AGI Announces Second Quarter 2021 Results

Winnipeg, MB, August 11, 2021 – Ag Growth International Inc. (TSX: AFN) ("AGI", the "Company", "we" or "our") today announced its financial results for the three and six months ended June 30, 2021.

Second Quarter 2021 Highlights

- Consolidated trade sales increased 15% to $302M on a year-over-year ('YOY') basis
- Adjusted EBITDA increased 5% to $46.2M on a YOY basis
- Adjusted EBITDA margin of 15.3% vs 16.9% on a YOY basis
- Total backlog increased 69% on a YOY basis as of the end of the quarter

Outlook

- Supported by a strong backlog, up 69% YOY, management anticipates robust trade sales growth throughout 2021, with particular strength in Q4 2021 trade sales.
- Management continues to expect full year trade sales and adjusted EBITDA to be strong and above FY 2020 levels.

SUMMARY OF SECOND QUARTER 2021 RESULTS

	Three-months Ended June 30			
[thousands of dollars except per share amounts]	2021 $	2020 $	Change $	Change %
Trade sales [1][2]	301,592	261,420	40,172	15%
Adjusted EBITDA [1][3]	46,232	44,094	2,138	5%
Adjusted EBITDA Margins [1]	15.3%	16.9%	(1.6%)	(9%)
Profit (loss)	14,276	14,472	(196)	(1%)
Diluted profit (loss) per share	0.76	0.76	-	-
Adjusted profit [1]	16,468	11,965	4,503	38%
Diluted adjusted profit per share [1][4]	0.85	0.63	0.22	35%

[1] See "Non-IFRS Measures".
[2] See "OPERATING RESULTS – THREE MONTHS ENDED JUNE 30, 2021 - Trade Sales" in our Management Discussion and Analysis for the period ended June 31, 2021 ('MD&A').
[3] See "OPERATING RESULTS – THREE MONTHS ENDED JUNE 30, 2021 - EBITDA and Adjusted EBITDA" in our MD&A.
[4] See "OPERATING RESULTS – THREE MONTHS ENDED JUNE 30, 2021 - Diluted profit (loss) per share and diluted adjusted profit (loss) per share" in our MD&A.

Summary

"Our strong second quarter results continue to highlight the benefits of AGI's growth and diversification over the past several years," noted Tim Close, President & CEO of AGI. "Broad-based growth and market share gains across Brazil, India, U.S. Farm, our Technology business as well as our Food platform underpinned an excellent quarter despite significant supply chain issues globally. With record backlogs across the business, up 69% over last year, AGI is well positioned for a strong finish to 2021 and going forward."

Farm Segment
Farm segment trade sales and adjusted EBITDA for Q2 2021 grew 17% and 26% YOY, respectively, with notable strength in U.S. and Canadian markets. Robust demand for both portable and farm system products were key growth drivers in the quarter. Strong adjusted EBITDA was the result of favourable product mix, sales volume, a disciplined effort on cost containment, and pricing actions. As of June 30, 2021, Farm segment backlog is up 90% over prior year.

Commercial Segment
Commercial segment trade sales and adjusted EBITDA for Q2 2021 grew 11% and declined 22% YOY, respectively. Particularly strong sales growth from the Food platform, up 49% YOY, was complemented by a steady overall performance in the Commercial platform, up 7% YOY. Within the Food platform, strong results in the U.S. and EMEA drove the quarter with increased project work from strategic customers which was augmented by work from new customers. Within the broader Commercial platform, strength in the U.S., APAC, and South American markets was offset by softness in the Canadian market as well as EMEA. In the U.S., we continue to see projects that were delayed due to COVID come to market and generally observe customers returning to more normalized buying patterns. The Commercial segment was significantly impacted by rising input prices, steel in particular, which compressed margins in the quarter. As of June 30, 2021, the Commercial segment backlog is up 59% over prior year.

Technology Segment
The second quarter was marked by significant progress on a variety of strategic priorities to facilitate continued sales growth and margin stability. Significant production automation initiatives were completed which will reduce costs and increase capacity. We also remained focused on onboarding dealers and advancing our distribution channel strategies. This extensive effort was supported by our third-party consulting partner and a corresponding $1.2M one-time expense is included in our adjusted EBITDA at the corporate level in the quarter. The engagement will continue, though at a substantially reduced intensity, for several more months.

Work also began on the integration of Farmobile into the AGI SureTrack platform. Deepening the integration of Farmobile and AGI SureTrack technologies will create the next generation of market leading products and accelerate overall commercialization.

Our “as reported” Technology segment sales increased 58% YOY. However, given changes to our sales programs which effected timing of revenue recognition, the Technology segment sales declined by 9% in the quarter on a comparable retail equivalent basis. Adjusted EBITDA for the segment was a loss of $1.9M in Q2 2021 versus a loss of $1.0M in Q2 2020. Removing the impact of Farmobile would have resulted in a loss of $0.4M in adjusted EBITDA for the Technology segment in Q2 2021.

Update on Remediation Work
Progress on advancing the remediation work as it relates to the previously disclosed grain bin incident continued in the quarter. Work has begun at one of the two customer sites and is expected to be completed by the Fall of this year. At the second customer site, the site of the grain bin incident, the customer has decided to remediate themselves and with other suppliers.

Based on remediation work completed thus far, we have recorded an additional $7.5M to the previously disclosed $70M accrual. The increase is primarily the result of additional engineering, steel, and labour costs required to ensure a satisfactory product solution as well as additional legal costs. To-date, the Company has spent approximately $25M on the accrual.

In addition, the Company continues to expect that any financial impact will be partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received.

Q2 2021 Results By Segment and Geography

Trade Sales by Segment [see "Basis of Presentation" and "Non-IFRS Measures"]

			Three-months Ended June 30	
[thousands of dollars]	2021 $	2020 $	Change $	Change %
Farm	168,119	143,229	24,890	17%
Commercial				
Commercial Platform	108,219	101,598	6,621	7%
Food Platform	16,710	11,185	5,525	49%
Total Commercial	124,929	112,783	12,146	11%
Technology	8,544	5,408	3,136	58%
Total Trade Sales	**301,592**	**261,420**	**40,172**	**15%**

Trade Sales by Geography [see "Non-IFRS Measures"]

			Three-months Ended June 30	
[thousands of dollars]	2021 $	2020 $	Change $	Change %
Canada	79,403	75,798	3,605	5%
U.S.	139,842	114,222	25,620	22%
International				
EMEA	30,533	41,657	(11,124)	(27%)
Asia Pacific	23,816	18,408	5,408	29%
South America	27,998	11,335	16,663	147%
Total International	82,347	71,400	10,947	15%
Total Trade Sales	**301,592**	**261,420**	**40,172**	**15%**

Technology Sales with Retail Equivalent [see "Non-IFRS Measures"]

			Three-months Ended June 30	
[thousands of dollars]	2021 $	2020 $	Change $	Change %
Technology Trade Sales	8,544	5,408	3,136	58%
Less: subscription revenue recognized in the year				
Annual data subscriptions	(772)	(621)	(151)	24%
Other annual services	(57)	(47)	(10)	21%
Add: IoT hardware deferred revenue to be recognized over remaining life of contract	(761)	3,112	(3,873)	(124%)
Sales value of IoT hardware sold during the year (Retail equivalent)	**6,954**	**7,852**	**(898)**	**(11%)**
Annual data subscriptions	772	621	151	24%
Other annual services	57	47	10	21%
Total Technology Sales with Retail Equivalent	**7,783**	**8,520**	**(737)**	**(9%)**

Adjusted EBITDA by Segment [see "Non-IFRS Measures"]

					Three-months Ended June 30	
	2021		2020		Change	Change
[thousands of dollars]	$	% [1]	$	% [1]	$	%
Farm	42,602	25%	33,686	24%	8,916	26%
Technology	(1,878)	N/A	(1,021)	N/A	(857)	N/A
Commercial	11,762	9%	15,050	13%	(3,288)	(22%)
Other [2]	(6,254)		(3,621)		(2,633)	73%
Total Adjusted EBITDA	**46,232**	**15%**	**44,094**	**17%**	**2,138**	**5%**

[1] As a percentage of Trade Sales
[2] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

Adjusted EBITDA by Geography [see "Non-IFRS Measures"]

					Three-months Ended June 30	
	2021		2020		Change	Change
[thousands of dollars]	$	% [1]	$	% [1]	$	%
Canada	14,951	19%	15,953	21%	(1,002)	(6%)
U.S.	25,571	18%	21,205	19%	4,366	21%
International	11,964	15%	10,557	15%	1,407	13%
Other [2]	(6,254)		(3,621)		(2,633)	N/A
Total Adjusted EBITDA	**46,232**	**15%**	**44,094**	**17%**	**2,138**	**5%**

[1] As a percentage of Trade Sales
[2] Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

OUTLOOK [see “Basis of Presentation”]

Farm
As of June 30, 2021, our Farm segment backlog is up 90% over prior year with meaningful contributions across all geographies. The strength in Farm backlog is largely attributable to a strong push by dealers to replenish inventories, anticipation of a strong crop year in the U.S., and the critical nature of our equipment to sustain grower operations at harvest.

Commercial Platform
As of June 30, 2021, our Commercial platform backlog is up 41% over prior year. An uptick in the U.S., momentum in EMEA, and increasing activity in South America offset a slowdown in Canada which is resetting after a period of historically high investment prior to the pandemic. Active quoting in the Canadian Commercial platform has increased in recent months.

Food Platform
As of June 30, 2021, our Food platform backlog is up 175% over prior year with a significant increase in the U.S. of 308%. Ramping customer spending and investment, ongoing efforts to align with strategic accounts, and successful development of new customer relationships have combined to create significant momentum in AGI’s Food platform solutions.

Technology

As outlined above, the Technology segment has substantially completed several initiatives to position the business for solid growth in the second half of 2021. Progress in onboarding dealers and expanding our distribution channels continued in the second quarter and we continue to forecast growth over 2020 for the full year with a robust second half of 2021.

Backlog [see "Basis of Presentation"]

The following table presents changes in the Company's backlogs as of June 30, 2021 versus June 30, 2020:

	Region			
Segments and Platforms[1]	Canada % chg	United States % chg	International % chg	Total % chg
Farm	43%	112%	251%	90%
Commercial				
Commercial Platform	(23%)	57%	53%	41%
Food Platform	23%	308%	56%	175%
Total Commercial Segment	(16%)	119%	54%	59%
Overall [1]	**18%**	**116%**	**67%**	**69%**

[1] Backlog for Technology has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.

The following table presents changes in the Company's international backlogs further segmented by region as of June 30, 2021 versus June 30, 2020:

Farm and Commercial Segments [1]	EMEA % chg[2]	Asia Pacific % chg [3]	South America % chg [4]
International by region [1]	119%	21%	78%

[1] Backlog for Technology has been excluded as products and services are delivered on a just-in-time basis and therefore backlog is not a relevant indicator of committed sales.
[2] "EMEA" composed of Europe, Middle East and Africa
[3] "Asia Pacific" composed of South East Asia, Australia, India, and Rest of World
[4] "South America" composed of Latin America and Brazil

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis (the "MD&A") for the three- and six-months ended June 30, 2021 can be obtained at https://www.newswire.ca/news-releases/ and will also be available electronically on SEDAR (http://www.sedar.com) and on AGI's website (http://www.aggrowth.com).

Conference Call

AGI management will hold a conference call on Thursday, August 12, 2021, at 8:00am EDT to discuss its results for the three- and six-months ended June 30, 2021. To participate in the conference call, please dial 1-888-390-0546 or for local access dial 1-416-764-8688. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-888-390-0541 or for local access dial 1-416-764-8677. Please quote passcode 087485# for the audio replay.

Company Profile

AGI is a provider of the physical equipment and digital technology solutions required to support global food infrastructure including grain, fertilizer, seed, feed, and food processing systems. AGI has manufacturing facilities in Canada, the United States, the United Kingdom, Brazil, India, France, and Italy and distributes its product globally.

Further information can be found in the disclosure documents filed by AGI with the securities regulatory authorities, available at www.sedar.com and on AGI's website www.aggrowth.com.

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BASIS OF PRESETNATION

Farm, Commercial, and Technology are AGI's three operating segments. In this press release, we have also included product groups in order to provide additional information that may be useful to the reader. Specifically, our Commercial segment includes the Commercial platform and Food platform.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with International Financial Reporting Standards ("IFRS") with a number of non-IFRS financial measures including "trade sales", "EBITDA", "adjusted EBITDA", "adjusted EBITDA margin", "gross margin", "funds from operations", "payout ratio", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes [includes] amounts, or is subject to adjustments that have the effect of excluding [including] amounts, that are included [excluded] in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this press release, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in our MD&A.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization, share of associate’s net loss and revaluation gains. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, non-cash share based compensation expenses, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, gain or loss on the sale of property, plant & equipment, gain on settlement of lease liability and equipment rework costs. References to “adjusted EBITDA margin” are to adjusted EBITDA as a percentage of trade sales. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “OPERATING RESULTS – EBITDA and Adjusted EBITDA” in our MD&A for the reconciliation of EBITDA and Adjusted EBITDA to profit before income taxes.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. See "OPERATING RESULTS - Trade Sales" in our MD&A for the reconciliation of trade sales to sales.

References to “gross margin” are to trade sales less cost of inventories, and thereby exclude depreciation, amortization and equipment rework from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "OPERATING RESULTS – Gross Margin" in our MD&A for the calculation of gross margin.

References to “funds from operations” are to adjusted EBITDA less interest expense, non-cash interest, cash taxes and maintenance capital expenditures. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance. References to “payout ratio” are to dividends declared as a percentage of funds from operations. See "FUNDS FROM OPERATIONS AND PAYOUT RATIO" in our MD&A for the calculation of funds from operations and payout ratio.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the gain or loss on foreign exchange, M&A expenses or recoveries, other transaction and transitional costs, gain or loss on financial instruments, gain or loss on sale of property, plant and equipment, cost of equipment rework, share of associate’s net loss and revaluation gains. See "OPERATING RESULTS - Diluted profit (loss) per share and diluted adjusted profit per share” in our MD&A for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

References to “technology retail equivalent sales” are to subscription-based technology sales adjusted for the retail value of the IoT Hardware, fair value of the annual data subscription and the fair value of other annual services.

FORWARD-LOOKING INFORMATION

This press release contains forward-looking statements and information [collectively, "forward-looking information"] within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company.

All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "estimate", "believe", "continue", "could", "expects", "intend", "plans", "will", "may" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. Forward-looking information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this press release may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this press release includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results, industry demand and market conditions, the anticipated ongoing impacts of the COVID-19 outbreak on our business, operations and financial results; the estimated costs to the Company that may result from the remediation work, including the costs of remediation, and the availability of insurance coverage to offset such costs; the sufficiency of our liquidity; long term fundamentals and growth drivers of our business; future payment of dividends and the amount thereof; and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: the anticipated impacts of the COVID-19 outbreak on our business, operations and financial results; future debt levels; anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; changes in trade relations between the countries in which the Company does business including between Canada and the United States; cyber security risks; the risk that the assumptions and estimates underlying the provision for remediation related thereto and insurance coverage for the Incident will prove to be incorrect as further information becomes available to the Company . These risks and uncertainties are described under "Risks and Uncertainties" in our MD&A and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR [www.sedar.com]. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. Without limitation of the foregoing, the provision for remediation related to the remediation work required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date of this press release and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.