



Agriculture Industry Flash

Wednesday, October 23rd, 2019

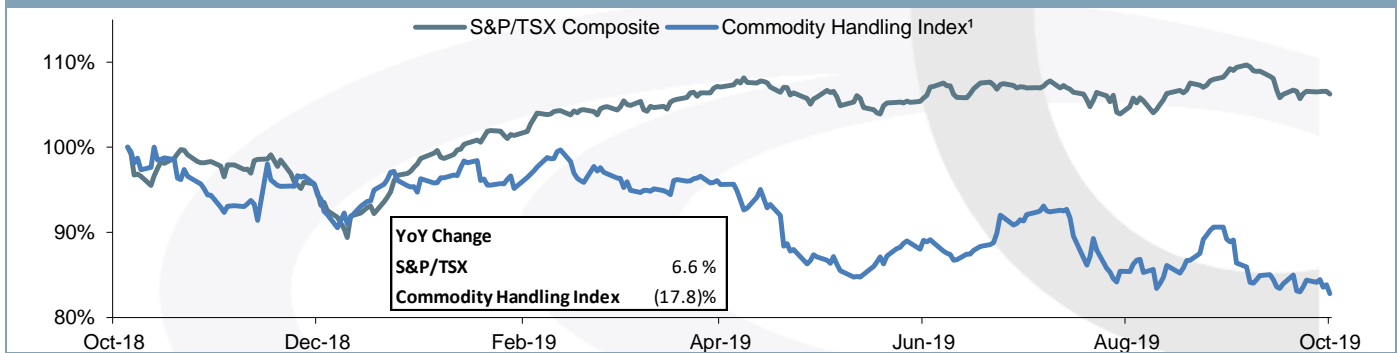


COMMODITY HANDLING

News Scan

- On October 17th, **Cosucra** announced it has finalized plans to open a second pea processing plant in Aarhus, Denmark, to further support its development in the plant-based food segment. As part of a €60 million investment to strengthen Cosucra's market position, the strategic location of the facility will enable Cosucra to access new EU pea growing areas such as, Lithuania, Poland and Sweden and increase presence in existing growing areas, such as Denmark and Belgium
- On October 17th, the **CBH Group (CBH)** announced the completion of their A\$240 million network expansion initiative. The initiative has involved CBH investing in their network to enhance supply chain efficiency, improved network maintenance, and expanded storage capacity. As of the twelve months ended in September 2019, CBH has added 1 million tonnes of new permanent storage, installed throughput enhancements at 36 receival sites and set up 16 new weighbridges
- On October 16th, **Cargill** announced it has plans to spend US\$225 million to expand its integrated soybean crush and refined oils facility in Sidney, OH to better serve area farmers and to meet growing demand for protein and refined oils. The expansion of the crush plant will provide Cargill's adjacent refined oils facility with a larger, direct supply of crude soybean oil. The company expects the expansion to be completed in 2022
- On October 14th, **Caldic B.V.** announced its acquisition of **Arlès Agroalimentaire SAS**, a leading distributor of quality food ingredients and functional additives in France. The agreement underlines Caldic's ambition to become a leading food ingredient solution provider in Europe. Arlès Agroalimentaire is a family business that has been engaged in the distribution of food ingredients since 1914

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	22,078	30,789	8.3x	7.2x	14.3x	11.4x	2.4 %	(19.9)%
Bunge Limited	7,743	15,265	9.6x	8.9x	18.6x	14.5x	0.4 %	(20.6)%
Graincorp Limited	1,203	2,405	27.8x	12.7x	neg	42.7x	(0.1)%	(21.3)%
The Andersons, Inc	578	2,130	8.8x	7.6x	12.3x	8.1x	(0.8)%	(51.9)%
Ceres Global Ag	106	158	na	na	na	na	2.2 %	(6.8)%
Mean			13.6x	9.1x	15.1x	19.2x	0.8 %	(24.1)%

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

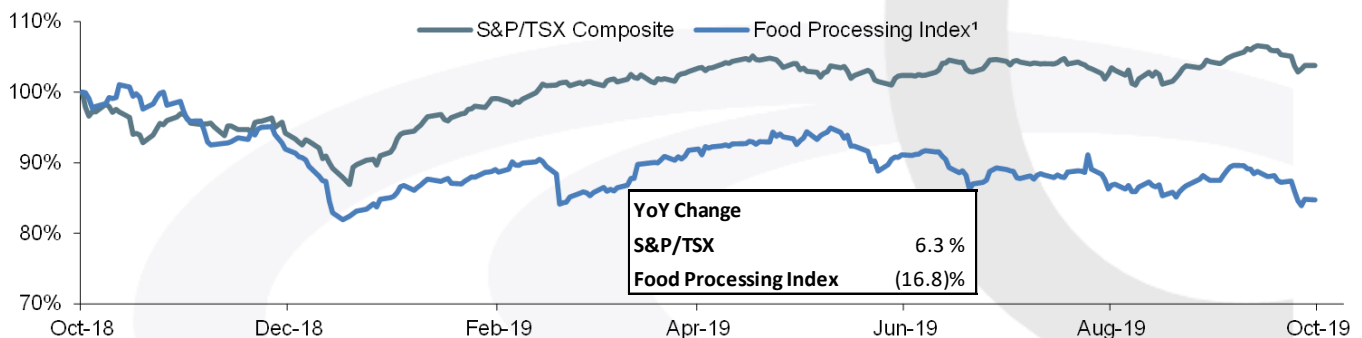


FOOD PROCESSING

News Scan

- On October 22nd, **Olam International** announced it agreed to acquire Californian almond processor and ingredient manufacturer **Hughson Nut** from APB Partners for US\$54 million, in a move to extend its existing portfolio and meet demand
- On October 22nd, **Utz Quality Snacks** announced it completed its acquisition of **Conagra Brands'** direct-store delivery (D.S.D.) snacks business. The transaction includes the Tim's Cascade Snacks, Hawaiian Snacks, Erin's, El Restaurante, Snyder's of Berlin, Pop-N-Thin and Husman's brands
- On October 18th, plant-based spreads producer **Upfield Group** announced it has entered into an agreement to acquire **Arivia**, the owner of dairy-free cheese brand Violife. Arivia is headquartered in Thessaloniki, Greece, and has a factory located in the north-east of the country. Upfield is owned by KKR
- On October 16th, **Lamb Weston** announced it has created a joint venture in Argentina with holding company **Sociedad Comercial del Plata** to serve the South American market. Each partner will own 50% of the venture, **Lamb Weston Alimentos Modernos**, which will sell frozen potato products under the Rapipap and Morixe brands. The business will operate a manufacturing facility in Buenos Aires, with an annual capacity of approximately 130 million pounds of finished goods
- On October 10th, **Valeo Foods** announced it has acquired UK-based **Bakery Foods**, trading as **Matthew Walker**, from **2 Sisters Food Group** for £67 million. Bakery Foods produces cakes, sponges and free-form desserts. The acquisition is expected to add approximately €40 million in sales to Valeo Foods, representing annualised sales for the group to more than €1 billion

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	12,719	28,860	6.9x	6.5x	15.1x	14.0x	(1.3)%	(4.5)%
ConAgra Foods, Inc.	13,213	23,835	11.7x	10.8x	14.4x	12.3x	(4.4)%	(27.8)%
Ingredion Incorporated	5,326	7,122	7.6x	7.2x	12.0x	11.2x	(0.8)%	(25.8)%
Tate & Lyle plc	4,035	4,416	7.0x	6.8x	12.6x	13.0x	(1.8)%	(16.2)%
Premium Brands	2,636	3,079	12.1x	10.9x	23.8x	20.5x	(0.4)%	(6.4)%
Maple Leaf Foods Inc.	2,829	3,178	10.3x	8.9x	25.7x	20.9x	4.3%	(16.1)%
SunOpta Inc.	118	706	18.5x	13.6x	neg	neg	(10.6)%	(82.7)%
Rogers Sugar	435	702	10.0x	8.9x	14.0x	12.1x	1.5%	(11.6)%
Mean			10.6x	9.2x	17.3x	15.3x	(2.1)%	(25.6)%

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.

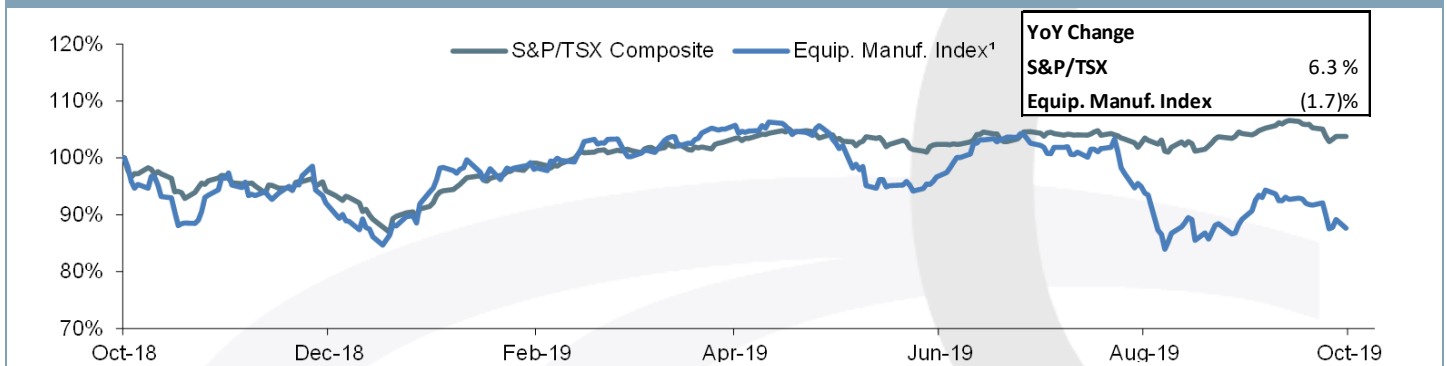


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- Upcoming on October 25th is the expected close of the Brandt-Nortax acquisition. Originally announced on September 25th, the **Brandt Group of Companies (Brandt)** announced they had reached an agreement to acquire the businesses of **Nortax Canada Inc. and Nortax Quebec Inc. (collectively Nortax)**. The landmark deal is anticipated to unite all John Deere Construction and Forestry dealerships in Canada under the Brandt banner. With the acquisition, Brandt will own and operate 56 John Deere Construction & Forestry dealerships across Canada with an additional 30+ service points and will employ over 3400 people
- On October 17th, agricultural water accounting leader **SWIIM System** announced that it has entered into a long-term, strategic sales and distribution agreement with **RDO Water** (a subsidiary of **RDO Equipment**), an agricultural equipment and irrigation systems provider. As per the agreement, the initially targeted regions include the Western U.S., with an initial focus on coastal and Southern California. Under the agreement, RDO Water will assist in further bolstering sales and distribution of SWIIM's water accounting solutions to growers and water districts concerned about agricultural water availability from both surface and groundwater sources

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	54,763	59,440	12.3x	11.5x	18.8x	15.4x	3.4 %	(1.8)%
AGCO Corporation	5,639	7,501	8.2x	7.7x	14.6x	13.3x	3.8 %	(9.8)%
Ag Growth International Inc.	566	1,134	10.1x	8.4x	17.9x	11.9x	(2.3)%	(35.5)%
Rocky Mountain Dealerships Inc.	101	134	6.2x	4.9x	16.1x	9.2x	(4.2)%	(33.7)%
Cervus Equipment Corporation	100	166	4.0x	3.4x	16.0x	10.0x	7.1 %	(39.9)%
Mean			8.1x	7.2x	16.7x	12.0x	1.6 %	(24.2)%

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

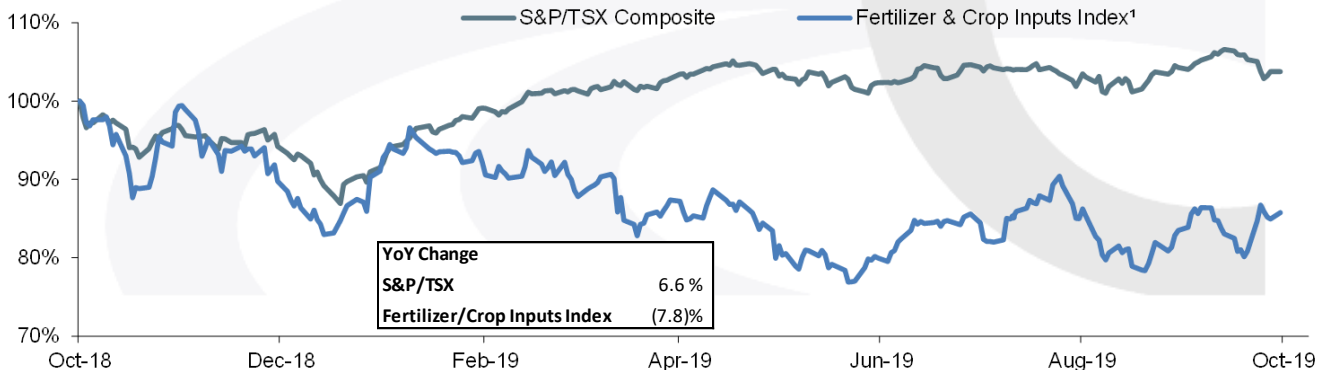


FERTILIZERS & CROP INPUTS

News Scan

- On October 17th, **Veolia Water Technologies (Veolia)** announced it will provide a processing plant integrating HPD™ crystallisation systems designed to produce phosphorus fertilizer of high purity and solubility for the **ALKIMIA Group**
- On October 16th, **Kalium Lakes Ltd.** announced it has awarded the contract for construction of the SOP purification plant for its Beyondie Sulfate of Potash Project (BSOPP) for **G&S Engineering Services Pty Ltd (G&S)**, a wholly owned subsidiary of **DRA Global Ltd (DRA)**. The award of this contract was completed as one of Kalium Lakes' debt finance conditions and follows completion of sufficient detail engineering during early works, along with several months of planning and negotiation
- On October 14th, **Sirius Minerals Plc**, through its subsidiary **York Potash Ltd.**, announced it has entered into an exclusive ten-year supply and distribution agreement with **Qatar Chemical and Petrochemical Marketing and Distribution Company Q.P.J.S.C (Muntajat)**, for the sale and distribution of volumes of POLY4 into Africa (except Nigeria and Egypt), Australia, New Zealand and certain remaining Middle-Eastern and Asian territories. The agreement provides for the exclusive distribution of POLY4 for a 10-year term, taking Sirius' aggregate peak sales volumes to 13.8 million tpy
- On October 15th, **Highfield Resources** announced it has made significant upgrades in the financial metrics for its Muga potash project in Spain, raising its net present value (NPV) by nearly 70%. Enhancements were made to the planned design of the process plant and mine, improving grade, environmental outcome and project financials, with an NPV and IRR of €1.97 billion and 25%, respectively (from €1.16 billion and 23%, respectively). The enhancements have also resulted in an increase of 6.5% in the project's CAPEX, from €541 million to €576 million
- On October 15th, **ICL**, a leading global specialty minerals and specialty chemicals company, announced that it has plans to expand its manufacturing capacity and R&D support capabilities for its ROVITARIS™ alternative protein technology for the meat alternatives market. ICL is expected to invest approximately US\$20 million to expand its capabilities

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.	28,033	39,402	8.7x	7.9x	18.1x	14.6x	(4.4)%	(15.2)%
CF Industries Holdings, Inc.	10,429	17,110	9.7x	8.9x	19.9x	15.7x	(5.6)%	(13.4)%
Yara International ASA	11,014	15,382	6.5x	5.9x	13.1x	10.4x	(7.8)%	(15.0)%
The Mosaic Company	7,544	12,076	6.7x	5.7x	19.6x	11.4x	(5.6)%	(47.7)%
Nufarm Ltd.	1,617	2,476	8.5x	9.2x	27.2x	21.4x	(3.5)%	(9.9)%
Input Capital Corp.	40	39	na	na	na	na	14.3 %	(33.3)%
Mean			8.0x	7.5x	19.6x	14.7x	(2.1)%	(22.4)%

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

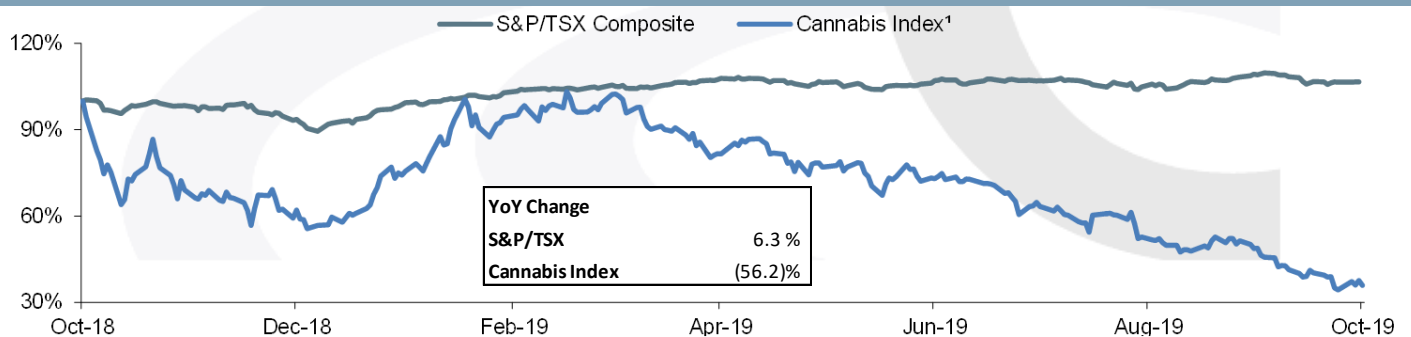


CANNABIS AND HEMP

News Scan

- On October 18th, Molson Coors Canada announced it has entered into a joint-venture with cannabis producer **Hexo** with plans to launch a line of CBD-infused water in partnership with **Flow Glow Beverages**, the team behind Flow Alkaline Spring Water. The launch announcement comes as the legalisation of derivative cannabis comes into effect in Canada, starting in December 2019
- On October 17th, **CV Sciences, Inc. (CV)** announced it had expanded its distribution partnership with **Vitamin Shoppe**. The partnership broadens distribution of PlusCBD™ oil products to a total of 515 Vitamin Shoppe locations, located in 36 U.S. states and Puerto Rico. CV originally began selling PlusCBD™ products in 383 Vitamin Shoppe locations on September 22nd, 2019 in 30 U.S. states and Puerto Rico. With this addition, CV's products are now available at more than 5,500 U.S. retail locations
- On October 16th, one year since consumer cannabis legalization in Canada, **Aurora Cannabis Inc. (Aurora)**, announced plans for the roll-out of capsules, concentrates, and edibles when they are permitted for sale to consumers this upcoming December 2019. To support the successful launch and to ensure sufficient supply, Aurora has established production hubs in Eastern and Western Canada at Aurora River in Bradford, ON, Aurora Vie in Pointe Claire, QC and at Aurora Sky in Leduc, AB
- On October 15th, **Freehold Properties (Freehold)**, a newly formed real estate investment company focused on specialized agricultural, industrial and cannabis properties, and **Revolution Global (Revolution)**, a Chicago-based multi-state cannabis operator, announced that Freehold will provide Revolution up to approximately US\$29 million in expansion funding. Utilizing the capital from Freehold, Revolution plans to more than double capacity of its 75,000 square feet flagship, facility in Delavan, IL
- On October 15th, **Entourage Effect Capital (EEC)** announced it has launched its third diversified cannabis fund. EEC launched in 2014, originally called Cresco Capital Partners. The firm's portfolio includes several successful exits and was an early investor in companies like Acreage, and Grow Healthy via Fund I. Fund II moved further up the value chain, adding companies such as NorCal. EEC has launched its US\$150 million Fund III targeting high-net-worth individuals and institutions

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
Canopy Growth Corporation	6,997	6,067	17.6x	8.1x	neg	neg	(9.7)%	(61.5)%
Aurora Cannabis Inc.	3,728	3,989	13.9x	7.1x	neg	47.7x	(7.4)%	(62.6)%
Aphria Inc.	1,197	1,226	3.5x	2.0x	neg	9.8x	(8.3)%	(65.4)%
CannTrust Holdings Inc.	180	149	2.6x	1.6x	neg	neg	29.0%	(86.8)%
Cronos Group Inc.	2,734	2,477	62.3x	15.7x	neg	neg	2.1%	(64.8)%
Tilray, Inc.	2,068	1,916	10.7x	5.5x	neg	neg	(6.1)%	(84.4)%
Mean			18.4x	6.7x	na	28.7x	(0.1)%	(70.9)%

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 21st, representatives from the UK and China signed the UK-China Beef Protocol to secure market access for UK beef exporters in the Chinese market. The deal's benefits can be worth up to £230 million for British producers in the first five years
- On October 21st, data from a wellness-focused insights firm, **Spins, L.L.C.** reported that U.S. C.B.D. retail sales reached US\$185 million in the 52-week period ended August 11th, 2019. This is more than triple the US\$47 million in the previous 52-week period, and may reach US\$20 billion by 2024, a five-fold expansion from the projected 2019 figure of US\$4 billion. The report comes as F.D.A. laws could disrupt sales. At present, F.D.A. maintains that C.B.D. cannot be used as an food or beverage ingredient
- On October 18th, **Saskatchewan Agriculture** reported the recent relatively warm and dry conditions allowed Saskatchewan farmers to make some harvest progress during the week ended October 14th, although operations continue to run well behind normal. The overall harvest progress increased to 69% done, from 55% the previous week. That compares with the five-year average of 88% for this time of year. The harvest was most advanced in the northeastern region, at 85% complete, while the east-central was the farthest behind at only 51% done
- On October 18th, **U.S. Department of Agriculture (USDA)** reported favorable weather have led to increased production estimates for all grains in Ukraine in 2019-20. Wheat, barley and corn planted area all expanded this year compared to 2018, with wheat and barley acreage increasing by 14% and 13%, respectively
- On October 17th, Vietnam Russia to temporarily suspend issuing wheat export certificates. This follows events from a year ago, when Vietnam significantly decreased its purchases of Russian wheat after finding imports containing thistle seed. At present, Russia is the world's largest wheat exporter and Vietnam is the 16th largest wheat importer and a major buyer of Russian wheat
- On October 17th, a group of 60 craft breweries has asked the **U.S. Supreme Court** to uphold the Clean Water Act in a case filed against Maui County in Hawaii. They argue if the county convinces the court its Lahaina Wastewater Reclamation Facility doesn't need a federal permit to indirectly discharge treated sewage to the ocean via groundwater, the precedent will allow for more pollution at countless facilities nationwide, which will eventually harm the water used for brewing beer. For the brewers, the quality and consistency of the water on which their products are based is the most important factor. For example, if there are too many sulfates in the water, the beer will be acidic
- On October 15th, **The Ontario Cannabis Stores (OCS)** announced it is taking steps to engage with federally licensed producers and authorized retail stores on their perspectives in increasing private sector participation in the delivery of recreational cannabis to stores across Ontario. After consultation, the OCS will provide the government with recommendations to ensure sufficient distribution capacity is in place to distribute legal cannabis across the province in the future as the illegal market is displaced
- On October 14th, data from the **Association of Equipment Manufacturers (AEM)** reported that September was a solid month for retail sales of tractors and combines in the U.S. and Canada. Total farm tractor sales in the U.S. increased 18.7% in September compared to last year, while self-propelled combine sales increased 12.3%. For Canada, total farm tractor sales were up 13.7%, while sales of self-propelled combines were down 25.5%

Commodities Futures as of October 21st, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.87	(1.34)%	(2.76)%
Wheat (CBOT)	\$ per bu.	\$5.24	4.96 %	(1.37)%
Oats (CBOT)	\$ per bu.	\$2.89	2.30 %	6.95 %
Rough Rice (CBOT)	\$ per cwt.	\$12.07	1.68 %	13.81 %
Rapeseed (Canola) (ICE)	CAD per T	\$460.00	1.95 %	(8.26)%
Ethanol (CBOT)	\$ per gal.	\$1.42	(2.00)%	3.96 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Cannabis & Hemp				
Aphria Inc.	(27.3%)	Aphria Inc. (Aphria) reported its results for the first quarter ended August 31, 2019. Net revenue of C\$126.1 million in the first quarter, an increase of 849% from prior year quarter and decrease of 2% from prior quarter. Revenue for adult-use cannabis of C\$20.0 million in the first quarter, an increase of 8% from prior quarter. Operating Income of C\$4.0 million and adjusted EBITDA of C\$1.0 million in the first quarter. Adjusted EBITDA from cannabis operations of C\$1.3 million in the first quarter. The strong financial results were driven by the increased production capacity roll-out, with the company being on-track for annual production capacity of 255,000 kilograms when all facilities are fully operational	C\$10.98	75.0%
Food Processing				
Conagra Brands, Inc.	(20.7%)	Conagra Brands Inc. (Conagra) reported their first quarter result for fiscal 2020. The company reported total sales of US\$2391 million, which was 30% higher than Q1 FY19. However, sales related to the company's organic brands were down 1.7% from last year. EBITDA was reported at US\$481 million, a 35.4% jump from this time last year. However, the company reported logistical issues impacting sales timing in key markets, including Puerto Rico and India. These delays negatively impacted top-line growth. During the quarter, Conagra completed its divestiture of the direct-store-delivery model snacks business to Utz Quality	US\$32.25	(10.4%)
Fertilizer & Crop Input				
Yara International ASA	(24.3%)	Yara International ASA (Yara) reported their third quarter results for fiscal 2019. The company generated revenues of US\$3,491 million, (slightly below Q3 FY18 of US\$3,547 million). However, in stark contrast to the themes present in revenue generation, Yara's operating income and EBITDA stood at US\$314 million and US\$630 million respectively (well above Q3 FY18 figures of US\$153 million and US\$402 million, respectively). The results reflect lower energy costs, higher production volumes, and strong premium product deliveries. The primary impetus for this has been the company's Operational Improvement Program, a cost containment and efficiency initiative aimed at bettering operating metrics, increasing efficiency, and decreasing burdensome costs, such as turnaround costs, and operational expenses	kr 426.99	18.2%

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