



Agriculture Industry Flash

Tuesday, July 31st, 2018



COMMODITY HANDLING

News Scan

- On July 26th, **AGT Food and Ingredients** announced that it has received a non-binding proposal from a group comprised of certain members of its management group, led by President and Chief Executive Officer, Murad Al-Katib, to privatize AGT. Its offer is to buy all the shares (except those held by the management group and certain other significant shareholders) for a price of C\$18 in cash, which is a 37% premium to the previous day's closing price
- On July 24th, **Archer Daniels Midland Co** announced that it had reached an agreement to acquire **Rodelle Inc.**, a processor and supplier of vanilla products, for an undisclosed amount. Rodelle has a 65,000-square-foot extraction and processing facility in Fort Collins, Colorado that also includes laboratories for testing and research and development and reported 2017 sales of ~US\$40 million
- On July 24th, it was reported that **Glencore plc** is attempting to buy the right to use more grain export capacity at Russia's Port of Taman from Ukraine's **Kernel Holding SA**. The two companies currently each own 50% of the grain terminal complex at Taman and have the right to split its capacity evenly
- On July 23rd, **Locus Grains & Oilseeds**, a Brazilian based grain trader, announced that it was seeking a strategic partner to buy a majority stake to help it ramp up operations worldwide
- On July 19th, **Co-opérative Régionale de Nipissing Sudbury** announced a C\$1.7 million investment to upgrade its receiving and storage capacity at its Temiskaming Agriculture Centre in Thornloe, Ontario. As part of the investment, the cooperative plans to build a 160-foot grain tower and double its receiving capacity by installing the 10,000-bushel-per-hour elevator leg. Overall, the investments are expected to increase capacity to 170,000 bushels
- On July 17th, **Tri-State Crush**, an organic and non-GMO soybean crush facility located in Nappanee, Indiana, and **The Redwood Group**, a commodity supply chain solutions and merchandising company in Mission, Kansas, have formed a strategic relationship that will create an additional outlet for local producers to market their production and better connect end users to the source

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
ADM	26,623	35,271	9.1x	8.8x	15.1x	14.3x	0.8 %	(1.3)%
Bunge Limited	9,583	16,377	8.3x	8.1x	12.7x	12.2x	0.5 %	(18.3)%
Graincorp Limited	1,239	2,264	12.5x	10.3x	28.5x	16.6x	0.4 %	(17.5)%
The Andersons, Inc	972	1,906	10.5x	9.0x	18.1x	13.9x	(1.9)%	(9.5)%
AGT Food and Ingredients	336	841	14.6x	10.4x	29.8x	14.8x	23.1 %	(37.5)%
Ceres Global Ag	108	142	na	na	na	na	1.8 %	(28.8)%
Mean			11.0x	9.3x	20.8x	14.4x	4.1 %	(18.8)%

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

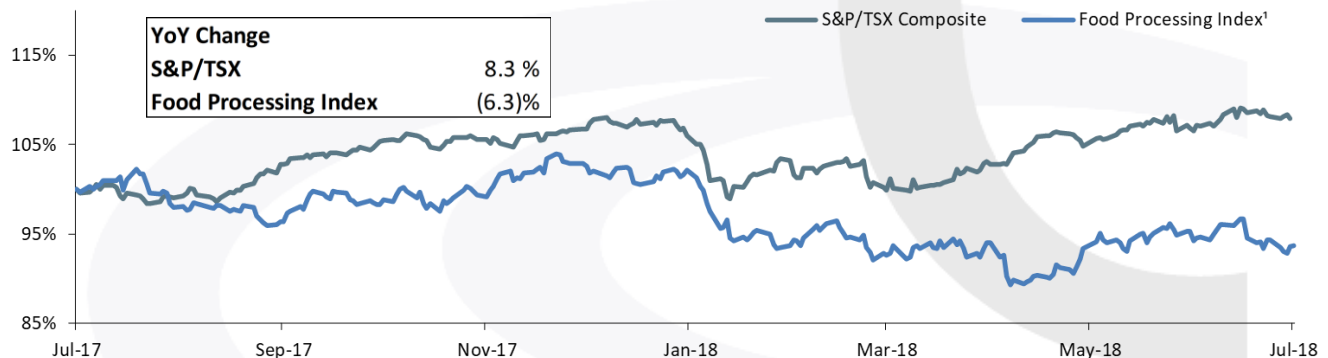


FOOD PROCESSING

News Scan

- On July 30th, **Premium Brands Holding Corporation**, a leading producer, marketer and distributor of branded specialty food products, announced that it has acquired a 62.6% interest in **Yorkshire Valley Farms Ltd.**, an Ontario based processor and marketer of organic chicken product, for an undisclosed amount. Yorkshire has annualized sales of ~C\$65 million and operates a modern 40,000 square foot processing facility in Harriston, Ontario
- On July 30th, **US Foods Holding Corp.**, a food distribution company, announced that it had agreed to acquire **SGA's Food Group of Companies**, five businesses providing a broad array of foodservice solutions to a wide spectrum of customers, for US\$1.8 billion in cash to expand into the northwestern part of the United States
- On July 27th, it was reported that **Tyson Foods Inc.** is in exclusive talks to buy **Keystone Foods**, a global food services company that supplies fresh and frozen animal protein products including poultry, beef, fish and pork, from Brazilian based **Marfrig Global Foods**. Marfrig, which acquired Keystone eight years ago for US\$1.26 billion, may sell the unit for about US\$3 billion
- On July 17th, **Ingredion** announced the transitioning of its corn wet milling plant in Stockton, California, into a shipping distribution station by the end of 2018, as part of its US\$125 million Cost Smart savings program. The transition is expected to save US\$6 million to US\$9 million annually and will reduce its fixed cost footprint
- On July 17th, **B&G Foods**, a holding company for branded foods, acquired **McCann's** Irish Oatmeal from **TreeHouse Foods** for US\$32 million in cash. The brand offers a range of rolled oat and steel-cut oat products, including single-serve cups, instant oatmeal and non-GMO verified varieties

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
	Cap	TEV	2018E	2019E	2018E	2019E		
George Weston Limited	10,774	24,794	6.4x	6.3x	15.3x	14.2x	0.1 %	(5.9)%
ConAgra Foods, Inc.	14,576	18,418	12.0x	12.1x	16.6x	15.9x	3.9 %	(5.4)%
Ingredion Incorporated	7,176	8,562	8.0x	7.6x	13.2x	12.2x	2.6 %	(32.1)%
Tate & Lyle plc	3,860	4,390	7.6x	7.5x	13.3x	12.4x	(0.3)%	(11.4)%
Premium Brands	2,694	3,336	15.5x	13.0x	25.6x	20.2x	(4.2)%	(13.4)%
Maple Leaf Foods Inc.	3,093	3,164	11.1x	9.7x	21.2x	18.1x	(5.6)%	(13.8)%
SunOpta Inc.	720	1,289	17.0x	12.2x	neg	nmf	(4.7)%	(13.8)%
Rogers Sugar	446	702	8.9x	8.6x	12.3x	11.2x	0.2 %	(20.5)%
Mean			11.1x	9.8x	17.5x	15.5x	(1.2)%	(13.7)%

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.

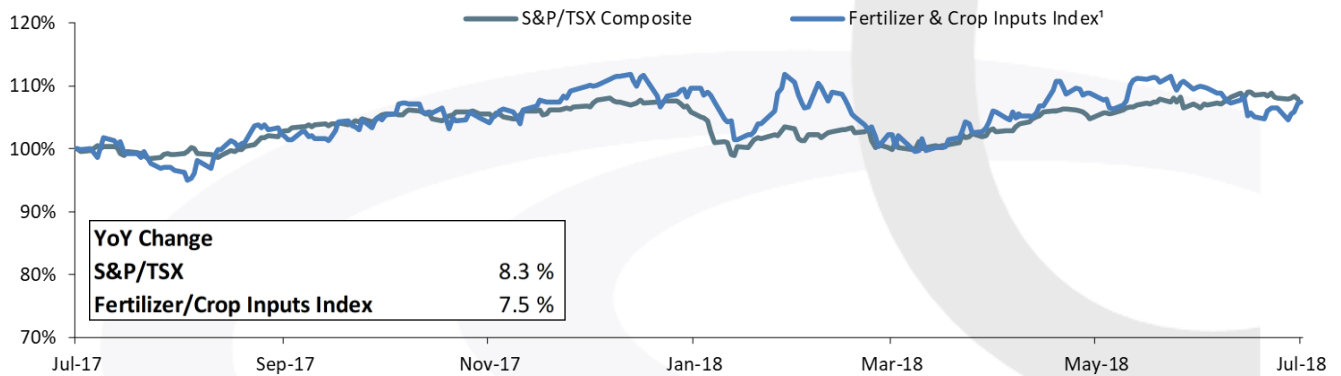


FERTILIZERS & CROP INPUTS

News Scan

- On July 27th, **Huron Bay Co-operative** released a statement celebrating the official opening of its newly built 7000-ton capacity fertilizer blending and storage facility at its Walkerton, Ontario location. The facility is located on its 40-acre site and can carry up to 12 different products
- On July 25th, **Input Capital Corp.** announced that it has completed its first credit agreement for mortgage stream financing with **Concentra Bank**. The Concentra credit facility provides for up to C\$10 million in term debt secured against the mortgages underlying the mortgage streams Input has with its clients
- On July 23rd, **SDIC Mining Investment Co.**, a subsidiary of China's State Development and Investment Corp (SDIC), announced that it will acquire **Nutrien's** 28% stake in **Arab Potash Co** for C\$502 million. SDIC stated that this acquisition was done to reduce China's reliance on potash imports and guarantee its food security
- On July 16th, **Sirius Minerals Plc** announced that its subsidiary, **York Potash Ltd** has entered into a material handling agreement with **Redcar Bulk Terminal Ltd**. Redcar Bulk will provide port and ship loading services from its existing terminal port facility. The agreement will provide Sirius with maximum shipping flexibility and opportunities for berth optimization for the long-term

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
Nutrien Ltd.	25,908	33,957	11.9x	10.3x	22.5x	17.4x	2.1 %	(4.3)%
CF Industries Holdings, Inc.	10,385	17,381	12.5x	10.6x	40.8x	25.6x	3.4 %	(3.7)%
Yara International ASA	12,208	15,604	9.2x	6.8x	2.8x	1.6x	6.6 %	(8.0)%
The Mosaic Company	11,478	16,264	8.4x	7.6x	19.5x	16.4x	5.2 %	(0.6)%
Nufarm Ltd.	1,733	2,325	7.0x	5.8x	16.2x	12.7x	(14.0)%	(24.7)%
Input Capital Corp.	63	40	5.3x	2.4x	nmf	9.9x	(3.0)%	(49.7)%
Mean			9.1x	7.3x	20.4x	13.9x	0.0 %	(15.2)%

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

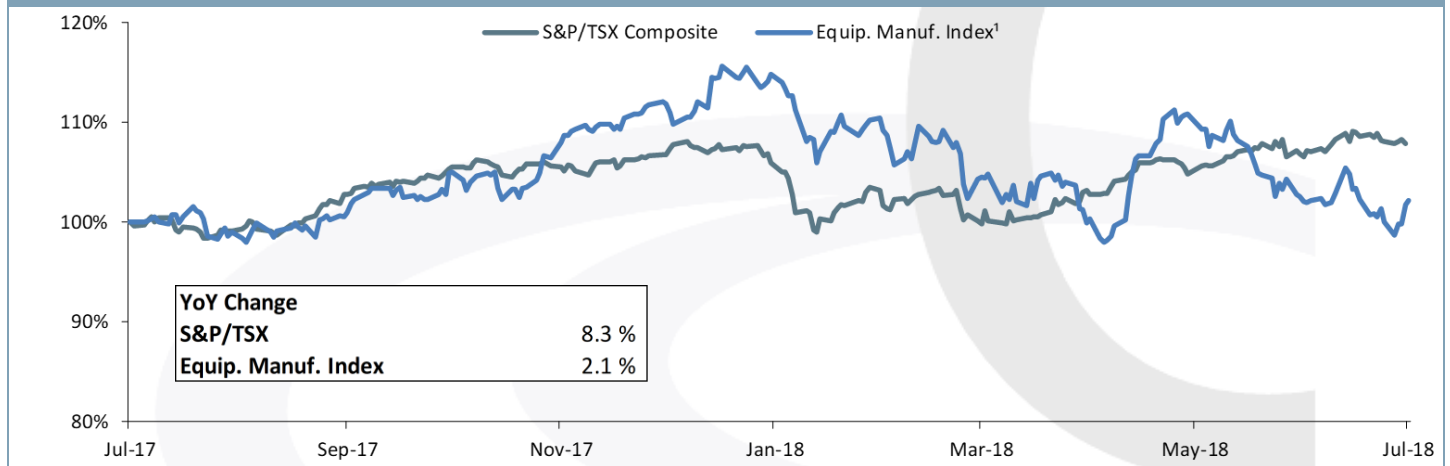


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On July 31st, **Deere & Company** announced that it had signed a definitive agreement to acquire **PLA**, a privately-held manufacturer of sprayers, planters, and specialty products for agriculture based in Argentina with manufacturing facilities in Las Rosas, Argentina, and Canoas, Brazil, for an undisclosed amount. Deere & Co. stated that the PLA acquisition enhances its commitment to customers as it continues to provide innovative, cost-effective equipment, technology, and services to improve its productivity
- On July 26th, **Ag Growth International Inc.** announced that it has acquired **Sabe Group Company**, a provider of processing solutions to the food, pet food, animal feed, fertilizer and biomass industries based in Chauché, France, for an undisclosed amount. Sabe's sales and adjusted EBITDA in its most recently completed fiscal year were -€16.4 million and €2.5 million, respectively
- On July 24th, **Canadian Pacific Railway (CP)** announced that ~3,000 CP conductors and engineers who are members of the **Teamsters Canada Rail Conference** voted 65% in favour of ratifying a four-year labour contract

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Deere & Company	45,659	49,764	15.5x	14.5x	24.5x	22.9x	2.6 %	(19.7)%
AGCO Corp	4,850	6,412	7.5x	6.7x	16.0x	12.8x	2.8 %	(19.7)%
Ag Growth International Inc.	674	1,124	10.2x	9.1x	17.4x	14.9x	6.3 %	(5.3)%
Rocky Mountain Dealerships	180	468	13.9x	12.4x	9.3x	8.1x	0.8 %	(17.4)%
Cervus Equipment Corporation	164	362	8.6x	8.0x	9.3x	8.2x	(2.4)%	(13.9)%
Mean			11.1x	10.2x	15.3x	13.4x	2.0 %	(15.2)%

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



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- U.S. president Donald Trump and European Commission president Jean-Claude Juncker agreed to a deal for which the US will suspend its plans of 25% auto tariffs and the EU will import more soybeans and energy from the US while they negotiate a new free trade agreement that will have zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods
- On July 24th, the Trump administration announced that it plans to offer US\$12 billion in emergency aid for farmers hurt by tariffs to help ease the pain caused by the escalating trade wars
- On July 21st, the Canadian government announced that Japan had lifted its temporary ban of Canadian wheat exports. The ban was originally placed in June after some unauthorized genetically modified wheat was found in wheat plant samples in southern Alberta
- The European Union reported an agri-food trade surplus of €1.2 billion in May of this year, which is up 23% from May last year. It was reported that the value of exports in May were €11.2 billion while imports were €10 billion. It was stated that the increase in trade surplus was primarily due to the 8.4% drop in import values compared to last year
- Heavy rains and floods in India have affected total crop area of over 21,000 hectares and infrastructure, including 6.5km of district roads has been damaged. It has been reported that the acreage for pulses has declined by around 17% as compared with 2017
- Canadian farmers are on track to reap slightly larger wheat and canola yields, despite dry conditions and a wide discrepancy in growth rates, a crop tour estimated on July 26th. The crop tour estimated an average Canadian wheat yield, excluding durum, of 54.4 bushels per acre in the 2018/19 crop marketing year, up from the previous year's 53.8 bushels, and surpassing the five-year average. Durum yields also looked bigger, rising to an estimated 39.01 bushels per acre from 35.3 bushels, but falling short of the five-year average
- Industry analysts for the second straight week predicted that the USDA would lower its crop quality ratings for corn from 72% rated in good-to-excellent conditions to 71% for the week ending July 29. But the USDA held steady across the board, rating 22% of the crop in excellent condition and 50% of the crop in good condition
- A Global Agriculture Industry Report from the US Department of Agriculture stated that feed demand in Vietnam is rising due to growth in the pork and aquaculture industries. The report shows that animal feed demand is forecast to jump from 23.8 million tonnes in 2017-18 to 24.1 million tonnes in 2018-19 as well as the Aquafeed demand is forecast to increase from 6.2 million in 2017-18 to 6.8 million in 2018-19
- A Global Agriculture Industry Report from the US Department of Agriculture showed that the Brazilian grain industry is still feeling the residual impact of an 11-day truck driver strike in May, which resulted in a slowdown of the country's grain and oilseed trade. The strike, which was spurred by rapidly rising fuel prices combined with the effects of the Brazilian real weakening against the U.S. dollar, caused estimated losses of US\$1.75 billion to Brazil's agriculture sector

Commodities Futures as of July 27th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.76	3.29 %	6.51 %
Wheat (CBOT)	\$ per bu.	\$5.31	8.04 %	22.38 %
Oats (CBOT)	\$ per bu.	\$2.39	-	(1.34)%
Rough Rice (CBOT)	\$ per cwt.	\$12.01	3.27 %	1.95 %
Rapeseed (Canola) (ICE)	CAD per T	\$493.60	(2.62)%	0.57 %
Ethanol (CBOT)	\$ per gal.	\$1.44	1.55 %	5.27 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing				
Maple Leaf Foods Inc.	3.6%	Maple Leaf Foods reported a 1.8% year-over year decrease in Q2 2018 sales to C\$909.2 million and a decrease of 17.1% in adjusted earnings per share to C\$0.34. It stated that the quarterly decline was mainly driven by temporarily volatile trading environments and its market launch of a comprehensive food renovation in the second quarter.	C\$36.29	14.9%
Fertilizers & Crop Inputs				
Yara International ASA	350.4%	Yara International reported quarterly revenue of US\$3.2 billion in Q2 2018 which is a 16% year-over-year increase from Q2 2017. The increase in revenue is primarily due to an increase in deliveries by 13% and an increase in sales price. Its overall EBITDA decreased by 5% though, as improved deliveries and sales prices were offset by increased energy costs.	NOK359.66	(1.7%)

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