



**AGRIFEX**

# AGRIFEX REPORT

Main investments, sales, mergers and  
acquisitions in Agriculture

**Q2 - 2020**

In **Agrifex** we provide financial services with an exclusive focus on Agriculture.

We focus on two main axes: Corporate Finance and Capital Markets; on which we comprehensively address the Investment and Financing dimensions.

With a boutique profile, we provide tailor-made solutions for each of our clients. Among them, we have worked for investment funds, family offices, individual investors, and agricultural companies.

Our M&A services are enriched by the representation in South America of **Verdant Partners LLC**.



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The **AGRIFEX Q2-2020 REPORT** summarizes the main investments, sales, mergers, and acquisitions of the Agricultural sector in Argentina during the second quarter of 2020. The circulation is carried out quarterly to develop relevant information. The document consists of three sections:

**Investments:** In addition to the capital disbursements presented, it may include financing announcements through bank loans.

**Capital Market:** It exposes the sector's issues in stock market financing instruments

**Sales, Mergers and Acquisitions:** Along with local transactions, it presents some of the main transactions in the global sphere.

## INVESTMENTS

- **Crucianelli**, one of the main national manufacturers of agricultural machinery, announced investments of US\$ 10.8 MM<sup>1</sup>. The Armstrong, Santa Fe-based company plans to expand mechanical workshops, acquire a new 30-hectare site, and build a new sheet metal and parts manufacturing plant. With these strategic investments, they hope to position themselves by 2030 with greater competitiveness.
- **Morixe** will invest US\$ 1.46MM for incremental working capital in its flour unit. This investment occurs in a context where the demand for flour for baking increased by more than 120% year-on-year, driven by a higher consumption of homemade bread during the quarantine. The loan was granted by the majority shareholder Ignacio Noel himself.

## CAPITAL MARKET

### Investment funds

- **Ceres Tolvas**, launched FormaQ, a multipurpose investment trust fund. It will be focused on investments in three main agricultural activities, such as the financing of the sale of machinery, the planting of extensive crops and livestock. The subscription could be

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<sup>1</sup> MM = Million.

made in Argentinian pesos and offers a capitalization in dollars with an annual fixed income of 7%.

- **AdBlick** announced the creation of a new Mutual Investment Fund with a focus on livestock. The fund program allows a maximum of AR \$ 10 BN<sup>2</sup> and in a first tranche it allows the subscription of up to AR\$ 300 MM. The term is 6 years renewable and allows annual redemptions.

### Corporate Bonds

- **Grupo Agroempresa Colón**, successfully issued a Corporate Bond for AR\$ 90MM. The company based in Sinsacate, Córdoba, had offers for AR\$ 272 MM and closed at a rate of BADLAR + zero margin.
- **Cresud**, an agricultural company of the IRSA group, issued its Corporate Bond Class XXIX for an amount of AR\$ 83MM. The instrument was dollar linked, with a fixed annual rate of 3.5% and 18-months term.
- **Rizobacter**, national leader in biological products, issued its Corporate Bond Series III for a total of AR\$ 15MM. The instrument was dollar linked, with a fixed annual rate of 4.73% and 18-months term.
- **Diesel Lange**, a John Deere official dealer, issued its Corporate Bond Class I for a total of AR\$ 120 MM. The instrument was for a term of 12 months and a final rate of 29.63% (Badlar + margin).
- **John Deere Credit Compañía Financiera** issued its Corporate Bond Class V dollar linked for AR\$ 20 MM. The term is 24 months with a fixed rate of 0%.
- **San Miguel** issued its Corporate Bond Series IV for AR\$ 40 MM. The instrument was issued dollar linked, at 18 months and an annual fixed rate of 1.48%.

### Financial Trusts

- **Insumos Agropecuarios SA**, better known as Insuagro, put out to tender the Financial Trust Series VI in the local market for US\$ 1.39 MM. There offers exceeded the amount issued by 200% and finally the company was financed for an annual rate of 6% in US\$ with a duration equivalent to 6.4 months.



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<sup>2</sup> BN = Billion.

- **Alianza Semillas** obtained US\$ 6.6 MM in its Financial Trust Series III. The main objective of the company was to finance the sale of seeds to distributors and farmers.
- **DVA**, A German company that recently landed in Argentina, launched its Agro Solutions Financial Trust. The company made investments of US\$ 25 MM and with this FF they plan to continue doing so. Specifically, it seeks to inject working capital and capital investments to launch new inputs (agrochemicals) that compete locally. This first series was for US \$ 4.2MM, but the vehicle allows up to US \$ 20MM.

## SALES, MERGERS and ACQUISITIONS (M&A)

### Global Scope

- **Illinois Foundation Seeds** acquired **Twin Gardens**; a seed company focused on sweet corn. This acquisition will not only bring them a different genetic material from the one they already had, but also a greater production capacity and a team of highly trained people who will contribute to the development of new hybrids.
- **Sakata Seeds** announced the acquisition of **Danzinger Seeds** of Israel's pepper breeding program. This acquisition confirms Sakata's dominant position in this sector and in turn adds new genetic material to its pipeline. 
- **Sakata Seeds** announced the acquisition of Vanguard Seed, a company focused on research and development of lettuce seeds based in California, USA. This acquisition includes the breeding program, as well as seed production and the commercial network. 
- **Nutrien Ltd.** announced the acquisition in **Goiás, Brazil, of Tec Agro Group**. Tec Agro is a leading agro-retail company in its region with more than 25 years of experience and 8 centers. In turn, it was also the owner of Sementes Goiás, a unit dedicated to the production and sale of soybeans. Its sales were close to US\$ 200 MM and it employed 500 people. This acquisition is in line with those that Nutrien has been making in recent years.



- **Artemis Growth Partners** announced the acquisition of **Bridge Farm Group** for a total of US \$ 105MM. In this way, Artemis, (USA) incorporates a recognized company based in the United Kingdom that focuses on the development of herbs, flowers and fruits, continues its foray into the world of cannabis. BFG invested US \$ 55MM in the development of greenhouses in the last two years, and also has multiple licenses for the production and marketing of this crop.
- **Syngenta** announced the successful issuance of Eurobond for EUR (€) 500MM. The maturity date is April 2026 and the underwriters were BNP Paribas, Credi Suisse, HSBC and UniCredit. Less than a month later, it announced the issuance of another EUR (€) 100MM.
- **Índigo Ag**, raised US \$ 300MM in its new F series of financing for a total of US \$ 500MM so far this year. The company of American origin that develops products based on microorganisms and at the same time focuses on the sustainability of production, had also recently acquired Tellus Labs, a satellite imaging company.
- **Sound Agriculture** raised US \$ 22MM in its series C financing. The investment round was led by Chicago-based firm Seed 2 Growth. The funds raised will be used to accelerate the development of new events and businesses. SA focuses on technological modernization to increase production in extensive crops, its first launch was a biostimulant for the uptake of nitrogen and phosphorus.
- **Tropic Biosciences** is a company dedicated to the development of agricultural biotechnology, successfully completed its B round of financing for US \$ 28.5MM. The UK-based company has an exclusive focus on high-yield tropical crops and hopes with this financing to continue the development of sustainable inputs, expand its commercialization network, and boost the growth of its GEiGS technology platform.
- **Arcadia Biosciences** announced the acquisition of Industrial Seed Innovations (ISI), a company focused on the development of hemp seeds based in Oregon, USA. The purchase includes the intellectual property, the commercial channels developed and the assets. From the Arcadia side it was a strategic acquisition to position itself as a high value seed production and development company.

- **Pivot Bio**, focused on the research of inputs for agriculture, announced the success of its series C of financing. The Berkeley, California-based company raised US \$ 100MM and aims to continue researching microorganisms to exploit the potential of crops. Specifically, they are launching Pivot Bio PROVEN which fixes nitrogen from the atmosphere and could be used for corn.

### Local scope

- **HV SA** acquired the **Bernasconi** cold store in the province of La Pampa. The transaction was worth AR \$ 400MM, which will be paid in 10 years. The governor of the province indicated that this divestment is part of a planned process in which they make strategic investments and then give rise to private companies that continue business.
- **Bioceres**, subscribed 50% of the capital stock of **Tecnoseeds R&D** Company based in Indiana and dedicated to Research and development in agro technologies. In turn, it also acquired 40% of **Agrality**, dedicated to the production of hybrid and self-pollinated seeds in Argentina and the US. Both investments are strategic in the search to improve the speed, quality and access to its new technologies under development.
- **Arcor** announced that it will acquire a part of **Mastellone Hnos** shares, bringing its stake to 48.79%. The transaction will be for a total of 9MM shares worth US \$ 3.97MM. In this way, it continues its expansion in the domestic dairy market as well as abroad. On the other hand, Arcor continues with investment plans in Angola, the start-up of a production plant for sweets and cookies for an amount of US \$ 45MM is being analyzed.
- **Chakana wines**, the winery that produces organic and biodynamic wines was acquired in its entirety by a group of investors. The winery, which was a company 40% owned by Juan Pelizzatti and 60% of the FP Wine fund, sells 720,000 bottles / year of which 70% were destined for the foreign market.

## REPORT SUMMARY

The **AGRIFEX Q2-2020 REPORT** presents a period with little activity if compared to previous quarters, mainly due to Covid-19. The three months of this report were affected by a quarantine with restrictions depending on the place.

On the local M&A side, it can be said that it was notably affected compared to previous quarters, but still some operations could be seen. The agricultural sector in general was one of the privileged ones that could continue with their activities, and that prevented major structural changes. The activity of Bioceres stands out, which continues with its aggressive growth plan through partnerships and acquisitions.

At the international level, the financing rounds of startup companies related to agriculture continue. On one hand, companies with a focus on cannabis (medicinal or recreational) remain highly attractive as an investment theme and is also accompanied by a consolidation via M&A of large companies that acquire small ones with licenses and know-how. The activity of Sakata also stands out, entering the US market strongly through two complementary acquisitions to its genetics portfolio.

Regarding the activity of the Agriculture and Food sector in the local Capital Markets, the issuance of Corporate Bonds by several companies points out the competitive advantage that can be obtained using these financial instruments. The excess of Argentine pesos (AR\$) in the local market added to the limitation of dollars, made the dollar linked products remarkably successful.



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