



Agriculture Industry Flash

Tuesday, July 16th, 2019

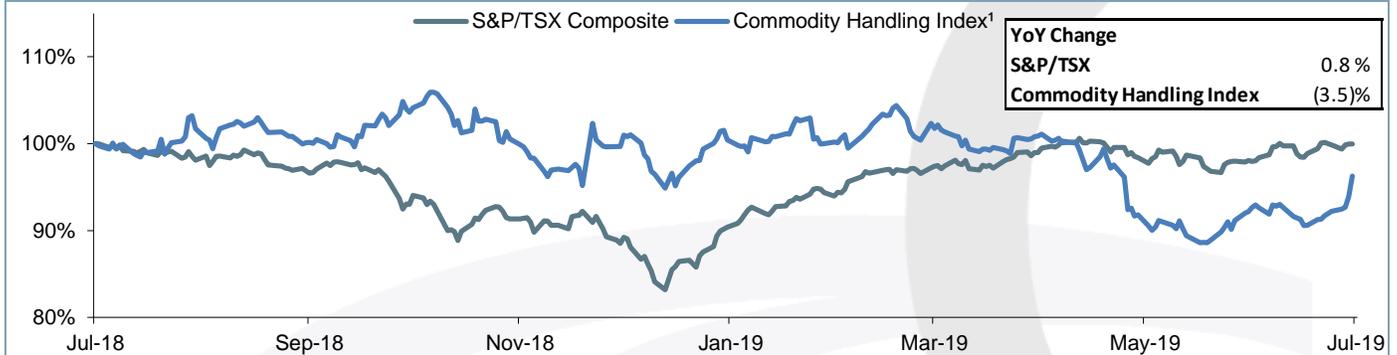


COMMODITY HANDLING

News Scan

- On July 11th, **Cargill Inc.** and **Archer Daniels Midland Co. (ADM)** reached a deal to swap some of their grain elevators in the U.S Midwest for undisclosed financial terms. Cargill will transfer two elevators on the Ohio River and in return, ADM will exchange two elevators along the Illinois River. The asset swap is expected to increase efficiency for both companies
- On July 10th, **Ardent Mills** acquired the Worden grain elevator, in Oregon, from **Henzel Brothers** for US\$3.3 million. The new elevator will enhance the Company's ability to source grain from farms in the region, while opening up additional opportunities in the specialty grains sector
- On July 8th, **Ceres Global Ag Corp.** announced it has secured an exclusive option to acquire **Delmar Commodities**, for C\$16 million in cash. Delmar, based in Winkler Manitoba, is a privately held processing and supply chain company. Ceres sees value in Delmar's capabilities, market knowledge, and customer relationships, which will help Ceres execute on its growth strategy

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
ADM	22,726	32,044	7.7x	7.2x	12.5x	10.9x	(0.3)%	(19.9)%
Bunge Limited	7,795	14,717	9.2x	8.4x	19.4x	14.1x	(0.7)%	(21.8)%
Graincorp Limited	1,295	2,525	20.8x	12.2x	neg	27.0x	1.2 %	(16.7)%
The Andersons, Inc	874	2,386	9.8x	8.4x	16.4x	11.5x	(1.0)%	(35.5)%
Ceres Global Ag	85	150	na	na	na	na	15.8 %	(1.1)%
Mean			11.9x	9.0x	16.1x	15.9x	3.0 %	(19.0)%

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

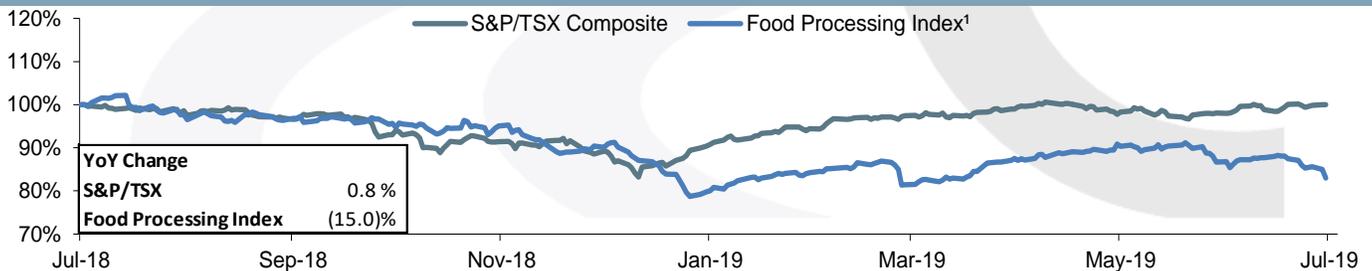


FOOD PROCESSING

News Scan

- On July 12th, **Campbell Soup Co.** announced it would sell its Danish unit, **Kelsen Group**, to **Ferrero SpA** for US\$300 million. Kelsen, a baked snack foods manufacturer, is primarily known for brands such as Kjeldsens and Royal Dansk. The sale supports Campbell's strategy to focus on its strong brand presence in North America while reducing debt
- On July 10th, **La Coop fédérée** announced an agreement to acquire all assets of **F. Ménard**, a leader in the Quebec pork sector, for an undisclosed amount. Assets acquired include hog farms, processing plants, and two mills. The acquisition will help LCF Coop strengthen its pork business, Olymel, and provide its agriculture business, Sollio Agriculture, animal feed operations
- On July 9th, **TreeHouse Foods** announced the sale of its snack's division to **Altas Holdings**, a private investment firm, for US\$90 million. TreeHouse's snacks division operates as a private label brand, and has been underperforming for several years. The net proceeds of the sale will be used to pay down debt
- On July 9th, **Lactalis Group**, a France-based multinational dairy products corporation, acquired **Ehrmann Commonwealth Dairy**, the US yogurt business of Germany-based dairy company **Ehrmann** for an undisclosed amount. Lactalis believes Ehrmann Commonwealth will complement its existing US brands as well as help strengthen its national distribution capabilities
 - On July 10th, **Lactalis Group** concluded the acquisition of **Itambe Alimentos SA**, a Brazilian dairy producer for US\$600 million. The deal comes following a year of arbitration over the valuation between the company and Lala, who has a 50% stake in the Itambe. With the deal concluded, Lactalis expects its revenue to be US\$2.13 billion in Brazil
- On July 5th, **Froneri**, a UK-based ice cream joint venture owned by **Nestlé** and **R&R Ice Cream**, agreed to acquire **Noga Ice Creams** from Nestlé. The deal allows Froneri to enter the Israeli market and aligns with and investing in local brands
- On July 3rd, the board of directors of **St. Albans Cooperative Creamery (SACC)**, a 360-farm membership group in the Northeastern US, proposed a potential merger with **Dairy Farmers of America (DFA)**. The terms of the deal have not yet been determined. DFA believes the merger will provide its members with established customer relationships, investments in critical hauling and manufacturing assets, and increased marketing activities in the northeast US region

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	11,660	27,634	7.2x	6.4x	14.7x	13.7x	(0.8)%	(11.0)%
ConAgra Foods, Inc.	12,357	22,934	11.4x	10.3x	13.5x	11.4x	(7.7)%	(30.0)%
Ingredion Incorporated	5,388	7,290	7.5x	7.2x	11.7x	10.9x	0.7%	(24.1)%
Tate & Lyle plc	4,293	4,685	7.9x	7.7x	13.8x	13.7x	(1.0)%	(7.8)%
Premium Brands	2,571	3,476	13.8x	12.3x	23.3x	19.5x	3.1%	(21.8)%
Maple Leaf Foods Inc.	2,717	3,301	10.8x	9.2x	24.3x	19.2x	(4.1)%	(19.4)%
SunOpta Inc.	278	818	16.3x	12.6x	neg	neg	(0.5)%	(62.7)%
Rogers Sugar	456	720	9.5x	8.8x	14.2x	11.8x	(4.1)%	(9.0)%
Mean			10.7x	9.4x	16.9x	14.7x	(1.5)%	(25.3)%

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 11th, **K+S AG**, a German chemical company, commissioned a new magnesium sulfate anhydrous facility at its Werra, Germany plant. The plant will allow K+S to increase production of magnesium sulphate anhydrous, a highly-demanded fertilizer product, by more than 50%. The increased production better positions K+S to meet growing customer demands
- On July 9th, the **Belarusian Potash Company** signed a 1-year contract to supply 450,000 tonnes of potash fertilizers to the **Bangladesh Agricultural Development Corporation (BADC)**. BADC stated that Belarusian potash fertilizer is highly sought-after and the contract will help to form a solid foundation for partnership between the two companies

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Nutrien Ltd.	31,963	42,772	9.2x	8.5x	18.5x	15.9x	(7.3)%	(14.3)%
CF Industries Holdings, Inc.	10,422	17,191	10.3x	9.2x	24.0x	16.4x	(2.9)%	(20.5)%
Yara International ASA	13,017	17,037	7.4x	6.3x	15.0x	11.5x	0.2 %	(6.5)%
The Mosaic Company	9,409	14,028	6.6x	5.7x	14.7x	10.5x	(8.8)%	(39.8)%
Nufarm Ltd.	1,081	2,043	6.0x	5.4x	9.6x	8.7x	2.6 %	(49.0)%
Input Capital Corp.	50	51	na	na	na	na	0.0 %	(34.2)%
Mean			7.9x	7.0x	16.4x	12.6x	(2.7)%	(27.4)%

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

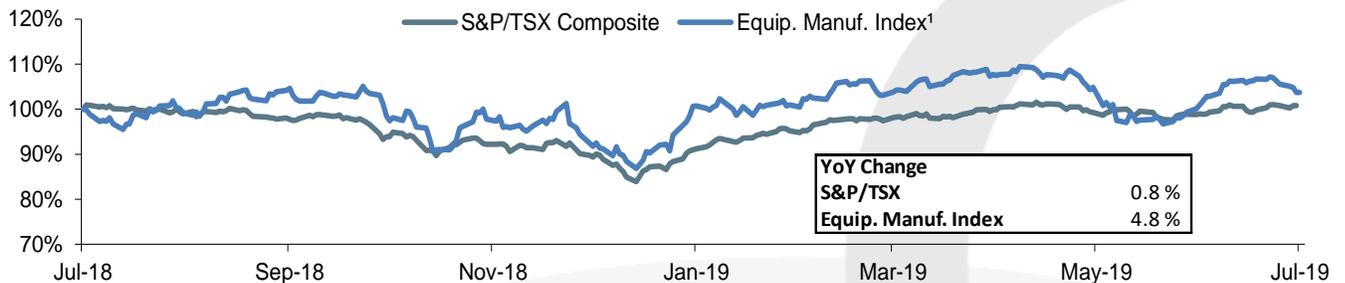


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On July 9th, **John Deere** announced the acquisition of **OnLink**, an industry-leading golf course performance optimization software platform, for an undisclosed amount. The company began its relationship with OnLink through a golf course, fleet management software collaboration in 2017. The acquisition will allow John Deere to continue developing the OnLink platform as well as delivering it to broader markets
- On July 5th, **Multivac**, a worldwide packaging company, acquired **Fritsch Group**, a Germany-based bakery equipment manufacturer for an undisclosed amount. The acquisition expands Multivac's range of solutions for processing and packaging food products and extends its presence in the bakery industry

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	2019E	2020E			2019E
Deere & Company	52,247	56,098	10.6x	9.9x	17.8x	14.6x	(2.4)%	(5.1)%
AGCO Corp	5,978	7,873	8.4x	8.0x	15.7x	14.1x	(3.9)%	(4.6)%
Ag Growth International Inc.	761	1,319	10.1x	8.8x	16.5x	13.1x	0.5%	(17.5)%
Rocky Mountain Dealerships	112	501	17.8x	15.4x	9.3x	7.1x	(3.3)%	(37.6)%
Cervus Equipment Corporation	143	260	4.8x	4.4x	8.9x	7.4x	(6.7)%	(20.5)%
Mean			10.4x	9.3x	13.7x	11.3x	(3.2)%	(17.1)%

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

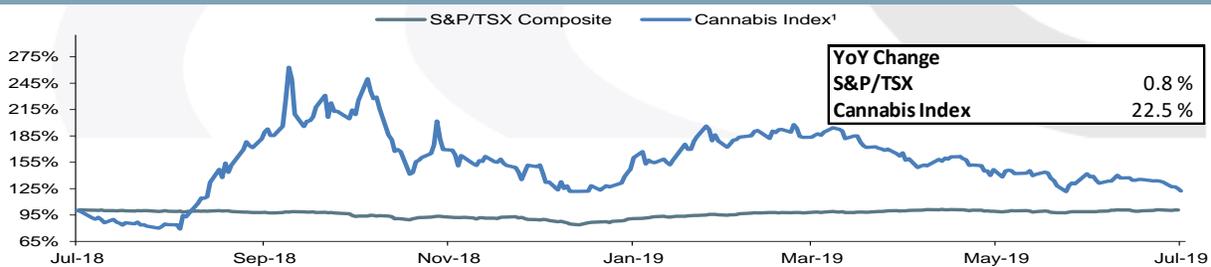


CANNABIS AND HEMP

News Scan

- On July 11th, **The Supreme Cannabis Company Inc.**, a global diversified portfolio of cannabis holdings, announced the closing of its acquisition of **Blissco Cannabis Corporation** for approximately C\$48 million. Under the terms of the deal, Blissco Shareholders will receive 0.24 of a common share of Supreme Cannabis for each Blissco common share held. The acquisition will expand Supreme Cannabis' portfolio of products and provide access to Blissco's GMP extraction facility
- On July 11th, **Green Growth Brands Inc.**, a producer of CBD based consumer goods, announced its supply agreement with **American Eagle Outfitters, Inc.** to sell CBD-infused personal care products. The company received a purchase order from American Eagle for nearly 500 retail stores and an online store. The purchase order represents Green Growth Brands' third major wholesale agreement
- On July 9th, **Green Growth Brands Inc.**, also announced it has entered into an agreement to acquire **MXY Holdings llc** for US\$310 million. The deal will be satisfied through the issuance of either common shares or exchangeable LP units. The acquisition would create one of the first cannabis companies that provides consumers with both CBD and THC product lines that stretch from cannabis dispensaries to mainstream retail
- On July 5th, **Sundial Growers Inc.**, a Canadian licensed producer, announced the acquisition of UK based, CBD-focused **Bridge Farm Group** in its first venture beyond Canada, for an undisclosed sum. The acquisition provides Sundial with 1.5 million square feet of greenhouse space capable of cultivating cannabis and hemp
- On July 8th, **CannTrust Holdings Inc.**, a vertically integrated licensed producer of cannabis, announced that their Pelham, Ontario greenhouse was found to be noncompliant by **Health Canada**. The company admitted that operations had commenced prior to receiving a license between October 2018 and March 2019 in 5 cultivation rooms. As a result, Health Canada has placed a hold on 5,200 kg of dried cannabis at the Pelham facility
 - On July 11th, the company also announced that it has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility. This follows the 7,500 kg of cannabis derivatives being held at the facility as well

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	TEV/Revenue				TEV/EBITDA		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Canopy Growth Corporation	14,113	12,840	30.9x	13.7x	neg	neg	(7.3)%	(36.8)%
Aurora Cannabis Inc.	7,971	8,275	24.5x	13.5x	neg	64.7x	(2.9)%	(42.3)%
Aphria Inc.	1,778	1,685	5.2x	2.7x	neg	15.5x	0.2%	(61.2)%
CannTrust Holdings Inc.	684	479	5.3x	2.9x	neg	11.7x	(8.8)%	(73.9)%
Cronos Group Inc.	5,268	3,693	96.2x	27.3x	neg	91.6x	2.6%	(40.1)%
Tilray, Inc.	4,486	4,445	25.0x	12.2x	neg	nmf	0.0%	(84.9)%
Mean			31.2x	12.0x	na	45.9x	(2.7)%	(56.6)%

1 "Cannabis Index" is composed of equally weighted market prices for: Canopy Growth, Aurora Cannabis, Aphria, CannTrust Holdings, Cronos and Tilray.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On July 12th, the **United States Oceanic and Atmospheric Administration** declared El Nino dead. Australia's equivalent agency forecasted El Nino to be over two weeks ago. The gap in timelines have caused major uncertainty about what the rest of the growing season is to look like, with forecasters suggesting fairly normal summer conditions for the remainder of the season. For the US Midwest, crop yields don't look promising due to the expected lack of rain and early fall frosts
- On July 11th, the **USDA** released a World Agricultural Supply and Demand Estimated report, that called for a carryover of wheat on June 1, 2020, at 1 million bushels, down 7% from 1.072 billion bushels. The reduction in the carryover was driven by a boost in projected 2019-2020 exports due to a large cut in world wheat production and trade
- On July 11th, there were reports that Alberta's alfalfa seed crops are two to four weeks behind normal development for this time of year. Alfalfa Seed Commission research and extension manager, Brad Alexander, said that dry conditions in the spring, before irrigation was available, have combined with cooler than normal temperatures to delay progress
- On July 10th, the **Canadian Food Inspection Agency (CFIA)**, confirmed that a positive case of classical scrapie was found on a sheep in late June from a farm in Alberta. Scrapie is a fatal disease affecting sheep and goats. As a result of the finding, two Alberta flocks have now been quarantined at an undisclosed location
- On July 8th, **China's Director General of the Import and Export Food Safety Bureau**, Bi Kexin, hosted a meeting with representatives from 30 countries to warn them about complying with the country's rules on meat imports. This meeting follows a series of problems the country identified in Canadian pork shipments. Sources at the meeting said the key message was to fix any mistakes that have been made and prevent any future ones
- On July 8th, The **USDA** released their Global Agricultural Information Network report that said 2019-2020 Corn production in China is forecast to fall more than 9% from its June outlook. The key reasons behind the drop in production are due to government policies designed to reduce corn planting in favor of soybeans, as well as crop damage from the spread of the fall armyworm
- On July 2nd, **Environment Canada** said the first six months of 2019 were the driest on record for Winnipeg, coming in with only 91.1mm of precipitation. The result for many farmers in the Red River Valley, central and eastern Manitoba regions are shorter than normal crops. Soybean, corn and canola yields this growing season could be damaging if rain doesn't come soon

Commodities Futures as of July 12th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$4.59	8.70 %	22.22 %
Wheat (CBOT)	\$ per bu.	\$5.23	2.20 %	3.21 %
Oats (CBOT)	\$ per bu.	\$2.84	(0.35)%	1.98 %
Rough Rice (CBOT)	\$ per cwt.	\$11.91	3.34 %	15.02 %
Rapeseed (Canola) (ICE)	CAD per T	\$450.70	(0.11)%	(7.79)%
Ethanol (CBOT)	\$ per gal.	\$1.59	6.41 %	24.92 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Cannabis and Hemp				
Canopy Growth Corporation	199.5%	The Company reported net revenues of C\$226.34MM in FY2019, a 190% increase from the previous year. Revenues were largely driven by the recreational "dry bud" and "oil" products totalling 56% of revenues for the year. Gross margin in 2019 dropped from 48% to 22%, largely due to unutilized capacity. Despite a strong increase in revenue, adjusted EBITDA decreased by 612.35% from \$36,072 in FY2018. This was reflective of the investments made in FY2019 SG&A	US\$70.37	74.1%

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