



Agriculture Industry Flash

Wednesday, May 23rd, 2018

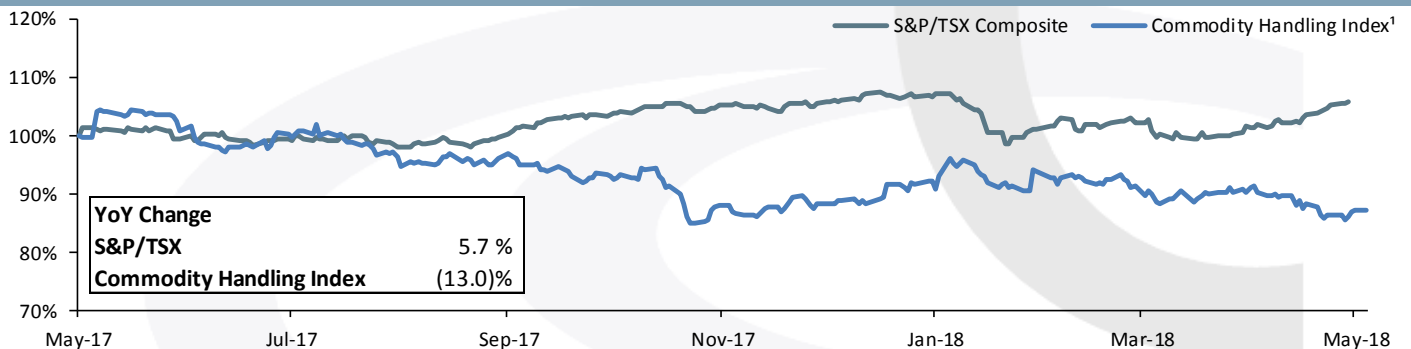


COMMODITY HANDLING

News Scan

- On May 18th, **The Mennel Milling Co.** entered into a tentative agreement to acquire the assets of **Keynes Brothers Inc.** for an undisclosed amount. The acquisition will expand its footprint in Southern Ohio. Assets include the addition of a flour mill, three country elevators, and much of the Logan-based company's transportation division
- On May 16th, **Savage Companies** and **Bartlett and Company** have announced an agreement in which **Bartlett Grain Co.** and **Bartlett Milling Co.** will merge with Savage. The business will be renamed **Savage Enterprises**, with the grain and milling businesses continuing to operate under the Bartlett name. The new venture will be a leading single-source provider of a broad range of supply chain and industrial services
- On May 15th, **Bunge Limited** announced the filing of a registration request with the **Brazilian Securities Commission** for a potential IPO of **Bunge Açúcar & Bionergia**, Bunge's sugar milling business in Brazil. Its Brazilian business owns and operates eight mills with 22 million metric tons of annual crushing capacity. Following the IPO, Bunge would be the majority shareholder. Valuation details have not yet been disclosed
- On May 8th, **Landus Cooperative** signed an agreement to purchase the Manilla, Iowa, grain facility of **Archer Daniels Midland Company** for an undisclosed amount. With the purchase, Landus will gain over 2.3 million bushels (bus) of grain storage capacity, including 775,000 bus of upright storage, more than 1.5 million bus of bunker storage and 32,000 bus per hour of receiving capacity
- On May 7th, **Archer Daniels Midland Company** opened its new, high-tech pet food and livestock premix facility in Effingham, Illinois. The facility features advanced automation, multiple batching systems, and a bar coding system

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	25,174	32,273	8.6x	8.2x	14.7x	14.0x	1.7 %	(2.3)%
Bunge Limited	9,815	14,021	7.0x	6.8x	12.7x	12.4x	(1.6)%	(16.5)%
Graincorp Limited	1,357	1,896	9.6x	8.0x	30.8x	18.0x	(0.1)%	(25.6)%
The Andersons, Inc	912	1,402	7.3x	6.3x	16.9x	13.0x	4.8 %	(13.8)%
AGT Food and Ingredients	316	802	13.7x	9.8x	26.5x	12.8x	0.5 %	(42.0)%
Ceres Global Ag	87	121	na	na	na	na	0.0 %	(26.5)%
Mean			9.2x	7.8x	20.3x	14.0x	0.9 %	(21.1)%

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

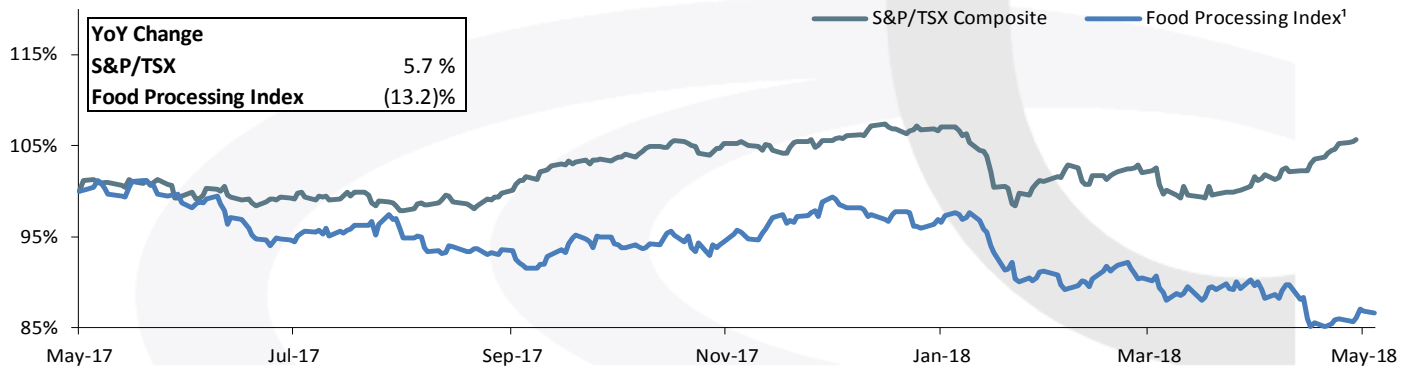


FOOD PROCESSING

News Scan

- On May 15th, **Tyson Foods Inc.** announced that it had acquired the poultry rendering and blending assets of **American Protein Inc.** for US\$850 million. The assets will enable Tyson to utilize more animal by-products in feed and pet food as it is facing higher feed costs in its meat processing business due to rising prices of soybeans and corn
- On May 14th, **Dawn Food Products** announced that it had reached an agreement to acquire **Lakeside Bakery Supplies**, a California based wholesale bakery distributor, for an undisclosed amount. Dawn acquired Lakeside to help expand the company's reach across southern California
- On May 11th, it was reported that **Tyson Foods Inc.**, **Cargill Inc.** and **Fosum International** are interested in acquiring **Keystone Foods**, a global food services company. It was reported that **Mafrig Global Foods SA** plans to sell Keystone to help raise over US\$3 billion to pay down debts and acquire a controlling share in **National Beef Packaging**
- On May 7th, **Mondelez International** announced that it had reached an agreement with private equity firm **The Riverside Co.** to acquire **Tate's Bake Shop**, a fast-growing premium cookie and baked goods brand, for US\$500 million. Tate's was one of the fastest growing cookie companies in America over the last few years and its sales quadrupled over the previous 5 years
- On May 7th, **OSI International Foods** and **Turi Foods** announced that they had completed a 50/50 merger to form **Turosi Ply Ltd.** The merger will combine Turi's expertise in Australian poultry farming and processing with OSI's scale and reach in Australian manufacturing and poultry selling market to provide a full range of food solutions to the marketplace

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	10,380	23,974	6.4x	6.3x	14.5x	13.6x	0.2 %	(15.6)%
ConAgra Foods, Inc.	14,726	18,500	12.1x	11.7x	16.6x	15.6x	(2.2)%	(8.3)%
Ingredion Incorporated	8,163	9,583	8.7x	8.2x	14.2x	13.2x	1.1 %	(22.7)%
Tate & Lyle plc	3,741	4,283	7.3x	7.3x	12.6x	12.4x	(0.5)%	(24.9)%
Premium Brands	2,861	3,476	15.9x	13.4x	28.4x	22.4x	0.3 %	(4.0)%
Maple Leaf Foods Inc.	2,866	2,782	9.1x	8.3x	19.3x	16.6x	1.0 %	(21.4)%
SunOpta Inc.	672	1,235	16.0x	11.5x	neg	45.7x	8.7 %	(26.8)%
Rogers Sugar	439	699	8.7x	8.5x	11.9x	10.8x	(1.3)%	(23.1)%
Mean			10.8x	9.5x	17.6x	19.9x	1.2 %	(17.7)%

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.

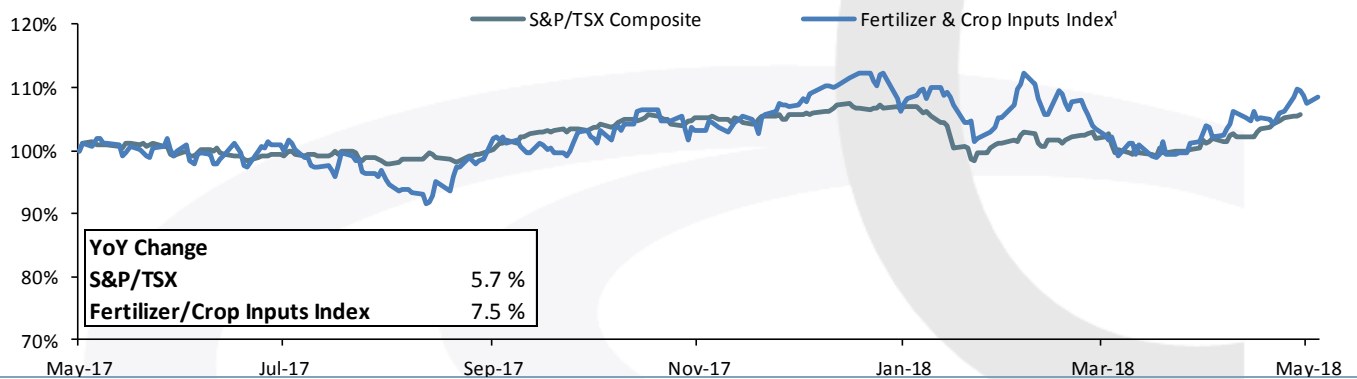


FERTILIZERS & CROP INPUTS

News Scan

- On May 17th, **Nutrien Inc.** announced its sale of its partial stake in **Sociedad Quimica y Minera de Chile S.A.**, a Chilean lithium and nutrient producer, to **Tianqi Lithium Corp.** for approximately C\$5.2 billion. The sale of Nutrien's interest in the lithium producer will improve its balance sheet flexibility and liquidity
- On May 16th, **Yara International ASA** announced it closed its acquisition of the **Vale Cubatão Fertilizantes** complex for US\$255 million, to strengthen its integrated position in Brazil. The Cubatão asset is a nitrogen and phosphate complex with an annual production capacity of approximately 200 kilotons of ammonia, 500 kilotons of nitrates and 700 kilotons of phosphate fertilizer
- On May 18th, **Yara International ASA** announced a potential US dollar bond offering, with the amount still subject to market conditions. Yara intends to use the proceeds for general corporate purposes
- On May 17th, **Acron Group** announced it established its new subsidiary in Brazil, **Acron Brasil Ltda.**, to further penetrate the Brazilian market through the sale of its own and third-party products, including ammonium nitrate and NPK
- On May 14th, **Mosaic Company** announced it will move its headquarters from Plymouth, Minnesota to Hillsborough County, Florida in order to be within closer proximity to **Mosaic Fertilizantes**, its recently acquired Brazilian segment, as well as to amplify Mosaic's business in Central Florida, and to generate significant long-term cost savings

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		
Nutrien Ltd.	25,365	32,673	11.6x	10.0x	22.4x	17.4x	6.1 %	(5.3)%
CF Industries Holdings, Inc.	9,649	16,639	12.2x	10.2x	41.4x	25.2x	6.5 %	(6.5)%
Yara International ASA	11,618	14,777	8.0x	6.2x	2.2x	1.5x	3.3 %	(13.2)%
The Mosaic Company	10,757	13,923	7.1x	6.6x	19.4x	16.2x	6.5 %	(3.2)%
Nufarm Ltd.	2,331	2,933	7.9x	6.9x	17.0x	15.4x	2.4 %	(8.5)%
Input Capital Corp.	83	61	na	na	na	na	(14.2)%	(40.7)%
Mean			9.4x	8.0x	20.5x	15.1x	1.5 %	(11.0)%

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

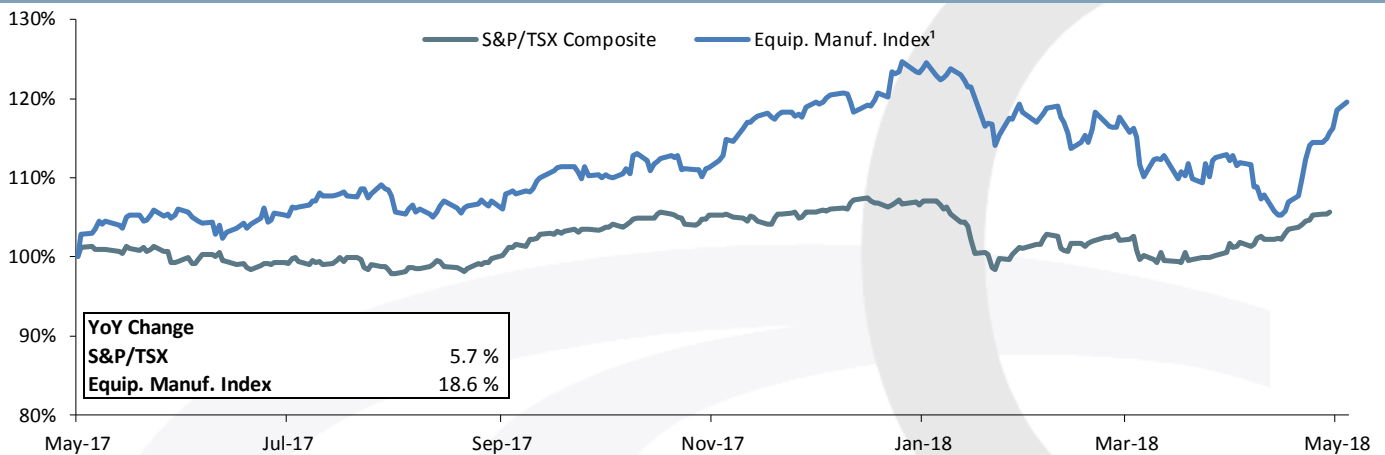


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On May 18th, **Deere & Company** announced that it is planning on raising tractor and combine prices as a result of rising costs of freight and raw materials. The rise in costs is due to industry-wide headwinds including a shortage of big-rig drivers and increasing fuel prices as well as an increase in steel and aluminum prices. Its cost of sales rose by 35% over the past quarter and is expected to continue to rise
- On May 14th, **McCoy Group Inc.** acquired 7 stores in the Midwest region from **Nortrax**, a subsidiary of **Deere & Company**, for an undisclosed amount. Nortrax will still operate its remaining 38 Deere construction and forestry dealerships that it has throughout the U.S. and Canada

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Deere & Company	50,268	55,171	17.2x	16.2x	27.0x	25.3x	7.5 %	(9.7)%
AGCO Corp	5,346	6,931	8.2x	7.3x	17.6x	14.1x	5.7 %	(10.4)%
Ag Growth International Inc.	749	1,174	10.4x	9.4x	18.8x	16.1x	1.4 %	(3.4)%
Rocky Mountain Dealerships	175	425	12.5x	11.2x	8.9x	7.7x	(1.3)%	(21.1)%
Cervus Equipment Corporation	183	319	7.0x	6.5x	9.9x	8.9x	2.7 %	(5.4)%
Mean			11.0x	10.1x	16.4x	14.4x	3.2 %	(10.0)%

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 May 8th, Trump confirmed that he will approve year-round sales of 15% ethanol fuels without a Renewable Identification Number cap. The U.S. Grains Council is concerned that any move that would relate RINs to exporting ethanol could be severely detrimental to the competitiveness of ethanol exports and would harm the U.S. grains industry
- On May 11th, Canada’s Minister of Agriculture and Agri-Food, Lawrence MacAulay, announced that he is headed to China on a week-long trade mission to showcase Canada’s agri-food and seafood and boost Canadian agricultural exports. MacAulay is expected to hold meetings with leading Chinese companies such as e-commerce giant [Alibaba](#), [HeMa](#), and [GFresh](#) to discuss opportunities for Canadian food products
- On May 18th, China’s Ministry of Commerce lessened trade tensions with the U.S. with an announcement that it was removing sanctions against U.S. sorghum. China terminated the anti-dumping and countervailing duty investigation and it is returning the deposit collected on U.S. sorghum imports
- On May 19th, the U.S. and China subsequently issued a joint statement, in which both nations have agreed to reduce the U.S. trade deficit with China. American beef, corn, and soybean exports are expected to benefit most from the agreement. Along with the announcement, the countries have halted import tariffs against each other
- On May 18th, the [Canadian Agricultural Partnership](#), a five-year C\$3.0 billion cost-shared investment for local agricultural initiatives, announced it is to commit C\$5.6 million towards the Northwest Territories agriculture development with the official launch of the new federal-territorial agreement
- Environment Canada forecasts another drought for large portions of the Prairies. Eastern Saskatchewan and southern Manitoba are expected to be parched for the longest period
- Recent reports state that rice consumption per person has tumbled by two-thirds over 50 years in Taiwan. Factors such as urbanization, rising incomes, climate changes and concerns about health and food supplies have driven a push for “smart crops” and “super foods” to replace rice on plates in Asia - where about 90 per cent of global rice production and consumption occurs

Commodities Futures as of May 18th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$4.03	2.74 %	9.97 %
Wheat (CBOT)	\$ per bu.	\$5.18	5.93 %	21.83 %
Oats (CBOT)	\$ per bu.	\$2.42	2.54 %	2.54 %
Rough Rice (CBOT)	\$ per cwt.	\$12.33	(6.45)%	13.23 %
Rapeseed (Canola) (ICE)	CAD per T	\$532.40	1.02 %	2.13 %
Ethanol (CBOT)	\$ per gal.	\$1.48	(1.26)%	1.37 %



Recent Earnings News

Company	EPS YoY Change	Last Quarter		
		Comments	Analyst Consensus	Premium to Current
Commodity Handling				
GrainCorp Limited	(60.1%)	EBITDA decreased from US\$236 million in HY17 to US\$119 million last quarter. This decline was mostly attributed to the significant reduction in crop production in eastern Australia, which is approximately 40% below last year's harvest.	US\$6.12	(22.1%)
AGT Food and Ingredients Inc.	7.4%	Adjusted EDITDA was C\$16.1 million for the quarter compared to C\$15.6 million for the previous quarter. This increase was partially attributed to the food ingredients and packaged foods segment balancing the pulses and grains business affected by industry-wide demand constraints.	C\$19.17	14.2%
Food Processing				
George Weston Limited	67.4%	Sales decreased marginally by 0.5% last quarter from Q1 2017 as a result of weaker than expected market conditions hampering prices.	C\$119.88	14.8%
Premium Brands Holdings Corporation	16.0%	Record revenue of C\$584.9 million last quarter, which was a 22.3% increase from Q1 2017. Adjusted earnings of C\$0.50 per share last quarter compared to C\$0.53 per share in Q1 2017, which was primarily due to the seasonality of recently acquired businesses.	C\$132.30	12.3%
SunOpta Inc.	54.4%	Revenue for last quarter was C\$312.7 million, which was a 5.3% decrease compared to C\$330.0 million in Q1 of 2017. The decrease can be primarily attributed to the 17.1% decrease in sales of frozen fruit due to constraints in consumer demand.	US\$10.33	34.2%
Fertilizers & Crop Inputs				
Nutrien Ltd.	(101.2%)	The net earnings from continuing operations decreased US\$98 million from US\$97 million in Q1 2017 to a loss of US\$1 million last quarter. This was the result of being negatively impacted by the late spring season, shifting plants, applications and associated retail input purchases.	US\$58.42	(11.9%)
The Mosaic Company	nmf	Phosphate sale volumes fell 17% Y/Y to 1.9 million metric tons and potash sales volumes decreased 15% Y/Y to 1.7 million tons. Potash and phosphatate sales volumes were negatively impacted by the late spring and other weather related issues.	US\$29.85	5.6%
Equipment & Services				
Deere & Company	45.7%	Net income was US\$1.2 billion last quarter, which was a 49.4% increase from Q2 2017. Part of this increase is due to provisional adjustments for income taxes.	US\$180.26	13.9%
Ag Growth International Inc.	(9.1%)	Trade sales was C\$214.1 million last quarter which was a 38.4% increase from C\$154.7 million in Q1 2017. This is due to strong demand for commercial equipment, a significant increase in international sales and improved demand for portable equipment	C\$67.38	15.1%
Rocky Mountain Dealerships Inc.	nmf	Total sales increased 4.6% to C\$219.7 million last quarter compared to C\$209.9 million for the same period in 2017 due to a \$26.4 million increase in new equipment sales Y/Y.	C\$15.25	34.8%
Cervus Equipment Corporation	(90.3%)	Adjusted loss before income tax expense improved C\$1.5 million last quarter compared to Q1 of 2017 from C\$1.8 million to C\$0.3 million.	C\$17.11	14.0%

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