



# AGRICULTURAL EQUIPMENT

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## Capital Markets Report – Q1 2019

*This report contains proprietary information and data on the agricultural equipment marketplace, which can be used as a baseline for company valuations and M&A activity levels in the industry.*

Presented By:

***Ag Equipment  
Intelligence***

**SDR*Ventures***

The information contained herein is based on sources we believe reliable but is not guaranteed by Ag Equipment Intelligence nor SDR Ventures. It is not to be considered all-inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.

## M&A Trends and Key Transactions

### Current Company Valuation Ranges

The average EBITDA multiple of transactions (tracked from January, 2013) in the agricultural equipment marketplace dropped to 8.6 x EBITDA from 9.1 x EBITDA during the 1<sup>st</sup> quarter of 2019, while remaining steady at 1.2 x revenue. While there was only one transaction that pulled the average down, we have made a change in the way we track and report on the data. In our previous reports, we only used the averages, from deals when revenue, EBITDA and enterprise value were reported, however given the small numbers of deals in which financial data is disclosed, we decided to use the averages for any transaction in which any of those data points are made public.

The median EBITDA multiple is lower than the average at 7.2 x, as it is not skewed by the larger transactions since 2013, such as the Linamar's acquisition of MacDon in 2017 for approximately \$1.2 B Cdn, and where the EBITDA multiple was not publicized.

Consolidation of Ag Equipment dealerships continues to be an active part of the overall Ag Equipment M&A market, however it is rare to have deal metrics published. According to some in the industry, most buyers are prepared to pay between 3 – 5 x adjusted EBITDA for an Ag Equipment dealership, with the higher end of the range for those with above average operating metrics and scale. However, we suspect that there are occasions when buyers are prepared to delve outside the normal range for top quality, high-performing dealerships in valuable territories.

### Q1 2019 Transactions

We tracked 19 agricultural equipment transactions during the 1<sup>st</sup> quarter of 2019 compared to 16 in the first quarter of 2018.

Ontario-based, hydraulic component manufacturer, Hydra Dyne Tech was acquired by Muncie Power Products, a subsidiary of Italian-based Interpump Group, in a \$17 million deal valued at 5.0 x EBITDA, on March 1, 2019.

### Glossary of Terms

- **Earnings before interest, tax, depreciation and amortization (EBITDA)** – A key profitability measure, which is often used in determining company valuations.
- **EBITDA multiple** – The transaction value for the company sold divided by the EBITDA of the company sold.
- **Earn-out** – A provision that the seller of a business will obtain additional future compensation if the business achieves certain financial goals.
- **Lower middle market** – A classification of companies with between \$2,000,000–\$10,000,000 of EBITDA.
- **Enterprise Value (EV)** – A measure of a company's total transaction value, which is calculated as the buyer's equity (including preferred shares, minority interests, etc.) plus debt.

*It should be noted that most private company transaction values are never publicly disclosed. The transaction multiples in this report include only those in which we were able to confirm the transaction value and the accompanying multiples.*

*The actual market for sellers may be substantially higher, or lower, than the multiples presented in this report. It is our experience that the larger transactions at higher than average valuations are the deals in which the transaction multiples are most commonly disclosed.*

*The best way to ascertain the real market value of a private company is to run a competitive process by receiving real bids from real buyers. Other methods include participating and bidding as a potential buyer in competitive auctions or hiring a credible firm that understands your industry and your business to perform a professional valuation.*

## M&A Trends (Continued) & Public Markets

### Agricultural Equipment Public Markets

The valuation metric we use to monitor relative value of publicly traded agricultural equipment dealers and manufacturers is its Enterprise Value as a multiple of EBITDA (EV/EBITDA), which is discounted (see sidebar) for this discussion to make it more comparable to private companies in the lower middle private company market. This valuation metric stabilized by the end of Q1 2019, with a modest improvement to 7.4 x from 7.1 x DLOM EBITDA, after a steep decline in the fourth quarter of 2018, and a general decline that began in early 2018.

We segment the publicly traded ag equipment companies into a) Large Cap Manufacturers, (eg: Deere), b) Mid-Sized Manufacturers (eg: Valmont) and c) Agricultural Equipment Dealers (eg: Cervus).

The large cap segment improved from 7.6 x at the end of 2018 to 8.3 x EBITDA by the end of Q1 2019. Trimble and Raven continue to trade at much higher than average multiples that the rest of the group, at 13.2 x and 11.8 x DLOM EBITDA, while AGCO and CNH trail at 5.8 and 4.9 x, respectively. Of note, is the significant improvement in valuation at AGCO from 4.3 x EBITDA at the end of 2018, likely driven by an improvement in operating margin during the quarter, compared to Q1 2018.

The mid-sized manufacturer segment improved during the quarter from 7.5 x to 8.5 x. Raven and Lindsay lead the segment at 11.7 x and 12 x, respectively, while Titan International and Alamo trail at 6.8 x and 6.0 x, respectively.

The Ag Equipment dealer segment dropped slightly over the quarter to an average of 7.6 x EBITDA from 8.0 x at the end of 2018, led by a drop to 8.5 x from 9.6 x at Titan Machinery. It should be noted that Titan still is the highest valued Ag Equipment dealer in the segment, but that lead narrowed slightly, bringing it closer in line with Rocky Mountain Equipment. Cervus continues to lag the other two publicly traded members of the segment, with a DLOM Enterprise Value of 5.3 x EBITDA.

*For private business owners, the valuation multiples of comparable publicly traded companies can provide a relevant valuation metric. However, since public companies are inherently more liquid than private companies (for instance, investors can trade public company shares anytime), we apply a 30% discount to these multiples (called a Discount for Lack of Marketability or "DLOM") to more accurately reflect private company valuations.*



**The following pages of this report include an analysis of public companies participating in the ag equipment industry as well as select transactional data. While this information is not intended to be all-inclusive, it is meant to offer a picture of key trends and activity in the industry that may be relevant to your business.**

## Trailing Twelve Months M&amp;A Transactions &amp; Historical Trends

Date	Target	Buyer	Target's Business Description	EV (\$mm)	EV / Rev	EV / EBITDA
3/22/2019	New Holland of Belgrade	Torgenson's LLC	Agriculture & light construction dealership located in Belgrade, Montana	-	-	-
3/18/2019	Milton Manufacturing, Inc.	Pleatco LLC; Align Capital Partners	Manufacturer of industrial filtration products for OEMs and the aftermarket	-	-	-
3/06/2019	Process Equipment dba Process Barron	Carousel Capital Partners	Manufacturer of industrial process fans and material handling equipment	-	-	-
3/06/2019	Dutch Power Company B.V.	Alamo Group	Manufactures a variety of branded landscape management machines	-	-	-
3/05/2019	Tank Holdings Corp.	Olympus Advisors LLC	Manufactures proprietary rotationally-molded polyethylene and steel tanks	-	-	-
3/05/2019	Intellifarms	Ag Growth International	Provides hardware and software for monitoring grain conditions for growers	-	-	-
3/01/2019	AG Systems	Heatland Ag	Manufacturer of ammonia equipment, liquid applicators, pull-type spreaders, etc.	-	-	-
2/25/2019	Hydra Dyne Technology, Inc.	Muncie Power Products, Inc.	Manufactures custom hydraulic manifolds, cylinders and swivels	17.2	-	5.0x
2/14/2019	Baron Distributors, Inc.	Winsupply, Inc.	Wholesale distributor of irrigation products	-	-	-
2/09/2019	Caroline Implement	Riesterer & Schnell	John Deere agricultural dealer based out of Wisconsin	-	-	-
2/08/2019	Kuester Implement	Ag Pro	John Deere dealer based out of Wintersville Ohio	-	-	-
2/07/2019	McGavin Farm Equipment	Robert's Farm Equipment Sales Inc	Sells new and used farm equipment to the agricultural community	-	-	-
2/06/2019	Pro-Mark LLC	Platinum Equity Advisors LLC	Wholesaler and manufacturer of irrigation equipment (Orbit and HydroRain)	-	-	-
1/28/2019	BCA Ag Technologies Inc	LandPro Equipment	BCA Ag Technologies offers precision agricultural equipment and services	-	-	-
1/21/2019	Shearer Equipment	Ag Pro	Ohio based John Deere dealer with 7 locations	-	-	-
1/17/2019	Shearer Farm, Inc.	Ag-Pro Ohio LLC	Shearer Farm, Inc. provides agricultural equipment and machinery	-	-	-
1/16/2019	Legacy Farm and Lawn	Heritage Tractor	John Deere dealer that has stores in Nevada and Missouri	-	-	-
1/04/2019	DENIS CIMAF, Inc.	Morbark, Stellex Capital Management	Manufacturer of brushcutters, mulchers and attachments	-	-	-
1/02/2019	AgSync	Raven Industries	Agricultural logistics and software company headquartered in Indiana	-	-	-
12/17/2018	Defiance Metal Products Co.	Mayville Engineering Co., Inc.	Precision manufacturer of components for commercial and agricultural	-	-	-
12/10/2018	Syntron Material Handling LLC	Kadant, Inc.	Manufacturer of conveying, feeding, elevating, screening equipment	179.0	2.0x	-
11/30/2018	JD Equipment (John Deere Dealer)	Ag-Pro Ohio LLC,	Supplies agricultural equipment through 10 stores in Ohio and Kentucky	-	-	-
11/27/2018	4R Equipment	H&R Agri-Power	Supplies agricultural equipment in McLeansboro, Illinois	-	-	-
11/23/2018	Deermart Equipment Sales Ltd.	Cervus Equipment Corp.	Dealer of new and used agricultural and lawn equipment	-	-	-
11/16/2018	CPM Holdings, Inc.	American Securities LLC; Shareholders	Supplies equipment to the animal feed and oilseed processing industries	-	-	-
11/14/2018	Kelley Beekeeping Co.	Mann Lake Ltd.	Manufactures beekeeping supplies and equipment	-	-	-
10/22/2018	Valley Ag and Turf	LandPro Equipment	Provides new and used John Deere Lawn and Garden and Agricultural	-	-	-
10/05/2018	JCB of Southern California	JCB North America	Dealer of construction equipment including agricultural telehandlers and tractors	-	-	-
10/03/2018	Fecon, Inc.	LFM Capital LLC	Manufacturer of cutting-edge equipment for the vegetation management industry	-	-	-
10/03/2018	Wilson Equipment Co., Inc.	Ag-Pro LLC	Wilson Equipment Co., Inc. supplies agricultural and outdoor power equipment	-	-	-
9/14/2018	Gan-AG Corp.	Gateway Building Systems Inc.	Manufactures seed equipment and provides related services	-	-	-
8/31/2018	Lippmann-Milwaukee	McCloskey International	Manufactures crushing equipment and machinery	-	-	-
8/08/2018	Moodys Equipment	Rocky Mountain Dealerships	Farm machinery and equipment dealer assets	-	-	-
8/03/2018	Ploeger Oxbo Group BV	NPM Capital NV	Engages in the manufacture and sale of agricultural harvesting equipment	-	-	-

Sources: FactSet financial data and analytics; S&amp;P Capital IQ; Deal Stats

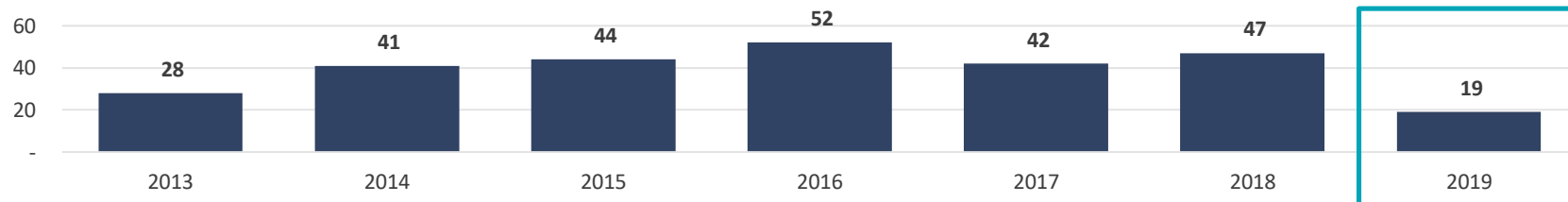
## Trailing Twelve Months M&amp;A Transactions (Cont.) &amp; Historical Trends

Date	Target	Buyer	Target's Business Description	EV (\$mm)	EV / Rev	EV / EBITDA
7/24/2018	Grissoms LLC	P & K Equipment, Inc.	Farm machinery and equipment dealers	-	-	-
7/23/2018	Dakota Farm Equipment	Gooseneck Implement	5 location John Deere Dealership located in southwestern North Dakota	-	-	-
7/17/2018	Harvest International	Clean Seed Capital Group	Manufactures planting equipment	40.5	-	-
7/06/2018	Price Brothers Equipment	Wichita Tractor Co.	Retail division of agricultural equipment seller	-	-	-
7/03/2018	John Bob Farm Equipment	Rocky Mountain Dealerships	Engages in supplying of farm equipment	10.2	0.4x	5.0x
6/20/2018	Elder Sales & Service	LandPro Equipment	Distributes and sells farm equipment	-	-	-
6/04/2018	Auto-Rain Supply	SiteOne Landscape Supply	Wholesales farm and garden machinery and irrigation supplies and equipment	-	-	-
5/31/2018	W & A Manufacturing Company	AGROdeviate	Manufactures farm machinery and equipment	-	-	-
5/21/2018	Greenhaus Industries	Pipp Mobile Storage Systems	Manufactures multi-level cultivation and drying systems for indoor ag industry	-	-	-
5/14/2018	Slimline Manufacturing	Decisive Dividend Corp.	Products include turbo-mist agricultural sprayers, evaporation systems and more	6.6	-	-
4/11/2018	Grant County Farm Equipment	Undisclosed	Farm equipment dealer	-	-	-
4/10/2018	Acer Water Tanks	Ahrens Group	Provides water tanks for commercial, municipal and residential projects	-	-	-
4/10/2018	Franklin Robotics	Husqvarna AB	Develops and manufactures a robotic weeder, Tertill	-	-	-
4/04/2018	VAB Solutions	Baxley Equipment Company (Arkansas)	Offers mill optimization systems, automated systems and sorting, supplies, etc.	-	-	-
4/02/2018	Buchanan Power Equipment	Koenig Equipment	Supplies lawn/garden equipment and offers mobile maintenance and parts	-	-	-

 Historical Transactions Summary<sup>1</sup>

Average Revenue	Average Enterprise Value (EV)	Average EV/Revenue Multiple	Average EV/EBITDA Multiple	Median EV/Revenue Multiple	Median EV/EBITDA Multiple
\$283.4 Million	\$214.8 Million	1.2x	8.6x	1.1x	7.2x

## Transaction Count by Year



Note: 1- Data apply to Agriculture and Farm Equipment deals dating back to January 1, 2013. All figures are in U.S. Dollars.

Sources: FactSet financial data and analytics; S&P Capital IQ; Deal Stats

# Public Company Analysis

Company	Stock Price Performance			Capitalization (mm)		2015-2017 CAGR		2017	Valuation Metrics				
	Q4 2018	% of 52	% Change	Market	Enterprise	Revenue	EBITDA	EBITDA	EV/Revenue		EV/EBITDA		
	Stock Price	Week High	1 Year	Capitalization	Value				Margin	Q4 2018	Q1 2019	Q3 2018	Q4 2018
Caterpillar Inc.	\$ 135.5	83.8%	-8.1%	\$ 77,459.9	\$ 106,163.9	(1.7%)	5.2%	18.8%	1.9x	1.9x	11.4x	9.5x	9.3x
Deere & Company	159.8	94.0%	2.9%	50,908.0	88,787.4	1.6%	15.0%	19.4%	2.2x	2.2x	13.7x	12.7x	12.6x
Kubota Corporation	72.3	82.5%	-16.7%	17,805.3	21,737.5	6.7%	(1.2%)	14.0%	1.3x	1.3x	10.8x	9.3x	9.8x
CNH Industrial NV	10.2	78.3%	-17.7%	13,806.0	32,503.0	3.4%	9.8%	15.3%	1.1x	1.1x	8.1x	7.0x	7.0x
Trimble Inc.	40.4	100.0%	12.6%	10,160.6	11,957.0	7.5%	9.8%	17.2%	3.2x	3.2x	22.6x	18.1x	19.7x
Toro Company	68.8	91.6%	10.2%	7,279.6	7,303.0	2.6%	9.3%	16.7%	2.3x	2.3x	14.7x	13.5x	16.8x
AGCO Corporation	69.6	92.0%	7.2%	5,337.5	6,531.5	5.5%	3.7%	8.4%	0.6x	0.6x	5.9x	5.4x	8.2x
Valmont Industries, Inc.	130.1	82.8%	-11.1%	2,855.4	3,371.3	2.4%	7.4%	12.8%	1.1x	1.1x	9.7x	8.6x	10.1x
Advanced Drainage Systems, Inc.	25.8	76.9%	-0.5%	1,473.8	2,065.9	1.5%	3.6%	13.4%	1.6x	1.6x	12.5x	10.2x	10.5x
Raven Industries, Inc.	38.4	77.0%	9.5%	1,379.7	1,311.1	20.9%	40.6%	19.7%	3.6x	3.2x	20.6x	15.0x	16.7x
Lindsay Corporation	96.8	88.4%	5.9%	1,044.1	1,023.6	(3.8%)	(9.1%)	11.0%	1.8x	1.8x	15.3x	15.3x	17.1x
Alamo Group Inc.	99.9	94.1%	-9.1%	1,160.9	1,212.2	1.8%	4.2%	12.0%	1.0x	1.0x	9.6x	8.0x	9.8x
Ag Growth International Inc.	46.6	72.0%	11.8%	868.9	1,249.6	35.0%	62.4%	14.1%	1.4x	1.4x	13.1x	10.7x	12.3x
Titan Machinery Inc.	15.6	72.3%	-34.0%	345.7	701.3	(6.6%)	63.1%	3.1%	0.6x	0.6x	17.1x	13.7x	12.9x
Titan International, Inc.	6.0	48.2%	-52.7%	357.9	848.5	2.6%	13.9%	3.8%	0.5x	0.5x	9.8x	7.5x	8.6x
Cervus Equipment Corporation	9.9	65.9%	-6.7%	154.1	301.9	3.8%	8.3%	4.2%	0.3x	0.3x	8.3x	7.2x	7.6x
Rocky Mountain Dealerships Inc.	6.7	55.0%	-29.2%	129.7	444.0	(0.8%)	7.1%	5.0%	0.6x	0.6x	12.3x	12.2x	12.1x

## Financial Metrics

Mean	4.8%	14.9%	12.3%	1.5x	1.4x	12.7x	10.8x	11.8x
Median	2.6%	8.3%	13.4%	1.3x	1.3x	12.3x	10.2x	10.5x

## Metrics with 30.0% DLOM

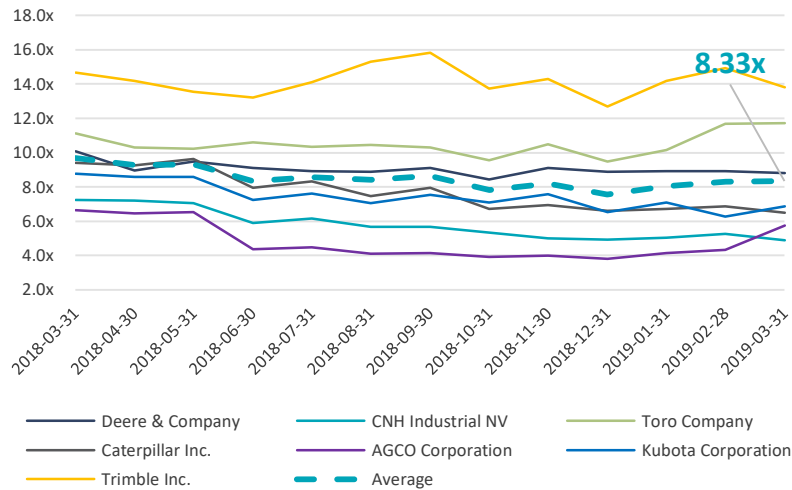
Mean	1.0x	1.0x	8.9x	7.6x	8.3x
Median	0.9x	0.9x	8.6x	7.1x	7.4x

Notes: 1. Uses a 30% DLOM (Discount for Lack of Marketability) – see page 2 sidebar; 2. CAGR is Compound Annual Growth Rate

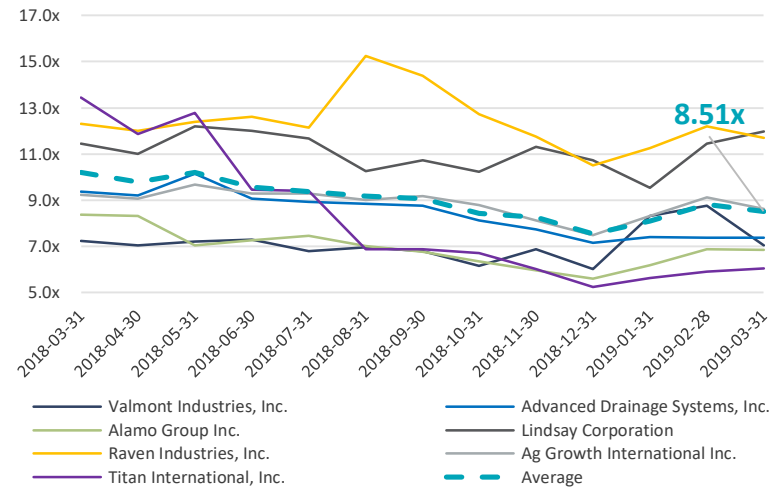
Sources: FactSet financial data and analytics; S&P Capital IQ

# Public Comparable Historical EV/EBITDA Multiples with 30% DLOM

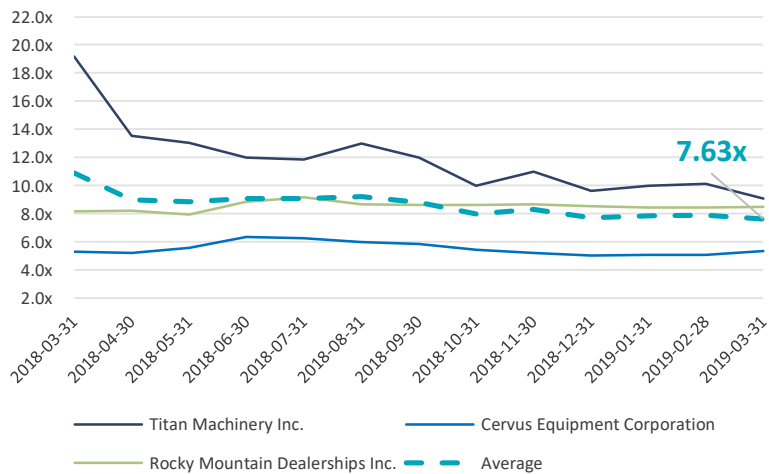
## Large Cap Manufacturers



## Mid-Sized Manufacturers



## Agricultural Equipment Dealers



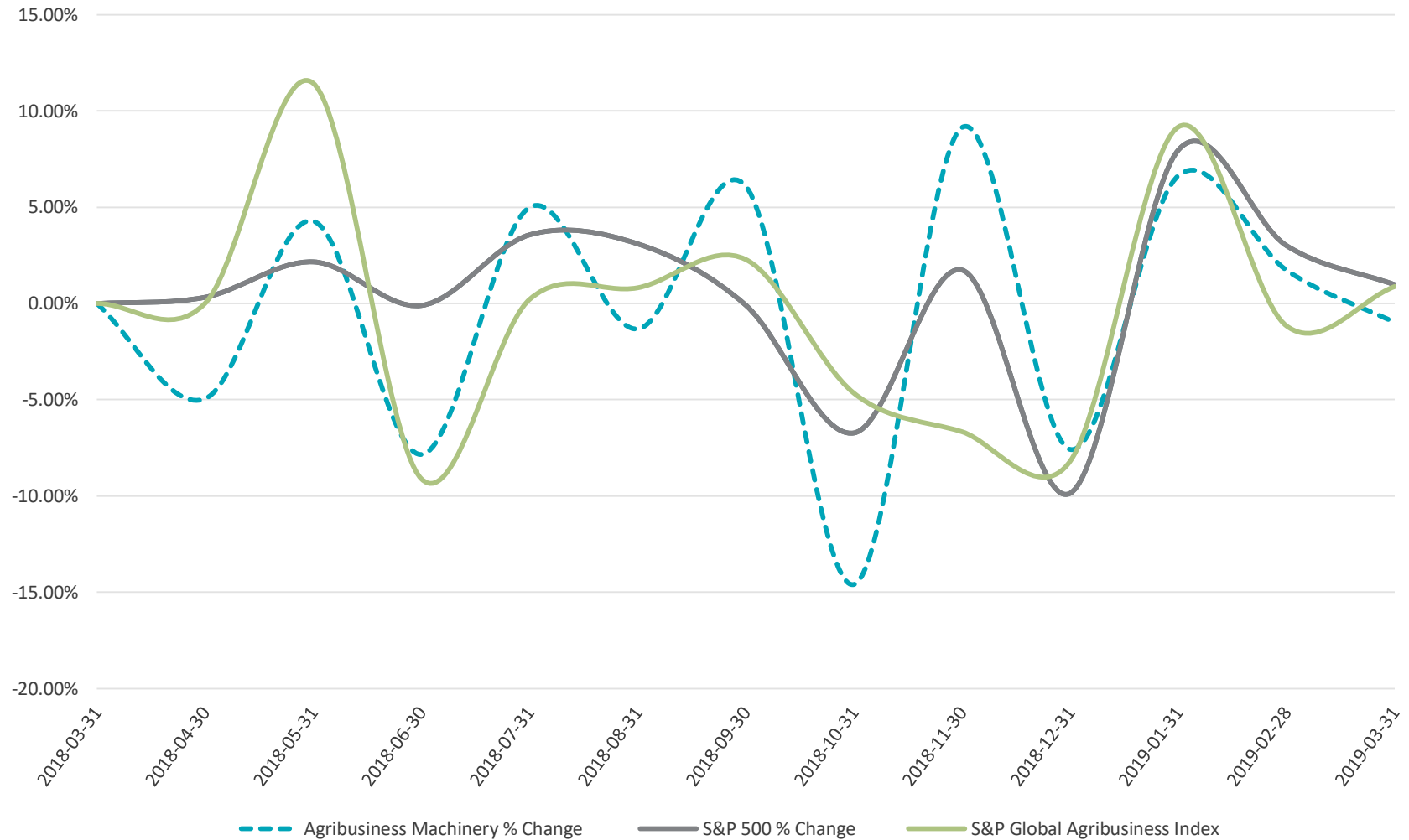
## Average by Category



Notes: Uses a 30% DLOM (Discount for Lack of Marketability) – see page 2 sidebar  
Sources: FactSet financial data and analytics; S&P Capital IQ

# LTM Performance Against S&P 500 and Global Agribusiness Index

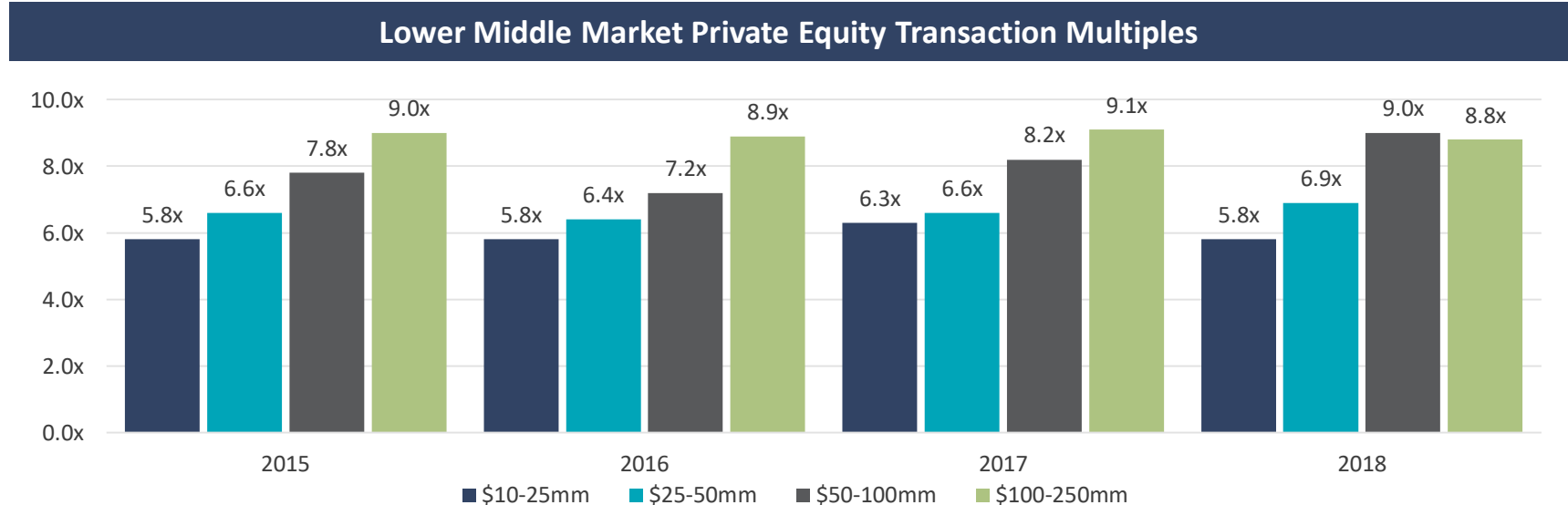
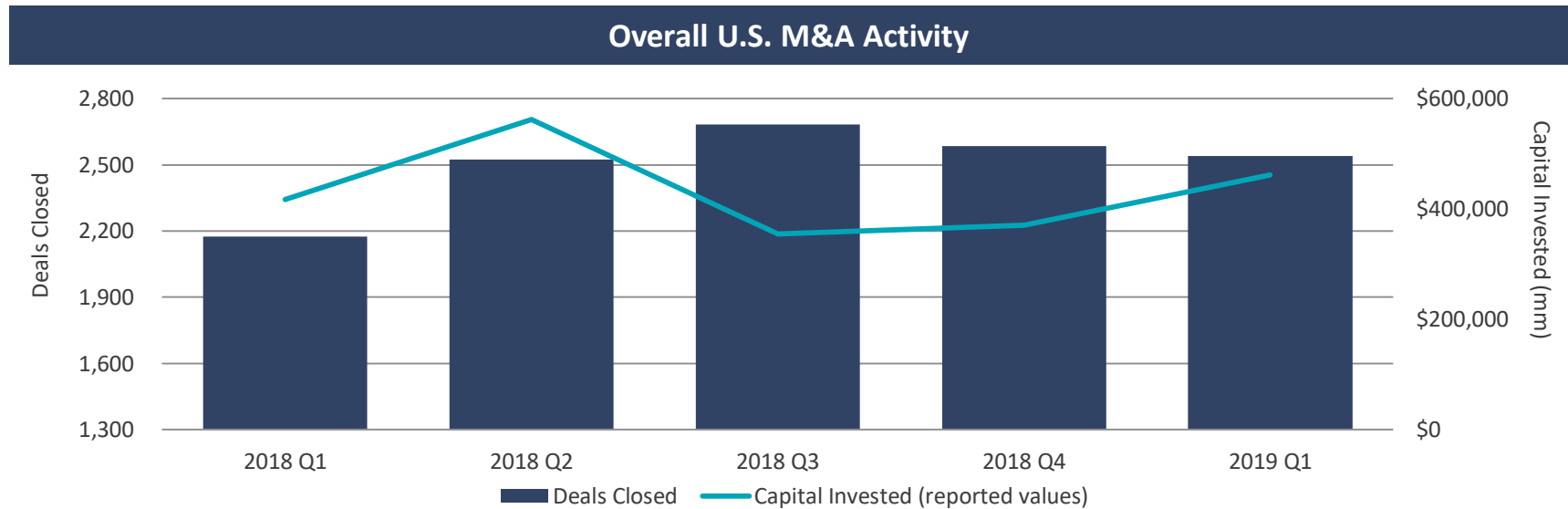
**Agricultural Equipment vs S&P 500 vs S&P Global Agribusiness Index**



Sources: FactSet financial data and analytics; S&P Capital IQ



# U.S. M&A Activity Snapshot



Sources: FactSet financial data and analytics; GF Data\*

# Ag Equipment Intelligence

# SDR Ventures

## ERIC BOSVELD

Eric Bosveld leads SDR Ventures' mergers and acquisition advisory services in the U.S. and Canada for businesses serving and participating in the Ag and Food industry. He is also President and Founder of Bosveld and Associates, an advisory firm helping small and mid-sized private companies make the big, long-term decisions that are right for all their stakeholders.

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## MERGERS AND ACQUISITIONS SERVICES

### PROPRIETARY SELL-SIDE PROCESS

- Proven to generate interest, narrow down buyers and close deals quickly
- Customized database for each process that collects and analyzes data from preliminary research to discussions with acquirers

### MAXIMIZING VALUE

- Let our professional networks work for you
- We are in the market daily, identifying companies and owners that are pursuing acquisitions
- We help maximize value by engaging with the right financial and strategic buyers

### NEGOTIATE FAVOURABLE DEAL TERMS

- From execution of LOI to close, we are here to help produce outsized results
- Our experience closing deals will help you navigate complicated deal terms

### OUTSOURCED BUSINESS DEVELOPMENT TEAM

- Save time and money involved in hiring a full-time business development team
- Our principals & processes help open doors often not available in corporate-led transactions

## SELECT TRANSACTIONS