



Agriculture Industry Flash

Thursday, April 18th, 2019

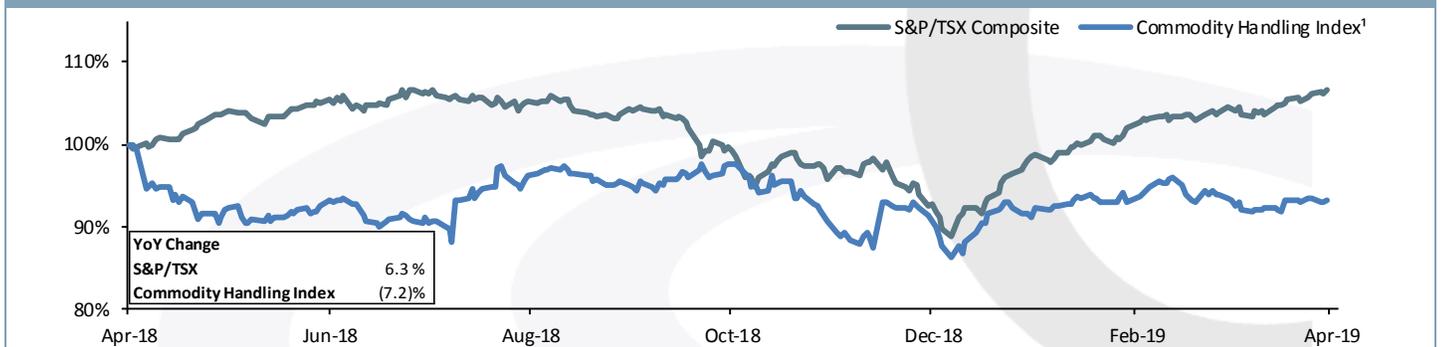


COMMODITY HANDLING

News Scan

- On April 18th, **Parrish & Heimbecker (P&H)** announced it plans to expand its Hamilton flour mill and grain terminal. The new expansion of the Hamilton site, which first came online in 2017, will effectively double its capacity and is expected to become operational in 2020. The expansion will make P&H the single largest user of Ontario wheat
 - Along with the news about the Hamilton facility, the company also announced it will be building a new fertilizer tower at Kerwood, Ont. The addition to the existing site will triple fertilizer blending capacity and adds micronutrient, N stabilizer, and liquid additive blending capabilities
- On April 12th, **Ardent Mills** announced plans to build a flour mill and grain storage terminal in Tampa Bay. The US\$62 million facility will replace the current mill located in downtown Tampa. The new facility, which will have 31 full-time staff, is expected to become operational in 2021
- On April 5th, **GrainsConnect Canada** announced that its first high-speed train loading terminal is open and fully operational in Vergeville, Alberta. The Vergeville site is a 35,000 tonne grain terminal with the ability to load 134 rail cars in under 14 hours. GrainsConnect Canada is headquartered in Calgary, Alberta and is a joint-venture of **GrainCorp** and **Zen-Noh Group**
- On April 4th, **GrainCorp** announced its intention to demerge its global malting business. The proposed demerger would result in two independent ASX-listed companies. The first would be **MaltCo.**, a global malting and craft brewing distribution business and the second would be **New GrainCorp.**, a domestic and international grain handling, storage, trading and processing business

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
ADM	24,106	32,873	8.0x	7.5x	12.4x	11.6x	0.0%	(17.3)%
Bunge Limited	7,292	13,691	8.6x	7.7x	18.3x	13.1x	0.0%	(33.0)%
Graincorp Limited	1,507	2,184	13.1x	9.7x	nmf	21.9x	0.0%	(7.6)%
The Andersons, Inc	1,222	2,193	7.4x	7.0x	14.3x	12.4x	0.0%	(21.3)%
Ceres Global Ag	96	150	na	na	na	na	0.0%	(3.2)%
Mean			9.3x	8.0x	15.0x	14.8x	0.0%	(16.5)%

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

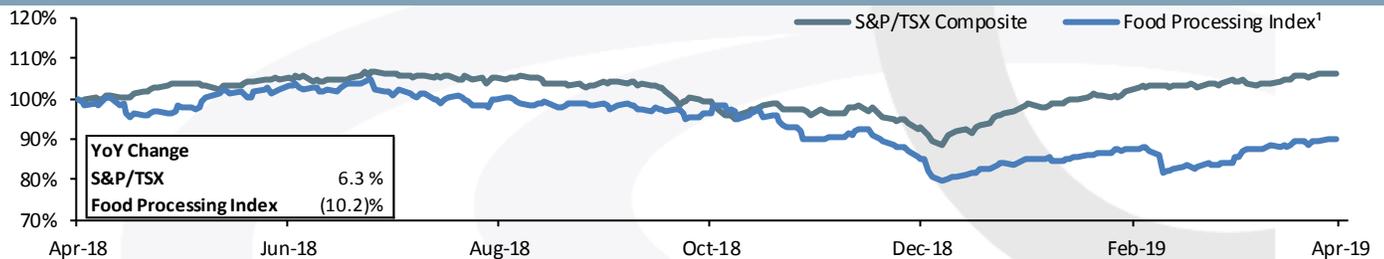


FOOD PROCESSING

News Scan

- On April 15th, **Butterfly Equity**, a private equity firm with a focus on the food sector, agreed to acquire **Bolthouse Farms** from **Campbell Soup** for US\$510 million. Bolthouse manufactures carrots, refrigerated premium beverages and salad dressings
- On April 12th, **Danone** signed a definitive agreement for the sale of **Earthbound Farms**, its US organic salad business, to California-based **Taylor Farms** for an undisclosed sum. Earthbound generated approximately US\$400 million in sales in 2018
- On April 12th, **Sysco Corporation** announced that it has acquired **J&M Wholesale Meats** and **Imperio Foods Inc.**, for an undisclosed amount. Sysco management noted that the acquisition will be complementary to Sysco's existing California business and will help extend its reach into the Hispanic customer segment
- On April 9th, reports indicated that Italian food group **Newlat** is eyeing **Kraft Heinz's** Plasmon division following its recent IPO. Newlat is already a supplier of Plasmon and has completed several deals in the past decade that has boosted its annual sales from €20 million to €350 million. Kraft's Plasmon division is estimated to be worth around €600 million
- On April 8th, **Maple Leaf Foods** announced plans to construct a US\$310 million plant-based protein food processing facility in Shelbyville, Indiana. At approximately 230,000 square feet, it will be the largest facility of its kind in North America. The Company will also invest US\$26 million to keep pace with ongoing growth in demand at its existing facilities. Construction of the 57-acre property is expected to start in late spring 2019 with production expected to begin in the fourth quarter of 2020
- On April 2nd, **SunOpta** announced that it acquired **Sanmark B.V.**, a sourcing and trading business focused on organic oils for the food, pharmacy, and cosmetic industries. The acquisition is expected to further diversify SunOpta's global oils desk and provide greater access to high-end specialty markets. The transaction was valued at €3.0 million on a debt-free basis, and was financed through existing credit facilities. Sanmark is expected to generate €10.0 million in revenue in 2019

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
George Weston Limited	11,660	29,147	8.3x	8.0x	14.7x	13.6x	(0.4)%	(9.1)%
ConAgra Foods, Inc.	14,636	25,930	12.4x	11.8x	14.9x	12.7x	2.5%	(23.6)%
Ingredion Incorporated	6,232	8,077	8.1x	7.7x	13.3x	12.3x	(0.8)%	(28.7)%
Tate & Lyle plc	4,445	4,882	8.1x	7.9x	14.1x	13.6x	0.4%	(0.3)%
Premium Brands	1,897	2,766	11.6x	10.5x	17.6x	15.1x	(4.3)%	(38.4)%
Maple Leaf Foods Inc.	2,821	3,110	9.8x	9.1x	20.0x	18.2x	0.2%	(11.4)%
SunOpta Inc.	284	886	17.0x	14.8x	neg	neg	(4.6)%	(63.7)%
Rogers Sugar	478	726	9.1x	8.8x	12.6x	12.1x	1.0%	(1.5)%
Mean			10.7x	10.0x	15.7x	14.3x	(1.0)%	(25.0)%

¹ "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate & Lyle, Maple Leaf Foods, Premium, SunOpta, and Rogers Sugar.

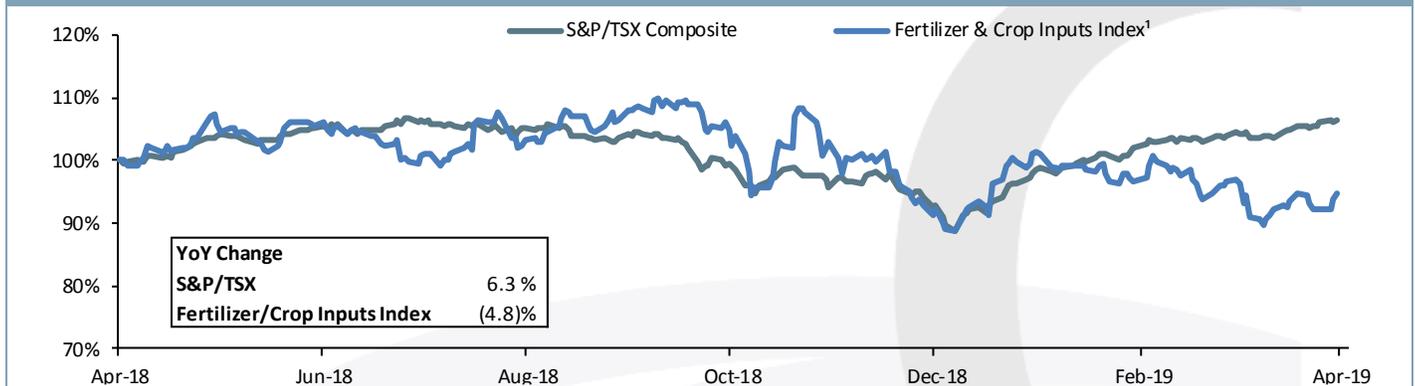


FERTILIZERS & CROP INPUTS

News Scan

- On April 11th, **BASF Agricultural Solutions**, a division of **BASF** which provided crop protection agents such as herbicides, fungicides and insecticides, announced that it is moving its head office to Calgary, from Mississauga Ontario. The move to Calgary follows the acquisition of a range of businesses and assets from **Bayer** in 2018 and allows BASF to be closer to its customer base
- On April 11th, **The Mosaic Company** announced the idling of its Brazilian mines as the company has enough rock and finished product inventory to meet near-term market requirements. The company is taking these actions to comply with new Brazilian regulations governing mine tailings dams. Mosaic has filed an application for the extension of the deadline for the submission of the Stability Condition Statements for three of its dams. The company has yet to receive final agreement on the requested extensions

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Nutrien Ltd.	31,166	38,805	8.2x	7.7x	17.4x	15.4x	(4.1)%	(8.4)%
CF Industries Holdings, Inc.	8,976	15,799	9.0x	8.1x	17.1x	13.8x	(2.2)%	(25.2)%
Yara International ASA	11,092	15,114	6.8x	5.8x	13.7x	10.4x	0.1%	(10.9)%
The Mosaic Company	10,482	14,433	6.1x	5.7x	11.9x	10.3x	(2.6)%	(27.7)%
Nufarm Ltd.	1,262	2,237	6.5x	5.8x	12.6x	9.4x	(0.4)%	(48.5)%
Input Capital Corp.	53	52	na	na	na	na	(2.4)%	(47.7)%
Mean			7.3x	6.6x	14.5x	11.9x	(1.9)%	(28.1)%

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

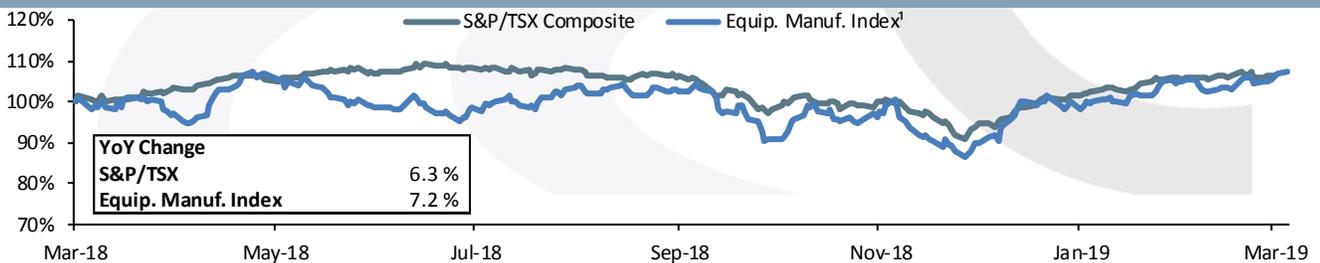


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On April 15th, **Quebec Stevedoring Company (QSL)**, a maritime terminal operator, announced its continued expansion in the Sorel-Tracy area in Quebec with C\$15 million in investments. The Sorel-Tracy terminal is a natural multimodal hub that connects to rail and local highways. The investment is in response to the growing demand in steel, oversized cargo shipment and agricultural product
- On April 15th, **TeleSense**, a California-based IoT company that provides solutions for improving grain storage, announced that it has acquired **Webstech**, a Denmark-based wireless sensor technology company, for an undisclosed amount. The acquisition provides access to the European market along with additional historical data to help improve safety and profitability across the global grain ecosystem
- On April 15th, **Cervus Equipment Corporation** announced that Angela Lekatsas will succeed Graham Drake as President and CEO of the company, following Mr. Drake's planned retirement in May 2019. Ms. Lekatsas has been a member of the board of Cervus since 2013 and has over 15 years of experience in the agriculture, manufacturing, mining and distribution industries. Most recently, Ms. Lekatsas was Vice President of Merger Integration at Nutrien and was responsible for capturing \$500 million in synergies
- On April 11th, **CN Rail** announced a series of investments totaling US\$585 million to expand and strengthen rail infrastructure across the United States. Investments are targeting several states including Illinois, Louisiana, Wisconsin, Tennessee and Minnesota. The investment program is expected to enable growth across all commodity segments and improve the safe and efficient movement of goods to their end markets
- On April 10th, **AgJunction**, a leading provider of autosteering solutions for precision-ag based in Arizona, announced the consolidation of several facilities in California and Australia and the reduction of its workforce. The consolidation comes as the company continues to focus on its core strategy to grow the market for autosteering while improving operational efficiency. The company expects to reduce headcount by 25% in California and Australia

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
	Cap	TEV	2019E	2020E	2019E	2020E		
Deere & Company	52,695	57,388	11.2x	9.7x	21.5x	14.4x	4.3%	(1.4)%
AGCO Corp	5,567	7,015	7.6x	7.0x	15.6x	13.5x	3.4%	(0.5)%
Ag Growth International Inc.	844	1,352	10.2x	9.1x	17.2x	14.5x	(2.6)%	(6.8)%
Rocky Mountain Dealerships	136	161	5.1x	4.6x	8.9x	7.8x	0.2%	(26.2)%
Cervus Equipment Corporation	151	189	3.5x	3.4x	8.0x	7.3x	(3.6)%	(14.0)%
Mean			7.5x	6.8x	14.3x	11.5x	0.3%	(9.8)%

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

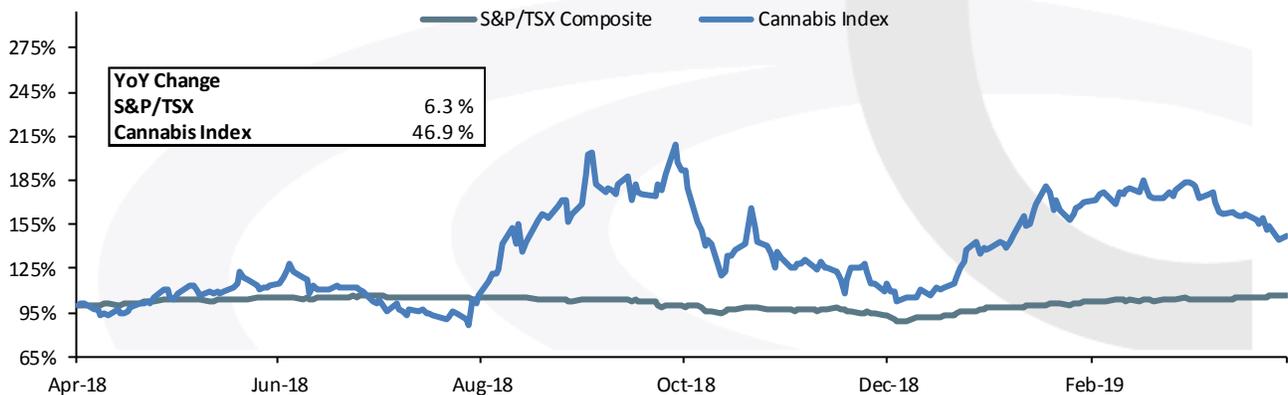


CANNABIS AND HEMP

News Scan

- On April 16th, **Canopy Growth Corp** announced it completed an all-cash acquisition of Spanish licensed cannabis producer **Cáñamo y Fibras Naturales, S.L.** The company also does research and development on hemp seed products. The acquisition will expand Canopy's production footprint in Europe, complementing its existing 430,000 square foot licensed production site in Odense, Denmark. Financial terms were not disclosed
- On April 16th, **Aurora Cannabis** announced that it will acquire the remaining shares of **Hempco Food and Fiber**, at C\$1.04 per share reflecting a valuation of approximately C\$63.4 million. Hempco is expected to provide Aurora with low-cost, high-volume access to hemp for the extraction of CBD. Aurora completed its first investment in Hempco in 2017 and has subsequently expanded its hemp-based infrastructure through its acquisition of Agropro, Europe's largest producer of organic hemp and hemp-based products
- On April 2nd, **Vertical Companies**, a leading vertically-integrated cannabis and hemp distribution company, announced the closing of its Series A Financing Round at US\$58 million. The Company upsized its original US\$20 million Series A due to investor demand. The capital is being used to build out Vertical's multi-state infrastructure and bring its brands to market
- The Texas Department of State Health Services (DSHS) added a notice to a state register that it would amend its definition of marijuana to carve out hemp with no more than 0.3% THC. The agency said the change would align Texas' definitions with the new federal standard adopted in the 2018 Farm Bill. However activists are still wary as hemp still remains in the Texas penal code and the state does not expressly authorize hemp farming and manufacturing

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Canopy Growth Corporation	14,692	12,919	26.3x	13.8x	neg	58.6x	(5.0)%	(11.1)%
Aurora Cannabis Inc.	8,920	9,252	24.3x	11.0x	neg	41.1x	(9.4)%	(31.0)%
Aphria Inc.	2,289	2,238	5.1x	3.2x	77.8x	13.7x	(0.2)%	(11.9)%
CannTrust Holdings Inc.	854	821	6.1x	3.9x	22.0x	11.8x	(6.5)%	(28.2)%
Cronos Group Inc.	6,119	5,349	65.6x	27.8x	nmf	79.7x	(13.6)%	(51.8)%
Tilray, Inc.	6,156	6,546	31.1x	14.7x	neg	nmf	(3.1)%	(39.1)%
Mean			26.4x	12.4x	49.9x	41.0x	(6.3)%	(28.8)%

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

- According to the Oilseeds and Products Annual released by the Foreign Agricultural Service of the **United States Department of Agriculture (USDA)**, Ukrainian farmers are expected to plant less soybeans in the 2019-20 market year due to the changes in national tax legislation. The planted area is expected to decline by approximately 11% compared to previous year, which is equal to an estimated 1.6 million hectares. Soybean production is also forecasted to drop to 3.5 million, representing a 22% decline. Overall soybean exports is expected to drop below the historical 50% to 37%
- The **Canola Council of Canada** stated that canola oil and meal sales continue to be executed in China but exporters are paying approximately C\$30,000 a day in demurrage fees
 - On April 4th, the Canada's Canola Working Group held their first meeting. The group is composed of the president of the Canadian Food Inspection Agency, the president of **Canadian Canola Growers Association**, deputy ministers from the provinces of Alberta, Saskatchewan, and Manitoba as well as other senior government and industry officials. Topics of discussion includes discussion on future opportunity to expand into new markets and reviewed support available to affected producers
- On April 12th, the **USDA** released the Argentina **Global Agricultural Information Network (GAIN)** report stating that producers experienced increased inflation, and a massive devaluation of the Argentine peso which has adversely impacted their production in the 2018-19 marketing year. Export taxes overall has increased between 3 to 6 percentage points. At the same time, USDA forecasts soybean planted area to decline by 1% to 17.8 million hectares due to greater area competition from corn
- On April 8th, the **USDA** published the GAIN report and stated Brazil's corn production is expected to increase by 18% due to expanded acreage and good weather during the safrinha growing season. Total production is estimated at 95 million tonnes in 2018-19 and 97.5 million tonnes in 2019-20. Safrinha is estimated to account for 72% of the nation's corn production in 2018-19
- On April 8th, the **USDA** forecasted in its Global Agricultural Information Network report on April 5th, that the Dominican Republic is forecasted to increase wheat consumption to 422,000 tonnes in 2019-20, up from 415,000 in the previous year. The country has one of the highest per capita wheat and wheat products consumption rates in Latin America
- On April 4th, the **Saudi Agricultural and Livestock Investment Company (SALIC)** announced it has acquired nearly half a million acres of farmland in Western Australia's wheatbelt, financial terms were not disclosed. The deal was announced after receiving approval from Australia's Foreign Investment Review Board
- On April 2nd, the **Agricultural Producers Association of Saskatchewan (APAS)** announced at its annual policy convention that the crop sector is expected to see a C\$2 to C\$4 increase in production cost per acre. The cost increases are attributed to increased consumption of propane or natural gas used for dry harvested grains, transporting grain to various delivery points and on-farm electricity consumptions

Commodities Futures as of April 18th, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.67	1.45 %	(2.33)%
Wheat (CBOT)	\$ per bu.	\$4.50	(2.70)%	(11.15)%
Oats (CBOT)	\$ per bu.	\$3.00	7.63 %	7.73 %
Rough Rice (CBOT)	\$ per cwt.	\$10.73	(1.20)%	3.67 %
Rapeseed (Canola) (ICE)	CAD per T	\$458.70	0.46 %	(6.16)%
Ethanol (CBOT)	\$ per gal.	\$1.35	0.30 %	5.49 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizers & Crop Inputs				
Itafos	nmf	FY2018 results were positively impacted by strong operational performance, including setting highest ever production rates in October 2018. The company recorded revenue of C\$302 million for FY2018, supported by offtake agreements with Agrium. The company realized adjusted EBITDA of C\$34.1 million supported by its efficiency improvement plan following production challenges in Q3 2018. EPS was negatively impacted by impairments and lower projected run-rate EBITDA due to margin compression	C\$2.00	166.7%

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