



Agriculture Industry Flash

Wednesday, August 14th, 2019

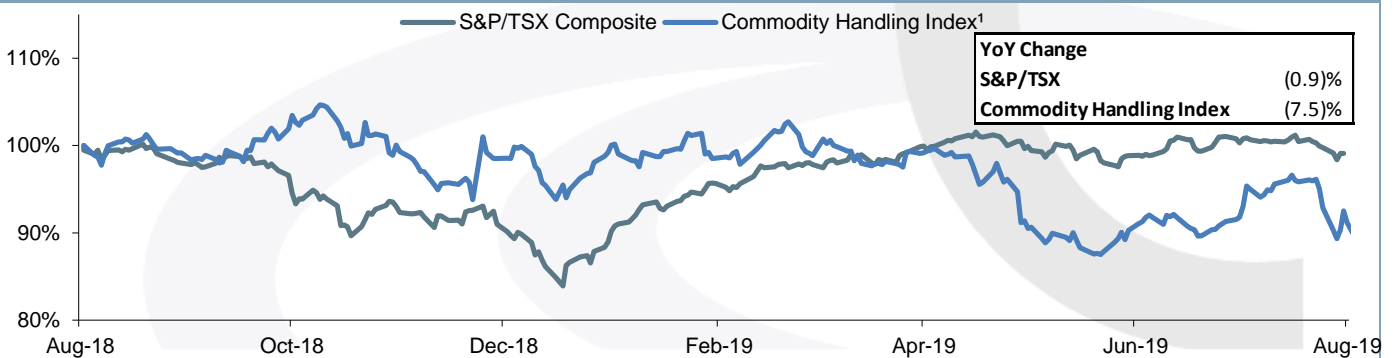


COMMODITY HANDLING

News Scan

- On August 8th, **ILTA Grain Inc.**, an independent processor of pulse crops in Western Canada, announced that **The Canadian Grain Commission** has reinstated its primary elevator licenses, after a period of suspension, under the condition that the company refrains from purchasing or receiving grain. ILTA owes nearly C\$150 million in debt to creditors and is currently in the process of selling its assets
- On August 8th, **Alliance Feed LLC**, a joint venture between **Farmer's Grain & Feed Co.**, a local Columbia City grain facility, and **Co-Alliance LLP**, a cooperative partnership based in Indiana, U.S., announced it has begun operations at its feed mill in Columbia City, India, after 16 months of construction. The mill will utilize 6 million bushels of corn annually and will give grain farmers another market for their crop and livestock farmers a consistent local source for their feed
- On August 7th, **The Andersons Inc.** announced that it will sell **Thomsons'** agronomy business to **Sylvite**, an agricultural service provider in Burlington, Ontario, for an undisclosed amount. Moving forward, The Andersons will enhance its focus on the grain and food products businesses, while Sylvite will focus on growing in agronomy products and services
- On August 6th, **Olam International Limited**, a fully-integrated agribusiness company, amended its initial acquisition offer for Nigeria-based **Dangote Flour Mills Plc** in April 2019, from 130 billion naira (US\$357 million) to 120 billion naira (US\$330 million) due to adjustments for net working capital and net debt as of March 31st 2019
- On August 6th, **COFCO**, a commodity trader based in China, announced plans to increase its investments in Brazilian operations, such as building new warehouses and improving transportation systems. China is Brazil's largest commodity trading partner and COFCO hopes to strengthen business ties with Brazilian farmers in the coming years

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	ΔPrice
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
ADM	21,366	30,273	7.9x	7.0x	13.5x	10.9x	(1.0)%	(28.2)%
Bunge Limited	8,100	15,026	9.2x	8.6x	18.6x	14.9x	(3.5)%	(26.2)%
Graincorp Limited	1,254	2,448	28.4x	12.9x	neg	44.8x	2.4 %	(20.0)%
The Andersons, Inc	826	2,384	9.8x	8.0x	17.2x	11.2x	1.8 %	(39.7)%
Ceres Global Ag	94	159	na	na	na	na	(5.4)%	(10.9)%
Mean			13.8x	9.1x	16.4x	20.5x	(1.2)%	(25.0)%

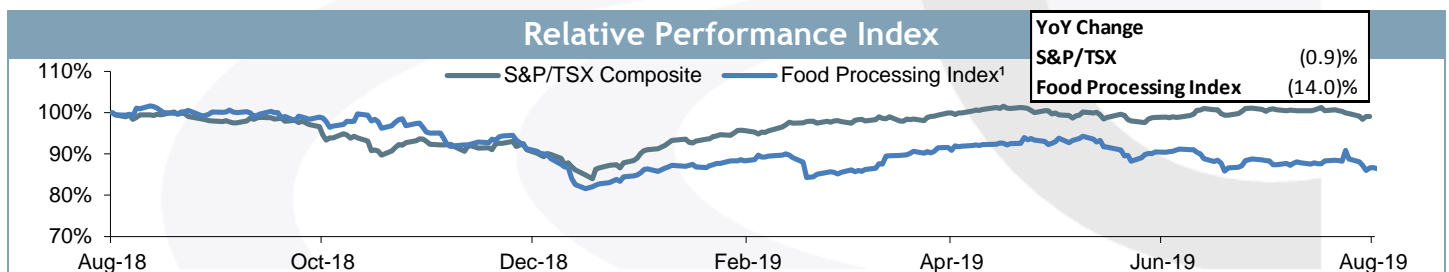
1 "Commodity Handling Index" is composed of equally weighted market prices for: ADM, Bunge, Graincorp, Andersons, and Ceres.



FOOD PROCESSING

News Scan

- On August 13th, **Western Foods LLC**, a California-based rice and ancient grain provider, acquired **American Sunny Foods Inc.**, a California-based rice flour manufacturer, for an undisclosed amount. Through the acquisition, Western Foods obtained American Sunny Foods' advanced processing capabilities and technical expertise found at its processing facility
- On August 8th, reports indicated that **DuPont** is considering either selling or spinning off its nutrition and biosciences business. Considering the strong growth in the bioscience division, merging DuPont's division with the resources of another company has the potential to realize cost synergies. Reports indicated the division could be sold for around US\$20 billion
- On August 7th, **Perdue AgriBusiness LLC**, a Maryland-based food processor, acquired the assets of **Hart AgStrong LLC**, a Georgia-based oilseed processor, for an undisclosed amount. The acquisition included two oilseed expeller crushing facilities in Georgia and Kentucky, which Perdue believes will complement its existing specialty crops and oils capabilities
- On August 7th, **Fonterra Co-operative Group Limited**, a New Zealand multinational dairy co-operative, announced its intention to sell a portion of its current 18.8% stake in **Beingmate**, a Chinese infant formula manufacturer, to the **ShenZhen Stock Exchange**
- On August 2nd, **Hostess Brands**, a Missouri-based bakery company, announced it will sell its **Superior Cake Products** in-store bakery business to **Sara Lee Frozen Bakery** for US\$65 million. Proceeds from the transaction are expected to be used to reinvest in its business, de-leverage its balance sheet, and pursue potential strategic acquisitions
- On August 2nd, **Campbell's Soup Co.** confirmed it will sell its Australian snacks unit, **Arnott's**, and some of its international operations to **KKR & Co. Inc.** for US\$2.2 billion as the company works on reducing its debt. The companies will enter into a long-term licensing agreement for the exclusive rights to use certain Campbell brands in select markets including Australia
- On August 1st, **Kayco**, a major kosher food distributor, announced it will acquire **The Manischewitz Company**, a large manufacturer of kosher foods, for an undisclosed amount. The companies deal with similar products and Kayco will be able to expand its hold over the manufacturing and distribution of kosher food with the acquisition



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	12,318	27,595	6.8x	6.5x	14.6x	13.6x	0.2 %	(1.3)%
ConAgra Foods, Inc.	13,941	24,349	12.1x	10.9x	15.2x	12.9x	1.3 %	(25.3)%
Ingredion Incorporated	5,087	6,987	7.4x	7.1x	11.5x	10.8x	(2.9)%	(29.5)%
Tate & Lyle plc	4,076	4,453	7.7x	7.6x	13.6x	13.5x	(2.6)%	(9.9)%
Premium Brands	2,640	3,534	14.2x	12.7x	24.3x	20.3x	(3.3)%	(12.1)%
Maple Leaf Foods Inc.	3,122	3,724	12.1x	10.6x	28.3x	23.3x	(2.8)%	(8.8)%
SunOpta Inc.	198	735	19.2x	14.1x	neg	neg	(18.6)%	(73.4)%
Rogers Sugar	421	681	9.8x	8.7x	13.6x	11.8x	(1.1)%	(15.7)%
Mean			11.4x	9.9x	17.9x	15.7x	(4.1)%	(22.9)%

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.

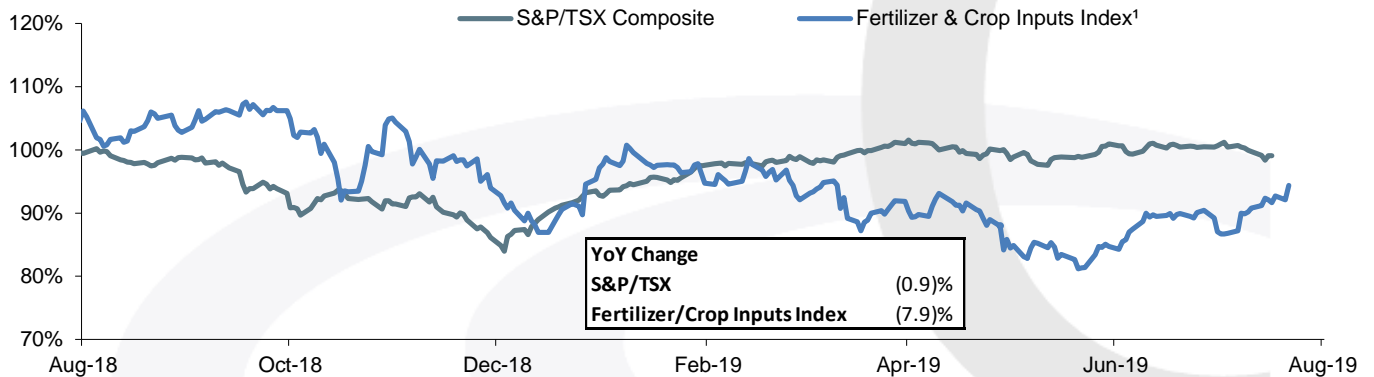


FERTILIZERS & CROP INPUTS

News Scan

- On August 9th, **Al-Nasr Fertilizers Co**, a subsidiary of the Holding Company for Chemical Industries, has signed a memorandum of understanding with **Benchmark Power International** to establish a new ammonia production plant in Egypt. The plant will have total capacity of 2400 tpd and cost an estimated US\$600 million
- On August 9th, **The Mosaic Company** announced its temporary suspension on potash production at its mine in Saskatchewan due to poor demand for fertilizer caused by unprecedented wet weather in the Midwest. Mosaic believes idling the mine will help reduce inventory levels, lower costs of production, and provide a buffer to any delay in new potash contract shipments
- On August 2nd, **Santos**, an oil and gas producer in the APAC region, and **Perdaman**, a multinational investment firm, signed an agreement for the further study and design of a new ammonia production facility using Narrabri natural gas. The agreement will also further define hybrid power facility options, combining gas-fired power generation and renewable power generation. The facility has the potential to become a reliable and competitively-priced source of gas for the New South Wales region
- On July 30th, **Bayer AG**, a German multinational pharmaceutical and life sciences company, announced it has cancelled its plans to sell its **NemaStrike Technology** crop protectant. The protectant was originally created by Monsanto, which was acquired by Bayer in 2018, and is now the subject of lawsuits claiming the protectant causes cancer

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
Nutrien Ltd.	30,121	40,911	8.8x	8.1x	18.5x	15.3x	(0.5)%	(8.7)%
CF Industries Holdings, Inc.	11,143	17,940	10.1x	9.3x	21.4x	16.6x	2.1%	(9.7)%
Yara International ASA	11,817	15,837	7.0x	6.0x	13.9x	11.0x	(1.5)%	(9.4)%
The Mosaic Company	8,721	13,336	7.0x	5.9x	18.9x	11.2x	0.4%	(39.5)%
Nufarm Ltd.	1,213	2,152	7.1x	6.0x	15.5x	10.9x	7.4%	(35.9)%
Input Capital Corp.	39	40	na	na	na	na	7.3%	(34.2)%
Mean			8.0x	7.0x	17.7x	13.0x	2.5%	(22.9)%

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

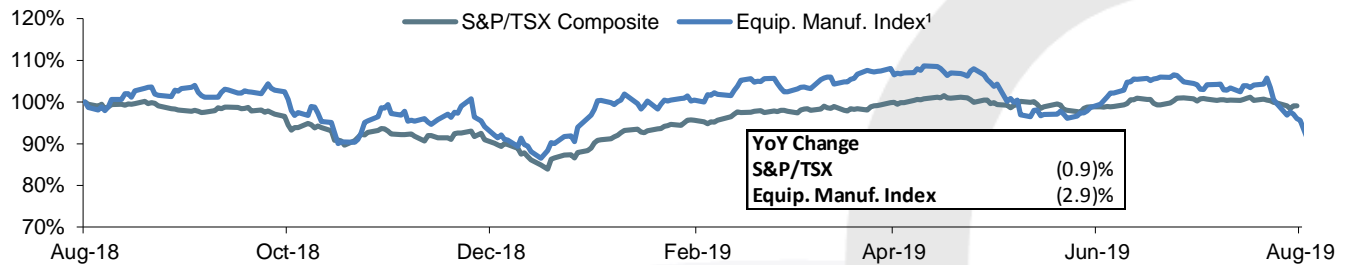


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On August 13th, **Deveron UAS Corp.**, a Toronto-based agriculture digital services and analytics provider, announced it will acquire **Atlas Team**, a Kansas City-based digital agriculture provider, for 250,000 shares at a deemed price of \$0.30, to be released from escrow in three tranches annually. Atlas serves the agriculture industry across 13 states, allowing Deveron to continue expansion into the U.S agriculture market
- On August 5th, John Deere dealer, **Greenway Equipment**, announced it has opened a new location in Marked Tree, Arkansas. Greenway now has 28 locations throughout Arkansas and Missouri and hopes to continue to focus on creating a positive customer experience and run a sustainable business

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
Deere & Company	49,084	52,850	9.9x	9.3x	16.7x	13.7x	(2.4)%	(14.1)%
AGCO Corp	5,617	7,499	8.1x	7.7x	14.4x	13.3x	0.7%	(15.8)%
Ag Growth International Inc.	597	1,145	9.9x	8.4x	18.0x	12.4x	(14.5)%	(34.5)%
Rocky Mountain Dealerships	103	487	22.3x	18.0x	16.0x	9.4x	(2.2)%	(34.6)%
Cervus Equipment Corporation	122	236	5.5x	4.8x	13.2x	8.8x	(1.3)%	(33.5)%
Mean			11.1x	9.6x	15.7x	11.5x	(4.0)%	(26.5)%

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

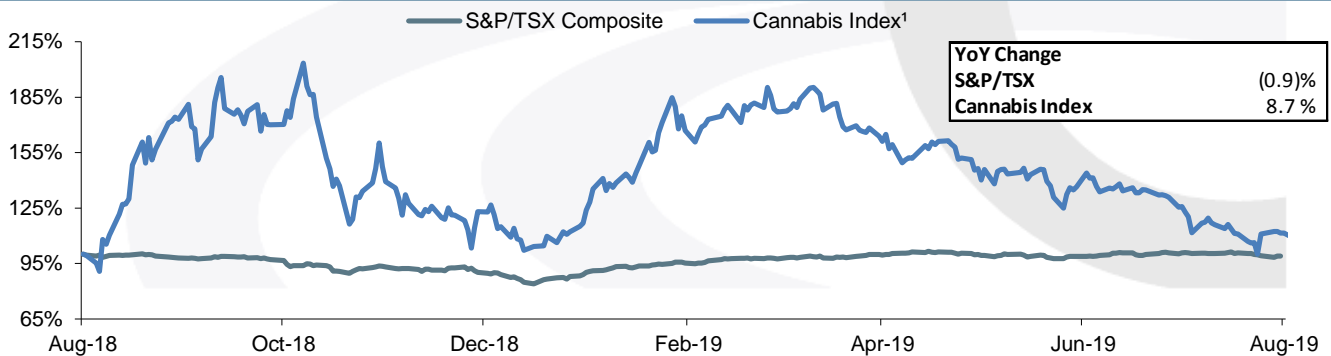


CANNABIS AND HEMP

News Scan

- On August 12th, **Health Canada** reported that **CannTrust's** manufacturing facility in Vaughan, Ontario has been rated non-compliant with certain regulations. An inspection completed from July 10th-16th revealed unapproved storage rooms, insufficient security controls and quality assurance, and inadequate standard operating procedures. CannTrust has accepted Health Canada's findings and remedial actions are underway
- On August 12th, **Innovative Industrial Properties Inc.**, a real-estate company focused on the U.S cannabis industry, announced it has entered into a long-term lease agreement with a subsidiary of **PharmaCann LLC**, a Chicago-based provider of medical cannabis, for a 23,000 sf. industrial facility and 31,000 sf. greenhouse facility for US\$942,000. PharmaCann hopes to continue its nationwide expansion of medical-use cannabis facilities throughout the U.S
- On August 9th, **Canopy Growth Corporation** announced the acquisition of **Beckley Canopy Therapeutics**, a global cannabinoid-based medical research company, for an undisclosed amount. With the acquisition, Canopy plans to expand CBD research and development plans, leveraging Beckley's intellectual property, research programs, and product formulations
 - On August 8th, **Spectrum Therapeutics**, the medical division of **Canopy Growth Corporation**, announced it has entered into a 5-year agreement with **Medical Pharmacies Group Limited**, a Canada-based specialty pharmacy provider, for Spectrum to be its preferred medical cannabis education partner
- On August 8th, **Cresco Labs Inc.**, a vertically integrated multistate cannabis operator in the U.S, announced it has received regulatory approval for its acquisition of **Gloucester Street Capital**, whose subsidiary, **Valley Agriceuticals**, owns 1 of 10 vertically integrated cannabis business licenses granted in New York State and 4 licensed dispensaries in New York. The approval shows that regulators have confidence in Cresco Labs to play a valuable role in New York's cannabis program

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	TEV/Revenue		TEV/EBITDA		Week Δ Price	Δ Price 52Wk High		
	Cap	TEV	2019E	2020E			2019E	2020E
Canopy Growth Corporation	11,342	9,067	21.5x	9.5x	neg	neg	(0.5)%	(43.3)%
Aurora Cannabis Inc.	6,624	6,809	20.8x	9.8x	neg	42.7x	2.1%	(46.4)%
Aphria Inc.	1,607	1,240	3.4x	2.1x	neg	13.3x	(1.5)%	(60.6)%
CannTrust Holdings Inc.	434	232	2.6x	1.5x	neg	6.6x	0.4%	(80.4)%
Cronos Group Inc.	4,390	2,691	65.0x	16.3x	neg	69.6x	7.4%	(46.9)%
Tilray, Inc.	4,120	4,048	22.7x	11.1x	neg	nmf	7.3%	(85.8)%
Mean			22.7x	8.4x	na	33.1x	2.5%	(60.6)%

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 August 12th, the **U.S Department of Agriculture** announced that the U.S corn harvest will be larger than previously expected. The 2019/2020 crop year is predicted to harvest a total of 13.9 billion bushels, up from July's estimate of 13.875 billion bushels. The new forecast was based on farmer surveys and satellite imagery, showing more promising results than previous statistical models
- On August 8th, **Cargill** announced it has recently launched an initiative to reduce the environmental impact of its beef production across the supply chain. The initiative, known as "BeefUp Sustainability", has a target year of 2030 and hopes to achieve a 30% greenhouse gas intensity reduction across its North American beef operations. With consumers becoming more environmentally-conscious of the foods they consume, Cargill hopes to lead the industry in terms of environmental sustainability
- On August 8th, it was announced that China bought a fraction of the typical amounts of U.S soybeans, wheat, sorghum, and pork in the last week due to trade tension escalations. China's **Ministry of Commerce** announced that purchases of U.S agricultural products by Chinese companies have been suspended, although discussions between officials from both countries are ongoing
- On August 8th, it was announced that U.S farm incomes in the Midwest have declined in Q2 2019, marking the 22nd consecutive quarter of dropping farm incomes, due to a record number of floods occurring in the Farm Belt. The floods added more pressure on bottom lines, on top of low crop prices and the escalating U.S-China trade war
- On August 1st, roughly 900 scientists from around the world gathered to discuss ways to expand grain crop production at **The International Wheat Congress** in Saskatoon. It was announced that wheat consumption is expected to rise by about 50% in the next 30 years while resources such as water, farmland, and fertilizer are becoming scarcer
- On August 1st, it was announced that soybean acres in Manitoba were down 500,000 acres from 2018, bringing the estimated harvested acres in 2019 to be 1.39 million, down from June's estimate of 1.47 million acres. This is in comparison to 1.89 million harvested acres in 2018 and nearly 2.3 million acres in 2017. Soybean yields have been poor the past few years due to a lack of rain from July-August, a crucial period for pod fill

Commodities Futures as of August 9th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$4.18	3.79 %	11.18 %
Wheat (CBOT)	\$ per bu.	\$5.02	5.41 %	(1.04)%
Oats (CBOT)	\$ per bu.	\$2.76	3.96 %	(0.90)%
Rough Rice (CBOT)	\$ per cwt.	\$11.37	(4.85)%	9.86 %
Rapeseed (Canola) (ICE)	CAD per T	\$454.10	0.64 %	(7.10)%
Ethanol (CBOT)	\$ per gal.	\$1.44	(0.07)%	13.01 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Grain Handling				
Archer-Daniels-Midland Company	(58.4%)	Origination operating profit results were up \$30 million YoY due to normalized soybean margins and higher freight rates. Carbohydrate Solutions operating profit results were down \$117 million YoY due to lower sweetener volumes and margins and severe weather in North America. Overall operating profit was down \$93 million YoY, largely attributed to weather. Net earnings was \$233 million, down from \$393 million YoY, which drove EPS down by 58%.	US\$48.46	28.3%
The Andersons, Inc.	19.7%	Adjusted pre-tax income improved from \$29.3 million to \$44.1 million YoY, attributable to the successful integration of the Lansing and Thomsons grain businesses. As a result of the increased pre-tax income, adjusted EBITDA increased YoY by nearly 50% to \$88.6 million	US\$31.67	26.9%
Cannabis				
Aphria Inc.	nmf	Sales increased 75% YoY to \$128.6 million, topping estimates of around \$98 million. The increase was driven by \$99.2 million worth of distribution sales from CC Pharma, a German marijuana distributor purchased by Aphria in January. Sales increased 110% QoQ whereas production costs increased only 8%, largely due to lower energy costs in the spring compared to the winter. EBITDA loss was (\$1.5) million compared to last quarter's loss of (\$24.1) million	C\$13.85	51.5%

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