



AGRIFEX

AGRIFEX REPORT

Main investments, mergers & acquisitions
of the Agricultural sector

Q1 - 2020

Agrifex provides financial advisory services with an exclusive focus on the Agricultural sector.

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

With a boutique approach, we offer tailored solutions for each of our clients. Among them, we have worked for private equity funds, family offices, HNWI and agricultural companies.

M&A advisory is enriched through a representative agreement in South America of U.S.-based **Verdant Partners LLC**.



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The **AGRIFEX REPORT Q1-2020** summarizes the main Agribusiness activities in investments, mergers, and acquisitions in Argentina during the third quarter of 2019. Circulation is carried out quarterly to develop relevant information. The document consists of three sections:

Investments: in addition to the capital expenditures presented, it may include financing operations such as corporate bonds and stock offerings.

Capital Markets: presents securities issued by Ag companies for financing purposes.

Mergers & Acquisitions: together with local transactions, it presents some of the main transactions in the global scope.

INVESTMENTS

- **Grupo Forus** begins investment of AR\$ 85MM in the landing of its company Forbío in the town of Roldán, Santa Fe. The company of Brazilian origin is dedicated to the research, production, and distribution of biological products for agricultural use. Initially, they estimate employing 20 people and focusing on soybean, corn, peanut, and potato crops.
- **Sakata** invests US\$ 1MM in the development of an experimental station for seed production. This occurs after the company had previously announced in late 2018 an investment of US\$ 40 MM. Until now, the Japanese company that produces vegetable and flower seeds only had a commercial presence in Argentina.
- **Grupo Riccillo** made an investment of US\$ 2 MM in the construction of two feedlot sheds and a biogas plant that will work with the effluents from the livestock operations. Currently, the family company has different business units and, as far as livestock is concerned, it provides feed services to third-parties with a capacity for 70,000 animals, focusing on the 481 quota export market.

CAPITAL MARKETS

Corporate Bonds

- **Cresud**, the agricultural company of the IRSA group, issued a series of Corporate Bonds in the local market for the equivalent of US\$ 51 MM. The structuring was through Corporate Bonds in 3 classes: Class XXVI denominated and payable in pesos for US\$ 18.2 MM at Badlar rate + 6.5%; Class XXVII denominated in dollars and payable in pesos for US\$ 5.7 MM at a rate of 7.45%; and XXVIII denominated and payable in dollars for US\$ 27.4 MM at 9%.
- **San Miguel**, the citrus company of Tucumán origin, issued a Corporate Bond for US\$ 39 MM. The financing will be used for working capital and to replace bank loans. The Series III issue had an alternative Class A (AR\$ 653 MM - Badlar + 6.5%), Class B (US\$ 11.6 MM - rate 8.5%) and Class C (US\$ 17.15 MM - rate 8.5%), all for a period of 10 months.
- **Grupo Arcor**, national flagship company in the food sector, issued a Corporate Bond for a total of AR\$ 2,600 MM in 2 classes. Class 13 for AR\$ 1,065 (Badlar + 4.25%) maturing in September 2020 and Class 14 for AR\$ MM 1,535 MM (Badlar + 5.75%) maturing in September 2021.
- **Rizobacter**, national leader in biological products, issued the Corporate Bond Series II for a total of US\$ 7.62 MM in 2 classes. Class A denominated in dollars and payable in pesos for US\$ 3.34 MM (10.5% fixed rate and duration of 1.41 years) and Class B denominated and payable in dollars for US\$ 4.28 MM ((9.5% fixed rate and duration of 0.97 years).
- **MSU**, agricultural production company, issued a Corporate Bond for U\$ 13.85 MM in 2 classes. Class A denominated in dollars and payable in pesos for US\$ 2.7 (9% fixed rate and duration of 1.2 years) and Class B denominated and payable in dollars for US\$ 11.15 and duration of 1.2 years).
- **John Deere**, agricultural machinery company, issued a Corporate Bond for US\$ 25.23 MM in 2 classes. Class III denominated and payable in dollars for US\$ 21.25 MM (9.75% fixed rate and duration of 1.56 years) and Class IV denominated in dollars and payable in pesos for US\$ 4.08 MM (9 % fixed rate and duration of 1.42 years).

- **Inversora Juramento**, livestock firm of the NOA region, issued a Class 7 Corporate Bond for AR\$ 523.33 MM at a Badlar variable rate + an applicable margin of 7% with a duration of 0.68 years.
- **Celulosa Argentina**, Argentine forest industry company, issued a Class 15 Corporate Bond for US\$ 3.12 MM denominated in dollars and payable in pesos with a fixed rate of 10% and a duration of 35.63 months.

Financial Trusts

- No Ag Financial Trusts were registered in this quarter.

MERGERS & ACQUISITIONS (M&A)

Global Scope

- **S&W** acquired **Pasture Genetics**, Australia's third largest company in pasture genetics. The acquisition is in line with the expansion plans that S&W has been having, specifically this will give it a range of new products and a greater presence in the country. In 2019 Pasture Genetics had a turnover of US\$ 20 MM and the total transaction is estimated at US\$ 13.5 MM.
- **Nutrien** acquired 100% of the shares of **Tec Agro**, a leading company in Ag retail with its own soybean brand in the state of Goiás, Brazil. Tec Agro has sales of US\$ 200 MM and employs 500 people. The acquisition is in line with the inorganic growth plan that Nutrien has been supporting in recent years.
- **Sinochem** and **ChemChina** announced the merger of their agricultural units, which will operate under the name of **Syngenta Group**. The Swiss, which was acquired by the state-owned China in 2016 for US \$ 43,000 million, will be in the same group along with Adama, Sinofert, Sinochem Agriculture and Yangnong.
- **UPL** acquired **Laoting Yoloo Biotechnology**, an agrochemical manufacturing company based in Heibei, China. With 240 employees, more than 100 registered products and 1,200 distribution contacts. Laoting is a strategic company in the growth plans of the Indian company.

- **Impossible Foods** carried out its series F of fundraising in which it managed to raise US\$ 500 MM. The company, founded in 2011, is dedicated to the production of vegetable-based synthetic meat and is constantly growing. This event supports round E carried out in May 2019 in which they raised US\$ 300 MM.
- **Alpha Foods** raised US\$ 28 MM in its Series A fundraising round. Based in California, the company founded in 2015 is dedicated to producing and marketing non-GMO vegan foods. The investment was led by VC firm **AccelFoods**.
- **Dairy Farmers of America**, organization with 14,000 members, reached an agreement to acquire a substantial part of **Dean Foods** for US\$ 425 MM. Dean Foods is the largest milk processor in the US and owns well-known brands like DairyPure and TruMoo. Likewise, Dean Foods buys approximately 10% of the milk produced in the country.

Local Scope

- **Celulosa Argentina** divest assets for US\$ 22.5 MM. This occurs in a framework of restructuring of liabilities after the company does not pay the interest corresponding to previously issued Corporate Bond. The acquiring company is an Austrian forestry-industrial group **SPS Walholding GmbH**, which was left with 3 companies, Rudaco, TC Rey and Iviraterá and forest flights. Celulosa Argentina is listed on the local stock exchange and is controlled by Grupo Tapebicuá.
- **Cervecería y Maltería Quilmes**, member of the AbInBev group, acquired 100% Dante Robino and thus entered the wine business for the first time. The winemaker, founded by the Squassini family in 1920, has a production capacity of 11.5 MM liters from which its 14 brands and 37 varieties of wines and sparkling wines come out.
- **Tomorrow Foods**, Pergamino-based venture dedicated to the research and production of ingredients derived from plant proteins, raised US\$ 200,000. The investor was VC firm **Grid Exponential** and the objective is to finish the ingredient development stage and then make a first commercial phase.
- **Nanótica Agro**, Argentine company dedicated to creating technology to micro encapsulate agrochemicals, is currently in a round of financing for US\$ 2MM. The company was founded in late 2018 to create more sustainable products based on nanotechnology and today employs 7 people. With the capital injection they plan to increase their work team to 17 people to start their operations in Brazil.

- **Bioceres** issued 3-year convertible notes for US\$ 42.5 MM. The operation was led by **Solel Partners**. Bioceres, which has been working on proprietary HB4 technology to maintain yields in conditions of drought and salinity, will use the capital to improve its financing structure as well as to accelerate R&D collaborations.
- **GBOT Solutions**, Sunchales-based startup raised US\$ 490,000 from **CITES**. The company created a robot capable of mechanically identifying and cutting weeds without the use of herbicides. The prototype is powered by solar energy and is focused as a complement to existing weed control tools.
- **Michroma**, company based in the city of Rosario, carried out its second round of capitalization for US\$ 250,000. As in the initial round, the operation was led by **IndieBio**. The company is dedicated to the elaboration of food colors with fungal substrates.

SUMMARY

The **AGRIFEX REPORT Q1-2020** presents a period with less activity in relation to the previous quarters, mainly due to the political uncertainty and economic instability of Argentina. This is clearly seen in the extremely low level of investments identified in the quarter. The Covid-19 had relevance in business in the last weeks of the first quarter, but the biggest impact will be seen in the next editions.

On the M&A side, the incursion of Cervecería y Maltería Quilmes in the wine sector stands out. Expanding its product spectrum, taking advantage of the channels already developed, is an interesting strategy on the part of the brewer and we hope it will be a trend that will continue for the future. In the international market it is interesting to see the financing rounds carried out by Impossible Foods and AlphaFoods. Both companies develop plant-based foods and position themselves not as a competition for those who produce meat, but as a supplement. Along these lines, we envision a good future journey to the local version of the heading: Tomorrow Foods.

The Ag and Food sector did present a high level of activity in the Capital Market, specifically through the issuance of Corporate Bonds with different models: dollar linked, hard dollar, and Argentine pesos. Companies with global programs authorized by CNV can take advantage of these windows presented by the market and make good use of it. From Agrifex we see a lot of synergic potential between the sector and the market and we believe that there is still a lot to do to bring the two dimensions closer.