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# Mergers & Acquisitions

# Agribusiness

## Agribusiness Food Chain Recovery!

**Agricultural commodity prices continue to rise. It appears that the Agribusiness economy is coming out of the recession faster than the general economy. The USDA projects net farm income to climb 24% this year — the fourth highest increase ever. USDA also expects retail food prices to rise 0.5% to 1.5% this year, which would be the lowest rate of increase since 1992, though some economists forecast food price increases of from 3% to 4% in 2011. What is propelling this?**

- Asia's appetite for commodities (corn, wheat, soy, etc.). Asia's consumption of these commodities is growing 3 times as fast as US consumption. China probably will be a net importer of soybeans. China also imported corn from the US for the first time in 4 years. Arable land in China continues to decline, falling to a critical level that may threaten grain self-sufficiency.
- The Russian and Eastern Europe drought in grain producing regions has been the worst in decades.
- Farm debt has fallen significantly from levels recorded during the 1980s debt crisis. Farm debt, which hit 28.5% in 1986, is now 13% of equity. Meanwhile, Midwest farmland prices have climbed.
- Bio-fuels consume roughly one-third of the US corn crop with significant and continuing government support and subsidies.
- Higher commodity prices should generate increasing agriculture equipment sales.
- Demand for protein increases as incomes rise in emerging markets. This also applies to snacks, convenience foods and prepared food products.



# Noteworthy Deals

**BHP Billiton's (Anglo-Australian) \$39 billion bid for Potash Corp. of Saskatchewan.** Potash is a key ingredient in fertilizer. Potash Corp. is the world's largest fertilizer manufacturer and the world's leading potash producer. BHP is the world's largest mining company with head offices in Australia and London. It was created in 2001 through the combination of Broken Hill and Anglo-Dutch Billiton.

**Agrium's \$1.2 billion for Australia's AWB (8.6 times EBITDA).** Agrium is a major retail supplier of agricultural products and services in North and South America, a leading global wholesale producer and marketer of all three major agricultural nutrients. It is also a premier supplier of specialty fertilizers in North America. AWB is Australia's largest wheat exporter. Agrium has a stated geographic expansion strategy.

**Deere & Company Announces Sale Of Wind Energy Business.** Deere & Company signed a definitive agreement in August 2010 to sell John Deere Renewables, LLC, its wind energy business, to Exelon Generation Company, LLC, a wholly-owned subsidiary of Exelon Corporation. The acquisition, valued at approximately \$860 million, included a provision for up to an additional \$40 million upon commencement of construction on the advanced development projects. Exelon will finance the transaction using Exelon Generation debt. Under the terms of agreement, Exelon will acquire John Deere Renewables' 735 megawatts of installed, operating wind capacity-enough to power 160,000 to 220,000 households-spread across 36 projects in eight states.

## China Agricultural Bank Blockbuster IPO: \$25 Billion

The numbers are huge: China now has 4 of the world's 10 largest banks. China Agri Bank has 320 million retail customers and 24,000 branches. China Agri Bank was formed in 1951 to serve farmers and less affluent rural areas. More and more global banks are interested in the Agribusiness Food Chain arena.

Chinese companies aggressively are acquiring agriculture production and food chain assets. Such global companies as Tysons Foods, Inc. are building and buying Agriculture Food Chain assets in China. The McLean Group knows one PEG that has made 24 China acquisitions in 4 years.

Chinese enterprises issued 110 IPOs globally in the Third Quarter of 2010 raised \$40 billion, a 147% increase in total proceeds from the second quarter (Ernst & Young). Chinese IPOs made up 75% of the global fund-raising during the Third Quarter of 2010.



## The Carlyle Group's \$4 Billion Acquisition of NBTY

NBTY is a leading global vertically integrated manufacturer, marketer and distributor of a broad line of nutritional supplements (Nature's Bounty, Vitamin World, etc.) in the United States and worldwide. The Carlyle Group is a global private equity investor with more than \$90 billion under management.



# 12.8%

What is the fastest growing food item Year over Year in dollar sales?

**Yogurt!** The category grew 12.8% 9/30/2009 to 9/30/2010. Trail Mixes grew 11%. Fresh Meat grew 7.5%. (Source: Nielsen)



## Q3 2010 M&A Deals Announced/Pending vs. Q3 2009

There was a 17% increase in Q3 2010 M&A deal activity versus Q3 2009.

Agricultural Production Inputs	Food Processing / Manufacturing	Food & Related Products Distribution
Q3 2010 - 162	Q3 2010 - 386	Q3 2010 - 146
Q3 2009 - 165	Q3 2009 - 305	Q3 2009 - 122

## Q3 2010 M&A Transaction Valuations

### Transaction Value / Revenue

	Q309	Q310
Agricultural Production Inputs	1.4x	1.6x
Food Processing and Manufacturing	0.7x	1.9x
Food & Related Products Distribution	0.9x	1.0x

### Transaction Value / EBITDA

	Q309	Q310
Agricultural Production Inputs	9.3x	9.0x
Food Processing and Manufacturing	6.3x	9.5x
Food & Related Products Distribution	7.2x	7.4x

## Public Agribusiness PE Ratios

\$ Millions

Company	Stock Price 10/13/2010	Market Capitalization	P/E	
			LTM*	FY11
Altria Group Inc.	\$24.82	\$51,307.2	14.8x	12.3x
Deere & Company	75.28	31,908.4	26.9x	14.5x
Potash Corp. of Saskatchewan, Inc.	148.47	44,035.6	31.1x	19.3x
Monsanto Co.	54.69	29,557.2	26.9x	16.9x
Archer Daniels Midland Company	33.22	21,217.1	11.1x	10.2x
Danisco A/S**	89.31	22,712.5	42.1x	2.9x
CNH Global NV**	43.11	10,247.2	62.9x	18.8x
Sysco Corp.	28.90	16,984.8	14.5x	13.4x
Agrium Inc.	87.18	13,762.6	24.7x	14.8x
ConAgra Foods, Inc.	22.58	9,928.9	13.8x	11.6x
Dean Foods Co.	10.40	1,893.9	10.1x	9.2x
Kerry Group plc	35.74	4,483.7	21.2x	16.9x
Smithfield Foods Inc.	16.14	2,679.4	31.8x	9.4x
AGCO Corporation	42.58	3,961.3	33.5x	16.3x
Tate & Lyle plc**	7.84	2,291.9	124.4x	17.4x
Pilgrim's Pride Corporation**	5.60	1,200.0	6.3x	10.5x
Dole Food Company Inc.**	9.69	854.9	54.3x	6.6x
United Natural Foods, Inc.	36.24	1,717.8	22.9x	18.0x
Chiquita Brands International Inc.	14.49	650.6	9.6x	6.7x
Nash Finch Co.**	43.51	535.7	-224.4x	12.6x
Low		535.7	9.6x	6.7x
Mean		13,596.5	20.9x	13.5x
Median		7,206.3	22.1x	14.0x
High		51,307.2	33.5x	19.3x

Source: Capital IQ

\* LTM - Last Twelve Months

\*\*Excluded from averages

### Potential Risks to Recovery

- Some Agribusiness Food Chain categories could be adversely impacted by import tariffs or export duties (trade barriers).
- Changes in government subsidies on various products in certain countries. For example, removal of government mandates and credits for bio-fuels in the US.
- Supply constraints and/or slowing demand in key markets.
- Energy prices and dislocations. For example, a sharp price increase in natural gas prices would hurt domestic producers of nitrogen fertilizer that are currently benefiting from low domestic natural gas costs.
- A correction or decline in currently high commodity prices would impact such areas as agriculture equipment manufacturers.
- Higher than expected input costs (corn, soybeans, sugar, fuel, etc.).

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The McLean Group is a national, middle market investment bank providing mergers and acquisitions (M&A), capital formation, market intelligence, business valuation, litigation support and exit planning services to businesses generating up to \$500 million in annual revenues. Headquartered in Washington, DC's technology, communications and government contracting corridor, we are among the largest independent middle market investment banks in the region.

The McLean Group is located in more than 30 cities nationwide, serving domestic and international clients with a broad resume of successfully consummated financial transactions. We have a research staff that leverages state-of-the-art, proprietary corporate information and transaction data, and supports our investment bankers on behalf of our clients. The McLean Group also has several prominent board members from diverse backgrounds who provide invaluable guidance and leadership to us and our clients.

## SELECTED TRANSACTIONS

