

AGRIBUSINESS REPORT ARGENTINA

INVESTMENTS, M&A ACTIVITY

Q1 - 2018

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Agribusiness Report Argentina Q1-2018 aims to summarize the principal activity in INVESTMENTS and M&A in Argentina for the first quarter of the year. Circulation is managed in a quarterly basis to develop relevant updated information. The investments section includes operations in Ag Finance like corporate bonds or stock offerings. The M&A section also presents a summary of the major transactions in the global scale.

INVESTMENTS

-  - The **Haefeli** family, owners of **Paclin** paint factory, will invest \$ 70 MM in a hog production facility located in Jesús María, Córdoba. The family already has agricultural operations in the area and, as a first phase, they plan to reach 500 mothers under production. The initiative arises to diversify the production of vegetable protein and to reduce the high freight costs they must face when sending grain to Rosario.

-  - The **CDV Laboratory** announced that public entity SENASA gave the final permit to start producing anti-aphthous vaccines in a new plant. The company located in Pilar will invest USD 38 MM that will allow them to have a production capacity between 40 and 50 million doses of bi, tri and tetravalent vaccines. CDV is one of the leading Argentine laboratories, specialized in the preparation of vaccines for the prevention of diseases that affect bovine, ovine and aquaculture herds. Of European capital since 2008, it is also one of the first laboratories for the diagnosis of veterinary diseases and a member of the Senasa Laboratory Network.

-  - **Tomás Hnos.** inaugurated a new multiservice center in Coronel Suárez, southwest of Buenos Aires province, which involved an investment of USD 1 MM. The capital expenditure was destined to a commercial office, a 600 square meter warehouse for marketing and stockpiling phytosanitary products and eventually they plan to install a storage plant. With this new facility, Tomás Hnos. has a total of 10 plants with a total storage capacity of a quarter of a million tons and 12 commercial offices in the west and southwest of the province of Buenos Aires.

- **Fubao Food Company**, a Chinese firm, advances with a USD 5 MM investment in the industrial sector of the port of Mar del Plata to install a frozen food processing plant. The investment consists in a building of 10,000 square meters which will host one of the most modern production lines to process fish, vegetables and other meats. The company aims to supply the domestic market and aspires to eventually reach the entire Mercosur region.

- **Molinos Agro** invested \$ 1,100 MM to expand its processing plant in Santa Fe. The project aimed to improve the flexibility and logistics of the complex. The company has experience transporting soybean, soybean meal, sunflower, corn and fertilizer. However, the possibility of transporting other materials extends to products such as: cement, sand, stone, coal, ash and limestone.

- **Sucesores de Alfredo Williner (Ilolay)** will invest USD 20 MM in their plant Bella Italia where the company produces a large part of their line of fresh products for the domestic market and other products that are destined for export. The investment aims to incorporate modern technology and increase the production capacity of value added products.
- The agroindustrial company **Renova**, formed in equal parts by **Vicentin** and **Oleaginosa Moreno (Glencore)**, obtained official authorization to introduce in the country machinery that will be destined to the processing of soybeans in Timbúes. The total investment is USD 50 MM from which at least 20% of the assets acquired should be from local Argentine companies. Last year Renova exported 20,000 tons of soybean oil and more than 52,000 tons of pellets derived from the oilseed.



- The **Canale** sawmill, located in Jesus Maria, Cordoba, will invest in a bioenergy plant that will work with waste from its operations. The USD 600,000 investment will produce 400 kW of energy and will demand 14 tons/day of dry matter.
- **Seeds Energy Group**, with the support of the National Government, will invest USD 13 MM to generate electricity through agricultural biomass. The plant that will be built in the city of Pergamino, Buenos Aires, will have an initial electric power of 2.5 MW and will consume approximately 50,000 tons per year of animal and vegetable biomass.
- The **Riccillo Group** will invest USD 16 MM to install two biomass power production plants in the districts of General Alvear and Saladillo, Buenos Aires, after winning the Renovar 2 program. The Riccillo Group fattens 40,000 cows per year (provides feeding services to third parties), have 5,000 hog mothers under production, and produce 8 million chickens per year.
- **Fiplasto** will invest USD 4 MM to efficiently manage the waste originated from wood processing. The biomass project located in the city of Ramallo estimates a generation of around 20 tons of steam from the use of renewable resources.



- **Grupo AgroEnergía**, global distributor of **Síntesis Química**, announced an agreement with the Russian company **Agroliga**. The agreement, calculated in USD 4.6 MM, is for the supply of inoculant products from Argentina. Agroliga, through its subsidiaries, engages in the food and agricultural businesses in Ukraine, Cyprus, and in other European countries. It is involved in the cultivation of a range of grain crops; processing of sunflower seeds into oil; and dairy activities.



- **Jacto** inaugurated a new 3,600 square meter plant located in Arrecifes, Buenos Aires, after an investment of USD 7MM. The objective of the company is to produce 200 self-propelled machines per year in this first stage of the factory and 250 turbines, with prospects of being able to export them when the product is consolidated in the Argentine market.
- **Amazone** landed in the Argentine market through **Capei**, the official dealer of the German company and based in Balcarce, Buenos Aires. Amazone currently manufactures 14 different lines of agricultural machinery and equipment for construction. In 2017, the company had global revenues for € 457 MM. Of all sales, 80% originated outside of Germany, with a strong share of shipments to markets such as Eastern Europe, South Africa, the United Kingdom and France.

- The agricultural machinery producer **Mainero** will invest \$ 120 MM to expand and add technology to its production facilities. The capital expenditure will be applied in a paint line for components, which involves an industrial warehouse of 2,400 m2, plus equipment and robotization of the process.

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- **Agrofy** has raised an oversubscribed USD 6 MM Series A round led by Sao Paulo Ventures (SP), along with corporate VCs Bunge Ventures, Syngenta Ventures, and Endeavor Catalyst. The round also included funds from current investors Cresud and individual agribusiness investors in South America. Agrofy offers an online marketplace for farm machinery, vehicles, farmland, tools, equipment, insurance and other financial services, as well as input e-commerce marketing and consulting services, and a news site, Agrofy News.
- **Red Surcos**, issued USD 11,70 MM in corporate bonds at a fixed rate of 8% and a 3-year term. The Argentine company seeks to double its production capacity to grow in Brazil and Ukraine, aiming primarily to their herbicides and nanotechnology development. Red Surcos is a privately-owned family business and is one of the top 10 players in the ag input market in Argentina.

M&A

Global



- **Syngenta** has entered into a binding agreement to acquire **Strider**, a Brazilian Agtech company focused on operational management solutions for farms. Strider is an important player in the Latin American digital agriculture market and the transaction will enhance Syngenta's ability to bring greater value to customers by providing innovative digital solutions for the management of on farm information. Financial terms of the transaction were not disclosed.
- **Syngenta** acquired remote sensing startup **FarmShots**. This will add satellite imagery to the already existing AgriEdge offer. FarmShots uses high-resolution satellite and drone imagery to deliver plant health analyses and offers insight into field conditions based on patterns of light absorption. Financial terms were not disclosed.
- **Cargill** announced it is partnering with Irish startup **Cainthus** whose facial-recognition software and analytics can help dairy farmers lower their costs, increase production and take better care of their animals. Cargill will take a minority stake in Dublin-based company, but terms were not disclosed.
- **Monsanto Growth Ventures**, the venture capital arm of **Monsanto** was the lead investor in **Atomwise**, an artificial intelligence startup with a USD 45 MM Series A fundraise. San Francisco-based Atomwise uses AI to help discover new medicines and agricultural compounds. It partnered with Monsanto last year to help the Agtech company find a quicker and more cost-effective way to bring new crop protection products to market.



- **Bunge** has acquired 70 % ownership stake in **Loders Croklaan**, a manufacturer of palm oil and other oil products. The USD 946 MM deal, expects to generate USD 105 MM of EBITDA in 2018, plus provide USD 15 MM in synergies. Loders reported 2016 revenue of USD 1,600 MM.
- Ireland-based **Total Produce** has entered into an agreement to buy a 45% equity stake in the **Dole Food Co.** for USD 300 MM. The transaction, is subject to anti-trust review in a limited number of jurisdictions. Total Produce also has the option to purchase 100% of Dole two years after the initial deal closes. Total Produce has annual revenues of USD 4.97 BN and Dole's revenues are estimated at USD 4.45 BN.



- **Nutrien (Agrium-Potash merger)** acquired **Agrichem**, a leading specialty plant nutrition and plant health product company in Brazil. Agrichem is one of Brazil's largest liquid NPK fertilizer companies, as well as a producer and marketer of plant health products. The company has 195 employees and 35 product registrations actively marketed and a strong platform for future growth. Agrichem has annual historic net sales of over USD 55 MM and EBITDA of over USD 15 MM.



- **Nuseed** acquired the remaining 49 % of **Atlantica Sementes** in Brazil. After several years of partnership and joint work, the Nuseed acquired the remaining percentage of Atlantica to roll it up into the global seed group. In Brazil, Atlántica is a leader in the sunflower market, top 3 in sorghum and top 2 in sales of canola hybrids. Its portfolio also includes leading products in ryegrass and millet.



Argentina



- **Deere & Company** acquired **King Agro**, manufacturer of carbon fiber products with a special focus in spray cores. The founders of King Agro, brothers Guillermo and Gabriel Mariani, developed a product that weighs a fifth with respect to steel booms. It also has greater resistance to torsion and durability. In 2015, John Deere and King Agro had agreed to develop and distribute carbon fiber booms for John Deere spray equipment in agriculture. The King Agro headquarters are in Valencia (Spain) with an industrial plant located in Campana (Argentina).



- Chinese **Nanjing Red Sun** acquired 60% stake in Ag input company **Ruralco** for a declared transaction value of USD 23 MM. The acquisition is expected to take place in two phases, where, in the first phase, Red Sun will spend USD 8 MM to acquire 26.67% stake in outstanding shares. In the second phase, Red Sun will contribute USD 15 MM in kind to Ruralco as a capital increase to acquire 33.33% stake. Ruralco is a JV launched between FMC and NewCo in 2011. Ruralco is FMC's distributor in Argentina, engaged in the distribution of agrochemicals, including herbicides, insecticides and fungicides while being licensed to sell cereal, rapeseed and feed crops.
- The multinational **Alaisa Distribuidora** will take over **SanCor's** cheese maturation plant in Brinkmann, Córdoba. The agreement implies that the buyers will take the plant and part of the staff that does not decide to benefit from the voluntary withdrawal. Alaisa Distribuidora is a Spanish group by origin but has Argentine partners. The company operates as a distributor of food products, mainly based in Spain, Mexico and China.

- **SanCor** sold their 50% stake in Afisa to the Swedish-Danish firm **Arla Foods**. In exchange, SanCor will receive about USD 35 MM that would be destined to offer more than 200 withdrawals among their personnel. The Afisa facility has 22,000 m² of surface area, a processing capacity of 2.3 MM liters of whey per day and processing that reaches 35,000 tons / year of finished product.
- **Granja Tres Arroyos** has made an offer to acquire the assets of **Cresta Roja**. This transaction takes place after the failed rescue attempt of **Proteinsa**, (conformed by Ovoprot, Laclau Group and Tanacorsa) at the end of 2015 to relaunch Cresta Roja. Granja Tres Arroyos is the number one poultry producer in the country with over 11 MM animals per month. The offer has been declared at USD 80 MM and the transaction will be done by Wade, a company of their holding group.
-  - **O. Fournier** wine maker and marketer, has been acquired by **Finca Agostino**, owned by the Agostino family. The O. Fournier winery (which was owned by the Spanish family Ortega Gil Fournier) was one of the first companies that initiated investments in Valle de Uco. This establishment has the capacity to produce 1.2 MM liters of wine and holds a state-of-the-art laboratory.
-  - **Monsanto** acquired 5% of **Bioceres** after executing an option to capitalize a loan granted for an excess of USD 8 MM. Bioceres is considered an integrated provider of crop productivity solutions, which includes the development of genetically modified seeds, seed traits, seed treatments, biological products, high value adjuvants and fertilizers. It owns or presents a license to use 303 registered products and maintains another 217 between patents and patent applications. Bioceres is expected to have its IPO in Wall Street soon.
- **DLF**, a global leader in forage and turf seed, has acquired the assets of **Gapp Semillas** based in Pergamino, Argentina. Gapp Semillas is a local forage seed marketer with strong brand positioning. The acquisition complements the transaction previously made by DLF in 2016 by acquiring Estero (Uruguay) and is part of a strategic move to enhance the group business platform in South America. The DLF group has an income of USD 590 MM and has more than 1,200 employees in 16 countries. Transaction terms were not disclosed.

Agribusiness Report Argentina Q1-2018 shows an optimistic summary of high level activity in investments and local M&A transactions. In terms of investments, renewable energy projects aimed to enhance agriculture operations is a strong tendency that continuous from last year and appears to prevail in the future. Internationally, it is interesting to see how strategic players are investing in AgTech startups through their own venture vehicles and how Syngenta & BASF are taking advantage of the megamerger divestments to fit their needs, especially clear in seed assets. With presence for more than 60 years in Argentina, John Deere acquired for the first time a local technology firm for agriculture. Furthermore, the report also reflects SanCor's necessity to strengthen its financial situation by divesting different assets and negotiating with dairy suppliers. Lastly, the Ruralco operation reflects the existing foreign interest for Ag input commercial platforms in a big market like Argentina.

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