



Agriculture Industry Flash

Wednesday, September 11th, 2019

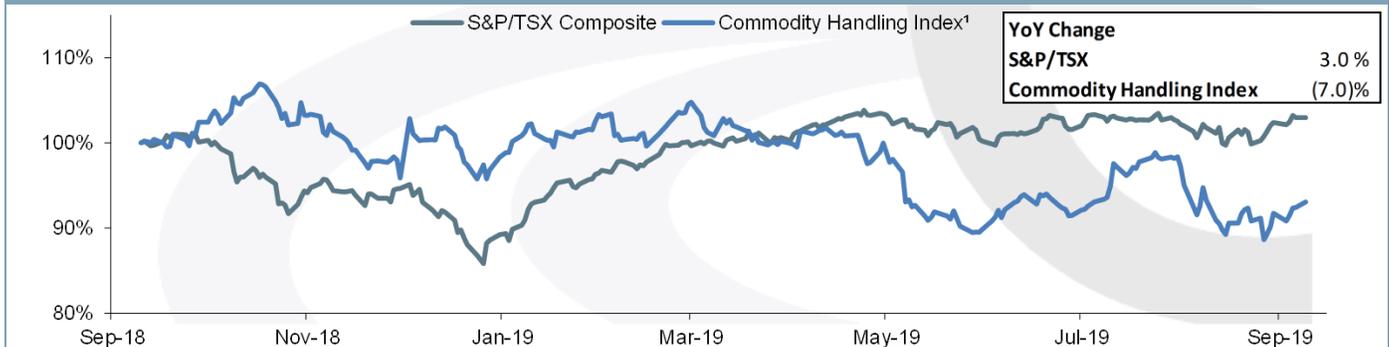


COMMODITY HANDLING

News Scan

- On September 6th, **Parrish & Heimbecker, Limited (P&H)**, acquired 10 **Louis Dreyfus Company (LDC)** grain elevators to expand P&H's grain and crop input offerings in Western Canada for an undisclosed amount. Collectively, the 10 elevators represent a capacity of approximately 12.2 million bushels, with individual elevator capacity ranging between 0.7 million to 1.7 million bushels. The acquisition came shortly after P&H's plan to build a new 25,000 tonnes crop input and grain facility in Dugald, Manitoba
- On September 4th, **The Redwood Group** announced that it has completed the acquisition of **Ceres Commodities, LLC** in Newport, Kentucky, U.S. for an undisclosed amount. Ceres Commodities is a supplier of premium food grade non-GMO and organic soybeans and other commodities domestically and into East and Southeast Asian food markets. The acquisition complements Redwood's ability to reach new markets through its network of non-GMO soybean cleaning facilities
- On August 28th, **Richardson Pioneer Ltd.** announced plans to build a new high throughput grain elevator in High Level, Alberta. The new elevator will include 32,000 tonnes of storage space and will be capable of loading 135 cars through a loop track design. The facility will replace the existing Richardson Pioneer 6,500 tonnes wooden crib elevator currently located in High Level
- On September 3rd, **Nibulon** reported that its grain facility, which opened two months ago, has since received 95,000 tonnes of grain from local farmers. The facility is located in the Vilniansk district of Ukraine, and has an annual capacity to receive 30,000 tonnes of grain. The facility loads grain onto water transport which is then delivered to Nibulon's sea terminal in Mykolaiv, Ukraine, or directly to the outer roads, enabling more than 12,500 trucks to be removed from roads each year and saving funds on road repairs

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	21,560	30,269	8.0x	7.0x	13.7x	11.0x	0.9 %	(27.4)%
Bunge Limited	7,899	15,422	9.5x	8.9x	17.6x	14.6x	(0.7)%	(26.0)%
Graincorp Limited	1,255	2,460	28.3x	12.9x	neg	44.5x	(2.0)%	(22.2)%
The Andersons, Inc	713	2,268	9.3x	7.6x	14.8x	9.7x	(4.4)%	(42.9)%
Ceres Global Ag	99	164	na	na	na	na	1.5 %	(4.7)%
Mean			13.8x	9.1x	15.4x	20.0x	(0.9)%	(24.6)%

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



FOOD PROCESSING

News Scan

- On August 29th, **Cargill** announced a US\$75 million investment to accelerate the development of **Puris**, a U.S. based pea protein producer and supplier to plant-based burger maker **Beyond Meat**. The investment will double pea protein production at Puris' existing facility in Dawson, Minnesota, which is expected to reach projected capacity of over 400 million lbs by 2020
- On September 2nd, Dublin-based **Valeo Foods** reached an agreement with **Campbell Soup Company** to acquire its European crisp business which includes Kettle Foods for approximately €73 million. The acquisition is estimated to add ~ €15 million to Valeo Foods' current annual sales of over €850 million, for total revenue of ~ €965 million
- On September 6th, **Bega Cheese** announced, it has acquired a minority interest in **Hummingbird Superfoods**, an Australian breakfast subscription company, for an undisclosed amount. As part of the arrangement, Bega will license the Hummingbird Superfoods brand and have access to its range of breakfast products to complement its own portfolio
- On September 4th, **Greencore Group** has acquired **Freshtime UK**, a supplier of food-to-go salads, chilled snacks and prepared produce, in a £56 million deal. Freshtime's products are distributed primarily in the grocery and convenience channels and the business operates from a single facility in Boston, Lincolnshire
- On September 2nd, **Tyson Foods** announced that it has acquired a 40% stake in Brazilian poultry producer and exporter, **Grupo Vibra** for an undisclosed sum. In addition to Brazil, Grupo Vibra is active in more than 50 countries around the world
- On August 29th, **Pernod Ricard** announced that it has entered into an agreement, through a subsidiary, to acquire alcohol manufacturer and marketer **Castle Brands** for approximately £223 million, plus the assumption of debt. The offer price represents a 92% premium to Castle Brands' closing share price on August 27th. As part of the deal, Pernod will add brands such as Jefferson's Bourbon, Brady's Irish Cream and Clontarf Irish Whiskey to its portfolio

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	2020E		
George Weston Limited	12,989	29,140	7.0x	6.7x	15.3x	14.3x	2.2 %	(0.3)%
ConAgra Foods, Inc.	14,165	24,626	11.8x	10.7x	15.5x	13.1x	0.2 %	(25.4)%
Ingredion Incorporated	5,364	7,160	7.6x	7.3x	12.1x	11.4x	4.3 %	(26.4)%
Tate & Lyle plc	4,155	4,521	7.5x	7.3x	13.5x	13.7x	4.6 %	(9.0)%
Premium Brands	2,763	3,206	12.6x	11.3x	25.0x	21.5x	0.7 %	(5.4)%
Maple Leaf Foods Inc.	2,863	3,214	10.4x	9.1x	25.7x	21.2x	(2.8)%	(14.4)%
SunOpta Inc.	199	790	20.7x	15.2x	neg	neg	(1.9)%	(70.0)%
Rogers Sugar	431	697	9.9x	8.8x	13.8x	12.0x	0.4 %	(13.2)%
Mean			11.1x	9.6x	17.9x	15.9x	1.1 %	(21.6)%

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.

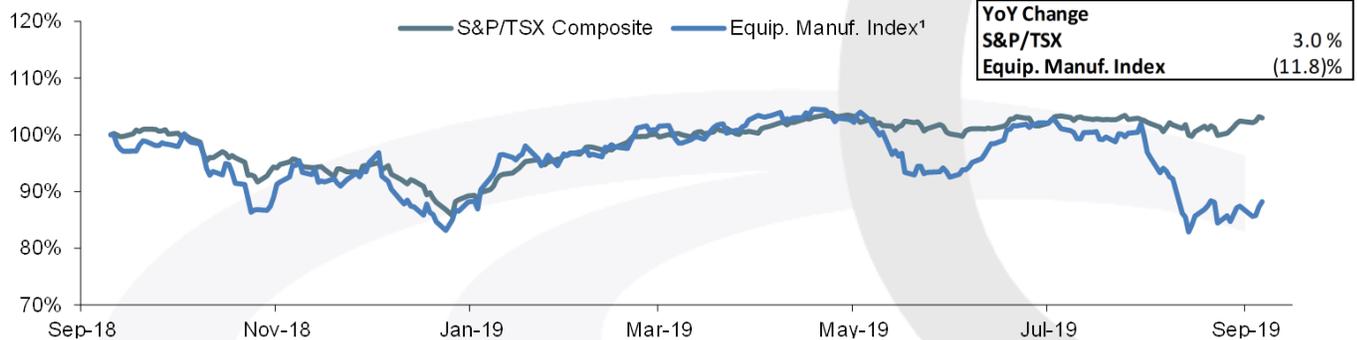


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On September 9th, **The Brandt Group of Companies** announced it has reached an agreement to acquire, for an undisclosed amount, the Deere-owned businesses of **Nortrax Canada and Nortrax Quebec**. The deal will merge all John Deere Construction & Forestry dealerships in Canada under the Brandt banner. With the acquisition of the Nortrax locations in Ontario, Quebec and Newfoundland and Labrador, Brandt will own and operate 56 John Deere Construction & Forestry dealerships across Canada, as well as more than 30 service points and will employ more than 3,400 people
- On September 4th, **Deere & Co.** tapped John C. May as the company's 10th CEO in the company's 182-year history. Mr. May originally joined Deere in 1977 and became part of the senior management team in 2012 as President, Solutions and Chief Information Officer. Current CEO, Samuel R. Allen will continue as chairman of the board of directors after he steps down from the CEO position
- On August 29th, **CN Rail** announced that it will acquire the **Massena rail line** from CSX, a 350 kilometres long track that runs between Valleyfield (Quebec), in Canada, and Woodard (New York), in the U.S.. The Massena rail line also serves many cities in the province of Quebec, including Beauharnois and Huntingdon, and in the state of New York, including Massena, Norwood, Potsdam, and Gouverneur

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
Deere & Company	49,863	54,410	11.2x	10.5x	17.1x	14.1x	0.0 %	(8.6)%
AGCO Corp	5,623	7,485	8.1x	7.6x	14.5x	13.2x	5.0 %	(10.8)%
Ag Growth International Inc.	611	1,180	10.1x	8.6x	18.3x	12.6x	(1.0)%	(34.8)%
Rocky Mountain Dealerships	102	135	6.1x	5.0x	15.8x	9.2x	5.0 %	(35.3)%
Cervus Equipment Corporation	107	172	4.0x	3.5x	11.5x	8.7x	(1.1)%	(37.9)%
Mean			7.9x	7.0x	15.4x	11.6x	1.6 %	(25.5)%

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

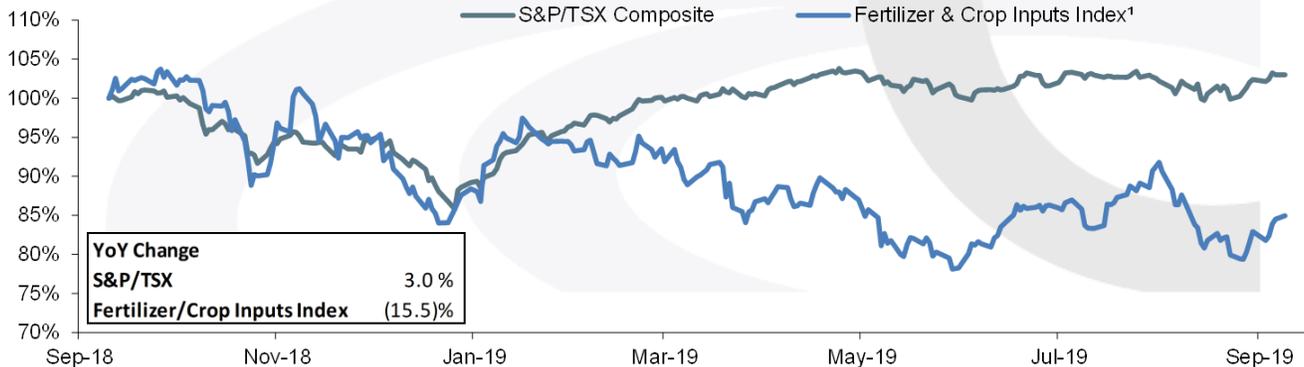


FERTILIZERS & CROP INPUTS

News Scan

- On September 9th, **Australian Potash Ltd** announced that it has signed a joint cooperation agreement with the operator and manager of Geraldton Port, the **Mid West Ports Authority**. The agreement allows the company to continue to optimize its logistics and port options for the Lake Wells Sulphate of Potash Project (LSOP)
- On September 9th, **OCP** and the Ghanaian government have signed an agreement whereby OCP will build a fertilizer plant in the west of the country. While the project is still in its conceptual phase, topographic and geotechnical studies are in progress. With the availability and processing of the natural resources of both countries, combining natural gas from Ghana and phosphate from Morocco, the industrial unit is expected to have a production capacity of approximately 1 million tonnes
- On September 6th, it was reported that **Mosaic Fertilizantes**, the Brazil-based business unit of **The Mosaic Company**, has resumed mining at full capacity at its Araxá and Tapira phosphate mines in the state of Minas Gerais, marking the end of the regulatory required idling of the company's tailings dams. The mines were idled after the company was unable to obtain a deadline extension for providing stability certification for three of its tailings dams
- On September 6th, **Nakhodka Mineral Fertilizer Plant** announced that it has chosen **Haldor Topsoe's** technology for a 5,400 tpd methanol plant near Vladivostok in the Eastern part of Russia. **Hina Chengda Engineering Co., LTD**, has been chosen for engineering, procurement and construction. Topsoe will provide license, basic engineering, catalysts, and proprietary hardware for the methanol plant which will be based on Topsoe's two-step reforming technology
- On September 3rd, **Emmerson** announced that it has completed its drilling program at its 100% owned Khemisset Potash Project in Northern Morocco. The infill program, undertaken by **Drillon** consisted of nine holes that provided additional geological information in the area most likely to be the target of initial mining operations, and sample material to complete a comprehensive metallurgical test work program

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.	29,293	40,698	8.8x	8.0x	18.1x	14.9x	2.8%	(10.6)%
CF Industries Holdings, Inc.	10,665	17,353	9.7x	9.0x	20.1x	15.9x	0.8%	(13.9)%
Yara International ASA	12,252	16,082	7.0x	6.0x	14.4x	11.3x	6.3%	(4.5)%
The Mosaic Company	7,787	12,320	6.5x	5.5x	17.0x	10.3x	6.4%	(47.7)%
Nufarm Ltd.	1,310	2,259	7.4x	6.2x	16.6x	11.7x	7.8%	(29.1)%
Input Capital Corp.	37	37	na	na	na	na	(1.4)%	(39.2)%
Mean			7.9x	6.9x	17.2x	12.8x	3.8%	(24.2)%

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

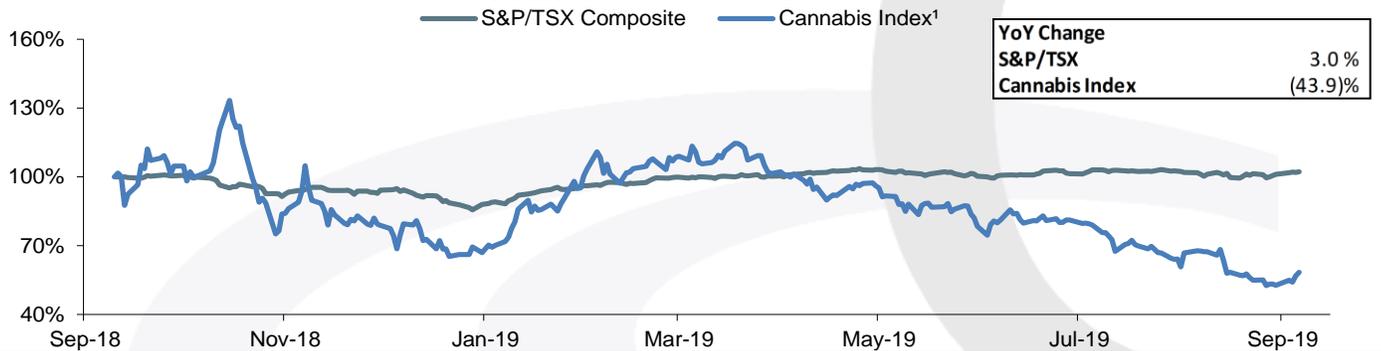


CANNABIS AND HEMP

News Scan

- On September 9th, **Tilray Inc.** announced that it has signed a definitive merger agreement with its largest stockholder **Privateer Holdings, Inc.** for a transaction that will provide for the issuance of up to 75 million Tilray shares to Privateer's equity holders (and the cancellation of the 75 million shares currently owned by Privateer). These shares currently represent 77 % of Tilray's total shares outstanding
- On September 5th, **Medicine Man Technologies, Inc.** announced that it has entered into a binding term sheet to acquire four additional dispensaries in Colorado. Under the terms of the transaction, Medicine Man will purchase the group of four dispensaries for US\$36.9 million, which will consist of almost US\$18.5 million in cash, the issuance of over 3 million shares of its common stock at a price of US\$2.98 per share, and a deferred cash payment of over US\$9.2 million to be made twelve months following the initial closing date. Upon closing of pending acquisitions, the Company will operate a total of 14 dispensaries within Colorado. As part of its strategy to create an integrated operation in Colorado
- On August 28th, the **U.S. Department of Agriculture (USDA)** announced industrial hemp farmers producing hemp from fiber, flower or seeds will be eligible for crop insurance coverage under the Whole-Farm Revenue Protection (WFRP) program for the 2020 crop year

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	Cap	TEV	TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
				2019E	2020E	2019E	2020E	Price	52Wk High
Canopy Growth Corporation	9,389	8,566	23.0x	10.4x	neg	neg	14.0 %	(52.5)%	
Aurora Cannabis Inc.	6,122	6,258	19.0x	9.0x	neg	39.0x	8.7 %	(50.6)%	
Aphria Inc.	1,700	1,332	3.6x	2.2x	neg	14.2x	9.3 %	(57.7)%	
CannTrust Holdings Inc.	227	196	2.3x	1.2x	neg	4.8x	(1.7)%	(85.0)%	
Cronos Group Inc.	3,720	3,638	87.3x	21.9x	neg	neg	7.2 %	(52.3)%	
Tilray, Inc.	2,918	2,838	15.5x	8.3x	neg	neg	19.9 %	(89.3)%	
Mean			25.1x	8.8x	na	19.3x	9.6 %	(64.6)%	

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 September 5th, **AGI SureTrack** released a new ingredient sourcing system, SureTrack PRO, which allows processors to source grains that meet their particular, custom specifications, including monitoring inventories and tracking deliveries. The system digitally connects processors, merchandisers and grain buyers with farmers to greatly simplify the process of sourcing and managing grain used in food and beverage production, pet food manufacturing and restaurant operations
- On September 5th, **Satake Corp.** announced SYSTEM 3.0, a semi-assembled rice milling plant geared toward smaller scale rice processors mainly in Asia and Africa. It is designed to maximize the installation efficiency versus cost performance by utilizing unitized components manufactured in Satake's Thailand production facility. The initial REACH product line, SYSTEM 7.0, a 7 tph paddy rice mill, was introduced in the market in March. The new SYSTEM 3.0 was designed with the same concept but reduced its processing capacity to 3 tph. A larger capacity mill, 14 tph, will follow in the near future
- On September 4th, **Abitrigo**, Brazil's wheat industry group announced a new tariff-free wheat import quota of 750,000 tonnes expected to start in 2020. Brazil is a net importer of wheat, bringing in 3.9 million tonnes this year through July. Most of the wheat comes from Argentina given its proximity and the fact it does not pay the 10% import tariff as a member of the Mercosur trade bloc; large wheat exporters such as Canada are expected to benefit from these turn of events
- On September 4th, **USDA** released the Global Agricultural Information Network report which detailed Soybean meal consumption in China in 2019-20 is forecasted to decline to a four-year low as overall feed use is declining due to the African swine fever (ASF) outbreak. The USDA projects soybean meal consumption at 63.1 million tonnes, down from 66.8 million tonnes a year ago and 70.1 million tonnes in 2017-18
- On September 2nd, Brazil raised the quota on U.S. ethanol imports under the tariff rate quote (TRQ) up from 600 million liters per year to nearly 750 million liters per year. The TRQ regulates the threshold of ethanol that can be imported into Brazil without triggering a 20% tariff. The **Renewable Fuels Association (RFA)** believes the tariff does not aid fuel prices in Brazil
- India's soybean production for 2019-20 has been revised lower based on preliminary crop observations, according to a report from the **USDA's Foreign Agricultural Service (FAS)**. Production is estimated at 10.5 million tonnes on 11.2 million hectares and Yield will be below last year's level of 1 tonne per hectare due to weather conditions. Soybean meal exports slid in the last four months and are likely to stay subdued through September 2019 due to poor overseas demand and uncompetitive pricing

Commodities Futures as of September 10th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.54	(1.87)%	(5.72)%
Wheat (CBOT)	\$ per bu.	\$4.75	4.63 %	(6.36)%
Oats (CBOT)	\$ per bu.	\$2.69	1.51 %	(3.23)%
Rough Rice (CBOT)	\$ per cwt.	\$11.95	(0.21)%	15.46 %
Rapeseed (Canola) (ICE)	CAD per T	\$439.80	(2.53)%	(10.02)%
Ethanol (CBOT)	\$ per gal.	\$1.31	(0.68)%	2.66 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Equipment Manufacturers and Services				
Deere & Company	1.1%	Deere reported net sales of US\$8,969 million for Q3 19, which was down 3.4% from Q3 18 of US\$9,826 million. Net income for the quarter was US\$899 million, down 1% from Q3 18 of US\$910 million. The drop in sales and income is due to falling production of key end products, including corn, soybean, and wheat	US\$169.24	3.2%
Cannabis and Hemp				
Aphria Inc.	nmf	Aphria reported Net Revenue of C\$128.6 million, Net Income of C\$15.8 million, and EBITDA of C\$0.2 million in their fourth quarter. Compared to the prior quarter, Net Revenues increased by 75%, and 969% from the prior year. The biggest factor behind the large growth has been increased brand awareness for the Aphria brand amongst both recreational consumers and institutions such as national pharmacy chains In Q4 19, Aphria gained access to the German medical cannabis market, the largest in the EU, and reported having planted more than 200,000 plants in newly expanded area of the Apria One cultivation facility	C\$13.35	46.2%

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