



## Agriculture Industry Flash

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Tuesday, August 28<sup>th</sup>, 2018

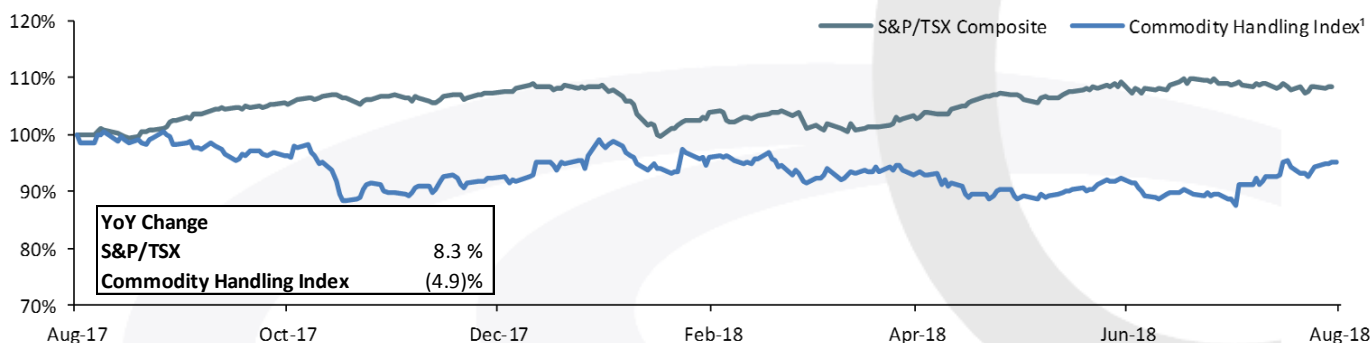


## COMMODITY HANDLING

### News Scan

- On August 17<sup>th</sup>, **Pipeline Foods** reached an agreement to acquire a 3.4 million bushel grain elevator in Atlantic, Iowa, US, from **Archer Daniels Midland (ADM)** for an undisclosed amount. Pipeline Foods plans to make capital investments in new equipment at the facility to improve and upgrade the elevator to test, clean, grade, dry, store and ship organic grains
  - On August 16<sup>th</sup>, **ADM** announced that it has reached an agreement to purchase certain oilseed processing facilities from Brazil-based **Algar Agro**, a producer of soybean products for an undisclosed sum. The acquisition of the plants in Minas Gerais and Maranhão will fortify ADM's position in key Brazilian demand regions as it continues to push for strategic global growth
  - On August 15<sup>th</sup>, **ADM** announced that it has completed its acquisition of **Probiotics International Limited**, a UK-based manufacturer of natural healthcare and probiotic supplements for human, pet, and production-animal use. The deal is valued at £185mm and is the latest in a series of investments as ADM continues to expand its wide portfolio of health and wellness offerings
- On August 14<sup>th</sup>, **G3 Canada** announced the grand opening of its G3 Melville elevator in Saskatchewan, as well as its G3 Saskatoon West elevator in Saskatchewan on the following day. The new elevators are similar to G3 Canada's other high-efficiency facilities, featuring 134-car loop tracks capable of loading a full unit train while in continuous motion

### 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
ADM	28,272	35,518	8.8x	8.4x	14.6x	14.0x	0.9 %	(1.1)%
Bunge Limited	8,845	16,908	8.4x	8.3x	11.9x	11.3x	(5.3)%	(24.6)%
Graincorp Limited	1,320	2,327	13.1x	11.0x	30.9x	33.1x	6.4 %	(11.1)%
The Andersons, Inc	1,143	1,777	9.2x	8.2x	19.5x	16.1x	15.6 %	(3.0)%
AGT Food and Ingredients	343	851	15.6x	10.8x	37.2x	17.2x	0.0 %	(31.9)%
Ceres Global Ag	101	135	na	na	na	na	(6.4)%	(29.7)%
<b>Mean</b>			<b>11.0x</b>	<b>9.4x</b>	<b>22.8x</b>	<b>18.3x</b>	<b>1.8 %</b>	<b>(16.9)%</b>

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

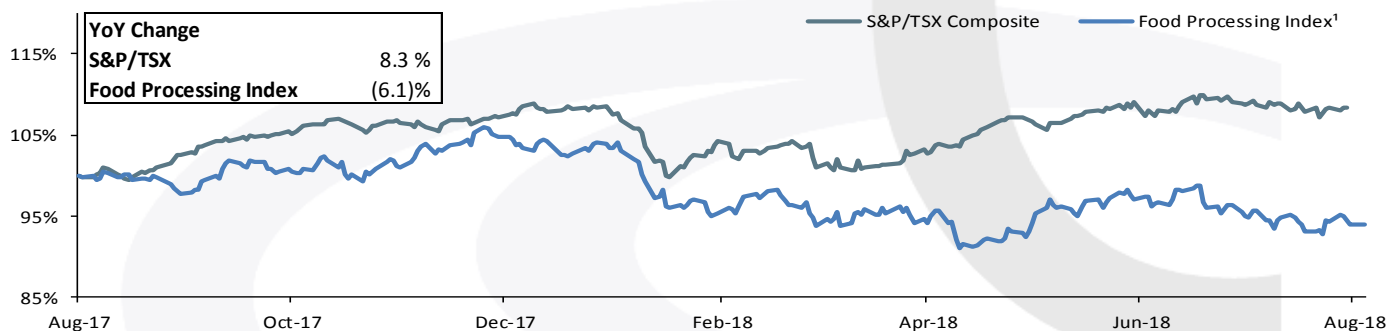


## FOOD PROCESSING

### News Scan

- On August 23<sup>rd</sup>, **Grupo Bimbo**, a Mexican-based bakery and food processor, announced that it has invested \$20.1mm (600 million pesos) into its production plant in San Fernando, Argentina. The funds will be used to add four new production lines, which will allow it to increase exports to neighboring countries
- On August 22<sup>nd</sup>, **San Miguel Corp.**, a beverage and food packaging company based in the Philippines, announced that it is seeking to raise as much as US\$2.67bn (142.8 bn pesos) for the sale of the shares of its food and beer unit. The deal would be the biggest Philippine stock offering on record
- On August 20<sup>th</sup>, **Tyson Foods, Inc.** announced that it has reached a definitive agreement to buy the **Keystone Foods** business from **Marfrig Global Foods** for US\$2.16 billion in cash. The acquisition of Keystone, a major supplier to the growing global foodservice industry, is Tyson Foods' latest movement towards executing its growth strategy and expansion of its valued-added protein capabilities
- On August 15<sup>th</sup>, **Constellation Brands** announced its additional C\$5.08 billion investment in **Canopy Growth**, increasing its ownership interest in Canopy to 38%. Constellation Brands is expected to acquire 104.5 million shares at C\$48.60 per share, representing a 51.2% premium to the previous day closing price. Constellation will also receive warrants that, if exercised, would provide at least an additional C\$4.5 billion. Canopy Growth intends to use the funds to build/acquire key assets needed to establish global scale
- On August 14<sup>th</sup>, **Coca-Cola** acquired a minority stake in **BodyArmor** for an undisclosed amount with an opportunity to fully acquire the sports drink brand in the future. Following the acquisition, the Atlanta company will become the second-largest owner of BodyArmor. With the stake, the beverage giant looks to broaden its reach into healthier drinks

### 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
			2018E	2019E	2018E	2019E		
George Weston Limited	10,093	25,889	6.4x	6.3x	15.0x	13.3x	(3.0)%	(9.5)%
ConAgra Foods, Inc.	14,377	18,214	12.0x	12.0x	16.3x	15.6x	(2.1)%	(6.9)%
Ingredion Incorporated	7,238	8,644	8.2x	7.8x	13.6x	12.7x	0.2 %	(30.3)%
Tate & Lyle plc	3,856	4,376	7.7x	7.7x	13.6x	12.7x	0.5 %	(9.5)%
Premium Brands	2,504	3,132	14.5x	12.1x	24.3x	18.8x	(2.3)%	(20.2)%
Maple Leaf Foods Inc.	3,047	3,117	10.9x	9.5x	22.5x	18.3x	0.8 %	(15.0)%
SunOpta Inc.	681	1,293	19.4x	13.6x	neg	nmf	1.3 %	(17.0)%
Rogers Sugar	438	600	7.9x	7.5x	13.6x	11.4x	(0.2)%	(17.6)%
<b>Mean</b>			<b>11.3x</b>	<b>9.8x</b>	<b>17.5x</b>	<b>15.2x</b>	<b>(0.7)%</b>	<b>(15.5)%</b>

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.

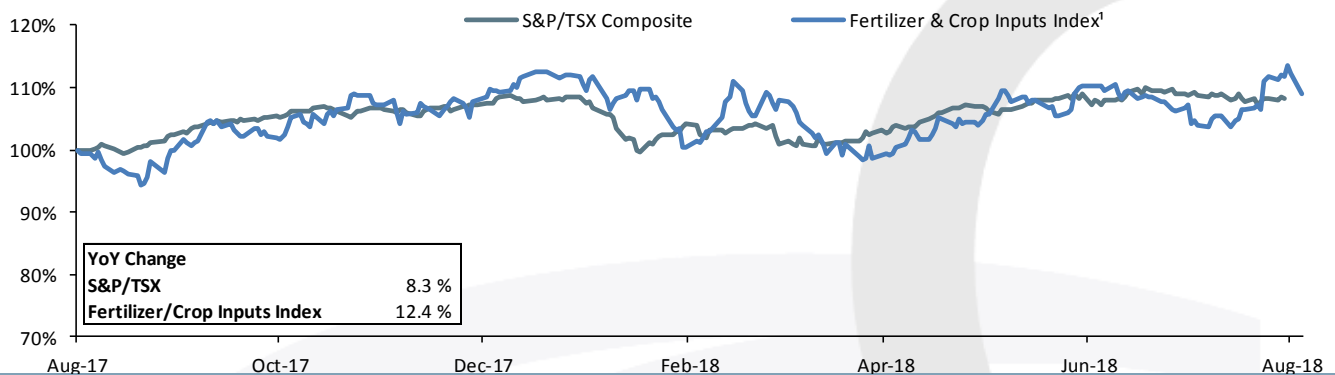


## FERTILIZERS & CROP INPUTS

### News Scan

- On August 16<sup>th</sup>, **Bayer** received approval by the **US Department of Justice** to begin the integration of **Monsanto** into its organization, as the anti-trust-related sale of assets as been completed. Bayer recently finalized the divestment of certain Crop Science businesses with total sales volume of around €2.2 billion, to **BASF**
  - On August 13<sup>th</sup>, **Bayer's Monsanto**, announced that the US federal court in California ruled for the company to pay US\$289 million in damages for the linkage of cancer to its "Round-Up" products
- On August 15<sup>th</sup>, **Haldor Topsoe** announced that it has acquired full ownership of **Ferrostaal Topsoe Projects Joint Venture** from **Ferrostaal Topsoe**, an industrial equipment supplier based in Essen, Germany for an undisclosed sum. The transaction adds strong project development competencies to Topsoe's portfolio of high-performance catalyst and proprietary technologies for the chemical and refining industries

### 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
			2018E	2019E	2018E	2019E		
Nutrien Ltd.	33,955	44,503	11.4x	9.9x	21.2x	17.1x	(2.2)%	(3.4)%
CF Industries Holdings, Inc.	11,547	18,377	12.3x	10.7x	36.8x	24.3x	(1.2)%	(4.1)%
Yara International ASA	12,194	15,590	9.4x	6.9x	2.9x	1.7x	0.4 %	(8.2)%
The Mosaic Company	11,344	15,620	7.7x	7.1x	17.7x	15.0x	(0.4)%	(6.1)%
Nufarm Ltd.	1,649	2,229	6.9x	5.7x	15.7x	12.7x	(13.1)%	(31.8)%
Input Capital Corp.	67	45	5.5x	2.7x	nmf	10.7x	(2.9)%	(43.3)%
<b>Mean</b>			<b>8.9x</b>	<b>7.2x</b>	<b>18.9x</b>	<b>13.6x</b>	<b>(3.2)%</b>	<b>(16.2)%</b>

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

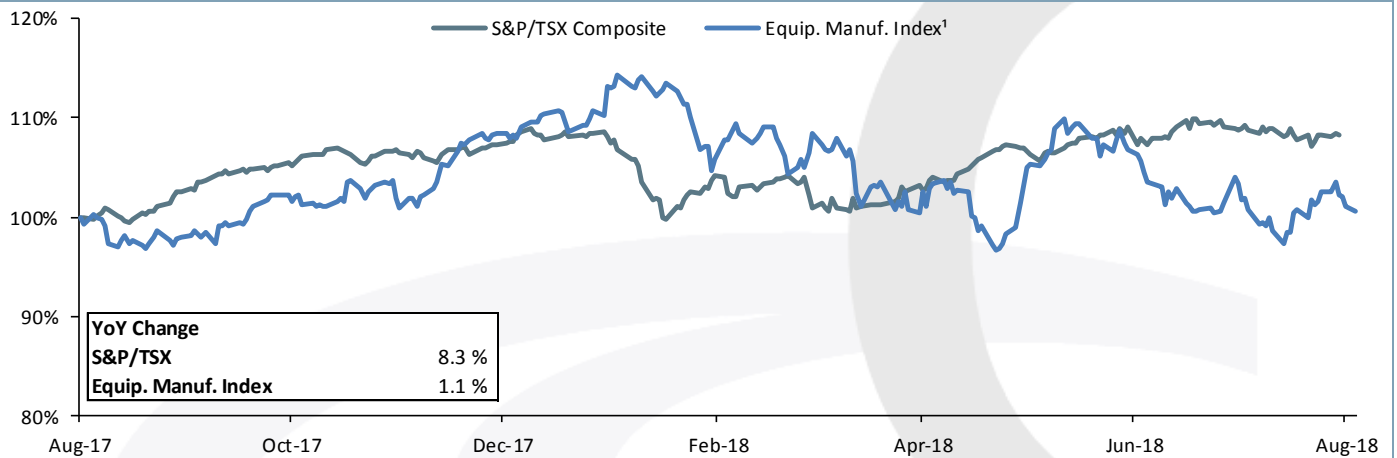


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On August 20<sup>th</sup>, **Canadian Pacific Railway (CP)** announced that it has moved 25.8 million metric tonnes (MMT) of western Canadian grain and grain products during the 2017-2018 crop year, up 1% from the year prior. The news comes after CP had announced a C\$500mm investment in new high-capacity grain hoppers to replace the aging fleet
- On August 15<sup>th</sup>, **Imas** and **Zaccaria** announced that they have formed a global strategic alliance that includes joint distribution strategic markets, sales and promotional efforts contributing common projects, and transferring know-how to new and existing grain milling projects. Imas provides the production and installation of machines and complete facilities used for bovine, ovine and poultry feed production. Founded in Sao Paulo, Brazil, Zaccaria manufactures and supplies rice milling and processing machinery to over 60 countries

### 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
Deere & Company	45,782	49,892	15.5x	14.6x	24.5x	23.0x	(4.5)%	(21.9)%
AGCO Corp	4,768	6,576	7.8x	6.9x	15.9x	12.6x	(6.4)%	(22.9)%
Ag Growth International Inc.	768	1,226	10.6x	9.5x	17.5x	16.0x	1.9 %	(4.2)%
Rocky Mountain Dealerships	157	463	14.3x	13.2x	8.3x	7.7x	(12.0)%	(26.4)%
Cervus Equipment Corporation	174	365	8.1x	7.7x	9.3x	8.4x	1.4 %	(10.7)%
<b>Mean</b>			<b>11.3x</b>	<b>10.4x</b>	<b>15.1x</b>	<b>13.5x</b>	<b>(3.9)%</b>	<b>(17.2)%</b>

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

- On August 27<sup>th</sup>, **U.S. President Donald Trump** announced that he wants Canada to eliminate its tariffs on dairy products in order to reach a conclusive trade deal. The tariffs currently range from 150% to 298%
- On August 23<sup>rd</sup>, **The International Grains Council (IGC)** raised its forecast for global grain production in 2018-19 to 2.063 billion tonnes, up from the previous forecast put forward in July of 2.059 billion tonnes
- On August 15<sup>th</sup>, the Quebec Government announced that it would spend C\$863 million over five years to mitigate the impact of US tariffs on companies. In particular, the province plans to increase investment in the agriculture sector and to set aside C\$55 million for labour-related programs
- According to the **Global Agricultural Information Network**, Ukraine lost its longtime dominance of the Saudi Arabian imported barley market to Russia for the 2017-2018 year. Russia exported 2.11 million tonnes of barley to Saudi Arabia, accounting for 28.7% of market share, and Ukraine's shipments exported 1.75 million tonnes, representing 23.7% market share
- It is reported that food-processing workers are among American jobs to see the biggest pay increase, due to labour shortages as production and consumption increases. **Tyson Foods** recently increased wages and the company is considering how to take advantage of automated and robotic functions at its facilities
- Crop yields for farmers in **Western Canada** are below average but quality of the crop has been strong. Farmers further to the north have fared better and their yields will help offset some poor results to the south, but Saskatchewan Agriculture expects a below average harvest overall
- Canadian wheat prices have firmed as a drought in **Australia** has reduced its wheat output significantly to 22 million tonnes, down from the previous 5-year average of 25 million
- It is reported that fertilizer exports from **Russia** are set to accelerate as production capacity expansion over the next 8 years will outpace growth in domestic production. Fertilizer production posted a CAGR of 3.35% over the past 7 years with output being 22.5 million tonnes in 2017, and the bulk of this production being exported
- On August 27<sup>th</sup>, **The Canadian Grain Commission** announced that its grain safety certification programs are now being recognized by the **Global Food Safety Initiative (GFSI)**. This recognition will give certified Canadian companies greater access to world markets

### Commodities Futures as of August 28<sup>th</sup>, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.62	(4.74)%	2.34 %
Wheat (CBOT)	\$ per bu.	\$5.23	(6.40)%	20.53 %
Oats (CBOT)	\$ per bu.	\$2.55	2.62 %	5.05 %
Rough Rice (CBOT)	\$ per cwt.	\$10.60	(10.74)%	(9.98)%
Rapeseed (Canola) (ICE)	CAD per T	\$492.90	(0.58)%	0.43 %
Ethanol (CBOT)	\$ per gal.	\$1.30	(9.51)%	(4.47)%



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Fertilizers &amp; Crop Inputs</b>				
K+S Aktiengesellschaft	(183.6%)	Q2/18 revenues for the K+S Group rose 9.4% Y/Y, however the EBITDA margin edged slightly lower to 12.9% from 13.7% in Q2/17. EBITDA from the potash and magnesium products business unit improved 27% Y/Y, in part due to higher prices and increased production in Canada. However, this was mostly offset by production limitations in Germany which pushed operating earnings down 53% to €13.4 in Q2/18 compared to €28.5 in Q2/17	€ 22.12	15.6%

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