



Agriculture Industry Flash

Tuesday, January 22nd, 2019

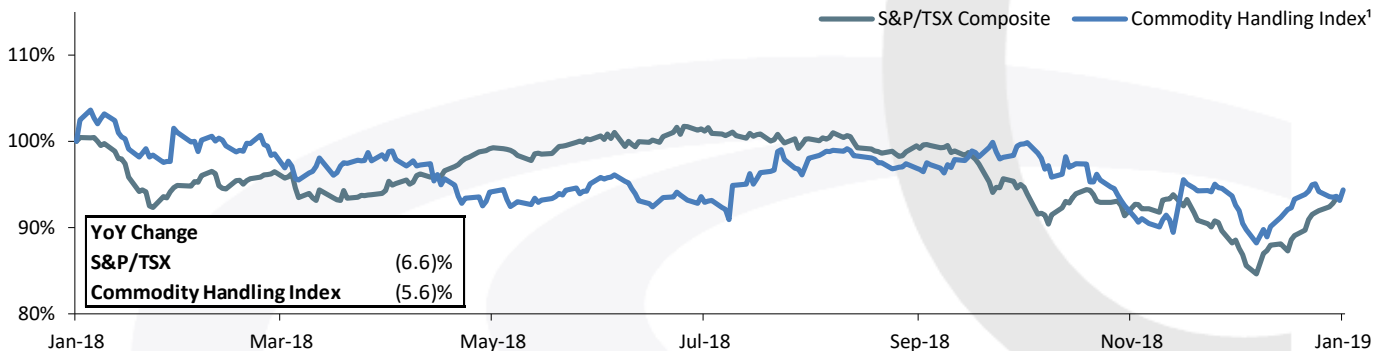


COMMODITY HANDLING

News Scan

- On January 11th, **Hensall Co-op**, Canada's 8th largest non-financial co-op with operations in Commodity Handling, Food Products and Grain & Ingredient marketing, announced that it has acquired **ILTA Grain Inc's** edible bean processing plant in Bloom, Manitoba and the satellite receiving location in Miami, Manitoba. The facility has a capacity to process up to 40,000 MT of dry beans into various pack sizes and will increase Hensall's ability to source and process plant-based proteins to supply global demand. **Origin Merchant Partners** was the exclusive financial advisor to Hensall on the acquisition
- On January 17th, **Archer-Daniels-Midland (ADM)** announced that it has signed an agreement to purchase the remaining 50% stake of **Gleadell Agriculture Ltd.**, currently jointly owned by ADM and **InVivo**. ADM will merge Gleadell with **ADM Arkady**, ADM's UK destination marketing business, and **ADM Direct UK**, ADM's specialist combinable crop origination business to create **ADM Agriculture Ltd.** The transaction will increase ADM's origination, storage, and destination marketing capabilities in the UK, allowing it to strengthen its presence in the region. Financial terms were not disclosed
 - On January 11th, **Archer-Daniels-Midland (ADM)** announced that it has reached an agreement to acquire **Florida Chemical Company (FCC)** from **Flotek Industries** for total consideration of US\$175 million. FCC is a division of Flotek Industries that specializes in citrus-based flavours and fragrances, and is also one of the world's largest providers of citrus oils and ingredients. The acquisition will allow ADM to become a leader in the citrus flavour segment

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2019E	2020E			2019E
ADM	24,814	32,165	7.3x	7.4x	12.0x	11.6x	3.3 %	(15.0)%
Bunge Limited	7,482	15,250	7.9x	7.6x	10.3x	9.9x	(2.8)%	(36.3)%
Graincorp Limited	1,480	2,157	12.0x	9.2x	nmf	21.5x	1.3 %	(7.6)%
The Andersons, Inc	1,262	2,226	10.2x	8.9x	14.9x	11.8x	1.5 %	(18.3)%
AGT Food and Ingredients	307	847	11.9x	10.7x	14.4x	14.7x	0.0 %	(26.0)%
Ceres Global Ag	125	146	na	na	na	na	0.9 %	(13.2)%
Mean			9.9x	8.8x	12.9x	13.9x	0.7 %	(19.4)%

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

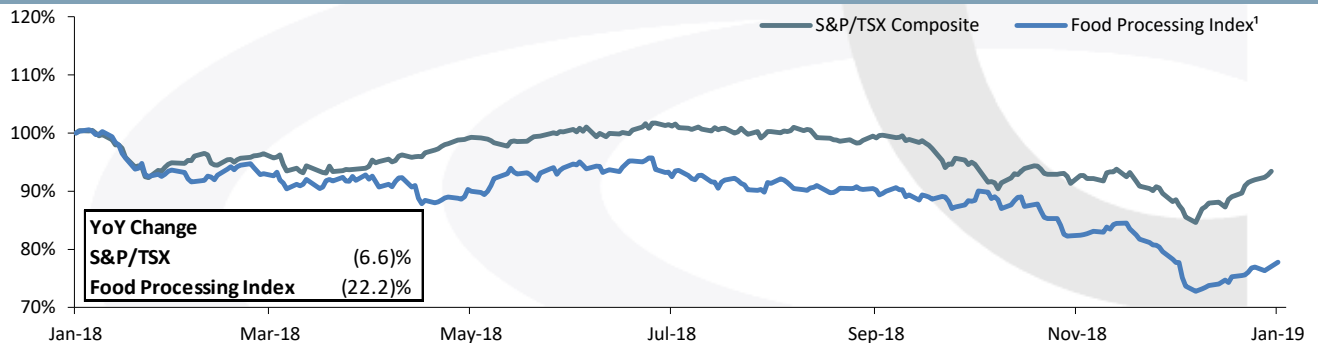


FOOD PROCESSING

News Scan

- On January 18th, **Cargill** announced that it plans to invest more than US\$200 million in Pakistan over the next 3-5 years. The funds will be used to expand Cargill's agricultural trading, supply chain, and other foods businesses in the country. Additionally, the Company has earmarked funds for safety and food traceability efforts
 - On January 8th, **Cargill** announced that the Cedar Rapids City Council gave preliminary approval for a planned US\$37.6 million expansion and facility modernization at Cargill's Cedar Rapids East soybean processing plant. Cargill plans to use US\$31.5 million to install and upgrade machinery and equipment while the remaining US\$6.1 million is earmarked for building construction and site preparation
- On January 16th, **Louis Dreyfus Company (LDC)** announced that it intends to exit its dairy business by mid-2019. The move is in line with the company's strategy over the past three years to exit non-core areas. LDC's CFO noted that the dairy business was classified as non-core in 2017-2018 only accounted for 1% of revenues, but demanded substantial working capital resources
- On January 11th, **Laird Superfood**, an Oregon-based maker of health food products, announced that it secured US\$32 million in a private funding round that included **WeWork**, a provider of spaces for freelancers, startups and small businesses, as an investor. The funding will support an increase in product development and acquisitions
- On January 10th, **Roland Foods LLC**, a New York-based importer of specialty foods, announced the acquisition of **Albert Uster Imports**, a Maryland-based importer of specialty pastry, baking and confectionary ingredients, for an undisclosed amount. The acquisition of AUJ establishes Roland Foods as the leading platform within the specialty foods landscape and provides entry into the frozen and refrigerated goods categories

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
George Weston Limited	10,917	27,446	7.9x	7.6x	13.6x	12.8x	0.0 %	(15.8)%
ConAgra Foods, Inc.	10,475	22,284	10.8x	10.0x	10.5x	9.0x	3.5 %	(45.3)%
Ingredion Incorporated	6,978	8,309	8.0x	7.7x	13.1x	12.4x	1.8 %	(32.5)%
Tate & Lyle plc	4,157	4,586	7.7x	7.6x	13.4x	13.1x	2.4 %	(4.1)%
Premium Brands	1,944	2,761	11.3x	10.4x	17.0x	14.9x	(2.6)%	(37.9)%
Maple Leaf Foods Inc.	2,680	2,910	8.9x	8.1x	16.9x	14.3x	0.3 %	(20.8)%
SunOpta Inc.	389	988	13.1x	9.6x	neg	38.9x	4.8 %	(50.6)%
Rogers Sugar	443	684	8.5x	na	11.2x	na	(0.7)%	(13.9)%
Mean			9.7x	8.7x	14.1x	16.5x	1.5 %	(29.6)%

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.

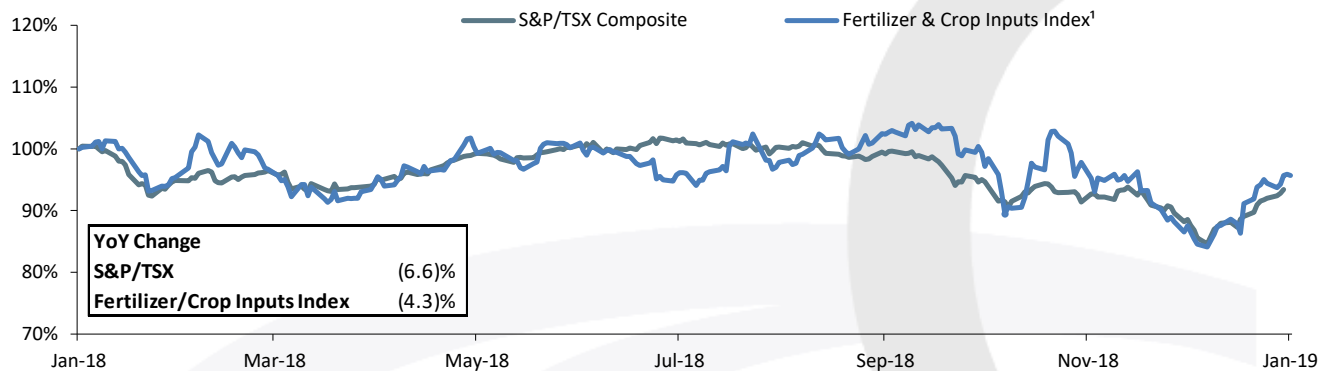


FERTILIZERS & CROP INPUTS

News Scan

- On January 21st, **Nutrien Ag Solutions**, a leading provider of agricultural products and services for western Canadian growers and a subsidiary of **Nutrien**, announced that it purchased a 198-acre research farm in Winterville, Mississippi, for an undisclosed amount. Nutrien plans to use the site for plant breeding activities and to evaluate new product offerings
- On January 7th, **The Mosaic Company** announced that it has entered into a memorandum of understanding (MOU) with **Sinochem**, China's largest agricultural inputs company. As part of the MOU, Sinochem plans to purchase premium products including phosphate rocks and phosphate fertilizers. The MOU allows Mosaic to take part in China's agricultural development
- On January 16th, **Karnalyte Resources Inc.**, a Saskatchewan-based fertilizer company provided a corporate update. The company plans on advancing the Proteos Nitrogen project towards an investment decision in 2019, which will allow the company to manufacture nitrogen and diversify away from potash

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Nutrien Ltd.	31,475	42,814	9.0x	8.4x	14.8x	13.2x	2.9 %	(10.6)%
CF Industries Holdings, Inc.	10,196	16,659	8.6x	8.2x	16.4x	14.1x	(0.5)%	(21.8)%
Yara International ASA	11,407	15,060	6.7x	5.8x	13.5x	10.6x	(0.6)%	(12.2)%
The Mosaic Company	12,412	16,278	6.8x	6.6x	13.3x	12.1x	1.8 %	(13.8)%
Nufarm Ltd.	1,743	2,734	7.2x	6.7x	13.9x	11.9x	3.0 %	(32.8)%
Input Capital Corp.	64	63	na	na	na	na	3.0 %	(36.8)%
Mean			7.7x	7.2x	14.4x	12.4x	1.6 %	(21.3)%

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

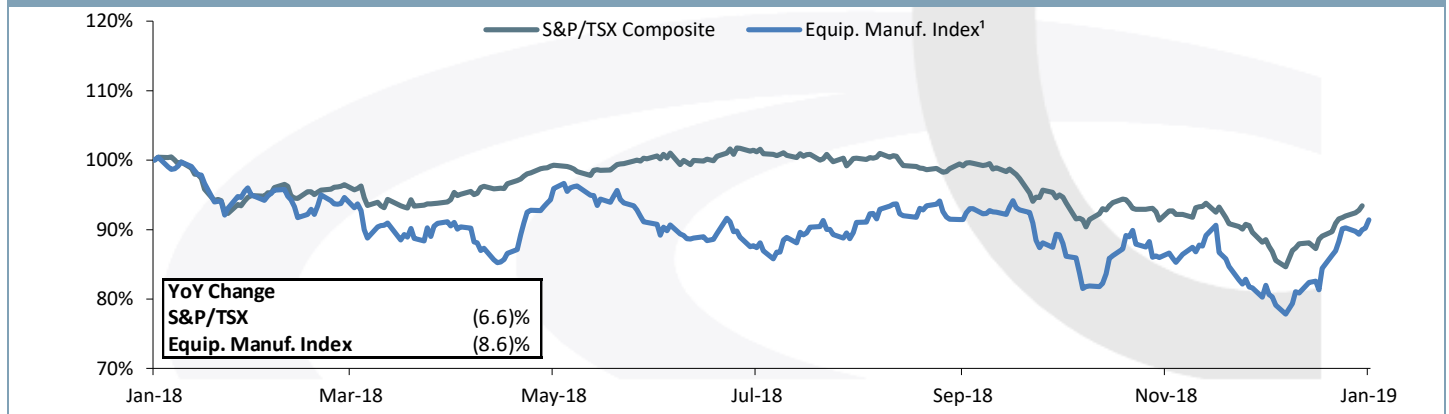


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On January 18th, **Ag Growth International** announced that it has acquired **Improtech Ltd.**, a Toronto-based provider of engineering solutions to the food and beverage industry, for an undisclosed amount. The acquisition adds complementary engineering capabilities and enhances AGI's ability to provide complete engineering solutions to its diverse customer base
- On January 15th, **Lely North America**, the North American subsidiary of **Lely**, an agricultural services company that provides dairy automation equipment, announced its expansion plans. The company stated that it plans to expand its investment and physical presence in North America. As part of the expansion, the company will be constructing a new North American headquarters located in Pella Iowa, which will increase its production capacity for the A5 Astronaut robotic milking system
- On January 14th, **CNH Industrial** announced a new organizational structure to accelerate growth and improve profitability. The company is reorganizing into five operating segments: 1. Agriculture, 2. Commercial, and Specialty Vehicles, 3. Construction, 4. Powertrain, and 5. Financial Services. The organizational change comes as the industry is experiencing increased change through digitalization and automation
- On January 7th, **Koenig Group**, an Austrian manufacturer of commercial bread and roll equipment, announced that it acquired **Fortuna**, a Germany-based manufacturer of commercial bakery equipment, for an undisclosed amount. The acquisition allows Koenig to better serve international customers and enables the company to expand its product portfolio for artisan businesses

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Deere & Company	52,440	56,548	11.0x	9.5x	21.4x	14.3x	4.0 %	(6.1)%
AGCO Corp	5,066	6,949	7.6x	7.2x	14.0x	12.3x	4.5 %	(13.8)%
Ag Growth International Inc.	652	1,030	8.4x	7.6x	13.4x	12.9x	4.1 %	(20.0)%
Rocky Mountain Dealerships	128	424	14.1x	12.9x	7.4x	7.0x	(5.1)%	(39.3)%
Cervus Equipment Corporation	161	325	6.9x	6.6x	7.7x	7.5x	(6.2)%	(12.7)%
Mean			9.6x	8.8x	12.8x	10.8x	0.3 %	(18.4)%

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

- The U.S. Consumer Price Index experienced a rebound in the baked food and cereal products category in 2018. A gain of 0.4% in 2018 came after declines of 0.5% in 2017 and 0.3% in 2016. Bakery Products segment, which is composed of bread and fresh biscuits, rolls and muffins, increased by 0.8% in 2018
- On January 16th, the Canadian government announced a C\$39.3 million investment in crop research to drive innovation and discovery in barley, wheat, diverse field crops and soybeans over the next five years. The funding will go to four science clusters in the Canadian Agricultural Partnership received a total contribution to date of C\$67.7 million. The Barley Cluster aims to improve productivity in science and technology of using barley for food and increase disease resistance
- On January 16th, Reuters reported that Ukraine has exported 25.7 million tonnes of grain in the 2018-19 calendar year, up from 22.1 million tonnes at the same point a year ago. In total, Ukraine harvested 70.1 million tonnes in 2018, up from 61.3 million tonnes in 2017
- On January 14th, Reuters reported that U.S. shipments of distillers' dried grains (DDG), a byproduct of dry ethanol production used as animal feed, to Thailand have been halted due to new fumigation requirements imposed after beetles were discovered in a shipment in 2018. As of January 1st, Thai regulations require all DDG shipments entering the country to be fumigated with methyl bromide, which has become an issue for many U.S. imports as the shippers prefer to use phosphine
- On January 14th, **Arbor Biosciences**, a leader in next generation sequencing (NGS) target enrichment and synthetic biology, announced its partnership with the **International Wheat Genome Sequencing Consortium (IWGSC)**, an international organization dedicated to the development of gold-standard reference genome. The partnership will provide IWGSC members with a standardized exome panel for research and development
- On January 11th, China announced that it increased its corn production estimates for 2018-19 to 257.3 million tonnes based on the nation's most recent agricultural census. Increase in production is due to the expected increase in corn consumption and the drawback on imports
- According to the **Northern Pulse Growers Association** pulse acreage is likely to decline in the US due to a surplus. The surplus comes as a result of large crops followed by poor export demand due to ongoing trade tensions with China and Indian pulse tariffs, which has reduced pulse prices in the US
- Canadian canola exports to China are facing increased uncertainty as concerns mount that political tensions between the two countries could impact trade. China is the biggest buyer of Canadian Canola, which may become a target in retaliatory measures
- On December 30th, the **Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)** took effect among the first six of 11 members to ratify it, including Canada, Japan and Australia. As a result, Canadian exporters are experiencing lower Japanese tariffs for beef, pork, wheat and canola oil. Japan is the world's third-largest beef importer and seventh-largest wheat buyer. The deal provides a significant opportunity to seize market share from the US which withdrew from the pact

Commodities Futures as of January 21st, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.82	1.60 %	1.60 %
Wheat (CBOT)	\$ per bu.	\$5.18	2.17 %	2.17 %
Oats (CBOT)	\$ per bu.	\$2.99	7.37 %	7.37 %
Rough Rice (CBOT)	\$ per cwt.	\$10.63	2.66 %	2.66 %
Rapeseed (Canola) (ICE)	CAD per T	\$484.20	(0.94)%	(0.94)%
Ethanol (CBOT)	\$ per gal.	\$1.28	0.24 %	0.24 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
CHS Inc.	85.4%	CHS reported US\$347.1 million in net income for the quarter ended November 30th 2018, representing an 85.4% increase over the same period last year. Gains were driven by improved crude oil pricing, which increased refining margins. Favourable market conditions in the crop nutrients business supported stronger margins, increasing pre-tax earnings by US\$23.1 million. An additional US\$24.3 million is attributed to the company's investments in Ventura Foods and Ardent Mills	na	na

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