



Agriculture Industry Flash

Tuesday, December 18th, 2018

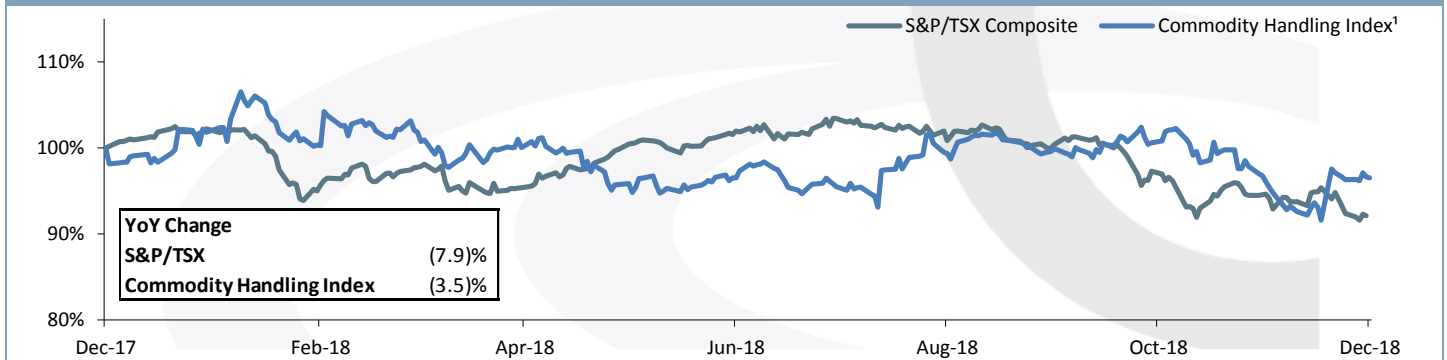


COMMODITY HANDLING

News Scan

- On December 14th, **Gardiner Dam Terminal's** (GDT) shareholders voted to approve the sale of the business to **Viterra** with an expected December 19th closing. Origin Merchant Partners acted as financial advisor to GDT on the transaction
- On December 13th, a special committee of **AGT Food and Ingredients** announced that it has approved a proposed plan to take the company private. In July, a group consisting of AGT President Murad Al-Katib and **Fairfax Financial Holdings**, among others, proposed a plan to take the company private at C\$18 per share. Closing is targeted for Q1, 2019
- On December 13th, **G3 Canada** announced that it is adding a new elevator to its grain origination network in Western Canada. The new elevator will be built near Morinville, Alberta and will have a capacity of 42,000 tonnes. Construction of the new facility is expected to be complete in 2020
- On December 12th, **GrainCorp** announced that **GrainsConnect Canada**, GrainCorp's joint venture with **Zen-Noh Grain Corp.** has agreed to be a partner in the Fraser Grain Terminal at the Port of Vancouver with **Parrish & Heimbecker**. In accordance with its share in the joint venture, GrainCorp will contribute C\$35 million over the next two years to support the construction of the new terminal. The terminal is expected to be in service by 2020
- On December 10th, **Bunge Limited** announced that Soren Schroder will step down as CEO. To ensure a smooth transition, Mr. Schroder, who has served as CEO since 2013, will continue his current role until a successor is named
- On December 6th, **Cargill** announced the opening of its Protein Headquarters in Wichita, Kansas. The US\$70 million state-of-the-art facility will act as the Headquarters for Cargill's North American Protein & Salt business

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	25,010	32,367	7.7x	7.4x	12.5x	12.1x	0.1 %	(14.3)%
Bunge Limited	8,300	16,078	8.3x	8.2x	12.7x	11.4x	0.6 %	(29.3)%
Graincorp Limited	1,509	2,186	11.8x	12.2x	33.2x	nmf	0.3 %	(6.0)%
The Andersons, Inc	997	1,959	10.1x	9.0x	17.5x	13.9x	(1.5)%	(26.8)%
AGT Food and Ingredients	305	839	15.4x	11.7x	24.0x	14.4x	(2.6)%	(25.8)%
Ceres Global Ag	125	146	na	na	na	na	6.4 %	(13.2)%
Mean			10.7x	9.7x	20.0x	12.9x	0.6 %	(19.2)%

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

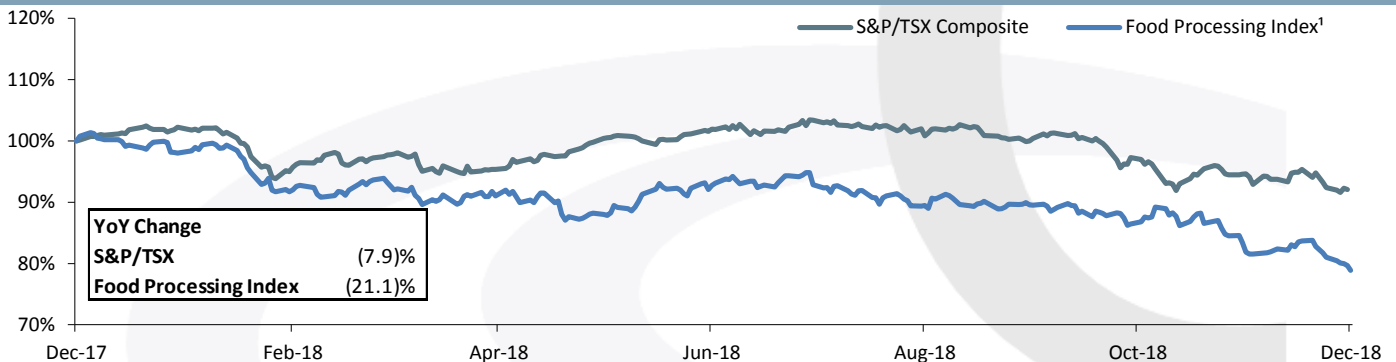


FOOD PROCESSING

News Scan

- On December 14th, **Flowers Foods** finalized its US\$205 million acquisition of **Canyon Bakehouse LLC**, a gluten-free baking company based in Johnstown, Colorado. Canyon will operate as an independent subsidiary of Flowers Foods
- On December 14th, **Kerry Group plc** announced that it has reached an agreement to acquire two US-based food seasoning companies for US\$367 million. The Company will acquire **Ariake USA** and **Southeastern Mills North America**, who have annualized pro-forma revenue of approximately US\$141 million. Kerry plans to finance both acquisitions with existing lines of credit
- On December 13th, **Mondelez International** announced that it has reached an agreement to sell its Kraft-licensed Cheese Business in the Middle East and Africa to **Arla Foods** of Denmark for an undisclosed amount. The transaction will allow Mondelez to focus its business on faster growing snack categories such as chocolates and biscuits
- On December 11th, **Graham Partners**, a Philadelphia-based private equity firm, announced that it has acquired **Giraffe Foods**, a Toronto-based manufacturer of sauces, marinades and dips for industrial food processors and retailers across the US and Canada, for an undisclosed amount. Graham expects to help accelerate Giraffe's growth through operational initiatives, geographic expansion and add-on acquisitions

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	10,685	27,045	8.1x	7.9x	13.6x	13.5x	(2.5)%	(17.1)%
ConAgra Foods, Inc.	14,515	26,356	17.2x	11.9x	13.9x	13.0x	(2.4)%	(24.2)%
Ingredion Incorporated	6,765	8,088	8.0x	7.7x	13.8x	12.7x	(0.8)%	(34.6)%
Tate & Lyle plc	4,029	4,446	7.8x	7.8x	14.0x	13.3x	0.3 %	(4.6)%
Premium Brands	1,953	2,762	14.2x	11.3x	22.5x	17.3x	(0.7)%	(36.9)%
Maple Leaf Foods Inc.	2,579	2,803	10.7x	8.7x	21.9x	16.4x	(2.4)%	(25.2)%
SunOpta Inc.	379	978	16.7x	13.0x	neg	neg	(3.5)%	(51.5)%
Rogers Sugar	425	664	9.1x	8.3x	13.6x	10.8x	(3.9)%	(16.5)%
Mean			11.8x	9.7x	16.6x	14.4x	(1.7)%	(27.7)%

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.

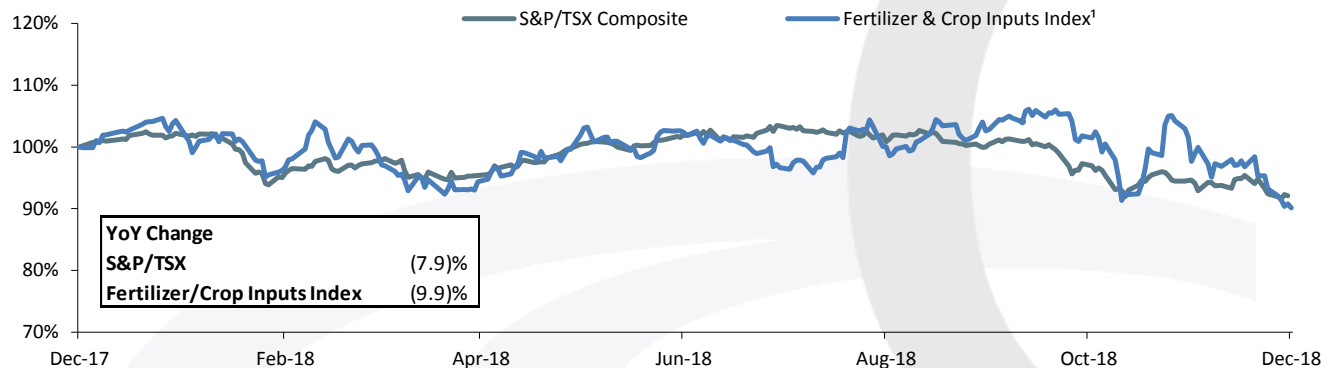


FERTILIZERS & CROP INPUTS

News Scan

- On December 14th, **KBR Inc.** announced that it has commissioned a US\$830 million ammonia plant in Sulawesi, Indonesia. The plant will have a 700,000 tonne per year capacity
- On December 11th, **Yara International** announced that it is simplifying its operations to strengthen customer focus and drive value creation. Following a period of substantial investments, Yara is now focused on operational excellence, innovation and growing scalable crop solutions. As part of the announcement, Yara reaffirmed that it is considering strategic alternatives for its environmental solutions business that provides products and services which reduce the environmental impact of nitrogen-based products. The business generated an estimated US\$150 million of EBITDA in 2017
- On December 7th, **Abattis Bioceuticals**, a life sciences company that invests in cannabis technologies, announced that it has signed an LOI to acquire **NurtiVida Corp.**, a British Columbia-based fertilizer and nutrient company for C\$15 million. The acquisition provides Abattis with extensive operational expertise along with access to NutriVida's all-natural, bio-safe fertilizers and plant nutrients

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.	28,756	40,023	9.9x	8.3x	17.6x	13.5x	(6.5)%	(19.6)%
CF Industries Holdings, Inc.	9,707	16,155	10.3x	8.2x	26.4x	14.9x	0.1 %	(26.8)%
Yara International ASA	10,941	14,594	9.2x	6.5x	2.9x	1.5x	1.6 %	(17.3)%
The Mosaic Company	11,923	15,786	7.6x	6.7x	16.1x	12.8x	(9.5)%	(19.6)%
Nufarm Ltd.	1,617	2,608	8.2x	6.8x	17.8x	12.9x	5.9 %	(36.3)%
Input Capital Corp.	47	46	na	na	9.7x	na	(14.1)%	(55.2)%
Mean			9.0x	7.3x	15.1x	11.1x	(3.7)%	(29.1)%

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

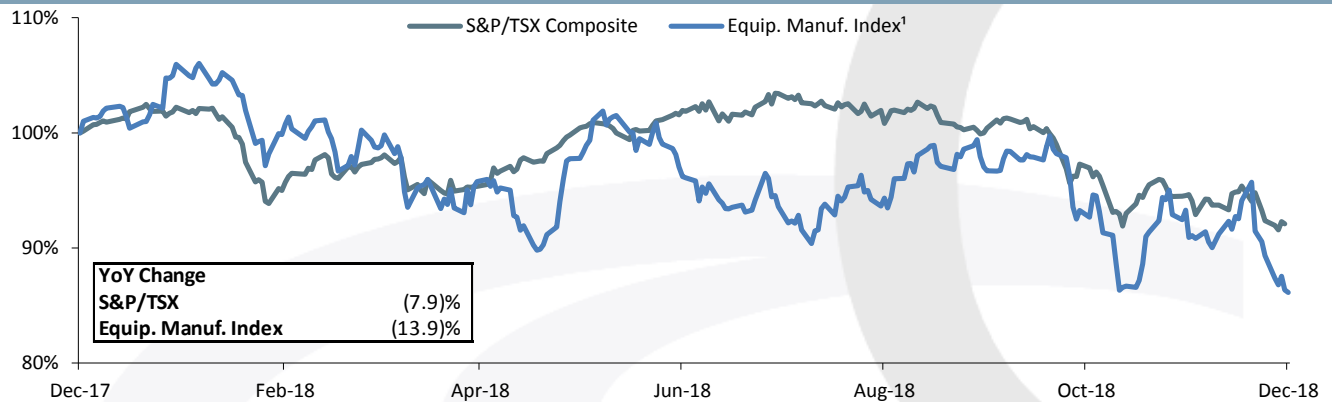


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On December 11th, **Raven Industries**, a technology company focused on industrial markets, announced that it has acquired substantially all assets of **AgSync**, an agriculture logistics software company based in Indiana, for an undisclosed amount. The acquisition complements Raven's slingshot precision ag platform and provides further expansion for the slingshot ecosystem
- On December 7th, **Canadian Pacific** unveiled a next-generation, high efficiency product train at the G3 Pasqua elevator near Moose Jaw, Saskatchewan. The new grain train can move approximately 44% more grain than the prior generation of grain train
- On December 6th, **Redhead Equipment** announced that it had acquired **Norsask Farm Equipment**, an agricultural and powersports equipment dealer in North Battleford for an undisclosed amount. The new branch will be Redhead's eighth location in Saskatchewan. Norsask has several agriculture equipment lines, including seeders, grain carts, and tilling equipment

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		
Deere & Company	47,470	51,387	9.9x	8.6x	19.4x	13.0x	(0.6)%	(16.6)%
AGCO Corp	4,287	6,135	7.4x	6.7x	14.5x	12.0x	(3.1)%	(28.5)%
Ag Growth International Inc.	626	1,000	9.1x	8.0x	15.8x	13.0x	(6.1)%	(29.5)%
Rocky Mountain Dealerships	123	416	16.1x	13.5x	8.9x	7.1x	(3.2)%	(42.4)%
Cervus Equipment Corporation	147	309	7.2x	6.5x	7.5x	7.1x	(2.5)%	(20.7)%
Mean			9.9x	8.6x	13.2x	10.4x	(3.1)%	(27.6)%

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 December 12th, the U.S. Department of Agriculture (USDA) issued the World Agricultural Supply and Demand Estimates report, **indicating higher projection for wheat and corn ending stocks**. The USDA forecasts 974 million bushels of wheat on June 1st, 2019, up 25 million bushels from its last forecast. However, carryover forecast was still down 125 million bushels, down 11% to approximately 1.1 billion in 2018 compared to the 1.18 billion bushels in 2017
- On December 12th, **China made its first major purchase of soybeans from the United States** since the countries began engaging in a trade dispute in July. Earlier this month, the two countries agreed to a 90-day trade war truce. China reportedly purchased about 1.5 million tonnes of soybeans this week, worth -US\$500 million, much to the relief of U.S. farmers who produced a record harvest this fall but have had to store much of it as China is the largest importer of U.S. soybeans. In 2017, 60% of U.S. soybean exports went to China and were worth more than US\$12 billion
- On December 12th, **the Farm Bill was approved by the U.S. House of Representatives** and is headed to the President's desk. 80% of the US\$867 billion spending package will go into Supplemental Nutrition Assistant Program (SNAP) programs and benefits which include coupons for household foods (fruits, vegetables, dairy and meats etc.). Additionally, the bill will remove hemp from the federal enforcement of outlaw drugs and gives hemp farmers access to banking, crop insurance, and federal grants
- On December 11th, Volodymyr Groysman, the Prime Minister of Ukraine, **announced that the country's grain harvest in 2018 has hit a record 70 million tonnes**, up 14.2% from 2017's harvest of 61.28 million. Reports attributed the record crop to the high yield of corn, which is estimated to reach a historical high of 34.8 million tonnes
- On December 11th, Agriculture and Agri-Food Canada (AAFC) announced a **federal investment of C\$3.7 million to the Eastern Canada Oilseeds Development Alliance (ECODA)**. This investment aims to help farm business, like Atlantic Soy, to obtain the latest variety in oilseeds best suited for the Atlantic Canadian soils
- On December 10th, the U.S. Department of Agriculture (USDA) reported that the projected agriculture trade surplus for 2019 is the lowest level since 2007. **The USDA is projecting US\$141.5 billion in agriculture exports compared to US\$127 billion in imports, yielding a surplus of US\$14.5 billion**, the lowest since 2007 when the surplus was only US\$12.2 billion
- On December 5th, the International Grains Council announced that **world total grains production is forecast to hit a three-year low, falling short of demand**. The estimated total production is 2.079 billion tonnes, down by 24 million tonnes year-over-year. As grains production was expected to be outstripped by demand, the IGC predicts a second consecutive season of world stock depletion
- On December 4th, the USDA announced in its Global Agricultural Information Network (GAIN) report that **Argentina imported more than 3.5 million tonnes of soybeans in 2017-18, a 135% increase over the previous year, due to its recent drought** which depleted its domestic soybean supplies. Local brokers estimate that imports could reach up to as much as 5.5 million tonnes by the end of the marketing year
- On December 3rd, the **Province of Ontario announced that it plans to acquire gasoline blended with 15% ethanol** as early as 2025. In addition, the Greener Gasoline regulation seeks to reduce emissions without increasing the price at the pump

Commodities Futures as of December 14th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.84	0.59 %	8.78 %
Wheat (CBOT)	\$ per bu.	\$5.36	2.83 %	23.64 %
Oats (CBOT)	\$ per bu.	\$2.94	(0.34)%	21.03 %
Rough Rice (CBOT)	\$ per cwt.	\$10.45	(4.83)%	(11.25)%
Rapeseed (Canola) (ICE)	CAD per T	\$489.50	1.62 %	(0.26)%
Ethanol (CBOT)	\$ per gal.	\$1.25	(1.42)%	(8.42)%



Recent Earnings News

Last Quarter				
Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Equipment Manufacturers & Services				
Deere & Company	54.1%	Net sales of equipment operations increased by 18% for the quarter and 29% for the full year compared with the same periods in 2017. Operating profit increased by 29% from the same period last year. Improvements were driven by higher shipment volumes, price realization and lower warranty costs. EPS increased by 54% YoY	US\$231.15	16.6%

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