



## Agriculture Industry Flash

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Monday, October 26<sup>th</sup>, 2020

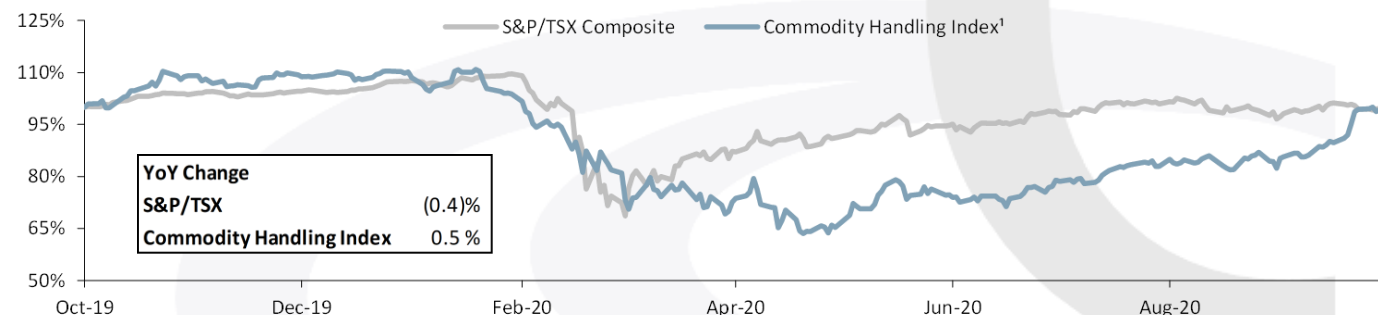


## COMMODITY HANDLING

### News Scan

- On October 23<sup>rd</sup>, **Scoular** announced it will expand its grain operations into Ontario through a new partnership with Ontario producers, including **Martin Farming**, a producer in the region. The partnership will allow Scoular to buy from its partners, and handle grain in its new elevator that has a total storage capacity of 865,000 bushels. Scoular currently has Canadian presence in Saskatchewan and Alberta, and this partnership represents a significant opportunity for the company to grow in the Ontario market
- On October 22<sup>nd</sup>, **Archer Daniels Midland (ADM)** announced plans to invest significantly in expanding its probiotics production capabilities. ADM will construct a new, state-of-the-art facility in Spain that will increase its probiotics production capacity five-fold. The investment positions ADM well to meet the fast-growing demand for microbiome solutions
- On October 20<sup>th</sup>, **Viterra**, a Canadian grain handling business, announced plans to build a new grain elevator in Saskatchewan. The grain elevator is expected to have 34,000 tonnes of storage capacity and will include a loop track for rail loading. The plan is consistent with Viterra's recent track record of making targeted investments across its asset network, as the company works to keep up with the industry and continue providing a high level of service to its customers
- On October 16<sup>th</sup>, **Mid-Iowa Cooperative**, a farmer-owned cooperative, announced a US\$270 million project to create **Shell Rock Soy Processing (SRSP)**, a soybean processing plant to be built in Iowa. The plant is expected to be operational in 2022 and will produce 847,000 tons of soybean meal, 462 million pounds of crude soybean oil, and 77,000 tons of pelleted soybean hulls per year. SRSP will build on the region's strong agricultural heritage, creating over 50 high-quality jobs, expanding farm income potential and diversifying the agricultural market in Iowa

### 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	28,821	36,877	9.8x	9.0x	16.3x	15.0x	3.9 %	(0.3)%
Bunge Limited	7,823	15,289	10.3x	9.3x	15.2x	12.7x	3.3 %	(3.7)%
The Andersons, Inc	770	2,144	9.6x	7.0x	nmf	13.8x	5.4 %	(8.0)%
Graincorp Limited	599	1,426	13.7x	10.3x	neg	17.5x	(9.4)%	(59.3)%
Ceres Global Ag	93	143	na	na	na	na	(0.5)%	(11.4)%
<b>Mean</b>			<b>10.9x</b>	<b>8.9x</b>	<b>15.8x</b>	<b>14.8x</b>	<b>0.5 %</b>	<b>(16.6)%</b>

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

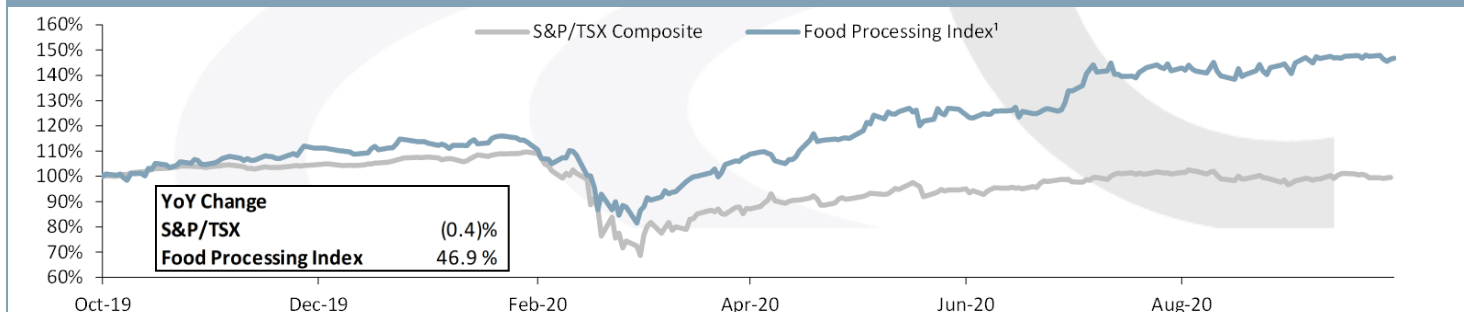


## FOOD PROCESSING

### News Scan

- On October 22<sup>nd</sup>, **Guru Organic Energy**, a Montréal-based energy drink company, announced it intends to list its common shares on the TSX. The announcement follows Guru's recently completed reverse takeover of TSX Venture listed, **Mira X Acquisition Corp.**, which was funded by a C\$34.5 million brokered private placement. The company aims to attract new investors and consumers as it positions itself as a plant-based, healthy alternative in the energy drink industry
- On October 20<sup>th</sup>, private equity firm, **Kainos Capital**, agreed to acquire **Nutrisystem**, a nutrition and weight management brand, from health and nutrition provider, **Tivity Health**, for US\$575 million. The transaction comes a year after Tivity Health acquired the company for ~US\$1.3 billion. Kainos plans to develop the Nutrisystem brand in a similar fashion to Slimfast, which it acquired in 2014, and sold in 2018 for ~US\$350 million
- On October 20<sup>th</sup>, **Nestle Waters North America**, the North American bottled water division of food and drink conglomerate, **Nestle**, announced it has acquired certain assets from **Palomar Mountain Premium Spring Water**, a California-based water producer, for an undisclosed amount. The acquisition will expand Nestle's ReadyRefresh presence in southern California to 4 new counties within the region. This acquisition follows a similar deal announced in September in which Nestle acquired part of **Vista Springs Bottled Water Company**, which helped the company to expand its ReadyRefresh presence in Sacramento
- On October 19<sup>th</sup>, **Love Good Fats**, a Toronto-based producer of keto snacks, closed a C\$10.7 million equity financing led by **InvestEco Capital Corp.** and **Export Development Canada (EDC)**. Love Good Fats was founded 3 years ago and has picked up significant traction in North America with distribution in over 20,000 stores, including leading retailers such as Walmart, Kroger, CVS and Costco. The equity investment will be used to support the brand and accelerate its expansion across North America
- On October 17<sup>th</sup>, **ForFarmers**, a livestock feed company, agreed to acquire the outstanding shares of **De Hoop Mengvoeders**, a poultry feed specialist, for an undisclosed amount. In 2019, De Hoop sold 322,000 tonnes of poultry feed in Central Europe, generating €110 million in revenue. ForFarmers will gain De Hoop's compound feed business, its related transport activities, and its mill with adjacent real estate, which will contribute to the achievement of ForFarmers' 2025 growth objectives

### 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	11,214	30,385	7.6x	7.0x	15.3x	12.8x	(1.4)%	(13.9)%
ConAgra Foods, Inc.	18,564	27,997	11.2x	12.3x	14.3x	15.5x	0.6 %	(3.4)%
Ingredion Incorporated	5,132	6,861	8.3x	7.6x	13.5x	12.0x	(3.3)%	(23.0)%
Tate & Lyle plc	3,879	4,461	7.0x	6.8x	12.1x	12.0x	0.6 %	(20.9)%
Premium Brands	3,046	3,888	17.1x	13.2x	36.8x	24.2x	1.5 %	(4.0)%
Maple Leaf Foods Inc.	2,308	2,995	9.6x	8.2x	24.7x	18.9x	(1.6)%	(19.8)%
SunOpta Inc.	690	1,365	16.0x	14.0x	neg	nfm	(1.0)%	(4.6)%
Rogers Sugar	397	676	9.3x	8.8x	16.5x	12.1x	(1.9)%	(8.7)%
<b>Mean</b>			<b>10.8x</b>	<b>9.7x</b>	<b>19.0x</b>	<b>15.4x</b>	<b>(0.8)%</b>	<b>(12.3)%</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.

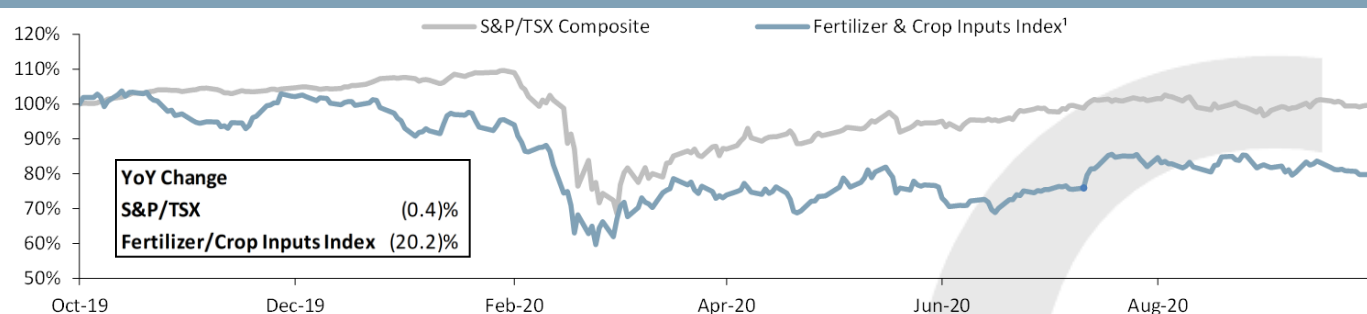


## FERTILIZERS AND CROP INPUTS

### News Scan

- On October 20<sup>th</sup>, **Nufarm Limited**, a developer and manufacturer of crop protection and seed technology solutions, signed a cooperation agreement with **CROP.ZONE**, a German ag-tech startup. The collaboration will result in the two companies launching hybrid herbicide solutions across major European markets, beginning with an early adopters program in Benelux and Germany in 2021. This will offer farmers a competitive and sustainable alternative for weed management, in order to make European agriculture more environmentally friendly and sustainable going forward

### 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.	31,058	42,321	11.3x	10.3x	32.4x	25.4x	2.7 %	(18.2)%
Yara International ASA	10,030	12,370	5.7x	5.4x	11.9x	10.6x	1.1 %	(13.7)%
CF Industries Holdings, Inc.	5,899	12,309	8.6x	8.5x	18.9x	18.4x	(7.0)%	(43.6)%
The Mosaic Company	7,089	11,443	8.0x	6.2x	nmf	16.7x	(4.1)%	(16.9)%
Nufarm Ltd.	1,013	1,506	6.7x	5.7x	neg	24.0x	(3.8)%	(42.1)%
<b>Mean</b>			<b>8.0x</b>	<b>7.2x</b>	<b>21.1x</b>	<b>19.0x</b>	<b>(2.2)%</b>	<b>(26.9)%</b>

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



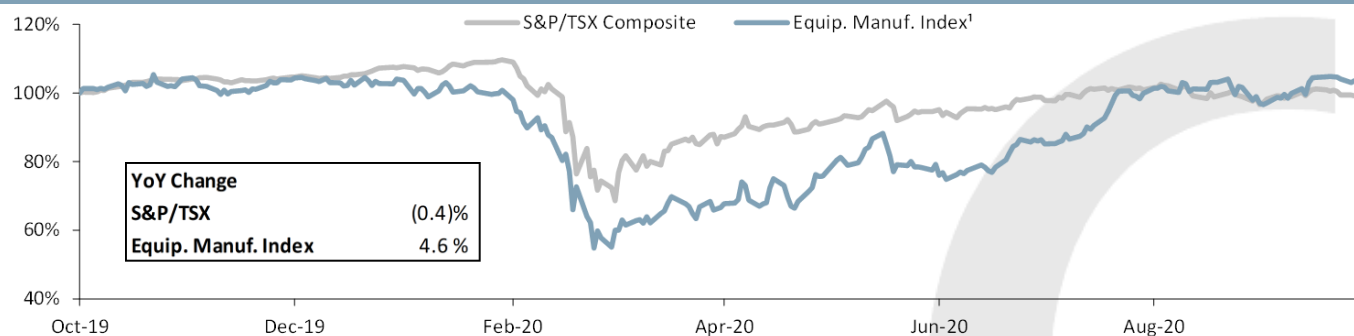


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On October 22<sup>nd</sup>, **CNH Industrial**, a manufacturer of agricultural machinery, announced a solar energy project with **Saskatchewan Environmental Society Solar Co-operative (SES)**, a volunteer-run, renewable energy co-operative, to invest in reducing its carbon footprint. The project involves installing new solar panels that will yield 331 kilowatts of power, which will amount to 8% of CNH's total energy consumption and result in a 289 ton reduction of its carbon footprint. The project is privately funded through SES, and marks its 7<sup>th</sup> and largest solar project with CNH since the co-operative was established in 2015

### 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	75,063	80,087	19.2x	14.5x	33.1x	23.0x	0.5 %	(1.6)%
AGCO Corporation	6,203	7,805	9.8x	8.3x	20.9x	16.0x	2.8 %	(0.9)%
Ag Growth International Inc.	409	1,070	10.2x	8.1x	15.4x	10.7x	1.3 %	(40.3)%
Cervus Equipment Corporation	99	171	4.7x	4.0x	10.7x	9.4x	(4.3)%	(11.1)%
Rocky Mountain Dealerships Inc.	80	133	8.0x	6.1x	31.0x	12.1x	(4.7)%	(21.4)%
<b>Mean</b>			<b>10.4x</b>	<b>8.2x</b>	<b>22.2x</b>	<b>14.2x</b>	<b>(0.9)%</b>	<b>(15.0)%</b>

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

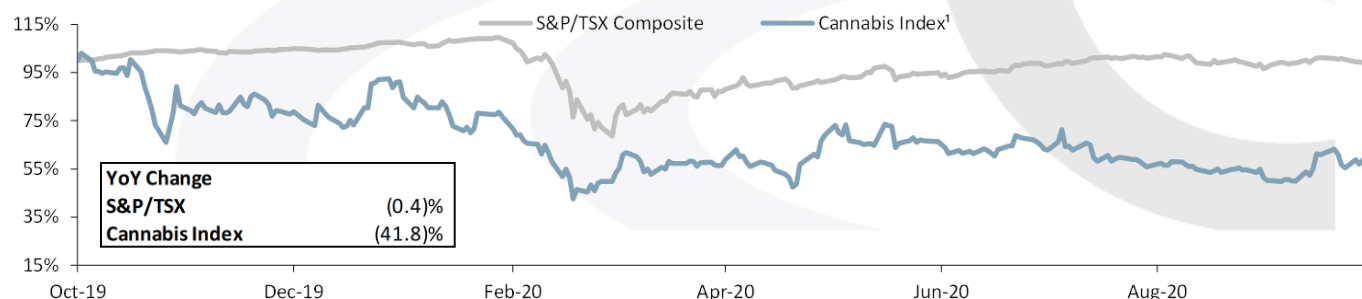


## CANNABIS AND HEMP

### News Scan

- On October 22<sup>nd</sup>, **HempFusion Wellness**, a health and wellness CBD company, announced it has filed for an IPO of common shares and units on the TSX, for gross proceeds of US\$7 million and US\$10 million, respectively. The company looks to accelerate its domestic and international growth as it becomes the first US-based CBD company to list on the TSX
- On October 20<sup>th</sup>, **GrowGeneration Corp. (GrowGen)**, a chain of specialty hydroponic and organic garden centers, acquired **Big Green Tomato (BGT)**, a two-store chain of hydroponic equipment stores in Michigan, for an undisclosed amount. As part of the transaction, GrowGen purchased a 10,000 sq. ft. retail property. As new state regulations allow for more cultivation licenses, GrowGen aims to capture the exponential growth occurring in the Michigan recreational cannabis market
- On October 20<sup>th</sup>, **Terrace Global**, a cannabis asset development and acquisition company, agreed to acquire Toronto-based cannabis company, **The Flowr Corporation**, for C\$63 million in an all-stock transaction. The acquisition will give Terrace the opportunity to benefit from Flowr's strong growth potential, given its strong brand presence in Canada and position in the growing European medical cannabis market
- On October 19<sup>th</sup>, **Harborside Inc.**, a California-focused, vertically integrated cannabis enterprise, agreed to acquire a 50.1% equity stake in **FGW Haight**, a California-based corporation approved to operate a cannabis dispensary in the region, for US\$2.2 million, representing a pro-forma enterprise value of US\$4.4 million. Subject to regulatory approval, Harborside also agreed to purchase an additional 29.9% of the outstanding shares of FGW for US\$1.3 million, and has the right of first refusal to acquire the remaining 20% to solidify its presence in the Haight-Ashbury district in San Francisco
- On October 15<sup>th</sup>, **Fire & Flower Holdings**, an adult-use cannabis retailer, announced it has entered into a definitive agreement to acquire all of the issued and outstanding shares of **2673801 Ontario Inc.**, the owner and operator of a licensed cannabis retail store in Toronto for -C\$1 million. Additionally, the company agreed to acquire **BusBoy Ventures**, which owns and operates two licensed cannabis retail stores in North York, for -C\$1 million. The acquisitions will help Fire & Flower continue to execute on its retail growth strategy as it works towards achieving positive operating EBITDA in the near term

### 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	7,327	6,419	17.6x	12.4x	neg	neg	8.5 %	(23.4)%
Cronos Group Inc.	2,673	1,532	26.6x	11.5x	neg	neg	5.1 %	(36.4)%
Tilray, Inc.	1,003	1,396	6.2x	4.0x	neg	nmf	20.8 %	(72.8)%
Aphria Inc.	1,314	1,347	3.0x	2.4x	nmf	19.3x	(6.1)%	(28.0)%
Aurora Cannabis Inc.	567	822	3.8x	3.0x	neg	34.0x	7.7 %	(90.1)%
OrganiGram Holdings Inc.	244	271	4.1x	2.6x	neg	17.7x	4.4 %	(68.5)%
<b>Mean</b>			<b>10.2x</b>	<b>6.0x</b>	<b>na</b>	<b>23.7x</b>	<b>6.7 %</b>	<b>(53.2)%</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 22<sup>nd</sup>, it was reported that the 2020 harvest is nearly complete, with most prairie provinces reporting well ahead of the 3 and 5-year averages for this point of the season. Most notably, Alberta Agriculture reported that ~90% of the Alberta harvest was complete, compared to the 5-year average of 68%, and the Agricultural Producers Association of Saskatchewan reported that nearly 100% of the Saskatchewan crop has been harvested, exceeding the 5-year average of 83%
- On October 22<sup>nd</sup>, it was reported that a team of Australian and Scottish researchers discovered the potential to improve barley quality using a gene editing technique called CRISPR. The study involved using the technique to target genes that are potentially involved in controlling beta-glucan composition. The researchers were successful in altering the beta-glucan levels and experiencing no side effects, which demonstrates the future potential of safely applying gene editing techniques to modify the grain composition in barley
- On October 22<sup>nd</sup>, it was reported by the Canadian Organic Trade Association that organic acreage in Western Canada has started to decline after a significant growth period between 2014 and 2018. Saskatchewan experienced the largest decline in 2019, losing ~120,000 prairie organic acres, and Canada altogether reduced its acreage by ~112,000 acres
  - On October 22<sup>nd</sup>, the Association also reported expansion in the number of organic processors such as grain handlers, brokers, buyers, and exporters. The number has grown to 292 processors, representing a 2014-2019 CAGR of ~5.4%
- On October 21<sup>st</sup>, it was reported that the climate during the summer will result in an overall decline in Canadian potato yields for the year. Eastern Canada is expected to experience the largest decline, as PEI and New Brunswick were not equipped with proper irrigation systems, and some parts of PEI experienced as little as 15% of normal rainfall during the summer. Potato yields in PEI are expected to decline 15-25%, which would reduce production by ~5 million hundredweight, making it one of the lowest crops since 2001
- On October 19<sup>th</sup>, Grain Craft, an independent flour miller, is expanding a pilot program throughout the Southwestern US that allows bakers to replace high-priced spring wheat with high-quality, segregated, and preferred varieties of hard red winter wheat. Grain Craft recently completed a test using flour milled from the preferred varieties, and was approved to expand the program across the country. The program has the potential to establish a new paradigm in the milling industry and build a stronger chain throughout the grain export industry
- On October 19<sup>th</sup>, the Canadian Wheat Research Coalition (CWRC) announced it has reached a new 5-year funding agreement with Agriculture Canada, to spend C\$23 million over the duration of the agreement to support wheat breeding and a variety development efforts at Agriculture Canada. The agreement will ensure that wheat farmers in Western Canada will have access to new Agriculture Canada wheat varieties for 5 years. The funds will be used to develop field-ready Agriculture Canada wheat varieties in the Canadian Western Red Spring, Canadian Western Amber Durum, Canadian Prairie Spring Red, Canada Western Soft White Spring, and Canada Western Red Winter wheat classes
- On October 16<sup>th</sup>, it was reported that total exports for major Canadian grains and oilseeds have reached 9.6 million tonnes for the first 10 weeks of the 2020-2021 crop year, which is ~2 million tonnes more than the same time last year. Of this total, canola exports, wheat, and barley exports came in at 2.3 million, 3.9 million and 0.5 million tonnes, respectively, all of which are higher than the export figures for the same time last year

### Commodities Futures as of October 23<sup>rd</sup>, 2020

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$4.19	9.54 %	7.09 %
Wheat (CBOT)	\$ per bu.	\$6.33	10.96 %	12.94 %
Oats (CBOT)	\$ per bu.	\$3.04	6.87 %	1.85 %
Rough Rice (CBOT)	\$ per cwt.	\$12.51	(0.04)%	(4.98)%
Rapeseed (Canola) (ICE)	CAD per T	\$551.00	-	14.79 %
Ethanol (CBOT)	\$ per gal.	\$1.52	11.76 %	10.87 %





## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
The Coca-Cola Company	33.3%	Coca-Cola reported Q3 2020 results with net revenues of US\$8.7 billion, down 9% YoY, citing a 4% decline in concentrate sales, 3% decline in price/mix and ongoing pressure in away-from-home channels. On a comparable basis, operating margin increased to 30.4% compared to 28.1% in the previous year, primarily driven by effective cost management and partially offset by top-line pressure and currency headwinds. The company reported EPS of US\$0.40, down 33% YoY	US\$56.19	11.2%
The Unilever Group	(9.6%)	Unilever reported Q3 2020 results with an increase in underlying sales of 4.4% for the quarter, an improvement from its 0.3% decline in underlying sales in the previous quarter, primarily driven by hand and home hygiene products, as well as increased demand for food consumed at home. The company reported turnover of €12.9 billion, down 2.4% from the previous quarter. Underlying sales in developed markets increased by 3.1%, led by continued strength in the company's key North America market, while emerging markets increased by 5.3%, driven by China's recovery and a return to growth in India and Brazil	€54.00	5.7%
<b>Fertilizers &amp; Crop Inputs</b>				
Yara International ASA	nmf	Yara reported Q3 2020 results with revenue and other income of US\$3.1 million, down 11.7% YoY, primarily driven by lower nitrogen prices and off-season nitrate premiums. EBITDA, excluding special items, was US\$558 million, down 11.4% YoY from US\$630 million in Q3 2019, due to lower nitrogen prices and partially offset by energy cost savings and lower gas and ammonia costs. The company generated EPS, excluding foreign currency translation and special items, of US\$0.88 for the quarter, down 6.4% YoY from US\$0.94 in Q3 2019	US\$43.93	17.7%
<b>Cannabis &amp; Hemp</b>				
Aphria Inc.	130.6%	Aphria reported Q1 2021 results with record gross revenue for adult-use cannabis of C\$69.6 million in the first quarter, up 23% from Q4 2020, representing the segment's sixth consecutive quarter of growth. The company reported net revenue of C\$145.7 million, up 16% YoY but down 4% from the previous quarter, citing lower distribution revenue driven by COVID-19. Adjusted EBITDA was reported at C\$10.0 million, an increase of 17% from the prior quarter. During the quarter, Aphria announced an at-the-market equity offering allowing it to issue up to US\$100 million in shares, which the company intends to use for acquisition opportunities. The company also completed its first certified EU GMP shipment of dried flower to CC Pharma, a leading distributor of pharmaceutical products in Germany	C\$9.12	52.8%
The Valens Company Inc.	149.7%	The Valens Company reported Q3 2020 results with net revenue of C\$18.1 million, up 10% YoY. Product sales, which accounted for 83% of net revenue, increased by 52% from the previous quarter to C\$15.1 million. The company reported adjusted EBITDA and margin of C\$1.4 million and 7.8%, respectively, down from adjusted EBITDA of C\$9.8 million and margin of 59.4% in Q3 2019. This decline is attributable to continued pullback in toll extraction volumes as the company shifts its focus toward greater white label and custom manufacturing product volumes and sales, as well as increased operating expenses as the company continues to scale its operations	C\$4.25	169.0%
MedMen Enterprises Inc.	nmf	MedMen reported Q4 and FY 2020 results with net revenue of US\$27.4 million for the quarter, down 40% from Q3 2020, primarily due to the impacts of COVID-19, as well as rioting and looting in California, on the company's retail operations. The company reported an adjusted EBITDA loss of US\$23.3 million for the quarter, compared to a loss of US\$26.1 million in the previous quarter. Net revenue for FY 2020 was US\$157.1 million, up 31% YoY, while adjusted EBITDA loss was US\$116.1 million, compared to a loss of US\$169.3 million in the previous year	US\$0.18	60.8%





## COVID'S IMPACT ON CONSUMER FOOD TRENDS:

### PART 3 - THE DIGITAL TRANSFORMATION IN FOOD SERVICE

*Steve Bromley brings his deep understanding of consumer food trends to Origin's new series: "We're Still Eating". In Part 3 of the series, Steve examines the impact of the accelerated digital transformation on food service, 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.

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