



Agriculture Industry Flash

Tuesday, February 26th, 2019

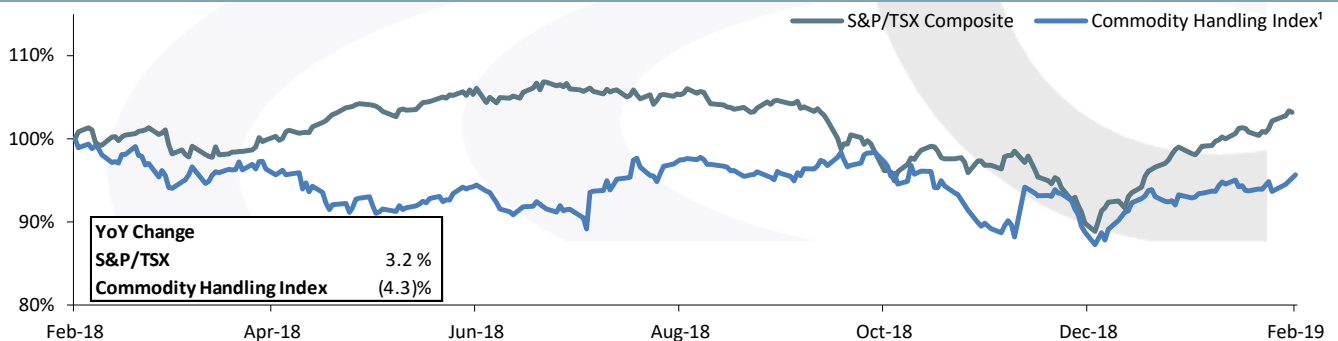


COMMODITY HANDLING

News Scan

- On February 26th, **Louis Dreyfus Company (LDC)** announced its participation in the **Motif Ingredients** financing deal for an undisclosed amount. Motif provides next generation alternative proteins and other sustainable ingredients to plant-based food developers. The partnership aligns with LDC's strategy to respond to changing consumer demand with disruptive solutions
- On February 20th, **Richardson International** announced that it has closed its acquisitions of **Wesson Brands**, a leading U.S. premium retail brand of cooking oils, and of **Agland Seed and Chemical** for an undisclosed sum. Agland is a well-established retail crop input company based in La Crete, Alberta. Following the acquisition, Agland's employees will join **Richardson Pioneer**, a subsidiary of Richardson International
- On February 14th, **VTB**, Russia's second-largest bank, announced that it has reached an agreement to acquire a 100% stake in a grain terminal from **Novorossiysk Commercial Sea Port** for an undisclosed amount. The transaction is expected to give VTB more control over Russia's main deep-sea grain export hub and has already been granted approval by Russian regulators
- On February 13th, **Posco Daewoo**, a subsidiary of **Posco**, announced that it has acquired a 75% stake in a grain export terminal in the port of Mykoliv in southern Ukraine from **Orexim Group** for an undisclosed amount. Posco will have operating rights to the terminal, which is one of the main export hubs around the Black Sea and expects to ship 2.5 million tonnes of grain a year
- On February 12th, **Viresol** announced that it has opened a new wheat starch plant in Visonta, Hungary. The new plant will process over 250,000 tonnes of Hungarian wheat, which equates to about 10% of all domestic wheat intended for export. The project cost a total of US\$117.2 million, with the Hungarian government providing a grant for up to US\$22 million
- On February 11th, **AGT Food and Ingredients** announced that it has received final order from the Ontario Superior Court approving the previously announced management buyout transaction led by CEO, Murad Al-Katib. The transaction provides for the indirect acquisition of all of the outstanding shares not currently held by the buyer group for C\$18.00 per share. The transaction is expected to close near the end of Q1'19. Once complete, the shares will be delisted from the TSX

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
ADM	23,822	32,580	7.7x	7.3x	12.1x	11.4x	1.5 %	(18.4)%
Bunge Limited	7,304	13,703	7.3x	6.8x	11.4x	10.2x	(1.7)%	(34.6)%
Graincorp Limited	1,610	2,284	12.9x	9.8x	nmf	23.5x	4.3 %	(0.3)%
The Andersons, Inc	1,369	2,336	7.9x	7.5x	16.1x	14.0x	0.7 %	(11.3)%
AGT Food and Ingredients	328	871	12.1x	12.7x	15.3x	13.0x	(0.1)%	(9.0)%
Ceres Global Ag	90	144	na	na	na	na	0.5 %	(16.9)%
Mean			9.6x	8.8x	13.7x	14.4x	0.9 %	(15.1)%

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

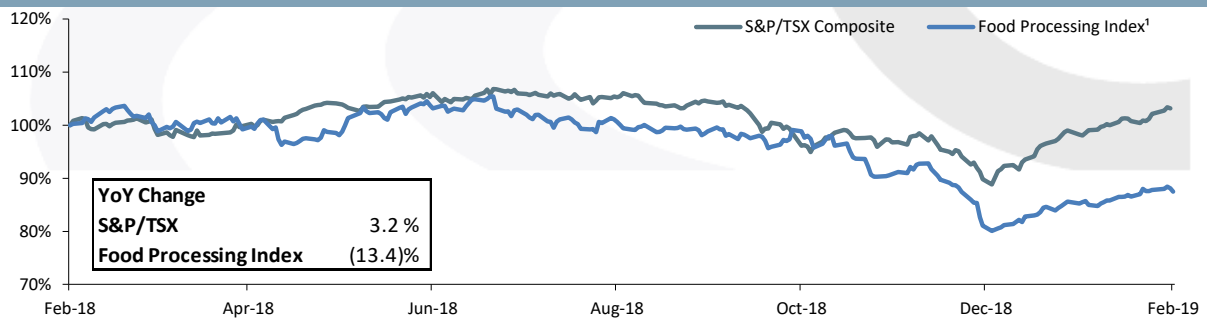


FOOD PROCESSING

News Scan

- On February 25th, **SunOpta** announced the sale of its specialty and organic soy and corn business to **Pipeline Foods** for C\$66.5 million. The transaction includes 4 facilities in Minnesota, 1 facility in Iowa and a multi-year supply agreement for select ingredients used in SunOpta's consumer products business
- On February 22nd, Canadian dairy company **Saputo** announced that it has entered into an agreement to acquire British **Dairy Crest's Cathedral City** and **Clover** margarine for £975 million. The acquisition will expand Saputo's operations overseas adding seven locations with more than 1,100 employees to the company
- On February 20th, **Strategic Value Partners** announced that it has reached an agreement to acquire the food ingredient and ethanol business of **White Energy**, for an undisclosed sum. The transaction includes two integrated plants in Russell, Kansas, which is the nation's largest vital wheat gluten manufacturing facility with a production capacity of 56 million pounds
- On February 14th, **Nestle** announced that it is considering selling its cold cuts business, **Herta Charcuterie**, as another step towards streamlining its portfolio. The company is conducting a strategic review of the business, which generated ~US\$674 million in revenue in 2018, and is expected to be complete by the end of the year. Nestle said that it is looking to see more growth from its plant-based segment and that a sale of Herta would underscore the company's focus on the sector
- On February 13th, **Smucker Foods of Canada Corp.** announced plans to invest US\$12 million in its Sherbrooke manufacturing plant, which produces evaporated milk and sweetened condensed milk. The investment, which will be supported in part by funding from the Federal Ministry of Agriculture and Agri-Food, will be used to upgrade equipment. The upgraded facility will offer a broader variety of products and sourcing of domestic milk
- On January 29th, **The Kraft Heinz Company** announced that it has completed the sale of **Heinz India Private Limited** to **Zyduz Wellness Limited** for US\$625 million. Heinz India is the holding company for Kraft's brand portfolio in India, which consists of four brands ranging from nutrient supplements to wellness products. The sale of the business will allow Kraft to free up cash to focus on investing in growing brands that are core to the business

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
			2019E	2020E	2019E	2020E		
George Weston Limited	11,060	27,688	7.9x	7.6x	13.8x	12.9x	0.8%	(12.2)%
ConAgra Foods, Inc.	11,354	22,620	10.9x	10.1x	11.4x	9.9x	(7.5)%	(43.6)%
Ingredion Incorporated	6,231	7,549	7.5x	7.2x	13.3x	12.4x	(1.6)%	(31.9)%
Tate & Lyle plc	4,440	4,878	8.1x	8.0x	14.1x	13.6x	(2.9)%	(5.2)%
Premium Brands	1,942	2,764	11.2x	10.3x	17.1x	14.8x	2.4%	(35.2)%
Maple Leaf Foods Inc.	2,763	2,997	9.1x	8.3x	17.4x	14.8x	2.3%	(14.8)%
SunOpta Inc.	367	965	12.8x	9.4x	neg	36.7x	0.2%	(52.8)%
Rogers Sugar	476	727	9.0x	8.7x	12.5x	11.9x	1.8%	(3.5)%
Mean			9.7x	8.7x	14.5x	16.4x	(0.9)%	(28.0)%

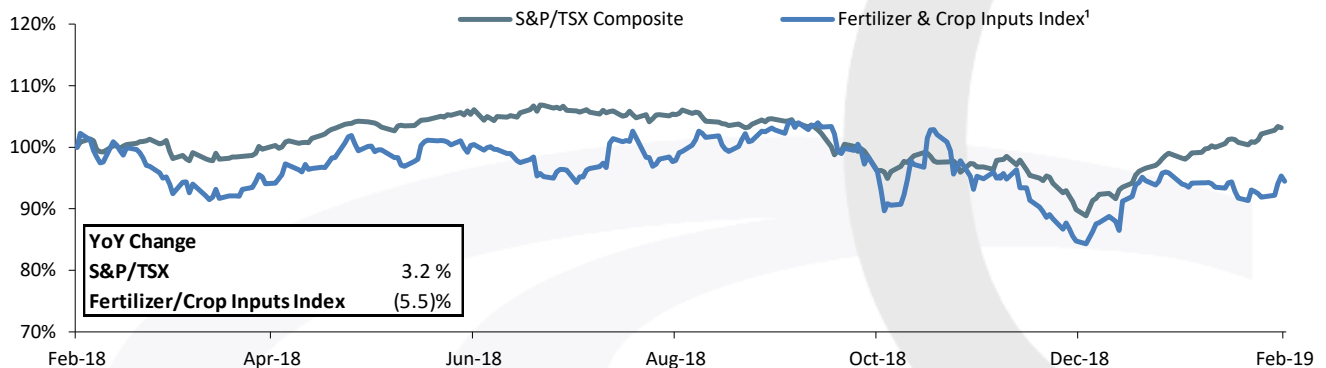


FERTILIZERS & CROP INPUTS

News Scan

- On February 26th, **Nutrien** confirmed that its Australian business **Landmark** is engaged in discussions with **Ruralco** regarding a potential transaction. Trading for Ruralco shares halted on the Australian Securities Exchange for approximately two business days as speculation for Ruralco to sell to Nutrien grew
- On February 19th, **BHP Group** announced that its Saskatchewan potash mine is still an important strategic option, but has yet to comment on whether it will proceed with operational development. The company expects to spend ~A\$240 million this year on further surface infrastructure and shaft upgrades. BHP did not provide a definitive date on when it would make a decision on the future of the mine
- On February 13th, **Yara International** and **ENGIE**, a French multinational electric utility, announced that they will be testing green hydrogen technology in fertilizer production. The companies will be carrying out a feasibility study to design a green hydrogen plant which will be integrated with Yara's existing ammonia plant in Western Australia, helping create "green" fertilizers. The partnership is part of Yara's goal to create carbon-free fertilizers

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
			2019E	2020E	2019E	2020E		
Nutrien Ltd.	32,980	40,651	8.5x	8.0x	17.8x	15.5x	0.8%	(6.4)%
CF Industries Holdings, Inc.	10,171	17,020	9.4x	8.6x	17.8x	14.8x	5.5%	(22.0)%
Yara International ASA	11,437	15,459	6.8x	5.8x	13.6x	10.6x	6.1%	(11.5)%
The Mosaic Company	12,451	16,317	6.9x	6.6x	13.3x	12.2x	0.6%	(13.6)%
Nufarm Ltd.	1,409	2,394	6.3x	5.9x	11.4x	9.6x	(6.3)%	(45.8)%
Input Capital Corp.	64	63	na	na	na	na	12.0%	(35.6)%
Mean			7.6x	7.0x	14.8x	12.5x	3.1%	(22.5)%

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

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.

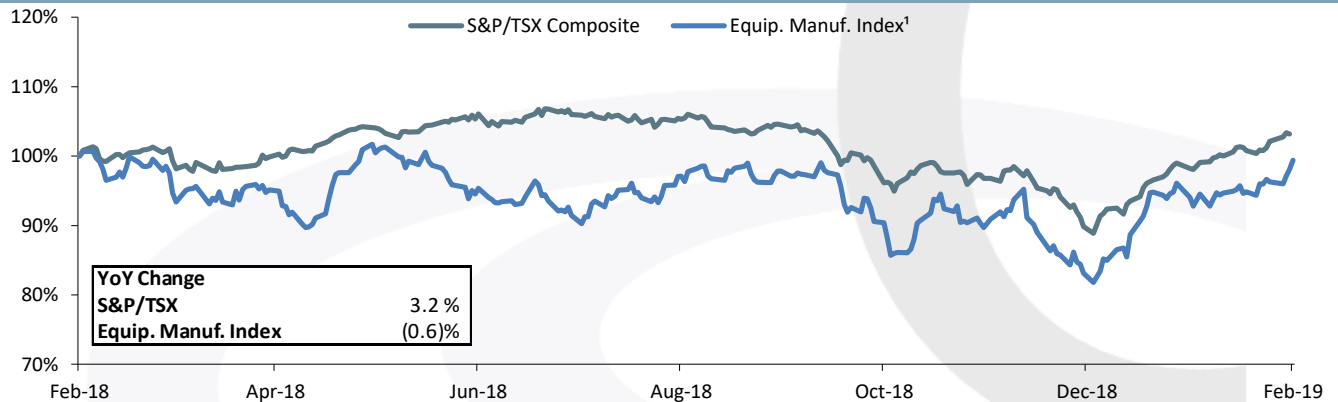


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On February 25th, **Ag Growth International (AGI)** announced that it will issue C\$75 million of senior subordinated unsecured debentures at a price of \$1,000 per Debenture on a “bought deal” basis. AGI was also granted an over-allotment option to purchase up to an additional C\$11.25 million. Total gross proceeds from the offering assuming over-allotment option is fully exercised is valued at approximately C\$86 million
- On February 14th, **CN Rail** announced that it has signed an agreement with the **Government of Canada** and the **Vancouver Fraser Port Authority** to upgrade key infrastructure to increase capacity of trade infrastructure in the Greater Vancouver Area. The project is part of a long-term strategy to increase capacity and grade-separate the Burrad Inlet rail corridor that services the south shore port area in Vancouver. The project will build a second track that will allow CN to create more rail capacity, allowing for better flow of traffic in and out of the port and improving efficiencies in the supply chain
- On February 12th, **Timber Investments** announced that it has acquired a 51% interest in **Columbia Containers** from Providence Grain Group for an undisclosed amount. Columbia Containers operates an agri-products container transloading facility on the south shore of Vancouver, BC that has recently undergone a major capital upgrade that increased its capacity to 1.5 million tonnes of annual throughput

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
				2019E	2020E	2019E	2020E		
Deere & Company	53,091	57,790	11.3x	9.8x	21.6x	14.5x	4.4 %	(2.3)%	
AGCO Corp	5,241	6,670	7.2x	6.7x	14.4x	12.5x	3.4 %	(3.0)%	
Ag Growth International Inc.	802	1,185	9.3x	8.6x	16.8x	14.8x	0.4 %	(10.7)%	
Rocky Mountain Dealerships	131	429	14.3x	13.1x	8.2x	7.3x	(0.1)%	(33.3)%	
Cervus Equipment Corporation	159	324	6.8x	6.6x	7.8x	7.0x	5.1 %	(10.5)%	
Mean			9.8x	9.0x	13.8x	11.2x	2.6 %	(12.0)%	

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

- In the Grain Market Report released on February 21st, **International Grain Council (IGC)** announced that world wheat flour trade in 2018-19 dropped by 1 million tonnes from the previous quarter estimate and is now 4% lower than last year. Regionally, Asia and the Middle East experienced the largest decline, while Turkey maintained its spot as the largest exporter
- On February 15th, **Commodity News Service Canada** reported that lightweight cattle continue to do well at Manitoba cattle auctions. Feeder steers less than 400lbs were fetching prices in the C\$230-C\$265 per hundredweight (cwt) while those in the 400-500lb range were trading closer to C\$225-C\$260. Volume of cattle sales has also been up, largely due to frigid weather which caused many auctions to postpone over the last two weeks. 12,638 cattle were sold between February 11-14th, which was close to twice the amount sold the previous week
- On February 15th, The United States and Canada challenged India's market price support for five pulses at the World Trade Organization. The two North American countries submitted a counter notification to the WTO's Committee on Agriculture stating that India's price support for a variety of pulses is excessive. Based on US/Canadian calculations, it appears that India has substantially underreported its support for chickpeas, pigeon peas, black matpe, mung beans, and lentils
- On February 14th, **Statistics Canada** reported that winter wheat plantings in Western Canada have continued their downward trend last fall. While a decade ago prairie plantings surpassed 1.5 million acres, estimated total prairie plantings for 2018 sits at 250,000 acres, down 25.4% from 335,000 acres in 2017. Weather-related harvest delays and the development of new higher-yielding canola varieties that require extra time to reach their full yield potential have tightened an already narrow seeding window for winter cereals
- On February 12th, representatives from Kazakhstan, Iran and Russia signed a Memorandum of Understanding on wheat trade cooperation. The memorandum outlines that Russia and Kazakhstan can use Iran's logistical capabilities and in transit to deliver their wheat to third world countries. The second term outlines the joint development of wheat swap contracts with Russia and Kazakhstan, and the last is related to the conditions of temporary importation
- On February 7th, the **Ethiopian News Agency** reported that construction on four pilot integrated agro-processing industrial parks (IAIPs), that are estimated to cost ~US\$10 billion to construct, are expected to be completed within the next several months. Construction was initially expected to be completed at the end of December 2018, however challenges with electric power and a lack of foreign currency contributed to several delays

Commodities Futures as of February 26th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.80	0.46 %	1.13 %
Wheat (CBOT)	\$ per bu.	\$4.73	(9.82)%	(6.71)%
Oats (CBOT)	\$ per bu.	\$2.72	(5.72)%	(2.25)%
Rough Rice (CBOT)	\$ per cwt.	\$10.34	(2.96)%	(0.14)%
Rapeseed (Canola) (ICE)	CAD per T	\$477.90	(0.93)%	(2.23)%
Ethanol (CBOT)	\$ per gal.	\$1.36	3.34 %	6.58 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
The Andersons, Inc.	(2.7%)	The company reported fourth quarter 2018 net income of US\$23.8 million, or US\$0.84 per diluted share, on revenues of US\$813 million. Grain Group pretax income improves to US\$25.4 million on strong harvest margin environment and another strong quarter from Lansing. EBITDA grew 140% to US\$60.2 million for Q4'18 up from US\$25 million in Q4'17	US\$40.33	11.0%
Fertilizers & Crop Inputs				
Nutrien Ltd.	nmf	The company delivered strong operational and strategic results in 2018. The company delivered a 32% increase in earnings, exceeded merger synergy targets and received US\$5.3 billion from the sale of equity investments. Retail EBITDA increased by 5% YoY, despite a condensed US fall application season, while Potash and Nitrogen EBITDA were up 59% and 63% respectively, due to record volumes and higher prices. Free cash flow was up US\$2.0 billion in 2018,	US\$64.79	21.6%
Yara International ASA	(8.2%)	Yara showed improved results in Q4 with adjusted EBITDA increasing by 21% driven by improved margins in a slow off-season market. Following a period of heavy investments, the company's focus in 2019 is to ramp up current growth projects and continued operational improvement. Total volumes were up 2% YoY, while industrial deliveries increased by 9% YoY	NOK\$389.73	12.1%
CF Industries Holdings, Inc.	(19.0%)	The company reported revenues of US\$4,429, up 7% YoY due to increased prices. Adjusted EBITDA increased by 45% YoY to US\$1,403 million. Results were driven by higher global nitrogen prices and lower natural gas costs. CF anticipates strong nitrogen demand in North American and expands to build on its 2018 performance due to its strong transportation and distribution network. The company expects results to improve as the nitrogen market continues to tighten and the company remains at the low end of the global cost curve	US\$52.10	24.7%
Equipment & Services				
AGCO Corporation	54.3%	Net sales in FY2018 increased 12.6% YoY to US\$9.4 billion driven by strong demand in Europe/Middle East as well as Asia/Pacific/Africa. Net Income per share increased by 54% YoY to US\$3.58, driven by solid operational execution across all segments. The company expects to reach net sales of US\$9.6 billion in FY2019, along with improved gross and operating margins, reflecting the positive impact of pricing and cost reduction efforts	US\$64.69	(0.1%)
Deere & Company	nmf	Net sales increased 16% YoY to US\$6.94 billion due to an expanding global customer base and leadership in the latest precision technologies. Net income was US\$1.54 per share compared to a net loss of US\$1.66 per share YoY driven by a more flexible cost structure. Additionally, the company benefited from US tax reform legislation. The company expects sales of agricultural equipment in the US and Canada to be flat or increase by 5% due to continued demand for large and small equipment	US\$173.52	9.1%



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