AGI Announces Third Quarter 2019 Results; Declares Dividends

Winnipeg, MB, November 14, 2019 – Ag Growth International Inc. (TSX: AFN) ("AGI", the "Company", "we" or "our") today announced its financial results for the three- and nine-months ended September 30, 2019, and declared dividends for December 2019, January 2020 and February 2020.

Overview of Results

(thousands of dollars except per share amounts)	Three Months Ended September 30 2019 $	2018 $	Nine Months Ended September 30 2019 $	2018 $
Trade Sales [1][2]	261,134	243,120	770,344	719,868
Adjusted EBITDA [1][3]	39,091	40,234	121,083	120,181
(Loss) Profit	(2,819)	20,744	22,919	38,479
Diluted (loss) profit per share	(0.15)	1.14	1.21	2.25
Adjusted profit [1]	17,542	12,637	42,739	46,382
Diluted adjusted profit per share [1][4]	0.91	0.74	2.26	2.65

[1] See "Non-IFRS Measures".
[2] See "Operating Results – Trade Sales" in our Management's Discussion and Analysis for the three- and nine-months periods ended September 30, 2019 ("MD&A").
[3] See "Operating Results – EBITDA and Adjusted EBITDA" in our MD&A.
[4] See "Detailed Operating Results - Diluted profit (loss) per share and diluted adjusted profit per share" in our MD&A.

Trade sales in the third quarter of 2019 increased over the prior year due to higher sales of portable grain handling and drying equipment, sales growth in Brazil and a strong performance from AGI's recent acquisition in India. Sales growth in the quarter was tempered by challenging Farm conditions in both Canada and the U.S., as well as by global economic uncertainties and their impact on the timing of customer commitments, most notably in offshore markets. Gross margin percentages in the quarter remained strong and were consistent with 2018 levels, despite the impact of challenging market conditions on some product lines. Adjusted EBITDA as a percentage of sales decreased 150 bps compared to Q3 2018 due to AGI's continued investment in sales and marketing initiatives, digital tools and its technology platform. The benefit from these investments is expected to gain momentum in future quarters, and to accelerate as our end user markets normalize from the transient items experienced in 2019. Profit and profit per share decreased compared to Q3 2018 due to non-cash losses on foreign exchange and the Company's equity compensation swap, as well as a Q3 2019 charge related to project rework. Adjusted profit and adjusted profit per share were consistent with the prior year (see "diluted profit (loss) per share and diluted adjusted profit per share").

"Despite significant headwinds, and excluding acquisitions, AGI sales in both the quarter and nine-months ended September 30, 2019 were equal to our record results in 2018", said Tim Close, President and CEO of AGI. "Inclusive of acquisitions we grew sales by 7% in both periods as we brought on our platform in India, expanded our food platform into beverages and grew our technology platform. The contribution from these three areas further diversifies AGI, adding growth levers outside of our traditional base in North American grain. Gross margins and backlogs have remained stable compared to the prior year and we are positioned well to respond to improving markets in 2020. We will continue to work with our customers as they invest in their infrastructure and the technologies required to remain productive and profitable in a challenging and changing environment. "

Diluted profit (loss) per share and diluted adjusted profit per share

Diluted profit (loss) per share for the three- and nine-month periods ended September 30, 2019 were $(0.15) and $1.21, respectively, versus $1.14 and $2.25, respectively, in 2018. Profit (loss) per share in 2019 and 2018 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit. In addition to the items enumerated in the table, profit (loss) and profit (loss) per share, and adjusted profit and adjusted profit per share, were impacted by the addition of 1.9 million common shares in Q4 2018, the proceeds of which contributed to funding the acquisition of Milltec on March 28, 2019. Due to the timing of the acquisition, the net earnings of AGI for the nine months ended September 30, 2019 includes only two seasonally low quarters of Milltec. Profit (loss) and adjusted profit in the third quarter of 2019 were also impacted by a $1.7 million expense related to amortization of the backlog intangible recorded upon the acquisition of Milltec, which was fully amortized in Q3 2019, as well as $0.5 million related to amortization of the fair value of inventory bump recorded upon acquisition, which was also fully amortized in Q3 2019.

	Three Months Ended September 30		**Nine Months Ended September 30**	
(thousands of dollars except per share amounts)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Profit (loss)	(2,819)	20,744	22,919	38,479
Diluted profit (loss) per share	(0.15)	1.14	1.21	2.25
Loss (gain) on foreign exchange	4,006	(2,413)	(2,413)	9,920
Fair value of inventory from acquisition [2]	522	-	1,742	1,183
M&A (recovery) expenses	(18)	582	3,046	1,450
Other transaction expenses [3]	301	1,051	6,427	3,474
Loss (gain) on financial instruments	7,592	(7,256)	3,060	(8,501)
Loss (gain) on sale of PP&E	124	(71)	124	145
Impairment charge [4]	46	-	46	232
Equipment rework [5]	7,000	-	7,000	-
Share of associate's net loss	788	-	788	-
Adjusted profit [1]	**17,542**	**12,637**	**42,739**	**46,382**
Diluted adjusted profit per share [1]	0.91	0.74	2.26	2.65

[1] See "Non-IFRS Measures".
[2] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[4] To record assets held for sale at estimated fair value.
[5] To record pre-tax charge for the estimated cost of rework for equipment supplied to two distinct projects. The charge relates to additional time, material and services.

Outlook

Farm

A very late planting in the United States, combined with poor growing conditions in many regions, resulted in a delayed harvest and concerns regarding yield and crop quality. In Canada, mixed growing conditions throughout the year and a very late harvest have led to similar concerns. Nonetheless, AGI Farm equipment sales in North America in the first nine months of 2019 are higher than the previous year, due to strong sales of portable grain handling, aeration and drying equipment. While weather and harvest conditions may temper Farm demand in some product categories in the fourth quarter, management anticipates total Farm sales will approximate the fourth quarter of 2018, largely due to strength in portable grain handling sales. Inventory levels at the dealer level have been managed prudently throughout 2019 and management does not anticipate excess inventory carryover into 2020. The underlying demand drivers for AGI Farm equipment remain strong, and management expects robust demand in all product categories with the beginning of the new planting season in 2020.

Commercial

AGI's Commercial business has a global footprint and its demand drivers include global commodity production and consumption, infrastructure deficiencies in developing markets, storage and handling efficiencies and food security. Historically AGI has been focused primarily in the Grain platform, however in recent years has developed further into the Seed, Fertilizer, Feed and Food platforms.

In the United States, Commercial Grain handling activity is stable but for the last number of years has been restrained by depressed agricultural markets and international trade disputes. Nevertheless, AGI's sales order backlog in the United States is higher than the prior year due to progress in the Fertilizer and Food categories. In Canada, the Commercial market remains very active due to continued investment in Grain infrastructure, including in port facilities and inland terminals. However, compared to the prior year, the Canadian Commercial backlog has decreased due to the impact of deliveries made on large Canadian Grain projects in Q3 2019 and because the 2018 comparative included a large Fertilizer project.

International sales in 2019 have been negatively impacted by global economic uncertainties, including trade disputes. Nonetheless, consistent with commentary from recent quarters, our sales order backlog is tracking to levels similar to the prior year and we continue to add to our 2020 order book. Sales in Brazil continue to gain momentum due to increasing brand and product awareness and improving economic conditions in the country. In India, precipitation amounts from the 2019 monsoon now approximate historical averages, and management anticipates seasonally strong sales in the fourth quarter of 2019. Overall, management anticipates Commercial sales in the fourth quarter of 2019 to approximate the prior year.

Summary

On balance, AGI's businesses have performed well in 2019 despite significant headwinds in North America and offshore, and management anticipates adjusted EBITDA in the fourth quarter of 2019 to approximate 2018 levels. EBITDA percentages in the fourth quarter of 2019 are expected to decrease compared to the prior year, largely due to investments in marketing and technology, the impact of poor harvest conditions on certain product categories, and due to Commercial sales mix.

Several factors exist today that suggest we are positioned to enter 2020 on very solid footing. First, there is a growing expectation that U.S. farmers will plant a record amount of corn acres in 2020, which would positively impact demand for portable grain handling equipment and grain storage systems. AGI Brazil continues to make progress both in manufacturing efficiencies and market development, and management anticipates improved results in the country in 2020. Internationally, our backlog related to 2020 has started to build and we currently expect to enter the year with a strong book of business. Finally, we expect growth from our platform acquisition in India due to increased market development and synergies with other AGI divisions. In summary, while we faced certain headwinds in the second half of 2019, we look forward with excitement to increasing our pace of growth in fiscal 2020.

Trade sales and adjusted EBITDA will be influenced by, among other factors, weather patterns, crop conditions, the timing of harvest and conditions during harvest and changes in input prices, including steel. The Company endeavors to mitigate its exposure to higher input costs through strategic procurement of steel, sales price increases and limiting the length of time commercial quotes remain valid; however, the pace and volatility of input price increases may negatively impact financial results. Other factors that may impact results include the impact of existing and potential future trade actions, the ability of our customers to access capital, the rate of exchange between the Canadian and U.S. dollars, changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, and the timing of Commercial customer commitments and deliveries.

Dividends

AGI today announced the declaration of cash dividends of $0.20 per common share for the months of December 2019, January 2020 and February 2020. The dividends are eligible dividends for Canadian income tax purposes. AGI's current annualized cash dividend rate is $2.40 per share.

The table below sets forth the scheduled payable and record dates:

Monthly dividend	Payable date	Record date
December 2019	January 15, 2020	December 31, 2019
January 2020	February 14, 2020	January 31, 2020
February 2020	March 13, 2020	February 28, 2020

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis (the "MD&A") for the three- and nine-months ended September 30, 2019 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

Management will hold a conference call on Thursday November 14, 2019, at 8:00 a.m. EST to discuss AGI's results for the three- and nine-months ended September 30, 2019. To participate in the conference call, please dial 1-888-390-0605 or for local access dial 416-764-8609. 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 416-764-8677. Please quote passcode 375219# for the audio replay.

Company Profile

AGI is a leading provider of equipment solutions for agriculture bulk commodities including seed, fertilizer, grain, feed and food processing systems. AGI has manufacturing facilities in Canada, the United States, the United Kingdom, Brazil, France, Italy and India, 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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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", "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 and share of associate’s net loss. 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 or loss on disposal of assets held for sale and fair value of inventory from acquisitions, equipment rework costs and impairment. 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, fair value of inventory from acquisitions 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 IFRS 15 adjustment, 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, fair value of inventory from acquisitions, 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 impairment charges, cost of equipment rework and share of associate’s net loss. See "Detailed 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.

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”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” 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 including sales, EBITDA and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: 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 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; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in our MD&A, our annual 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. 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.