



Agriculture Industry Flash

Tuesday, January 16th, 2018

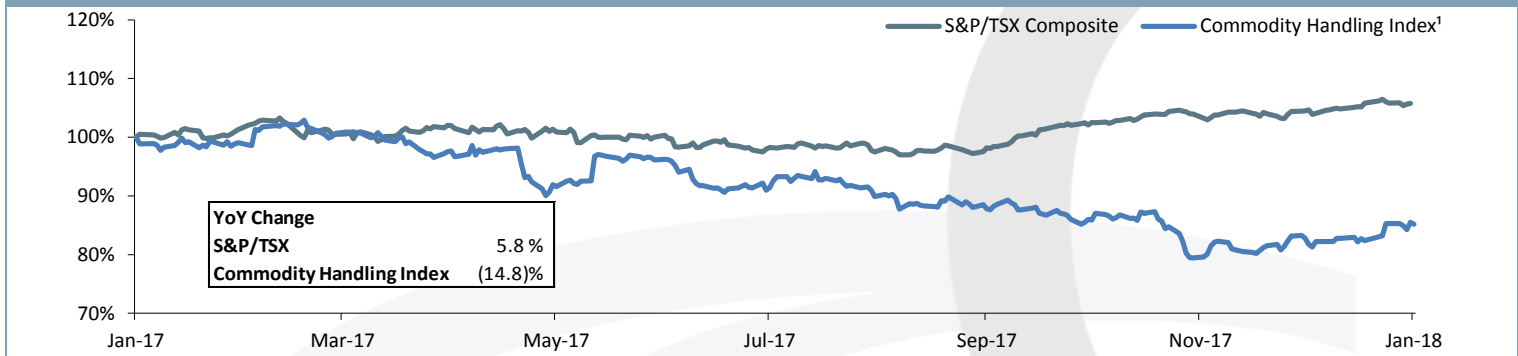


COMMODITY HANDLING

News Scan

- On Jan. 3rd, **Cargill** announced it will acquire **Pro-Pet**, an Ohio-based pet food manufacturer, for an undisclosed amount. Pro-Pet has three pet food manufacturing facilities in Kansas, Ohio and Minnesota. The acquisition will provide Cargill with increased production capacity and proximity to existing agricultural retail customers. It will also make Cargill the only national supplier of both animal feed and pet food offerings in the agricultural retail space
- On Jan. 4th, two merging cooperatives **North Central Farmers Elevator** and **Wheat Growers** announced that the newly merged cooperative will be named **Agtegra Cooperative**, and will launch on Feb. 1st. The newly formed firm will have 900 employees in North and South Dakota who will serve more than 60 communities, 7,850 member-owners and 22,600 equity holders
- On Jan. 10th, **Amaggi**, a privately-owned grain trading group owned by the family of Brazilian Agriculture Minister Blairo Maggi, announced it is in talks to acquire the Brazil based grain producer; **Companhia Agricola do Parecis**, for an undisclosed sum. The deal includes the acquisition of the Italmarati Norte farm, which consists of approximately 260,000 acres dedicated to soy, corn and cotton production

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	22,650	29,537	8.4x	8.3x	15.0x	14.1x	1.0%	(14.6)%
Bunge Limited	9,806	15,081	8.4x	8.8x	14.7x	12.5x	1.2%	(16.7)%
Graincorp Limited	1,422	1,989	7.5x	6.9x	16.4x	15.8x	(5.3)%	(25.6)%
The Andersons, Inc	919	1,346	7.0x	5.5x	19.0x	11.4x	2.0%	(21.2)%
AGT Food and Ingredients	419	886	11.5x	9.2x	19.5x	11.8x	(1.2)%	(42.3)%
Ceres Global Ag	114	182	na	na	na	na	0.6%	(12.8)%
Mean			8.6x	7.7x	16.9x	13.1x	(0.3)%	(22.2)%

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

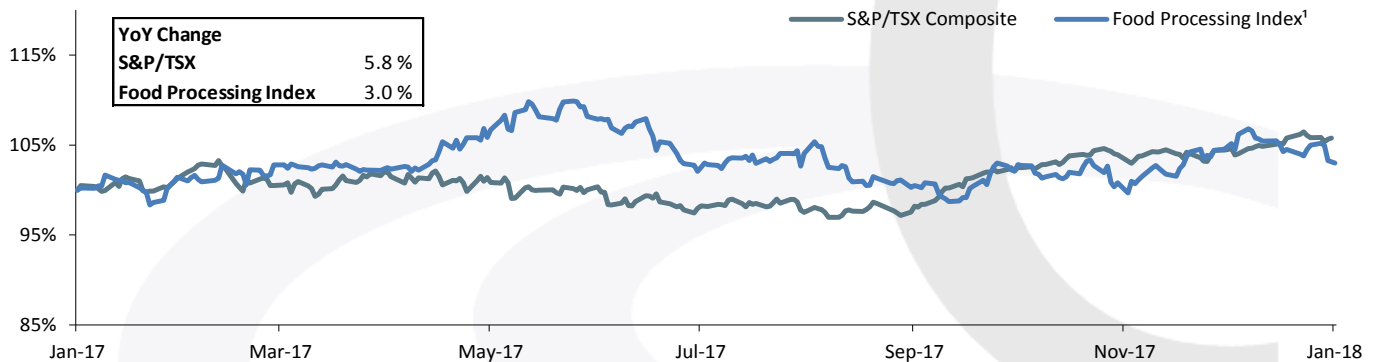


FOOD PROCESSING

News Scan

- On Jan 11th, **Ferrero** announced it is close to acquiring **Nestle's** U.S. confectionary business for approximately US \$2.8 billion. The business includes brands such as Crunch, Kit Kat, Baby Ruth and Butter Finger. Total sales last year were approximately US \$915 million
- On Jan 5th, reports indicated **Lamb Weston Holdings** is continuing to add manufacturing capacity in order to drive the company's top and bottom line. Completion of the manufacturing plant in Richland was announced in October, costing the company approximately US \$200 million. Plans to expand the manufacturing plant in Hermiston, Oregon were announced in December, with an estimated cost of US \$250 million
- On Jan. 8th, reports indicated **Hain Celestial Group**, which has informally been for-sale for approximately a year, continues to search for a buyer for its business.
- On Jan. 7th, **Molson Coors Brewing Company** announced it will acquire **Aspall Cyder Limited**, for an undisclosed amount. Molson hopes to take advantage of the recent growth in the UK industry, and make Aspall the number one premium cider in the UK as part of an ongoing strategy to further develop their portfolio
- On Jan. 9th, **Constellation Brands** announced it has purchased a minority interest in **Copper & Kings American Brandy Co.** and **The Real McCoy Spirits Co.** The former is an independent distiller of brandy, absinthe and gin products, while the latter is a maker of barrel aged rum. Financial details were not disclosed

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
		Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
George Weston Limited	11,032	25,842	6.6x	6.4x	14.9x	13.1x	(0.7)%	(14.1)%	
ConAgra Foods, Inc.	14,708	17,895	10.7x	10.3x	18.5x	17.2x	(2.2)%	(11.9)%	
Ingredion Incorporated	9,771	11,395	9.9x	9.6x	16.4x	15.5x	(3.1)%	(4.7)%	
Tate & Lyle plc	4,346	4,903	8.0x	7.9x	13.9x	13.5x	(1.5)%	(13.5)%	
Maple Leaf Foods Inc.	3,462	3,490	10.4x	9.7x	20.1x	18.0x	(3.3)%	(8.2)%	
Premium Brands	2,509	2,762	13.7x	12.3x	24.1x	19.9x	1.5%	(5.4)%	
SunOpta Inc.	698	1,280	13.1x	10.9x	nmf	29.4x	(1.9)%	(25.6)%	
Rogers Sugar	540	784	9.0x	na	11.8x	na	2.6%	(7.9)%	
Mean			10.3x	9.6x	18.0x	18.1x	(1.6)%	(11.9)%	

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.

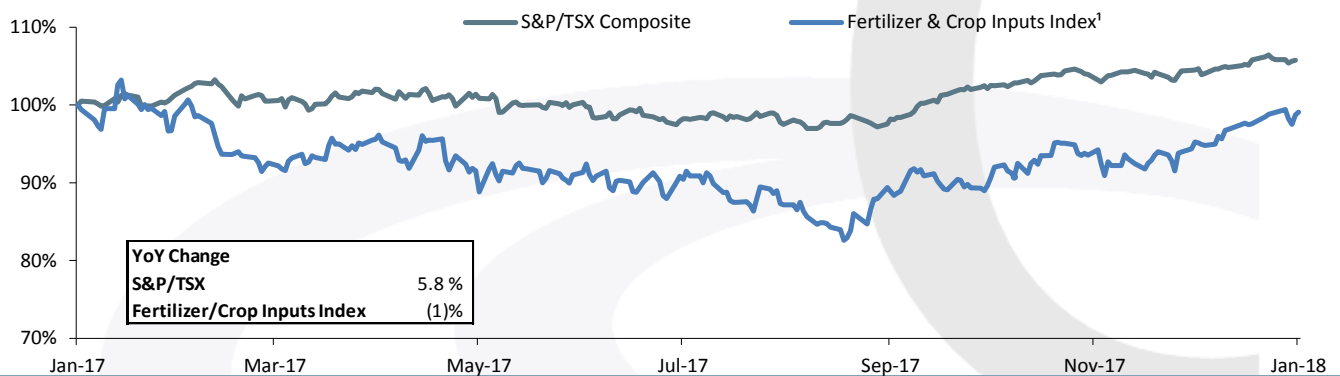


FERTILIZERS & CROP INPUTS

News Scan

- On Jan. 9th, **Vale** announced it has completed the sale of its fertilizer business to **Mosaic**, for approximately US \$1.4 billion. The transaction is part of Vale's strategy to cut debt, strengthen its balance sheet and focus on core business operations
- On Jan. 4th, Premier Brad Wall announced **Nutrien Ltd** has committed to establishing its head office in the Canadian province of Saskatchewan, thereby increasing the presence of corporate jobs in the region. Nutrien, which was formed on Jan. 2nd through the merger of Potash Corp. and Agrium, has agreed to increasing corporate office positions in Saskatchewan by 15%, to 300
- On Jan. 12th, **BCI Minerals Ltd** and **Kalium Lakes Ltd**, the owners of the **Carnegie Potash Project (CPP)** via the **Carnegie Joint Venture (CJV)**, announced that brine analysis results for the initial auger sampling programme have been completed at the project and were positive and compared favourably with other SOP exploration and development projects in the region
- On Jan. 12th, **Itafos** announced the closing of its acquisition of the Conda Phosphate Operations from **Agrium Inc.**, for an undisclosed amount. The Conda Phosphate Operations, located in Conda, Idaho, produces approximately 540,000 metric tons per year of mono-ammonium phosphate, super phosphoric acid, merchant grade phosphoric acid and specialty products. Itafos also announced the appointment of Ron Wilkinson to the company's board of directors
- On Jan. 16th, **Nutrien** announced its wholly owned subsidiary, **Potash Corp.**, is planning to sell 100% of its total stake in Israel Chemicals Ltd (ICL) for approximately US \$700 million.

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.	27,391	35,964	11.7x	10.3x	16.0x	13.2x	(3.6)%	(4.9)%
CF Industries Holdings, Inc.	10,151	17,048	13.2x	11.4x	nmf	35.7x	(0.3)%	(1.0)%
Yara International ASA	13,414	15,763	7.3x	6.1x	16.2x	12.4x	1.3 %	(1.8)%
The Mosaic Company	10,486	13,825	9.1x	7.9x	23.5x	19.7x	1.3 %	(20.8)%
Nufarm Ltd.	2,158	2,891	7.5x	6.8x	13.5x	12.9x	(3.9)%	(21.0)%
Input Capital Corp.	101	93	3.3x	na	18.5x	na	1.3 %	(30.2)%
Mean			8.7x	8.5x	17.5x	18.8x	(0.6)%	(11.4)%

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

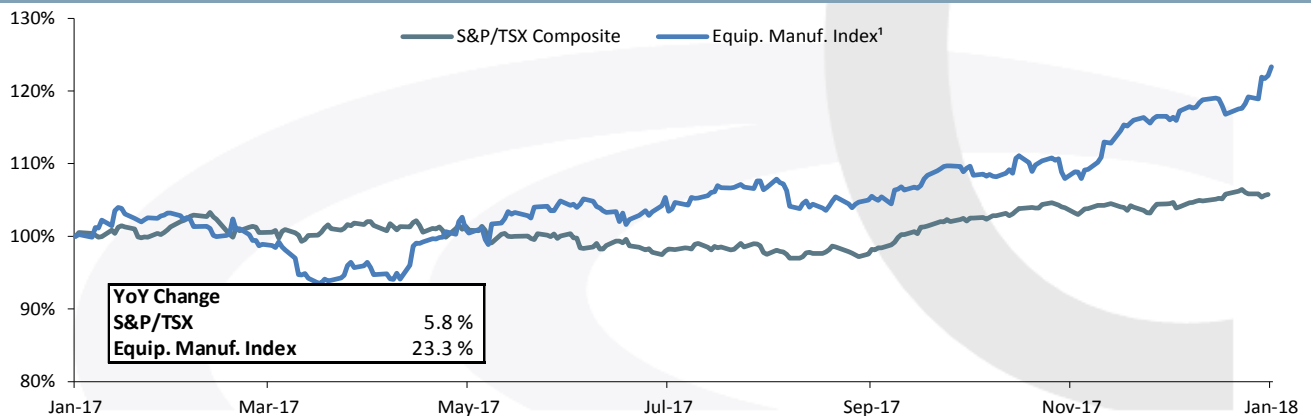


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Jan. 5th, **ATS (Alliance Tank Service) Group LLC** announced that it acquired **Willbros Tank Services** from Houston-based **Willbros Group Inc.**, for an undisclosed amount. With the acquisition, ATS will be able to offer customers expanded resources for steel tank construction and tank repair
- On Jan. 10th, **RDO Equipment Co.** announced it will acquire **Evergreen Implement**. Reports indicate John Deere dealer RDO will assume ownership of Evergreen's 5 John Deere stores located in Washington State. The acquisition will add to RDO's current portfolio that consists of 75 dealerships across 10 states, as well as several international partnerships in locations such as Russia, Ukraine and Australia
- On Jan. 11th, **Wickham Tractor Company** announced it acquired all three locations previously owned by **B&G Equipment**, including stores in Greeley, Longmont and Fort Collins, Colo. WTC will continue to carry all manufacturers previously contracted by B&G Equipment, with the addition of Can-Am
- On Jan. 4th, the **Association of Equipment Manufacturers** announced it acquired **Hargrove & Associates, Inc.**, a Minneapolis-based data processing and business analytics company, for an undisclosed amount. Hargrove & Associates has operated market data programs for AEM and other major trade associations for nearly 30 years. Both organizations believe the acquisition represents an opportunity to develop their relationship and the statistics platform, which AEM plans to build upon to better meet the needs of its membership

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	2018E	2019E	2018E	2019E		
Deere & Company	54,615	53,438	16.8x	15.8x	29.4x	27.6x	5.6 %	(0.8)%
AGCO Corp	5,895	7,904	9.9x	8.8x	20.0x	16.7x	2.2 %	(2.4)%
Ag Growth International Inc.	758	1,174	10.4x	9.4x	18.6x	15.8x	6.6 %	(2.6)%
Rocky Mountain Dealerships	217	449	12.4x	10.9x	10.5x	8.9x	(0.7)%	(3.0)%
Cervus Equipment Corporation	188	350	8.0x	7.7x	10.1x	9.2x	(1.0)%	(5.2)%
Mean			11.5x	10.5x	17.7x	15.6x	2.5 %	(2.8)%

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

- According to the E.U. Agricultural Outlook report released at the end of December, E.U. cereal production is expected to continue growing, reaching 341 million tonnes by 2030. The growth in projected production is largely driven by demand for feed, good export prospects and increasing use of cereals in industry
- On Dec. 28th, a report from the Foreign Agricultural Service of the U.S. Department of Agriculture (USDA) stated several factors could lead to increased market competition for U.S. wheat product exports to Japan. Two major factors that could impact trade are a free trade agreement between Japan and the EU, and the pending Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Japan only produces about 10% of the food wheat that it consumes, and imported \$1.4 billion of wheat from the U.S. in 2016
- On Jan 10th, a report from Reuters stated that a new U.S. tax law could make it more difficult for the United States' biggest grain traders to source grains and oilseeds. The provision in the tax law, which was passed in December, gives farmers a 20% tax deduction for selling their crops to agricultural cooperatives. There is no comparable provision for farmers doing the same business with private or investor-owned companies, putting them at a disadvantage
- On Jan. 10th, the World Trade Organization announced that Canada launched a wide-ranging trade complaint against the United States. The complaint challenged Washington's use of anti-dumping and anti-subsidy duties, based on approximately 200 examples of alleged wrong doing with most of them concerning other trading partners such as China, India, Brazil and the E.U. U.S. trade representative Robert Lighthizer said in a statement "Canada's new request for consultations at the WTO is a broad and ill-advised attack on the U.S. trade remedies system." Lighthizer added "Even if Canada succeeded on these groundless claims, other countries would primarily benefit, not Canada."
- On Jan. 11th, Agriculture Canada released the latest version of its Canadian Drought Monitor map, which showed conditions as of Dec. 31st ranging from "abnormally dry" to "extreme drought" across a large portion of Western Canada's most productive farmland. Agriculture Canada precipitation maps show the vast majority of farmland in Alberta, Saskatchewan and Manitoba received approximately half of the average precipitation expected in November and December
- On Jan. 15th, reports indicated the grain harvest in Brazil may reach 227.9 million tonnes in 2017-18, which would be 4.1% lower than the previous year. Although, if realized, planted area is expected to increase 1%. Soybean and maize output, which account for nearly 90% of grain production in Brazil, is expected to fall by 3.2% and 5.6% respectively

Commodities Futures as of January 12th, 2017

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.46	(1.98)%	(1.98)%
Wheat (CBOT)	\$ per bu.	\$4.21	(3.00)%	(3.00)%
Oats (CBOT)	\$ per bu.	\$2.50	2.89 %	2.89 %
Rough Rice (CBOT)	\$ per cwt.	\$11.81	0.30 %	0.30 %
Barley (USDA)	\$ per bu.	\$4.85	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	CAD per T	\$493.00	0.45 %	0.45 %
Ethanol (CBOT)	\$ per gal.	\$1.36	(0.59)%	(0.59)%



Recent Earnings News

Company	Last Quarter			
	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
CHS Inc.	(13.9%)	Revenues for the first quarter were \$8 billion, the same as 2017. Pretax income totaled \$199.6 million for the first quarter of 2018, which compared with \$225.6 million a year ago. EBT for the Ag segment was down 32% reflecting lower grain volumes and associated margins	N/A	N/A
Food Processing				
Conagra Brands, Inc.	169.8%	Sales rose 2.1% to \$4.2 billion, with organic operations up 1%, during its second quarter. The cereal and snack maker posted growth in all four operating segments, including its North American division	US\$41.33	12.6%

Origin Merchant Partners

220 Bay Street, Suite 1500
 P.O. Box 23
 Toronto, Ontario
 M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk@originmerchant.com