



Agriculture Industry Flash

Tuesday, September 11th, 2018

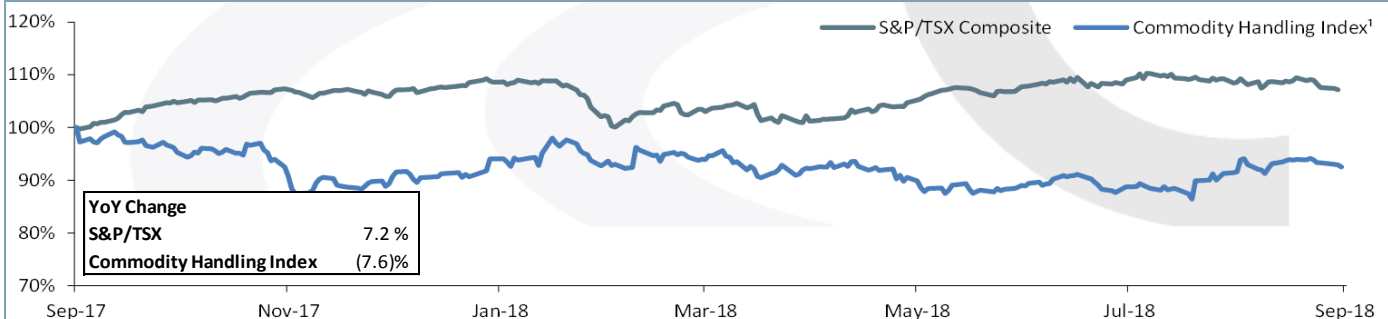


COMMODITY HANDLING

News Scan

- On September 6th, **Cargill** announced that it is exploring options for its malt unit in a deal that could value the business at more than \$1bn. The business supplies products to brewers under its Cargill Malt and Australia's Joe White Maltings brands, the company is studying possibilities including a divestiture of part or all of the global malting operations
- On September 6th, **Paterson Grain** announced that it has reopened the Alliance Grain Terminal in Vancouver. Mainland site construction began just over a year ago and was completed last month with speed of loading, increased capacity, and overall functionality being key priorities for the remodel
- On September 4th, **AGT Food and Ingredients (AGT)** announced that it has, along with a consortium of investors, including Fairfax entered into a minority investment to acquire and operate the **Hudson Bay Railway (HBR)**, **Churchill Marine Tank Farm**, and **Port of Churchill** facilities from **Omnitrax Inc.** Financial details were not disclosed but AGT will operate HBR and the Port facilities under a 99-year operating agreement. The CEO of AGT noted that the investment is not material from a capital expenditure perspective, but the ability to add further port access is important for the long-term growth plan as the recovery of markets for Canadian agricultural products continues in the coming years
- On August 29th, **Bunge Limited** announced that it has offered long-term loans to Brazilian soy farmers to allow them to expand production without clearing native habitat in the Brazilian Cerrado. The new mechanism will offer loans for up to 10 years and aims to allow companies to meet the growing demand for soy beans in a sustainable way
- On August 29th, **The Scouler Co.** announced that it has entered into a joint venture with **Rogers Grain**, a grain collector and distributor located in Covington, Ohio. The two companies have agreed to place an emphasis on the specialty corn and soybean businesses
- On August 23rd, **Archer Daniels Midland (ADM)** announced that it has completed its acquisition of **Rodelle Inc.**, a premium originator, processor, and supplier of vanilla products for an undisclosed sum. ADM plans on integrating Rodelle into its existing product portfolio to help enhance customer offerings

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	27,657	34,888	8.6x	8.3x	14.3x	13.7x	(2.0)%	(3.3)%
Bunge Limited	8,865	16,929	8.4x	8.3x	11.9x	11.4x	(2.6)%	(23.9)%
Graincorp Limited	1,317	2,313	12.5x	11.4x	28.9x	36.4x	1.9%	(11.5)%
The Andersons, Inc	1,133	1,767	9.2x	8.1x	19.3x	15.9x	(1.8)%	(3.8)%
AGT Food and Ingredients	332	834	15.5x	10.7x	36.5x	16.9x	(1.8)%	(33.1)%
Ceres Global Ag	95	129	na	na	na	na	2.1%	(34.1)%
Mean			10.8x	9.4x	22.2x	18.9x	(0.7)%	(18.3)%

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

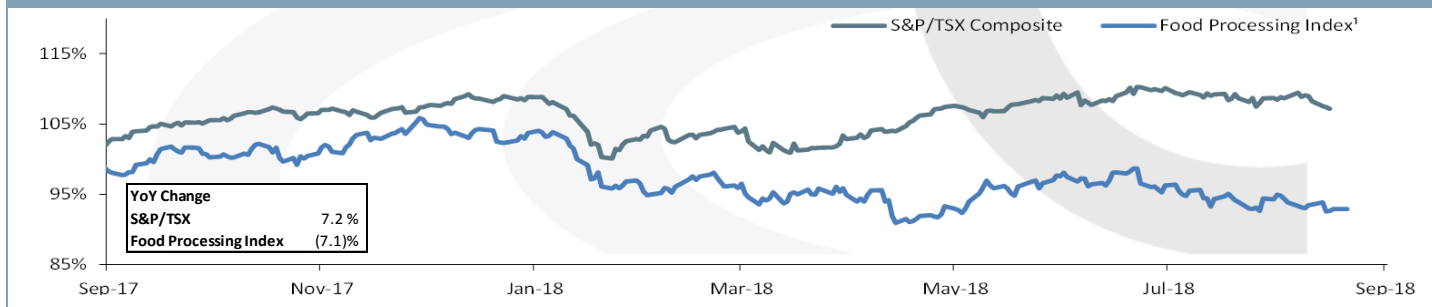


FOOD PROCESSING

News Scan

- On September 7th, **Third Point LLC** announced it is launching a proxy fight to remove the entire sitting board at Campbell Soup Co. The hedge fund, which owns a 5.65% stake in the company, is nominating 12 new people for the Board. Third Point is arguing that the current board and management team have failed to understand the depth of the company's crisis and had suggested that the company should put its entire business up for sale
- On September 6th, **Carlsberg** CEO announced that the company is eager to complete more acquisitions as industry consolidation heats up. In the last 3 years, the company has reduced debt from 2.7x to 1.29x operating profit while doubling cash flow from operations to US\$1.13bn
- On September 4th, private equity firm **Peak Rock Capital** announced that it has completed its acquisition of **TNT Crust** from **Tyson Foods**. The acquisition is Peak Rock's 7th transaction in the food and beverage space as the company seeks to capitalize on the large and growing pizza category
- On September 4th, **Premium Brands** announced that it has entered into a definitive agreement to purchase **Ready Seafood** for an undisclosed sum. Premium Brands has signed on the founders of Ready to be key partners in its rapidly growing Seafood group platform, which will have run-rate sales close to C\$400mm post-investment
- On September 4th, **George Weston Limited (GWL)** and **Loblaw Companies** announced a reorganization plan under which Loblaw will spin out its 61.6% interest in **Choice Properties REIT** to GWL. Under the spin-out, Loblaw minority shareholders (other than GWL) will receive 0.135 of a GWL common share per Loblaw share and GWL will receive 61.6% interest in Choice Properties. Once the transaction is complete, GWL will be a 65% unitholder of Choice Properties
- On August 27th, **Conagra Brands** announced that it has received a no-action letter from the Canadian Competition Bureau with respect to its acquisition of **Pinnacle Foods**. The receipt of this letter satisfies one of the hurdles of the transaction that is expected to close by the end of 2018

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2018E	2019E	2018E	2019E		
George Weston Limited	9,621	25,188	6.4x	6.3x	14.5x	12.9x	(2.7)%	(12.6)%
ConAgra Foods, Inc.	14,197	18,030	11.9x	11.9x	16.1x	15.5x	(1.4)%	(8.1)%
Ingredion Incorporated	7,273	8,680	8.2x	7.8x	13.6x	12.7x	1.9%	(30.0)%
Tate & Lyle plc	3,938	4,463	7.8x	7.7x	13.7x	12.9x	(1.6)%	(7.8)%
Premium Brands	2,442	3,059	14.3x	11.8x	23.8x	18.3x	(1.5)%	(21.2)%
Maple Leaf Foods Inc.	2,965	3,032	10.8x	9.4x	22.3x	18.2x	(1.5)%	(15.9)%
SunOpta Inc.	646	1,256	18.8x	13.2x	neg	nmf	(1.2)%	(20.9)%
Rogers Sugar	439	599	8.0x	7.6x	13.8x	11.6x	1.9%	(16.4)%
Mean			11.2x	9.7x	17.3x	15.1x	(1.1)%	(16.6)%

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.

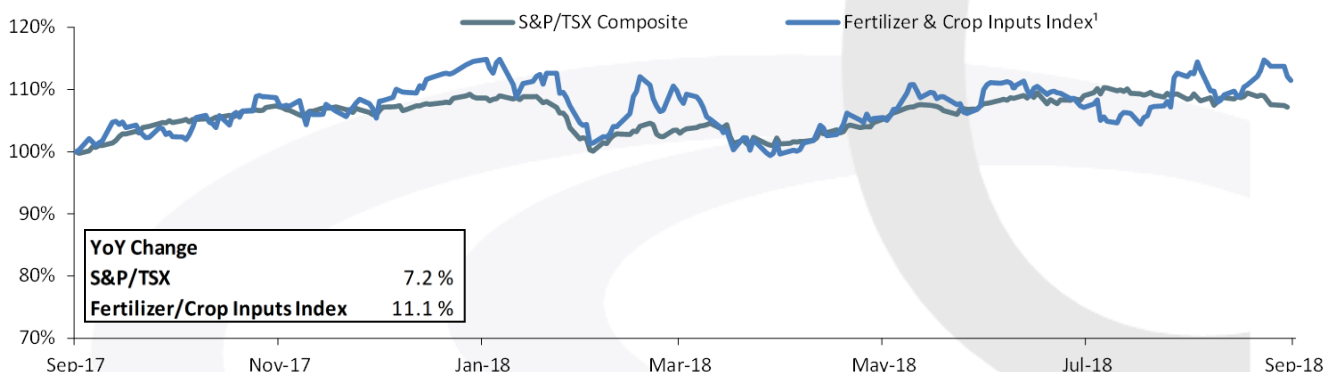


FERTILIZERS & CROP INPUTS

News Scan

- On September 5th, **Nufarm** announced that it will open a manufacturing and blending facility in Greenville, Miss. Nufarm will invest US\$20mm to renovate the 106,000 square-foot building that will be used as a distribution point to customers in eastern New Mexico, south to Texas, and across the Southeastern states. The expansion is expected to bring 68 full-time jobs to Washington County
- On August 31st, **K+S Aktiengesellschaft** announced further efforts to expand its operations into East Africa, through the partnership with a Ugandan agricultural trading company **Grainpulse Ltd.** K+S has identified significant growth potential in the sub-saharan region and has previously made investments into agricultural infrastructure in Uganda, including fertilizer blending plants, grain handling processing, and storage facilities
- On August 8th, **Encanto Potash Corp.** and the Muskowekwan First Nation have announced that they have engaged consulting and construction services company **Golder Associates Ltd** to assist in the next step in developing a major potash mine in Saskatchewan. Golder has been commissioned to prepare a water study to determine the most appropriate water supply for the project as well as an Environmental Impact Study (EIS) to determine the steps necessary to proceed with the environmental safeguarding for the project

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Nutrien Ltd.	33,476	44,010	11.2x	9.7x	20.9x	16.8x	(2.8)%	(5.5)%
CF Industries Holdings, Inc.	11,895	18,735	12.5x	10.9x	38.1x	24.4x	(1.1)%	(2.2)%
Yara International ASA	12,278	15,674	9.5x	7.0x	3.0x	1.7x	(3.7)%	(5.6)%
The Mosaic Company	11,672	15,950	7.9x	7.2x	18.0x	15.0x	(3.4)%	(6.3)%
Nufarm Ltd.	1,606	2,181	6.7x	5.6x	15.5x	12.4x	(5.2)%	(30.9)%
Input Capital Corp.	63	41	5.0x	2.4x	n/m	10.2x	(1.0)%	(45.0)%
Mean			8.8x	7.1x	19.1x	13.4x	(2.8)%	(15.9)%

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

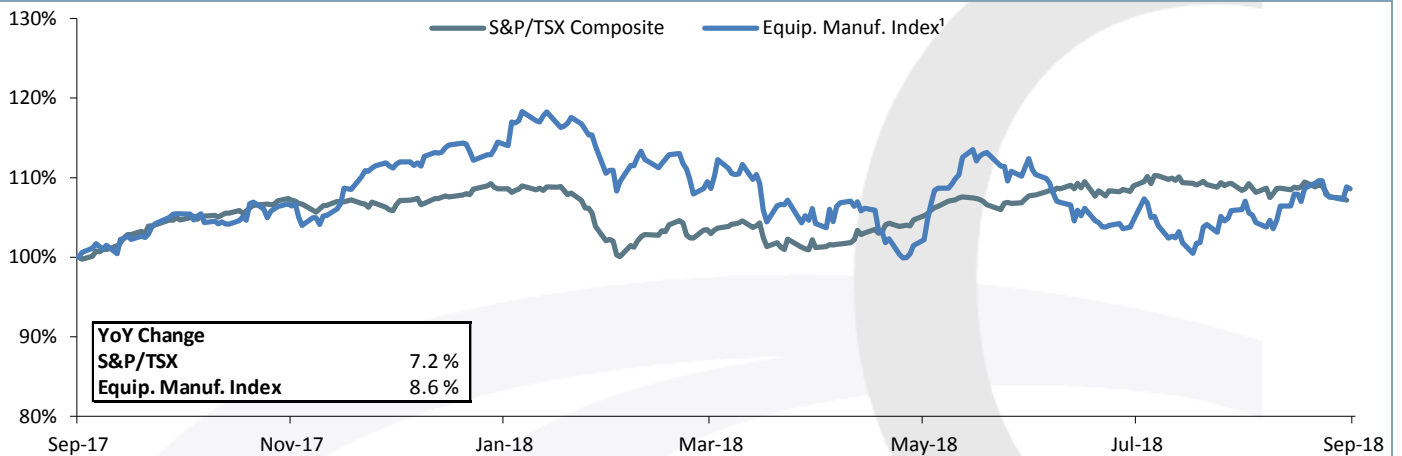


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On September 4th, the Board of Directors of **Rocky Mountain Dealerships** announced a 6.5% increase in annual dividends to \$0.49 per common share. Rocky Mountain has issued 42 consecutive quarterly dividends since its IPO
- On September 4th, **Brookfield Business Partners LP** announced that it has agreed to acquire a 55% interest in **Ouro Verde**, a Brazilian company that leases heavy equipment, agricultural machinery, and light vehicles, for a total of US\$209mm
- On September 6th, the **Canadian National Railway** announced its plan to add 60 locomotives in addition to its order for 200 new locomotives placed in December 2017. CN's investments are in response to the growth in demand for long haul locomotives and increase in rail traffic across North America

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	46,675	50,833	15.8x	14.9x	25.2x	23.6x	1.2%	(17.2)%
AGCO Corp	4,792	6,601	7.9x	6.9x	16.0x	12.6x	1.1%	(20.3)%
Ag Growth International Inc.	761	1,213	10.6x	9.5x	17.7x	15.9x	(1.5)%	(2.6)%
Rocky Mountain Dealerships	159	461	14.4x	13.3x	8.5x	7.8x	1.6%	(26.4)%
Cervus Equipment Corporation	175	364	8.2x	7.7x	9.5x	8.5x	1.8%	(6.7)%
Mean			11.4x	10.5x	15.4x	13.7x	0.8%	(14.6)%

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 September 10th, the Canadian Minister of Foreign affairs returned to Washington to resume NAFTA talks with the United States. Among other things, Canada's dairy supply management policy is up for discussion with the U.S. insisting on concessions that would allow them to enter the Canadian market. Canada so far has indicated that it is open to some form of discussion, though definitive details have not been released
- On September 6th, **The Canadian Ministry of Agriculture and Agri-Food (AAFC)** announced that it is working to advance innovation and sustainability in its canola sector by investing over C\$12mn. The funding will be directly received by the **Canola Council of Canada** and includes an additional industry contribution of up to C\$8.1mn. Canola seed exports accounted for almost 15% of total Canadian agriculture and food exports, valued at C\$9.2bn
- On September 6th, **Saskatchewan Agriculture** released its weekly crop report to reveal that harvest is ahead of schedule by 25% relative to the 5-year average, with 39% of the crop already in the bin. However, harvesting conditions are not most optimal in recent weeks with cool and damp conditions and strong winds that could cause significant crop damage
- On September 7th, **Keystone Potato Producers Association** representative announced that despite the acreage increase in Western Canada this year, overall yield will not surpass previous years due to the hot and dry weather conditions. The increase in acreage is attributed to increase in contract sizes, and producers like Simplot and Cavendish Farms are working to expand its processing capacity
- On August 31, the U.S. Department of Agriculture reported that Argentina's 2017-18 soybean crop forecast of 36 million tonnes is a 37% drop from the estimated production at the beginning of the year. Argentina has been devastated by droughts and only a few areas in the country were able to deliver yields at the historic average of 2.7 tonnes per hectare
- On August 27th, the Deutscher Raiffeisenverband (DRV) cooperative association announced that for the first time in 30 years, Germany will become a net-importer of grain. Grain consumption is expected to reach up to 44 million tonnes this year, while its drought-ravaged grain crop is forecast to produce only 35.6 million tonnes - a 22% drop from the year prior
- On August 22, Brazilian meatpacker Minerva SA denied that its shareholder, sovereign wealth fund **Saudi Agricultural and Livestock Investment Co (SALIC)**, was planning a tender offer to minority shareholders to delist the company. Minerva said in a securities filing that SALIC had not made any tender proposal and had not signaled any intention to do so

Commodities Futures as of September 10th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.67	(3.29)%	3.89 %
Wheat (CBOT)	\$ per bu.	\$5.11	(8.42)%	17.94 %
Oats (CBOT)	\$ per bu.	\$2.47	(0.40)%	1.96 %
Rough Rice (CBOT)	\$ per cwt.	\$10.95	(7.79)%	(7.01)%
Rapeseed (Canola) (ICE)	CAD per T	\$495.50	(0.06)%	0.96 %
Ethanol (CBOT)	\$ per gal.	\$1.29	(10.34)%	(5.35)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizers & Crop Inputs				
Bayer Aktiengesellschaft	(7.7%)	Bayer lowered its forecasted earnings from an adjusted EPS of €6.64 to €5.70 - 5.90 in 2017, as it continues to reel from the legal battle over Monsanto's glyphosate-based roundup product that has alleged cancer risks. Despite lower than expected earnings, Bayer's Crop Science division has almost doubled its quarterly EBITDA to €631mm, with significant contribution from the Monsanto acquisition	€ 101.81	38.3%

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