



## Agriculture Industry Flash

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Wednesday, August 28<sup>th</sup>, 2019

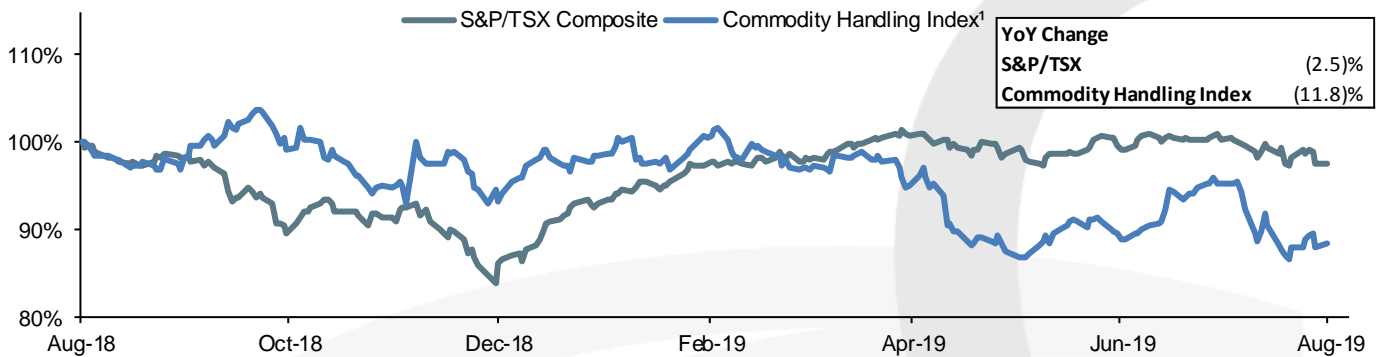


## COMMODITY HANDLING

### News Scan

- On August 21<sup>st</sup>, **Viterra** signed a purchase agreement to acquire the assets of **Ita Grain Inc's** processing facility in Belle Plaine, Saskatchewan for an undisclosed amount. The facility has a unit-train capable loop track and storage capacity of 22,000 tonnes
- On August 19<sup>th</sup>, **Skyland Grain LLC** and **United Prairie Ag LLC**, both Kansas-based grain processors, announced they will merge on September 1<sup>st</sup> and continue operations under the name, **Skyland Grain LLC**. Skyland will now have more than 87 million bushels of storage capacity in 36 locations in Kansas, Oklahoma and Colorado
- On August 19<sup>th</sup>, **Ceres Global Ag Corp.** completed its acquisition of **Delmar Commodities**, a Manitoba-based grain handler for C\$15.25 million in cash. The acquisition will help Ceres progress towards its goal of diversifying its product lines, adding strategic origination capabilities to core products, and expanding its geographic footprint in Canada

### 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	21,366	30,073	7.9x	6.9x	13.5x	10.9x	0.9 %	(27.4)%
Bunge Limited	8,100	15,626	9.7x	9.0x	18.3x	14.9x	(0.7)%	(26.0)%
Graincorp Limited	1,251	2,443	28.4x	12.9x	neg	44.8x	(2.0)%	(22.2)%
The Andersons, Inc	826	2,384	9.8x	8.0x	17.2x	11.2x	(4.4)%	(42.9)%
Ceres Global Ag	94	159	na	na	na	na	1.5 %	(4.7)%
<b>Mean</b>			<b>13.9x</b>	<b>9.2x</b>	<b>16.3x</b>	<b>20.5x</b>	<b>(0.9)%</b>	<b>(24.6)%</b>

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

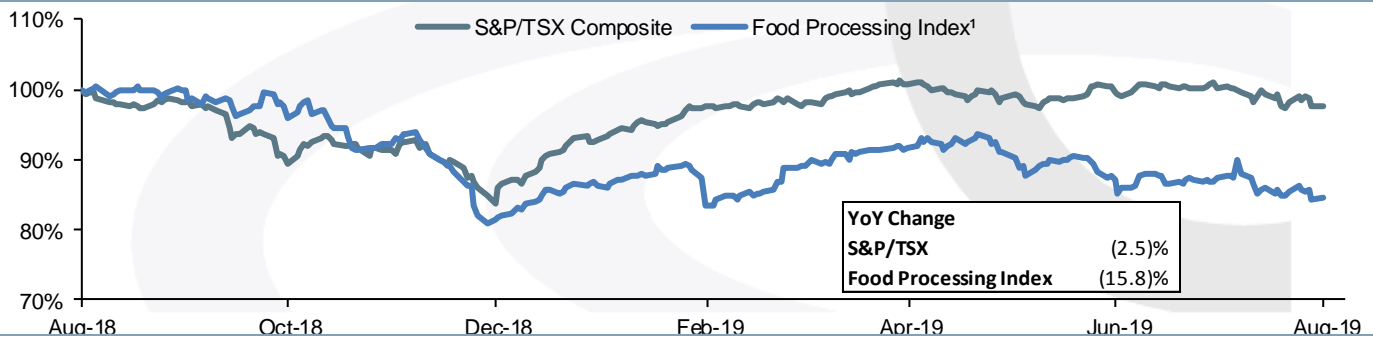


## FOOD PROCESSING

### News Scan

- On August 23<sup>rd</sup>, **The Simply Good Foods Company**, the owner of Atkins-branded food products, announced it will acquire **Quest Nutrition**, a protein snack maker, for US\$1 billion. The acquisition aligns with Simply Good Foods' goal of becoming a broader nutritional snacking company and the combined brands will benefit from increased cross-selling and marketing opportunities
- On August 22<sup>nd</sup>, spring water brand **Icelandic Glacial** announced it has raised US\$66 million, of which \$35 million were from BlackRock's U.S. private credit team. Proceeds will be used to grow its presence in the U.S. as well as enter new markets around the world
- On August 20<sup>th</sup>, **CK Asset Holdings** announced it has acquired UK pub and beer company **Greene King** for £2.7 billion. Greene King currently operates 2,730 pubs, restaurants and hotel across the UK
- On August 19<sup>th</sup>, **Motif FoodWorks**, a food ingredients company that uses biotechnology to create proteins and nutrients, announced it has raised US\$27.5 million from growth equity firm **General Atlantic** and **CPT Capital**. **Fonterra**, **Louis Dreyfus Company** and **Viking Global Investor** participated in its Series A round earlier this year
- On August 19<sup>th</sup>, **The Hershey Company** announced it has made a minority investment in **Fulfil**, an Irish protein bar manufacturer, for undisclosed amount. The partnership will create opportunities for Fulfil among new customer segments and markets, and proceeds will be used to expand the business in Europe
- On August 14<sup>th</sup>, **Nagase Group**, a Japanese chemical trading firm, completed the purchase of **Prinova Group**, a U.S.-based manufacturer and distributor of pharmaceutical, nutritional and functional food ingredients, for an undisclosed amount. The deal will enable Nagase to expand its geographic footprint in North America, Europe and Asia

### 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
George Weston Limited	12,280	27,510	6.8x	6.5x	14.6x	13.6x	(0.9)%	(2.1)%
ConAgra Foods, Inc.	13,941	24,349	12.1x	10.9x	15.2x	12.9x	(0.2)%	(25.6)%
Ingredion Incorporated	5,087	6,882	7.3x	7.0x	11.5x	10.8x	0.6 %	(28.5)%
Tate & Lyle plc	4,125	4,507	7.7x	7.6x	13.6x	13.5x	(0.6)%	(14.5)%
Premium Brands	2,631	3,070	12.2x	10.9x	24.0x	20.6x	(0.1)%	(7.6)%
Maple Leaf Foods Inc.	3,113	3,474	11.3x	9.9x	28.3x	23.3x	(2.6)%	(10.5)%
SunOpta Inc.	198	788	20.6x	15.2x	neg	neg	(3.1)%	(69.2)%
Rogers Sugar	419	683	9.8x	8.7x	13.6x	11.8x	(1.9)%	(15.3)%
<b>Mean</b>			<b>11.1x</b>	<b>9.7x</b>	<b>17.9x</b>	<b>15.8x</b>	<b>(1.0)%</b>	<b>(22.6)%</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.

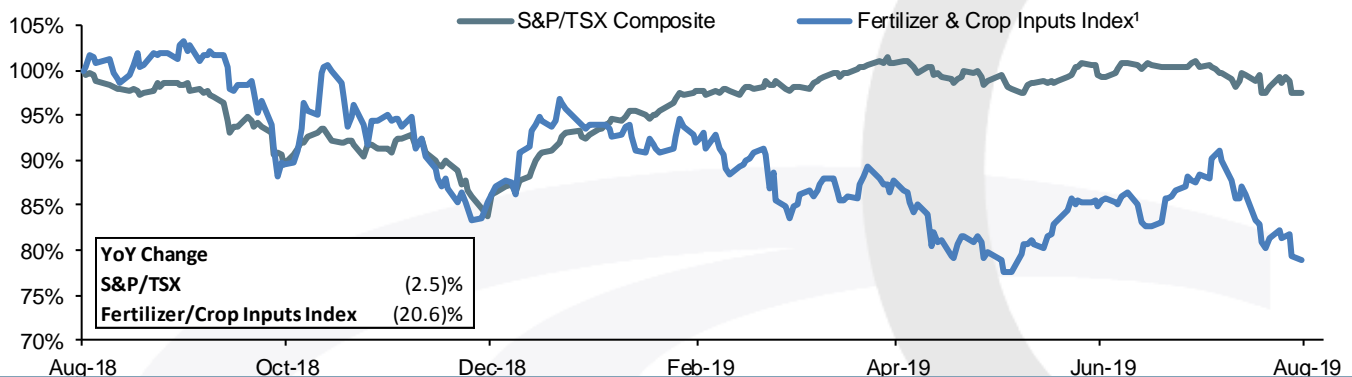


## FERTILIZERS & CROP INPUTS

### News Scan

- On August 27<sup>th</sup>, **Vive Crop Protection** announced it has raised C\$10 million in additional Series B funding with existing and new investors including Middleland Capital, BDC Capital Cleantech Practice, Canadian and international private investors. Proceeds will support commercialization of three new crop protection products and continued field development of Vive's deep pipeline
- On August 9<sup>th</sup>, **El-Nasr Fertilizers Co.**, a subsidiary of **Holding Company for Chemical Industries**, has signed a memorandum of understanding (MoU) with **Benchmark Power International** to establish a new ammonia production plant in the country, which is expected to have a capacity of 1200 tpd in the first phase, doubling its capacity in its second phase. The plant is expected to cost US\$600 million
- On August 7<sup>th</sup>, **The Mosaic Company** announced it will temporarily shut down its Colonsay, Saskatchewan potash facility, leaving approximately 395 members of its hourly unionized workforce out of work. The Colonsay facility was shut down due to the accelerated ramp up of the lower-cost Esterhazy K3 potash project. Overall, Mosaic has seen significantly lower volumes and margins on its spring fertilizer sales due to unprecedented wet weather in the Midwest United States

### 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
Nutrien Ltd.	30,028	41,454	8.9x	8.2x	18.5x	15.3x	(1.5)%	(15.2)%
CF Industries Holdings, Inc.	11,143	17,846	9.9x	9.3x	20.9x	16.8x	(1.7)%	(16.4)%
Yara International ASA	11,681	15,701	7.0x	6.0x	13.9x	11.0x	(1.3)%	(13.2)%
The Mosaic Company	8,721	13,259	7.0x	5.9x	19.1x	11.2x	(7.3)%	(51.9)%
Nufarm Ltd.	1,211	2,147	7.1x	6.0x	15.5x	10.9x	(0.7)%	(40.2)%
Input Capital Corp.	39	38	na	na	na	na	(6.3)%	(38.3)%
<b>Mean</b>			<b>8.0x</b>	<b>7.1x</b>	<b>17.6x</b>	<b>13.1x</b>	<b>(3.1)%</b>	<b>(29.2)%</b>

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

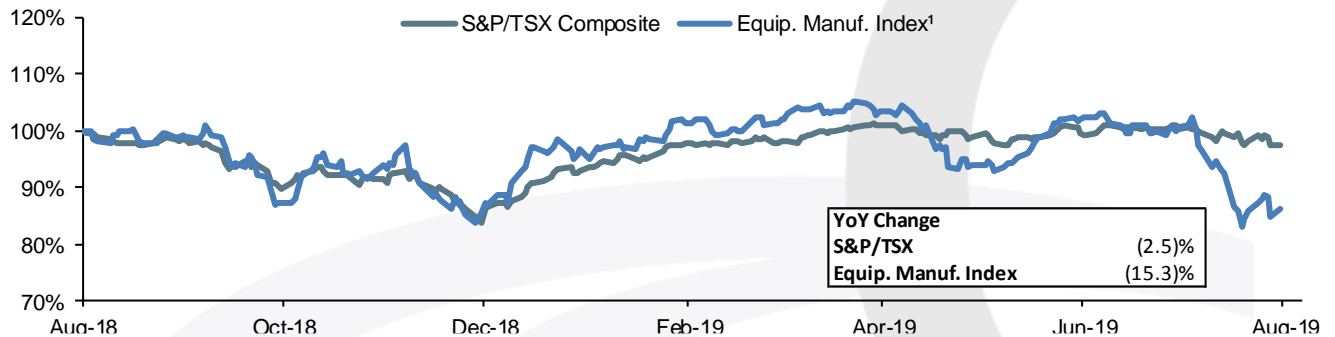


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On August 19<sup>th</sup>, **Hazel Technologies**, a U.S. company that delivers solutions to combat food waste, received US\$13 million in Series B funding led by **Pangea Ventures**, and **S2G Ventures**, bringing total proceeds raised to date to US\$17.8 million. Hazel's core offering includes a shelf-life-enhancing vapour from sachets which are said to extend shelf life by up to three times by slowing the aging process and preventing fungus and decay
- On August 14<sup>th</sup>, **Troxel Equipment Co.** and **Tri Green Tractor LLC**, both **John Deere** dealerships based in Indiana, announced plans to merge, with the new company being named **Troxel Tri Green LLC**, effective September 5<sup>th</sup>. The new company will have 9 locations total, with expanded equipment productivity and technological advancements resulting from the merger
- According to the **Association of Equipment Manufacturers**, U.S. saw a decline in sales for combines and 4WD tractors as well as 2WD tractors in July 2019 compared to the same month last year. 4WD tractor sales decreased by 4.7%, combine decreased by 25.9% and 2WD tractors decreased by 0.1% on a YoY basis

### 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		
Deere & Company	49,084	52,850	9.9x	9.3x	16.7x	13.7x	(0.8)%	(11.9)%
AGCO Corp	5,617	7,478	8.1x	7.6x	14.4x	13.3x	(3.9)%	(17.8)%
Ag Growth International Inc.	607	1,170	10.1x	8.6x	18.3x	12.7x	1.5 %	(33.3)%
Rocky Mountain Dealerships	102	135	6.2x	5.0x	16.0x	9.4x	(0.2)%	(39.3)%
Cervus Equipment Corporation	121	187	4.4x	3.8x	13.2x	9.9x	(4.1)%	(36.4)%
<b>Mean</b>			<b>7.7x</b>	<b>6.9x</b>	<b>15.7x</b>	<b>11.8x</b>	<b>(1.5)%</b>	<b>(27.7)%</b>

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

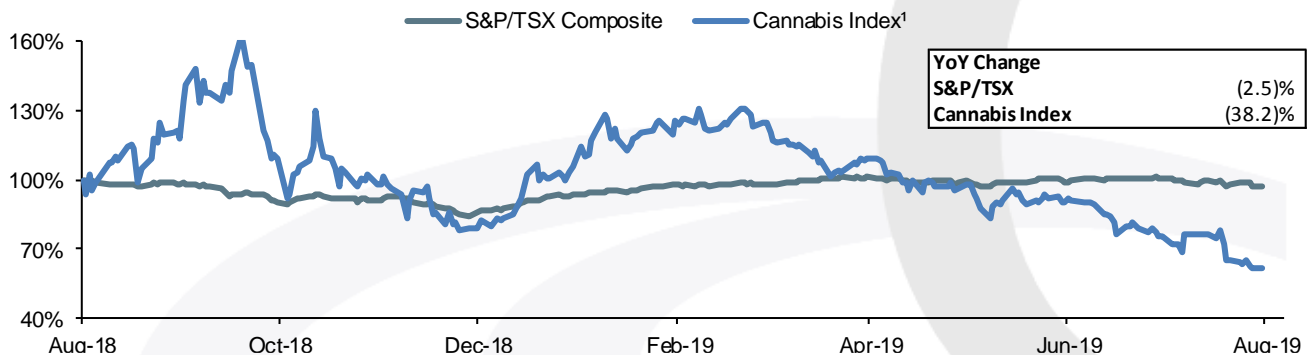


## CANNABIS AND HEMP

### News Scan

- On August 20<sup>th</sup>, **The Flowr Corporation** announced the completion of the acquisition of the remaining 80.2% interest in **Holigen Holdings Limited**. The acquisition adds operations in Portugal and Australia to Flowr's existing Canadian platform, allowing the company to be strategically positioned to service the global cannabis market
- On August 20<sup>th</sup>, **Canopy Growth Corporation** announced it has received a license from Health Canada for its **KeyLeaf Life Sciences** facility in Saskatoon, Saskatchewan. The facility has the capacity to extract up to 5,000 kg of hemp or cannabis biomass per day. Canopy now operates three significant extraction assets, with the other two located in Ontario and BC
- On August 19<sup>th</sup>, **Medicine Man Technologies** announced it will acquire one of Colorado's most well-known edible and extracts companies, unnamed, for US\$17.25 million in common stock and cash. The acquisition aligns with Medicine Man's goal of building a vertically integrated, leading operator in Colorado
- On August 14<sup>th</sup>, **HeavenlyRx Ltd.**, a provider of pharmaceutical grade hemp products, announced it made a US\$9 million investment in **Jones Soda Co.** in the form of shares. Jones Soda plans to use the capital to grow and enhance its existing beverage portfolio with product extensions, including potentially commercializing CBD-infused beverages, upon FDA approval

### 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		
Canopy Growth Corporation	11,307	9,039	24.4x	11.1x	neg	neg	(1.5)% (56.8)%
Aurora Cannabis Inc.	6,604	6,788	20.8x	9.8x	neg	42.7x	(1.7)% (52.7)%
Aphria Inc.	1,602	1,237	3.4x	2.1x	neg	13.3x	(1.3)% (61.6)%
CannTrust Holdings Inc.	433	232	2.6x	1.5x	neg	6.6x	(7.3)% (84.7)%
Cronos Group Inc.	4,377	4,417	nmf	26.9x	neg	neg	(0.7)% (53.4)%
Tilray, Inc.	4,120	4,142	22.7x	12.1x	neg	neg	(6.3)% (90.6)%
<b>Mean</b>			<b>14.8x</b>	<b>10.6x</b>	<b>na</b>	<b>20.9x</b>	<b>(3.1)% (66.6)%</b>

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

- Monsoon season hit India hard with heavy rainfall in recent weeks which has brought rainfall back to normal levels after a very dry start to the season. However, heavy rainfall still poses a risk to crop output as uneven distribution of moisture resulting in flooding can damage crops
- On August 25<sup>th</sup>, United States and Japan announced a new trade agreement for Japanese to buy U.S. surplus corn and is expected to obtain the United Nations General Assembly sign off in September. The trade deal focuses on agriculture, industrial tariffs and digital trade, whereby Japan will buy up to US\$7 billion of U.S. agricultural products
- On August 22<sup>nd</sup>, **Manitoba Agriculture** reported poor pasture conditions and inadequate hay crops throughout the province as a result of a cold, long winter and spring rainfall was much lower than expected. Hay crop yields are 20% of normal yields and supplementing feed on pasture is expected to begin
- On August 22<sup>nd</sup>, it was announced that an unusual disease outbreak has swept across Canadian chickpea crops. Chickpea is the main pulse option for many growers in southern Saskatchewan, leaving many growers concerned. Plant samples have been sent to the **Agriculture Canada Centre** in Swift Current to be evaluated for foliar disease and screened for fungicide resistance
- On August 22<sup>nd</sup>, **Saskatchewan Farmers** made some wheat harvest progress, but operations are still running well behind normal. The crop was 2% harvested as of August 19<sup>th</sup>, which was up one percent from the previous week but well behind the 16% level at the same time a year ago and the 5-year average of 9%
- On August 21<sup>st</sup>, it was announced that total Canadian wheat production for 2019-2020 is now forecast at 32.5 million tonnes, compared to July's forecast of 32 million. If realized, this would mark the second-largest Canadian wheat crop on record
- On August 19<sup>th</sup>, it was announced that canola contracts were lower, however, the risk premiums have been removed due to weather improvements. Trade expectations for corn were up 1% from last week's rating of 57% good to excellent, despite shipments down 30% from the previous week. Both wheat and corn futures were lowered due to the decline in soybean demand
- On August 19<sup>th</sup>, the Western Canadian oats market is stable at prices slightly higher than a year ago. Early yield reports are ranging from 80 to 140 bushels per acre and prices are topping out at C\$3.25 per bushel, which is 25 to 30 cents per bushel lower than this time last year

### Commodities Futures as of August 27<sup>th</sup>, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.68	(8.51)%	(2.00)%
Wheat (CBOT)	\$ per bu.	\$4.75	(0.11)%	(6.22)%
Oats (CBOT)	\$ per bu.	\$2.70	1.79 %	(2.96)%
Rough Rice (CBOT)	\$ per cwt.	\$11.53	(3.56)%	11.35 %
Rapeseed (Canola) (ICE)	CAD per T	\$448.40	(0.62)%	(8.27)%
Ethanol (CBOT)	\$ per gal.	\$1.31	(8.94)%	2.98 %



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Fertilizer &amp; Crop Input</b>				
The Mosaic Company	nmf	Reported net loss of \$233 million, adjusted EBITDA of \$349 million in Q2 of 2019 and diluted EPS of (\$0.60). Mosaic's potash segment delivered gross margin per ton of \$84 as cash costs per ton declined sequentially. Overall performance is dampened by wet weather in the Midwest U.S. which has negatively impacted North American spring fertilizer sales volumes and phosphates margin	US\$29.03	61.6%
Nutrien Ltd.	25.6%	Reported net income of \$858 million, representing a 15.8% increase from same period last year as a result of strong prices for potash and nitrogen products in Q2 2019. Overall, potash volumes were up, while nitrogen volumes fell. Notably, nitrogen EBITDA was up by 17% in H1 2019 due to higher realized prices, lower North American gas prices and increased earnings from equity investments	US\$65.00	30.0%
<b>Equipment &amp; Services</b>				
Ag Growth International Inc.	(10.5%)	Sales in Q2 2019 was \$293 million, representing a 11.6% increase from same period last year driven by continued strong demand for portable farm equipment in the United States. Adjusted EBITDA also increased by 4.3%, arriving at \$51 million despite challenging conditions in North America	C\$63.06	30.0%
Deere & Company	1.1%	Reported adjusted EPS of \$2.71 on \$8.97 billion in revenues representing a 3% YoY decline, reflected by farmers delaying their purchases due to uncertainty in the agricultural sector. Concerns regarding export market access, near-term demand for commodities such as soybeans and general crop conditions are major contributing factors in farmers postponing major equipment purchases	US\$166.36	10.3%
Rocky Mountain Dealerships Inc.	(86.7%)	Sales decreased by 35.7% YoY to \$194 million primarily due to declines in same store equipment sales as a result of weaker demand and an unusually high level of out-of-season equipment deliveries realized during the Q2 2018	C\$8.50	30.0%

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