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Sask. lentil giant back in private hands after 12 years on the TSX

CEO Murad Al-Katib says AGT can now continue its evolution without the challenges facing public companies.

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Murad Al-Katib led a group of investors that took his company, AGT Food and Ingredients Inc., private after years of it being publicly-traded. PHOTO BY DON HEALY / REGINA LEADER-POST

One of the world's largest lentil companies is back in private hands after more than a decade on the Toronto Stock Exchange, a decision its chief executive says was prompted by volatile pulse prices and "broken" public equity markets.

"If the value of the company is constrained by the public market, then we should take it private and continue to grow," said Murad Al-Katib, who led the shareholder group whose bid valued AGT Food and Ingredients Inc. at around \$440 million.

Now, AGT can continue its natural evolution — which includes innovation aimed at creating a "farmgate to plate" business — without the "noise" of regulatory and disclosure requirements, short sellers and other challenges facing public companies, he said.

"We're going to focus now on that innovation platform. We're focused on an integration of infrastructure, grain handling, value-added processing and distribution. This is the strategy that we've had and (our backers) have agreed that it's the right strategy," Al-Katib added.

"That's the linkage of our short-line railways to port facilities to our value-added processing, both in Canada and around the world, and a continued move into ingredients and consumer products."

Al-Katib founded the company now known as AGT in his Davidson, Sask. basement 16 years ago. The firm, which is thought to handle about a quarter of the world's lentils, buys and processes pulse crops before shipping them around the world.

Last summer, Al-Katib and his backers, including the Toronto financial giant Fairfax Financial Holdings Ltd., unveiled plans to buy back all of the company's shares for \$18 each, a price that at the time represented a 37 per cent premium.

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Shareholders — including the bidding group, which controlled around 27 per cent of the company — voted 72 per cent in favour of the proposal earlier this year; late last week, the Regina-based company was officially delisted from the TSX.

Including debt, the total value of the transaction was more than \$1 billion.

The attempt to privatize AGT came amid a challenging time for pulse producers, largely due to high inventories and restrictions on imports by the Indian government — one of the world's largest buyers of the staple crops.

AGT has not made money since 2016. The company reported losing \$46.3 million on revenues totalling \$1.55 billion in 2018, results that came on top of a \$36.9 million loss on \$1.74 billion in revenues the year previously.

Joel Jackson, a BMO Capital Markets analyst who covered the company until February, said AGT's stock was likely undervalued because it wasn't pricing in enough consideration for the company's mid-term and long-term potential.

"I think the key point is the stock was down to \$13 and investors had lost confidence in management, and the best way for management to capitalize on a perceived mismatch in valuation was to seek to take the company private," Jackson said.

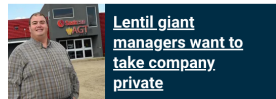
Now that AGT, which was well-respected in the industry, is privately held, it is "no longer burdened by the distraction of having to meet and manage to quarterly numbers, particularly in a business currently in the down part of the cycle," he added.

Al-Katib said he looks forward to continuing to build "a Canadian champion in agriculture" with its head office in Saskatchewan and operations in countries around the world, including the U.S. and Turkey.

"I'm excited. I'm rejuvenated. I'm 46 years old and I'm ready for the next 20 years."

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