



## Agriculture Industry Flash

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Tuesday, October 13<sup>th</sup>, 2020

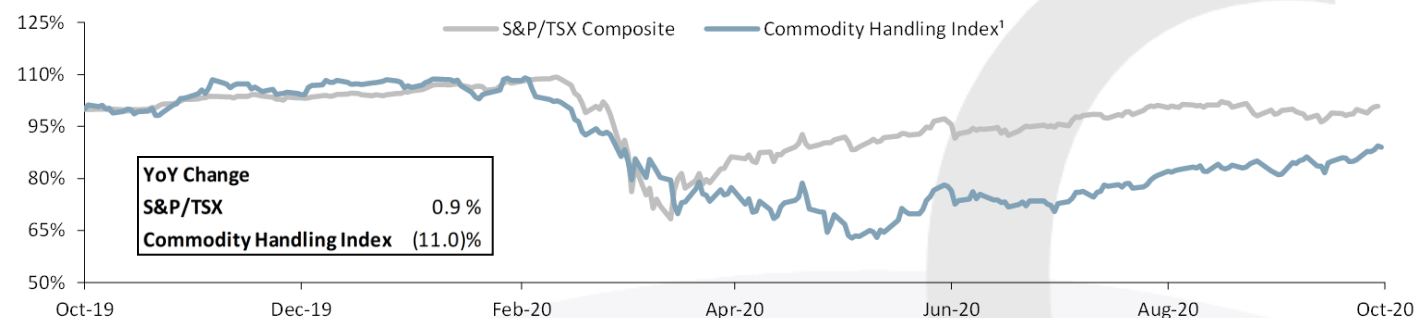


## COMMODITY HANDLING

### News Scan

- On October 9<sup>th</sup>, **The Scoular Company**, a provider of supply chain solutions and supplier of commodities, announced an agreement to lease a grain receiving facility in Colorado. The facility is Scoular's 7<sup>th</sup> in the region, as the company continues to expand its grain operations. The facility is expected to be ready for fall harvest and will provide over 1.6 million bushels of temporary storage, as well as a high-speed conveyor with the capability to unload 20 trucks per hour
- On October 5<sup>th</sup>, **Sollio Cooperative Group**, Canada's largest agricultural co-operative, announced an investment from **Rabobank Capital**, **Fonds de solidarité FTQ**, **Caisse de dépôt et placement du Québec (CDPQ)**, and **Fondaction**, for C\$150 million of preferred shares. Sollio is on the tail end of a major growth period and will use the proceeds to optimize and modernize production to support its Canadian product offerings. This will allow Sollio to maintain its leadership position in the Canadian agrifood and retail space, as well as mitigate the effects of COVID-19 on its growth plans

### 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
ADM	27,210	35,223	9.4x	8.6x	15.7x	14.3x	5.1 %	(1.1)%
Bunge Limited	7,048	14,504	9.8x	9.0x	14.4x	11.8x	10.1 %	(13.3)%
The Andersons, Inc	633	2,002	9.0x	6.5x	nmf	11.3x	2.7 %	(24.4)%
Graincorp Limited	652	1,493	14.2x	10.6x	neg	18.8x	3.7 %	(56.5)%
Ceres Global Ag	76	126	na	na	na	na	1.6 %	(28.9)%
<b>Mean</b>			<b>10.6x</b>	<b>8.7x</b>	<b>15.0x</b>	<b>14.0x</b>	<b>4.6 %</b>	<b>(24.8)%</b>

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

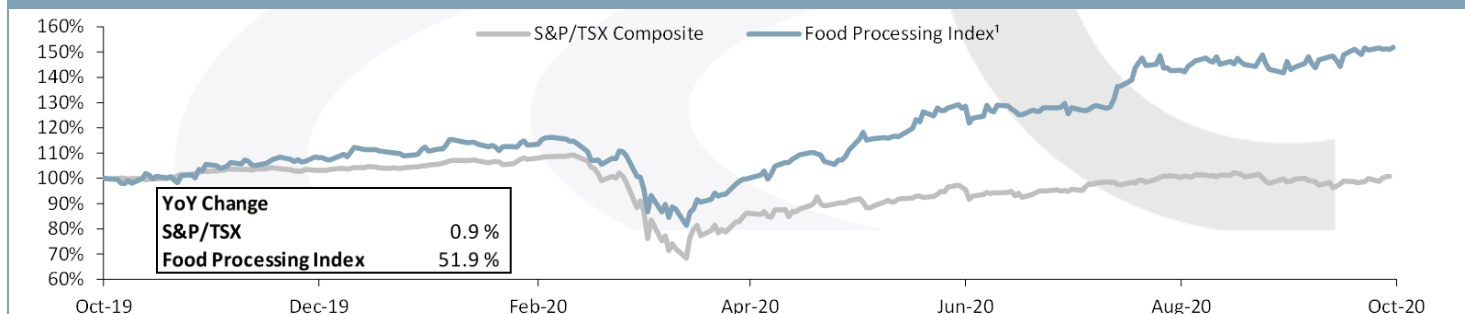


## FOOD PROCESSING

### News Scan

- On October 7<sup>th</sup>, **2 Sisters Food Group**, a UK-based food manufacturer, agreed to sell part of its **Fox's Biscuits** business to a related company of **Ferrero SpA**, a manufacturer of chocolate and confectionery products, for £246 million. As part of the deal, the company will acquire 2 out of the 3 manufacturing sites, and will primarily produce biscuits sold under the Fox's brand, following the acquisition. This transaction marks the second European biscuit acquisition by a Ferrero-related company in the last 12 months as it continues to expand in the space
- On October 6<sup>th</sup>, **Bond Bakery Brands**, an investment platform for bakery companies, announced its inaugural platform investments in Canadian-based bakery companies, **Portofino Bakery** and **Pace Processing and Product Development**, for an undisclosed amount. Both bakeries have a strong customer base and distribution network, which represent promising inaugural investments for Bond as it embarks on its mission of accelerating the growth of bakery companies
- On October 5<sup>th</sup>, **Fonterra**, a multinational dairy co-operative, agreed to sell its farms in China to a series of local partners for NZD 555 million, and will use the proceeds to pay down debt. The sale is in line with the company's recent decision to focus on producing its farmers' milk in New Zealand. Following the transaction, Fonterra will work towards bringing its locally produced milk to China, as well as growing its presence in the foodservice, consumer brands and ingredients markets
- On October 2<sup>nd</sup>, **Walmart** agreed to sell its UK grocery chain, **Asda**, to the **Issa Brothers** and **TDR Capital**, a private equity firm, for £6.8 billion. Walmart, which originally purchased the company for £6.7 billion in 1999, will retain an ongoing equity investment, as well as remain a strategic partner with a seat on the board. The Issa Brothers, who founded global convenience and forecourts retailer, **EG Group**, will become equal majority owners in Asda, and will work to make the business more differentiated as it continues to serve UK customers
- On September 29<sup>th</sup>, Toronto-based natural foods company, **Wellness Natural**, announced it has acquired **SimplyProtein**, a nutritional snacking brand, from **Simply Good Foods USA**, for an undisclosed amount. SimplyProtein shows significant growth potential with its premium profile of high protein products and presence in both Canada and the US. Leveraging his prior experience at SimplyProtein, the Wellness CEO will combine the product lines in order to expand into 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	11,331	30,528	7.6x	7.0x	15.5x	12.9x	(1.4)%	(13.2)%
ConAgra Foods, Inc.	18,231	27,660	11.1x	12.1x	14.1x	15.2x	4.0 %	(5.1)%
Ingredion Incorporated	5,145	6,874	8.3x	7.5x	13.5x	11.9x	2.7 %	(22.8)%
Tate & Lyle plc	4,050	4,630	7.3x	7.1x	12.6x	12.6x	(0.4)%	(17.2)%
Premium Brands	2,914	3,756	16.6x	13.0x	35.4x	23.3x	(4.0)%	(6.1)%
Maple Leaf Foods Inc.	2,357	3,045	9.7x	8.4x	25.1x	19.2x	(6.9)%	(18.2)%
SunOpta Inc.	670	1,009	11.8x	10.4x	neg	nfm	0.7 %	(2.5)%
Rogers Sugar	386	664	9.2x	8.6x	16.0x	11.8x	2.7 %	(11.4)%
<b>Mean</b>			<b>10.2x</b>	<b>9.3x</b>	<b>18.9x</b>	<b>15.3x</b>	<b>(0.3)%</b>	<b>(12.1)%</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.

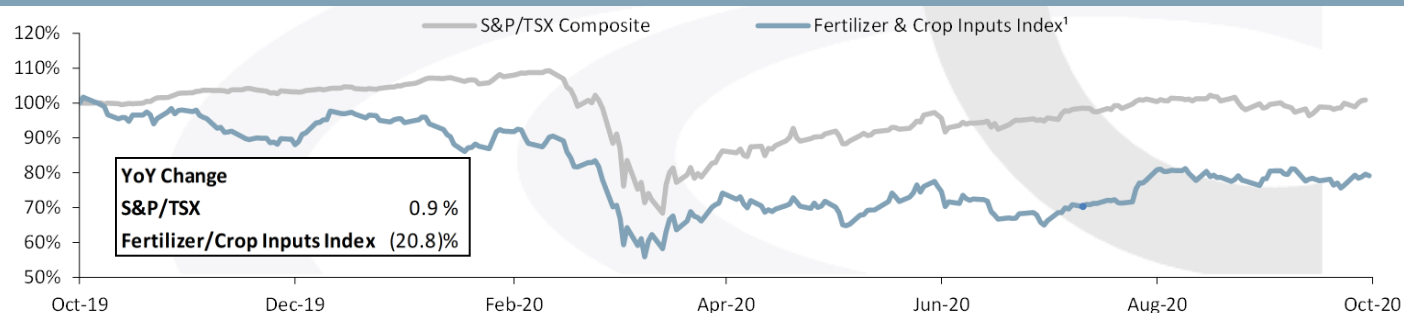


## FERTILIZERS AND CROP INPUTS

### News Scan

- On October 7<sup>th</sup>, **K+S**, Europe's largest potash supplier and the world's largest salt producer, signed an agreement to sell its North and South American salt business, **Morton Salt**, to **Kissner Group**, a producer and supplier of salt, for US\$3.2 billion in cash. The transaction values Morton Salt at 12.5x EBITDA, based on its 2019 EBITDA of US\$257 million. The transaction will provide K+S with the funds to reduce its debt and grow the company, as it shifts its focus towards potash fertilizer products
- On October 5<sup>th</sup>, **American Vanguard Corporation**, a diversified specialty and agricultural products company, acquired the **Agrinos Group of Companies**, a private leader in biological crop inputs, for an undisclosed amount. Agrinos possesses valuable proprietary technology, which works with other nutritional crop inputs to increase crop yield, improve soil health and reduce environmental impacts stemming from traditional agricultural practices. This supports American Vanguard's commitment to enhancing agricultural productivity and establishing a leadership position in crop protection
- On October 5<sup>th</sup>, **Ørsted**, a leading offshore wind developer, and **Yara International** announced a partnership to replace fossil hydrogen with renewable hydrogen in the production of ammonia. The partners plan to develop a 100 MW wind powered electrolyser plant to produce renewable hydrogen, which would generate approximately 75,000 tonnes of green ammonia per year. The project, pending funding and regulatory approval, has the potential to abate over 100,000 tonnes of CO<sub>2</sub> per year
- On October 2<sup>nd</sup>, **Royal DSM**, a multinational health, nutrition and materials corporation, completed its acquisition of **Erber Group**, a food and feed safety group of companies, for €980 million. The acquisition further strengthens DSM's expertise and reputation as a leading provider of animal health and nutrition solutions
- On September 30<sup>th</sup>, **CF Industries** announced it will make a US\$41.4 million capital investment to enhance nitric acid production at its nitrogen fertilizer complex in Louisiana. This investment follows a US\$2.1 billion expansion to the same facility in 2016, and will position the facility for continued growth as it continues to play a major role in the company's global supply chain. CF Industries plans to retain 487 jobs and create over 30 new jobs throughout the expansion project

### 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
Nutrien Ltd.	30,620	41,875	11.2x	10.2x	31.7x	25.1x	6.3 %	(20.1)%
Yara International ASA	10,229	14,207	6.0x	5.6x	12.0x	10.4x	(2.1)%	(13.1)%
CF Industries Holdings, Inc.	6,701	13,115	9.0x	8.9x	20.8x	19.9x	4.9 %	(38.6)%
The Mosaic Company	7,472	11,829	8.3x	6.5x	nmf	18.4x	10.8 %	(12.4)%
Nufarm Ltd.	1,101	1,603	7.0x	5.9x	neg	25.7x	3.6 %	(40.3)%
<b>Mean</b>			<b>8.3x</b>	<b>7.4x</b>	<b>21.5x</b>	<b>19.9x</b>	<b>4.7 %</b>	<b>(24.9)%</b>

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



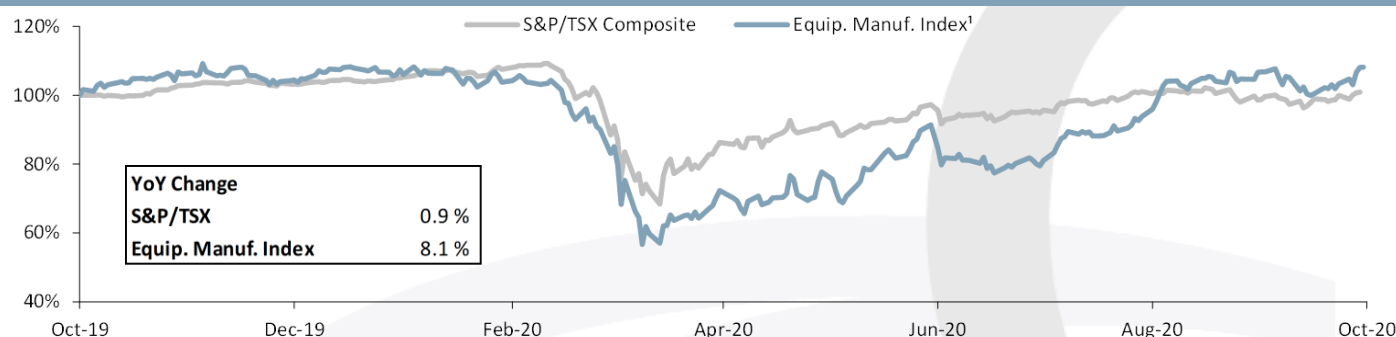


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On October 6<sup>th</sup>, **CubicFarm Systems Corporation (CubicFarms)**, a technology developer for growing crops and livestock feed, announced the sale of its automated, controlled-environment system to US-based ag-tech company, **Aragene**, for an undisclosed amount. The transaction creates a new vertical for CubicFarms' fresh produce systems as it will now be used by Aragene to develop biological pest protection products for crops, using insects as a means of pest control. Aragene will begin trials for its new method, and upon completion, plans to increase the scale of its insect factory using multiple CubicFarms machines
- On October 2<sup>nd</sup>, **Chief Agri**, a provider of aeration and material handling products, purchased substantially all of the assets of **Rapat Industries Philippines**, a manufacturer of bulk material handling systems, for an undisclosed amount. The Asia location will bridge the gap from Chief's headquarters in North America and allows the company to better serve its global clients. The acquired facility provides 36,500 sq. ft. of space that will accommodate a variety of belt conveyor models, allowing Chief to provide complete solutions for both the commercial and private sectors

### 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
Deere & Company	73,584	78,568	18.9x	14.2x	32.5x	22.5x	7.2 %	(0.9)%
AGCO Corporation	6,034	7,632	9.8x	8.6x	21.0x	16.6x	9.9 %	(1.0)%
Ag Growth International Inc.	405	1,066	10.2x	8.1x	15.2x	10.6x	4.7 %	(40.9)%
Cervus Equipment Corporation	105	177	4.8x	4.2x	11.3x	9.9x	2.1 %	(5.8)%
Rocky Mountain Dealerships Inc.	83	136	8.2x	6.2x	31.9x	12.4x	8.5 %	(20.2)%
<b>Mean</b>			<b>10.4x</b>	<b>8.2x</b>	<b>22.4x</b>	<b>14.4x</b>	<b>6.5 %</b>	<b>(13.8)%</b>

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

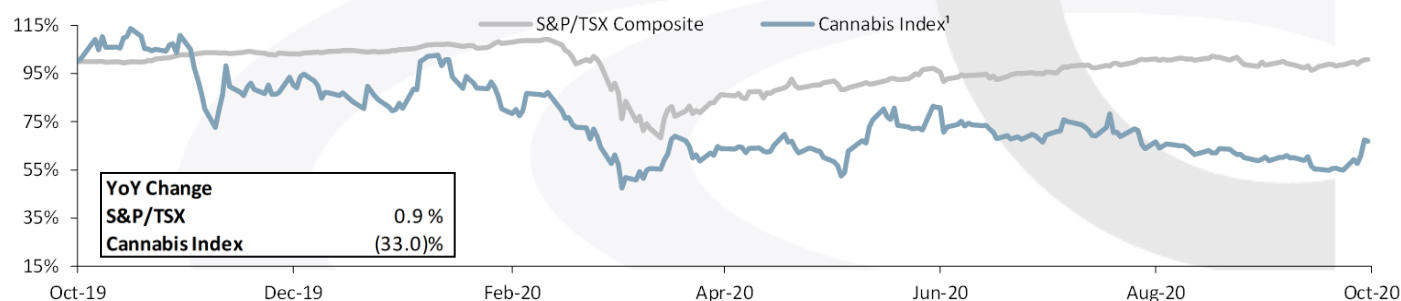


## CANNABIS AND HEMP

### News Scan

- On October 7<sup>th</sup>, **Subversive Real Estate Acquisition REIT LP (Subversive REIT)**, a special purposes acquisition corporation, announced a US\$182.8 million qualifying transaction to acquire 15 cannabis industrial and retail properties within 9 states. Subversive REIT also agreed to purchase 2 additional properties for US\$17.9 million, for a total portfolio value of US\$200.7 million. As part of this transaction, the company also entered into a US\$40 million private placement of subscription receipts. The total portfolio will comprise over 1.5 million sq. ft. of gross leasable area, helping Subversive REIT become a leading real estate capital provider for cannabis operators
  - On October 7<sup>th</sup>, **Flower One**, a Nevada-based cannabis cultivator, producer and full-service brand fulfillment partner, announced it has entered into a term debt loan agreement with **Subversive REIT** for US\$39 million. As part of the transaction, Flower One granted a two-year option to pursue a sale-leaseback transaction to purchase its 455,000 sq. ft. cannabis cultivation and production facility for up to US\$80 million. Flower One expects Subversive REIT's industry expertise to be imperative in both its short and long-term objectives to grow its Nevada operations
- On October 6<sup>th</sup>, **Stem Holdings**, a vertically integrated cannabis and hemp-branded products company, announced it will acquire all outstanding shares of **Driven Deliveries**, an e-commerce and delivery-as-a-service (DaaS) logistics provider, for C\$41.3 million. The acquisition is expected to be EPS accretive in 2021, and will provide Stem with increased scale, proprietary logistics technology and cost savings. Following the acquisition, Stem anticipates becoming the first vertically integrated cannabis company that offers a DaaS platform to service the growing market for home delivery cannabis
- On September 28<sup>th</sup>, **MediPharm Labs**, a producer of purified, pharmaceutical quality cannabis oil and concentrates, announced it will acquire the remaining 20% ownership interest in its 80%-owned subsidiary, **MediPharm Labs Austria**, for a mix of cash and stock consideration of US\$3.2 million. The Australian subsidiary has been important in MediPharm's strategy to develop multi-jurisdictional production capabilities, and will help the company to move forward with its next phase of growth

### 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	6,689	5,779	15.8x	11.1x	neg	neg	25.7 %	(30.1)%
Aphria Inc.	1,652	1,719	3.6x	2.9x	nmf	23.0x	28.3 %	(8.3)%
Cronos Group Inc.	2,638	1,494	26.0x	11.2x	neg	neg	13.7 %	(45.6)%
Tilray, Inc.	768	1,158	5.1x	3.3x	neg	nmf	22.8 %	(76.5)%
Aurora Cannabis Inc.	610	866	4.0x	3.2x	neg	35.8x	5.9 %	(89.3)%
OrganiGram Holdings Inc.	234	261	4.0x	2.5x	neg	17.0x	12.9 %	(69.8)%
<b>Mean</b>			<b>9.8x</b>	<b>5.7x</b>	<b>na</b>	<b>25.3x</b>	<b>18.2 %</b>	<b>(53.3)%</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 October 9<sup>th</sup>, it was announced that Alberta's agricultural industry will receive C\$815 million to fund the irrigation of 200,000 acres of southern Alberta farmland. C\$163 million will be provided by a consortium of Alberta's irrigation districts, C\$245 million will come from the Alberta government, and the remaining C\$407 million will be financed by a loan from the **Canada Infrastructure Bank (CIB)**. The funds will be used to build 4 new off-stream water storage reservoirs
- On October 8<sup>th</sup>, **SVG Ventures**, a Silicon Valley-based venture capital fund, partnered with **Farm Credit Canada** to increase growth opportunities for Canadian agricultural startups. SVG, with its accelerator program, **Thrive**, has helped over 50 companies, and will now expand its program to Canada. The fund typically invests US\$100,000 in each company, and provides mentoring services to help each company better acquire customers and growth investments going forward
- On October 8<sup>th</sup>, it was reported that the **CIB** intends to dedicate C\$1.5 billion of its C\$10 billion 3-year infrastructure program towards agriculture infrastructure projects. This is expected to also benefit Saskatchewan's proposed irrigation plan to expand its irrigable acres by 500,000 acres. With this investment, the government hopes to mitigate private lender concerns regarding underlying commodity price risks
  - As part of the program, CIB will also dedicate C\$2 billion to improving broadband connectivity across the regions covered by the project
- On October 5<sup>th</sup>, **Agriculture and Agri-Food Canada (AAFC)** opened the applications for a federally administered C\$35 million Emergency On-Farm Support Fund. The fund is aimed towards lessening the impact of COVID-19 on farms and employee living quarters in Alberta, Saskatchewan, New Brunswick, Newfoundland and Labrador, and the Territories. Each applicant can receive up to C\$100,000 to spend on direct infrastructure improvements, the creation of emergency or temporary housing and to spend on personal protective equipment
- On October 1<sup>st</sup>, a study from **Martin Luther University Halle-Wittenberg (MLU)** reported upcycled rapeseed may present new plant-based protein opportunities, as nutrition scientists at the university studied the impact of rapeseed on the human metabolism. The study found it to offer comparable benefits to soy protein, and even outperformed soy protein in some tests. Pending further studies, rapeseed could become a suitable alternative in plant-based savory foods
- On September 29<sup>th</sup>, soybean growers in Manitoba announced yields exceeded expectations after falling short the past 3 years, with many growers achieving bushels per acre in the high 40's and low 50's. The climate this year has been much less of an issue compared to prior years, and has most growers optimistic about completing the harvest
- On September 28<sup>th</sup>, the **United States Department of Agriculture (USDA)** reported 75% of the corn crop mature as of the week ended September 27<sup>th</sup>, which exceeds last year's report for the same week by 36% and the 5-year average by 10%. North Carolina continues to be a leader on this front, having reported 96% of its corn crop to be mature. The report also showed that 15% of corn has been harvested, which falls 1% below the 5-year average, but exceeds the same week in 2019 by 5%. North Carolina leads the harvest thus far, boasting a 74% figure

### Commodities Futures as of October 9<sup>th</sup>, 2020

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.95	3.20 %	0.89 %
Wheat (CBOT)	\$ per bu.	\$5.94	4.12 %	5.98 %
Oats (CBOT)	\$ per bu.	\$2.92	2.90 %	(1.93)%
Rough Rice (CBOT)	\$ per cwt.	\$12.47	(0.36)%	(5.28)%
Rapeseed (Canola) (ICE)	CAD per T	\$527.30	-	9.85 %
Ethanol (CBOT)	\$ per gal.	\$1.40	2.94 %	2.12 %





## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
Conagra Brands, Inc.	(87.7%)	Conagra Brands reported Q1 2021 results with net sales of US\$2.7 billion, up 12.1% YoY. The company's organic net sales grew by 15% YoY, as its retail segments were a strong benefactor of the COVID-19 pandemic, driving volume up 10.9% YoY as consumers increased their at-home food consumption. Contrarily, the foodservice segment struggled with severe volume declines due to lower restaurant traffic, resulting in a 20.3% YoY decrease in organic net sales. Conagra provided guidance for the next quarter in which it expects organic net sales to grow 6-8% and to continue increasing adjusted EPS	US\$38.23	2.4%
Constellation Brands, Inc.	195.6%	Constellation Brands reported its Q2 2021 with net sales of US\$2.3 billion, down 4% YoY. Beer sales declined 0.2% YoY, as the COVID-19 related decline in volume was offset by the company's growing performance in off-premise channels. Wine sales declined by 11% YoY, the result of lower volume, as well as the Black Velvet divestiture. Constellation continued to deliver strong margin performance which helped to drive operating income of US\$839 million, up 17% YoY	US\$212.10	13.6%
PepsiCo, Inc.	(10.7%)	PepsiCo reported its Q3 2020 results with net revenue of US\$18.1 billion, up 5.3% YoY. Its Africa, Middle East and South Asia segment reported the strongest revenue growth, up 31% YoY, followed by its Asia Pacific, Australia, New Zealand and China Region segment, up 15% YoY. This was driven by Pepsi's continued global success in its snacks segments as well as significant improvements in its global beverage business. The company expects continued revenue growth to the end of the fiscal year, but expects a minor decline in EPS over last year	US\$152.17	9.9%





## COVID'S IMPACT ON CONSUMER FOOD TRENDS:

### PART 2 - THE DRAMATIC SHIFT TO ON-LINE ORDERING IN RETAIL

*Steve Bromley brings his deep understanding of consumer food trends to Origin's new series: "We're Still Eating". In Part 2 of the series, Steve dives into the shift to online grocery ordering, analyzing the data through his own expert lens, and reflecting on whether the change in consumer behaviour is here to stay. Read the full report [here](#).*

Origin Senior Advisor, Steve Bromley, has over 30 years of food, beverage and general leadership experience in private and public companies at both management and board levels. Most recently he served as the CEO of SunOpta Inc. (NASDAQ:STKL;TSX:SOY), a leading integrated global natural, organic and specialty foods company, where he spent approximately 15 years in a variety of roles including CFO, COO and ultimately CEO for his last 8 years.

#### 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