M&A (Strategic Growth)

May 5th, 2025

LAND O'LAKES, INC.
STRATEGIC ASSET MANAGEMENT

Agenda

- SAM introduction
- M&A case review
- Questions

What is SAM Consulting?

Our goal is to be the **advisor of choice for significant retail agricultural business decisions** whether it's capital or business investments, partnerships, acquisitions, mergers, or achieving the best operational efficiencies

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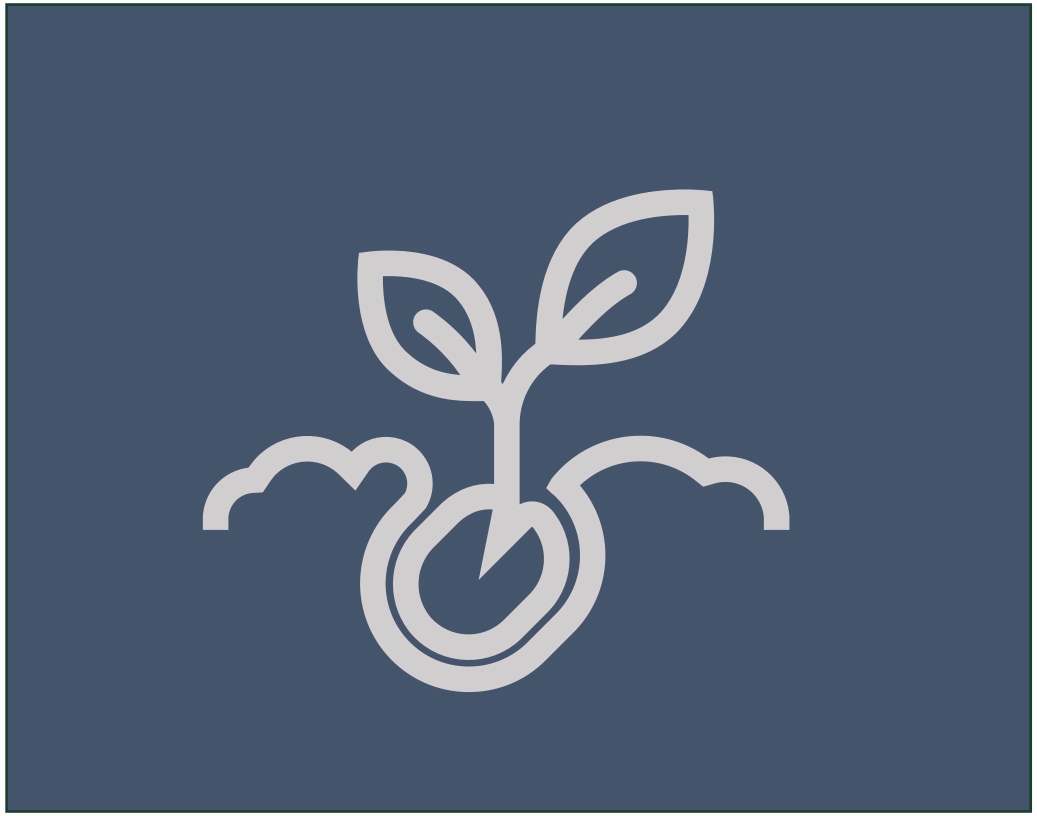
Why grow?



- Attract Talent
- Create Jobs
- Inspire Sense of Purpose
- Elevating Ambitions
- Foster Innovation
- Feeds Culture

What are the benefits of growth?

How do growth ambitions shape your organizational choices?

Opportunistic vs. Strategic growth

Strategic VS **Opportunistic**

Is a part of long-term plan goals

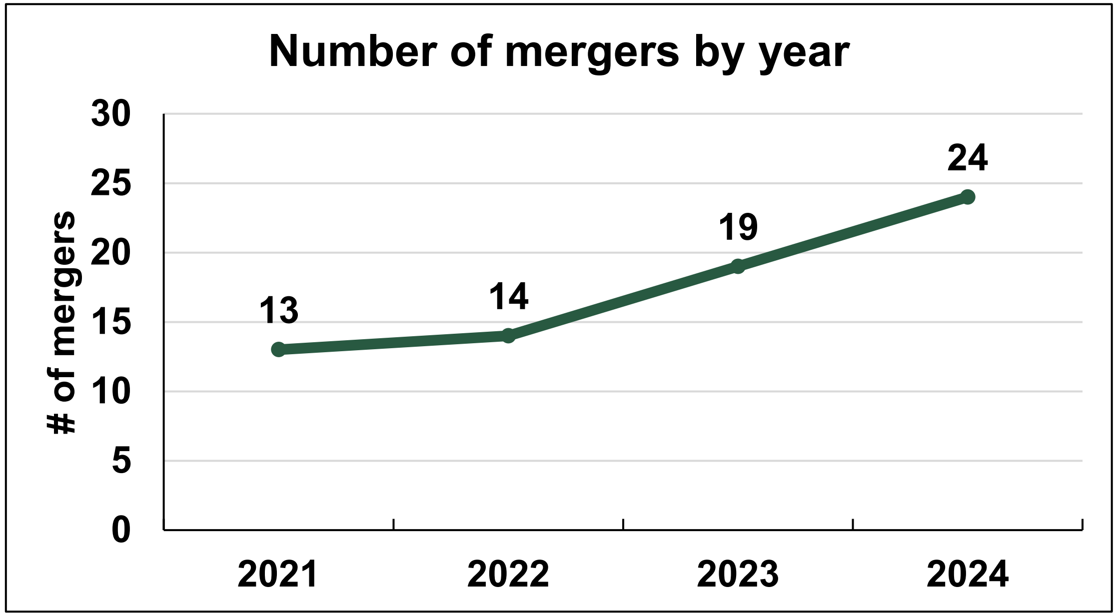
Captures time-sensitive market advantage

- Opportunistic strategies require ongoing awareness of adjacent markets and potential targets to ensure readiness when opportunities emerge
- Strategic initiatives require taking decisive actions today that align with and enable the achievement of long-term goals over the next 5-10 years."

M&A's role in growth performance

Coop mergers continue to increase in pace in 2024

Trends over time point to increased profitability and improved balance sheets w/ merged coops



- Coops who merged in 2021 have:
  - Outperformed the sales growth rate of peers by 25% through 2023
  - 0.7% better EBITDA margin than peers in the same time period
  - Current ratio 170 basis points higher than peers
  - Operate with 2.5% less working capital

•Financial performance data based on FINMB reported data for coops represented in graph above

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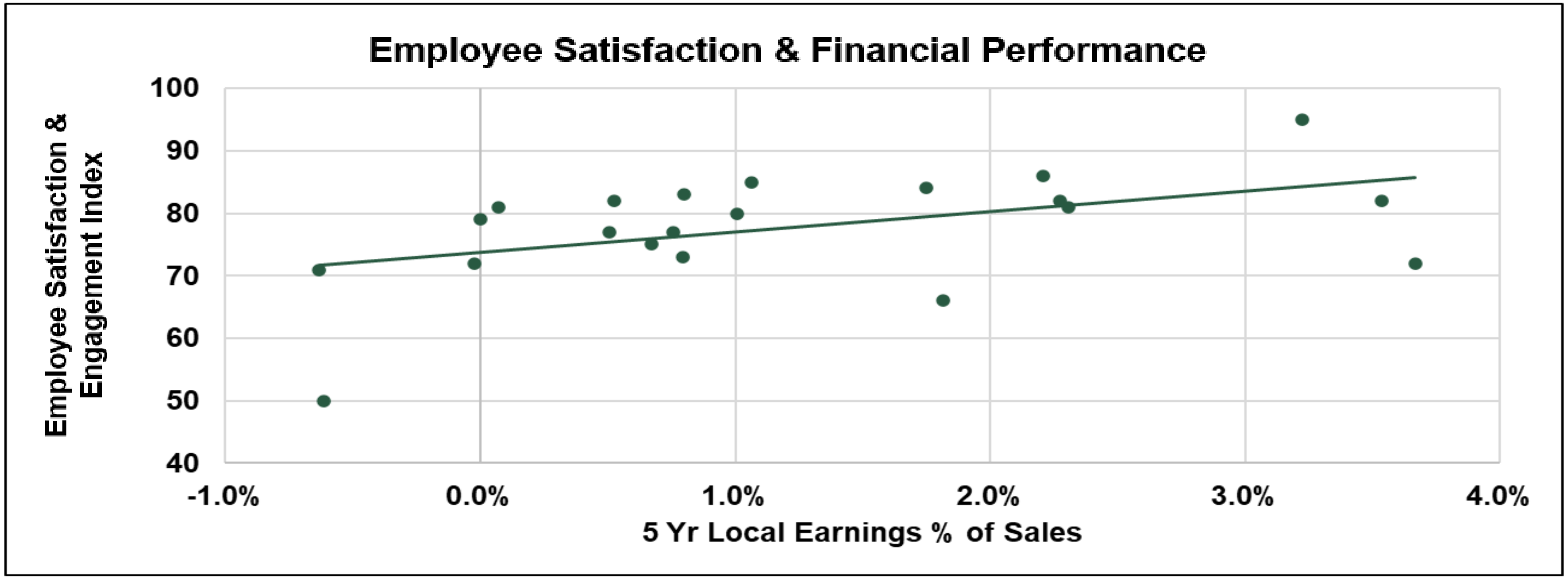
Importance of growth

- Performance
- Culture
- Employee satisfaction
- Retain talent
- Foster innovation



- There is a positive correlation between a company's strong financial performance and the satisfaction levels of employees
- Sustainable growth helps co-ops invest in innovation, attract talent, and support the long-term interests of their members.

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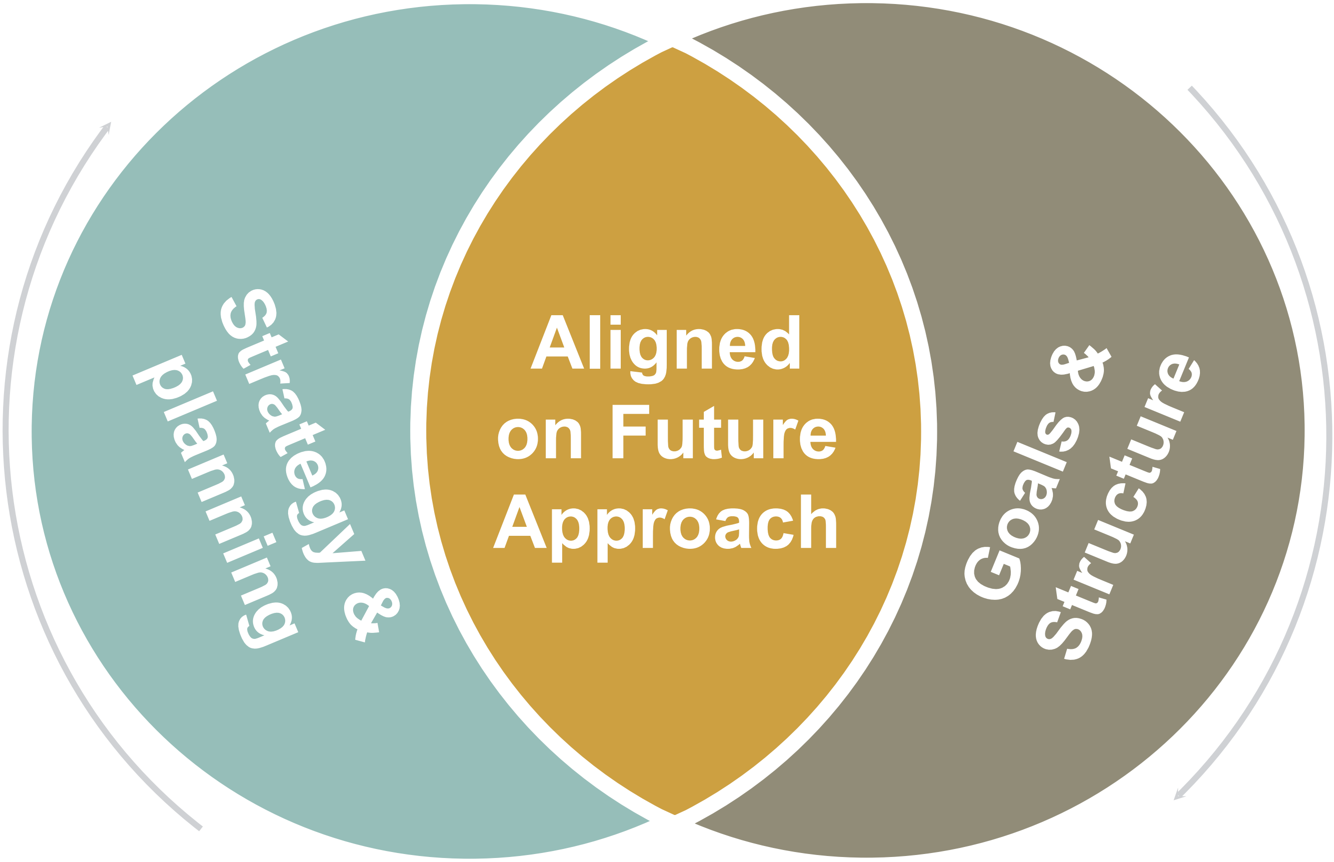
Future planning – Alignment is a must



Strategy & planning

Aligned on Future Approach

Goals & Structure

- What does alignment look like for your stakeholders?
- What does it mean to be aligned for your business

Item	Leadership	Stakeholders
Acquisition	✓	✓
Partnership	✗	✓
BU investment	✓	✗

Do you upgrade the capabilities?

Do we have the right plan?

1. Do I have the right priorities?
2. Do I have the right talent?
3. Do I have the right tools?

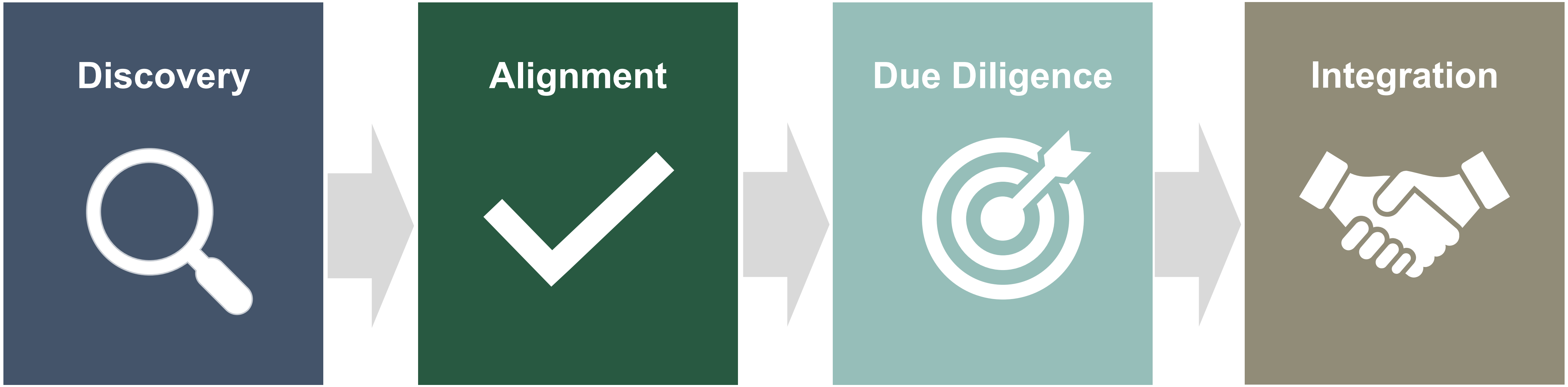
Are you ready for a merger?

Merger considerations

- Voter apathy
- Managing change
- Value of advice
- Employee overload
- Communication
- Industry disruption

Merger/acquisition/partnerships

Our team has a deep expertise in supporting successful M&A projects and partnerships



Discovery

Alignment

Due Diligence

Integration

At any point in the process, we have the tools to provide guidance and assurance to your leadership, board of directors, and members to move toward the outcome that is right for your cooperative

What is the merger process?

Phases

Discovery → Alignment → Due diligence → Integration

Questions to answer

Discovery	Alignment	Due diligence	Integration
What is the justification (why & why now)? Does it make financial sense? Do we have agreement on key questions? Are we ready for alignment?	Do we have alignment? How do we communicate to board, mgt., employees, and membership? What is the member voting plan?	What is the issue mitigation? What synergies are validated? Is the definitive merger agreement complete? Do we have a positive vote?	What must be completed day 1? How do we run the combined company? What is the plan to capture synergies and manage change? Are we ready?

Each phase focuses on these key questions

M&A process segments

Strategy

Prospecting

Prioritization

Target identification

Discovery

Alignment

Due diligence

Pre-close integration

Post-close integration

Why create a partnership?

Storage space limitations

Access to talent

Growth opportunities

Inventory management

Justification development will help determine the type of partnership that will create the most efficient mutual benefits

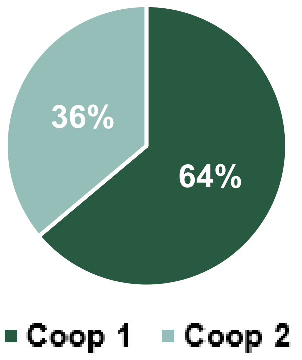
Continuum of collaboration

Increasing degree of integration, control, and shared economics

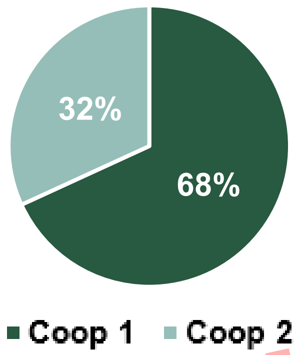
Market Arrangement	Alliance	Joint Venture	Merger or Acquisition
• Arms-length contract with external source • Straightforward economics (i.e.: fee for service) • Very limited (if any) joint decision-making • Typically easy to unwind/ terminate	• Contractual agreement with some shared economics • No new entity • Moderate resource integration and coordination to generate benefits • Joint decision-making around alliance activities	• Creation of jointly owned entity • Assets consolidated in JV or otherwise deeply integrated • Share risk and reward • Shared decision-making on all aspects of the partnership	• Full acquisition or sale of assets • Assets wholly integrated into acquiring business • Economic relationship with seller severed after transaction

Relative comparisons – 3 yr avg

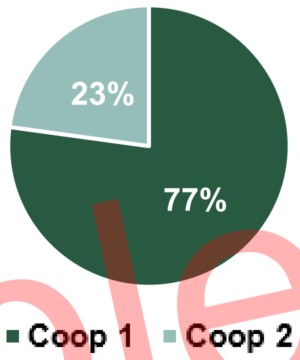
Total Sales



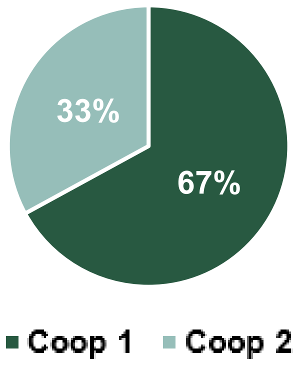
Gross Margin



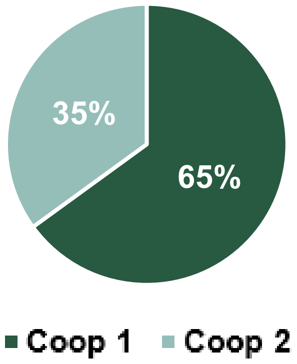
Operating Savings



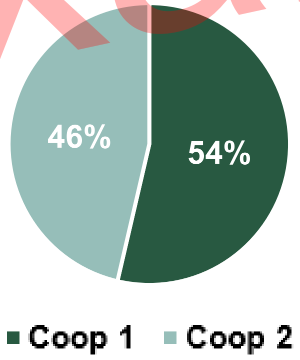
Pre Tax Savings



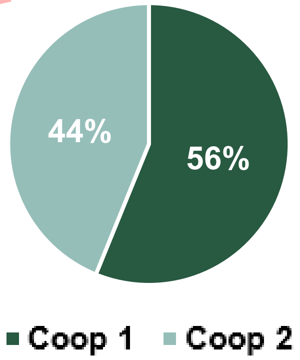
EBITDA



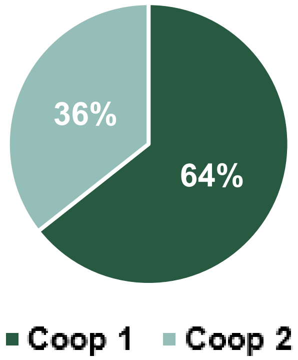
Total Assets



Net PP&E

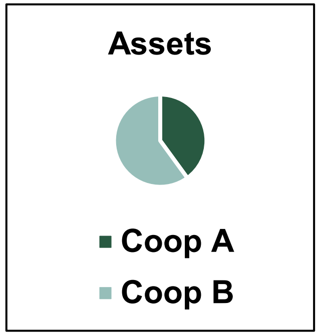


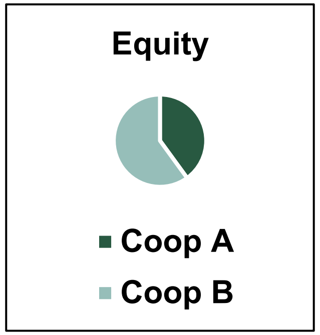
Members' Equity

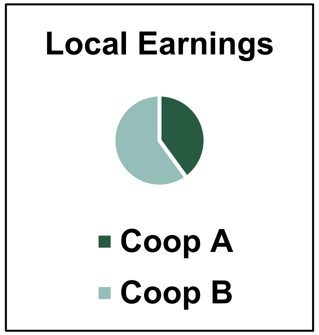


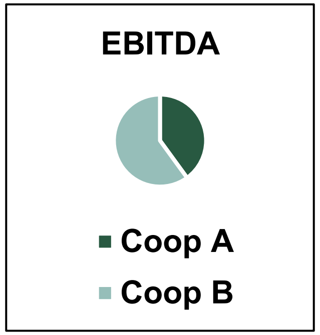
Financial assessment

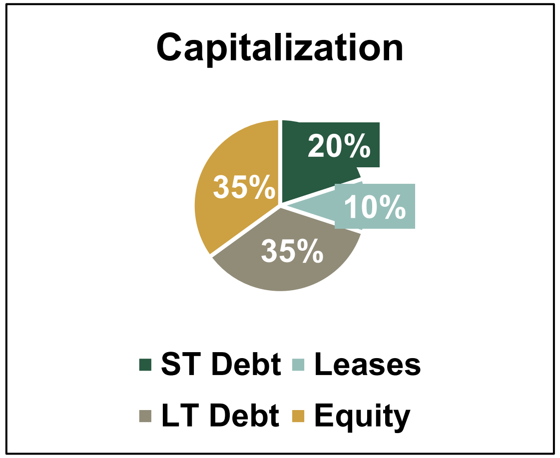
Relative Comparisons

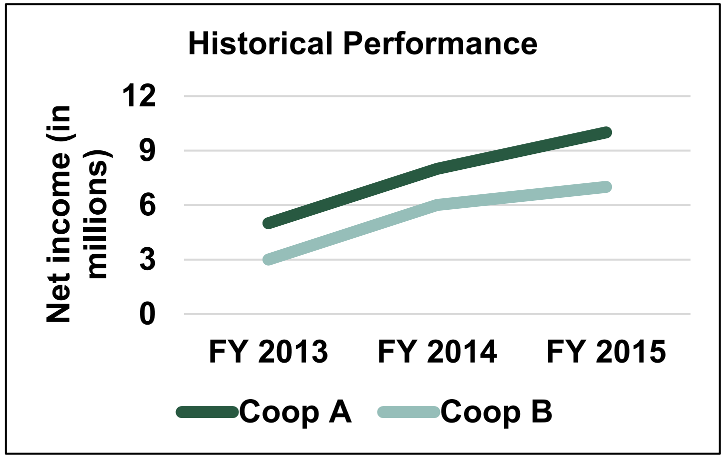












Typical Components

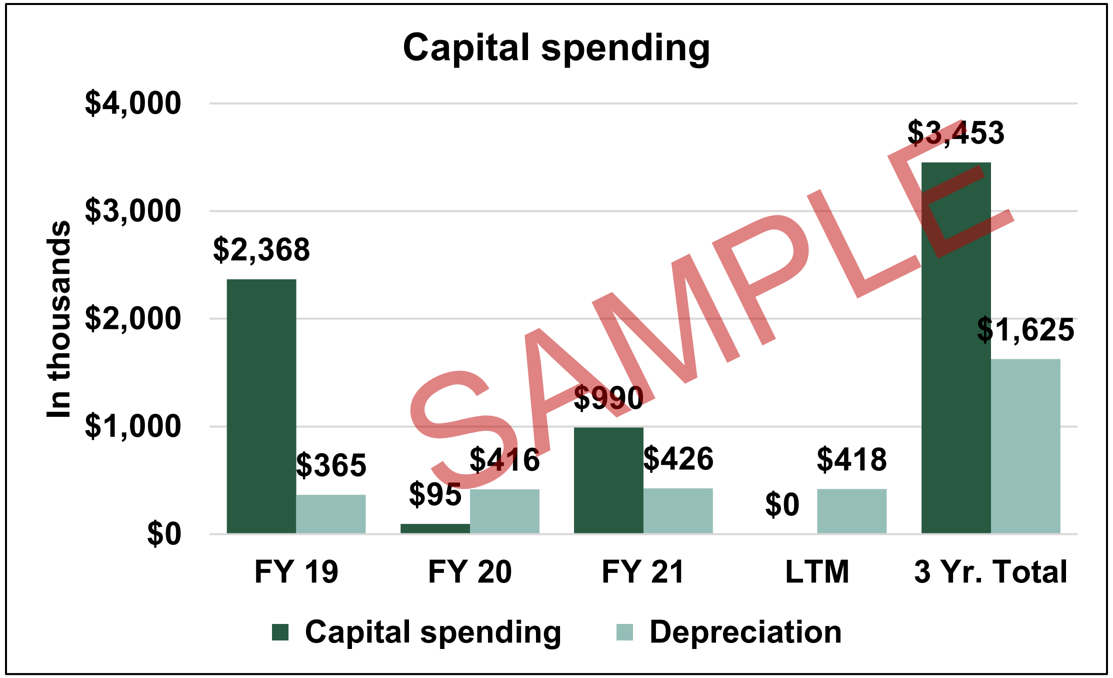
- Historical trends
- Future projections
- Ratios
- Relative comparisons
- Use of cash flow
- Equity plan
- Financial plan
- Balance sheet strength
- Investments
- Member/nonmember business
- Investments/non-operational

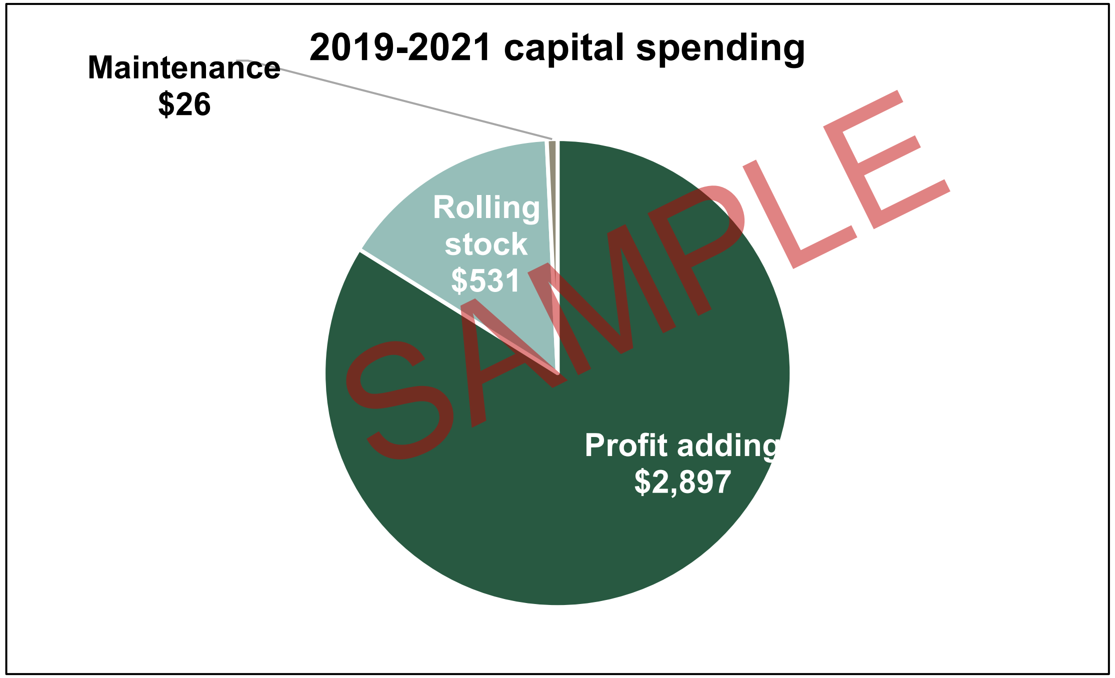
Balance sheet summary

($ in Thousands)	Coop 1	Coop 2
Cash and equivalents	$386	$214
Accounts receivable	1,700	$2,402
Inventory	$5,137	$6,195
Prepaid expenses	$376	$492
Other current assets	$3,947	$2,721
Total current assets	**$11,546**	**$12,024**
PPE net	$6,266	$5,962
Investments	$6,323	$5,090
Other long-term assets	-	-
Total Assets	**$24,135**	**$23,076**
Current portion LTD	$2,801	$2,300
Accounts payable	$4,261	$3,911
Customer pre-pay	$200	$380
Other payables	$3,149	$2,314
Total current liabilities	**$10,411**	**$8,905**
Long-term liabilities	$1,752	$1,477
Total Liabilities	**$12,163**	**$10,382**
Member's Equity	**$11,972**	**$12,694**

- Investments include investments in other Cooperatives
- PPE & Investments both increasing over the years
- Current portion of LTD slightly increased over the prior years
- Member equity has grown by $1.95m in 3 years

Capital spending





- Review fixed asset report to identify past investments and determine future capex needs

PPE summary

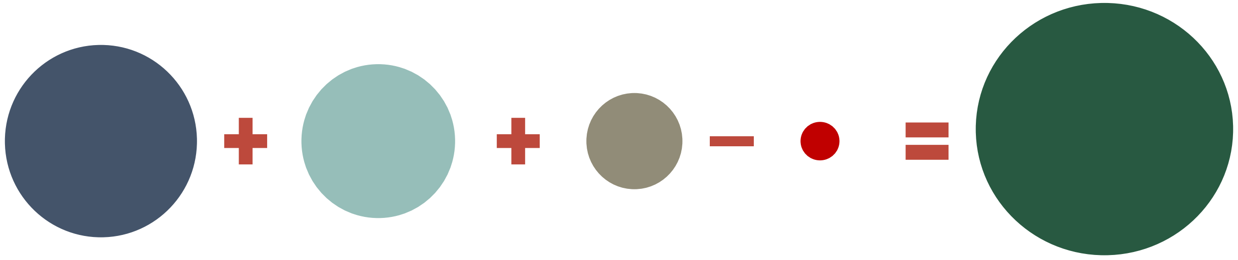
	Cost basis	NBV
Land & land improvements	$394	$375
Buildings & building equipment	3,768	2,898
Rolling stock	2,577	688
Total	**$6,739**	**$3,960**

Data callout example/questions:

- Total Cost basis of $6.7m
- NBV of $4.0m

Market equity assessment

Does 1 + 1 = 2.2?



Coop A
$75m

Coop B
$70m

Synergies
$20m

One-times
($5m)

Combined
$160m
39% premium

	Coop A	Coop B	Combined
Enterprise Value	$100m	$80m	$195m
Net Debt	$25m	$10m	$35m
Market Equity	$75m	$70m	$160m
Book Equity	$60m	$55m	$115m
$ Premium to book	$15m	$15m	$45m
% Premium to book	25%	27%	39%

Typical Components

- Valuation methodology
- Value business & other items (regional patronage, non-operations assets, etc.)
- Determine adjustments (unfunded pension plan, litigation, etc.)
- Calculate historical seasonal financing
- Market equity valuation
- Synergies & one-time items
- Unimpaired/unadjusted equity for both companies?

Valuation approach

Income Approach

- Projected discounted cashflow (DCF) to value business cashflow
- Discount rate based on assumed required return for a buyer
- Incorporates earnings, changes in working capital, capital spending needs and income taxes

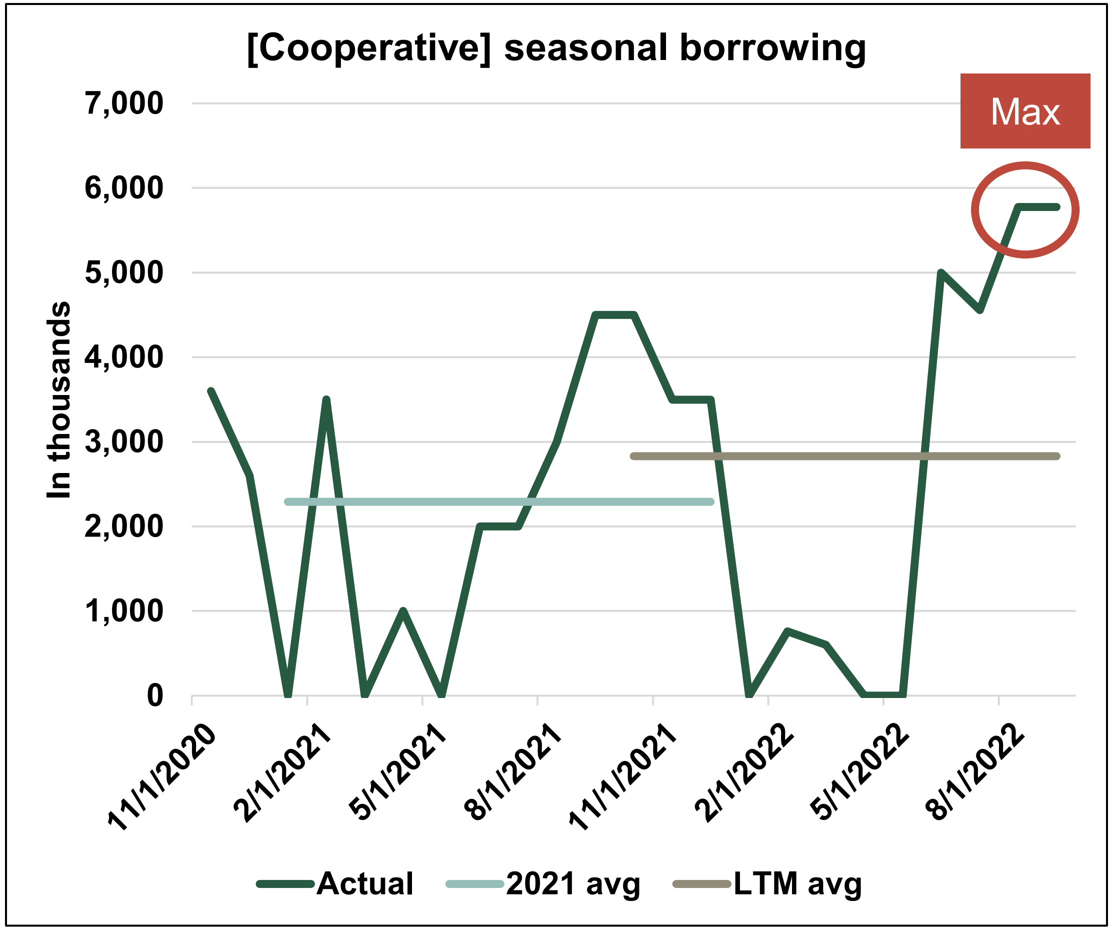
Market Approach

- Compare purchase price to other transactions based on relative value measures (sales, EBITDA, etc.)
- Often focused on normalized EBITDA multiples (exclude one-times, etc.)

Cost Approach

- Base on cost required for a buyer to acquire the seller’s service capacity, adjusted for obsolescence
- Generally, only applicable in cases where seller’s business does not generate adequate profitability

Working capital



(in millions)	Amt.
Implied seasonal commitment	$6.0
Target NWC	$1.5
Seasonal to NWC	4X

Data Callout Example:

- $1.5m target working capital required to support credit line
- Average seasonal borrowing estimated at **6.7% of sales** based on 2-year average

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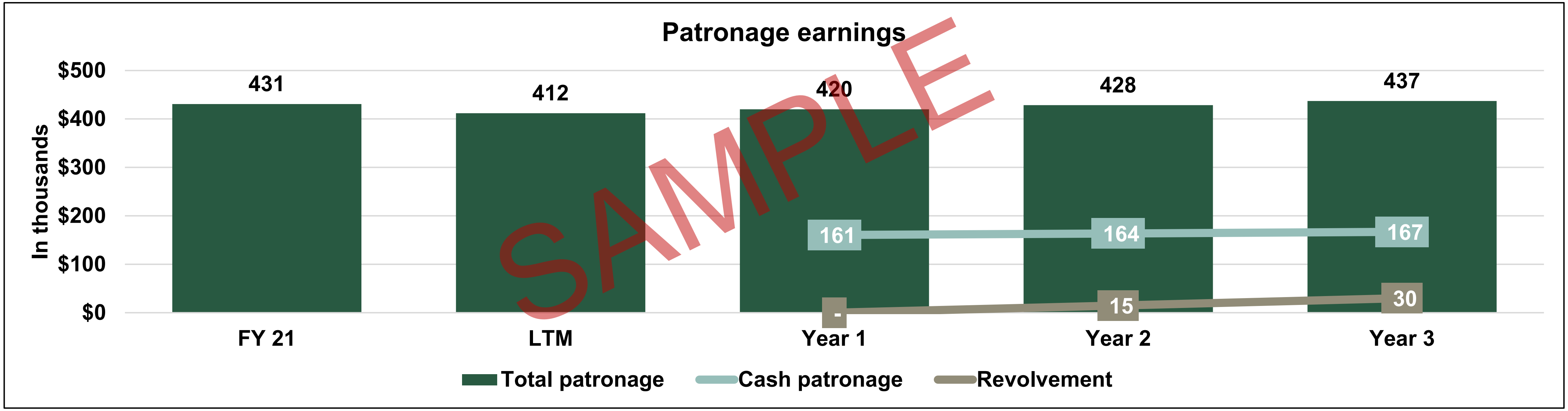
Value from patronage



In thousands

Regional	% in Cash	Retirement years	Year 1 patronage	Value
LOL	40%	20	$370	$1,950
CHS	25%	10	$50	$280
Total			**$420**	**$2,230**

Total patronage value estimated at $2.2m

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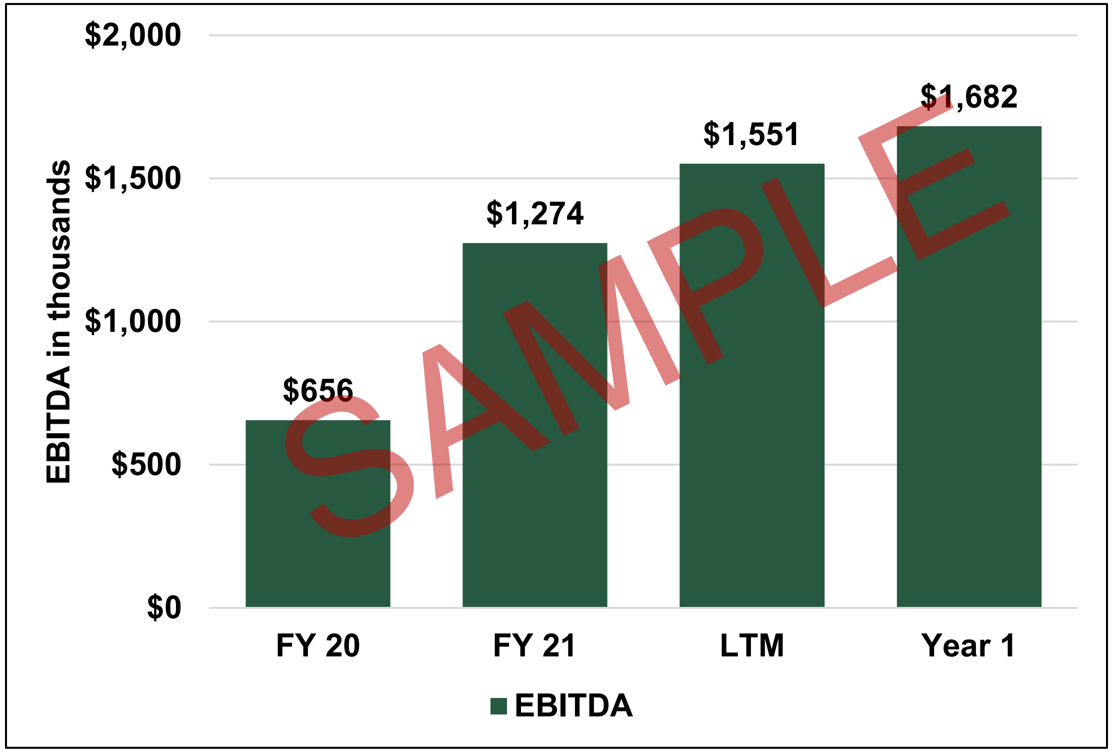
Valuation summary



In thousands	**Value**
Value from operations	$8,270
Value from regional patronage	2,230
Enterprise value	**10,500**
Required working capital	1,500
Plant, property and equipment	3,960
Other assets (liabilities)	-
Book value of assets	**5,460**
Premium / (discount) to book value	**$5,040**
%	**92%**

$10.5m in value represents 6.8X multiple on LTM EBITDA and $5.0m premium to NBV

Equity program

What are the key features of existing equity program?

What features cannot be changed?

Any significant changes to equity program being contemplated?

What changes would you like to make?

Governance

- What decisions need to be made in discovery vs. later phase?
- Do you want to give recommendations for board to consider?
- What level of board interaction is needed to determine go forward?
- Facilitation discussions with boards to define:
  - ✓ Board size
  - ✓ Districts
  - ✓ Election Cycles
  - ✓ Committees
  - ✓ Limits
  - ✓ Etc.

Governance decisions are about balancing ability to enhance flexibility while also maintaining structure and sustaining the business

Joint board members must decide new governance

Communications

Communications is **critical** to the success of a unification

- Employees
- Members
- 3rd parties

Ensure all employees are informed prior to communicating to members

Communication timing and materials needs to be carefully planned

Weigh being proactive with communicating vs. having more answers and talking points

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Elements of success

M&A Success

- 01 Strong leadership team
- 02 Change management focus
- 03 Detailed integration plan
- 04 Communication plan
- 05 Member vote plan

Success is not a linear path…

Questions?