



## Agriculture Industry Flash

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Monday, March 30<sup>th</sup>, 2020



## SNAPSHOT SERIES: IMPACT OF COVID-19 ON THE FOOD & AG SECTORS

*Different times call for different measures. We are talking to business leaders in the food and agri-business sectors to understand how they are responding to these very different times. Here are some of their insights...*

### JOHN PIGOTT | CEO, CLUB COFFEE



*Club Coffee is a leading Canadian roaster and supplier of coffee to grocery and food services customers across North America*

- **OMP:** How has this crisis impacted your business?
  - **JP:** On the food service side, everyone is really hurting. We are fortunate that 85% of our business is on the grocery side, where demand for our product remains high. There is also an e-commerce aspect to our business, and online orders with home delivery are spiking at the moment.
- **OMP:** What COVID-related challenges have surfaced?
  - **JP:** Safeguarding our employees is a challenge and a priority. Our plants are open and working at full capacity so we can keep our customers supplied, but we need to ensure our employees are safe at work. We've instituted temperature checks, encouraged social distancing, and have taken away high touch areas, and those measures are working. We're also concerned about supply chain issues. While our supply chain is operating normally right now, we're anticipating problems may arise, as we're dependent on certain supplies coming from the US where the virus is escalating. I think that, coming out of this, many will rethink their supply chains - keep them closer to home.
- **OMP:** Any silver linings in all of this?
  - **JP:** Well, in 35 years, I have never seen such collaboration in the industry between grocery retailers and suppliers. Everyone is working together to manage supply, and keep their people safe. That's good to see.

### DON REES | PRESIDENT, SEVITA INTERNATIONAL



*Sevita International is a Canadian developer and genetics provider of high-quality soybean seeds, and a supplier of food grade IP (Identity Preserved) soybeans to global food and beverage markets*

- **OMP:** How has the crisis impacted your business?
  - **DR:** We were hit early, as a substantial part of our business is export driven. Last year, with downward pressure on pricing and international trade velocity caused by the US/China trade war, there was a shortage of shipping containers flowing between Asia and North America, and when China was hit with the virus, that shortage was exacerbated.

*(Continued on next page)*



- *OMP: How is business today?*
  - **DR:** We're considered an essential service because we support the agriculture community, and there is unrelenting demand for our products. So we have to keep our plants going, but we're struggling to keep up with demand, because of a lack of shipping containers, and the shortage of vessels going back and forth between Asia and North America.
- *OMP: With your plants going full steam, how are you safeguarding your plant workers?*
  - **DR:** Protecting our workers is a priority. Our process is fairly automated, so workers are spaced at physically safe distances from each other. They have always worn gloves and masks, and we already had extensive sanitation protocols in place, but in this environment, we're being extra diligent. Transparency is critical, now more than ever, so we're sending out regular updates to make sure our people know what steps we're taking to keep them safe.
- *OMP: Any silver linings?*
  - **DR:** As a team, this is building our character and highlighting the strengths in our leadership group. We're really pulling together to get through this.

## SHEA JAMESON | CEO, JGL GROUP OF COMPANIES



*JGL is a dedicated service provider to the beef production sector, with recognized expertise in the Canadian cattle industry*

- *OMP: How is the crisis impacting your business?*
  - **SJ:** Our business is part of the food supply chain - our customers are ranchers and farmers - with demand driven by the consumer which, at the moment, is very high. As long as there is that pull from the consumer, our business will continue to operate. That said, price volatility has been a challenge. There is confusion in the market, the result of bearish expectations for the medium term due to hospitality sector closures, versus bullish short-term demand as consumers clear out meat counters at the grocery stores. The market has not seen anything like this before and the unknown is driving volatility. We've seen some downward price pressure because of the future demand concerns, but we're fortunate that we haven't felt the impact as severely as other sectors. And despite the challenging environment, industry trade volume is actually relatively normal for this time of year.
- *OMP: What is the market expecting in the medium term? And what are your predictions?*
  - **SJ:** Market sentiment is that demand for beef will erode because of the severe impact this crisis has had on the hospitality industry. On the other hand, however, we have export markets starting to come back on stream. In addition, it should be noted that future purchasing decisions at the grocer will certainly have an impact on future demand as well - people are staying home and cooking food they are familiar with preparing. In North America, that will definitely include beef.

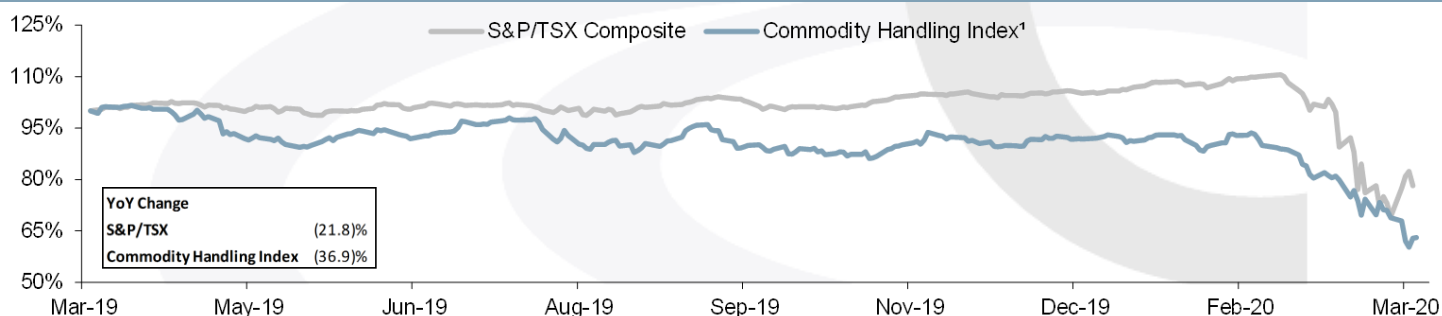


## COMMODITY HANDLING

### News Scan

- On March 23<sup>rd</sup>, **Demetra Holding LLC (Demetra)**, part of the **VTB Group (VTB)**, announced it has acquired a 50% stake in **Taman Grain Terminal Holdings (Taman)**. The 50% stake was purchased from **Kernel**, a Ukrainian agricultural holding company. The transaction will enhance VTB Group's strategy in the grain sector, leveraging existing assets in transport infrastructure, logistics, and export handling. As a Russian state-controlled bank, VTB is a major grain trader and expects an increase in overall efficiency from the transaction, through vertical integration, price transparency, and the attraction of new capital
- On March 23<sup>rd</sup>, **Louis Dreyfus Co. (Louis Dreyfus)**, announced net income fell by 38% in 2019. Challenging conditions were driven by geopolitical instability, general market oversupply, and US-China trade tensions
- On March 11<sup>th</sup>, **The North Dakota Mill and Elevator** announced plans to invest US\$8.3 million in the upgrade of its truck unloading facilities which is expected to reduce wait times for truckers by 35% per day. The state-owned mill is the largest single mill in North America, bringing in more than 30 million bushels of spring wheat and 1.96 million bushels of durum from regional farmers and shipping just under 14.7 million cwt of flour to its customers in FY2019
- On March 10<sup>th</sup>, **Leong Hup International Berhad (LHI)** announced it has agreed to acquire a feed mill in Vietnam for approximately US\$15.8 million. The transaction includes the plant, equipment, machineries and motor vehicles at the feed mill. LHI is one of the largest fully integrated producers of poultry, egg and livestock feed in Southeast Asia. This acquisition presents the opportunity to diversify into aquafeed, as the feed mill has the capacity to produce up to 118,000 tonnes of feed annually. Net income was boosted by US\$228 million from the divestiture of North American assets, such as the Western Canadian grain elevator network

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
				2020E	2021E	2020E	2021E	Price	52Wk High
ADM	18,666	27,992	6.7x	6.3x	10.3x	9.3x	0.1 %	(29.0)%	
Bunge Limited	5,134	11,439	7.5x	6.9x	9.5x	8.1x	10.5 %	(39.3)%	
Graincorp Limited	437	1,156	7.2x	5.9x	19.4x	8.9x	(59.4)%	(69.9)%	
The Andersons, Inc	582	2,113	7.4x	6.9x	10.7x	9.4x	5.9 %	(47.1)%	
Ceres Global Ag	81	142	na	na	na	na	(2.4)%	(25.2)%	
<b>Mean</b>			<b>7.2x</b>	<b>6.5x</b>	<b>12.5x</b>	<b>8.9x</b>	<b>(9.1)%</b>	<b>(42.1)%</b>	

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

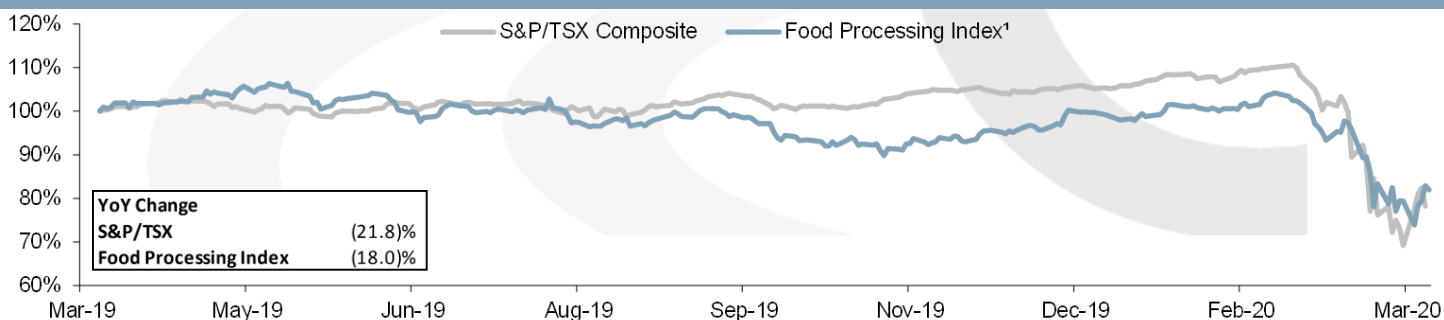


## FOOD PROCESSING

### News Scan

- On March 20<sup>th</sup>, **Yum! Brands, Inc. (Yum! Brands)** announced it completed the acquisition of **The Habit Restaurants Inc. (Habit Restaurants)** for US\$375 million, or US\$14 per share. Yum! Brands is the parent company of Pizza Hut, KFC, and Taco Bell. A flagship of Habit Restaurants, **The Habit Burger Grill**, offers fast-casual, California-inspired menu with premium ingredients, and has the potential for promising growth by leveraging Yum! Brand's scale in franchising and brand-building
- On March 18<sup>th</sup>, **McKee Foods (McKee)** announced plans to invest US\$500 million in capital investments over a 15 year time horizon. Deployed in phases, the first phase, which will span 5 years, will cost US\$225 million. Approximately US\$110 million of total first phase investment will be used to grow the Apison plant and add production lines. Further, capital investment is projected to add 480 new jobs, with 125 new jobs in the first 5 years
- On March 12<sup>th</sup>, **Premium Brands Holdings Corporation (Premium Brands)** announced it had completed the acquisition of **Inform Brokerage (Inform Brokerage)** and **Bavarian Meats (Bavarian)** for C\$32.8 million. Inform Brokerage is a British Columbia-based leading brokerage and specialty food distribution business, and Bavarian Meats is a U.S. Pacific Northwest-based producer of branded meat snacks and premium deli meats. In addition, Premium Brands also announced the purchase of a 16.67% interest in **La Felinese Salumi**, a leading producer of premium Italian dry cured meats based in Italy. La Felinese Salumi is a key supplier of Premium Brands and has been a significant contributor to the success of the Canadian charcuterie business
- On March 9<sup>th</sup>, **Firmenich** announced it has entered into exclusivity with Ardian, Tikehau Capital, and family shareholders to acquire **Les Dérivés Résiniques et Terpéniques (DRT)**. DRT is a world leader in plant-based chemistry and a leading supplier in high quality, renewable ingredients. The transaction combines more than 30 years of development of sustainable ingredients, and passion for customers and sustainability. Specifically, DRT will bring new capabilities in health and nutrition, cosmetics, and access to new markets

### 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
			2020E	2021E	2020E	2021E		
George Weston Limited	10,619	31,747	7.8x	7.7x	13.0x	12.5x	3.0 %	(14.6)%
ConAgra Foods, Inc.	13,592	24,031	11.4x	10.8x	13.1x	11.8x	6.1 %	(21.6)%
Ingredion Incorporated	4,931	6,718	7.1x	6.8x	10.9x	10.3x	12.7 %	(25.9)%
Tate & Lyle plc	3,510	4,047	6.4x	6.2x	12.1x	10.8x	12.6 %	(25.2)%
Premium Brands	1,838	2,797	11.8x	10.6x	19.3x	15.8x	(3.5)%	(32.6)%
Maple Leaf Foods Inc.	2,054	2,568	9.5x	8.0x	27.9x	21.3x	0.3 %	(36.4)%
SunOpta Inc.	155	804	11.1x	9.5x	neg	neg	(10.1)%	(60.7)%
Rogers Sugar	318	571	8.0x	8.1x	10.9x	10.4x	3.6 %	(30.3)%
<b>Mean</b>			<b>9.1x</b>	<b>8.5x</b>	<b>15.3x</b>	<b>13.3x</b>	<b>3.1 %</b>	<b>(30.9)%</b>

1 "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.

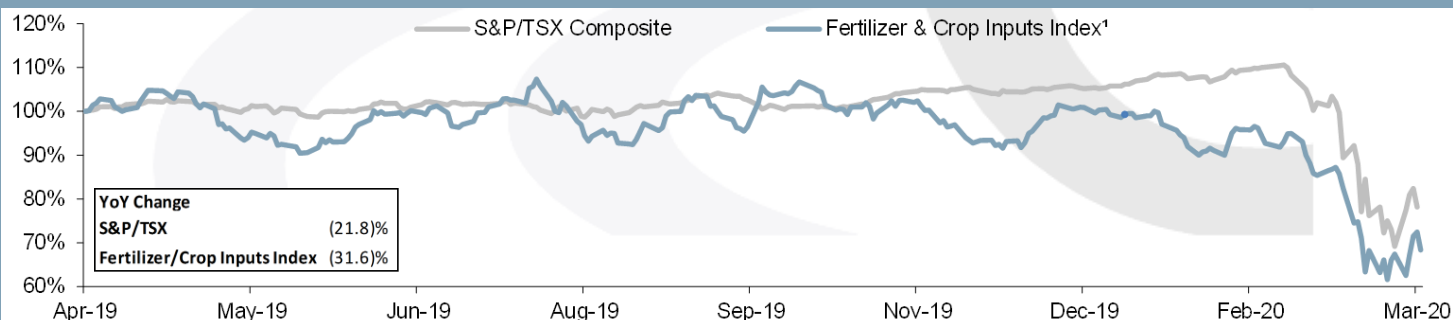


## FERTILIZERS AND CROP INPUTS

### News Scan

- On March 20<sup>th</sup>, **Agrimin Ltd. (Agrimin)**, an Australian minerals company, announced the acquisition of the Lake Auld potash project in Western Australia. The company has agreed to issue 250,000 fully paid common shares to **Zinfadel Exploration Pty Ltd. (Zinfadel)** for consideration relating to the transaction. The project, which consists of a granted Exploration License, covers an area of 108 km<sup>2</sup> and is situated in close proximity to Agrimin's existing operations in the region
- On March 16<sup>th</sup>, **Australian Potash Ltd. (APC)** announced the signing of a binding term-sheet with **Redox Pty Ltd. (Redox)**, a leading Australian distributor of chemicals and raw materials, for the sale of 20,000 tpy of APC's K-Brite™ sulfate of potash (SOP) over the next 10 years. Under terms of the agreement, Redox will obtain exclusive sales and distribution rights of K-Brite™ in Australia and New Zealand. The agreement represents APC's first binding term sheet for offtake supply of the expected 150,000 tpy of SOP to be produced at its Lake Wells Sulfate of Potash Project
- On March 11<sup>th</sup>, **K+S Aktiengesellschaft (K+S)** announced the sale of its salt business in an effort to realign the company's operations and focus on the production of mineral fertilizers and specialty products. The company's salt business, which has operations in North and South America, is the largest salt supplier globally and owner of **Morton Salt**, a US producer of salt for grocery, industrial and agricultural uses. The transaction is expected to reduce net debt (€3.1 billion at December 31<sup>st</sup>, 2019) by more than €2 billion and result in EBITDA of €500-€620 million in 2020, down from €640 million in 2019. K+S management stated that a sales agreement is expected to close before the end of this year
- On March 8<sup>th</sup>, **Yara International ASA (Yara)** announced the sale of its 25% stake in **Qatar Fertiliser Company (QAFCO)** to **Industries Qatar (IQ)**, a subsidiary of **Qatar Petroleum (QP)**, for US\$1 billion. QAFCO, a joint venture that produces ammonia, urea and urea formaldehyde condensate, was established in 1969 and has since become the largest single-site urea producer in the world. Following closing of the transaction, which is subject to regulatory approval and customary closing conditions, Yara will evaluate alternatives to provide value to shareholders that may include extraordinary dividends and/or share buy-backs

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2020E	2021E	2020E	2021E	Week Δ Price	52Wk High
Nutrien Ltd.	24,741	35,398	8.6x	7.8x	20.1x	16.0x	9.2 %	(40.7)%
CF Industries Holdings, Inc.	5,523	12,243	7.9x	7.3x	13.8x	11.1x	11.2 %	(53.7)%
Yara International ASA	8,388	12,192	5.1x	4.7x	9.8x	8.5x	2.1 %	(26.5)%
The Mosaic Company	3,750	8,253	5.5x	4.2x	29.2x	8.9x	20.4 %	(64.7)%
Nufarm Ltd.	1,132	1,900	8.6x	7.3x	14.6x	18.6x	(7.2)%	(32.7)%
<b>Mean</b>			<b>7.2x</b>	<b>6.3x</b>	<b>17.5x</b>	<b>12.6x</b>	<b>7.2 %</b>	<b>(43.7)%</b>

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

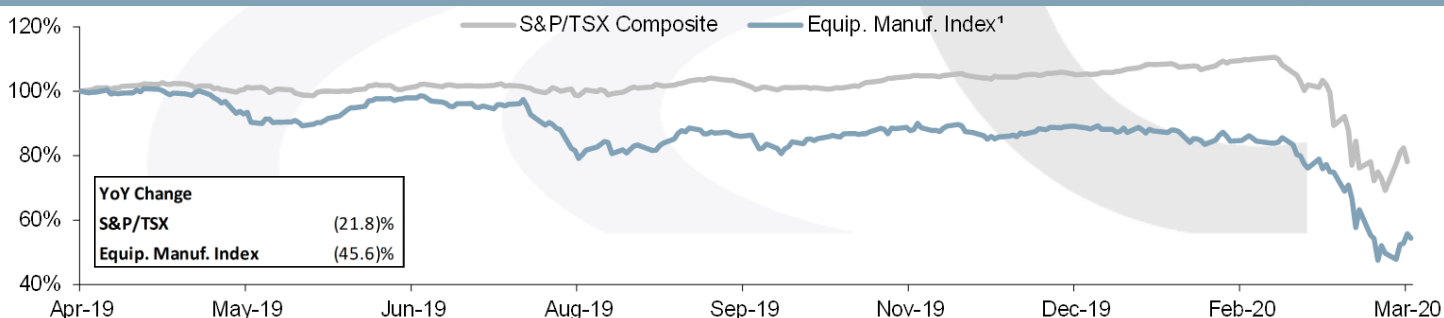


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On March 23<sup>rd</sup>, **Ag Growth International Inc. (AGI)** announced an extension of its credit facility, with the objective of improving terms in a favourable banking environment. The facility, which now extends to March 2025, has become more important to the company in the face of operating challenges related to COVID-19. Amended terms include an increase of the maximum senior debt leverage ratio to 3.75 for the balance of 2020
- On March 20<sup>th</sup>, **CNH Industrial N.V. (CNH)** announced the temporary closure of the majority of its European operations due to supply chain disruptions relating to the global COVID-19 pandemic. The closure, which is currently set to last two weeks, applies to the company's agricultural, construction, commercial and specialty vehicle manufacturing. During the closure, CNH will take action to prevent the spread of the virus including extensive sanitation and reorganization of some production lines to allow more space between workers
- On March 10<sup>th</sup>, **K-Tec Earthmovers Inc. (K-Tec)**, a Manitoba-based manufacturer of earthmoving scrapers and land leveler equipment, announced a merger with **Ashland Industries, Inc. (Ashland)**, a Wisconsin-based manufacturer of earthmoving equipment. The new company will combine the manufacturing and service locations of K-Tec and Ashland, located in Rosenort, MB and Ashland, WI, respectively and will continue to serve the construction, mining and agricultural markets in North America. The transaction is expected to accelerate product design and distribution, providing shorter lead times for customers. Financial terms were not disclosed
- On March 9<sup>th</sup>, **Morris Industries Ltd. (Morris)**, a Saskatchewan-based farm equipment manufacturer and distributor, announced the permanent closure of its dealership in Virden, MB due to ongoing liquidity issues. Morris has been in creditor protection under the Companies' Creditors Arrange Act (CCA) since January 8<sup>th</sup>, 2020 while it works to restructure its business. The company stated that the Virden dealership, which comprises Morris' **Morris Sales and Service (MSS)** business, has been unable to generate the liquidity required for continued operations

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	Cap	TEV	TEV/EBITDA		Price/Earnings		Δ Price	
				2020E	2021E	2020E	2021E	Week Δ Price	52Wk High
Deere & Company	42,373	46,142	9.0x	8.8x	14.2x	12.4x	12.9 %	(25.8)%	
AGCO Corporation	3,486	4,756	6.0x	5.0x	11.2x	8.9x	4.1 %	(43.2)%	
Ag Growth International Inc.	211	786	8.8x	6.5x	11.7x	5.8x	(15.8)%	(74.7)%	
Cervus Equipment Corporation	65	160	4.3x	3.7x	32.6x	7.6x	4.0 %	(57.9)%	
Rocky Mountain Dealerships Inc.	50	99	6.5x	4.6x	22.1x	7.1x	3.4 %	(62.4)%	
<b>Mean</b>			<b>6.9x</b>	<b>5.8x</b>	<b>18.4x</b>	<b>8.4x</b>	<b>1.7 %</b>	<b>(52.8)%</b>	

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

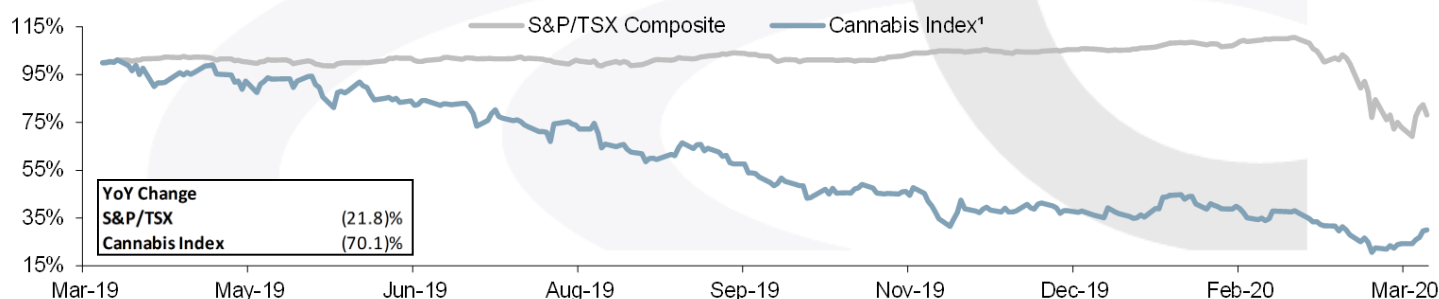


## CANNABIS AND HEMP

### News Scan

- On March 23<sup>rd</sup>, **Charlotte's Web Holdings, Inc. (Charlotte's Web)** announced a definitive arrangement agreement with **Abacus Health Products Inc. (Abacus)**. Charlotte's Web is a leading hemp extractor and developer of hemp-driven cannabidiol (CBD) wellness products, and Abacus is a leading supplier of over-the-counter topical hemp-extract products. The transaction will create the world's largest vertically integrated hemp-driven CBD company, with both companies benefiting from leading CPG management and brand equity. In addition, Charlotte's Web entered into a new asset backed line of credit with **J.P. Morgan** for C\$10 million, with the option to extend the line to C\$20 million and a 3 year maturity
- On March 19<sup>th</sup>, **Village Farms International (Village Farms)** announced it has entered into an agreement with **Beacon Securities Limited (Beacon)** to raise C\$10 million at a cost of C\$3.20 per share. Village Farms is one of the largest and longest-operating greenhouse growers in North America, producing and distributing fresh, premium-quality product to national grocers in the US and Canada
- On March 11<sup>th</sup>, **Innovative Industrial Properties, Inc. (IIP)** announced the acquisition of a Winauma, Florida property for US\$35.3 million. The property is approximately 373,000 square feet of industrial and greenhouse space and was acquired from Parallel, a leading multi-state cannabis company with operations in four states, Florida, Massachusetts, Nevada, and Texas. IIP, one of the first REIT companies on the NYSE specializing in regulated cannabis, partners with cannabis operators to conduct lease-back transactions and to serve as a source of capital
- On March 11<sup>th</sup>, **Harvest Health and Recreation Inc. (Harvest Health)** announced a private placement of US\$100 million of Harvest's multiple voting shares at a price of US\$141 per share. The capital will be used to fund expansion into key cannabis markets in the U.S. such as Arizona, Florida, Maryland and Pennsylvania. Other uses of the capital include key capital expenditures, further inorganic activity through acquisitions, and corporate purposes

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
			2020E	2021E	2020E	2021E	Price	52Wk High
Canopy Growth Corporation	5,063	3,783	8.6x	4.8x	neg	nmf	28.9 %	(71.3)%
Aurora Cannabis Inc.	1,263	1,513	6.5x	4.7x	neg	32.4x	50.5 %	(88.4)%
Aphria Inc.	883	652	1.5x	1.2x	15.6x	8.7x	36.8 %	(65.7)%
Cronos Group Inc.	2,186	913	8.4x	3.6x	neg	19.1x	3.0 %	(64.7)%
Tilray, Inc.	1,013	1,396	5.7x	3.6x	neg	neg	136.4 %	(86.0)%
OrganiGram Holdings Inc.	363	393	4.0x	2.6x	16.6x	8.6x	33.5 %	(73.9)%
<b>Mean</b>			<b>5.8x</b>	<b>3.4x</b>	<b>16.1x</b>	<b>17.2x</b>	<b>48.2 %</b>	<b>(75.0)%</b>

1 "Cannabis Index" is composed of equally weighted market prices for: Canopy Growth, Aurora Cannabis, Aphria, Cronos, Tilray and OrganiGram.



## ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

### News Scan

- On March 23<sup>rd</sup>, **Justin Trudeau** announced an increase of C\$5.0 billion in lending capacity through **Farm Credit Canada** for farmers and agribusinesses. The increase is designed to support businesses facing cash flow issues relating to COVID-19. Trudeau also announced a six month extension on the loan repayment period for loans taken out under the **Advance Payments Program** due before April 30<sup>th</sup>, 2020
- On March 20<sup>th</sup>, the **Canadian Federation of Agriculture**, in partnership with the **Canadian Food Processors Association** and related national beef organizations, held an online press conference to address concerns about the impact of COVID-19 on the Canadian beef sector. The parties announced that they have put forth a proposal to the **Canadian Federal Government** to exempt foreign agri-food workers, who would otherwise be permitted entry as temporary foreign workers, from current border restrictions, as access to qualified labour is one of the biggest concerns relating to business continuity in the sector
- On March 20<sup>th</sup>, a group of nearly 50 Brazilian agribusiness associations addressed the **Federal Government of Brazil**, urging leaders to take action against any potential port disruptions related to COVID-19. The associations sent a letter in response to the threat of dock workers halting activities in Santos, São Paulo, which is the largest port in Latin America
- On March 19<sup>th</sup>, a spokesperson for **Canadian National Railway (CN)** reported grain elevator delays in accessing containers to fill for overseas customers in both Western and Eastern Canada. CN cited disruptions to commerce in China relating to the COVID-19 outbreak as reason for the delays, due to the dependence of containerized traffic on in-bound containers that originate from China. These challenges are anticipated to continue for the foreseeable future
- On March 17<sup>th</sup>, the **American Farm Bureau Federation** sent a letter to the **United States Department of Agriculture (USDA)** outlining the organization's concerns relating to potential impacts from COVID-19. The letter called on the USDA to allow agribusinesses to defer or adjust payments for government loans as businesses have already started to feel the impacts from the virus on their sectors
- On March 13<sup>th</sup>, **The Senate of Canada** approved the **US-Mexico-Canada Agreement (USMCA)**, a trade agreement that replaces the **North American Free Trade Agreement (NAFTA)**. Under the new agreement, all food and agricultural products that were previously traded with zero tariffs under NAFTA will continue to trade with zero tariffs. Key provisions include eliminating Canada's milk pricing programs, which previously resulted in Canadian farmers underselling US counterparties, and Canada's wheat grading system, which is expected to enable US growers to become more competitive
- On March 13<sup>th</sup>, the **European Food Safety Authority (EFSA)** reported that there is currently no evidence to support claims that COVID-19 can be transmitted through food. The EFSA cited research based on previous outbreaks of related coronaviruses, including SARS and MERS, that demonstrated transmission through food consumption did not occur
- On March 9<sup>th</sup>, **General Administration of Customs China** reported that China's imports of US soybeans for January and February increased by 14.2% year-over-year following the countries' trade truce that was signed in January. China imported 13.5 million tonnes of soybeans during the first two months of 2020, up from 11.8 million tonnes for the same period in 2019

### Commodities Futures as of March 30<sup>th</sup>, 2020

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.46	(7.86)%	(11.62)%
Wheat (CBOT)	\$ per bu.	\$5.71	9.17 %	1.96 %
Oats (CBOT)	\$ per bu.	\$2.66	-	(10.91)%
Rough Rice (CBOT)	\$ per cwt.	\$13.97	2.72 %	6.16 %
Rapeseed (Canola) (ICE)	CAD per T	\$462.90	(0.02)%	(3.56)%
Ethanol (CBOT)	\$ per gal.	\$0.99	(23.21)%	(28.08)%



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
Premium Brands Holdings Corporation	(19.7%)	Premium Brands Holdings reported fourth quarter revenue of over C\$959 million, a near C\$115 million or 14% increase compared to Q4 2018. The revenue uptick was underpinned by volume expansion in the Organics division (7% QoQ). Adjusted EBITDA was reported at over C\$75 million, and steady progress was made on the execution on the existing pipeline of growth opportunities in fresh seafood, artisan sandwiches, premium dry meats and meat snacks categories. In the quarter, Premium Brands completed the C\$33 million acquisition of Inform Brokerage and Bavarian Meats, and the purchase of a 17% interest in Italy-based, La Felinese Salumi. Against the backdrop of these positive financial results, Premium Brands announced a 10% dividend increase (to C\$0.58 per share) commencing in 2020	C\$89.95	30.1%
<b>Equipment Manufacturers &amp; Services</b>				
Cervus Equipment Corporation	nmf	Cervus outlined 2019 as a difficult year for Western Canadian Agriculture in navigating compounding headwinds, including the excess supply of used inventories and significant inventory impairments. Cervus recorded an impairment of C\$10 million for the quarter, and C\$24 million for the fiscal year, representing an increase of C\$13 million from FY 2018. Cervus recorded a net loss of C\$9 million in 2019, compared to net income of C\$25 million in 2018. Revenue declined 16% from C\$1,350 million in 2018 to C\$1,139 million in 2019. Gross profit declined 29% or C\$15 million, due to an increase in equipment impairment charges and reduced new equipment sales. Growth in product support revenue contributed an additional C\$2 million or 5% increase to gross profit in the quarter	C\$7.75	35.7%
Rocky Mountain Dealerships Inc.	(81.9%)	Rocky Mountain Dealerships reported sales of C\$775 million in 2019, a decrease of 26% from C\$1,051 million in 2018, citing poor weather conditions and a challenging harvest, which limited yield and crop quality. Parts and service sales, which are less susceptible to macro-economic factors, positively contributed to revenues as farmers chose to repair their equipment, rather than replace it. Gross margin increased to 14% (50 bps QoQ) as sales shifted towards higher-margin parts and service sales. Adjusted EBITDA for 2019, reported at C\$18 million, decreased by 57% from C\$18 million in 2018	C\$6.83	85.2%
<b>Fertilizers &amp; Crop Inputs</b>				
Nufarm Limited	nmf	Nufarm Limited announced half-year FY2020 results with a net loss of A\$122 million. Revenue was A\$1,477 million, down 6% from start of FY 2020. Underlying EBITDA of A\$66 million was down 45% while free cash flow improved by A\$170 million over the half-year. Interim dividends remain suspended and Nufarm outlined balance sheet strengthening as a key focus following the sale of their South American business on April 1 <sup>st</sup> , 2020. The dismal performance is attributed to the continued difficult operating conditions in the fertilizer space, namely a depressed pricing environment and balance sheet constraints for an over-levered industry which is now under pressure from the COVID-19 outbreak demand shock	A\$5.60	15.1%



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Cannabis &amp; Hemp</b>				
HEXO Corp.	nmf	Hexo Corp. announced a delay in filing of financial statements and provided certain financial results for Q2 FY2020. The delay in the filing is due to certain exceptional circumstances, including a significant impairment loss. The impairment calculation is complex, with a C\$265 - \$280 million value range provided, but the final amount remains to be determined. Gross revenue was C\$24 million, a 23% increase from C\$19 million in Q1 FY2020. On March 2 <sup>nd</sup> , Hexo completed a strategic review of its cultivation assets. Due to an excess of market cultivation capacity and negative demand forecasts for cannabis products, Hexo no longer expects to re-commence operations at the Niagara Facility and placed the facility for sale. The facility consists of land, greenhouse facilities, equipment, and production licenses	C\$1.93	26.1%
Charlotte's Web Holdings, Inc.	nmf	Charlotte's Web reported organic revenue of US\$95 million for FY2019, a 36% increase YoY. Gross profit was reported at US\$66 million, an implied 70% gross margin. Adjusted EBITDA was reported at ~US\$2 million loss. Charlotte's Web ended the year with non-cash inventory reserve of US\$16 million and US\$69 million of cash. On March 23 <sup>rd</sup> , Charlotte's Web entered into an agreement to acquire Abacus Health in an all-stock transaction valued at C\$99 million, expected to close in Q2 of 2020, after which Abacus shareholders would own 15% of Charlotte's Web effective outstanding common shares	US\$5.68	25.3%

### 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 Adam Weiss**  
Principal  
T: 416-775-3656  
lindsay.weiss  
@originmerchant.com