



## Agriculture Industry Flash

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Tuesday, October 10<sup>th</sup>, 2017

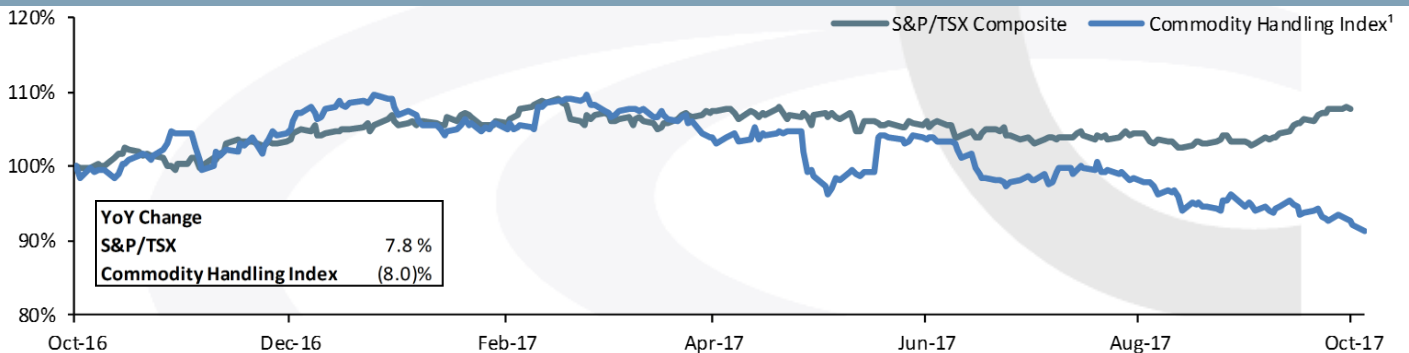


## COMMODITY HANDLING

### News Scan

- On Oct. 2<sup>nd</sup>, **Blumberg Grain**, a U.S.-based storage facility manufacturer, announced that it plans to invest US\$150 million to build an additional 300 high-tech storage facilities in Egypt. The total storage area provided by the new sites will reach 2.7 million tonnes and will lead to annual cost savings of US\$551 million for the Egyptian government by offering better protection for harvested crops
- On Oct. 4<sup>th</sup>, **Pipeline Foods** announced the acquisition of a North Dakota grain elevator for an undisclosed amount. The acquisition complements Pipeline's recent acquisitions in Saskatchewan. The elevator has a capacity of 3,500 tonnes and has dual access to the Burlington North State Fe and Canadian Pacific railways. The acquisition increases efficiency and throughput volume to 25,000 tonnes
- On Oct. 10<sup>th</sup>, **Archer Daniels Midland Co.** announced that it will make further investments to produce more high-protein GMO-free soymeal at its Straubing crushing plant in Germany. The move is part of ADM's growth initiatives as demand for non-GMO soymeal in Europe is growing. Further investments will allow ADM to better meet the demands of its poultry, dairy, and pig feed customers
- A group of senior traders at **Louis Dreyfus Company**, including former Global Head of Grains, are set to launch a new trading business called **Sierentz Global Merchants**. The new Switzerland-based firm will target the Ukrainian market with a focus on the import, export, and trading of raw materials, mainly grains. The business expects to start operations in early 2018
- On Sep. 26<sup>th</sup>, **Perdue AgriBusiness** opened its first large-scale grain elevator in Pennsylvania. The grain elevator will process, store, and ship soybeans received from counties within a 50-mile radius. The facility has a capacity of 1.5 million bushels
- On Sep. 26<sup>th</sup>, **Viterra Inc.** broke a five-year shipping record in South Australia, with 7 million tonnes of bulk grain shipped in 2016-17. The record is attributed to Viterra's role in moving the regions record-breaking crop. Viterra was well prepared for the season due to investments into existing sites that helped reduce vessel wait times, making it attractive for exporters to source grain from Australia

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

| Market                   | Market |        | TEV/EBITDA  |             | Price/Earnings |              | Week Δ        | Δ Price        |
|--------------------------|--------|--------|-------------|-------------|----------------|--------------|---------------|----------------|
|                          | Cap    | TEV    | 2017E       | 2018E       | 2017E          | 2018E        | Price         | 52Wk High      |
| ADM                      | 24,190 | 30,872 | 9.5x        | 8.6x        | 16.5x          | 15.0x        | (0.0)%        | (11.0)%        |
| Bunge Limited            | 9,661  | 15,199 | 10.0x       | 7.7x        | 17.3x          | 12.2x        | (3.9)%        | (19.8)%        |
| Graincorp Limited        | 1,416  | 2,392  | 7.6x        | 8.2x        | 11.6x          | 14.3x        | (0.6)%        | (22.9)%        |
| The Andersons, Inc       | 996    | 1,526  | 8.1x        | 6.8x        | 22.8x          | 14.6x        | (1.6)%        | (24.1)%        |
| AGT Food and Ingredients | 440    | 882    | 11.1x       | 8.3x        | 19.8x          | 10.9x        | (8.6)%        | (42.4)%        |
| Ceres Global Ag          | 101    | 169    | na          | na          | na             | na           | (2.8)%        | (22.6)%        |
| <b>Mean</b>              |        |        | <b>9.3x</b> | <b>7.9x</b> | <b>17.6x</b>   | <b>13.4x</b> | <b>(2.9)%</b> | <b>(23.8)%</b> |

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

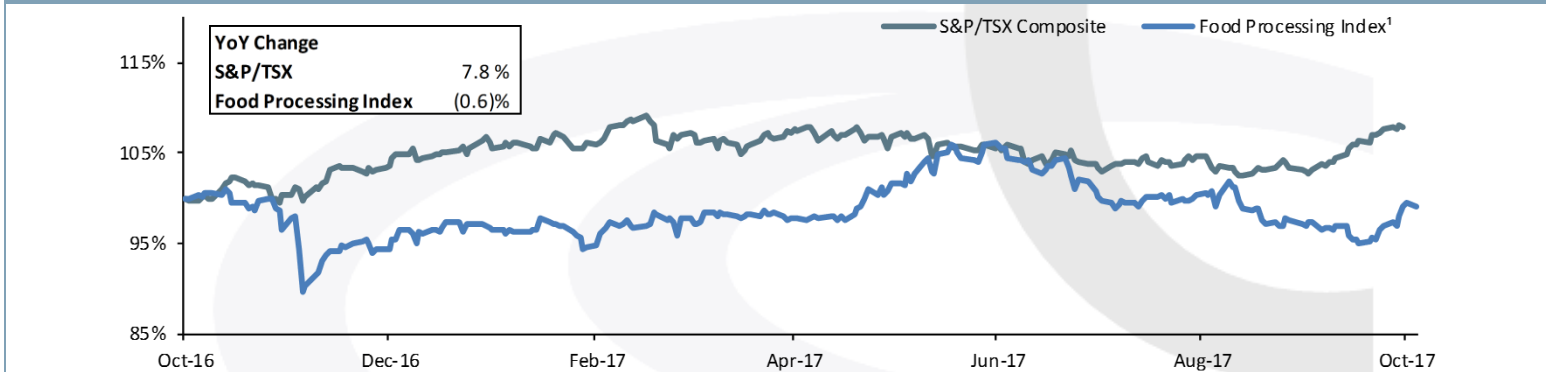


## FOOD PROCESSING

### News Scan

- On Oct. 6<sup>th</sup>, **Kellogg** announced that it acquired **Chicago Bar Company LLC**, the maker of RXBAR, a line of clean-label protein bars, for US\$600 million. The acquisition provides access to more millennial consumers and diversifies Kellogg's channel presence, including e-commerce. The transaction was completed at 12-14x Forward EBITDA and is expected to be immaterial to EPS in 2017 and 2018
- On Oct. 4<sup>th</sup>, **Hortifrut** of Chile announced the acquisition of Peru-based **Talsa's** blueberry business, for US\$160 million. The acquisition increases Hortifrut's production capacity to 45,000 tonnes with potential to expand to 100,000 tonnes. The transaction provides year-round products for Hortifrut, making the company an attractive player for retailers and food service distributors
- On Oct. 2<sup>nd</sup>, **B&G Foods** announced that it completed the acquisition of better-for-you snack maker, **Back to Nature Foods Company**, for US\$162.5 million cash. The acquisition provides access to the fast growing better-for-you segment. The transaction was completed at 9.6x Forward EBITDA and was funded by additional revolvers and B&G's existing credit facility
- On Oct. 2<sup>nd</sup>, **Unilever** announced that it acquired Brazilian natural and organic food business, **Mãe Terra**, for an undisclosed amount. Mãe Terra operates in a market worth €8 billion, and has grown over 30% per year with strong brand positioning. The acquisition strengthens Unilever's portfolio and accelerates the company's expansion into the high-growth naturals and organics segment
- On Sep. 28<sup>th</sup>, **Premium Brands** announced the acquisition of **Skilcor Foods**, an Ontario-based specialty food producer and distributor, for an undisclosed amount. The acquisition expands Premium's rapidly-growing protein platform
- On Sep. 27<sup>th</sup>, **SunOpta** announced the exit from its nutrition bar operations in Nevada. The exit is part of the company's portfolio optimization and value creation efforts. The cessation of operations is accretive to EBITDA and allows SunOpta to redeploy capital to more profitable segments. The closing of the nutrition bar business is expected to take place by the end of FY2017

### 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 |
|------------------------|------------|--------|--------------|--------------|----------------|--------------|--------------|-------------------|
|                        |            |        | 2017E        | 2018E        | 2017E          | 2018E        |              |                   |
| George Weston Limited  | 11,230     | 25,941 | 7.0x         | 6.5x         | 15.9x          | 14.4x        | 1.4 %        | (12.3)%           |
| ConAgra Foods, Inc.    | 14,166     | 17,330 | 10.5x        | 10.4x        | 19.2x          | 17.7x        | 0.4 %        | (31.5)%           |
| Ingredion Incorporated | 8,833      | 10,541 | 9.6x         | 9.2x         | 16.2x          | 14.9x        | 1.2 %        | (11.3)%           |
| Tate & Lyle plc        | 4,002      | 4,625  | 8.0x         | 8.2x         | 14.0x          | 13.6x        | 2.3 %        | (21.9)%           |
| Maple Leaf Foods Inc.  | 3,540      | 3,559  | 11.4x        | 10.6x        | 23.2x          | 20.6x        | 1.6 %        | (2.3)%            |
| Premium Brands         | 2,419      | 2,608  | 15.9x        | 13.6x        | 30.1x          | 23.7x        | 2.2 %        | (0.3)%            |
| SunOpta Inc.           | 804        | 1,372  | 17.8x        | 13.1x        | nmf            | 43.2x        | 9.1 %        | (12.9)%           |
| Rogers Sugar           | 530        | 683    | 9.3x         | 8.0x         | 12.8x          | 11.4x        | (0.5)%       | (9.4)%            |
| <b>Mean</b>            |            |        | <b>11.5x</b> | <b>10.2x</b> | <b>19.8x</b>   | <b>21.2x</b> | <b>2.6 %</b> | <b>(13.2)%</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.

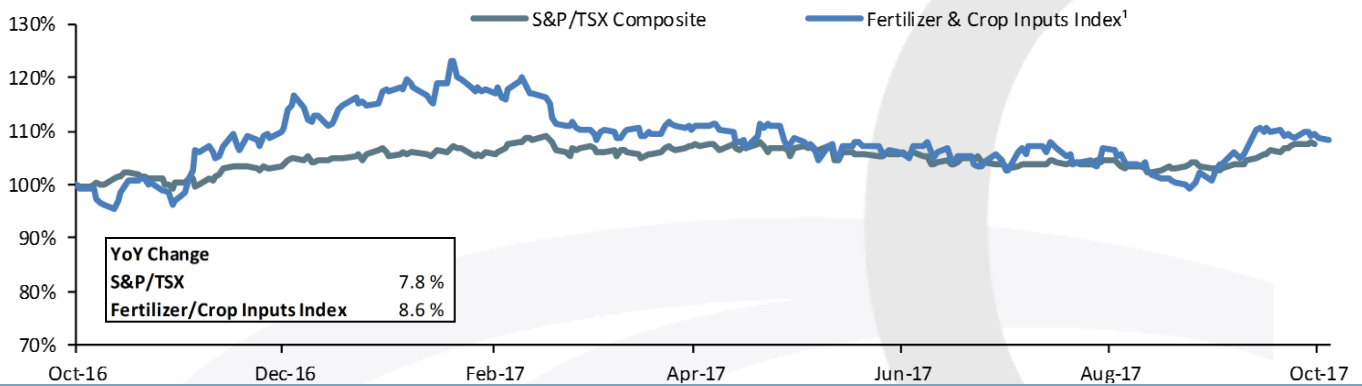


## FERTILIZERS & CROP INPUTS

### News Scan

- On Sep. 28<sup>th</sup>, **Syngenta AG** agreed to a US\$1.4 billion settlement regarding its corn seed sold in 2013. U.S. farmers alleged that Syngenta's GM seed corn prevented them from exporting to the Chinese market. The farmers stated that Syngenta claimed that China would approve the new seed before the harvested grain entered the supply chain. Shipments containing the corn were blocked
- On Sep. 27<sup>th</sup>, **ThyssenKrupp Industrial Solutions** won two contracts worth €133 million to develop two facilities for **Abu Qir Fertilizers**, an Egypt-based producer of nitrogen fertilizers. Contract negotiations are in the final stages and work is expected to start in early 2018. ThyssenKrupp has been actively involved in the Egyptian agricultural sector, building 15 of 16 fertilizer production facilities in Egypt
- On Sep. 21<sup>st</sup>, **Univar Ltd.** announced the acquisition of **Tagma Brasil**, a Brazilian formulator and packer of crop protection chemicals, for an undisclosed amount. The acquisition expands Univar's presence in one of the world's fastest-growing agricultural markets

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

|                              | Market | TEV/EBITDA |              | Price/Earnings |              | Week Δ       | Δ Price       |                |
|------------------------------|--------|------------|--------------|----------------|--------------|--------------|---------------|----------------|
|                              |        | Cap        | TEV          | 2017E          | 2018E        |              |               | 2017E          |
| Agrium Inc.                  | 14,606 | 19,987     | 10.9x        | 9.8x           | 21.6x        | 18.0x        | (0.8)%        | (9.8)%         |
| Potash Corp.                 | 12,664 | 16,214     | 13.4x        | 11.8x          | 31.6x        | 29.8x        | (1.2)%        | (10.8)%        |
| CF Industries Holdings, Inc. | 7,977  | 14,901     | 16.6x        | 12.0x          | neg          | nmf          | (2.0)%        | (7.3)%         |
| Yara International ASA       | 12,383 | 14,766     | 8.7x         | 6.9x           | 22.7x        | 15.1x        | 0.2%          | (1.3)%         |
| The Mosaic Company           | 7,379  | 10,780     | 9.3x         | 7.4x           | 27.2x        | 19.3x        | (3.0)%        | (39.1)%        |
| Nufarm Ltd.                  | 1,715  | 2,437      | 7.7x         | 7.2x           | 15.4x        | 12.9x        | 1.0%          | (20.1)%        |
| Input Capital Corp.          | 105    | 95         | 4.1x         | 3.1x           | neg          | nmf          | 4.9%          | (24.4)%        |
| <b>Mean</b>                  |        |            | <b>10.1x</b> | <b>8.3x</b>    | <b>23.7x</b> | <b>19.0x</b> | <b>(0.1)%</b> | <b>(16.1)%</b> |

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

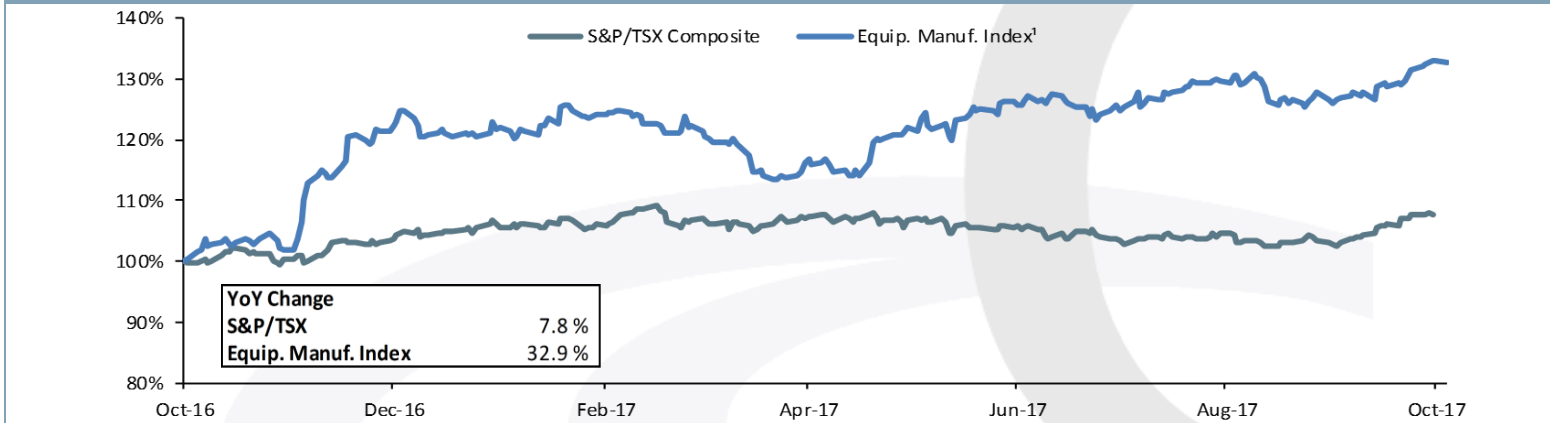


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Oct. 4<sup>th</sup>, **Ag-Pro Companies**, a Massachusetts-based John Deere dealership, announced the acquisition of **Fredericksburg Equipment**, a Texas-based dealer, for an undisclosed amount. The acquisition provides Ag-Pro with 12 new locations and further expands the company's presence in the southern U.S.
- On Oct. 4<sup>th</sup>, **Tetra Pak**, a leading food processing and packaging firm, announced the acquisition **Big Drum Engineering GmbH**, a Germany-based manufacturer of food production equipment, for an undisclosed amount. The deal enables Tetra to provide end-to-end solutions for food and beverage companies, and reinforces the company's global leadership in the sector
- On Oct. 3<sup>rd</sup>, **G&D Integrated** announced that it acquired the tanker business of **Bell Enterprises Inc**, a Midwest-based agricultural firm, for an undisclosed amount. The acquisition allows G&D to enter the tanker transportation market, expanding service offerings and geographical reach throughout the Midwest and Southeast regions of the U.S.

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

| Market                       | Market |        | TEV/EBITDA  |             | Price/Earnings |              | Week Δ Price | Δ Price 52Wk High |
|------------------------------|--------|--------|-------------|-------------|----------------|--------------|--------------|-------------------|
|                              | Cap    | TEV    | 2017E       | 2018E       | 2017E          | 2018E        |              |                   |
| Deere & Company              | 41,168 | 41,318 | 12.6x       | 11.8x       | 22.3x          | 20.9x        | 2.4 %        | (2.9)%            |
| AGCO Corp                    | 6,004  | 7,816  | 11.1x       | 10.0x       | 24.7x          | 20.3x        | 1.7 %        | (0.7)%            |
| Ag Growth International Inc. | 720    | 930    | 8.8x        | 7.8x        | 18.6x          | 12.6x        | (2.6)%       | (14.0)%           |
| Rocky Mountain Dealerships   | 170    | 193    | 6.3x        | 5.5x        | 10.5x          | 9.1x         | (0.6)%       | (7.1)%            |
| Cervus Equipment Corporation | 179    | 325    | 8.0x        | 7.4x        | 11.9x          | 10.1x        | 2.5 %        | (13.7)%           |
| <b>Mean</b>                  |        |        | <b>9.4x</b> | <b>8.5x</b> | <b>17.6x</b>   | <b>14.6x</b> | <b>0.7 %</b> | <b>(7.7)%</b>     |

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 Oct. 2<sup>nd</sup>, the U.S. filed an additional complaint with the World Trade Organization against Canada over British Columbia's restrictions on wine imports. The U.S. complaint states that B.C.'s regulations discriminate against imports by only allowing B.C. wine to be sold in regular grocery stores. In 2015, B.C. changed its rules, allowing grocery stores to sell local wine on regular shelves. Since free trade was negotiated in 1989, the U.S. has developed a foothold in the Canadian wine industry, reaching 14% of the market and amassing a C\$450.6 million wine trade surplus
- The U.S. Department of Agriculture and Consumer Services estimated that hurricane Irma caused more than US\$2.5 billion in damage, primarily to citrus growers and nurseries. An estimated 470,000 acres were affected by the hurricane. Greater economic losses are expected as the loss of future production and cost of rebuilding infrastructure were not factored in
- On Sep. 27<sup>th</sup>, Syria's internal trade minister announced a deal to buy 3 million tonnes of wheat from Russia over three years. The ongoing conflict in Syria has significantly damaged the country's grain output as the state has lost control over agricultural lands. Additional U.S. and EU banking sanctions and asset freezes have made it difficult for trading houses to do business with Syria, while trade with Russia poses fewer barriers. The deal follows a recent wave of large commercial deals between Russian and Syria
- On Sep. 27<sup>th</sup>, the International Grains Council (IGC) raised its forecast for total grain production in 2017-18 to 2.069 billion tonnes. The current production is forecast to be the second largest ever. The increased forecast comes despite logistical issues, currency fluctuations, and less than ideal crop weather in the southern hemisphere
- Pulse shipments to the largest pulse importer in the world, India, increased in price for Canadian producers as fumigation derogations expired. Derogations were issued for French and American exporters which expire on December 31<sup>st</sup> while Canadian derogations expired on September 30<sup>th</sup>. Without the derogation, shippers need to pay a \$15 per tonne inspection fee
- Canadian agricultural organizations have proposed amendments to the federal transportation modernization act, stressing the importance of swift passage. The nine technical amendments are intended to improve railway accountability and transparency. The call for greater transparency are a result of a 2013-14 backlog that cost Western grain growers an estimated C\$5 billion and damaged Canada's reputation, raising questions about the country's logistics. The amendments are expected to increase the amount of information available and help shippers access interchanges that make the most economical and logistical sense
- The Agricultural Retailers Association ("ARA") asked the U.S. Department of Transportation to delay the implementation of Electronic Logging Device ("ELD") rule. The ARA is concerned that many agribusinesses will not be ready to meet the Dec. 18<sup>th</sup> compliance deadline. The ELD system looks to reduce injuries while driving trucks by tracking Hours of Service compliance. The costs to implement the systems impose additional costs to an industry facing lagging commodity prices and economic losses following Hurricane Harvey and Irma

### Commodities Futures as of October 6<sup>th</sup>, 2017

| Commodities Futures     | Ticker   | Price Unit  | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|----------|-------------|---------------------|---------------|--------------|
| Corn (CBOT)             | CBOT:^C  | \$ per bu.  | \$3.50              | (7.04)%       | (1.51)%      |
| Wheat (CBOT)            | CBOT:^W  | \$ per bu.  | \$4.44              | (3.85)%       | 9.17 %       |
| Oats (CBOT)             | CBOT:^O  | \$ per bu.  | \$2.51              | (10.83)%      | 6.70 %       |
| Rough Rice (CBOT)       | CBOT:^RR | \$ per cwt. | \$11.89             | (3.92)%       | 23.74 %      |
| Barley (USDA)           | USDA:^24 | \$ per bu.  | \$4.70              | 0.00 %        | (5.05)%      |
| Rapeseed (Canola) (ICE) | ICE:^RS  | CAD per T   | \$496.70            | (0.34)%       | (0.68)%      |
| Ethanol (CBOT)          | CBOT:^ET | \$ per gal. | \$1.42              | (7.73)%       | (7.19)%      |



## Recent Earnings News

| Company                              | Last Quarter   |  |                   |                    |
|--------------------------------------|----------------|--|-------------------|--------------------|
|                                      | EPS YoY Change | Comments   | Analyst Consensus | Premium to Current |
| <b>Commodity Handling</b>            |                |  |                   |                    |
| Cargill Incorporated                 | n/a            | Revenues increased by US\$0.2 billion YoY to US\$27.3 billion. Adjusted operating earnings totaled US\$888 million, up 7% YoY, while net earnings on a GAAP basis reached \$973 million, up 14% YoY. Strong beef demand and ample supplies of cattle lifted performance for its animal nutrition and proteins segment. Proteins performance was offset by weaker performance from the origination and processing unit as global grain stocks weighed on commodity prices   | n/a               | n/a                |
| <b>Food Processing</b>               |                |  |                   |                    |
| Conagra Brands, Inc.                 | 67.6%          | Organic sales growth dropped across three categories, and overall sales declined by 4.8%. Conagra 1Q18 adjusted gross margin increased to 29.2% from 29% last year. The increase is attributed to a strong price and product mix, despite negative effects of inflation, input prices, and FX. SG&A costs decreased to 12.7% of sales compared to 13.6% in 1Q17. Overall adjusted operating profit increased by 2.2%   | US\$38.37         | 12.5%              |
| <b>Fertilizers &amp; Crop Inputs</b> |                |  |                   |                    |
| Nufarm Limited                       | 52.0%          | Revenue and EBITDA increased 11.5% and 5.4% respectively. The overall result was at the top end of management guidance. Both Australia & New Zealand and Europe sectors had stronger performance, with EBIT growing 18% and 17% respectively. North American growth was sluggish, with EBIT growing 1%. Cash flow conversion was less than expected, resulting in a large negative working capital and excess inventory at period end. The company's annual cost saving initiatives are still expected to generate A\$116 million in savings | A\$8.85           | 6.8%               |

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