



# AGRICULTURE

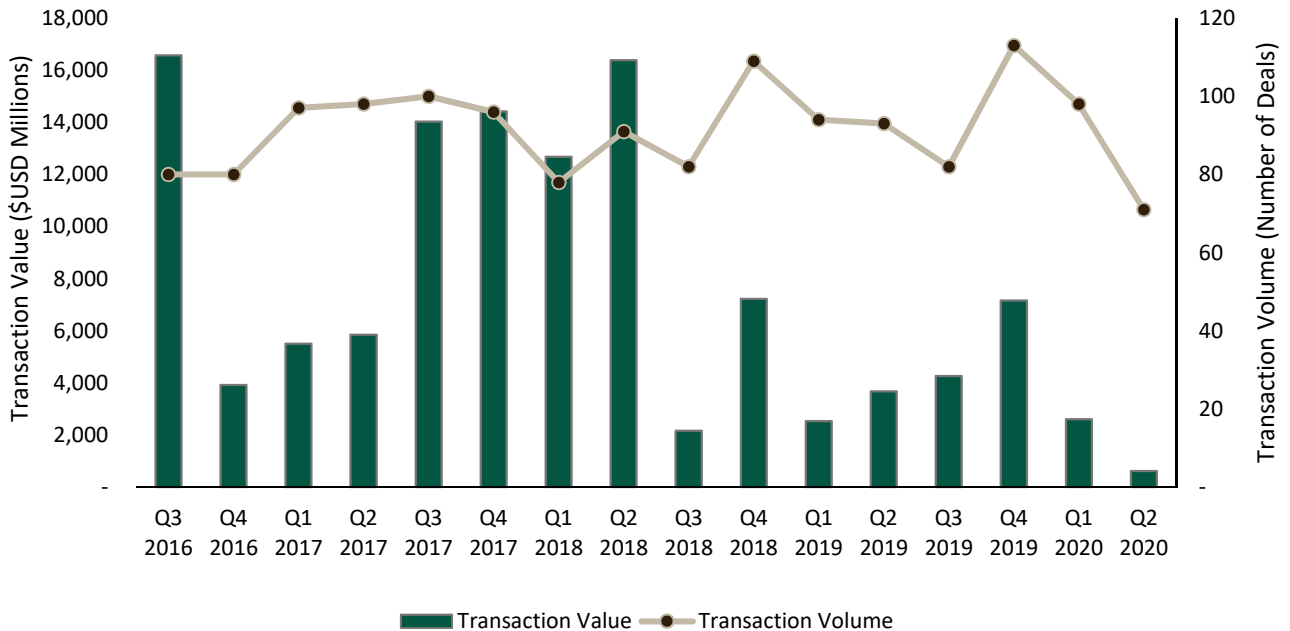
## QUARTERLY UPDATE

Q2 2020

# INDUSTRY OVERVIEW

## M&A TRANSACTIONS & PERFORMANCE

### AGRICULTURE M&A ACTIVITY



### M&A MARKET UPDATE – Q2 2020

- M&A activity in the North American agriculture industry declined in Q2 2020, resulting from the global market slowdown caused by COVID-19. Overall disclosed transaction volume decreased from 98 to 71 and total disclosed transaction value decreased from \$2.6 billion to \$629 million from Q1 2020 to Q2 2020 respectively. Q2 2020 saw the lowest volume of transactions in the last four years, attributable to the COVID-19 pandemic.
- M&A activity in Q2 2020 was predominantly driven by industry operators (i.e. strategic buyers) who accounted for the vast majority of total deal volume during the period. However, private equity buyers still remain active and are closing deals with ample capital to deploy.
- The majority of transactions in the agriculture landscape were in the food products sub-sector, which comprised 87% of the disclosed transactions. There was also notable deal volume in the agricultural services sub-sector, with a total of seven disclosed transactions. M&A activity in these sub-sectors is reflective of operators making strategic acquisitions to diversify product offerings, increase scalability and expand business models into new channels.
- The largest deal in Q2 2020 was KKR & Co. Inc. and Capitol Peak Partners, LLC's acquisition of Borden Dairy Company's assets for \$340 million. Another notable transaction during Q2 2020 was Ingredion Incorporated's acquisition of a 39.6% stake in PureCircle Limited for \$91 million. PureCircle Limited engages in the production, marketing and distribution of natural sweeteners and flavours.
- Notable closed transactions in Canada in Q2 2020 included the acquisition of Freshstone Brands Inc. by Tillridge Capital Partners, LLC and their co-investors. Freshstone Brands Inc. manufactures prepared food products for food service and home meal replacement industries. Financial terms of the deal were not disclosed.

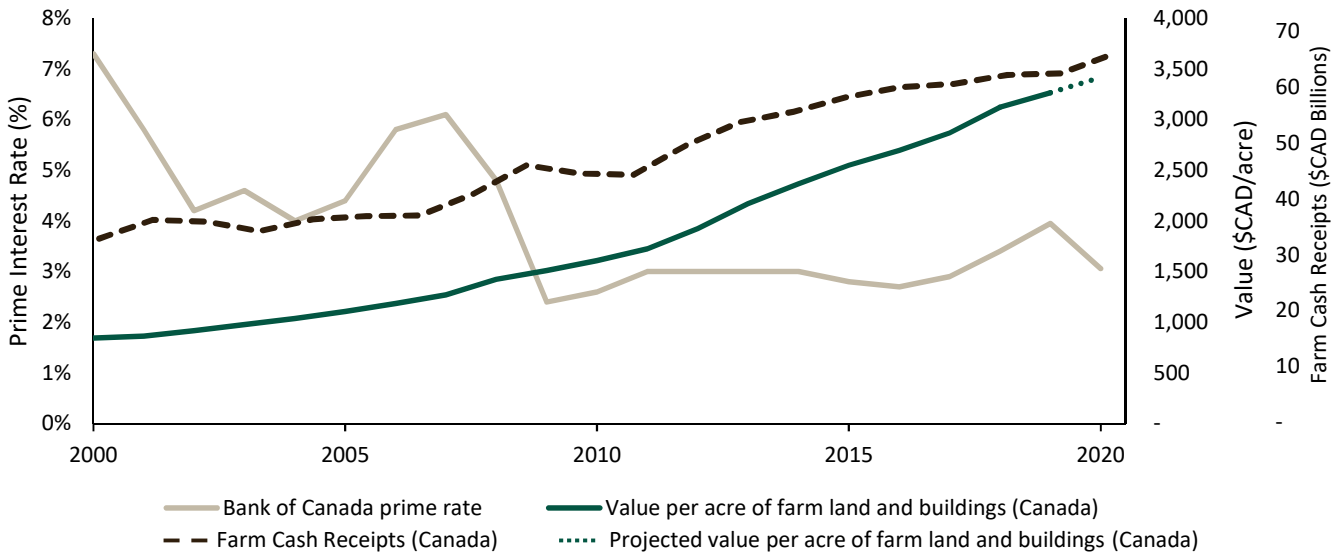
Source: Capital IQ. Data as of June 30, 2020.  
Amounts in USD.

# MACROECONOMIC INDICATORS

## KEY DRIVERS OF AGRICULTURAL INDUSTRY PERFORMANCE

Key external drivers affecting agricultural industry performance in Canada include: commodity prices, interest rates, consumer preferences, growing season conditions, and farm land values.

### FARM VALUES VS. FARM CASH RECEIPTS AND INTEREST RATES

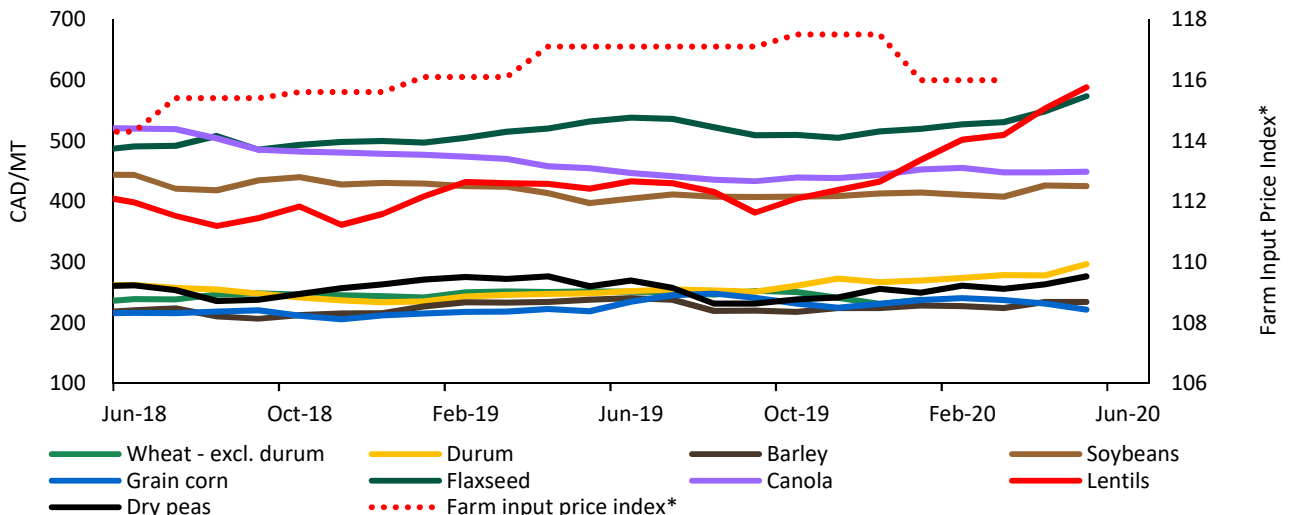


## COMMODITY PRICE CHANGES AND FARM INPUT PRICE INDEX COSTS

While overall average commodity prices have seen stability in recent years, a closer look at specific commodities indicate drastic fluctuations.

The Statistics Canada Farm Input Price Index (FIPI) estimates the change in price that farmers pay for inputs in their farming operation through time. The FIPI has decreased in recent months, while still displaying an increase of 3.4% since the second quarter of 2018.

### CROP COMMODITY PRICES



\*March 2020 is the most recent data available at the time of this report's preparation.

Source: Stats Canada.

# INPUTS AND COMMODITY MARKETS

## MARKET PRESSURE, FUTURES & EXPORTS

### COMMODITY PRICE HIGHLIGHTS

Commodity prices have shown strong growth in recent periods with lentils posting gains of 40% and 17% over the last 12 months and three months, respectively.

In addition to lentils, several commodities observed strong price increases in Q2 2020, with flaxseed and durum posting near-double digit gains in the quarter.

### COMMODITY PRICE CHANGES

	<u>LONG-TERM*</u>	<u>SHORT-TERM**</u>
Lentils	+39.7%	+17.2%
Flaxseed	+7.8%	+8.8%
Durum	+19.5%	+8.4%
Dry peas	+6.3%	+5.9%
Soybeans	+7.0%	+3.4%
Barley	-1.5%	+3.0%
Canola	-1.3%	-1.4%

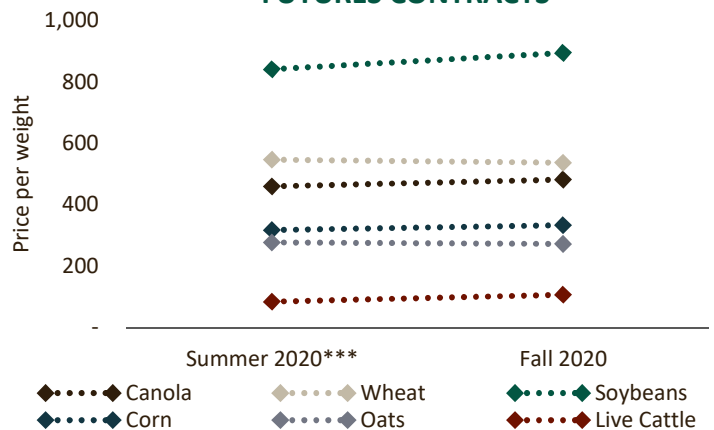
### COMMODITY PRICE FUTURES

Quoted prices for fall 2020 futures contracts for several commodities are higher than futures values seen in the previous quarter, driven by strong export demand and prospective increases in demand from overseas.

The largest jump in the price of futures contracts of commodities pictured in the adjacent graph was live cattle, up 27% to 106.60 USD/cwt from the previous quarter.

Both wheat and oats slid 2% from the previous quarter to 536.50 Usd/bu. and 272.00 Usd/bu., respectively.

### FUTURES CONTRACTS<sup>1</sup>



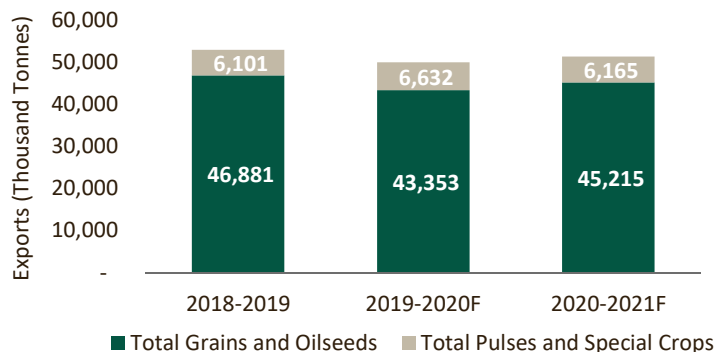
	Canola CAD/MT	Wheat Usd/bu.	Soybeans Usd/bu.	Corn Usd/bu.	Oats Usd/bu.	Live Cattle USD/cwt
Summer 2020***	459.40	546.25	840.75	317.25	277.00	84.08
Fall 2020	481.60	536.50	894.00	333.00	272.00	106.60

### CROP EXPORTS

Canadian principal field crop exports in the 2020-2021F period are forecast to increase 3% over the 2019-2020F total.

Grains and oilseeds exports are forecast to increase 4%, while pulses and special crops are forecast to decrease 7% between the 2019-2020F and 2020-2021F periods.

### CANADA'S PRINCIPAL CROPS EXPORTS<sup>2</sup>



"F" indicates Forecast.

\*Change over the twelve months ended May 2020.

\*\*Change over the three months ended May 2020.

\*\*\*Previous futures information has been provided for reference purposes.

Source 1: Bloomberg – Ag Futures as of 9:30AM EST July 17, 2020.

Source 2: Agriculture and Agri-Food Canada, Outlook for Principal Field Crops. June 26, 2020 update.

# RECENT TRANSACTION HIGHLIGHTS

**Greyrock Capital Inc.**

Acquired



**Announced**  
May 2020

**Industry**  
Processing



Exclusive financial advisor to Emerson Milling Inc. in structuring and negotiating this transaction.

- Greyrock Capital Inc. is a private investment company that invests in resilient businesses with defensible market positions in a variety of industries.
- Emerson is an oat and oat groat processor and distributor, strategically located near the Canadian/US border near Emerson, Manitoba. They are a valued partner to Canadian oat growers and customers throughout North America.

[Click here for more information](#)

**A Confidential Buyer**

Acquired

**Hayes Management Ltd.**

**Announced**  
May 2020

**Industry**  
Primary Producer



Exclusive financial advisor to Hayes Management Ltd. in structuring and negotiating this transaction.

- Hayes Management Ltd. held ownership to agriculture farmland near Camrose, Alberta. The company originally incorporated in 1972 and remained a family-operated farming business over multiple generations.

[Click here for more information](#)



Acquired 4 dealership locations from



**Announced**  
February 2020

**Industry**  
Implements Dealership



Exclusive financial advisor to Robertson Implements in structuring and negotiating this transaction.

- Robertson Implements is a fifth-generation, family-owned New Holland agricultural equipment dealership group, proudly serving the Canadian prairies, with 11 locations across Saskatchewan and Alberta.
- Moody's is a New Holland agricultural equipment dealership group in Saskatchewan, established in 1966.

[Click here for more information](#)



Acquired 35 grain elevators from



**Announced**  
April 2020

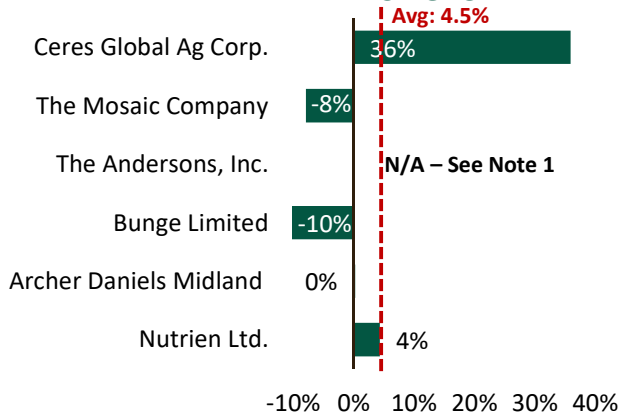
**Industry**  
Grain Elevators & Terminals

- CGB Enterprises, Inc. entered an agreement to acquire 35 grain elevators of Bunge North America, Inc., located in the United States.
- CGB Enterprises, Inc. supplies grain and oil seeds for the export and domestic channels, and sells grain to various users, including ethanol plants, distilleries, food manufacturers, and feed lots.
- Bunge North America, Inc. operates as an agribusiness and food ingredient company, offering agricultural commodities and animal feed ingredients, and operating grain elevators and oilseed processing plants, in addition to a broader suite of services.

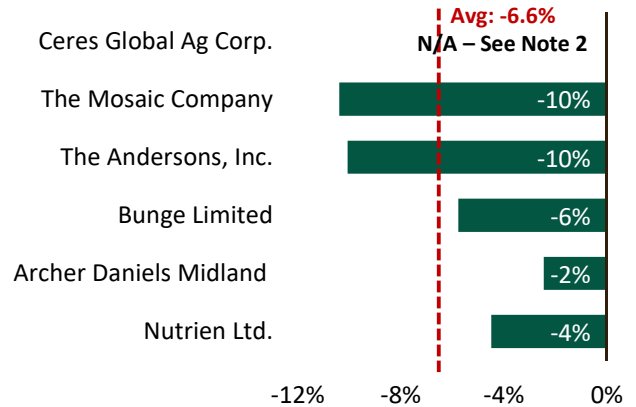
# PUBLIC COMPARABLE ANALYSIS

## GROWTH, MARGINS & MULTIPLES

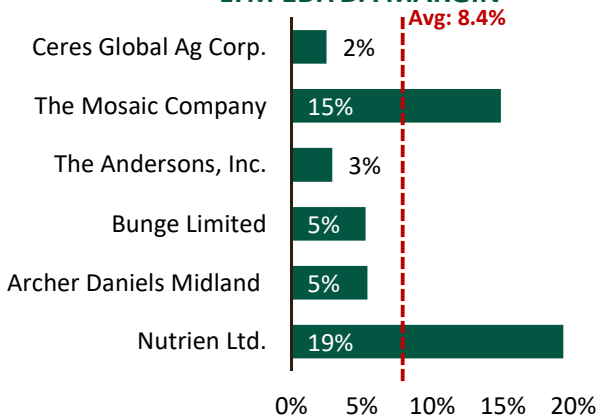
### LTM REVENUE GROWTH



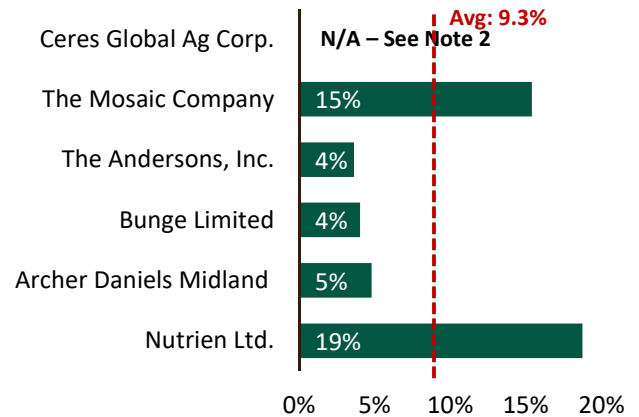
### NTM REVENUE GROWTH



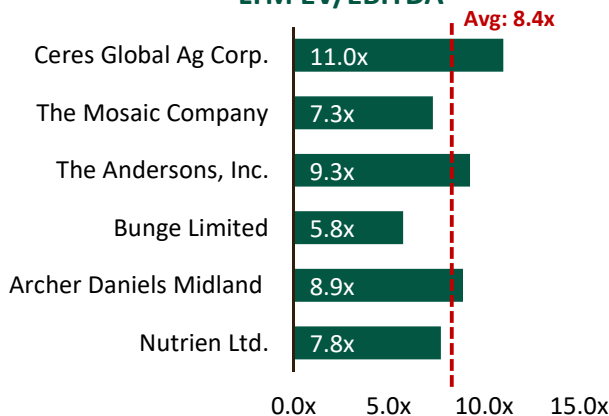
### LTM EBITDA MARGIN



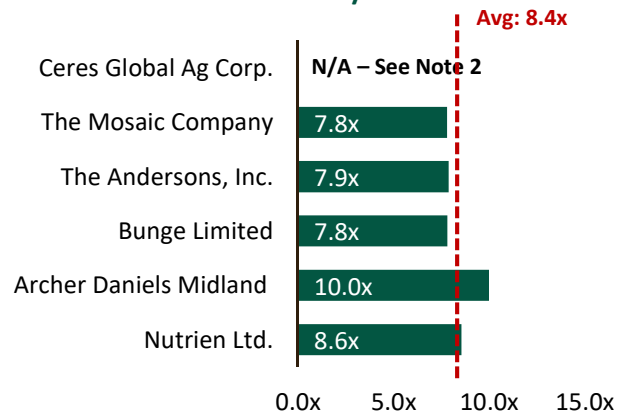
### NTM EBITDA MARGIN



### LTM EV/EBITDA



### NTM EV/EBITDA



Source: Capital IQ. Data as of June 30, 2020.

"LTM" refers to last twelve months. "NTM" refers to next twelve months.

Note 1: The Andersons, Inc. LTM Revenue Growth is an outlier and has been removed for presentation purposes.

Note 2: Projected information for Ceres Global Ag Corp has been labelled as "N/A" as limited information is available for the company.

Valuation details provided on page 7.

# PUBLIC COMPARABLE ANALYSIS

## TRADING MULTIPLES & OPERATING STATISTICS

(Figures In \$CAD Millions, except percentages and ratios)

Company	Market Capitalization	Enterprise Value	LTM Operating Figures			
			Revenue	Revenue Growth	EBITDA	EBITDA Margin
Nutrien Ltd.	\$24,826	\$41,735	\$27,897	4.3%	\$5,379	19.3%
Archer-Daniels-Midland Company	\$30,149	\$42,189	\$91,173	0.3%	\$4,934	5.4%
Bunge Limited	\$7,953	\$16,694	\$57,229	-10.4%	\$3,011	5.3%
The Andersons, Inc.	\$603	\$2,940	\$11,405	83.4%	\$330	2.9%
The Mosaic Company	\$6,450	\$13,068	\$12,480	-7.8%	\$1,855	14.9%
Ceres Global Ag Corp.	\$88	\$210	\$764	35.9%	\$19	2.5%
<b>Median</b>	<b>\$7,201</b>	<b>\$14,881</b>	<b>\$20,188</b>	<b>2.3%</b>	<b>\$2,433</b>	<b>5.3%</b>
<b>Mean</b>	<b>\$11,678</b>	<b>\$19,473</b>	<b>\$33,491</b>	<b>17.6%</b>	<b>\$2,588</b>	<b>8.4%</b>

(Figures In \$CAD Millions, except percentages and ratios)

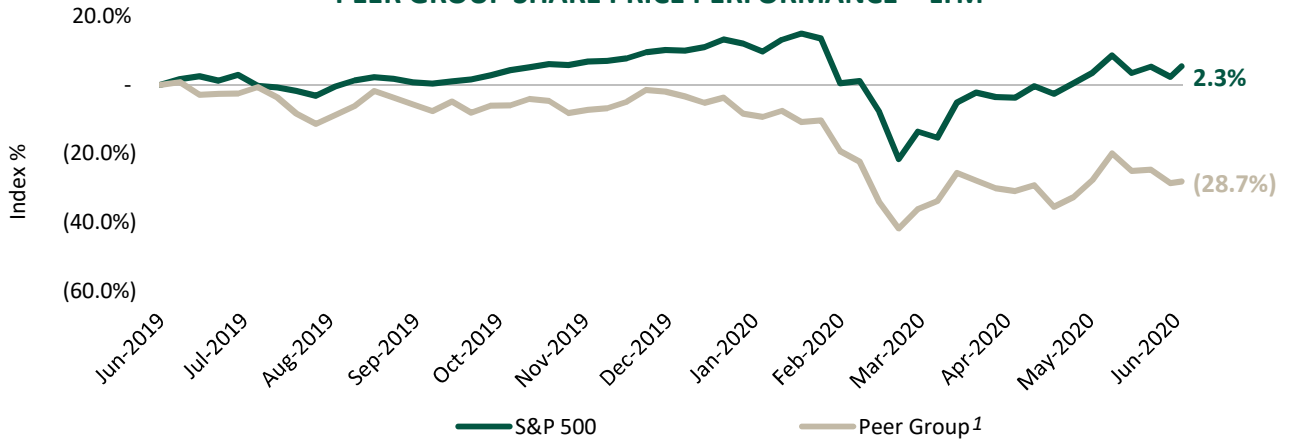
Company	NTM Consensus Estimates			Valuation	
	Revenue Growth	EBITDA Margin	NTM EV/EBITDA	LTM EV/EBITDA	LTM EV/REV
Nutrien Ltd.	-4.5%	18.8%	8.6x	7.8x	1.5x
Archer-Daniels-Midland (ADM) Company	-2.4%	4.8%	10.0x	8.9x	.5x
Bunge Limited	-5.8%	4.0%	7.8x	5.8x	.3x
The Andersons, Inc.	-10.1%	3.6%	7.9x	9.3x	.3x
The Mosaic Company	-10.4%	15.4%	7.8x	7.3x	1.1x
Ceres Global Ag Corp.	N/A	N/A	N/A	11.0x	.3x
<b>Median</b>	<b>-5.8%</b>	<b>4.8%</b>	<b>7.9x</b>	<b>8.3x</b>	<b>.4x</b>
<b>Mean</b>	<b>-6.6%</b>	<b>9.3%</b>	<b>8.4x</b>	<b>8.4x</b>	<b>.7x</b>



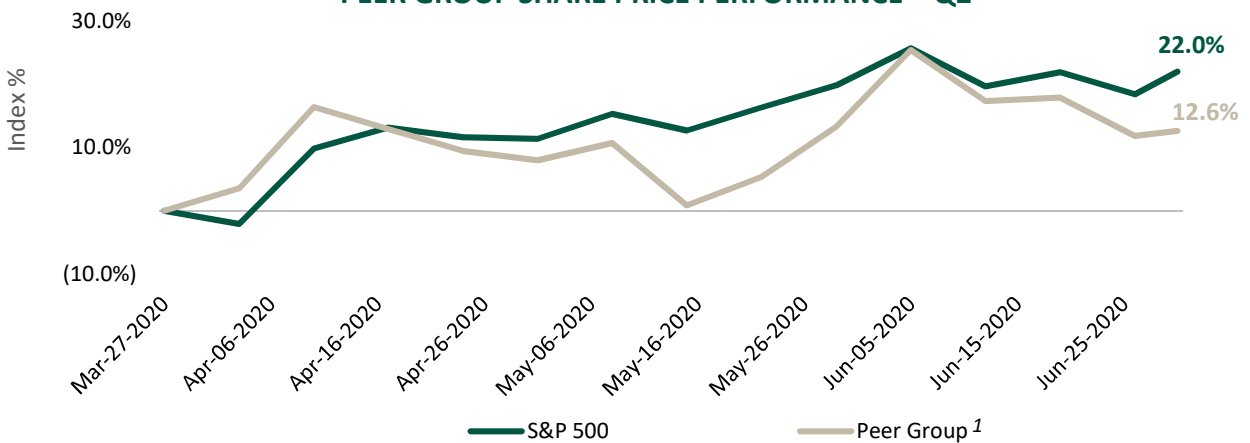
# PUBLIC COMPARABLE ANALYSIS

## PERFORMANCE ANALYSIS

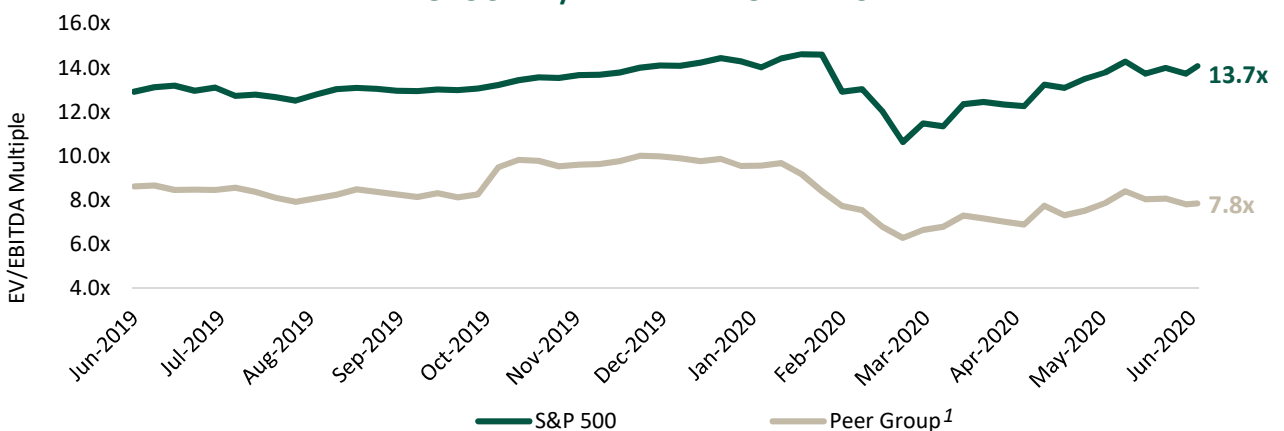
**PEER GROUP SHARE PRICE PERFORMANCE – LTM**



**PEER GROUP SHARE PRICE PERFORMANCE – Q2**



**PEER GROUP EV/EBITDA PERFORMANCE – LTM**



Source: Capital IQ. Data as of June 30, 2020.

1: **Peer Group:** Nutrien Ltd., ADM Company, Bunge Limited, The Andersons, Inc., The Mosaic Company, Ceres Global Ag Corp.

"LTM" refers to last twelve months.



# ABOUT US

MNP Corporate Finance (MNPCF) has a dedicated team of over 60 merger, acquisition, and transaction professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

Our typical transactions range in value between \$3 million and \$300 million.

## LOCAL & INTERNATIONAL REACH

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 150+ M&A professionals in more than 25 countries.




**CFxB** CFxBorder - Global Reach with Local Relationships  
Our affiliation with CFxB consists of 150+ M&A professionals in more than 25 countries

## SERVICES


- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services



## RECENTLY CLOSED DEALS (NATIONAL)




**EDMONTON PHARMACY GROUP** has acquired




MNP Corporate Finance Inc. acted as exclusive financial advisor to Kind Investments Ltd. (aka Castle Downs ARP Pharmacy) in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE



**Jan Nelson and Andrew Windsor** has acquired




MNP Corporate Finance Inc. acted as exclusive financial advisor to Maverick Estate Winery Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE




**Greyrock Capital Inc.** has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to Emerson Milling Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE




**MEDSPA PARTNERS** has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to DSH in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE




**A Confidential Buyer** has acquired

**Hayes Management Ltd.**

MNP Corporate Finance Inc. acted as exclusive financial advisor to Hayes Management Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE



**ROBERTSON IMPLEMENTS** has acquired

**Moody's Equipment LP**

MNP Corporate Finance Inc. acted as exclusive financial advisor to Robertson Implements in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE



**FLSMIDTH** has acquired



MNP Corporate Finance Inc. acted as financial advisor to Mill-Orb Industrial Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE



**SupremeX** has acquired



MNP Corporate Finance Inc. provided financial and tax due diligence services to SupremeX.

DIVESTITURES > FINANCING > DUE DILIGENCE



**TRIPLE M METAL** has acquired



MNP Corporate Finance Inc. acted as exclusive financial advisor to MetroBec Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE



**CARBON60** has acquired



MNP Corporate Finance Inc. provided financial and tax due diligence services to Carbon60.

DIVESTITURES > FINANCING > DUE DILIGENCE

# ABOUT US



## DEAL EXPERIENCE

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past five years alone we have completed over 120 transactions worth over \$2 billion (not including due diligence engagements).

## INDUSTRY EXPERIENCE

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

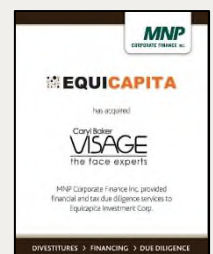
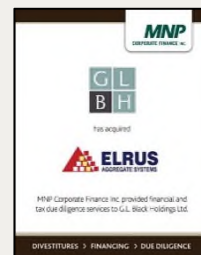
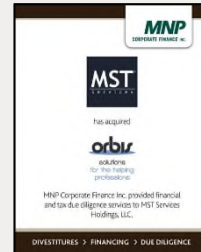
## HANDS-ON APPROACH

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes, and overall progress.

## INTEGRATED SERVICE OFFERING

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement and risk management.

## RECENTLY CLOSED DEALS (NATIONAL)

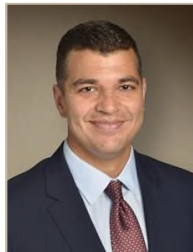


# LEADERSHIP TEAM

## TRANSACTION LEADERSHIP



**Brett Franklin**  
President  
brett.franklin@mnp.ca  
204.336.6190



**Aleem Bandali**  
Managing Director  
aleem.bandali@mnp.ca  
778.374.2140



**Dale Antonsen**  
Managing Director  
dale.antonsen@mnp.ca  
250.979.2578



**Mike Reynolds**  
Managing Director  
mike.reynolds@mnp.ca  
587.702.5909



**Mark Regehr**  
Managing Director  
mark.regehr@mnp.ca  
780.969.1404



**Erik St-Hilaire**  
Managing Director  
erik.st-hilaire@mnp.ca  
204.336.6200



**Dan Porter**  
Managing Director  
dan.porter@mnp.ca  
416.515.3877



**Stephen Shaw**  
Managing Director  
stephen.shaw@mnp.ca  
416.515.3883



**Kevin Tremblay**  
Managing Director  
kevin.tremblay@mnp.ca  
647.943.4051



**Patrick Khouzam**  
Managing Director  
patrick.khouzam@mnp.ca  
514.228.7874



**Craig Maloney**  
Managing Director  
craig.maloney@mnp.ca  
902.493.5430

## DUE DILIGENCE LEADERSHIP



**Johnny Earl**  
Managing Director  
johnny.earl@mnp.ca  
604.637.1514



**John Caggianiello**  
Managing Director  
john.caggianiello@mnp.ca  
416.513.4177