

A Wall Street Look At Agribusiness

An Analysis of Agribusiness Returns and Valuation

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KEY TALKING POINTS

A Wall Street View of the Agribusiness Industry

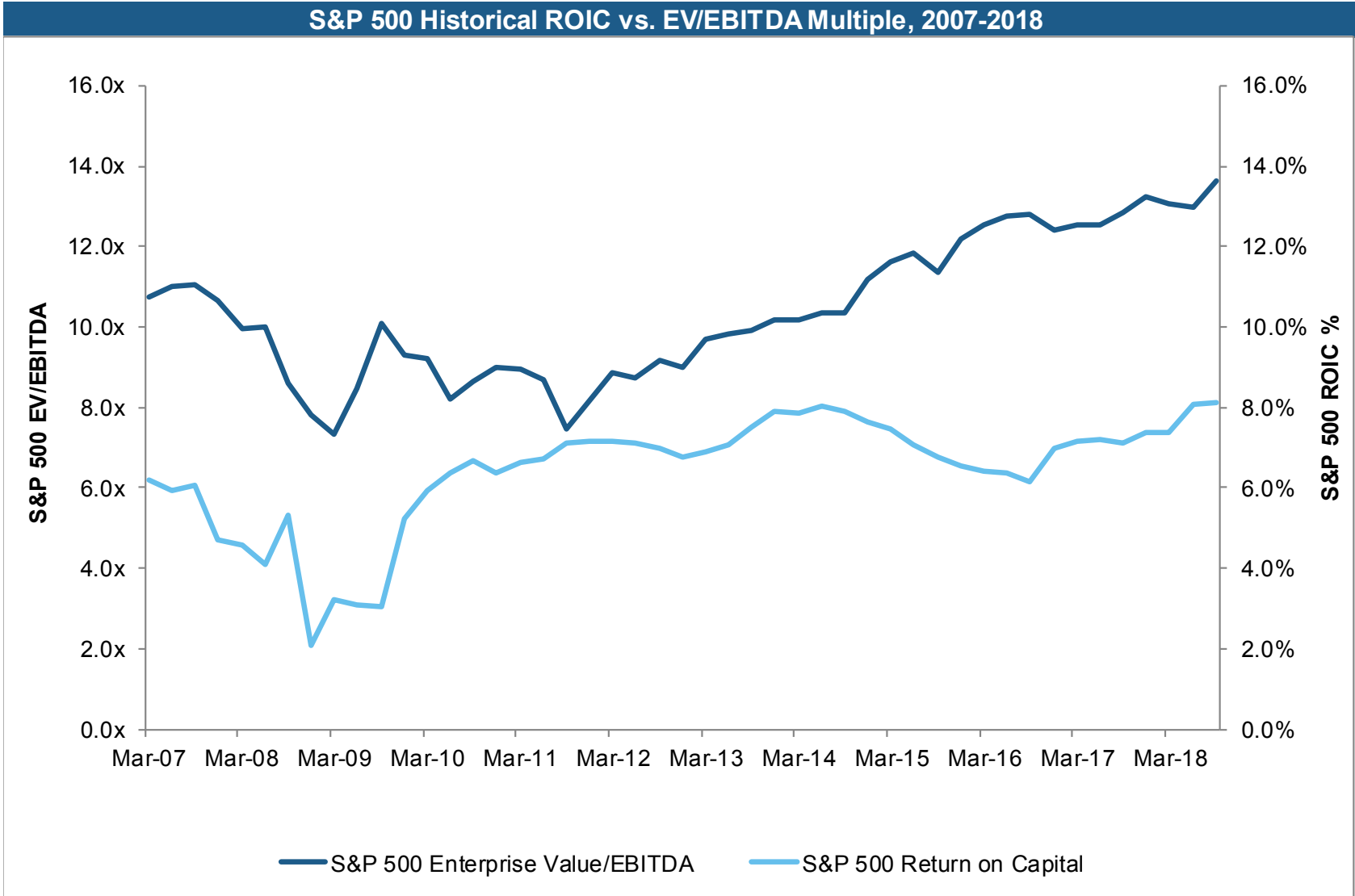
Stock Valuation Follows Cash and Returns (ROIC)

What Makes a Great Company?

How Does Wall Street Look At The Agricultural Industry?

- Diverse, Suboptimal Buy-Side Coverage
 - Food, Basic Material and Industrial Analysts
- Complex Industry, Many Moving Parts
- Heavy Focus on Domestic Component, Miss Global Impact
- Earnings Volatility A Negative
- Tariffs Are New, Major Uncertainty
- Highly Protected/Subsidized Industry Globally
- Adverse Shift of Power From Merchants to Farmers
- Focus on Cash and ROIC...Drives Valuation
- Analysts Recognize Beginning of Industry Turnaround

ROIC & EV/EBITDA Valuation Are Highly Correlated



Source: Bloomberg

#1 “Cash is King”



#2 “More is better than less”



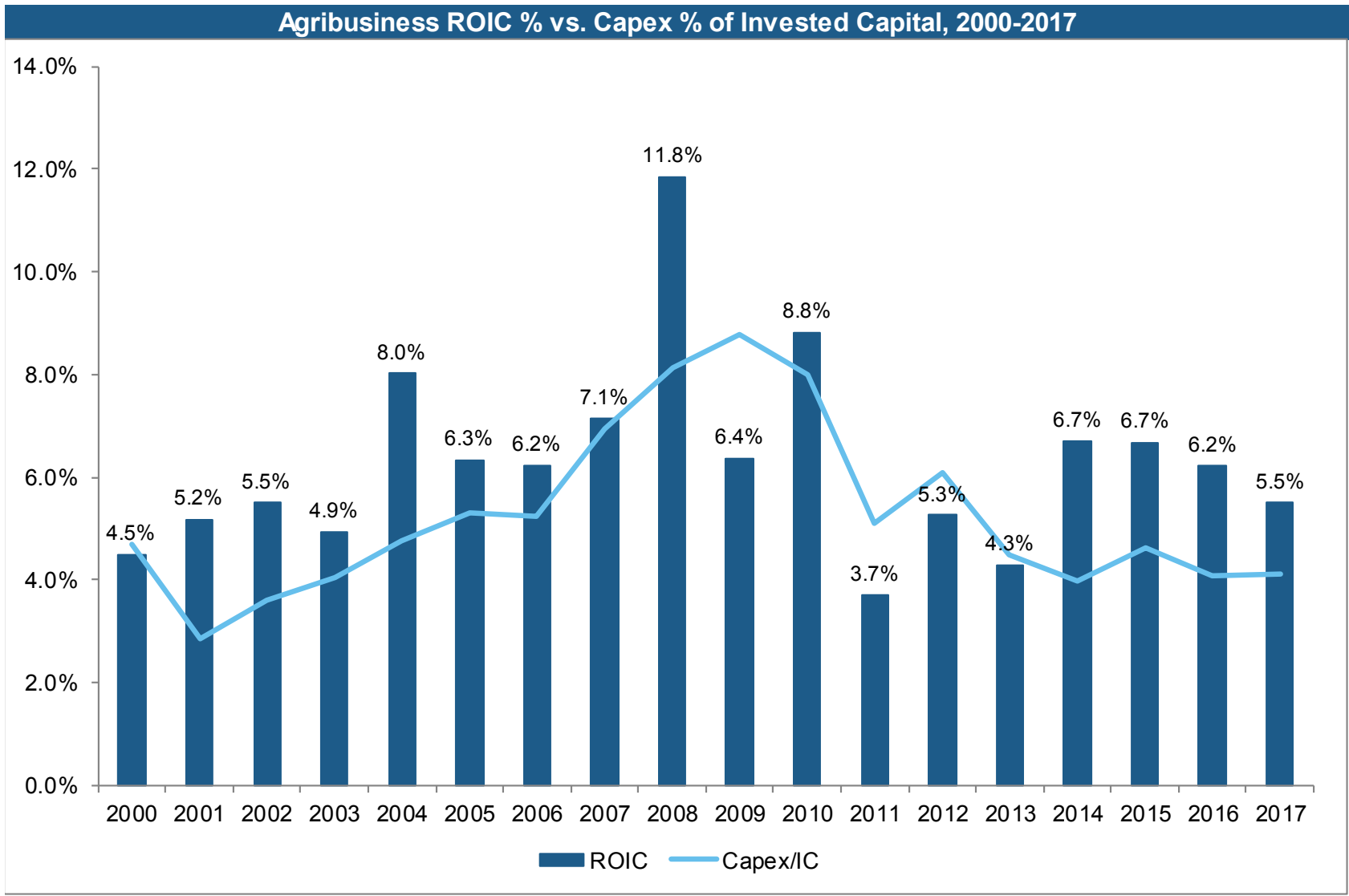
#3 “Sooner is better than later”



#4 “Certainty is better than risky”



Agribusiness Sector ROIC vs. Capex Rate



Source: Bloomberg

What Makes a Great Company?

Key Factors That Create A Great Company

- Best of Class, Motivated Management Team
- Advantageous Industry Structure
- Well-Positioned Assets, Leadership Positions
- Sound Operating and Growth Strategies
 - Well communicated vision to all employees
- Balanced Capital Allocation Program
 - All stakeholders must participate in company's financial success

Food and Foodservice EV/EBITDA Valuation Summary

Food and Foodservice Valuation Table--Cash Multiples 9/25/2018					Fiscal Year EBITDA Estimates			Fiscal Year FCF Estimates			Fiscal Year EV/EBITDA			Fiscal Year FCF Yield		
Industry Sectors/Companies	Ticker	Rating	Price Target	Enterprise Value	2017A	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E
Packaged Foods:																
B&G Foods	BGS	BUY	\$36	\$3,972	\$333	\$352	\$376	(\$22)	\$260	\$166	11.9x	11.3x	10.6x	-1.1%	13.3%	8.5%
Conagra Brands, Inc.*	CAG	NR	---	\$18,748	1,498	1,498	1,529	961	773	1,001	12.5x	12.5x	12.3x	6.7%	5.4%	7.0%
General Mills Inc.*	GIS	NR	---	\$42,854	3,443	3,324	3,470	1,422	2,084	1,748	12.4x	12.9x	12.3x	5.4%	7.9%	6.7%
Hershey*	HSY	NR	---	\$25,646	1,815	1,883	1,939	682	894	1,017	14.1x	13.6x	13.2x	3.3%	4.3%	4.9%
Hormel Foods	HRL	NEUTRAL	\$34	\$22,124	1,472	1,318	1,498	789	554	745	15.0x	16.8x	14.8x	3.7%	2.6%	3.5%
Kellogg	K	BUY	\$79	\$34,551	2,014	2,282	2,684	1,145	1,030	1,452	17.2x	15.1x	12.9x	4.6%	4.1%	5.8%
Kraft Heinz Co.*	KHC	NR	---	\$100,288	7,928	7,553	7,829	(89)	3,714	5,213	12.7x	13.3x	12.8x	-0.1%	5.4%	7.6%
McCormick & Company, Inc.*	MKC	NR	---	\$22,191	914	1,135	1,215	651	535	713	24.3x	19.6x	18.3x	3.8%	3.1%	4.2%
Mondelez International	MDLZ	BUY	\$51	\$83,203	4,935	5,296	5,474	1,579	2,812	2,898	16.9x	15.7x	15.2x	2.5%	4.4%	4.5%
Pinnacle Foods Inc.	PF	NEUTRAL	\$68	\$10,665	675	699	748	322	359	473	15.8x	15.2x	14.2x	4.1%	4.5%	6.0%
J.M. Smucker Company*	SJM	NR	---	\$18,817	1,688	1,636	1,693	867	896	621	11.1x	11.5x	11.1x	7.0%	7.2%	5.0%
Sector											15.3x	14.7x	13.8x	3.6%	5.7%	5.8%
Livestock/Protein:																
Dean Foods*	DF	NR	---	\$1,519	\$331	\$267	\$288	\$38	\$41	\$65	4.6x	5.7x	5.3x	5.6%	6.1%	9.7%
Hormel Foods	HRL	NEUTRAL	\$34	\$22,124	1,472	1,318	1,498	789	554	745	15.0x	16.8x	14.8x	3.7%	2.6%	3.5%
Pilgrims Pride Corp*	PPC	NR	---	\$6,617	1,349	1,071	1,103	438	350	480	4.9x	6.2x	6.0x	9.4%	7.5%	10.3%
Sanderson Farms	SAFM	NEUTRAL	\$90	\$1,993	527	211	195	242	(139)	18	3.8x	9.4x	10.2x	10.5%	-6.0%	0.8%
Tyson Foods, Inc.	TSN	NEUTRAL	\$63	\$32,075	3,998	3,908	4,117	1,530	1,378	1,590	8.0x	8.2x	7.8x	7.0%	6.3%	7.3%
Sector											7.3x	9.3x	8.8x	7.2%	3.3%	6.3%
Natural/Organic:																
Hain Celestial	HAIN	NEUTRAL	\$27	\$3,474	\$266	\$256	\$272	\$185	\$50	\$41	13.1x	14.0x	14.0x	6.5%	1.8%	1.4%
Sprouts Farmers Market *	SFM	NR	---	\$4,170	324	340	381	101	135	157	12.9x	12.3x	10.9x	2.9%	3.8%	4.5%
United Natural Foods	UNFI	BUY	\$41	\$1,955	319	348	372	225	22	208	6.1x	5.4x	5.4x	14.0%	1.4%	12.9%
Sector											10.7x	10.6x	10.1x	7.8%	2.3%	6.3%
Agribusiness:																
Anderson's, The	ANDE	NEUTRAL	\$40	\$1,667	\$157	\$178	\$197	(\$102)	(\$32)	\$44	10.6x	9.4x	8.5x	-9.4%	-2.9%	4.0%
Archer-Daniels-Midland	ADM	BUY	\$57	\$33,999	3,047	3,622	3,925	1,624	2,175	2,008	11.2x	9.4x	8.7x	5.8%	7.8%	7.2%
Bunge*	BG	NR	---	\$16,480	1,123	1,955	1,984	180	(770)	497	14.7x	8.4x	8.3x	1.9%	-8.3%	5.4%
Calavo Growers	CVGW	NEUTRAL	\$98	\$1,752	70	79	94	18	\$44	35	25.1x	22.1x	18.6x	1.0%	2.5%	2.0%
Dean Foods*	DF	NR	---	\$1,519	331	267	288	38	41	65	4.6x	5.7x	5.3x	5.6%	6.1%	9.7%
Fresh Del Monte Produce*	FDP	NR	---	\$2,428	---	---	---	---	---	---	---	---	---	---	---	---
Ingredion*	INGR	NR	---	\$8,802	1,092	1,058	1,109	436	404	471	8.1x	8.3x	7.9x	6.0%	5.5%	6.4%
Limoneira	LMNR	BUY	\$32	\$529	19	23	27	6	20	11	28.0x	22.6x	19.5x	1.2%	4.1%	2.3%
Sector (excluding Limoneira)											9.8x	8.2x	7.7x	2.0%	1.7%	6.5%

Note: * indicates a consensus estimate

Sources: BUCKINGHAM RESEARCH GROUP estimates, FACTSET

Disclosures

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NEUTRAL[N]	74	32.46	0	0.00
UNDERPERFORM[U]	6	2.63	0	0.00
NOT RATED[NR]	41	17.98	0	0.00

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