



Agriculture Industry Flash

Tuesday, March 27th, 2018

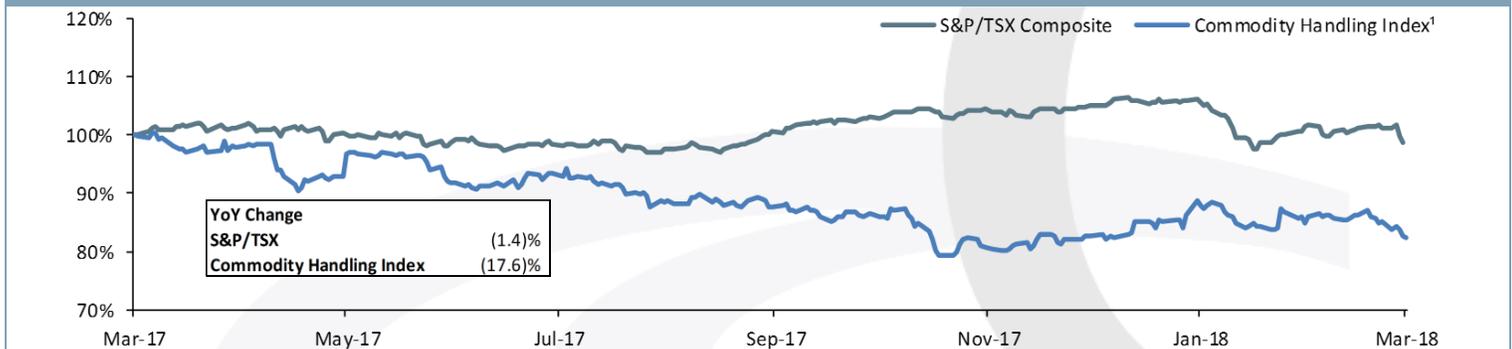


COMMODITY HANDLING

News Scan

- On Mar. 19th, **Archer Daniels Midland Co.** announced the realignment of its business segments across four units, Carbohydrate Solutions, Nutrition, Oilseeds and Origination. ADM stated the new segments better reflect the company's operating structure and will enable it to further highlight the differentiation of its product and service offerings, while enhancing its ability to respond to the evolving needs of customers
- On Mar. 22nd, **Cargill, Inc.** announced it reached an agreement to sell its grain and crop inputs retail assets in Ontario to **La Coop fédérée**, a Quebec-based agri-food cooperative, for an undisclosed amount. The sale comprises a combined 13 grain assets and crop inputs retail assets, and Cargill's 50% share of South West Ag Partners, a joint venture that includes 9 grain and crop inputs facilities in Ontario
- On Mar. 20th, **G3 Canada Ltd.** announced it plans to build two new facilities, including elevators in Wetaskiwin, Alberta and Maidstone, Saskatchewan which will both have 42,000 tonnes of capacity. The Maidstone elevator will be located on CN Rail, while the Wetaskiwin site will be on CP Rail. Both elevators are well placed to supply the G3 Terminal in Vancouver when the grain export terminal becomes operational in 2020

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	2019E
ADM	23,499	30,560	9.2x	9.2x	14.9x	13.7x	(2.3)%	(11.4)%
Bunge Limited	10,204	14,418	8.6x	7.6x	18.0x	14.4x	(0.2)%	(13.4)%
Graincorp Limited	1,452	2,007	9.4x	7.6x	28.3x	17.9x	2.8%	(22.1)%
The Andersons, Inc	913	1,403	7.1x	6.3x	16.3x	13.0x	(6.6)%	(20.6)%
AGT Food and Ingredients	300	786	13.5x	9.5x	17.4x	9.8x	(1.7)%	(53.2)%
Ceres Global Ag	102	136	na	na	na	na	(0.4)%	(20.1)%
Mean			9.6x	8.0x	19.0x	13.8x	(1.4)%	(23.4)%

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



FOOD PROCESSING

News Scan

- On Mar. 15th, **Premium Brands Holdings Corp.** announced it will acquire **Concord Premium Meats Ltd.**, **The Meat Factory Ltd.**, **Country Prime Meats Ltd.** and **Frandon Seafoods Inc.** for a combined purchase price of C\$227 million. The total annual sales for all the businesses are approximately C\$266.5 million, and each transaction is expected to be accretive to the company's 2018 earnings
- On Mar. 21st, **Tyson Foods, Inc.** announced it entered into an agreement to sell its **Circle Foods LLC** operations to Japanese food producer, **Ajinomoto Co. Inc.**, for an undisclosed amount. Founded in 1983 and based in San Diego, Circle Foods produces and distributes flatbreads, tortillas and Mexican food products under the TortillaLand, Nuevo Grille and Rotiland brands. The business will join Ajinomoto's US subsidiary, Ajinomoto Windsor, once the transaction is complete
- On Mar. 20th, **HelloFresh SE** announced it acquired **Green Chef**, the USDA-certified organic meal kit company, for an undisclosed amount. Through the addition of Green Chef's organic vegan and gluten-free menus, HelloFresh will now offer the largest selection of meal plans for consumers. The acquisition is expected to drive synergies for operations, logistics and procurement, while allowing HelloFresh to grow its 1.45 million active customer base
- On Mar. 21st, **China Resources Beer Co Ltd.** announced it will consider cooperation and acquisition opportunities that can help boost its strategy in developing mid to high-end beer products. The company did not comment on the rumours regarding its proposed takeover of **Heineken NV**

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	2019E	Price	52Wk High
George Weston Limited	10,043	23,627	6.2x	6.1x	14.0x	12.7x	(3.1)%	(19.6)%
ConAgra Foods, Inc.	14,223	17,806	11.7x	11.2x	16.6x	15.8x	(2.3)%	(14.8)%
Ingredion Incorporated	9,155	10,610	9.2x	8.8x	15.3x	14.2x	(3.9)%	(13.4)%
Tate & Lyle plc	3,492	4,054	6.5x	6.5x	11.1x	10.9x	(3.2)%	(33.2)%
Maple Leaf Foods Inc.	3,074	2,999	9.3x	8.6x	18.8x	16.6x	(1.0)%	(16.3)%
Premium Brands	2,767	3,374	16.8x	14.9x	26.5x	22.1x	5.1%	(0.5)%
SunOpta Inc.	612	1,172	13.2x	11.1x	nmf	42.4x	(5.6)%	(33.1)%
Rogers Sugar	514	775	9.1x	8.9x	11.4x	11.1x	0.3%	(9.9)%
Mean			10.4x	9.6x	17.0x	19.3x	(2.0)%	(18.7)%

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.

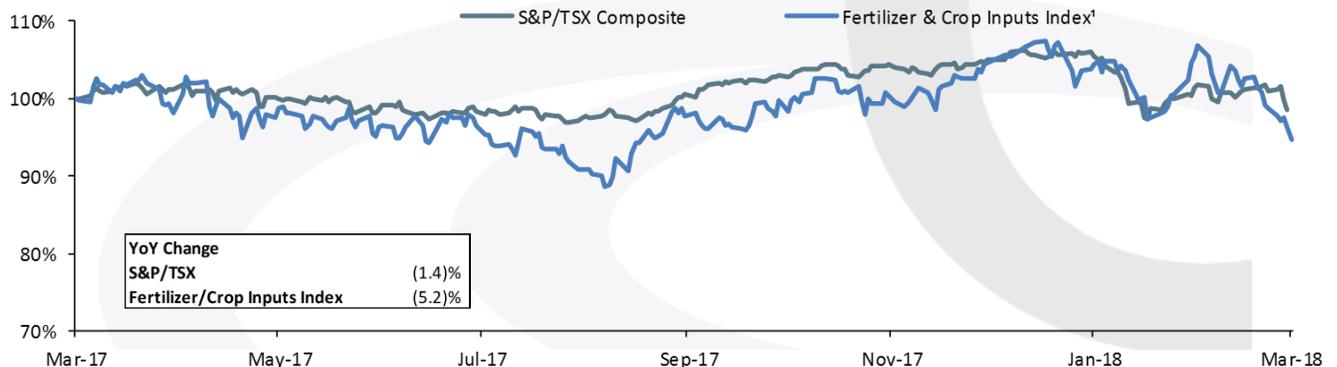


FERTILIZERS & CROP INPUTS

News Scan

- On Mar. 21st, **Bayer** announced the European Commission conditionally approved the company's proposed US\$62.5 billion acquisition of **Monsanto Co.** Bayer has now received approvals from substantially more than half of the 30 or so regulatory authorities for the transaction, including those in Brazil and China
- On Mar. 16th, **Nufarm Limited** completed the previously announced acquisition of a portfolio of crop protection products from **Adama Agricultural Solutions Ltd.**, **Syngenta Crop Protection AG** and a related group of companies for approximately AUD\$690 million. The portfolio includes established brands with more than 50 crop protection formulations and more than 260 registrations for use in European markets
- On Mar. 14th, **Yara International** announced it opened a new fertilizer plant in Brazil, in order to increase its presence in the rapidly growing agricultural market in the country. Yara invested approximately US\$30.7 million in the plant, which will produce foliar fertilizer for crops including soybeans and corn. To date, Yara has invested more than US\$3 billion in acquisitions and modernization projects in Brazil
- On Mar. 22nd, **Arianne Phosphate**, a development-stage phosphate mining company that is advancing the Lac à Paul project in Quebec's Saguenay-Lac-Saint-Jean region, announced it received a C\$1.4 million investment from the Government of Quebec by way of private placement. This represents the second investment that Arianne has received from the Government, and the proceeds will be used to further advance the Lac à Paul 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.	23,562	30,855	10.7x	9.4x	16.1x	12.5x	(6.8)%	(13.6)%
CF Industries Holdings, Inc.	8,613	15,599	10.8x	9.4x	36.6x	21.3x	(3.7)%	(16.5)%
Yara International ASA	11,327	14,125	6.4x	5.4x	14.5x	10.6x	(2.3)%	(19.2)%
The Mosaic Company	9,346	12,503	6.9x	6.2x	18.8x	14.9x	(7.0)%	(23.9)%
Nufarm Ltd.	2,242	2,961	7.7x	6.7x	14.3x	13.7x	2.2 %	(16.9)%
Input Capital Corp.	84	62	na	na	na	na	(10.0)%	(40.0)%
Mean			8.5x	7.4x	20.1x	14.6x	(4.0)%	(18.6)%

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

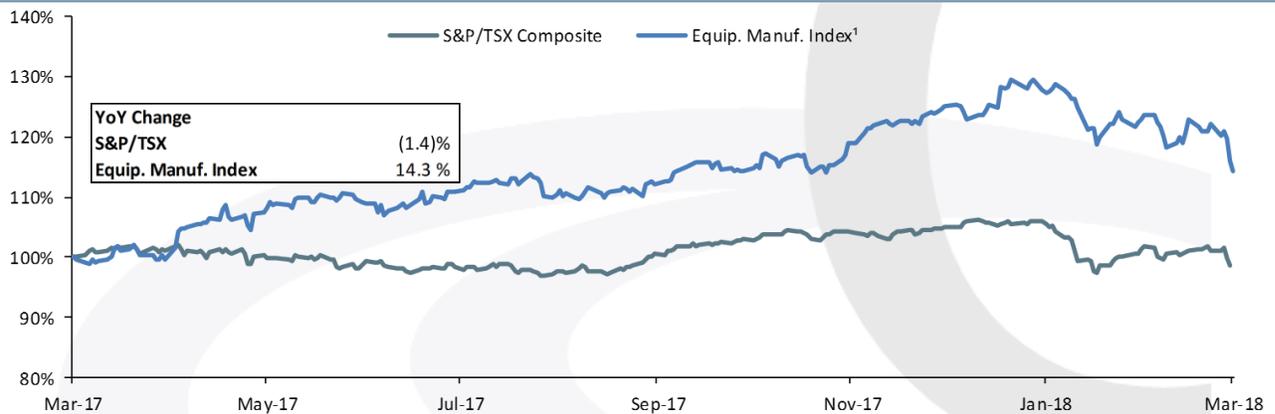


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Mar. 16th, reports indicated **Walmart Inc.** is applying for six patents for drones that would be used to automate farming, prevent damage to crops, control pest attacks on farms and cross-pollinate plants. As part of a sustainability push in recent years, Walmart has also been working with suppliers to reduce the amount of fertilizer used to grow crops and minimize environment damage
- On Mar. 19th, **Cervus Equipment Corp.** completed the sale of its construction dealership group to **Calmont Equipment Ltd.**, for an undisclosed amount. The construction group is composed of four dealerships in Edmonton, Calgary, Red Deer and Fort McMurray, Alberta, with all four locations representing the Bobcat, CMI and JCB brands. Cervus' decision to sell the construction dealerships comes as part of the company's strategy to focus on growth of its agriculture, transportation and material handling operations
- On Mar. 15th, **Canadian National Railway** released its grain transportation plan to Federal Transport Minister Marc Garneau and Agriculture Minister Lawrence MacAulay, as per the ministers' requests. Immediate actions include temporarily restricting flow between Edmonton and Winnipeg by controlling the flow of empty rail cars into Western Canada, managing frack sand orders to avoid further congestion and returning empty propane cars from short-term staging locations in a controlled way

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	2019E	Price	52Wk High
Deere & Company	47,842	52,656	16.3x	15.4x	25.7x	24.1x	(9.7)%	(15.6)%
AGCO Corp	4,950	6,516	7.9x	7.3x	16.8x	13.8x	(7.8)%	(18.1)%
Ag Growth International Inc.	711	1,136	10.3x	9.3x	18.7x	15.3x	(5.2)%	(14.6)%
Rocky Mountain Dealerships	192	444	12.3x	11.2x	9.3x	8.0x	(2.0)%	(13.2)%
Cervus Equipment Corporation	172	308	6.8x	6.3x	9.6x	8.7x	(2.2)%	(11.0)%
Mean			10.7x	9.9x	16.0x	13.9x	(5.4)%	(14.5)%

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 Mar. 22nd, US President **Donald Trump** announced plans to impose tariffs on as much as US\$60 billion worth of Chinese goods, primarily targeting products in the technology sector. Following the announcement, financial markets plunged on fears of a potential trade war between the world's two largest economies, with the Standard & Poor's 500-stock index dropping by 2.5 percent
- On Mar. 23rd, **China's Ministry of Commerce** announced it would impose tariffs on US\$3 billion worth of American-produced fruit, pork, wine, seamless steel pipes, and more than 100 other products. The announcement comes as part of the country's response to the Trump administration's Mar. 22nd announcement that it would impose tariffs on Chinese goods
- On Mar. 20th, reports indicated Brazilian farmers are placing an unprecedented emphasis on maximizing yields and shifting spending to their own farms. A direct consequence of more on-farm investments is yields reaching 100 (60-kg) bags per hectare on irrigated areas, or almost twice the country's average in the last crop season, around 56 bags
- On Mar. 19th, **The Panama Canal Authority**, an autonomous agency of the government of Panama in charge of managing, operating and maintaining the Panama Canal, reached an agreement with the **Association of Soybean and Corn Producers of Mato Grosso** (Aprosoja) that will promote the Panama Canal's position as a route for grain shipments traveling from northern Brazil to ports accessed in the Pacific Ocean. The agreement will allow the Panama Canal and Aprosoja to conduct joint marketing activities and exchange market studies and information on trade flows to support modernization and improvement programs
- On Mar. 14th, reports indicated US lawmakers reached an agreement to revise a portion of the new tax law that gave farmers an incentive to sell crops to cooperatives, but not private or investor-owned grain handlers. The provision, Section 199A, gave farmers a 20% deduction on payments for sales to farmer-owned cooperatives. The new agreement will restore the competitive landscape of the marketplace as it existed in December 2017, so that the tax code does not provide an incentive for farmers to do business with cooperatives or private/independent firms
- On Mar. 21st, reports indicated area seeded to canola in Canada exceeded area seeded to wheat for the first time in 2017-18, as strong canola returns continued to extend crop rotation decisions and draw area from wheat and other grains into canola. Canola production in 2017-18 increased 9% to 21.3 million tonnes, primarily from increased area seeded and improved yields in Manitoba
- On Mar. 12th, reports indicated Argentina soy crops may have been scorched beyond return, due to a four-month drought that shows no signs of abating. The dryness that has blighted the Argentine Pampas since mid-November has forced producers to repeatedly slash their estimates for the 2017-18 crop. Experts indicated the light rains that are forecast for the days ahead will not be enough to restore soy or corn crops, but they may improve planting conditions for wheat, which starts being sowed in May
- On Mar. 16th, reports indicated US corn export sales are on record pace, averaging 1.8 million tonnes in the last nine weeks. In the week ended March 8, sales topped 2.5 million tonnes, reaching a marketing year high for 2017-18. That's 35% higher than the previous week and 41% higher than the prior 4-week average
- On Mar. 13th, Russian President **Vladimir Putin** expressed his intention to make Russia a leader in the world's agro-industrial market, with plans for the nation to be a net exporter of food in four years. This will require modern infrastructure and logistics, rail transport debottlenecking and capacity growth, Putin said during a plenary session of the All-Russian **Forum of Agricultural Producers**

Commodities Futures as of March 23rd, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.77	(2.33)%	6.79 %
Wheat (CBOT)	\$ per bu.	\$4.60	(10.72)%	6.17 %
Oats (CBOT)	\$ per bu.	\$2.26	(17.28)%	(6.70)%
Rough Rice (CBOT)	\$ per cwt.	\$12.36	(1.12)%	4.97 %
Rapeseed (Canola) (ICE)	CAD per T	\$520.60	(0.88)%	6.07 %
Ethanol (CBOT)	\$ per gal.	\$1.47	(1.74)%	7.47 %



Recent Earnings News

Company	Last Quarter			
	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
AGT Food and Ingredients Inc.	nmf	Adjusted net earnings per share for the year was C\$0.15, compared to C\$1.98 last year. Performance was negatively impacted by global events such as the India import tariff, and affected margins in the pulse and grain processing segment as well as the bulk handling and distribution segment	C\$19.56	22.8%
Food Processing				
Premium Brands Holdings Corporation	(15.1%)	Record fourth quarter adjusted EBITDA of \$47.3 million representing a 3.7% Y/Y increase. For the year, sales increased by 18.3% to \$2.2 billion and adjusted EBITDA increased by 22.9% to \$190.2 million, partly driven by recent acquisitions	C\$115.83	0.8%
Equipment Manufactures				
Ag Growth International Inc.	nmf	Farm trade sales and commercial trade sales increased 47% and 29% respectively Y/Y, while adjusted EBITDA increased 23% to C\$123.3 million. Record sales and adjusted EBITDA were driven by contributions from acquisitions made in 2016 and 2017	C\$65.75	27.0%
Cervus Equipment Corporation	(55.8%)	Net income for the year decreased 15.3% to US\$19.9 million, while generating 10% more revenue and reducing SG&A as a percentage of revenue. Adjusted income before tax increased \$10 million for the year, due to record equipment sales in the Agricultural segment and operational efficiencies in the C&I segment	C\$16.96	20.3%
Rocky Mountain Dealerships Inc.	75.1%	Adjusted EBITDA for the quarter increased 56%, due to stronger margins and lower finance costs from reduced leverage. Total sales decreased 4.2% Y/Y, due to lower used equipment sales that were partially offset by an increase in new equipment, parts, and service revenues	C\$15.67	25.8%

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