



AGI Announces Fourth Quarter 2019 Results

Winnipeg, MB, March 25, 2020 – Ag Growth International Inc. (TSX: AFN) (“AGI”, the “Company”, “we” or “our”) today announced its financial results for the three-months and year-ended December 31, 2019.

Overview of Results

(thousands of dollars except per share amounts)	Three Months Ended December 31		Year Ended December 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade Sales ⁽¹⁾⁽²⁾	229,591	214,195	999,935	934,063
Adjusted EBITDA ⁽¹⁾⁽³⁾	23,196	28,014	144,279	148,195
(Loss) Profit	(8,286)	(11,861)	14,633	26,618
Diluted (loss) profit per share	(0.44)	(0.66)	0.77	1.56
Adjusted (loss) profit ⁽¹⁾	(1,180)	11,766	41,559	58,148
Diluted adjusted (loss) profit per share ⁽¹⁾⁽⁴⁾	(0.06)	0.66	2.20	3.38

[1] See “Non-IFRS Measures”.

[2] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2019 – Trade Sales” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2019 – Trade Sales” in our Management’s Discussion and Analysis for the year ended December 31, 2019 (“MD&A”).

[3] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2019 – EBITDA and Adjusted EBITDA” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2019 – EBITDA and Adjusted EBITDA” in our MD&A.

[4] See “OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2019 - Diluted profit per share and diluted adjusted profit per share” and “OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2019 - Diluted loss per share and diluted adjusted profit (loss) per share” in our MD&A.

AGI results in Q4 2019 were mixed as strong demand for portable grain handling and drying equipment, a solid performance in India and significantly improved results in Brazil were offset by a combination of factors that resulted in a decrease in Q4 2019 adjusted EBITDA compared to the prior year. In 2019, AGI demonstrated the success of its AGI SureTrack subscription model as demand exceeded our capacity and retail equivalent sales increased by 70%. In the fourth quarter of 2019, AGI increased its investment in sales, marketing and technical resources at AGI SureTrack to address capacity and accelerate the future pace of new user additions, resulting in negative Q4 2019 adjusted EBITDA at AGI SureTrack of \$2.7 million. Secondly, a very wet and late harvest in the United States and a continuation of the weak macro environment negatively impacted AGI’s grain storage systems business, resulting in lower adjusted EBITDA compared to Q4 2018. Lastly, at the request of our customers, several Commercial projects in Canada and offshore were postponed into 2020, resulting in a deferral of sales and earnings. Adjusted EBITDA as a percentage of sales in AGI’s seasonally weak Q4 decreased to 10% in 2019 from 13% in the prior year due to the investment in AGI SureTrack, the impact of poor growing conditions in the United States in 2019 and the negative effect of trade disruption. In Q4 2019, adjusted loss and adjusted loss per share decreased from the prior year, largely due to lower adjusted EBITDA and higher finance costs, while loss and loss per share improved as the

Company recorded non-cash losses on foreign exchange and the equity compensation swap in Q4 2018, compared against non-cash gains in Q4 2019.

“As the world comes to terms with how to respond to the developing COVID-19 crisis I would like to thank all of the employees, suppliers and customers of AGI for their perseverance in a period of such heightened stress and uncertainty,” said Tim Close, President and CEO of AGI. “The one certainty we have now is that the safety of our people is our highest priority. I’d like to acknowledge our team in Northern Italy who developed the policies and procedures to safely and responsibly operate, right up to the recent mandatory suspension, in one of the hardest hit regions and without a single positive COVID-19 case. They have been an inspiration to the rest of AGI as we implement many of those same procedures across our business to provide a safe environment for all of our teams. AGI’s products, services and technologies have been declared an essential service in multiple states and provinces; recognition of the critical nature of the global food infrastructure that we supply. The COVID-19 crisis will have an impact on our business in 2020, however we are working to mitigate the impact and prepare for the post COVID-19 world.”

Amendment and extension of credit facility

On March 20, 2020, AGI announced it had amended and extended its credit facility with a syndicate of five Canadian banks, led by the Canadian Imperial Bank of Commerce and including TD Bank, National Bank of Canada, HSBC Bank Canada and the Bank of Nova Scotia. The facility was extended to March 20, 2025 and the amendments include an increase in the maximum senior debt leverage ratio to 3.75x for the balance of 2020 and an improved pricing grid. As at December 31, 2019, AGI’s senior debt leverage ratio, as defined in the Company’s credit agreement, was 2.65x.

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

Diluted profit per share for the year ended December 31, 2019 was \$0.77 versus \$1.56 in 2018. Profit per share in 2019 and 2018 has been impacted by the items enumerated in the table below, which reconciles profit to adjusted profit.

	Year Ended December 31	
	2019	2018
[thousands of dollars except per share amounts]	\$	\$
Profit	14,633	26,618
Diluted profit per share	0.77	1.56
Loss (gain) on foreign exchange	(2,534)	19,004
Fair value of inventory from acquisition ^[2]	1,962	1,183
M&A expenses	1,588	2,283
Other transaction and transitional costs ^[3]	11,562	6,582
Loss on financial instruments	1,503	2,061
Loss on sale of PP&E	260	185
Impairment charge ^[4]	233	232
Equipment rework ^[5]	10,000	-
Share of associate’s net loss	2,352	-
Adjusted profit ^[1]	41,559	58,148
Diluted adjusted profit per share ^[1]	2.20	3.38

[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

COVID-19

The emergence of COVID-19 will have a significant adverse impact on AGI's business, including the disruption of production, its supply chain and product delivery. The extent, duration and ultimate impact of COVID-19 and governmental and societal responses thereto is unknown, and accordingly management is unable to provide specific guidance on its impact on AGI. We can comment on the business fundamentals as they stand today to provide context to the very uncertain period going forward. Multiple state and provincial governments have declared manufacturers of agriculture equipment and infrastructure as essential services highlighting the continuing need for AGI's products and services through this period.

As it stands, AGI has suspended manufacturing at its plants in Italy, India, France and Brazil due to government mandated shutdowns and/or regional requirements. These shutdowns are scheduled to last 2-3 weeks. Interruptions are possible in North America over the coming weeks as the crisis evolves. Engineering, design and quoting activity is continuing in each of these businesses which will support resumption of operations. We are utilizing vacation time, leave, and government programs to mitigate the impact of these short suspensions. The impact on AGI would be more pronounced should the duration extend. We do not currently have enough information to gauge the likelihood of longer suspensions.

As a relevant data point, Brazil, France and Italy currently have record level backlogs, and India has robust back logs. Although AGI's business will be substantially impacted by these disruptions in production, management believes that post crisis demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

Q4 2019

Despite strength across many of AGI's businesses, sales and adjusted EBITDA in the fourth quarter of 2019 were negatively impacted by historically poor growing and harvesting conditions in the U.S. and by the impact of trade disputes and tariffs. Consistent with recent commentary, management expects those factors were poised to negatively impact the first and second quarters of 2020 but that AGI's Farm business was anticipated to gain momentum along with the planting season in Q2 2020. On the Commercial side of AGI's business trade uncertainty in 2019 resulted in late customer commitments and a backlog that is more weighted towards the second half of 2020. Accordingly, management expected sales and adjusted EBITDA in 2020 to be weighted toward the second half of 2020 as compared to prior years.

Q1 2020

Much of the first quarter was completed prior to broad impacts of COVID-19, which were restricted mostly to our European operations. Consistent with management expectations pre-COVID-19, adjusted EBITDA in the first quarter of 2020 will be below the strong results of Q1 2019. We do not expect overall organic growth in the first quarter of 2020 due largely to the timing considerations noted above, but also because the first quarter of 2019 included a large contribution from Canadian Commercial projects and a strong contribution from Brazil. Although management anticipates results in Brazil in 2020 will exceed those of the prior year, AGI Brazil reported positive EBITDA in the first

quarter of 2019 and accordingly there is not a significant year-over-year delta in Q1 2020. Results at Milltec in Q1 2020 have been directionally consistent with expectations, however there was a small negative impact related to timing of the monsoon and banking liquidity. The first quarter of Q1 2020 includes an investment in our growing AGI SureTrack platform of approximately \$2 million and other technology and marketing initiatives of approximately \$1 million. Finally, results in Q1 2020 were negatively impacted by the outbreak of COVID-19 as our operations in EMEA were impacted by supply chain, delivery and production disruptions. In summary, management expects adjusted EBITDA in Q1 of 2020 to approximate Q4 2019 results.

Going Forward

While COVID-19 is raising substantial uncertainties, we will outline current fundamentals across the business to add context to operating during this crisis. Prior to the outbreak of COVID-19, our internal metrics and traditional external reference points exiting Q1 2020 appeared favourable:

Farm

- Farmers are currently preparing for planting season leading to input and required equipment purchases. Current order intake trends are at normal levels.
- The underlying demand drivers for AGI Farm equipment were expected to remain strong, and management expected demand for Farm products to increase with the new planting season in the second quarter of 2020 due to:
 - An anticipated increase in U.S. planted acres, including a significant increase in corn acres.
 - Improved weather conditions compared to historically poor conditions in 2019.
 - Better farmer economics and sentiment should the U.S. and China fully implement Phase 1 of a trade agreement.
 - Backlog (February 29, 2020) - Despite a tough 2019, our Farm backlog in the U.S. is 14% higher than the prior year, with increases in most product categories including portable grain handling and grain storage systems. Overall, our Farm backlog is consistent with the strong backlog at the same time in 2019 as gains in the U.S. are offset by lower backlogs in Canada that have resulted partially from strong deal pull-through and the timing off pre-season order programs.
 - The extent and duration of the COVID-19 crisis will determine the impact on our Farm business.

Commercial North America

- In the United States, Commercial Grain handling activity has been stable but for the last number of years has been restrained by depressed agricultural markets and international trade disputes. The potential of an improved trade environment, increased crop production and an improved ag sector may benefit Commercial sales in 2020. 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 has been very active due to continued investment in grain infrastructure, however the Canadian Commercial backlog has decreased compared against the very high levels of a year ago.
- Backlog (February 29, 2020) - Overall, our North American Commercial backlog is 7% lower than a year ago.

Commercial International

- The pace of customer commitments accelerated in the second half of 2019. As many contracts were finalized later in 2019, sales related to many of these orders are expected to be recognized in the second half of 2020.
- AGI Brazil has made progress both in manufacturing efficiencies and market development. The backlog in Brazil is at a record high and is currently 28% higher than at the same time in 2019.
- Performance at Milltec, our platform acquisition in India, has met expectations and is well positioned for long-term growth.
- Backlog (February 29, 2020) - Overall, excluding Milltec because their backlog is not included in the 2019 comparative (acquisition date of March 29, 2019), our international backlog is 30% higher than at the same time in 2019.
- Capital decisions related to Commercial projects, particularly in international markets, appear to be slowing due to the uncertainty surrounding COVID-19. The extent and duration of the crisis will impact the ongoing pace of development of our project pipeline.

Technology

- In 2019, AGI demonstrated the success of its AGI SureTrack subscription model as demand exceeded our capacity and we increased retail equivalent sales by 70%. In the first quarter of 2020, we expect the increase in retail equivalent sales to approximate 200% year over year growth.
- Continued growth in the SureTrack platform is expected to deepen AGI's relationships with processors, merchandisers, grain buyers and producers throughout North America and provide a significant opportunity for equipment cross-sales.

Summary

Activity in the first quarter of 2020, absent COVID-19, has been consistent with management expectations, and results in the second quarter, to a lesser degree, are expected to be impacted by similar factors, namely the carryover impact of very poor conditions in the U.S. in 2019 and the timing of international orders. AGI entered 2020 with expectations that adjusted EBITDA would grow significantly over 2019, and we expected that growth over the prior year would occur primarily in the second half fiscal 2020. Positive Farm sentiment and an improving trade environment, evidenced by strong Farm and Commercial backlogs, supported our expectations. The emergence of COVID-19, discussed above, has created substantial uncertainty and is expected to have negative impacts in the short-term and management is focused on mitigating its impact. Management remains optimistic with respect to the business of AGI and its longer-term growth prospects.

Trade sales and adjusted EBITDA will be influenced by, among other factors, the extent, duration and impact of the COVID-19 outbreak, 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.

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis (the "MD&A") for the three-months and year-ended December 31, 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 Wednesday March 25, 2020, at 8:00 a.m. EDT to discuss AGI's results for the three-months and fiscal year ended December 31, 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 209503# 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, the anticipated impacts of the coronavirus (COVID-19) outbreak on our business, operations and financial results; 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: the anticipated impacts of the coronavirus (COVID-19) outbreak on our business, operations and financial results; 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 coronavirus (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; 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.