



Agriculture Industry Flash

Wednesday, January 15th, 2020

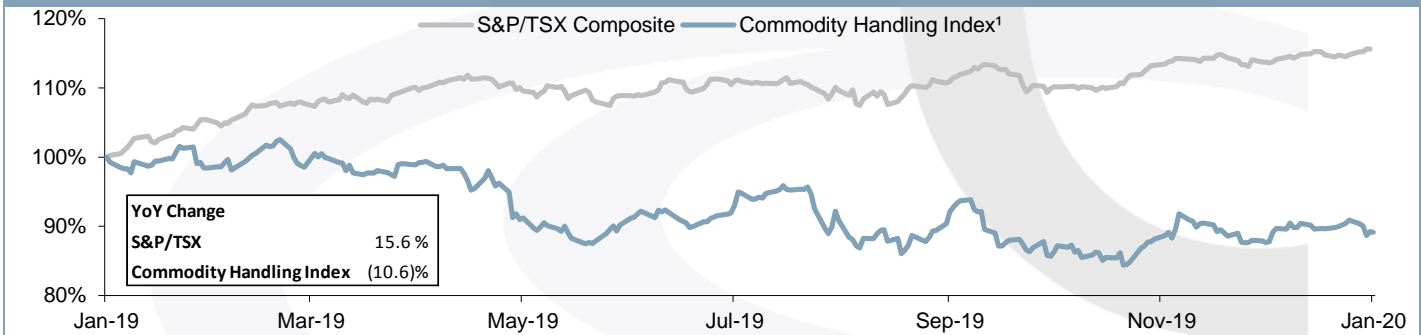


COMMODITY HANDLING

News Scan

- On January 3rd, **Heartland Co-op** finalized the acquisition of the Texas and New Mexico grain and processed corn business of **AGP Grain Marketing**, a subsidiary of **Ag Processing (AGP)**. Financial terms of the transaction were not disclosed. This transaction retains the Texas and New Mexico locations within the cooperative system. AGP's Management expressed confidence that Heartland will maintain relationships with dairy, livestock, and grain customers in the region through the provision of quality feed and value-added service
- On January 2nd, **Southwest Iowa Renewable Energy, LLC (SIRE)** and **Bunge North America** announced that SIRE repurchased Bunge's Series B membership units for an undisclosed amount, effective Dec. 31st, 2019. SIRE funded the purchase through its existing credit facility. The following will be effective under the revised agreement, (i) SIRE will assume responsibility for originating corn and selling dried distillers grains produced by the plant, (ii) Bunge will continue to purchase the entirety of the ethanol volume produced by SIRE, and (iii) SIRE will continue to lease rail cars from Bunge
- On December 19th, **Archer Daniels Midland Co. (ADM)** announced it will engage in a partnership with **IMCD N.V. (IMCD)**, to expand the reach of its starch product portfolio. Management expresses confidence that a partnership with IMCD, a leading distributor of specialty chemicals and food ingredients, will increase innovation and meet consumer needs
- On December 11th, **GrainCorp** announced it has completed the sale of its Australian bulk liquid terminals to **ANZ Terminals** for A\$333 million. These liquid terminals aid in the storage and handling of bulk liquids, including edible oils and fats, chemicals, and petroleum. The transaction includes six GrainCorp liquid storage facilities, however the Port Kembla Liquid Terminal was excluded from the transaction due to the regulatory concerns around competition

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
ADM	24,466	32,471	7.8x	7.5x	13.4x	12.3x	(4.7)%	(6.9)%
Bunge Limited	7,885	16,068	10.3x	10.1x	16.1x	14.0x	(3.3)%	(6.7)%
Graincorp Limited	1,277	2,090	10.6x	8.8x	nmf	18.8x	4.9 %	(18.8)%
The Andersons, Inc	785	2,342	8.0x	na	13.0x	na	(3.0)%	(36.6)%
Ceres Global Ag	90	165	na	na	na	na	(0.3)%	(22.5)%
Mean			9.2x	8.8x	14.2x	15.0x	(1.3)%	(18.3)%

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

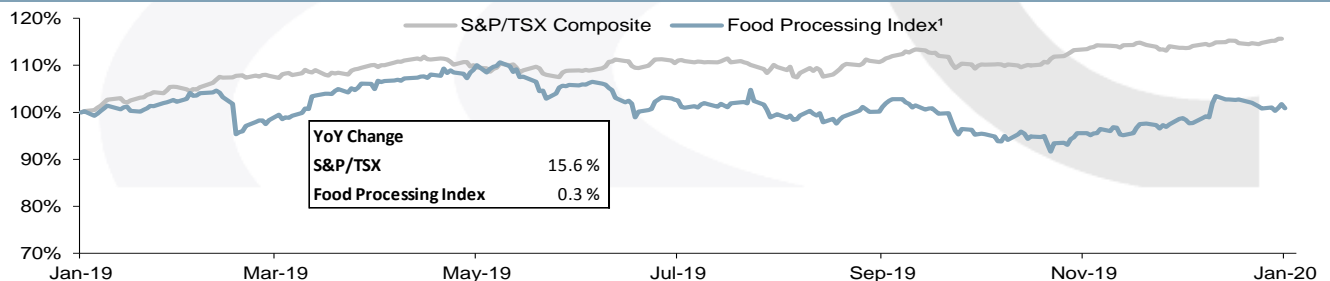


FOOD PROCESSING

News Scan

- On January 6th, **Yum! Brands** agreed to acquire **The Habit Restaurants (“Habit”)**, a holding company that operates and franchises fast casual restaurants under The Habit Burger Grill name, for approximately US\$375 million in a cash transaction. In 2019, Habit had 255 restaurants in various U.S. states including California, Utah, Florida, Maryland and Pennsylvania. The transaction remains subject to shareholder and regulatory approval. Management indicated the transaction will offer new investments to franchisees through Yum!’s ability to scale and its strengths in brand-building
- On January 6th, **Coca-Cola** acquired the remaining stake in **Fairlife**, now owning 100% of Fairlife, up from its previous minority stake of 42.5%. Fairlife has a portfolio of products in the value-added dairy category in North America, a steadily growing segment in the U.S. Fairlife will continue to operate as a stand-alone business, based in Chicago. Coca Cola’s partnership base will enable further innovation and growth across Fairlife’s product lines
- On January 3rd, **Conagra Brands** divested its **Lender’s Bakers** business unit to **Bimbo Bakers USA** for an undisclosed figure. Conagra had acquired the US focused refrigerated and frozen bagel company in 2018 as part of its US\$10.9 billion purchase of **Pinnacle Foods**. Management indicated the divestiture is expected to reduce net sales by US\$50.0 million
- On January 3rd, **Hostess Brands** finalized the acquisition of **Voortman Cookies** from Swander Pace Capital, a private equity company. The cash transaction was valued at approximately US\$320 million. Voortman, a Hamilton, On, based business, ranks as the No. 1 player in crème wafers and sugar-free cookies and has achieved an annual growth over the last three years of around 5%
- On January 14th, **Califia Farms**, a leading almond milk producer, raised US\$225 million from various global investors, including Temasek Holdings (Singapore) and Green Monday Ventures (Hong Kong). The valuation was not disclosed, however the Company has raised US\$115 million to date. Investors are moving into plant-based milk, as animal-based milk consumption decreases due to environmental and health implications. The capital will aid in launching additional plant-based milks and expansion of the Califia’s oat product line

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
George Weston Limited	12,217	32,024	7.3x	7.4x	13.3x	13.1x	1.6%	(9.0)%
ConAgra Foods, Inc.	15,495	25,959	12.0x	11.4x	14.4x	13.2x	(5.4)%	(10.6)%
Ingredion Incorporated	6,110	7,915	8.2x	8.7x	13.4x	13.9x	(1.5)%	(8.4)%
Tate & Lyle plc	4,778	5,343	8.0x	7.8x	15.3x	13.8x	2.2%	(3.0)%
Premium Brands	2,670	3,658	13.5x	12.4x	23.0x	20.1x	2.6%	(6.1)%
Maple Leaf Foods Inc.	2,374	2,894	10.4x	7.6x	29.2x	19.0x	(1.1)%	(30.0)%
SunOpta Inc.	237	918	15.9x	10.2x	neg	neg	6.0%	(44.4)%
Rogers Sugar	385	639	8.9x	8.8x	12.5x	11.6x	0.4%	(22.1)%
Mean			10.7x	9.4x	18.1x	15.5x	0.6%	(15.9)%

a1 “Food Processing Index” is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Premium Brands, Maple Leaf Foods, SunOpta, Rogers Sugar.

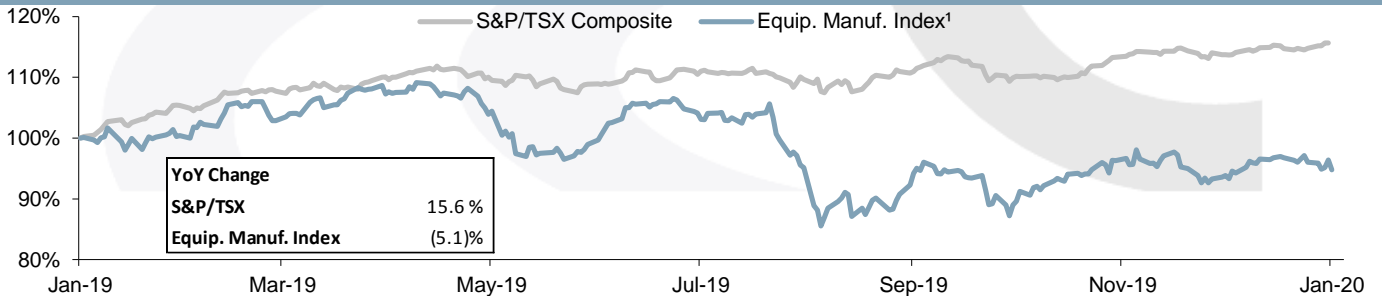


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On January 10th, Saskatoon-based **Morris Industries (Morris)**, a manufacturer of a line of technology driven air-drill seeders and grain carts, was granted financial protection from its creditors while it undergoes a restructuring process. Morris filed for protection under the Companies' Creditors Arrangement Act (CCAA) after experiencing liquidity issues in December, citing its costly growth strategy, unforeseen warranty issues, lower sales (attributable to trade wars and poor weather) as the factors which led to the application. At August 31st, 2019, Morris' assets totalled C\$65.9 million while liabilities amounted to C\$63.3 million
- On January 1st, **CNH Industrial N.V. (CNH)** announced that it hopes to drive industry consolidation with the separation of its off-highway and on-highway businesses into two entities. The spin-off was previously announced in September 2019 and includes CNH's Iveco, Iveco Bus, Heuliez Bus and power train business units, representing a combined net revenue of US\$13 billion in 2018. CEO Hubertus Mühlerhäuser cited consolidation between larger Asian players with European and American manufacturers as a future industry trend. The spinoff will be completed in 2021
- On December 19th, Canadian telecom giant **Telus** announced that it has acquired Alberta-based farmtech start-up **Decisive Farming** for an undisclosed amount. The start-up's operating platform provides precision agronomics, crop marketing and information management services, allowing farmers to optimize their ecosystem. This is Telus' second investment in the agriculture industry, following the acquisition of Saskatchewan-based **Farm at Hand**, a farm management platform offering inventory and field record management software, in August 2019
- On December 19th, **AGCO Corporation (AGCO)** hosted an investor day and issued its preliminary outlook for 2020. Capital expenditures are expected to be around US\$253 million and will involve enhancing and expanding its product line through acquisitions to boost growth. Free cash flow in the range of US\$325 million - US\$350 million is projected for 2020
- On December 18th, **The Goodyear Tire & Rubber Company (Goodyear)** purchased Indiana-based **Raben Tire Company (Raben)** from previous PE owner Palladium Equity Partners. Raben operates over 30 farm, truck and consumer tire service locations and retread production plants in the Midwest region of the US, making it one of the largest tire companies in the region. Financial terms were not disclosed

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2020E	2021E			2020E
Deere & Company	54,597	58,688	12.8x	14.5x	17.5x	16.5x	(1.9)%	(3.9)%
AGCO Corporation	5,573	7,521	7.8x	7.3x	13.8x	12.4x	(5.7)%	(9.3)%
Ag Growth International Inc.	673	1,300	9.6x	9.0x	15.2x	15.1x	(0.0)%	(25.7)%
Rocky Mountain Dealerships Inc.	100	151	7.1x	5.3x	11.6x	8.5x	3.4%	(31.0)%
Cervus Equipment Corporation	96	200	5.3x	na	20.0x	8.0x	0.0%	(42.5)%
Mean			8.5x	9.0x	15.6x	12.1x	(0.9)%	(22.5)%

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

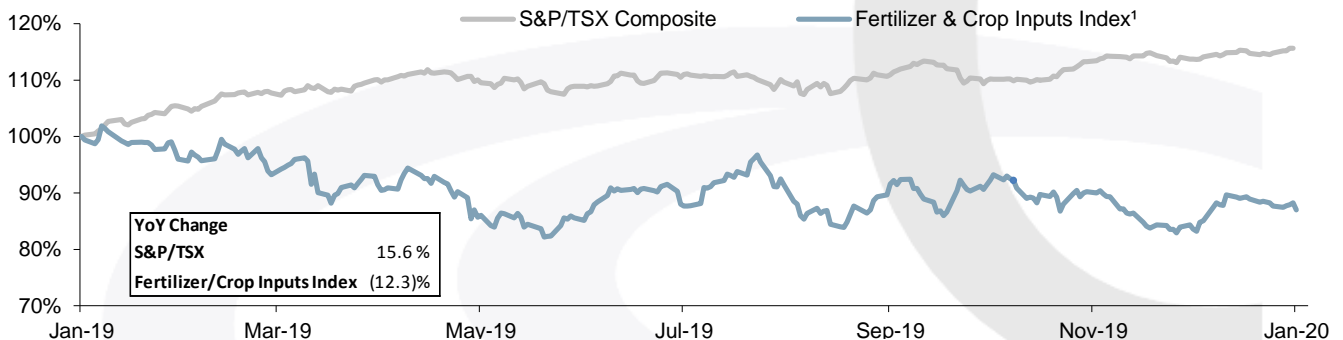


FERTILIZERS & CROP INPUTS

News Scan

- On January 8th, UK-based fertilizer developer **Sirius Minerals Plc (Sirius)** announced that it is in advanced discussions with **Anglo American (Anglo American)**, a UK-based mining company with the majority of its operations in Africa and South America, regarding an all-cash takeover offer of £5.50 per Sirius share. The offer comes after a period of financial distress for Sirius relating to funding for its potash mine development in North Yorkshire. Anglo-American previously sold its phosphates business in 2016 but made the offer in an attempt to transition their portfolio to later cycle products; demand for potash is predicted to rise over the coming decade. Sirius shares were up nearly 35% on January 8th, after closing at £4.10 the day prior. The offer values Sirius at approximately £386 million
- On January 6th, Saskatoon-based **Nutrien Ltd. (Nutrien)** announced its agreement with Brazilian **Agrosem Comercial Agricola (Agrosem)** to purchase 100% of the company's equity. The acquisition represents an expansion of Nutrien's pre-existing operations in Brazil, which include a central fertilizer blending facility, six additional facilities, and **Agrichem**, a producer of speciality liquid fertilizer. Agrosem operates 12 farm centres in the southern Brazil crop input market and has annual sales close to US\$60 million. Financial terms were not disclosed
- On January 1st, Chinese state-owned **Qinghai Salt Lake Potash Co. (Qinghai Salt Lake)** failed to sell its assets in the fifth round of auctions held in an effort to raise funds and subsequently remain listed on the Shenzhen Stock Exchange. The company is China's largest potash producer and filed for bankruptcy in September 2019 due to losses in 2017 and 2018; a third year of losses would result in the delisting of Qinghai Salt Lake's stock per exchange regulations. The assets, including equity, debt, fixed assets and inventories, were valued at US\$3.64 billion but received only US\$0.6 billion in bids

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
Nutrien Ltd.	27,042	39,137	8.4x	8.0x	16.3x	14.2x	0.3%	(16.3)%
CF Industries Holdings, Inc.	9,734	16,452	9.3x	9.1x	16.6x	15.1x	(3.5)%	(18.8)%
Yara International ASA	10,763	15,131	5.8x	5.5x	11.3x	10.3x	(2.3)%	(16.9)%
The Mosaic Company	7,810	12,091	6.6x	5.7x	15.9x	10.9x	(3.8)%	(39.2)%
Nufarm Ltd.	1,597	2,463	11.0x	7.6x	17.7x	16.8x	(0.5)%	(12.1)%
Input Capital Corp.	34	44	na	na	na	na	1.4%	(40.8)%
Mean			8.2x	7.2x	15.6x	13.5x	(1.4)%	(24.0)%

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

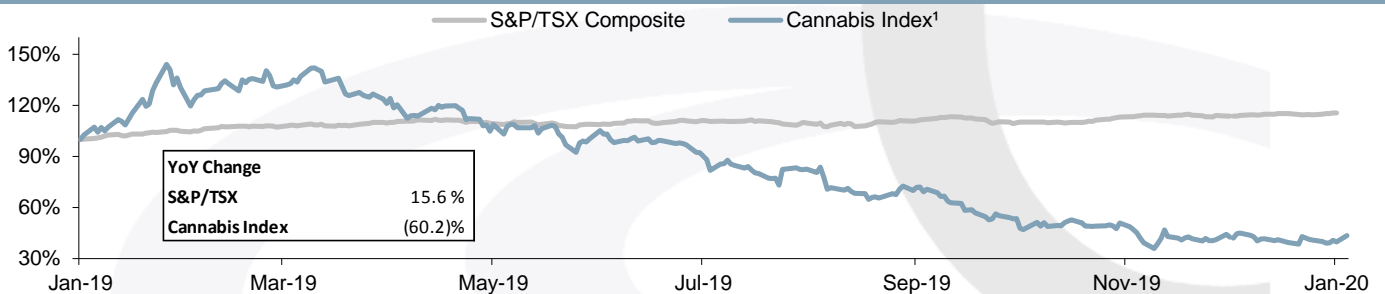


CANNABIS AND HEMP

News Scan

- On January 6th, **Canopy Growth (Canopy Growth)** announced that it has secured five new retail locations in Ontario. The new locations are set to be placed in Toronto, Hamilton and Ottawa, and will operate under the independent retail license holder **Tokyo Smoke** brand in compliance with provincial regulations. The expansion will bring Canopy Growth's number of provincial locations to a total of 12 and national locations to a total of 37
- On January 4th, **Aurora Cannabis (Aurora)** listed its one million square foot greenhouse facility in Exeter, Ontario for sale. The facility, currently listed at C\$17 million, was originally acquired through Aurora's purchase of **MedReleaf Corp. (MedReleaf)** in 2018. Analysts predict that the sale implies significant write-downs as MedReleaf purchased the greenhouse just months before its sale to Aurora for C\$26 million. Aurora stated its rationale for the sale relates to the significant retrofitting and capital investments that would be required to meet the company's production standards
 - On December 21st, **Aurora** announced that Chief Corporate Officer Cam Battley would step down from his role immediately. Battley has moved to **MedReleaf Australia**, a private medical cannabis company of which Aurora holds a 10% stake
- On January 2nd, Toronto-based **Tilray, Inc. (Tilray)** announced that it entered into a strategic agreement with Israeli medical cannabis producer **Canndoc Ltd. (Canndoc)** to export 2.5 tonnes of medical cannabis to Israel. This agreement represents the first medical cannabis import allowed into Israel in response to growing market demand, as well as an important pillar of Canndoc's growth strategy and a major breakthrough for the industry as a whole. To further support the expansion of the Israeli market, Tilray has agreed to purchase up to 5 tonnes of GMP-certified whole flower from Canndoc beginning mid-2020

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
Canopy Growth Corporation	7,101	5,245	10.7x	6.5x	neg	neg	16.6%	(57.6)%
Aurora Cannabis Inc.	1,676	1,934	5.0x	3.3x	neg	18.8x	(14.6)%	(83.8)%
Aphria Inc.	1,249	1,000	2.1x	1.6x	15.7x	10.0x	10.6%	(50.6)%
CannTrust Holdings Inc.	142	112	1.2x	0.6x	neg	4.4x	(2.1)%	(89.8)%
Cronos Group Inc.	2,234	864	7.0x	2.9x	neg	16.8x	5.4%	(70.3)%
Tilray, Inc.	1,505	1,820	5.8x	3.9x	neg	57.6x	8.5%	(82.6)%
Mean			5.3x	3.1x	15.7x	21.5x	4.1%	(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 December 12th, the **Government of Ontario** announced a move towards an open market system for retail cannabis stores and away from the previous lottery system, beginning in January. Significant amendments to provincial regulations include removing the temporary cap on the number of private cannabis stores, eliminating pre-qualification requirements for prospective retailers and increasing the ability of licensed producers to participate in the retail market. **The Alcohol and Gaming Commission of Ontario (AGCO)** began accepting operator licence applications on January 6th
- On January 1st, recreational sale and use of marijuana became legal in Illinois for persons 21 and over subsequent to the passing of state legislation by the **Illinois General Assembly** in May 2019, making it the 11th state to legalize recreational marijuana in the US. Illinois reported revenue from the first day of sales amounted to nearly US\$3.2 million
- On January 6th, **Reuters** reported that China will not increase its import quotas for US corn, wheat and rice. Analysts noted that this could make it hard for China to meet the commitments outlined in a Phase I trade deal, set to be signed on January 15th
 - On December 30th, most-active US soybean futures rose US\$0.11 to US\$9.52 for half a bushel, the highest price since June 2018. This comes following news that China accepted an invitation to sign a Phase I trade deal with the US. Data shows that China's imports of soybeans increased by 53.9% in November, with US soybeans included in that figure
- On January 7th, a **Statistics Canada** trade report stated that November exports for the farm, fishing and intermediate food products group increased by 9.6%, highlighting a surge of canola and soybean exports to European destinations. Soybean exports totalled 0.84 million tonnes, representing both the largest volume exported in the past 11 months and the smallest November volume exported in the past seven years. Overall, Canadian exports decreased by 1.4% in November, attributed to the eight-day **Canadian National Railway (CN)** strike which began on November 19th
- On January 9th, the **Internal Trade Development Authority (ITDA)** of Egypt announced that it intends to launch its first commodities exchange by end of the year. The **Supply Ministry** will partner with the country's stock exchange, **EGX**, to manage the exchange for spot trading of commodities with large markets. Commodities traded will include wheat, sugar, corn and rice
- On January 15th, the **Russian agriculture ministry** announced it is considering a non-tariff quota for grain exports of 20 million tonnes from January to June, being removed in the most active part of the season for trading. Food security is a priority for the Ministry, specifically ensuring that favorable external conditions do not lead to shortages on the domestic market. Currently, grain exports are down 18% this season compared to the previous year
- As a result of the unprecedented wildfires in Australia, although too early to quantify damages, it is expected the country's dairy supply will be affected the most. Key milk-producing states, Victoria and New South Wales, suffered the greatest loss of farmland and infrastructure damage. Large cropping areas have escaped fire damage, however, there is expected to be a proportionally higher loss of feedstock, than loss of livestock. More than 11.4 million hectares have been blackened, approximately 1.5% of Australia's land area

Commodities Futures as of January 15th, 2020

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.89	(0.64)%	(0.64)%
Wheat (CBOT)	\$ per bu.	\$5.69	1.47 %	1.47 %
Oats (CBOT)	\$ per bu.	\$3.13	5.03 %	5.03 %
Rough Rice (CBOT)	\$ per cwt.	\$13.36	1.48 %	1.48 %
Rapeseed (Canola) (ICE)	CAD per T	\$481.50	0.31 %	0.31 %
Ethanol (CBOT)	\$ per gal.	\$1.36	(1.17)%	(1.17)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing				
Lamb Weston Holdings, Inc.	28.4%	Lamb Weston ("LW") reported improved sales volumes in the second quarter of 2020. This drove the increase of 18% in net income, totaling US\$140.4 million. Management expressed the generation of strong cash flows and re-investment to support customer growth and improve manufacturing operations were key drivers behind sales growth. Despite the weak potato crop in some parts of the world, LW reassured investors that the Company would not be adversely affected, plants would operate at normal utilization rates	US\$92.89	2.4%
Equipment Manufacturers & Services				
Lindsay Corporation	nmf	Lindsay Corp., a provider of water management and road infrastructure products, reported financial results for its first fiscal quarter of 2020 with revenues reaching US\$109.4 million, a decrease from Q1 2019 (US\$112.0 million). Net earnings increased from US\$1.2 million in Q1 2019 to US\$8.3 million in the most recent quarter. The resulting EPS was US\$0.77 per share on a basic and diluted basis. Lindsay's infrastructure segment generated US\$27.0 million, an 11% increase, due to higher sales of road safety products and an increase in lease revenue from the Road Zipper System, an adjustable barrier that can be repositioned to accommodate traffic demands. Operating margins for Lindsay's infrastructure segment (32.4%) and irrigation segment (11.8%) increased from the year prior due to improved cost and pricing performance	US\$93.75	(12.4%)
Cannabis				
KushCo Holdings, Inc.	12.5%	KushCo reported earnings for the first fiscal quarter of 2020 ending November 30, 2019, with net revenue increasing 38% from US\$25.3 million the prior year quarter to US\$35.0 million in Q1 2020. While gross profit margin increased from 13% in Q1 2019 to 21% in Q1 2020, KushCo reported a net loss of US\$12.5 million for the quarter, compared to US\$8.6 million in the prior year period. Loss per share was (US\$0.12) on a basic and diluted basis. KushCo also reported operational developments including the reduction of 53 employees, equal to US\$4.3 million in net annual savings	US\$4.91	203.2%
Aphria Inc.	nmf	Aphria cut its fiscal 2020 revenue range to CAD\$575 - CAD\$625 million from CAD\$650 million - CAD\$700 million. This decrease was due to the slow retail location roll-out in Ontario, as the province is pending the opening of 40 retail locations. Further, Aphria endured higher-than-normal supplier costs as a result of a licensing delay in the Company's Aphria Diamond facility.	C\$9.83	38.5%
GrowGeneration Corp.	nmf	GrowGeneration ("GrowGen") reports FY19 revenues of USD\$80 million, up 176% in comparison to the previous year. GrowGen is the largest chain of specialty hydroponic and organic garden centers, with 26 locations. The Company reported same store sales increased 36% in FY19. GrowGen acquired 11 new stores and is investing in opening new store locations in markets that include Miami, LA, and Chicago	US\$7.38	66.1%

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