



Agriculture Industry Flash

Wednesday, July 31st, 2019

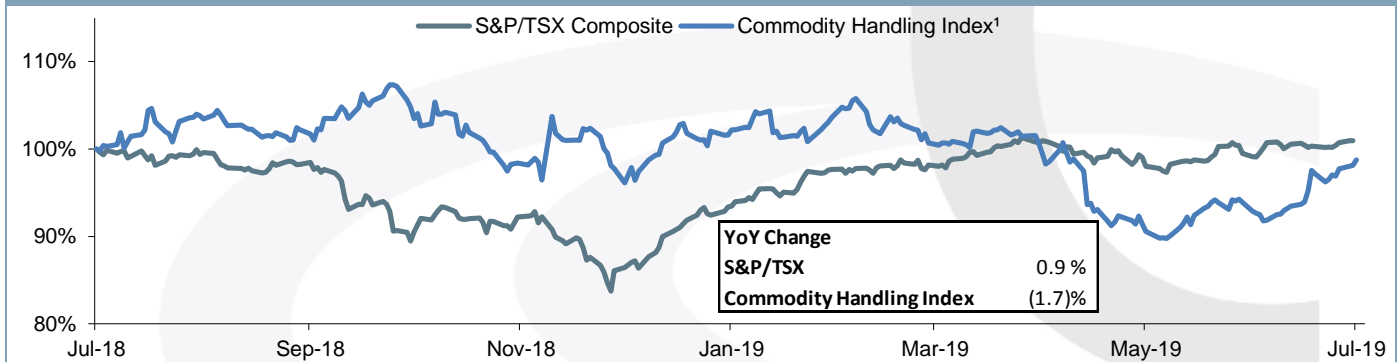


COMMODITY HANDLING

News Scan

- On July 29th, **SAGO**, Saudi Arabia's state grain buyer, announced it will begin the next phase of the sale of its flour mills on July 31st, where pre-qualified bidders will perform due diligence and present financial offers. The sale has attracted interest from some of the world's largest agribusiness firms including **ADM** and **Bunge Ltd.** More details on the size of the sale will be available following the official start date of the sale phase on July 31st
- On July 25th, the **Australian Competition and Consumer Commission (ACCC)** raised preliminary concerns regarding **ANZ Terminals'** proposed acquisition of **GrainCorp Liquid Terminals Australia** for A\$350 million. The ACCC expressed that the acquisition would remove a significant competitor in the already concentrated industry in New South Wales, Victoria, and South Australia, leading to potentially higher prices and lower levels of service
- On July 22nd, **Bunge PLC**, a global agribusiness company, and **BP PLC**, a British energy company, announced it will merge its Brazilian sugar and ethanol operations to create the world's third-largest sugarcane processor, with Bunge to receive \$775 million as part of the agreement. The companies will jointly manage 11 cane processing plants in Brazil with the capacity to crush 32 million tonnes per year
- On July 8th, **ILTA Grain Inc.**, an independent processor of pulse crops in Western Canada, was granted creditor protection under the Companies' Creditors Arrangement Act (CCAA) at the Supreme Court of British Columbia. ILTA owns six pulse processing facilities throughout Saskatchewan. On July 18th, ILTA received Court approval to conduct a sale and investment solicitation process ("SISP") and has engaged **Origin Merchant Partners** to sell the company's operating assets

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 |
| ADM | 22,726 | 32,044 | 7.9x | 7.3x | 13.0x | 11.1x | 1.1% | (22.0)% |
| Bunge Limited | 7,795 | 14,717 | 9.2x | 8.4x | 19.5x | 14.2x | 2.0% | (21.3)% |
| Graincorp Limited | 1,276 | 2,489 | 20.8x | 12.3x | neg | 27.0x | (0.5)% | (13.2)% |
| The Andersons, Inc | 874 | 2,386 | 9.5x | 8.0x | 16.6x | 11.4x | 4.0% | (35.7)% |
| Ceres Global Ag | 84 | 149 | na | na | na | na | 1.9% | (0.8)% |
| Mean | | | 11.9x | 9.0x | 16.4x | 15.9x | 1.7% | (18.6)% |

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

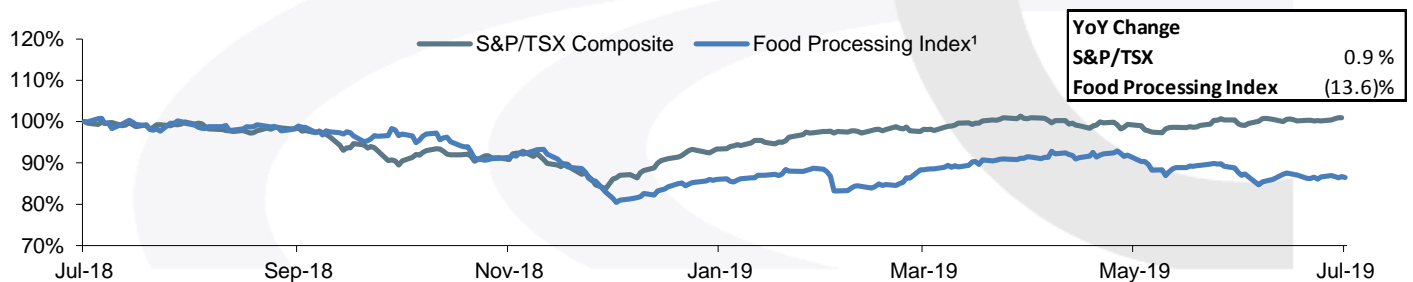


FOOD PROCESSING

News Scan

- On July 30th, **Danone**, a leading supplier of dairy products, announced its intention to triple plant-based product sales from €1.7 billion to €5 billion by 2025 and continue its focus on health and sustainability
- On July 29th, **Satake Corporation**, a manufacturer and seller of machinery for food processing, completed a rice processing plant for **Cheng Yi Agventures**, a rice processor based in the Philippines. The processor is the largest rice milling facility in the Leyte Island region, with ten 30-tonne grain dryers and 7 tph processing lines
- On July 29th, **Beyond Meat** announced plans for a secondary offering of 3.25 million shares. Proceeds will be used to expand manufacturing facilities to better respond to the growing demand for its meat alternatives
- On July 25th, **Ebro Foods**, a leader in the Spanish food processing sector, announced the divestiture of its organic foods business to **Midsona**, a Sweden-based developer, producer, and marketer of organic products, for approximately €57.5 million. The divestiture allows Ebro Foods to concentrate its resources in promoting its premium, fresh and convenience business
- On July 25th, **Emmi Group**, a Swiss milk processor, acquired **Pasticceria Quadrifoglio**, an Italian dessert producer, for an undisclosed amount. Emmi Group hopes the acquisition will support and expand its existing dessert network with additional production and distribution capabilities
- On July 24th, **Jollibee Foods Corp.** announced the acquisition of U.S.-brand, **Coffee Bean & Tea Leaf (CBTL)**, an LA-based coffee chain from private equity firm, **Advent International**, for US\$100 million as part of its international expansion strategy. CBTL has presence in 27 countries and will be Jollibee's largest and most multinational acquisition to date
- On July 19th, **PepsiCo** announced it will acquire **Pioneer Foods**, a South African processor of grain-based products, juices, and other foods, for US\$1.8 billion. Pioneer has an extensive brand and asset portfolio in South Africa, Nigeria, and Kenya, providing PepsiCo an increased presence in sub-Saharan Africa

Relative Performance Index



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|------------------------|--------|--------|--------------|-------------|----------------|--------------|---------------|----------------|
| | Cap | TEV | 2019E | 2020E | 2019E | 2020E | Price | 52Wk High |
| George Weston Limited | 11,557 | 26,788 | 6.3x | 6.3x | 14.2x | 13.1x | 4.7 % | (5.1)% |
| ConAgra Foods, Inc. | 12,362 | 22,760 | 11.4x | 10.2x | 13.6x | 11.4x | 0.9 % | (24.5)% |
| Ingredion Incorporated | 5,388 | 7,290 | 7.6x | 7.3x | 11.9x | 11.1x | (2.3)% | (26.9)% |
| Tate & Lyle plc | 4,236 | 4,623 | 7.9x | 7.7x | 13.8x | 13.7x | (1.4)% | (6.8)% |
| Premium Brands | 2,548 | 3,445 | 13.7x | 12.2x | 23.4x | 19.5x | 0.3 % | (9.8)% |
| Maple Leaf Foods Inc. | 2,693 | 3,272 | 10.9x | 9.2x | 24.4x | 19.2x | 3.7 % | (13.4)% |
| SunOpta Inc. | 278 | 818 | 16.3x | 12.6x | neg | neg | (9.3)% | (66.9)% |
| Rogers Sugar | 452 | 714 | 9.7x | 8.9x | 14.0x | 11.8x | 1.1 % | (8.0)% |
| Mean | | | 10.6x | 9.4x | 16.9x | 14.7x | (0.5)% | (21.9)% |

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.

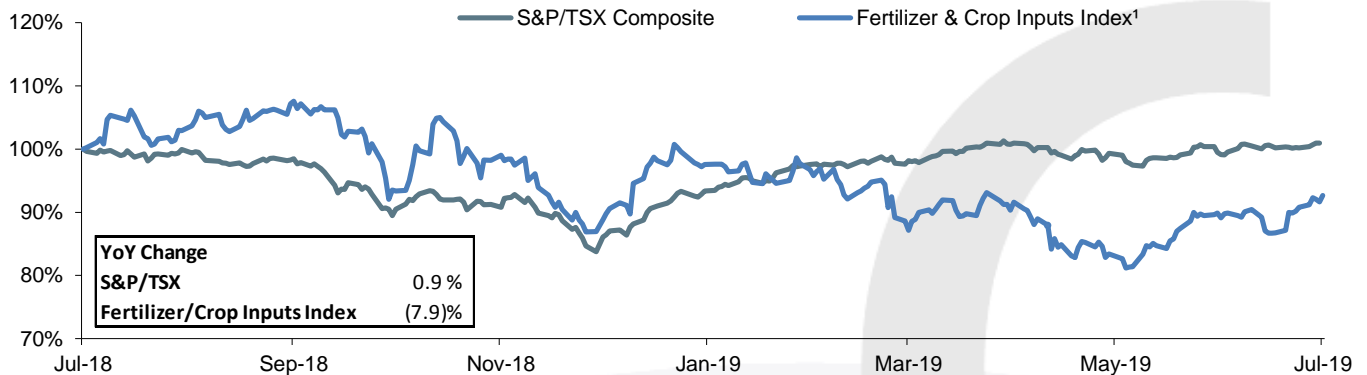


FERTILIZERS & CROP INPUTS

News Scan

- On July 25th, **Blackham Resources Ltd** agreed to sell its Lake Way tenements, cancel its brine royalty, and provide certain water rights to **Salt Lake Potash Ltd** for A\$10 million cash. The companies identified a mutual opportunity for Salt Lake to utilize part of the pre-strip material for evaporation ponds from Blackham's proposed Williamson Pit development
- On July 22nd, **Sirius Minerals** announced an intention to launch a US\$500 million bond issuance of senior secured notes due in 2027 as part of its Stage 2 Financing. The funding will be used towards the construction and development of a polyhalite mine in North Yorkshire, UK

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|------------------------------|--------|--------|-------------|-------------|----------------|--------------|-------------|----------------|
| | Cap | TEV | 2019E | 2020E | 2019E | 2020E | Price | 52Wk High |
| Nutrien Ltd. | 31,681 | 42,482 | 9.2x | 8.5x | 18.5x | 15.8x | (0.5)% | (12.1)% |
| CF Industries Holdings, Inc. | 10,422 | 17,191 | 10.3x | 9.2x | 24.0x | 16.6x | 2.1% | (14.8)% |
| Yara International ASA | 12,733 | 16,753 | 7.3x | 6.3x | 14.8x | 11.7x | (1.5)% | (3.9)% |
| The Mosaic Company | 9,409 | 14,028 | 6.7x | 5.8x | 15.6x | 10.7x | 0.4% | (34.9)% |
| Nufarm Ltd. | 1,069 | 2,022 | 6.0x | 5.4x | 8.9x | 8.7x | 7.4% | (36.2)% |
| Input Capital Corp. | 50 | 50 | na | na | na | na | 7.3% | (26.7)% |
| Mean | | | 7.9x | 7.0x | 16.4x | 12.7x | 2.5% | (21.4)% |

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

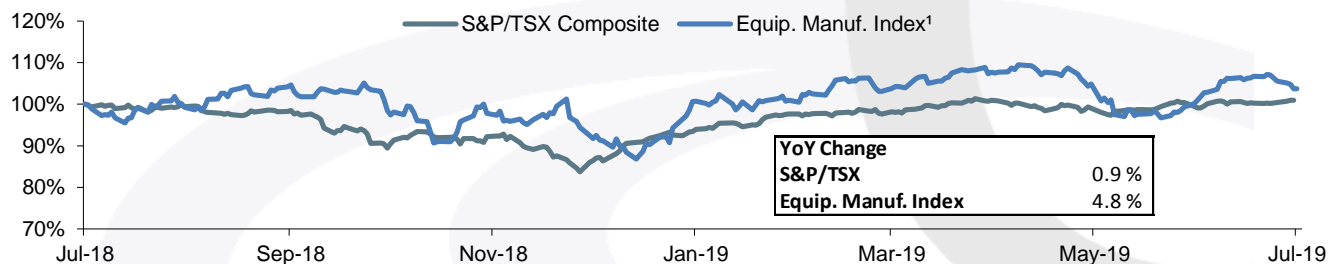


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On July 26th, **AGROdeviate**, a Nebraskan farm equipment manufacturer, announced its acquisition of the StripCat family of products from **Twin Diamond Industries** for an undisclosed amount. With the acquisition, AGROdeviate will produce StripCat products under its Hawkins Ag brand, expanding its overall product line
- On July 26th, **Agrisolutions**, a global manufacturer for farm equipment, announced it will acquire **U.S Manufacturing (USM)**, a manufacturer of hammer mill components, for an undisclosed amount. USM's seven product patents will help increase Agrisolutions' current product offering
- On July 23rd, **Sidel**, an Italy-based provider of equipment and packaging solutions services, acquired **Cognac Moules Emballages Plastiques (COMEP)**, a France-based designer of plastic and glass bottles for beverage companies. Sidel believes the acquisition will enlarge its set of capabilities and extend its molding and tooling portfolio to offer complete packaging solutions
- On July 17th, **The Middleby Corporation**, an Illinois-based foodservice equipment manufacturer, announced it will acquire Pennsylvania-based **Packaging Progressions (Pacproinc)** for an undisclosed amount. The acquisition expands Middleby's portfolio of automated packaging technologies in the protein and baking segments
- On July 17th, **Ag Growth International**, a Winnipeg-based farm equipment supplier, announced a US\$15 million investment in **Farmobile Inc.**, a Kansas-based agriculture technology company. The investment will expand Ag Growth's current technology platform, providing customers with standardization, control, and monetization of data

Relative Performance Index



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|------------------------------|--------|--------|--------------|-------------|----------------|--------------|---------------|----------------|
| | Cap | TEV | 2019E | 2020E | 2019E | 2020E | Price | 52Wk High |
| Deere & Company | 52,247 | 56,098 | 10.6x | 9.9x | 17.8x | 14.6x | (2.4)% | (0.4)% |
| AGCO Corp | 5,978 | 7,873 | 8.5x | 8.0x | 15.8x | 14.2x | (3.9)% | (4.1)% |
| Ag Growth International Inc. | 766 | 1,319 | 10.2x | 8.9x | 16.9x | 13.4x | 0.5 % | (16.3)% |
| Rocky Mountain Dealerships | 111 | 497 | 19.2x | 16.3x | 10.5x | 7.6x | (3.3)% | (38.8)% |
| Cervus Equipment Corporation | 141 | 257 | 4.9x | 4.5x | 9.1x | 7.6x | (6.7)% | (24.6)% |
| Mean | | | 10.7x | 9.5x | 14.0x | 11.5x | (3.2)% | (16.8)% |

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



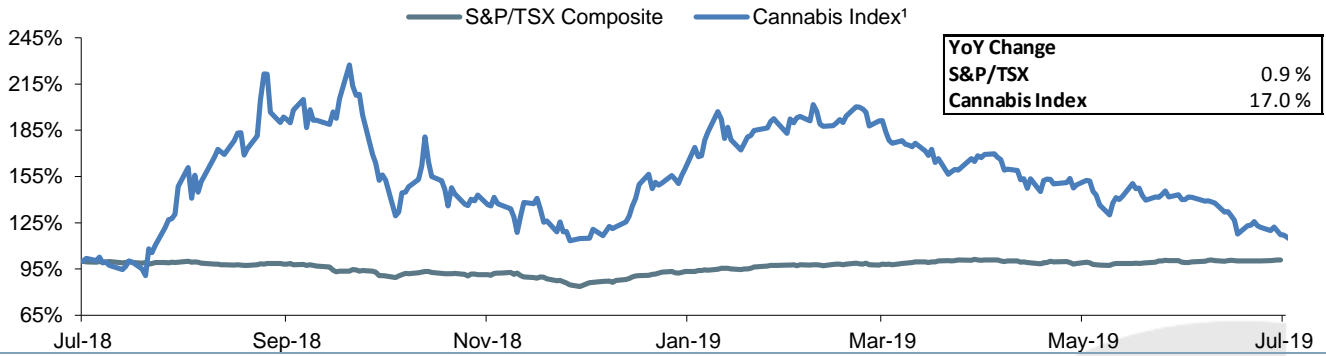
CANNABIS AND HEMP

News Scan

- On July 26th, **CannTrust Holdings**, a vertically-integrated licensed producer of Cannabis, announced that the board has terminated its CEO with cause and forced the resignation of its Chairman amid allegations of violating Health Canada's licensing regulations. CannTrust has announced an interim CEO and hired an advisor to assist in reviewing strategic alternatives
 - On July 29th, it was announced that trading records indicate a holding company controlled by the ex-Chairman and another director sold approximately \$6 million worth of CannTrust shares after the ex-Chairman was informed of unlicensed cannabis growing operations
- On July 25th, **Auxly Cannabis Group Inc.**, an international cannabis company, announced that **Imperial Brands PLC** will invest approximately C\$123 million in the Company and grant global licenses to Imperial's vaping technology and access to its vapor innovation business, **Nerudia**. The partnership will help to accelerate the delivery of Auxly's business plan to focus on developing derivative products ahead of significant regulatory change to the Canadian cannabis market
- On July 24th, **Fire & Flower Holdings Corp.**, a leading cannabis retailer, announced that **Alimentation Couche-Tard Inc.** will invest approximately \$26 million in the form of convertible debentures and will also receive common share purchase warrants, which, if exercised in full would subsequently increase Couche-Tard's ownership interest to 50.1% on a fully-diluted basis and provide more than \$380 million in growth capital to Fire & Flower
- On July 24th, the **Quebec Government** announced that the province is proposing to ban the sale of cannabis candies, confections, desserts, including chocolate and "any other product that is attractive to minors" as the federal regulations on cannabis edibles, topical products and extracts are set to go into effect on October 17th
- On July 23rd, **Sundial Growers Inc.**, an Alberta-based licensed producer of cannabis, announced it has launched an IPO of its common shares on the **Nasdaq**. Sundial is offering 10 million common shares at a price estimated to be between US\$12 - US\$14 per common share
- On July 22nd, **GTEC Holdings** announced it will acquire **Canopy Growth's** facility in Kelowna, BC for C\$13 million. The facility is estimated to increase GTEC's annual production capacity by 4,000 kg, bringing the Company's total projected annual output to 18,000 kg by 2020
- On July 18th, **Young Living Essential Oils**, a Utah-based distributor of essential oils, announced the acquisition of **Nature's Ultra**, a provider of CBD-infused products. Nature's Ultra has more than 1,500 acres of hemp farms in Colorado and the acquisition expands Young Living's product line to CBD and complement its existing portfolio
- On July 17th, **Curaleaf Holdings Inc.** announced its intention to acquire **Grassroots Companies Inc.**, the largest private vertically-integrated multi-state operator, in a cash and stock deal valued at approximately US\$875 million. The acquisition combines the largest public and private multi-state operators in the US, expanding Curaleaf's presence from 12 to 19 states
- On July 17th, **The Supreme Cannabis Company** announced its agreement to acquire **Truverra Inc.**, a Toronto-based cannabis company in an all-share deal for C\$20 million. Truverra will serve as Supreme Cannabis' global medical brand, with existing operations in the Netherlands



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|---------------------------|--------|--------|--------------|--------------|------------|--------------|-------------|----------------|
| | Cap | TEV | 2019E | 2020E | 2019E | 2020E | Price | 52Wk High |
| Canopy Growth Corporation | 13,988 | 12,727 | 30.3x | 13.3x | neg | neg | (0.5)% | (40.1)% |
| Aurora Cannabis Inc. | 7,900 | 8,202 | 24.6x | 11.8x | neg | 50.6x | 2.1% | (48.0)% |
| Aphria Inc. | 1,762 | 1,670 | 5.2x | 2.9x | neg | 17.3x | (1.5)% | (67.1)% |
| CannTrust Holdings Inc. | 678 | 475 | 5.1x | 3.2x | neg | 13.5x | 0.4% | (80.6)% |
| Cronos Group Inc. | 5,222 | 3,660 | 96.2x | 27.3x | neg | 91.6x | 7.4% | (40.7)% |
| Tilray, Inc. | 4,486 | 4,445 | 25.0x | 12.2x | neg | nmf | 7.3% | (86.0)% |
| Mean | | | 31.1x | 11.8x | na | 43.2x | 2.5% | (60.4)% |

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



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On July 29th, it was announced that regions across the east coast of Australia are enduring one of the most intense droughts in history, forcing farmers to question their future survival. The **Federal Government** passed legislation last week to set up a A\$5 billion **Future Drought Fund** to provide investment in research to develop more sustainable and resilient farming methods
- On July 29th, **Bloomberg** reported that China imported 5.9 million tons of soybeans from the U.S in the first half of the year, which is the lowest level of imports for the past 15 years due to ongoing tensions between the nations
- On July 29th, **Nutrien Limited**, a Canadian fertilizer producer, cut its 2019E adjusted net earnings range from \$2.80-\$3.20 per share to \$2.70-\$3.00 per share. The Company cites lower potash volumes from floods in the U.S Midwest delaying the spring planting season and the ongoing U.S-China trade war
- On July 26th, the **General Administration of Customs in China** announced they have approved wheat and soybean imports from Kurgan, Russia. This announcement comes after customs halted U.S soy imports as trade disputes deepen between the two countries. The approval brings Russia a step closer to its goal of increasing grain exports
- On July 25th, **Canada West Foundation** expressed its concerns regarding the rapid growth of plant-based protein and Western Canada's ability to support demand. According to **Dalhousie University**, agriculture does not adapt quickly, and crops used in plant-based protein such as peas are struggling to keep up with the demand surge
- On July 25th, the **Manitoba Agricultural Services Corporation** indicated that soybean acres will be 1.39 million in 2019, compared to 1.89 million acres planted in 2018 and 2.3 million in 2017. Poor soybean yields in the last couple of years is a result of dry summers and a lack of rain in late July, a crucial time for pod fill. Recent improvements in moisture, however, have improved the growing conditions and will hopefully help to improve yield moving forward
- On July 25th, the **Animal Feed Manufacturers Association (AFMA)**, the official industry representative body of the South African feed industry, announced that South Africa's livestock industry is likely to create demand for feed additives as a result of a surge in demand for quality meat products and a spike in consumer spending. According to statistics, 2017-18 showed negative sales growth of only 0.7% compared to a drop of 6.2% from 2016-17
- On July 23rd, it was announced that canola in Western Canada will be weather delayed due to dry conditions at seeding and cold weather in mid-May. Corn yields are also expected to be 3-4% lower than last season's due to crops showing signs of deterioration from droughts and hot weather
- On July 22nd, members of **Grain Growers of Canada (GGC)** expressed their disappointment at the lack of response to the industry's call for Business Risk Management (BRM) Programming. With modern grain farming being highly volatile based on weather shifts, grain farmers are hoping that **Federal and Provincial Agriculture Ministers** are in talks towards implementation of recommended solutions in regards to BRM programs

Commodities Futures as of July 26th, 2019

| Commodities Futures | Price Unit | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|-------------|---------------------|---------------|--------------|
| Corn (CBOT) | \$ per bu. | \$4.25 | 0.47 % | 12.97 % |
| Wheat (CBOT) | \$ per bu. | \$4.96 | (3.08)% | (2.12)% |
| Oats (CBOT) | \$ per bu. | \$2.63 | (7.64)% | (5.48)% |
| Rough Rice (CBOT) | \$ per cwt. | \$12.20 | 5.86 % | 17.83 % |
| Rapeseed (Canola) (ICE) | CAD per T | \$450.50 | (0.16)% | (7.84)% |
| Ethanol (CBOT) | \$ per gal. | \$1.49 | (0.47)% | 16.85 % |



Recent Earnings News

| Company | EPS YoY Change | Comments | Analyst Consensus | Premium to Current |
|----------------------------------|----------------|---|-------------------|--------------------|
| Food Processing | | | | |
| George Weston Limited | nmf | YoY sales increased 3.2%, attributed to its Loblaw grocery and pharmacy division. Net income of \$184 million was up \$28 million YoY as benefits from acquiring a controlling stake in Choice Properties were realized. Diluted net earnings per share rose to \$1.19 from \$0.21 per share YoY | C\$112.57 | 7.8% |
| Conagra Brands, Inc. | (4.7%) | Fiscal 2019 net sales increased by 20.2% resulting from the positive impact of acquisitions, divestitures, and the sale of its Trenton facility. Adjusted gross profit increased 15.5% as a result of an increase in productivity and Pinnacle's gross profit, but partially offset by higher input costs. Adjusted EPS declined 4.7% due to higher interest expenses, an increase in shares outstanding, and a higher effective tax rate | US\$32.14 | 10.8% |
| Beyond Meat, Inc. | (80.2%) | Net revenue increased 287% YoY largely due to increased sales volumes from the company's fresh platform and across both its retail and foodservice channels. Gross profit was 33.8% of sales, up 15% YoY. EPS is (\$0.24) due to the announcement of a secondary offering of 3.25 million shares, where proceeds will be used to increase production and marketing | US\$134.40 | (39.5%) |
| Equipment and Services | | | | |
| Canadian Pacific Railway Limited | 70.1% | Revenue increased 13% while expenses rose 2.8% as rail shipments with producers are recovering due to rail transport reducing pipeline congestion. CP's operating ratio measuring expenses as a percentage of revenue improved to 58.4% from 64.2% YoY, signalling increased efficiency. Adjusted income rose 32.9% to \$602 million, earning \$4.30 per share, which was above analyst estimates of \$4.18 | C\$334.83 | 6.4% |

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