



Agriculture Industry Flash

Thursday, October 10th, 2019

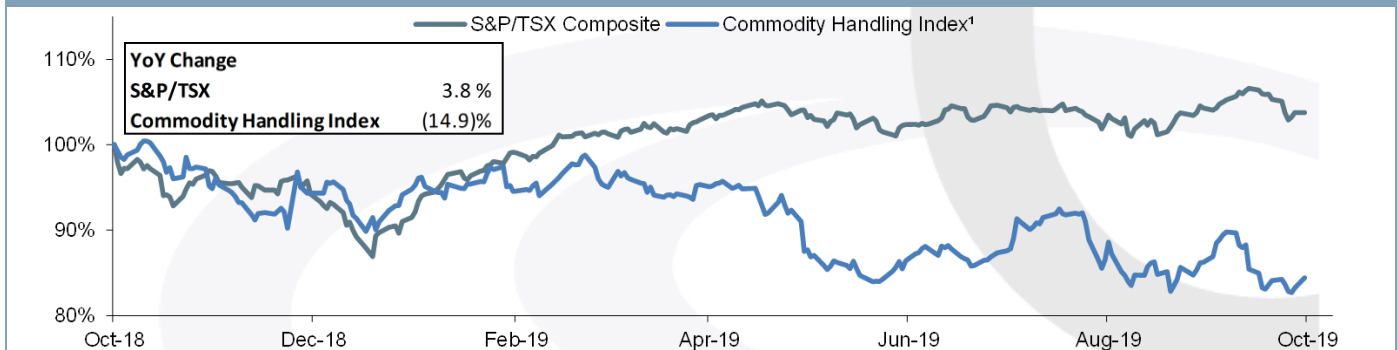


COMMODITY HANDLING

News Scan

- On October 9th, **Paterson Globalfoods** announced plans to build a 250,000 tonne annual capacity oat mill in Winnipeg, MB. The oat mill will produce a full range of processed oat products for the world market, adjacent to its existing grain terminal and is estimated to cost C\$95mm
- On October 2nd, **The Andersons, Inc.** announced it has joined **Marathon Petroleum Corp.** in merging four ethanol entities into the new legal entity The Andersons Marathon Holdings LLC (TAMH). The Andersons and Marathon Petroleum own 50.1% and 49.9% of TAMH equity, respectively. The transaction simplifies the companies' long-time partnership and provides cost savings and a ready-made platform for growth
- On October 2nd, **GrainsConnect Canada** announced it has officially opened an inland storage terminal in east-central Alberta, helping add capacity to its growing network. At full operation, the terminal near Huxley, AB, will load more than 130 rail cars in less than 14 hours, bringing higher efficiency and reliability to farmers
- On September 30th, **The Wenger Group**, a Pennsylvania based diversified agricultural business announced it has signed a definitive agreement to purchase **Risser Grain, LLC**, which operates seven grain locations, a fertilizer facility and a feed mill. The addition of Risser's facilities will enable Wenger to acquire a key supplier and gain a grain origination platform
- On September 25th, **Scoular Co.** and **Elkhart Cooperative** announced a partnership to create an additional 2 million bushels of bunker grain storage. Elkhart Cooperative operates 11 locations and Scoular has the 10th highest grain capacity in the U.S.

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	22,156	30,867	8.2x	7.1x	14.2x	11.4x	(2.8)%	(23.4)%
Bunge Limited	7,875	15,398	9.7x	8.9x	18.0x	14.6x	(1.6)%	(21.5)%
Graincorp Limited	1,227	2,411	28.3x	12.9x	neg	44.2x	0.9%	(20.1)%
The Andersons, Inc	666	2,220	9.3x	8.0x	13.8x	10.2x	(9.3)%	(46.2)%
Ceres Global Ag	103	155	na	na	na	na	9.3%	(8.8)%
Mean			13.9x	9.2x	15.4x	20.1x	(0.7)%	(24.0)%

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

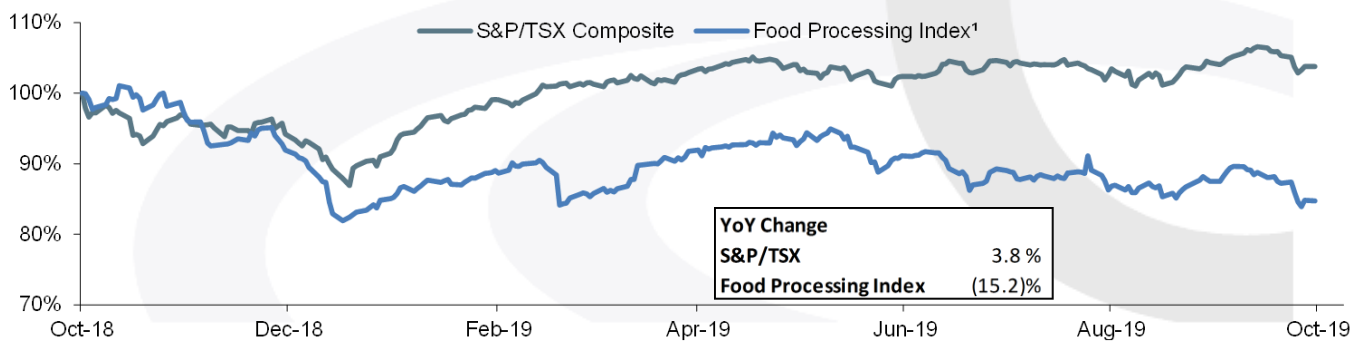


FOOD PROCESSING

News Scan

- On October 9th, Private equity firm **VMG Partners** announced it has acquired the **Popchips** brand in North America and most international markets outside of Europe. The news comes as VMG announces the launch of Velocity Snack Brands (VSB), a snacking platform that will purchase and grow a portfolio of brands
- On October 9th, **Hain Celestial** announced it has divested its **Arrowhead Mills** and **SunSpire** brands to **Hometown Food Company** for US\$15 million. The transaction allows Hain Celestial to focus on its core brands. Arrowhead Mills makes a range of baking mixes, breakfast cereals and flours. SunSpire offers a variety of baking chocolate, chips and candy
- On October 8th, Ireland-based meat firm **Dawn Farms** announced it has acquired German cooked meats producer **Haas** to expand its position in the European market. The acquisition will provide Dawn Foods with its first production site located outside Great Britain, enabling it to keep future growth strong despite Brexit uncertainty
- On October 3rd, Cavendish Farms announced it has opened a new potato processing plant in Alberta. The C\$430 million plant is approximately the size of seven football fields, covering 346,000 square feet and employs 238 people,
- On October 3rd, **Pernod Ricard** announced the merger of its two French businesses, **Ricard** and **Pernod** into a single company to regain market share in France, effective July 1st, 2020. Group sales declined by €60 million in two years, attributed to deflationary pressure and the recent impact of the Egalim Law, a new set of enhanced food and drink regulations
- On September 30th, Denmark-based, salmon farming company **Bakkafrost** announced that it has acquired 68.6% of **The Scottish Salmon Company (SCC)** for an implied value for SCC of DKK 4.35 billion (US\$636.9 million). This transaction allows Bakkafrost to become a leading producer of premium salmon with access to both Faroese and Scottish salmon supply

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	12,861	28,826	7.0x	6.7x	15.3x	14.3x	0.0%	(2.5)%
ConAgra Foods, Inc.	13,933	24,392	11.7x	10.7x	15.2x	13.0x	(5.4)%	(23.9)%
Ingredion Incorporated	5,228	7,023	7.5x	7.1x	11.8x	11.0x	(2.7)%	(27.1)%
Tate & Lyle plc	4,054	4,419	7.3x	7.2x	13.2x	13.6x	(3.7)%	(12.8)%
Premium Brands	2,627	3,064	12.2x	11.0x	24.0x	20.7x	0.7%	(5.5)%
Maple Leaf Foods Inc.	2,749	3,092	10.1x	8.8x	25.0x	20.6x	(1.1)%	(17.4)%
SunOpta Inc.	136	724	18.9x	13.9x	neg	neg	(21.4)%	(79.9)%
Rogers Sugar	422	685	9.9x	8.8x	13.7x	11.9x	0.2%	(13.2)%
Mean			10.7x	9.3x	17.4x	15.5x	(4.8)%	(24.2)%

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.

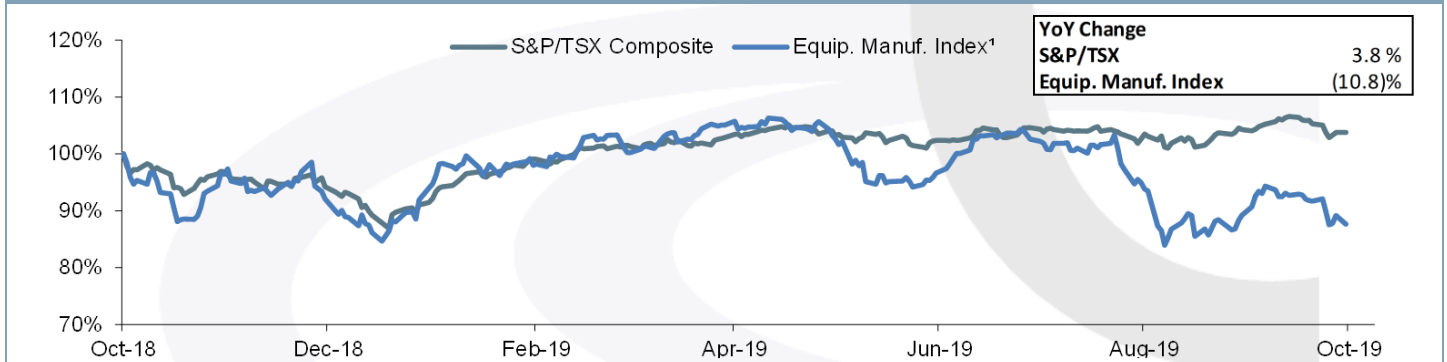


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On October 8th, **Exchange Income Corporation (EIF)** announced it has acquired **L.V. Control Mfg. Ltd. (L.V. Control)**, an electrical and control systems integrator focused on the agriculture material handling segment with primary activities in grain handling, crop input, feed processing, and seed cleaning. The acquisition, in conjunction with the expected acquisition of **Advance Window, Inc. (AWI)** have an aggregate purchase price of C\$78 million
- On October 4th, **Dot Technology Corp (Dot)** announced it has established an Alberta subsidiary, **Dot Intelligence Inc.**, based out of the Alberta Machinery Intelligence Institute in Edmonton. The goal in establishing this subsidiary is to focus on the development of leading-edge technologies and enhance adoption of the Dot robotic system for use in autonomous farming. The team will focus on computer vision, machine learning optimization, and intelligent navigation as it relates to farm equipment. This comes on the back of Dot netting C\$49.5 million as the winner of the federal government's Strategic Innovation Fund Stream 4 award. Additionally, federal funding is being matched by C\$58 million in funding by industry partners
- On October 1st, full-service **John Deere** dealer groups headquartered in Mexico, MO, and Waterloo, IL, announced they has agreed to merge their businesses. **Sydenstricker Implement Co.** and **Wm. Nobbe & Co.** have partnered to form Sydenstricker-Nobbe Partners and anticipate officially beginning joint operation of 26 Missouri and Illinois dealerships in January 2020
- On September 27th, **Agrisolutions**, a manufacturer of ground engaging farm equipment, announced it has opened its new 110,000 square foot facility in Rock Island, IL. Agrisolutions produces steel disc blades as part of parts manufacturing, an operation that is closely tied to **John Deere & Co**

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	52,442	57,058	11.8x	11.0x	18.0x	14.8x	0.2 %	(2.1)%
AGCO Corp	5,489	7,345	8.0x	7.5x	14.1x	12.9x	(5.5)%	(8.6)%
Ag Growth International Inc.	552	1,113	9.6x	8.2x	16.7x	11.6x	(10.7)%	(36.4)%
Rocky Mountain Dealerships	103	136	6.3x	5.1x	16.2x	9.5x	0.8 %	(32.5)%
Cervus Equipment Corporation	92	156	3.7x	3.2x	10.1x	7.6x	(2.9)%	(44.2)%
Mean			7.9x	7.0x	15.0x	11.3x	(3.6)%	(24.8)%

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

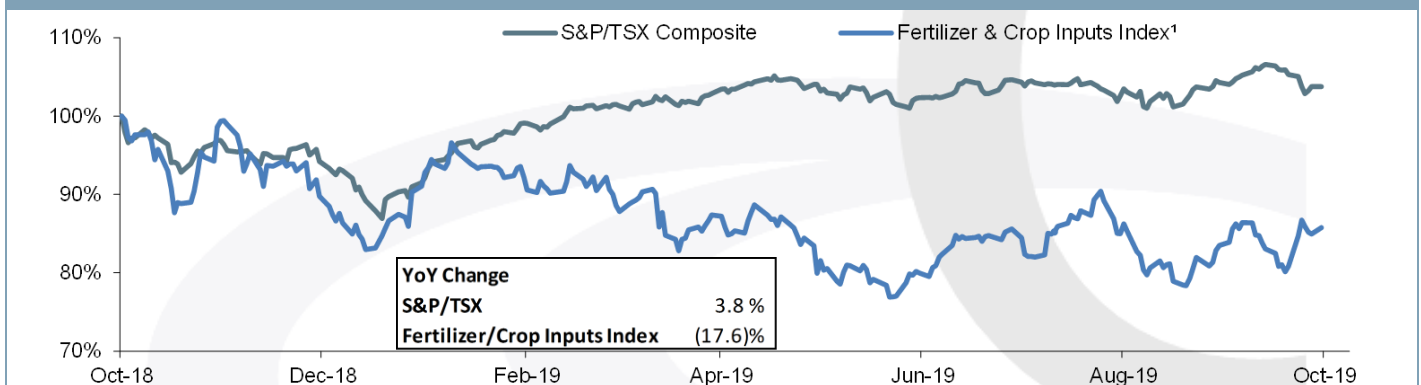


FERTILIZERS & CROP INPUTS

News Scan

- On October 2nd, **OCI N.V.** and **Abu Dhabi National Oil Company (ADNOC)** announced they have completed the combination of ADNOC's fertilizer business into OCI's Middle East and North Africa nitrogen fertilizer platform, creating a new joint venture. The combined company, which has been named Fertiglobe and is headquartered in Abu Dhabi, has over US\$1.7 billion of annual revenues based on 2018 pro forma figures
- On October 1st, **EuroChem Group** announced it has signed an early works contract for a potential new urea and ammonia production facility, subject to further investment plan approval, at Kingisepp, northwest Russia, with **Maire Tecnimont**. Under the terms of the agreement, Maire Tecnimont will carry out preliminary engineering and site surveying work at the brownfield site adjacent to EuroChem's existing production facilities at Kingisepp
- On September 27th, **Western Potash Corp.** has entered into a binding offtake agreement with **Archer Daniels Midland Co. (ADM)** for 100% of the potash production (146,000 tpy) from the Milestone Phase I plant in Saskatchewan, Canada. Additional terms to the offtake agreement include a free-on-board (FOB) mine site and transportation from the site by truck to the nearby Port Lajord Terminal
- On September 27th, **PhosAgro** announced plans to boost production of fertilizers and feed phosphates to 11.7 million tonnes by 2025 from 9.4 - 9.5 million tonnes in 2019 by investing US\$3 billion in growth and modernisation by 2025. The company expects that investment to boost core EBITDA earnings to US\$450 million

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.	27,858	39,222	8.6x	7.8x	17.7x	14.4x	(1.1)%	(14.6)%
CF Industries Holdings, Inc.	10,678	17,366	9.8x	9.1x	20.3x	16.1x	0.5 %	(12.5)%
Yara International ASA	11,590	15,420	6.7x	5.8x	13.6x	10.8x	0.0 %	(8.7)%
The Mosaic Company	7,409	11,940	6.5x	5.5x	17.5x	10.8x	(5.2)%	(48.6)%
Nufarm Ltd.	1,677	2,524	8.8x	9.5x	28.6x	22.6x	46.9 %	(5.6)%
Input Capital Corp.	35	34	na	na	na	na	(2.8)%	(41.7)%
Mean			8.1x	7.5x	19.5x	14.9x	6.4 %	(22.0)%

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

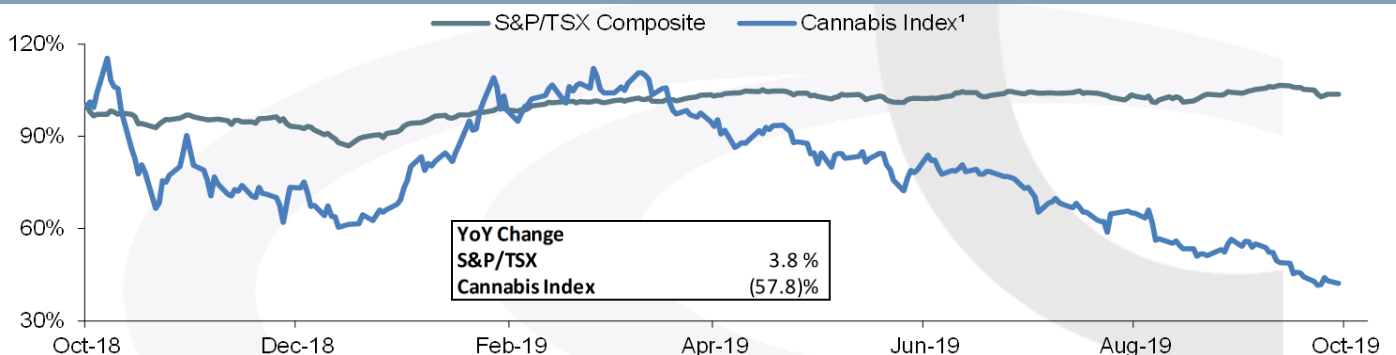


CANNABIS AND HEMP

News Scan

- On October 8th, **MedMen Enterprises Inc. (MedMen)**, a leading cannabis retailer with operations across the U.S., announced it has terminated the Business Combination Agreement dated December 23rd, 2018, pursuant to which MedMen was to acquire **PharmaCann, LLC (PharmaCann)** in an all-stock transaction. The Board cited market developments over the past 12 months and the continued evolution of its business strategy. In connection with the termination, PharmaCann has agreed to transfer certain cannabis licenses and related assets in Illinois and Virginia to MedMen in return for forgiveness of US\$21 million debt from MedMen
- On October 2nd, **Canopy Growth Corporation** announced it has purchased a majority stake in **BioSteel Sports Nutrition**, which is now developing a line of cannabidiol (CBD) products. Canopy Growth will hold a 72% stake in BioSteel with a path to full ownership. Financial terms were not disclosed for the all-cash agreement
 - On October 9th, Canopy Growth announced they have appointed David Klein, as chairman of its board. David Klein is currently the CFO of **Constellation Brands Inc.**, a top shareholder with over C\$4 billion invested in Canopy Growth
- On September 27th, Chicago-based **Cresco Labs Inc. (Cresco)**, one of the largest vertically integrated multistate cannabis operators in the United States, announced it has signed a binding agreement to sell its Joliet and Kankakee, Illinois cultivation and processing facilities to **Innovative Industrial Properties, Inc. (IIP)** for approximately US\$46.3 million. Concurrent with the closing of the sale, Cresco Labs will enter into a long-term, triple-net lease agreement with IIP and will continue to operate each property as a licensed cannabis cultivation and processing facility. The two properties represent approximately 100,000 square feet of industrial space in aggregate. The agreement is expected to close within the next 30 days

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Canopy Growth Corporation	7,769	6,852	19.3x	9.0x	neg	neg	(5.3)%	(61.0)%
Aurora Cannabis Inc.	4,207	4,466	15.3x	7.5x	neg	28.4x	(10.1)%	(66.1)%
Aphria Inc.	1,349	984	2.7x	1.7x	neg	10.0x	(1.1)%	(65.9)%
CannTrust Holdings Inc.	146	114	2.0x	1.2x	neg	neg	(11.3)%	(90.8)%
Cronos Group Inc.	2,926	2,712	66.7x	17.1x	neg	neg	(1.9)%	(64.0)%
Tilray, Inc.	2,348	2,220	12.1x	6.2x	neg	neg	(6.5)%	(86.4)%
Mean			19.7x	7.1x	na	19.2x	(6.0)%	(72.4)%

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 October 9th, **U.S. Department of Agriculture (USDA)** lowered their grain output forecast for Australia, citing inadequate rainfall. In particular, the USDA projects 2019-20 wheat production at 18 million tonnes, up only 700,000 tonnes compared to the drought impacted 2018 - 2019 crop. If realized it would be more than 25% below the 10-year production average
- On October 8th, **Acron Group** announced the shipment of its first batch of mineral fertilizers to China through the Northeast Passage (NEP). This marks the first time a company has used the NEP to ship fertilizers through the challenging, yet cost effective. Acron shipped 23,000 tons of its products to China using this new route
- On October 7th, it was reported that the U.S. state of California was sued, effective October 4th, by the largest U.S. trade group, **The North American Meat Institute (NMI)**, whose members include processors such as **Tyson Foods** and retailers including **Walmart**. The NMI wants to block enforcement of a voter-approved Proposition 12, requiring farmers to provide more space for animals being raised for food, claiming enforcement would hurt producers and consumers by significantly increasing their costs
- On October 7th, **USDA** reported that concerns over subdued demand from China and rising costs are holding back Brazilian farmers from increasing soybean planting. The planted area for 2019-20 is estimated at 36.5 million hectares, nearly even with the 36.2 million hectares planted in 2018-19
- On October 4th, **USDA** crop progress report pegged the nationwide corn harvest at 15% complete, up only 4 points on the week prior and failing to meet expectations of around 17% done Normally, more than one-quarter of the corn crop would be in the bin by now. ON September 29th, 58% of the crop had reached maturity, up from 43% a week earlier but far behind the average of 85%
- On October 3rd, an early blast of winter dumped variable amounts of freezing rain and snow across most of Alberta, Saskatchewan, and parts of Manitoba, causing difficulties for prairie grain growers. This comes against the backdrop of already delayed harvests. In Saskatchewan, harvest operations were nearing 50 % complete before the latest storm, but now significant delays are expected
- On October 1st, Manitoba's minister for sustainable development, Rochelle Squires, announced changes to Water Rights Act regulations, including efforts to remove "unnecessary red tape", with the main change being the streamlining of the approval process for lower-risk, lower impact drainage and water-retention works. As a result of the legal changes, landowners who drain a wetland will have to compensate the province or mitigate the loss of the wetlands
- On September 26th, the United States and Japan signed a trade agreement that lowers or eliminates tariffs on many U.S. agricultural products and increases market access for U.S. agricultural producers in Japan. As per the **USDA**, out of the US\$14.1 billion in U.S. food and agricultural products imported by Japan in 2018, US\$5.2 billion were already duty free. Under this first-stage tariff agreement, Japan will eliminate or reduce tariffs on an additional US\$7.2 billion of U.S. food and agricultural products
- On September 26th, the **Taiwan Flour Mill Association** announced it has signed a letter of intent to purchase U.S. wheat over two years in a deal valued at US\$576 million. The wheat will be sourced from Idaho. Taiwan is the fifth-largest U.S. wheat market
- On September 25th, in a historical first, the **United States House of Representatives** approved a pro-cannabis bill. The House passed the SAFE Banking Act, originally sponsored in March, allowing financial institutions to bank state-legal cannabis companies

Commodities Futures as of October 9th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.96	0.83 %	(0.63)%
Wheat (CBOT)	\$ per bu.	\$5.00	0.30 %	(5.75)%
Oats (CBOT)	\$ per bu.	\$2.85	0.89 %	5.47 %
Rough Rice (CBOT)	\$ per cwt.	\$11.84	(0.25)%	11.65 %
Rapeseed (Canola) (ICE)	CAD per T	\$464.80	3.01 %	(7.30)%
Ethanol (CBOT)	\$ per gal.	\$1.44	(0.41)%	5.64 %



Recent Earnings News

Company	EPSYoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizer & Crop Input				
Nufarm Limited	(212.5%)	Nufarm announced its fiscal year 2019 results, alongside the sale of its South American crop protection and seed treatment operations to Sumitomo for A\$1,188 million. Nufarm reported 2019 EBITDA of A\$420.3 million and underlying NPAT of A\$89.1 million. The primary drivers were the poor weather that has impacted Nufarm across multiple geographies, difficult supplier conditions, and a constrained balance sheet. However, future growth opportunities in the form of Omega-3 canola are beginning to be realized, although seasonal and regulatory risks remain for the time being	A\$6.52	45.7%

Origin Merchant Partners

220 Bay Street, Suite 1500
P.O. Box 23
Toronto, Ontario
M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead

@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler

@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk

@originmerchant.com

Lindsay Weiss

Principal

T: 416-775-3656

lindsay.weiss

@originmerchant.com