

AGRIBUSINESS REPORT ARGENTINA

INVESTMENTS, M&A ACTIVITY

Q3 - 2017

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Agribusiness Report Argentina Q3-2017 aims to summarize the principal activity in INVESTMENTS and M&A in Argentina for the third 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


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 - **Qualitá**, a vertically integrated pork firm from the north of Córdoba, will invest in a new 1.000 mother swine (“ms”) farm which plans to later expand to 4.000 ms in the medium term. The company already has a 1.000 ms farm along with its own processing plant that operates 8.000 hogs monthly for in-house production as well as services for third parties. The existing ms farm will begin to generate 70% of its electrical energy demand through biogas equipment. Qualitá reaches the retail channel directly in large chains of the city of Cordoba and also in the provinces of La Rioja, Catamarca, Mendoza and Santa Fe.




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 - **Friar**, meat processor property of **Vicentin**, is analyzing to invest USD 5 MM to increase the capacity of its plant in Santa Fe. The investment will allow more slaughter capacity along with efficiency improvements in the production line. Friar holds revenues of approximately USD 300 MM from which 40% correspond to exports.

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 - **Desdelsur** announced an investment of USD 44 MM to increase their production activities in General Mosconi, Salta. The objective is to reach 100.000 tons of field crop sales and 80.000 heads of steers for export in an annual basis. With more than 20 years old, Desdelsur produces legumes, which are exported to Europe, combined with livestock, oilseeds and peanuts.

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 - **JLA Argentina**, an Ag service company from Córdoba, invested USD 3 MM in its facilities to certify good laboratory practices for agrochemicals in accordance with OECD requirements. JLA Argentina, founded in 1992, provides strategic services for companies in the agri-food value chain and has a staff of 102 people.

- **Terragene**, a genetics and biotech company, announced an ARS 150 MM investment in a new plant in Rosario. Terragene has 4 different business units: infection control, environment, agro, and energy. The agro division uses tools from microbial genetics and biochemical fields to develop products that improve animal nutrition and designs inoculants for soy, corn and other crops. The company plans to invest 25% of its revenues in research and development (R&D).

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 - **Farm Frites**, the second largest producer of frozen potatoes in the world, will invest about USD 70 MM to settle in the industrial park of Mar del Plata. The full capacity is planned to be reached by 2019 aiming to export 3.000 containers per year from the local port primarily to Brazil. This is equivalent to an estimated 70 thousand tons of processed products derived from 140 thousand tons of fresh potato from the neighboring agricultural area.

- **Teknal**, producer and marketer of animal nutrition, invested ARS 150 MM in a new production facility in the city of Pergamino with a capacity of 3.500 tons of nutritional products per month. Teknal focuses in delivering quality nutritional inputs for livestock activities like dairy, swine, chicken and beef. The company currently sells 6.500 tons of nutritional products per month with an organization of 150 employees.
-  - **AGCO**, group of agricultural machinery, invested USD 2 MM in a training center in General Rodriguez, Buenos Aires. The principal objective of the training center is to prepare farm operators for the use of the new technologies arriving in agricultural machinery. AGCO markets its products under the brands Challenger, Fendt, GSI, Massey Ferguson and Valtra.
- **Mojón Uno**, controller of **Akron** producer of hoppers and baggers from Cordoba, invested USD 3.5 MM to assemble low-power Japanese **Kubota** tractors. This new business unit aims to market tractors in the regional economies of fruits and vegetables which have great growth potential since they lack specific field tractors for their types of production fields.
-  - **Frontec**, private company of public institution **Invap**, will invest USD 5 MM in an expansion throughout Mercosur. With its platform, the company combines the latest in geospatial and agricultural science with ICT (information & communication technologies) to deliver solutions to farmers. Frontec expects to reach a total 10 MM hectares monitored in the coming years. Los Grobo, co-founders of Frontec, sold their 50% stake last May and since then Frontec is aiming to incorporate new partners.
-  - **Bioelectrica** will invest USD 12 MM to produce renewable energy through biogas plants in Córdoba. The input used in the process is chopped corn, “vinaza” (ethanol residual), and manure from neighboring feedlots, dairies, and pig farms.
- **FRESA**, a company integrated by **Grupo Insud** and **Grupo Benicio**, will invest USD 60 MM in a thermal power plant to produce renewable energy from wood biomass in Corrientes. The objective is to generate electricity from chips, sawdust, pine bark and eucalyptus, added to biomass from dry wood and forest materials that currently do not have industrial use. The use of forestry biomass is an upside for the regional timberland to diversify the commercial matrix.
- The **Huinca Bio** is a renewable energy project originated from an alliance between two cooperatives: **Fecofe** and **CEHR**. The alliance will invest USD 10 MM in a renewable energy plant which uses organic waste and sorghum to produce biogas that will generate 1.62 MW of electricity per hour. In addition to producing energy and reusing organic waste, the process leaves a by-product, which is a liquid and solid fertilizer that farmers can use in pastures and the sorghum field used as input.
- §** - **Inversora Juramento**, property of banker Jorge Brito, is one of the most important beef producing companies in northwestern Argentina. Inversora Juramento is hoping to raise USD 200 MM in a Wall Street IPO to duplicate the volume of its operations by increasing livestock and acquiring more farmland.

- **Agroempresa Colón**, company primarily dedicated to the sale of agrichemicals and fertilizers, placed USD 4 MM in corporate bonds at a 6.9% interest rate after receiving funding offers for more than USD 10 MM. The term of the issue reaches 24 months, with quarterly interest payments and amortizations in four installments of 25 percent in the months 15, 18, 21 and 24.
- **Asociados Don Mario**, local seed company, placed USD 20 MM in corporate bonds at a 6.15% with an issuance term of 5 years. The extensive program of R+D carried out by Don Mario, with a demand of many years for a new variety to exit the pipeline, requires a lot of working capital to continue with genetic innovations.

M&A


Global





- **Citic Agri Fund**, a Chinese firm, acquired a portion of the **Dow AgroSciences** corn seed business in Brazil. The divestment, valued in USD 1.1 BN, was conditional on Dow and DuPont closing their merger. The operation includes seed processing plants and research centers, a copy of the Brazilian corn germplasm bank of Dow AgroSciences, the Morgan brand and a license to use the Dow Seeds brand for a period of time.
- **Helios**, a private equity firm, agreed to acquire from **Louis Dreyfus** its distribution business of fertilizers, crop protection products, seeds and industrial chemicals in West Africa with revenues estimated in USD 300 MM. LDC strategy is to divest non-core activities to tackle the low margins present in current commodity trading.



- **Deere & Company** acquired **Blue River Technology**, an Ag robotics startup that developed the “see & spray” weed control machine. The transaction value was closed at USD 305 MM (3.5x more than the USD 87 MM post-money valuation from its last round of funding). This operation is a perfect example of company valuation from a strategic player looking for value creation by leveraging the technology across its whole machinery business.
- **AGCO** acquired **Precision Planting** from **The Climate Corporation**, a subsidiary of **Monsanto**. The terms of the transaction were not yet disclosed. Precision Planting was previously intended by Deere & Company but the deal was canceled due to opposition from the U.S. Department of Justice. “The acquisition of Precision Planting will solidify AGCO as one of the global leaders in planting technology and strengthen our position as a full line partner for professional farmers across the globe,” said Martin Richenhagen (CEO).
- **Dupont** acquired farm management software **Granular** for USD 300 MM. Granular is a provider of software and analytics tools that help farms enhance sustainability, profitability and efficiency. Granular, with reported revenues of just USD 3 MM, will be a good leverage for Dupont to deliver more services across its seed and crop protection businesses.

-  **Marubeni Corp.**, a diversified Japanese conglomerate, acquired US meat producer **Creekstone Farms** from Sun Capital Partners for USD 170 MM. Creekstone Farms, with a subsidiary in Australia, supplies black Angus beef, antibiotic-free Duroc Pork and other value-added products to top grocers and restaurants in the United States, as well as exporting to Europe, Latin America and Asia. Through the operation, Marubeni will be located in the two largest beef-producing countries in the world with a solid platform for beef origination.

Argentina

-  **Bertotto Boglione** acquired Córdoba hometown neighbor **Metalfor**, local leader in the production of sprayers, harvesters, fertilizers, and hoppers. This operation aims to expand the product portfolio of Bertotto Boglione, manufacturer of tank trailers, tanks semi-trailers, horizontal and vertical tanks, plastic hoppers, mobile stations and accessories. The average revenues of Metalfor range from USD 70 – 100 MM and, although the amount of the transaction was not disclosed, it was said that the purchase will be financed over a decade and that the management team of the agricultural machinery factory will continue.
-  The president of **Sociedad Comercial del Plata**, **Ignacio Noel**, purchased in his personal capacity 70% of the capital of **Morixe Hermanos**, historic flour mill, in an operation for ARS 32.8 MM prior to the launch of a public offering of shares to rescue the remaining 30% of shares that are quoted on the capital market. It was informed that the commitment also includes a contribution of ARS 50 MM for working capital.
- Austrian **EGGER** acquired **Masisa Argentina**, property of Chilean **Grupo Nueva**, for USD 155 MM. Masisa is a company that manufactures and markets wood panels for furniture and interior architecture with facilities in Concordia, Entre Rios. The divestment is part of Grupo Nueva's strategy to sell its industrial assets in Mexico, Brazil and Argentina. Grupo Nueva will maintain the timberland it owns in Argentina.
-  **EuroChem Group AG**, Russian producer of mineral fertilizers, acquired **Emerger Fertilizantes**, distributor of premium and standard fertilizers in Argentina. Emerger has annual fertilizer sales of 50 thousand metric tons and owns a warehouse near the port of San Nicolas while renting other 3 retail centers. According to Fertilizar Asociación Civil, the market for fertilizers in Argentina is expected to increase in size from 3.4 million metric tons (MMT) in 2016 to 5.5 MMT in 2020.
-  The citrus company **San Miguel** acquired the Peruvian **Agrícola Hoja Redonda** for USD 64 MM. Agrícola Hoja Redonda is the main tangerine producer of that country and also has production orchards of grapes and avocado. The transaction is in line with San Miguel's strategy to expand its presence as leader in counter-season citrus production from the Southern Hemisphere.

Agribusiness Report Argentina Q3-2017 reflects a continued high level of activity in investments from Q2 and a recovery in the number of local M&A transactions in Argentina. In terms of investments, many operations had to do with the expansion of production facilities and also in renewable energy projects which use by-products or waste from agricultural activities. Out of the 6 M&A operations presented for Argentina, 50% were cross-border transactions. Moreover, the national mid-term elections will be held in October 22, with current polls and market analysts predicting a victory for President Macri. The country risk rate has fallen 20% since the beginning of 2017 and it is expected that it will break the 350 point barrier before the end of the year. This positive mix along with improvements in other macroeconomic indicators presents a favorable future scenario for Argentina.

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