



## Agriculture Industry Flash

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Tuesday, April 2<sup>nd</sup>, 2019

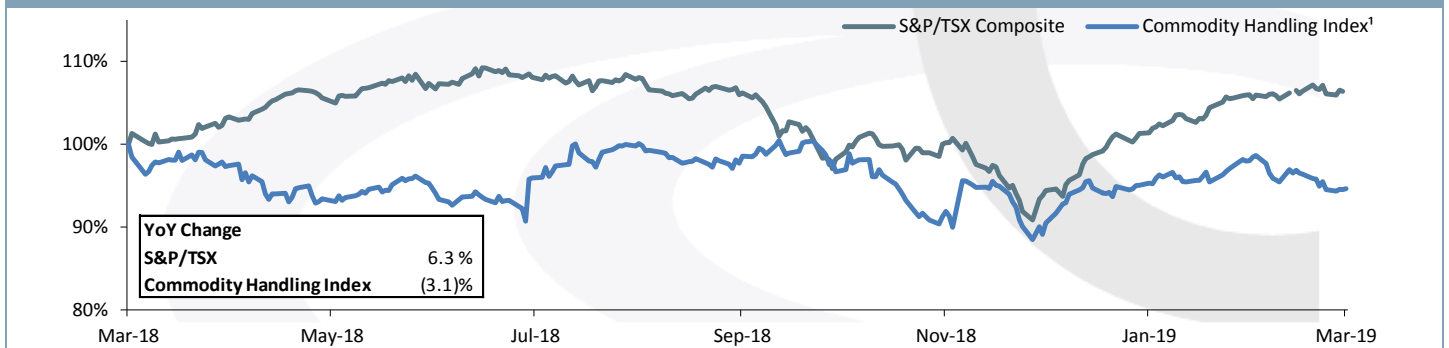


## COMMODITY HANDLING

### News Scan

- On March 27<sup>th</sup>, **G3 Canada** announced plans to build two new high-efficiency grain elevators in Alberta, Canada. The elevators will be located in Stettler County and Irricana. Both facilities will have 42,000 tonnes of capacity and a railway loop track that can accommodate a 150-car unit train. Construction is set to begin this summer and the elevators are expected to be operational by 2020
- On March 20<sup>th</sup>, **The Scouler Company** announced that it plans to build a new freeze-drying manufacturing facility in Seward, Nebraska. The facility will establish Scouler's new freeze-dried pet food ingredients platform. Approximately US\$50 million will be invested towards the construction of the initial facility, which is expected to create ~100 new jobs once it becomes operational. Construction will take 14-16 months, with the goal of being operational by early fall 2020
- On March 15<sup>th</sup>, **Archer Daniels Midland** announced that it has reached an agreement to acquire the **Ziegler Group**, a leading European provider of natural citrus flavour ingredients. The agreement comes shortly after ADM completed its addition of U.S. based citrus flavour provider **Florida Chemical**. Financial terms were not disclosed
- On March 14<sup>th</sup>, **Viterra** announced the grand opening of its new high throughput grain facility at Vegreville, AB. The facility has a storage capacity of 34,000 metric tons and is capable of loading up to 126 railcars through a loop track. The terminal represents a major investment in east-central Alberta and demonstrates Viterra's continued commitment to investment in the province
- On March 14<sup>th</sup>, the **Canadian International Grains Institute (CIGI)** announced that it has received a C\$6.2 million investment from **Agriculture and Agri-Food Canada (AAFC)** to expand the market for Canadian wheat through technical support, market research, and customized training for customers and commercial partners. CIGI has partners in over 50 countries worldwide

### 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	23,927	32,689	7.7x	7.3x	12.1x	11.5x	(1.3)%	(18.1)%
Bunge Limited	7,366	13,766	8.6x	7.7x	18.4x	13.2x	(2.2)%	(32.8)%
Graincorp Limited	1,486	2,153	12.7x	9.4x	nmf	21.9x	(2.1)%	(8.2)%
The Andersons, Inc	1,224	2,195	7.4x	7.0x	14.3x	12.4x	(5.6)%	(21.7)%
Ceres Global Ag	92	146	na	na	na	na	0.9%	(5.2)%
<b>Mean</b>			<b>9.1x</b>	<b>7.9x</b>	<b>15.0x</b>	<b>14.8x</b>	<b>(2.1)%</b>	<b>(17.2)%</b>

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

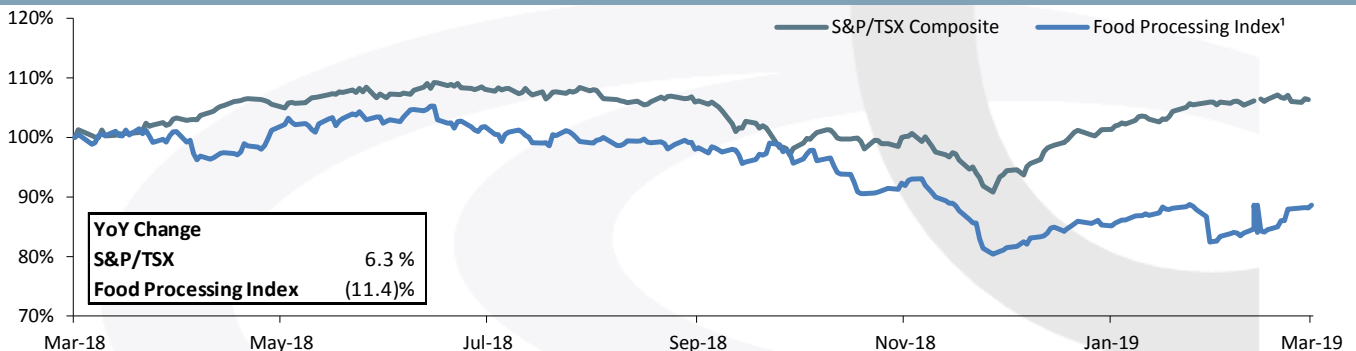


## FOOD PROCESSING

### News Scan

- On April 1<sup>st</sup>, **Kellogg Company** announced that it has entered into an agreement to sell its Keebler biscuits brand and other assets to Nutella Maker **Ferrero** for US\$1.3 billion. The divestiture will allow Kellogg to focus on and expand its core cereals and snacks businesses. The purchase price represents a valuation of 1.4x TEV/LTM revenue or 17.3x TEV/LTM EBIT
- On April 1<sup>st</sup>, **SunOpta Inc.** announced the appointment of Joseph D. Ennen as Chief Executive Officer, effective immediately. Interim CEO Katrina L. Houde will continue her position on SunOpta's Board. Mr. Ennen brings more than 30 years of extensive food and beverage positions, holding senior management positions at companies such as General Mills and ConAgra Foods
- On March 22<sup>nd</sup>, **Dane Creek Capital** announced its acquisition of **RawPaw Natural Foods**, a distributor and marketer of pet supplements. The purchase price was not disclosed but sources stated it represents ~1.3x LTM revenue. Under the terms of the transaction, the company will pay the consideration in a portion of cash and the remainder in equity from its subsidiary, **United Pet Supplements**. RawPaw represents the third company held by United Pet Supplements
- On March 21<sup>st</sup>, **Cargill** announced that it has formed a partnership with **Heifer International** to create The Hatching Hope Initiative. The initiative aims to improve the nutrition and economic livelihoods of 100 million people by 2030 through the production, promotion, and consumption of poultry. Hatching hope will work directly with women smallholder farmers, initially in India, Mexico, and Kenya
- On March 19<sup>th</sup>, US supermarket chain, **Kroger**, announced the sale of **Turkey Hill Dairy**, a leading brand of iced tea, fruit drinks, milk and a variety of ice creams, to Texas-based private equity firm **Peak Rock Capital**, for an undisclosed amount. Peak Rock plans to support Turkey Hill's ongoing product innovation processes to extend the product and brand portfolio

### 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
George Weston Limited	10,889	28,162	8.3x	8.0x	14.2x	13.1x	1.4 %	(14.5)%
ConAgra Foods, Inc.	13,472	24,749	11.9x	11.3x	13.7x	11.7x	7.4 %	(29.6)%
Ingredion Incorporated	6,243	8,089	8.1x	7.7x	13.3x	12.4x	(2.2)%	(29.0)%
Tate & Lyle plc	4,326	4,762	7.9x	7.8x	13.7x	13.2x	(1.5)%	(3.6)%
Premium Brands	1,936	2,797	11.8x	10.7x	18.1x	15.5x	0.5 %	(37.2)%
Maple Leaf Foods Inc.	2,821	3,108	10.0x	9.1x	19.8x	17.0x	4.0 %	(11.4)%
SunOpta Inc.	305	907	17.3x	13.7x	neg	neg	(1.9)%	(60.8)%
Rogers Sugar	473	719	9.1x	8.8x	12.6x	12.1x	(1.0)%	(4.1)%
<b>Mean</b>			<b>10.8x</b>	<b>9.8x</b>	<b>15.4x</b>	<b>13.8x</b>	<b>1.1 %</b>	<b>(26.6)%</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.

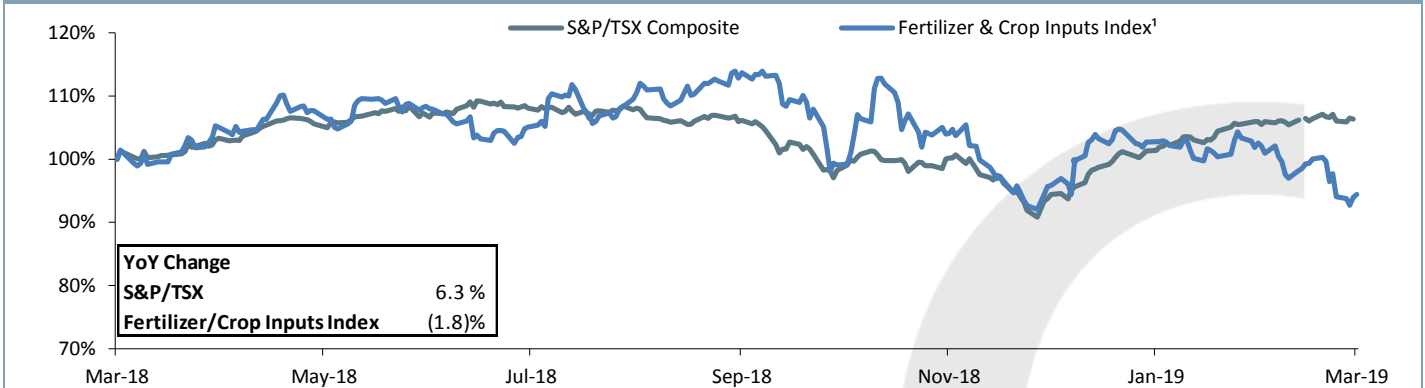


## FERTILIZERS & CROP INPUTS

### News Scan

- On March 20<sup>th</sup>, **Arianne Phosphate**, a Quebec-based development-stage phosphate company, announced that it has entered into an agency agreement with Indian fertilizer trader, **Compagnie Indo Francaise de Commerce**. The agreement provides Arianne with access to the world's largest importer of phosphate and will help penetrate the Indian market

### 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
Nutrien Ltd.	30,958	38,597	8.1x	7.6x	17.2x	15.2x	(5.0)%	(11.1)%
CF Industries Holdings, Inc.	8,996	15,819	8.8x	8.1x	16.4x	13.8x	(9.4)%	(31.0)%
Yara International ASA	11,092	15,114	6.7x	5.8x	13.4x	10.4x	(0.2)%	(11.9)%
The Mosaic Company	10,473	14,424	6.0x	5.7x	11.5x	10.2x	(6.5)%	(28.2)%
Nufarm Ltd.	1,262	2,237	6.3x	5.8x	12.6x	9.4x	(13.6)%	(51.8)%
Input Capital Corp.	53	52	na	na	na	na	(3.1)%	(39.1)%
<b>Mean</b>			<b>7.2x</b>	<b>6.6x</b>	<b>14.2x</b>	<b>11.8x</b>	<b>(6.3)%</b>	<b>(28.8)%</b>

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

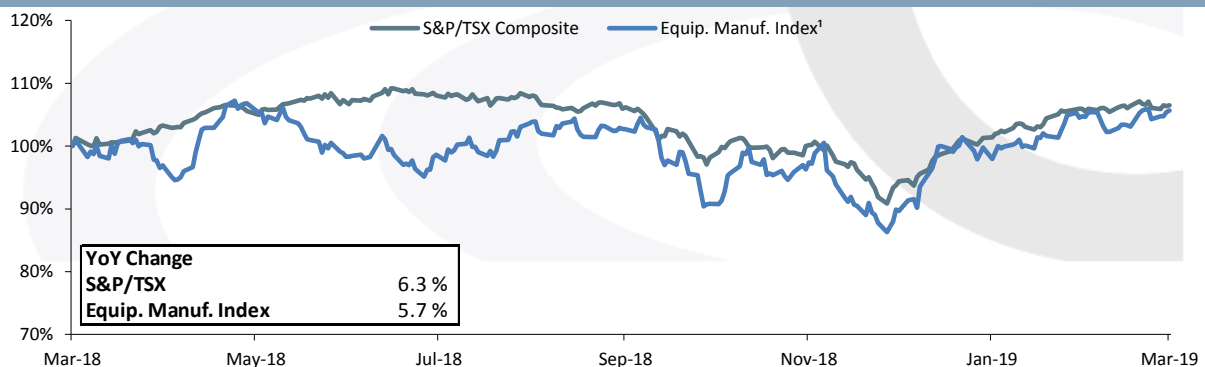


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On March 28<sup>th</sup>, **Ag Growth International** announced that it has closed the acquisition of **Milltec Machinery Limited**, an India-based leading manufacturer of rice milling and processing equipment, for approximately C\$109.5 million. The transaction allows AGI to expand into rice equipment and to enter the rapidly growing Indian market. AGI will use Milltec as the foundation of its platform in India. The company plans to use Milltec to consolidate the seed, fertilizer and grain industries in India
- On March 22<sup>nd</sup>, **CN Rail** announced that it has closed the acquisition of Winnipeg-based **TransX Group of Companies**, a leading transportation services provider for an undisclosed amount. TransX will continue to operate independently, while CN will continue to expand capacity and foster additional supply chain solutions to help customers reach their end markets
  - From March 18<sup>th</sup> to March 21<sup>st</sup>, **CN Rail** announced a series of investments totaling C\$960 million to support and expand rail infrastructure in Alberta, B.C. and Saskatchewan as part of CN's record C\$3.9 billion capital investment program. The program is focused on enabling growth across all commodity segments including consumer goods, grain, agricultural, forest and energy products
- On March 20<sup>th</sup>, **AGCO Corp.**, announced a commercial and technological partnership with **Solinftec**, a developer and distributor of digital agriculture solutions. The partnership provides AGCO customers with direct access to Solinftec's portfolio of products including on-board computers, weather stations and real-time generation of actionable insights that help improve efficiency and agronomic efficacy. The solutions are expected to launch in the US for the 2020 crop cycle
- On March 19<sup>th</sup>, **Water Ways Technologies**, an Israeli ag-tech company providing irrigation solutions, announced that it has signed an LOI to acquire a Canadian irrigation distributor based in London Ontario for an undisclosed amount. The acquisition allows the company to secure a foothold in the Canadian market and leverage its expertise in the irrigation sector in the North American market

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	TEV		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
		Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Deere & Company	50,347	54,950	10.7x	9.2x	20.6x	13.8x	(1.0)%	(5.8)%	
AGCO Corp	5,272	6,707	7.3x	6.8x	14.9x	12.8x	0.4 %	(0.6)%	
Ag Growth International Inc.	838	1,342	10.3x	9.1x	17.2x	14.6x	1.2 %	(4.1)%	
Rocky Mountain Dealerships	130	155	5.2x	4.7x	8.6x	7.5x	(3.6)%	(28.6)%	
Cervus Equipment Corporation	151	189	3.9x	3.7x	8.0x	7.3x	(1.7)%	(13.1)%	
<b>Mean</b>			<b>7.5x</b>	<b>6.7x</b>	<b>13.9x</b>	<b>11.2x</b>	<b>(1.0)%</b>	<b>(10.4)%</b>	

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

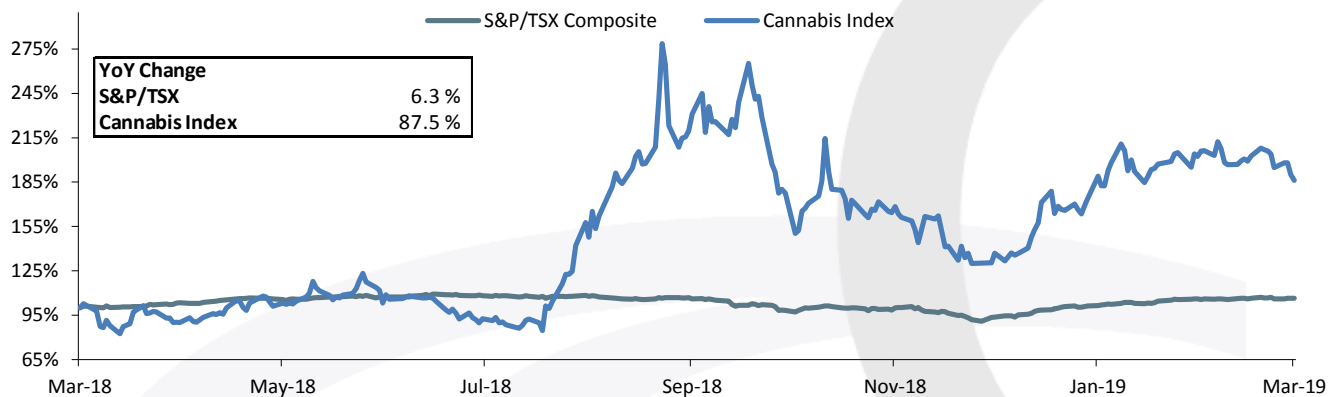


## CANNABIS AND HEMP

### News Scan

- On March 21<sup>st</sup>, **Canopy Growth** announced that it has acquired **AgriNextUSA**, a hemp enterprise based in New York, for an undisclosed amount. The acquisition will accelerate Canopy's entry into key American jurisdictions as regulations surrounding the full use of hemp as a crop begin to be implemented. This is largely due to the passing of the 2018 US Farm bill in December, 2018, which largely legalizes hemp as a crop for commercial use
- On March 20<sup>th</sup>, **Curaleaf** announced that it has signed a deal with **CVS Pharmacy** to begin selling hemp products at 800 of CVS' stores across 10 states. Curaleaf hemp lotions and transdermal patches will start hitting store shelves in the coming week
- On March 20<sup>th</sup>, **Canadian Rockies Hemp** announced that it is planning to build a 40,000 sq. ft. hemp processing facility in Bruderheim, Alberta. The new facility will handle 40,000-50,000 acres of hemp production each year and is scheduled to be fully operational by October, 2019. The facility will employ approximately 50 people from the Bruderheim area

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/Revenue		TEV/EBITDA		Week Δ Price	Δ Price 52Wk High
		Cap	TEV	2019E	2020E		
Canopy Growth Corporation	14,692	12,919	26.3x	13.8x	neg	58.6x	(5.0)% (11.1)%
Aurora Cannabis Inc.	8,920	9,252	24.3x	11.0x	neg	41.1x	(9.4)% (31.0)%
Aphria Inc.	2,289	2,238	5.1x	3.2x	77.8x	13.7x	(0.2)% (11.9)%
CannTrust Holdings Inc.	854	821	6.1x	3.9x	22.0x	11.8x	(6.5)% (28.2)%
Cronos Group Inc.	6,119	5,349	65.6x	27.8x	nmf	79.7x	(13.6)% (51.8)%
Tilray, Inc.	6,156	6,546	31.1x	14.7x	neg	nmf	(3.1)% (39.1)%
<b>Mean</b>			<b>26.4x</b>	<b>12.4x</b>	<b>49.9x</b>	<b>41.0x</b>	<b>(6.3)% (28.8)%</b>

<sup>1</sup> "Equip. Manuf. Index" is composed of equally weighted market prices for: Canopy Growth, Aurora Cannabis, Aphria, CannTrust Holdings, Cronos and Tilray.



## ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

### News Scan

- China continues to refuse to import canola seed from Canada. According to the Canola Council of Canada, China is a major market for Canadian canola, representing 40% of all canola seed, oil and meal exports. Total exports in 2018 amounted to C\$2.7 billion
- On March 21<sup>st</sup>, the government of Ethiopia issued an international competitive tender to buy 400,000 tonnes of milling wheat. The **US Department of Agriculture (USDA)** said the bids for the wheat are due on April 19, with delivery of the contracted wheat expected to begin by June and July. This is the second tender issued by the government of Ethiopia in 2019, the tender in February was delivered to three international grain suppliers (Bunge, Amropa, and Archer Daniels Midland)
- On March 20<sup>th</sup>, Japan announced its compound and mixed feed production level to reach the highest since 2012-13, meanwhile, livestock levels remain the same. According to the Foreign Agriculture Service of the **USDA**, growth in feed production was driven by strong demand from the poultry sector, and the demand is expected to remain the same in 2019-20
- On March 18<sup>th</sup>, Brazil was reported to be in discussion with the US to grant an import quota of 750,000 tonnes of wheat per year without tariffs in exchange for other trade concessions. The proposed quota will represent approximately 10% of Brazil's annual wheat imports and is expected to increase US wheat sales between US\$75 million and US\$120 million a year
- Ukraine's grain exports for 2018-19 is reported to be significantly higher exporting more than 35 million tonnes of grain crops since the end of June last year compared to 29.2 million tonnes same period a year ago
- On March 15<sup>th</sup>, the Global Agricultural Information Network report by the **USDA** reported forecast for rice and corn production in Thailand to increase to record levels in 2019-20 due to acreage expansion driven by attractive prices. Rice production is forecasted to increase by 2%, representing 21.1 million tonnes in 2018-19, while corn output is expected to increase by the same amount representing 5.4 million tonnes
- On March 15<sup>th</sup>, a leader of the Brazil's **Association of Corn Ethanol Producers (UNAM)** announced that US ethanol exporters could face competition from Brazil's own corn-ethanol production. Brazil's production is expected to grow by more than 50% this year to 1.4 billion litres. Traditionally Brazil has been the top export destination for US ethanol, reaching 499 million litres in 2018

### Commodities Futures as of March 28<sup>th</sup>, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.74	0.20 %	(0.53)%
Wheat (CBOT)	\$ per bu.	\$4.70	2.68 %	(7.35)%
Oats (CBOT)	\$ per bu.	\$2.70	2.08 %	(3.05)%
Rough Rice (CBOT)	\$ per cwt.	\$11.15	5.84 %	7.68 %
Rapeseed (Canola) (ICE)	CAD per T	\$451.40	(2.15)%	(7.65)%
Ethanol (CBOT)	\$ per gal.	\$1.38	2.75 %	8.46 %



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Equipment &amp; Services</b>				
Ag Growth International Inc.	85.0%	Trade sales and adjusted EBITDA increased by 27.7% and 42.1% respectively in the fourth quarter due to strength in international markets and the Canadian commercial market. AGI achieved 12.8% organic sales growth as well as increased sales momentums through recent acquisitions	C\$72.63	20.0%
Cervus Equipment Corporation	31.8%	The Company reported income per basic share of C\$1.70, representing a \$0.43 per share increase compared to \$1.27 in 2017. The transportation segment achieved a C\$9.4 million increase in adjusted EBT compared to 2017 due to performance of the Ontario dealerships	C\$17.20	30.1%
Rocky Mountain Dealerships Inc.	(21.1%)	The Company generated a 9.6% increase in sales YoY of C\$1.05 billion, reflecting growth in both organic growth from existing stores and inorganic growth through acquisitions. Canadian agriculture continues to be a steady business with stable customer base.	C\$11.00	21.1%

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