18.9x	(4.7)%	(19.4)%
Maple Leaf Foods Inc.	2,941	3,006	10.6x	9.2x	21.8x	17.8x	(4.5)%	(17.8)%
SunOpta Inc.	711	1,326	19.9x	14.0x	neg	nmf	(0.9)%	(13.3)%
Rogers Sugar	424	586	7.7x	7.4x	13.2x	10.9x	(1.3)%	(23.4)%
<b>Mean</b>			<b>11.3x</b>	<b>9.8x</b>	<b>17.2x</b>	<b>15.0x</b>	<b>(2.2)%</b>	<b>(15.8)%</b>

<sup>1</sup> "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.

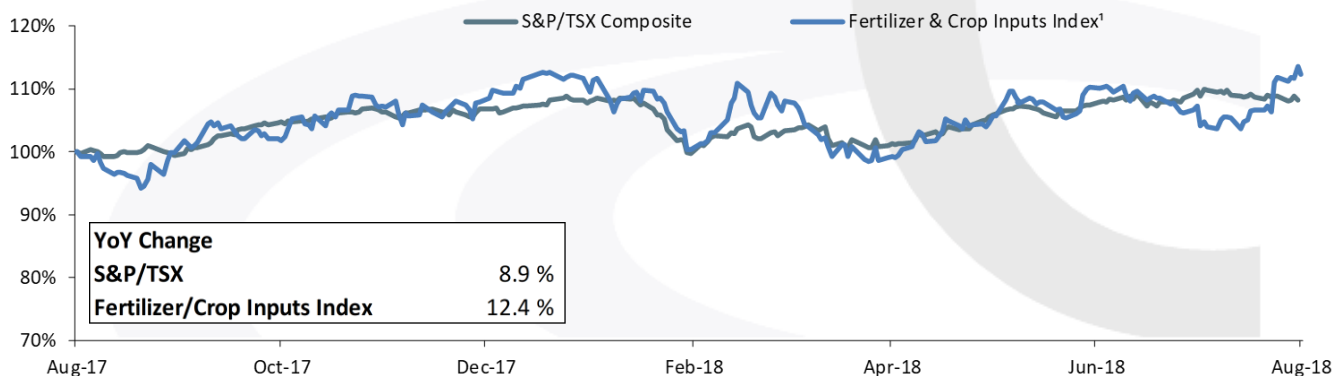


## FERTILIZERS & CROP INPUTS

### News Scan

- On August 13<sup>th</sup>, **Sinochem Group** and **Potash Co.** signed a five-year memorandum on the supply of a new type of potash fertilizers (halurgic granular white Muriate of Potash with the addition of zinc and sulfur). The products will be supplied to the Chinese market over the period with the right to sign annual contracts based on the current market conditions. The total supply volume over the five years will be 700,000 t
- On August 6<sup>th</sup>, **DLF Seeds**, a Denmark-based global seeds group, reached an agreement to acquire substantially all of the assets and operations of **PGW's** seed and grain business (PGW Seeds) in New Zealand, South America and internationally for -US\$277 million. PGW and PGW Seeds will enter a long-term distribution agreement for seed and grain, and PGW will grant a brand license to PGW Seeds for the continued use of the PGW Seeds brand. PGW Seeds covers all aspects of the seed market, from R&D through to product supply, distribution and technical on-farm support
- On August 6<sup>th</sup>, **Haldor Topsoe** announced it was awarded a contract by **TechnipFMC** for the license and engineering of two 2,200 tpd ammonia plants. These plants will be based on Topsoe's ammonia technology, and are part of the Indian government's revival plans for the domestic fertilizer sector
- On August 3<sup>rd</sup>, **Yara** and **Arab Potash Co. (APC)** announced a mutual termination regarding their potential cooperation in the field of potassium nitrate through APC's subsidiary, **KEMAPCO**
- On August 2<sup>nd</sup>, **Verde AgriTech Plc** announced that it has successfully commissioned and started operations in its processing plant. The plant has a capacity of 45 tph of Super Greensand fertilizer, and is located in the municipality of São Gotardo, Minas Gerais, Brazil

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Nutrien Ltd.	26,819	34,896	11.8x	10.2x	22.6x	18.4x	(0.5)%	(1.7)%
CF Industries Holdings, Inc.	11,498	18,326	12.2x	10.8x	44.4x	26.4x	0.4 %	(2.5)%
Yara International ASA	11,886	15,282	9.2x	6.8x	2.8x	1.6x	0.0 %	(8.5)%
The Mosaic Company	12,137	16,418	8.2x	7.6x	20.4x	16.9x	3.4 %	(2.6)%
Nufarm Ltd.	1,784	2,368	7.3x	6.0x	16.9x	13.7x	(13.1)%	(31.8)%
Input Capital Corp.	65	43	5.8x	2.6x	nmf	10.4x	(3.8)%	(47.4)%
<b>Mean</b>			<b>9.1x</b>	<b>7.3x</b>	<b>21.4x</b>	<b>14.6x</b>	<b>(2.3)%</b>	<b>(15.8)%</b>

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

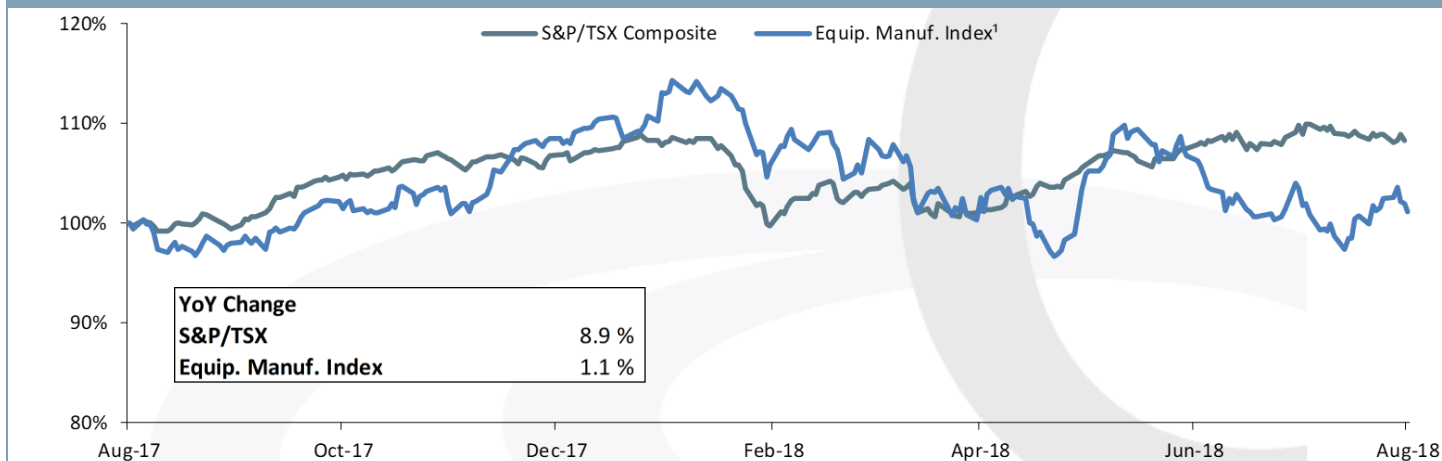


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On August 8<sup>th</sup>, **Rocky Mountain Equipment (RME)** entered into a definitive agreement to acquire the business assets of the **New Holland** dealer based in Olds, Alberta, which reported C\$14.4 million in revenue for its recent fiscal year. The acquisition is expected to close in mid-August
- On August 3<sup>rd</sup>, **Canadian National Railway (CN)** created a grain transportation plan to effectively and efficiently transport grain throughout the coming year. To further expand its existing capacity of 11,500 hopper cars, CN is set to acquire 1,000 new generation high-cube grain hoppers cars over the next two years
- On August 2<sup>nd</sup>, **Canadian Pacific Railway (CP)** announced that it has ratified a four-year labour contract. About 3,000 CP workers who are members of the **Teamsters Canada Rail Conference (TCRC)** ratified the contract the previous week. CP and TCRC reached a tentative labour agreement on May 30<sup>th</sup> following protracted labour talks and a brief strike that lasted less than 48 hours

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Deere & Company	44,443	48,502	15.0x	14.1x	23.8x	22.3x	(4.4)%	(21.8)%
AGCO Corp	4,710	6,516	7.8x	6.9x	15.7x	12.4x	(5.3)%	(22.0)%
Ag Growth International Inc.	706	1,161	10.0x	9.0x	18.3x	15.7x	3.5 %	(2.0)%
Rocky Mountain Dealerships	164	469	14.6x	12.9x	8.5x	7.4x	(10.0)%	(24.8)%
Cervus Equipment Corporation	169	358	8.1x	7.6x	9.6x	8.4x	0.9 %	(11.1)%
<b>Mean</b>			<b>11.1x</b>	<b>10.1x</b>	<b>15.2x</b>	<b>13.3x</b>	<b>(3.1)%</b>	<b>(16.3)%</b>

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



## ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

### News Scan

- On August 7<sup>th</sup>, Saudi Arabia announced that it stopped buying Canadian wheat and barley. The decision stems from a diplomatic dispute between the countries. In 2017, total Canadian wheat sales to Saudi Arabia, excluding durum, was 66,000 tonnes, and barley exports totaled 132,000 tonnes. Saudi Arabia imported US\$128.3 million worth of agrifood and seafood products from Canada in 2013
- The US and Mexico are locked in NAFTA negotiations and are rumored to be close to a deal on key auto content rules, which leaves the sunset clause as the last major obstacle to the agreement. Canada has been sitting on the sidelines for the last few weeks of negotiations as Mexico and the US have attempted to rework parts of the trilateral agreement that mainly affect them. It is reported that the three countries are aiming to have an agreement signed before December 1<sup>st</sup> when Mexico's new president takes office
- U.S. soybean exports to the European Union surged 283% over the past year, bringing the E.U.'s total share of imports of U.S. soybeans to 37%, up from 9% one year ago, according to the European Commission's latest report. This amount is expected to continue to increase due to the European Commission President Jean-Claude Juncker's agreement with US President Donald Trump to work to increase trade in soybeans on July 25<sup>th</sup>
- Prices of global agricultural food commodities declined sharply in July, led lower by steep drops in dairy and sugar, according to the **Food and Agriculture Organization** (FAO) of the United Nations. The FAO Food Price Index averaged 168.8 points in July, down 3.7% from June and down 3.7% from the same period a year ago
- According to a report from the **Canadian Grain Commission**, Canada posted a new record for exports of its major grains and oilseeds in 2017-18 at 41.9 million tonnes, which compared with 41.6 million tonnes the prior year and was well above the five-year average of 39.1 million tonnes
- According to a **Global Agricultural Information Network** report from the **U.S. Department of Agriculture** wheat planted area in Canada is projected to grow for the first time in five years, increasing by 940,000 hectares to 10 million hectares in 2018-19, up 9% from 2017-18
  - Pakistan's soybean import total is forecast to surge to 2.5 million tonnes in 2018-19 from 2 million tonnes in 2017-18
  - Favorable growing conditions have led to an increase in Pakistan's wheat production in 2017-18, up 800,000 tonnes to 26.3 million tonnes
  - Wheat production and exports are forecast to fall in 2018-19 in Kazakhstan to 14 million tonnes, about 800,000 tonnes lower than in 2017-18
  - Production of whole wheat flour in the second quarter of 2018 was 5.386 million cwts, a figure near the 5.35 million cwts milled in the second quarter of 2017

### Commodities Futures as of August 10<sup>th</sup>, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.72	(2.04)%	5.24 %
Wheat (CBOT)	\$ per bu.	\$5.70	2.02 %	31.37 %
Oats (CBOT)	\$ per bu.	\$2.67	7.35 %	9.90 %
Rough Rice (CBOT)	\$ per cwt.	\$10.55	(11.16)%	(10.40)%
Rapeseed (Canola) (ICE)	CAD per T	\$504.90	1.84 %	2.87 %
Ethanol (CBOT)	\$ per gal.	\$1.35	(6.38)%	(1.17)%



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Commodity Handling</b>				
Archer-Daniels-Midland Company	108.3%	ADM's net income Q2 2018 was US\$566 million, equal to US\$1 per share, up 105% from US\$276 million, and US\$0.48 per share, in Q2 2017. This increase was driven by three acquisitions in nutrition, and closing on two new joint ventures overseas	US\$52.25	4.8%
Bunge Limited	nmf	Bunge's net income decreased from US\$81 million in Q2 2017 to US(\$12) million in Q2 2018. This was primarily due to its agribusiness being impacted by ~US\$125 million of new negative mark-to-market on forward soy crushing contracts	US\$81.80	29.0%
The Andersons, Inc.	nmf	Reported Q2 2018 net income of US\$21.5 million, equal to US\$0.76 per diluted share, up considerably from the net loss of US\$26.7 million, equal to US(\$0.94) per diluted share in Q2 2017.	US\$41.50	4.1%
AGT Food and Ingredients Inc.	nmf	It reported a net income C(\$15.4) million in Q2 2018 which is a decrease from its Q2 2017 net income of C(\$0.2) million. This loss was driven by lower volumes coupled with the high fixed cost component of AGT's operations	C\$19.38	5.3%
<b>Food Processing</b>				
George Weston Limited	(82.9%)	Q2 2018 net earnings were C\$28 million (C\$0.21 per common share), a decrease of C\$132 million (C\$1.02 per common share) compared to the same period in 2017. The decline was due to unfavourable operating performance of Weston Foods and Loblaws	C\$121.00	17.5%
Ingredion Incorporated	(11.8%)	Q2 2018 adjusted operating income was US\$201 million, which was a 9% decrease US\$220 from Q2 2017. The decrease was largely caused by North American higher production and freight costs, as well as lower U.S./Canada sweetener demand	US\$107.14	9.6%
SunOpta Inc.	nmf	Adjusted loss of US\$5.0 million or US\$0.06 per common share during Q2 2018, compared to US\$0.7 million or US\$0.01 per common share during Q2 2017. The loss was attributed to a timing-related, pre-tax charge of US\$2.5 million recognized in cost of goods sold	US\$10.67	30.1%
Rogers Sugar Inc.	nmf	Adjusted EBITDA for Q3 2018 was C\$20.3 million versus C\$18.4 million for the comparable period last year, an increase of C\$2.0 million. This increase was mostly driven by the acquisition of LBMT and Decacer and the addition of Rogers Sugar's maple products segment	C\$6.05	14.8%
<b>Fertilizers &amp; Crop Inputs</b>				
Nutrien Ltd.	nmf	Nutrien reported Q2 2018 net earnings of C\$741 million, up from the C\$705 million earned in Q2 2017. Results for the quarter were supported by record EBITDA in retail as well as higher prices and strong volumes across its crop nutrient business segments	C\$80.28	7.3%
The Mosaic Company	(36.4%)	Cash flow from operating activities in Q2 2018 was US\$807 million compared to US\$243 million in the prior year. The current period cash flow benefitted from strong business performance, customer prepayments in Brazil and the reversal of negative working capital	US\$34.01	8.0%
CF Industries Holdings, Inc.	nmf	It reported Q2 2018 US\$0.63 per diluted share and EBITDA of US\$470 million up from Q2 2017 US\$0.01 per diluted share and EBITDA of US\$275 million. This increase was driven by lower North American gas costs and higher nitrogen prices	US\$48.15	(2.3%)
<b>Equipment &amp; Services</b>				
AGCO Corporation	0.0%	AGCO reported net sales of approximately US\$2.5 billion for Q2 2018, an increase of 17.2% compared to Q2 2017. This growth was due to healthy industry conditions in Western Europe and improved market demand in North America	US\$68.50	15.7%
Ag Growth International Inc.	(9.1%)	Adjusted earnings for the quarter were C\$49 million, up from C\$40 million in the same time period a year earlier. It attributed the results to continued momentum in international sales, a robust Canadian commercial market and strong portable grain handling sales in the US	C\$71.14	19.7%
Cervus Equipment Corporation	nmf	Income in Q2 2018 was C\$9.5 million, a C\$1.1 million improvement compared to income of C\$8.4 million in Q2 2017. This is the result of record agriculture equipment sales and improvements in its Ontario transportation dealership performance	C\$17.38	23.3%
Rocky Mountain Dealerships Inc.	24.0%	Modest sales growth, improved margins, a streamlined cost structure and lower finance costs due to its reduced debt levels allowed Rocky Mountain Dealerships to deliver a 24% increase in earnings per share from C\$0.25 in Q2 2017 to C\$0.31 in Q2 2018	C\$14.10	30.7%



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