



SPOT ON HORTICULTURE

PLANT CARE: NO FUTURE WITHOUT A GLOBAL FOOTPRINT

Frank de Hek, Oaklins’ horticulture specialist, is pleased to share industry intelligence on the merger and acquisition dynamics in the plant care sector.

“The plant care market has seen a number of large mergers and acquisitions (M&A) in the past few decades. Recent examples include ChemChina taking over Syngenta and Bayer acquiring Monsanto. The main consolidation drivers are upscaling, geographical expansion and product portfolio diversification, all geared to gain efficiency in, for example, operations, R&D and legislation.

What's been happening in the multibillion dollar space is similar to what's now happening in the mid-market; the deal drivers are the same, only the size is different.

With valuations being at an all-time high and strategic as well as financial players having huge cash reserves, the market dynamics are also supportive towards strong M&A activity.

On the back of clear consolidation drivers, favorable market dynamics and a fragmented market, we expect the consolidation trend in the mid-market plant care sector to at least continue at its current pace.”

MARKET TRENDS



SPOTLIGHT



SECTOR VIEW



Joep Wiegel

Former CEO



VALUATION TRENDS

Company	Category	Enterprise value (US\$m)	EV/ LTM revenue	EV/ LTM EBITDA
Agrium	Fertilizers	20.682	1.4x	17.9x
AgroFresh Solutions	Other	702	4.3x	10.4x
BASF	Plant protection	120.849	1.6x	8.1x
Bayer	Plant protection	127.271	2.4x	9.2x
CF Industries	Fertilizers	17.939	4.6x	20.8x
DowDuPont	Plant protection	192.480	3.4x	17.6x
Monsanto	Plant protection	58.559	4.0x	13.2x
Nufarm	Plant protection	2.764	1.1x	9.6x
Potash Corporation	Fertilizers	22.014	4.6x	14.3x
Scotts Miracle-Gro Company	Other	7.487	2.8x	15.8x

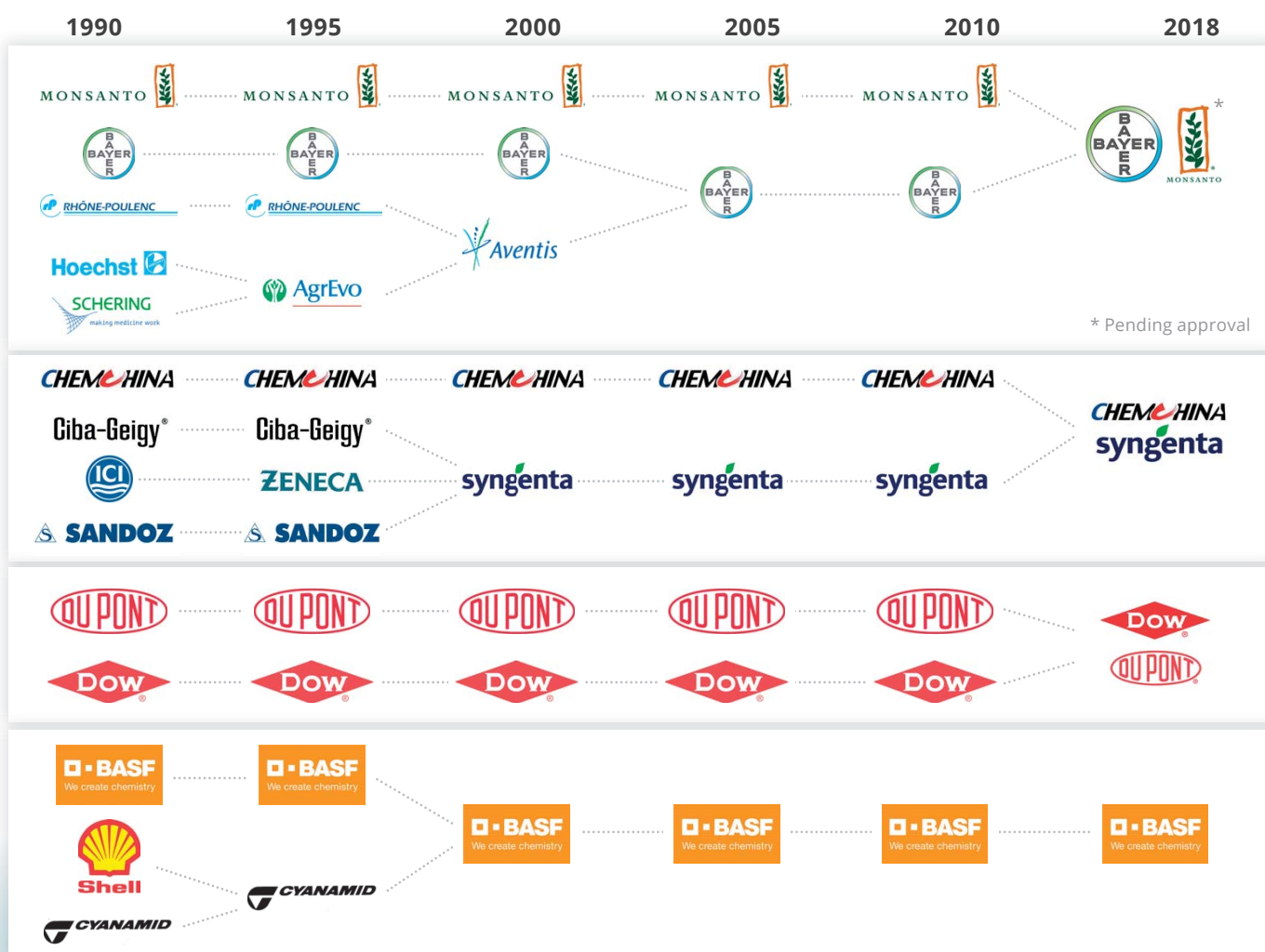
A market on the move

The agrochemical market has seen several consolidation waves over the past few decades, with the major companies doing several hundreds of acquisitions. The main drivers behind this consolidation are upscaling, geographical expansion and product portfolio diversification, all aimed at gaining efficiency in, for example, operations, R&D and legislation.

More recently, there have been a number of newsworthy M&A transactions, namely Dow merging with DuPont, ChemChina taking over Syngenta and Bayer in the process of acquiring Monsanto.

The timeline below shows the magnitude of the consolidation trend. Out of the largest dozen agrochemical players that were active in 1990, just a handful still exist today.

Evolution of the largest agrochemical companies



Market trends

The fertilizer market has seen similar consolidation waves caused by the same drivers.

Evolution of the largest fertilizer companies



Market trends

A very interesting part of the M&A market, which has not been covered by market research, is where most companies are active; those with a turnover of less than US\$500m.

As the companies in this market segment are slightly different from the multibillion dollar companies

previously mentioned, we have categorized the market into four segments: 1) soil, peats and substrates, 2) fertilizers, 3) plant protection products and 4) biostimulants. Together, we call this the plant care market. The infographic below shows a selection of these plant care companies, divided into where they are active in the value chain.



A number of general trends typically play a role in this market segment:

- Upscaling
- Internationalization
- Off-shoring
- Increasing R&D costs
- Further professionalization
- Increasing (demand for) efficiency and cost reduction
- Aiming to control the entire value chain/increasing distribution power
- Becoming a one-stop shop
- Increasing transparency
- New sales channels
- Digitalization
- Sustainability
- User friendliness
- Shareholder and management succession

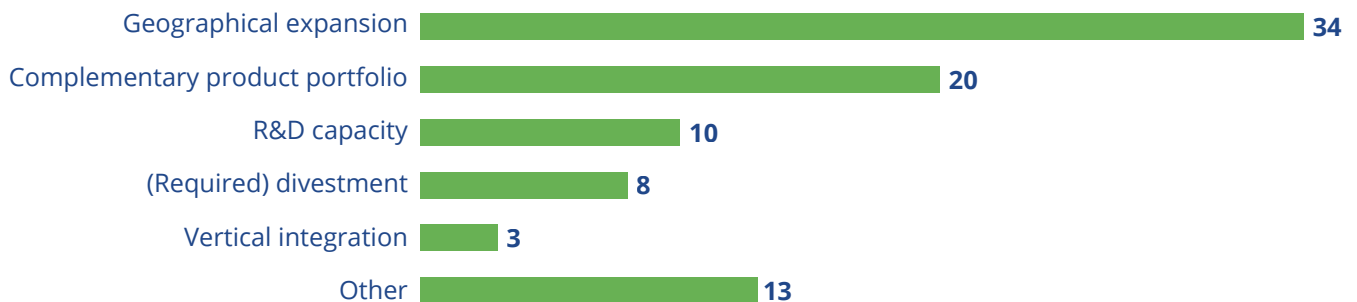
Market trends

But which of these trends is the main driver for the vast amount of M&A transactions in the plant care market?

We have analyzed over 100 M&A transactions that have taken place in the plant care market over the last four

years. The graph below shows the strategic transaction rationales that are most often mentioned.

Rationales of selected M&A transactions



Source: Oaklins Netherlands

It is evident that for companies active in the plant care market with less than US\$500m in turnover, the main M&A driver is geographical expansion. By constantly working with acquisitive companies, we have a more in-depth view on the underlying reason for this. The principal driver we hear is upscaling, which in turn brings several advantages, including more profitability in absolute terms, economies of scale, the ability to institutionalize and diversification. One might argue that international expansion can also be done through organic growth. However, greenfield operations typically have long lead times, especially in this market,

which often makes M&A the preferred instrument. This also brings us to another underlying driver of international expansion; it is an efficient way to benefit from market growth in a new region.

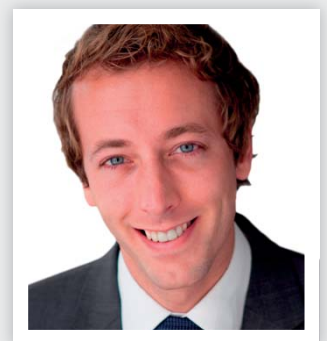
It is also worth mentioning that in about 15% of the transactions, the buyer was a financial investor. We see an increasing interest from financial investors in this market, not only because of the positive market growth prospects, but also because they typically like a consolidating market so that they can apply their buy-and-build strategies.



Frank de Hek, Horticulture Specialist, Oaklins















"We see the winning mid-market plant care companies living by the motto 'No future without a global footprint!'."

With a fragmented market and several regional players, we expect many more (cross-border) acquisitions in the mid-market to happen in the coming years as they have several advantages over organic growth. These acquisitions will be geared towards both geographical expansion as well as product portfolio diversification. With the efficiency gains that emerge, players can obtain a strong competitive advantage."



In 2004, Yara International emerged as a spin-off from Norsk Hydro. As a result of both organic growth and acquisitions, the Norwegian headquartered Yara has more than doubled its turnover since.

A chronology of selected M&A activity

Year	Target	News	Transaction rationale
2012	 Fertilizer Business	 Yara acquires the Brazil-based fertilizer business of Bunge	Strengthen its fertilizer position in a key growth market
2014		 Yara acquires OFD Holding, a holding company of production facilities in Colombia and distribution companies across Latin America	Expand its position in Latin America and complement this with the recently acquired fertilizer business of Bunge
2014		 Yara acquires a 60% stake in Galvani Industria, Comercio e Serviços, a Brazil-based fertilizer company	Realize the Latin American growth strategy by further establishing a position in Brazil
2015		 Yara acquires Greenbelt Fertilizers, a Zambia-based distributor of fertilizers	Improve the downstream position within a fast-growing agricultural region
2015	 West Sacramento nitrogen operations	 Yara acquires the West Sacramento-based nitrogen manufacturing and distribution operations of Agrium	Increase capacity, improve market access and enhance operational efficiency in California
2016		 Yara acquires the India-based urea business of Tata Chemicals	Accelerate growth in the world's second-largest fertilizer market and increase premium product sales
2017	 Vale Cubatão Fertilizantes complex	 Yara acquires Vale Cubatão Fertilizantes, the Brazil-based nitrogen production facilities of Vale	Establish a nitrogen producer position in Brazil, strengthening its production footprint and complement existing distribution activities

Source: Oaklins Netherlands

Yara's M&A profile

Like many other large corporates, Yara has an in-house M&A team which actively looks for acquisition opportunities. Subsequently, Yara is a very professional buyer that is used to participating in sale processes.

As shown in the table above, Yara's M&A team has been very active in recent years. The strategic rationale behind most of the recent transactions are centered around expanding into emerging markets such as Brazil.

Typically, a strategic player takes a "make or buy decision". As greenfield projects in this sector have such long lead times, mergers and/or acquisitions often prove to be the preferred way to enter a new region or market.

With a net debt/EBITDA ratio of 1.5x (as per Q3 2017), Yara's balance sheet would allow for many more acquisitions. We expect the company to continue its acquisition strategy, focusing on medium-sized regional targets as well as product diversification.

Sector view

Over the last 30 years, Chrysal has become the clear global market leader in the production and distribution of branded and private label post-harvest flower care products. It is a compelling story of niche focus and geographical expansion.

How important has M&A been for Chrysal?

"By combining organic growth with acquisitions, Chrysal has become the dominant player in its core category, post-harvest flower care products. Market leadership is a result of a compelling product portfolio and the ability to service your clients globally.

We have always been very keen on looking for acquisitions that could broaden our portfolio and geographical footprint. Those acquisitions were not always very large but, if small, or just a technology acquisition, we always looked for opportunities where Chrysal could roll out the newly acquired products globally and improve and adapt them for the needs of our clients.

We adopted a similar approach to new geographies and fast-growing markets by acquiring companies that enhanced our local presence and distribution capabilities. An example is our acquisition of Everflor, Ecuador's largest post-harvest floral solution producer. With this acquisition, Chrysal boosted its service offering throughout the Americas.

Although M&A has an image of maybe being 'sexy' or 'aggressive', I see it as a necessity if you want to play a leading role in the horticulture market. The market is very dynamic and several consol-

We spoke to Joep Wiegel, who has just handed over his role as CEO to Peter Vriends (who joined from food-focused, post-harvest specialist AgroFresh) and now has a couple of advisory roles in the horticultural sector.

idation waves have led to an ever-increasing scale of the market participants and there is more to come. A market wisdom is that elephants like to 'do it' with elephants. So you'd better try to become one. For that reason major players in the floriculture value chain have a strong preference for working with us over our competitors.

Nevertheless, one should always stay alert and follow technological changes and the subsequent development of new distribution channels. Good examples include the growing importance of mass retail and (internet-based) delivery services, causing significant stress symptoms for flowers and potted plants. This escalates the dropout of products during transport, decreasing the attractiveness of the product as well as reducing the lifetime. Chrysal has responded to this market development by expanding its R&D efforts to cater for these symptoms, augmenting its sales and marketing efforts in these distribution channels and focusing on M&A by acquiring Arrive Alive in 2014.

The acquisition of this company, which developed a product that hydrates flowers during transport for three to five days, has given Chrysal an addition to its product portfolio to support the internet sales and distribution segment."



Joep Wiegel

Former CEO, Chrysal

Joep Wiegel started his career in 1985 as a Finance Manager and Business Controller at various companies, including ICI, Zeneca and Stahl, after which he joined Pokon & Chrysal in 1997 as Finance Director. From 2007, Joep was Chrysal's CEO. He retired from the company at the beginning of 2018.



How will Chrysal's growth path continue?

"Well that's up to my successor Peter Vriends to decide. There are plenty of opportunities to enhance the current portfolio. Although Chrysal's position in cut flowers is clearly market leading, there is huge growth potential in the potted plants space. I expect that Chrysal and its executive team will be very successful in growing the company. Selective acquisitions will continue to be on the agenda."

Valuation trends

Valuations of selected listed companies active in the plant care sector

Company	Category	Enterprise value (US\$m)	EV/ LTM revenue	EV/ LTM EBITDA
Agrium	Fertilizers	20,682	1.4x	17.9x
AgroFresh Solutions	Other	702	4.3x	10.4x
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Scotss Miracle-Gro Company	Other	7,487	2.8x	15.8x
Syngenta	Plant protection	45,266	3.5x	16.2x
The Mosaic Company	Fertilizers	12,611	3.7x	10.6x
Yara International	Fertilizers	14,820	1.3x	11.1x
		Average	3.0x	13.4x

Source: Infront Analytics

The plant care industry has undergone tremendous consolidation over the past 25 years. Despite this, there are still several listed companies with significant turnover in the plant care market.

On average, the selected peer group trades at 13.4x their EBITDA from the last 12 months.

We expect valuations of plant care companies to remain strong in the next decade because of the increasing demand for plant care products as well as the need for continued innovation. Underlying drivers include the growing global population (especially the middle class), the urge for more productivity per hectare, increasing regulatory requirements/audits as well as new technological developments.

























































Maarten Wolleswinkel, Horticulture Specialist, Oaklins

“We see the majority of the smaller plant care companies being sold valued at EBITDA multiples ranging from 6x for small, local players with no IP base to 8.5x for international players that are market leaders in their segment. The largest players with global activities and a strong IP portfolio tend to be valued at multiples closer to those of the listed companies shown above. A good example is the Dutch company Incotec, a world leader of innovative seed enhancement, which sold for 17.7x its audited EBITDA in 2015.”


















Valuation trends

An overview of selected M&A transactions in the horticultural sector

Date	Target	Bidder	Rationale	Country	Valuation			
					EV (US\$m)	EV/ Sales	EV/ EBITDA	EV/ EBIT
17-Nov-2017	 Vale Cubatão Fertilizantes complex		Expand its product portfolio and establish a position in Brazil		216.0	0.5x	7.5x	N/A
8-Nov-2017			Penetrate the market in Southern Europe, Latin America and Africa		N/A	N/A	N/A	N/A
7-Aug-2017			Expand its distribution network in Latin America		N/A	N/A	N/A	N/A
1-Jun-2017			Expand its business in the plug market		N/A	N/A	N/A	N/A
23-May-2017			Expand its R&D capabilities		N/A	N/A	N/A	N/A
2-May-2017			Divestment of Scotts Miracle-Gro Company to focus on its US business		210.0	N/A	N/A	N/A
7-Mar-2017			Extend its fertilizer blending activities and customer service capabilities		16.4	0.1x	N/A	5.1x
2-Mar-2017			Expand in Eastern Europe		N/A	N/A	N/A	N/A
31-Jan-2017			Expand its product portfolio and penetrate markets in Brazil		65.4	N/A	N/A	N/A
31-Dec-2016			Expand the Mexican business		N/A	N/A	N/A	N/A
27-Dec-2016			Accelerate growth in the Brazilian market, gain ability to manufacture in Brazil		14.0	1.9x	N/A	N/A
19-Dec-2016			Become a market leader in Brazil		2,642.4	N/A	N/A	N/A
7-Nov-2016			Accelerate growth, gain scale and launch further R&D initiatives		456.0	2.0x	13.0x	N/A
12-Sep-2016			Synergize costs and complementary product portfolios		16,334.5	1.2x	8.5x	11.0x
10-Aug-2016			Expand business in India		359.2	1.2x	11.7x	N/A
1-Apr-2016			Introduce COMPO in China, expand business in Europe		116.0	0.5x	8.2x	N/A
5-Aug-2015			Capitalize on Novochem's sales channels, service network and customer base		31.6	1.3x	6.9x	6.9x
1-Jul-2015			Expand business in the United Kingdom		1,037.5	1.8x	8.5x	12.8x
Median						1.2x	8.4x	N/A


Source: Mergermarket

Selected Oaklins horticulture transactions


 <p>has been acquired by</p> <p>management and shareholders</p> <p>M&A SELL-SIDE Agriculture/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Agriculture/Industrial Machinery & Components</p>	 <p>has acquired</p>  <p>M&A BUY-SIDE Agriculture/Food & Beverage/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Energy/Logistics</p>
 <p>has sold certain assets to</p>  <p>M&A SELL-SIDE Agriculture</p>	 <p>has acquired the remaining minority share in</p>  <p>US\$4m M&A BUY-SIDE Agriculture</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Agriculture</p>	 <p>has acquired</p>  <p>M&A BUY-SIDE Agriculture/Consumer & Retail</p>

Case study

R12 Kapital AB
has sold



to



M&A SELL-SIDE
Agriculture/Private Equity

Over the years, Oaklins has obtained a strong track record of advising on M&A transactions in the fertilizer, substrates, plant protection and biostimulants. As such, Oaklins' horticulture team has an excellent understanding of the market dynamics, buyer landscape, pitfalls and value drivers in the plant care industry.

This expertise was one of the main reasons the Swedish private equity firm R12 Kapital and the company's management selected Oaklins to advise them on the sale of Chrysal in 2014.

Chrysal is active in the development, production and distribution of post-harvest flower care products. Oaklins made Chrysal an appealing acquisition target by positioning the company as a global market leader ready to benefit from favorable market developments, and consequently maintaining its market leadership. As management had a preference for a new financial shareholder, Oaklins ran a competitive auction geared towards financial buyers that had an affinity with the agriculture sector.

Based on their offer, their fit with management as well as an in-depth knowledge about the agriculture and horticulture sector, Nordian Capital was selected as the new shareholder.

With the support of Nordian Capital, management has been able to almost double the profitability of the company in the past three years.

MEET OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR

700 
professionals

60 
offices

40 
countries

5,000+ 
transactions

15 
sectors

Oaklins offers a comprehensive range of services

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Oaklins industry specialists

Horticulture is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become the most experienced M&A advisor in the horticultural sector, with a large contact network of the most relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for horticultural companies.

If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you. Please find our contact details below.



Maarten Wolleswinkel, Partner
Amsterdam, Netherlands
M: +31 6 5367 9442

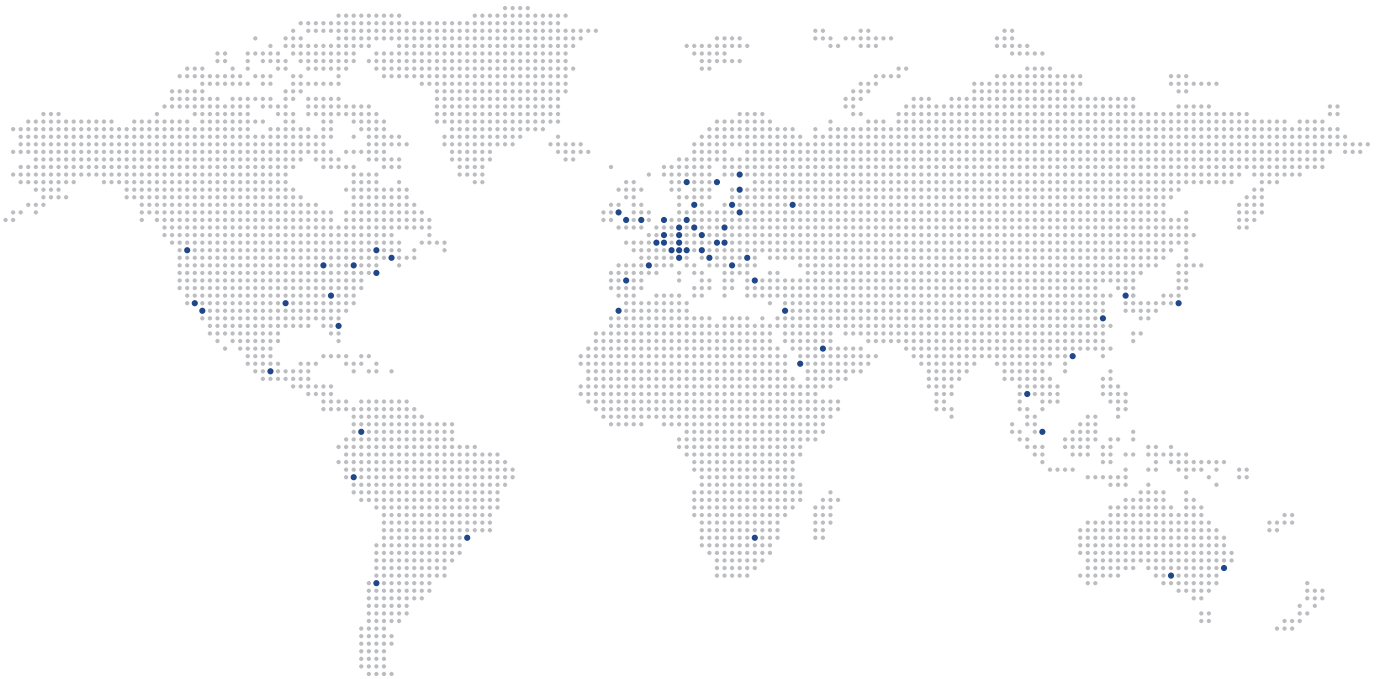


Doug Kravet, Principal
Jacksonville, USA
M: +1 904-613-4253



Frank de Hek, Partner
Amsterdam, Netherlands
M: +31 6 1397 9464

Oaklins – our offices around the world



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