



Agriculture Industry Flash

Wednesday, December 11th, 2019

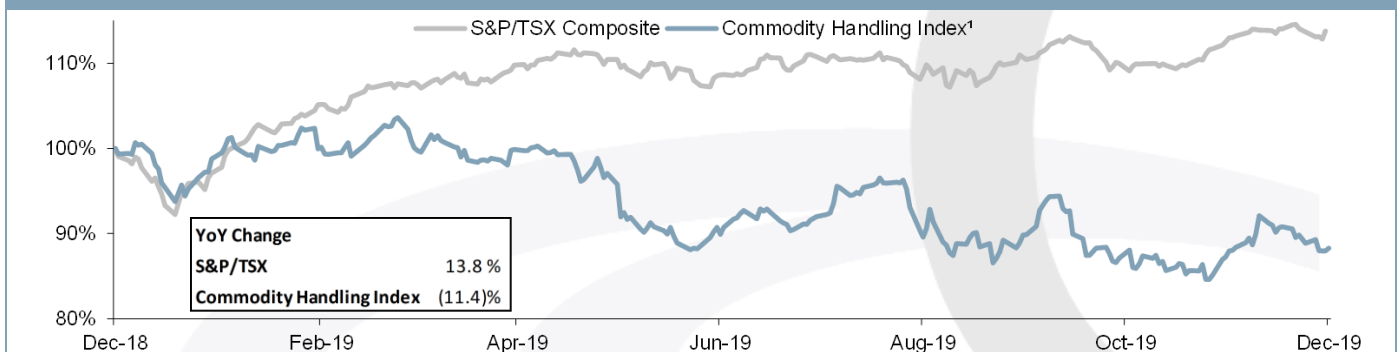


COMMODITY HANDLING

News Scan

- On December 6th, **The Andersons, Inc.** announced it has completed the sale of the agronomy business of **Thompsons Ltd.**, a wholly owned subsidiary to **Sylvite Holdings** of Burlington, Ontario. The Andersons will continue to own and operate Thompsons' grain storage and edible bean processing facilities, while Sylvite will assume ownership of its agronomy assets. The sale is expected to be closed in mid-September of next year and deal terms have not been finalized
- On December 5th, Argentine soy crushing giant **Vicentin** announced the halt of production while it seeks economic relief amid an economic slowdown in the country. The company is struggling to repay over US\$350 million in debt comprised of payments due to suppliers and bank loans alike. Vicentin exported ~ 6 million tonnes of oils and by-products last year
- On December 2nd, **Bunge Ltd.** and **BP PLC** announced the combination of their Brazilian bioenergy and ethanol businesses to create a joint venture named **BP Bunge Bioenergia**. The joint venture has 11 biofuels sites in five Brazilian states, with more than 10,000 employees. It has total crushing capacity of 32 million metric tonnes of sugarcane per year, capable of producing more than 1.5 billion litres of ethanol, 1.1 million tons of sugar and exporting 1,200 gigawatt hours of electricity to the national grid in Brazil. Under the terms of the transaction, US\$700 million of non-recourse Bunge debt was assumed by the joint venture at closing, and Bunge received US\$75 million cash proceeds from BP

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	24,444	32,449	9.1x	7.8x	17.0x	13.5x	2.3 %	(3.9)%
Bunge Limited	7,610	15,793	10.4x	10.0x	18.7x	15.7x	0.5 %	(14.6)%
Graincorp Limited	1,212	2,017	23.8x	10.2x	neg	48.4x	(5.7)%	(22.2)%
The Andersons, Inc	773	2,330	9.2x	7.8x	19.5x	12.2x	0.7 %	(37.5)%
Ceres Global Ag	90	165	na	na	na	na	(5.8)%	(20.1)%
Mean			13.1x	8.9x	18.4x	22.4x	(1.6)%	(19.7)%

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

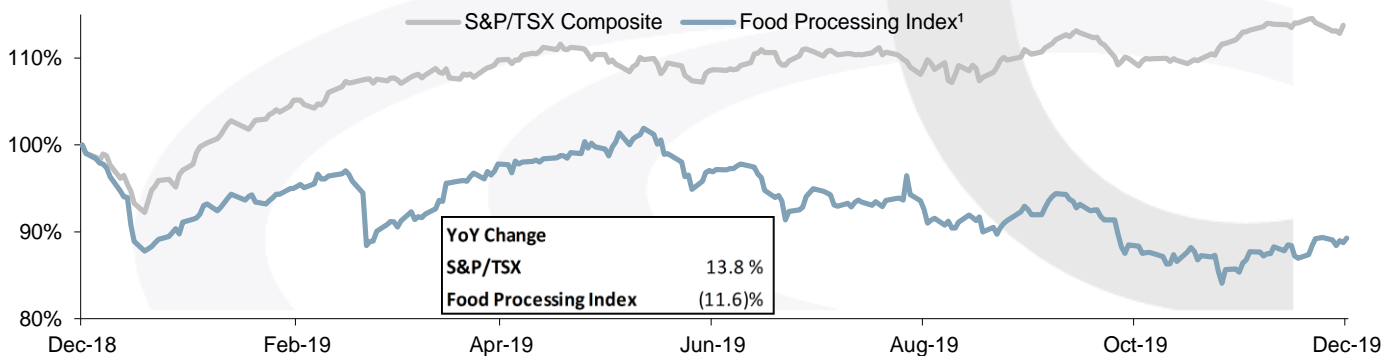


FOOD PROCESSING

News Scan

- On December 9th, **Batory Foods** announced it is acquiring **Polypro International, Inc. (Polypro)**, a hydrocolloids distributor in the US, for an undisclosed sum. Polypro is a prominent supplier of food grade guar gum, used as a stabilizing agent in foods. Polypro will continue to market non-food grade guar gum applications through its sister company, **Rantec Corp.**
- On December 5th, **Manna Tree Partners**, announced it has invested into **Nutriati**, a developer and manufacturer of plant-based ingredients, including protein, flour and oil, as part of a US\$13 million Series C funding round. Manna Tree was joined by Nutriati's existing strategic investor, Open Prairie, through its Open Prairie Rural Opportunities Fund
- On December 4th, **Constellation Brands (Constellation)** announced it has agreed to sell **Ballast Point** to **Kings & Convicts**, a privately-held brewer in Chicago's North Shore. The deal includes four Ballast Point facilities, but excludes the US\$48 million specialty craft facility located in Daleville, VI. Expected close is March 2020 and deal terms were not disclosed
- On December 3rd, **Hostess Brands** announced it has acquired **Voortman**, maker of cookies and wafers, from **Swander Pace Capital (Swander)** for approximately US\$320 million. Hostess Brands expects the transaction to deliver at least US\$15 million in annual run-rate synergies within 12 to 18 months, and realize benefits of scale by sharing infrastructure and retail partnerships. Swander had originally acquired a majority stake in the then family-owned Voortman in October of 2015
- On December 3rd, **PepsiCo** announced it has acquired **BFY Brands (BFY)**, from private equity firm **Permira**, for an undisclosed amount. Upon closing, BFY's brand PopCorns is expected to join PepsiCo's Frito-Lay North America division, famously known for brands such as Doritos, Cheetos and Sun Chips. The acquisition is the latest in a series of better-for-you snack acquisitions by PepsiCo, which acquired baked fruit and vegetable maker **Bare Snacks** last year for an undisclosed sum. Other recent additions include **Health Warrior, Inc.**, maker of plant-based nutrition bars, and **Pipers**, maker of chip and pea snacks

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	12,258	31,738	7.9x	7.4x	14.3x	13.6x	1.9%	(7.0)%
ConAgra Foods, Inc.	13,982	24,608	12.2x	11.2x	15.4x	13.0x	1.0%	(10.7)%
Ingredion Incorporated	5,541	7,327	7.9x	7.6x	12.8x	12.2x	(0.4)%	(18.1)%
Tate & Lyle plc	4,205	4,760	7.5x	7.3x	13.3x	12.9x	(1.7)%	(13.1)%
Premium Brands	2,382	3,352	14.3x	12.6x	26.0x	21.0x	2.4%	(14.2)%
Maple Leaf Foods Inc.	2,182	2,693	10.9x	9.8x	33.6x	27.3x	1.5%	(34.4)%
SunOpta Inc.	236	917	21.8x	15.9x	neg	neg	3.8%	(49.3)%
Rogers Sugar	367	616	9.4x	8.7x	13.3x	12.1x	(8.8)%	(24.6)%
Mean			11.8x	10.3x	19.2x	16.7x	1.2%	(21.0)%

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.

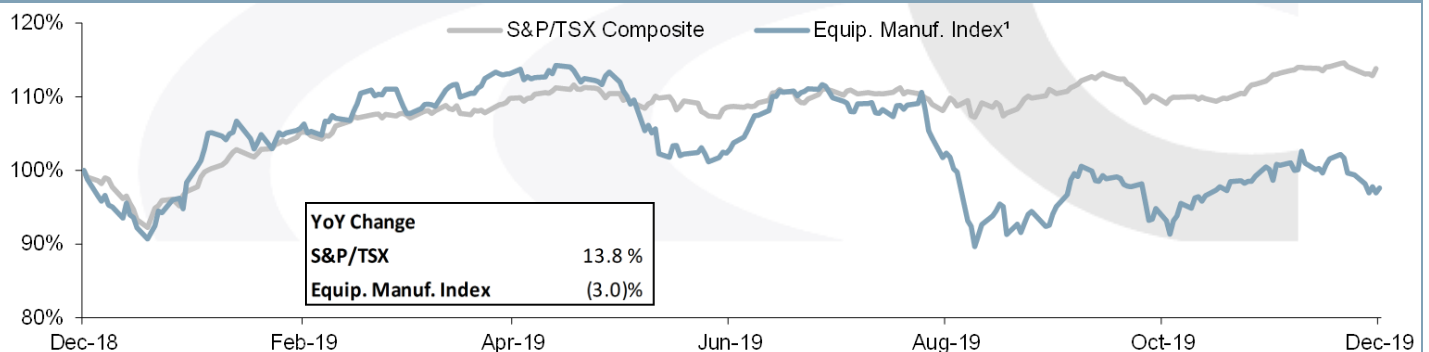


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On December 4th, **Vermeer Corporation** announced it has acquired **Schuler Manufacturing**, a family-owned and operated manufacturer of high-quality feeding solutions based in Griswold, IA. The current lineup of Schuler made mixers and feed wagons will continue to be produced in Griswold and sold through existing Schuler and now select Vermeer distribution partners
- On December 2nd, **Doosan Bobcat Inc.** announced it has acquired the assets of the **Bob-Cat Mowers**, and the **Steiner** and **Ryan** brands of ground care equipment from **Schiller Grounds Care, Inc.** The transaction is expected to close by December 31st, 2019, subject to customary closing conditions and approvals. Deal terms were not disclosed
- On November 28th, **John Deere** unveiled its batch of perspective autonomous farming systems and equipment, during the Agritechnica showcase in Hannover, Germany. Most products and systems were not near commercialization, but helped to showcase the research and development efforts of John Deere towards shifting trends in the agricultural equipment space. The company displayed concepts including:
 - eAutoPower transmission, an electro-mechanical power-split transmission enabling tractor-implement electrification
 - Autonomous drone swarm-spray systems which are scalable to the needs of small and large farms alike, and which are able to spray crops, load fluid, and recharge autonomously without human intervention needed
- On November 26th, **John Deere** and **Vermeer** dealer **RDO Equipment (RDO)** announced it has acquired Queensland, Australia-based farm equipment dealership **Vanderfield**. RDO currently operates 37 US dealership locations in 9 states. Along with taking ownership of Vanderfield, the company had also completed the acquisition of construction dealer **Vermeer Equipment Holdings**, following its purchase of a 50% stake in the business earlier this year. Deal terms were not disclosed
- On November 26th, **RCI** announced it has acquired the **Ag-Bag** product line from **CNH Industrial America (CNH)**. Ag-Bag, based in St. Nazianz, WI, is one of the largest manufacturers of low cost feed storage bagging equipment for forages and other agricultural commodities. With this acquisition, RCI will grow the tradition of building industry-leading bagging machinery and will bring all Ag-Bag dedicated employees from CNH to RCI. Deal terms were not disclosed

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		
Deere & Company	51,727	56,332	11.4x	11.5x	17.8x	15.5x	0.6%	(2.8)%
AGCO Corporation	5,784	7,741	8.5x	7.9x	15.1x	13.7x	(0.5)%	(2.1)%
Ag Growth International Inc.	622	1,240	11.0x	9.3x	19.7x	14.1x	(2.6)%	(27.0)%
Rocky Mountain Dealerships Inc.	92	143	9.9x	6.8x	nmf	10.9x	(0.9)%	(34.4)%
Cervus Equipment Corporation	95	198	7.7x	5.3x	neg	21.1x	(2.4)%	(44.6)%
Mean			9.7x	8.2x	17.5x	15.1x	(1.2)%	(22.2)%

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

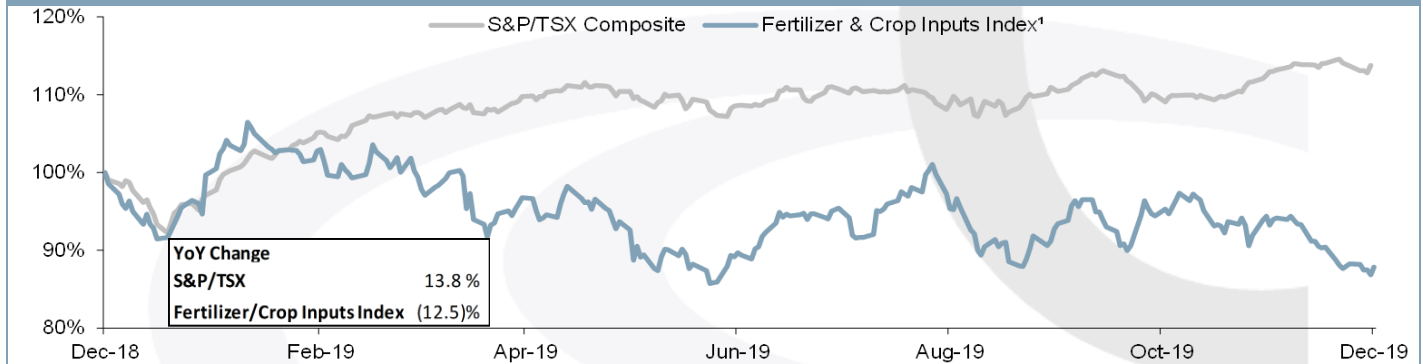


FERTILIZERS & CROP INPUTS

News Scan

- On December 9th, **GROWMARK, Inc.** announced it has agreed to acquire agronomy and energy assets of **Mid-Iowa Cooperative (Mid-Iowa)**. GROWMARK is an agricultural cooperative with sales of US\$8.7 billion. Mid-Iowa formed in 1996 via a merger of **Beaman Cooperative** and **Conrad Cooperative**, and currently has 140 workers, with 14 locations and sales of US\$325 million. Deal terms were not disclosed
- On December 6th, **Perdaman** announced it has finalized an agreement with **Murujuja Aboriginal Corporation (MAC)** to build a fertilizer manufacturing plant near Karratha, Australia. The development will cost A\$10 million over the life of the project. Upon completion, the plant will have a production capacity of 2 million tpy of fertilizer grade urea to meet increased demand stemming from increased food production globally
- On November 26th, **Nutrien** re-affirmed plans to keep its potash mine in Rocanville, SK shut for two weeks despite **CN** resuming operations after its 8-day strike which began on November 19th and involved 3,200 train conductors and yard workers. Initially, on Monday, November 25th, Nutrien announced the temporarily closure of its Rocanville potash mine and blamed the CN strike, which Nutrien said made it difficult to get the mineral to ports. The company cited the mine storage facility is at full capacity and will need two weeks to offload stock. The move, which was meant to slow down production in the face of low demand, is expected to reduce production by 700,000 tonnes by the end of the 2 week period
- On November 25th, **Itafos** announced it has decided to cease production at its phosphate fertilizer facility in Tocantins, Brazil. The decision comes as part of a disciplined approach to capital allocation considering the continued downward pressure on global fertilizer prices

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.	26,780	38,868	9.2x	8.1x	20.0x	15.3x	(1.0)%	(15.8)%
CF Industries Holdings, Inc.	9,858	16,580	9.5x	8.9x	21.3x	16.1x	(0.7)%	(17.8)%
Yara International ASA	10,352	14,720	6.3x	5.6x	12.5x	10.7x	(0.5)%	(17.9)%
The Mosaic Company	7,227	11,504	7.4x	5.9x	36.4x	13.3x	0.4%	(44.1)%
Nufarm Ltd.	1,302	2,158	8.2x	9.7x	46.6x	14.6x	3.7%	(27.7)%
Input Capital Corp.	35	45	na	na	na	na	0.0%	(38.3)%
Mean			8.1x	7.7x	27.4x	14.0x	0.3%	(26.9)%

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

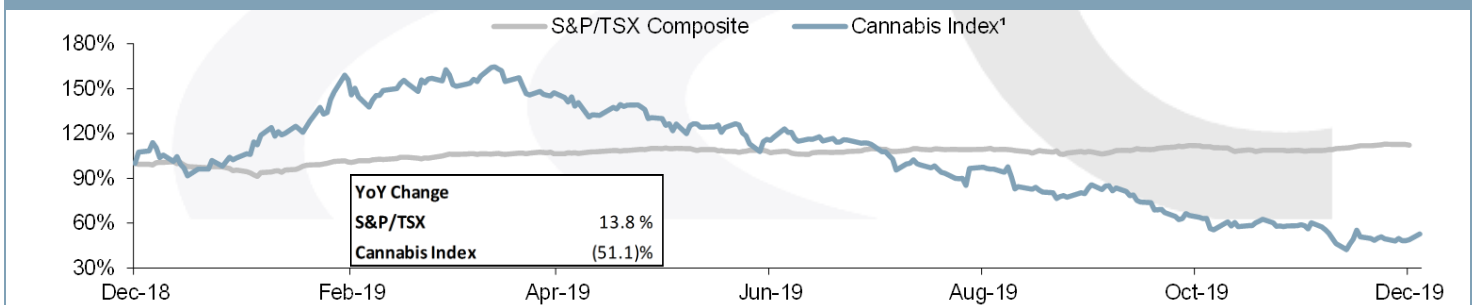


CANNABIS AND HEMP

News Scan

- On December 9th, **Canopy Growth Corporation** announced it has appointed David Klein as its new Chief Executive Officer, effective January 14th, 2020. David Klein is currently the Executive Vice President and Chief Financial Officer at **Constellation Brands** where he oversees all aspects of the company's finance operations, mergers and acquisitions, and information technology
 - On November 27th, **Canopy Growth** announced Cannabis 2.0, its portfolio of cannabis-infused edibles, slated to launch in January 2020. The portfolio includes chocolates, distilled beverages, vape cartridges and vape pens
- On December 3rd, **22nd Century Group Inc. (22nd Century)** announced it has acquired **Panacea Life Sciences, Inc. (Panacea)**, in a US\$24 million cash and stock deal. 22nd Century is a plant-based biotechnology company focused on tobacco harm reduction and very low nicotine content products. Panacea is a vertically integrated, consumer-facing hemp-derived CBD company. The acquisition gives 22nd Century a high-growth, ready-made platform with strong management to enter the CBD market
- On November 29th, **WeedMD** announced it has acquired **Starseed Holdings Inc. (Starseed)**, a federally-licensed company providing cannabis to insured patients with benefit plan coverage. The at-arms-length acquisition is valued at ~C\$78 million with Starseed's existing investor, **Labourers' Pension Fund of Central and Eastern Canada (LFP)** making a C\$25 million equity investment into WeedMD. Upon closing, WeedMD will issue just under 72 million shares, resulting in pro forma ownership of: 55% (WeedMD), 16% (Starseed, excluding LFP), and 29% (LFP)
- On November 26th, **Cresco Labs (Cresco)** announced the mutual termination of its US\$120 million acquisition of Florida-based **VidaCann**. Cresco's cited the need to save cash and refocus on core markets amid a funding shortage and falling stock prices
 - On November 26th, Cresco announced a sale lease-back of two facilities in Yellow Springs, OH and Marshall, MI to **Innovative Industrial Properties, Inc. (IIP)** for ~ US\$38 million, representing 166,500 square feet of space. Cresco claims the termination of the VidaCann deal and the IIP sale lease-back saves US\$158 million to add to its balance sheet
- On November 21st, California cannabis regulators revoked the business license of **Kushy Punch**, a manufacturer of vape products after it was found to be operating an unlicensed facility during a raid last October, which seized US\$21 million of illicit cannabis

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	52Wk High
Canopy Growth Corporation	6,447	4,620	16.1x	9.1x	neg	neg	14.9%	(60.3)%
Aurora Cannabis Inc.	2,464	2,720	11.3x	6.8x	neg	neg	(7.8)%	(76.5)%
Aphria Inc.	1,182	1,211	3.5x	2.3x	neg	11.0x	(3.0)%	(56.7)%
CannTrust Holdings Inc.	115	85	1.5x	0.9x	neg	neg	9.8%	(91.7)%
Cronos Group Inc.	2,207	859	23.5x	6.9x	neg	neg	(4.0)%	(73.0)%
Tilray, Inc.	1,762	2,097	11.9x	6.6x	neg	neg	(10.1)%	(82.8)%
Mean			11.3x	5.4x	na	11.0x	(0.0)%	(73.5)%

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 December 6th, **Statistics Canada** reported lower-than-expected production figures for Ontario's major crops. Wet conditions in the spring season are the biggest factor in the reduced figures. One of the most significant declines was in Ontario's winter wheat crop, which fell 34% to 1.4 million tonnes from last year's 2.1 million
- On December 6th, a **Statistics Canada** report reported ICE canola futures rose after harvests fell well short of expectations following a wet autumn. Statistics Canada pegged the Canadian canola harvest at 18.6 million tonnes, 1 million tonnes short of the average trade expectation. A weaker Canadian dollar and strong soyoil prices added to canola's strength
- On December 4th, the Ukrainian **Ministry for Development of Economy, Trade and Agriculture** reported Ukrainian farms have almost completed the 2019 grain harvest, threshing a record almost 75 million tonnes of grain from more than 99% of the sown area. This is compared to 70 million tonnes of grain harvested in 2018
- On December 2nd, the **United States Department of Agriculture (USDA)** increased its net farm income forecast for 2019 by more than 10%, to almost US\$93 billion, driven largely by the Trump administration's trade aid payments. In particular, the USDA reported that nearly one-third of projected US net farm income is expected to come from government aid and taxpayer-subsidized commodity insurance payments. Without these payments, US net farm income for 2019 would have dropped to under US\$64 billion
- On December 2nd, **USDA** reported poor weather conditions in the fertile sugar beet region in Minnesota and North Dakota has hurt production. Rain and snow pelted crops in September and October. That was followed by a blizzard, and then warm temperatures that left fields a boggy mess. Next came a deep freeze, ruining the underground sugar beet crop, and dealing a harsh blow to farm incomes. Farmers were reported as being unable to harvest as much as 40% of their planted crop this year
 - In response, the US government authorized import of an additional 100,000 tons of Mexican refined sugar due to harvest issues. The US is the world's 3rd largest sugar importer after Indonesia and China, buying 2.8 million tonnes in 2018-19
- On November 26th, the **United States Food and Drug Administration (USFDA)** announced its stance against cannabidiol use in food, issuing a fresh round of warnings to companies making CBD edibles. The agency also noted it has not approved any CBD products except for **Epidiolex**, a prescription drug for the treatment of severe forms of epilepsy
- On November 26th, the **USDA** reported that corn harvests in 2019 are still behind both last year's progress and their 5 year average. Soybean harvests have caught up with last year's harvest and remain just 3% behind the 5 year average. Sunflower harvests are dramatically behind their usual progress, due to severe delays in harvests in both North and South Dakota
 - Corn harvest is 84% completed from the top 18 states, 9% behind last year's progress and 12% below the 5 year average
 - Soybean harvest progress is at 94% completed as of November 24th, 3% below the 5 year average
 - Cotton harvests is 78% harvested ahead of both last year's progress of 68% and the 5 year average of 74%

Commodities Futures as of December 10th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.76	(1.64)%	(5.65)%
Wheat (CBOT)	\$ per bu.	\$5.23	(2.34)%	(1.51)%
Oats (CBOT)	\$ per bu.	\$2.95	(3.67)%	9.45 %
Rough Rice (CBOT)	\$ per cwt.	\$12.45	(0.20)%	17.40 %
Rapeseed (Canola) (ICE)	CAD per T	\$459.10	1.55 %	(8.44)%
Ethanol (CBOT)	\$ per gal.	\$1.36	(3.26)%	(0.15)%



Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing				
Rogers Sugar Inc.	nmf	Rogers Sugar Inc.'s (Rogers Sugar) recorded adjusted EBITDA of C\$22 million and C\$88 million for fourth quarter and year-to-date of fiscal 2019, respectively, versus C\$26 million and C\$100 million for the comparable periods last year. The company attributed the lower performance to a C\$50 million goodwill impairment recorded for the Maple product segment due in part to recent changes in the competitive environment. Moreover, the company experienced a material decrease in sales due to the termination of non-recurring sales to a strategic competitor and increased competition in the marketplace from substitutes	C\$4.75	(2.3%)
The J. M. Smucker Company	11.4%	The J. M. Smucker Company (Smuckers) reported a weaker-than-expected second quarter, which prompted management to lower its year-end guidance. But promising trends in US Retail Coffee and US Retail Consumer Foods helped to offset current challenges in the company's U.S. Retail Pet Foods division. Net income for the quarter totaled US\$211 million, an improvement year-over-year when the company earned US\$189 million. Sales for the quarter fell 3% to US\$1,958 million when compared to the same period of the year prior. The fall in the US Retail Pet Foods division was partially offset by the gains in coffee products, which experienced a 5% jump in sales due to launching premium offerings	US\$105.00	(2.1%)
Campbell Soup Company	(6.4%)	Campbell Soup Company (Campbell) posted net sales of US\$2.2 billion in its first quarter of fiscal 2020, 1% lower than the year-ago period. Despite gains by Prego pasta sauces, Campbell's meals and beverages unit saw sales decrease 3%. Sales of US soups were down 3%, in part due to the later date of Thanksgiving this year. Within the snacks division, sales were up to 2%, driven primarily by gains in Goldfish crackers, fresh bakery products, Pepperidge Farm cookies as well as gains in Cape Cod and Kettle Brand potato chips. Net earnings for the quarter stood at US\$166 million, down from US\$194 million last year	US\$46.11	(3.4%)
Cannabis				
MedMen Enterprises Inc.	38.2%	MedMen Enterprises Inc. (MedMen) revenue for the quarter at US\$44 million, up 105% year over year. The business opened four new dispensaries during the quarter, including three in Florida and one in California, helping to generate additional sales for the quarter. Gross margins across retail operations were 52%, compared to 50% in the prior quarter. The increase in gross margins reflected the increased leverage with suppliers and favorable vendor terms. MedMen reported an adjusted EBITDA loss of over US\$22 million for the quarter. Over US\$7 million of rent expense was not included in adjusted EBITDA for the quarter due to the application of IFRS 16 Leases. Accounting for this, adjusted EBITDA was US\$30 million, for an adjusted EBITDA margin of over 68%	US\$0.77	93.2%
Cresco Labs Inc.	nmf	Cresco Labs reported third quarter revenue of US\$36 million, up 184% year-over-year and 21% quarter-over-quarter. Third quarter pro forma revenue increased 48% quarter-over-quarter to US\$74 million, which includes the impact of pending acquisitions and investments. Third quarter adjusted EBITDA of US\$11 million, compared to US\$10 million in the prior-year period. Excluding the impact of biological assets, adjusted EBITDA for the third quarter was US\$3 million. A key driver has been the performance in California, the most significant cannabis market in the US, where Cresco Labs' wholesale revenue more than doubled	US\$16.44	225.0%

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