AGI Announces First Quarter 2022 Results

Winnipeg, MB, May 10, 2022 – Ag Growth International Inc. (TSX: AFN) ("AGI", the "Company", "we" or "our") today announced its financial results for the three-months ended March 31, 2022[1].

	Three-months Ended March 31			
	2022	2021	Change	Change
[thousands of dollars except per share amounts]	$	$	$	%
Sales	292,031	255,977	36,054	14%
Adjusted EBITDA [1][2]	41,323	39,084	2,239	6%
Adjusted EBITDA Margin % [3]	14.2%	15.3%	N/A	0%
Profit before income taxes	20,590	18,166	2,424	13%
Profit	15,171	12,704	2,467	19%
Diluted profit per share	0.72	0.66	0.06	9%
Adjusted profit [1][4]	2,296	7,862	(5,566)	(71%)
Diluted Adjusted Profit Per Share [3][4]	0.12	0.41	(0.29)	(71%)

[1] This is a non-IFRS measure. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each non-IFRS measure.
[2] See "Profit before income taxes and Adjusted EBITDA".
[3] This is a non-IFRS ratio. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each non-IFRS ratio.
[4] See "Diluted profit per share and Diluted Adjusted Profit Per Share".

First quarter ("Q1") 2022 results include strong contributions from our Farm and Commercial segments with consolidated sales and Adjusted EBITDA up 14% and 6% year-over-year ('YOY'), respectively, despite the impact of the severe drought in western Canada in 2021 and an increased drag on Adjusted EBITDA from our Digital group due to the impact of supply chain delays on sales recognition. The decline in our Farm segment within Western Canada was expected given the severity of the drought in that region. Our Farm segment has historically been a major contributor to Q1 performance so posting a record overall Q1 despite the drought and challenges in Digital demonstrates the value of our strategy to diversify across products, geographies, and customers.

"AGI set new records for sales and Adjusted EBITDA to kick off 2022," noted Tim Close, President & CEO of AGI. "These results confirm the ability of our diversified business to mitigate the impact of regional issues while maintaining robust growth. The strong first quarter, robust backlogs[2], elevated sales pipelines, and climbing win rates all combine to increase our confidence in the outlook for 2022. We continue to expect another record year with Adjusted EBITDA of at least $200 million[3]."

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[1] This press release makes reference to certain specified financial measures, including non-IFRS financial measures (historical and forward-looking), non-IFRS ratios and supplementary financial measures. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each specified financial measure.

[2] Backlog is a supplementary financial measure. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each supplementary financial measure.

[3] Adjusted EBITDA for the year ended December 31, 2021 was $176.3 million. See "Reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the years ended December 31, 2021 and 2020".

Farm segment sales[4] grew 6% while Adjusted EBITDA[5] decreased 2% YOY for the three-months ended March 31, 2022, with strong contributions from the U.S. and South America serving to offset drought-related headwinds in the Canadian market. In Q1 2021, the segment benefited from lower input costs prior to the volatility of steel, freight, and component costs experienced throughout the remainder of 2021 and Q1 2022. This was partially offset by pricing action taken to reduce the impact of a highly challenging cost environment. Looking ahead, demand for Farm segment equipment continues to be very robust as customers focus on securing critical products based on anticipated increases in crop volumes. Segment backlog is up 8% over the prior year as of March 31, 2022 with particular strength in the U.S. and Brazil.

Commercial segment sales and Adjusted EBITDA increased 24% and 40% YOY, respectively, for the three-months ended March 31, 2022, with continued growth in the U.S., Europe, Middle East and Africa ("EMEA"), and South America markets. The Food platform continues to grow in response to strong customer demand with sales increasing 62% YOY for the three-months ended March 31, 2022. Encouragingly, the Canadian Commercial platform is showing strong signs of recovery in results with sales and backlog up 63% and 119% YOY, respectively. Overall, the Commercial segment is seeing strong demand as backlogs are up 31% YOY with the Commercial platform and Food platform contributing 13% and 153% increases, respectively, which signal a strong outlook for upcoming quarters.

Within the Farm and Commercial segments, we had notable strength in the quarter from our Brazilian operations. Brazil continued to gain momentum with sales and Adjusted EBITDA growing 75% and 925% YOY, respectively, for the three-months ended March 31, 2022.

Digital segment sales increased 8% YOY for the three-months ended March 31, 2022, despite chronic industry-wide shortages of critical chips required for production which hampered our ability to meet customer demand. Throughout 2021, we focused on strategically expanding our channels in support of the Digital segment, including training and onboarding new dealers to our network. These efforts resulted in record order intake for the Digital segment in Q1 2022. As we move into Q2 2022 and beyond the Digital segment is well positioned to continue along an accelerated growth path.

With backlogs up 19% at the end of March 31, 2022 and robust quoting pipelines globally, the Company continues to expect full year 2022 Adjusted EBITDA to be at least $200 million, representing continued growth and expansion over a record 2021 result, with growth over 2021 to be more pronounced in the second and third quarters.

COVID-19

The emergence of COVID-19 has had an adverse impact on AGI's business, including the disruption of production, our supply chain, and product delivery. While AGI experienced temporary production suspensions early in the pandemic in 2020, there were no significant production suspension or interruptions in Q1 2022 as a result of COVID-19.

AGI operations were considered "essential services" in many regions throughout North America, highlighting the important role the Company plays in the global food supply chain. Management continues to believe post pandemic demand will be positively impacted as the world builds additional redundancy into the global food infrastructure to account for similar events in the future.

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[4] All sales information in this press release that is presented on a segment or geographic basis is a supplementary financial measure. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each supplementary financial measure.

[5] All adjusted EBITDA information in this press release that is presented on a segment or geographic basis is a non-IFRS measure. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each non-IFRS measure.

AGI is currently fully operational across all manufacturing locations globally, with no loss of productive capacity owing to COVID-19 during Q1 2022. However, headwinds stemming from the pandemic have impacted the availability and cost of raw materials required for production. Various disruptions in the supply chain including steel supply and logistics have caused significant delays on a number of projects which impacted the timing of revenue recognition. In addition, potential restrictions and lockdowns in countries such as Brazil and India that have been severely impacted by COVID-19 may cause supply chain disruptions and temporary production suspensions. Our 2022 results remain subject to the effect of COVID-19 on our manufacturing facilities, markets, and customers as management continues to monitor for any emerging risks associated with COVID-19.

CONFLICT BETWEEN RUSSIA AND UKRAINE

AGI's exposure to Russia and Ukraine varies year-to-year, but the region generally contributes about 3% of AGI's consolidated sales annually. AGI has no production facilities in either country. Given the contributions of Brazil, India, and the rest of the EMEA region, AGI is more diversified from the region than we were in years past. While the region is important to AGI, any negative impacts would not be material to AGI overall.

BASIS OF PRESENTATION

For the year ended December 31, 2021, the effect of foreign currency translations arising from the settlement of accounts receivables and payables recorded in a currency other than the Company's functional currency have been presented within finance income (expenses); historically, the foreign exchange impact was presented in sales and a reconciliation was made to trade sales as presented in prior Management's Discussions and Analysis. This change in presentation effectively eliminates the need for trade sales and therefore sales is presented in this press release with the reclassification of comparative information.

The Company's change in presentation in its consolidated financial statements was made in accordance with IAS 1 and IFRS 8. Under IFRS 8, a change in accounting policy is permitted if the change results in the financial statements providing more reliable and relevant information about the effects of transactions on the entity's financial position. In addition, IAS 1 requires an entity to reclassify its comparative information when making such changes in presentation and therefore comparative figures have been restated accordingly.

Description of Business Segments and Platforms

Farm Segment

AGI's Farm segment includes the sale of grain, seed, and fertilizer handling equipment, aeration products, grain and fuel storage solutions, and grain management technologies.

Commercial Segment

AGI's Commercial segment includes the sale of larger diameter grain storage bins, high-capacity grain handling equipment, seed and fertilizer storage and handling systems, feed handling and storage equipment, aeration products, automated blending systems, control systems, and food processing solutions.

Food Platform

The AGI Food platform falls within AGI's Commercial segment. The Food platform's end customers are involved in producing processed food and beverages of all types. AGI Food provides full process design engineering, overall project engineering, project management services, and equipment supply. Our process design services result in close partnerships with our customers as we become involved early in the project formation stage. Our project management services include leading the customer project from conception to commissioning and working with our customers to manage all dynamics of the project throughout design and execution. We also manufacture and supply the infrastructure equipment components of these projects. Consistent with our Farm and Commercial segments, our equipment products in the Food platform address the storage, blending, and movement of ingredients involved in each process.

Digital Segment (previously Technology Segment)

AGI's Digital segment (previously Technology Segment) is built on a foundation of our Internet of Things ('IoT') products and technologies. We design, manufacture, and supply IoT hardware that monitors, operates, and automates our equipment and the collection of key operational data for our customers. This operational data is fed into intuitive and rich user interfaces, AGI SureTrack Farm and Pro, to enable our customers to operate and monitor their equipment, record operational activity, manage and market their inventories, and holistically operate their businesses. The IoT product portfolio is a mix of stand-alone hardware including weather stations, soil probes, grain temperature and moisture sensors, and field equipment data (Farmobile PUC) and is further augmented through the digitalization of AGI products. The acquisition of a controlling interest in Farmobile Inc. ("Farmobile") in 2021 further moves AGI into the middle of the data verification space required by the rapidly developing carbon and traceability markets. This strengthens our unique ability to capture machine and agronomic data across the entire farming process – from seeding through to harvest and into the broader grain supply chain. As a result, we have renamed our Technology Segment as the Digital Segment to recognize the digital evolution of this group. In addition, our digital and technology products offer monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning ["ERP"] for agriculture retailers and grain buyers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

OUTLOOK

AGI's demand drivers are closely linked to crop production volumes, global grain movement, and global food and feed consumption levels. A relative lack of investment in food infrastructure in developing regions along with required ongoing maintenance capital requirements in developed regions provide positive demand dynamics for AGI. These core demand drivers are further augmented by increasing population, changing dietary trends and increased focus on food security infrastructure.

Farm Segment

Farm backlog increased 8% over the prior year as of March 31, 2022, as inventory levels remain low at many of our dealers as a result of a strong crop yield in many parts of the U.S. and Brazil. These factors have resulted in Farm backlogs increasing 30% in the U.S., and 19% in International, over prior year as of March 31, 2022. Notwithstanding potential supply chain impact on production and delivery of our products, AGI anticipates a strong first half of 2022 in the U.S. The Canadian Prairies experienced drought conditions in 2021 resulting in a reduction of 23% in Farm backlog in Canada. We anticipate there will be an impact to the Canadian Farm segment in the first half of 2022 but note the current demand and backlog in the U.S. should more than offset any potential impact from the drought conditions in Canada. Management is also optimistic that the Canadian Farm segment will rebound in Q4 2022 as dealers gradually replenish inventory throughout the year. Supply chain challenges and logistics could have a potential impact on adjusted gross margins in the Farm segment in 2022.

Commercial Segment

Commercial Platform

Overall, growth continued in the Commercial segment in Q1 2022, with notable recovery in Canada, delivering a 63% increase in sales over Q1 2021.

Adjusted EBITDA continues to be an area of focus of the Commercial platform, and similar to the Farm segment, securing steel and other components on a timely and cost-effective basis amid the supply chain disruptions has been challenging. Many of AGI's Commercial platform contracts include provisions to pass along some or all of the key raw material cost increases. Open sales quotes are continuously reviewed and updated for changes in market conditions. Ongoing disruption of raw material, freight, and labour could lead to ongoing pressure on adjusted gross margin performance of the platform.

Canada

COVID-19 had a substantial impact on project activity, quoting, development, and progression across Western Canada in 2020 and 2021. The quoting and project activities across the grain terminal and grain processing markets began to recover in Q4 2021 and that momentum continued as the Canadian Commercial platform's backlog is up 119% over the prior year as of March 31, 2022. Management continues to be optimistic on the sustained ramp-up in activity and results in 2022.

United States

Sales continue to improve in the U.S. Commercial segment as demand for commercial grain infrastructure continues to move higher with the increase in corn and soybean exports. The U.S. Commercial segment's backlogs have increased 14% over prior year as of March 31, 2022.

International

The International Commercial platform also has strong demand resulting in a 1% YOY increase over a very strong 2021 backlog level.

- EMEA: Momentum for EMEA remains strong despite backlogs being down 3% YOY. This YOY decrease in part relates to the Russia-Ukraine conflict but was substantially offset by our ability to pivot efforts in the region to other geographies and quickly replace lost volumes to the Russia-Ukraine region. Additional information on the potential impact of the conflict between Russia and Ukraine can be found in "CONFLICT BETWEEN RUSSIA AND UKRAINE".
- Asia Pacific: Backlog is up 10% YOY due to increased sales and quoting activities in Q1 2022. This is a relatively new region for AGI and we expect lumpy results as we build the pipeline of small, medium, and large projects. This ramp-up cadence was expected and is similar to our entry into other markets.
- South America: Backlog is down 1% but a very active quoting pipeline with a wide array of medium-to-large size projects, strong market fundamentals, and market share growth across both the Farm and Commercial segments all reinforce our positive outlook for this region.

Food Platform

Food platform backlogs increased 153% YOY driven in part by the acquisition of Eastern Fabricators ("Eastern") but primarily by continued robust demand from the food and beverage end markets and the success of our differentiated design-supply-project management strategy. The addition of Eastern to the Food platform helps create the capacity required to enable growth and satisfy very strong customer demand.

Digital Segment

The Digital segment completed several initiatives in 2021 to diversify our sales channels in order to provide scalability. This included adding dealer channels for Digital products, expanding direct sales channels, automating areas of production, and increasing capacity. In addition, a new subscription model was also introduced in 2021 for SureTrack's IoT hardware. We are beginning to realize the benefits of these initiatives as our Digital segment saw record order intake in Q1 2022. However, the ongoing chip availability issues restricted our ability to produce some pieces of IoT hardware which has impacted the timing of our revenue recognition.

Summary

AGI's 5-6-7 strategy has led to diversification of our products, geographies, and customers which provided stability and resilience during the trade wars of 2019, the COVID crisis in 2020, and the extreme supply chain environment in 2021. This strategy was critical in setting up AGI to generate record results in 2021 despite the challenges of operating a global business amid difficult conditions. With backlogs up 19% at the end of March 31, 2022 over very high 2021 levels and robust quoting pipelines globally, the Company continues to expect full year 2022 Adjusted EBITDA to be at least $200 million, representing continued growth and expansion over a record 2021 result, with growth over 2021 to be realized particularly in the second and third quarters.

See also, "Risks and Uncertainties" and "Forward-Looking Information" in our Management's Discussion and Analysis for the three-months ended March 31, 2022 ("MD&A") and "Forward-Looking Information" in this press release.

Profit before income taxes and Adjusted EBITDA

The following table reconciles profit before income taxes to Adjusted EBITDA.

	Three-months Ended March 31	
	2022	2021
[thousands of dollars]	$	$
Profit before income taxes	**20,590**	**18,166**
Finance costs	11,493	10,320
Depreciation and amortization	19,397	13,509
Share of associate's net loss [1]	—	1,077
(Gain) loss on foreign exchange [2]	(10,728)	477
Share-based compensation [3]	2,718	1,931
Gain on financial instruments [4]	(8,680)	(10,658)
M&A expense [5]	694	437
Other transaction and transitional costs [6]	5,597	3,706
Net (gain) loss on disposal of property, plant and equipment	(86)	119
Fair value of inventory from acquisition [7]	305	—
Impairment charge [8]	23	—
Adjusted EBITDA [9]	**41,323**	**39,084**

[1] See "Share of associate's net loss" in our MD&A.
[2] See "Note 11 [e] - Other expenses (income)" in our consolidated financial statements.
[3] The Company's share-based compensation expense pertains to our equity incentive award plan ("EIAP") and directors' deferred compensation plan ("DDCP"). See "Note 10 – Share-based compensation plans" in our consolidated financial statements.
[4] See "Equity swap" in our MD&A.
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[7] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[8] Impairment charge is a result of a write-down in intangible assets.
[9] This is a non-IFRS measure. See the "NON-IFRS and OTHER FINANCIAL MEASURES" section of this press release for more information on each non-IFRS measure.

Diluted profit per share and Diluted Adjusted Profit Per Share

The Company’s diluted profit per share for the three-months ended March 31, 2022 was a profit of $0.72 compared to a profit of $0.66 in 2021. Profit per share in 2022 and 2021 has been impacted by the items enumerated in the table below, which reconciles profit to Adjusted Profit.

	Three-months Ended March 31	
	2022	2021
[thousands of dollars except per share amounts]	$	$
Profit	15,171	12,704
Diluted profit per share	0.72	0.66
Share of associate's net loss [1]	—	1,077
(Gain) loss on foreign exchange [2]	(10,728)	477
Gain on financial instruments [3]	(8,680)	(10,658)
M&A expense [4]	694	437
Other transaction and transitional costs [5]	5,597	3,706
Net (gain) loss on disposal of property, plant and equipment	(86)	119
Fair value of inventory from acquisition [6]	305	—
Impairment charge [7]	23	—
Adjusted profit [8]	**2,296**	**7,862**
Diluted Adjusted Profit Per Share [9]	0.12	0.41

[1] See “Share of associate's net loss” in our MD&A.
[2] See “Note 11 [e] - Other expenses (income)” in our consolidated financial statements.
[3] See “Equity swap” in our MD&A.
[4] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[5] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[6] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
[7] Impairment charge is a result of a write-down in intangible assets
[8] This is a non-IFRS measure. See the “NON-IFRS and OTHER FINANCIAL MEASURES” section of this press release for more information on each non-IFRS measure.
[9] This is a non-IFRS ratio. See the “NON-IFRS and OTHER FINANCIAL MEASURES” section of this press release for more information on each non-IFRS ratio.

MD&A and Financial Statements

AGI's consolidated financial statements and MD&A for the three-months ended March 31,2022 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 Wednesday, May 11, 2022, at 8:00am EDT to discuss its results for the three-months ended March 31, 2022. To participate in the conference call, please dial 1-800-319-4610. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-800-319-6413. Please quote passcode 2876# 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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NON-IFRS AND OTHER FINANCIAL MEASURES

This press release makes reference to certain specified financial measures, including non-IFRS financial measures (historical and forward-looking), non-IFRS ratios or supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These specified financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement our financial information reported under IFRS by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use the following (i) non-IFRS financial measures: “adjusted earnings before interest, taxes, depreciation, and amortization" (“Adjusted EBITDA”) (historical and forward-looking) and “Adjusted Profit”; (ii) non-IFRS ratios: “Adjusted EBITDA margin %” and “diluted Adjusted Profit per share”; and (iii) supplementary financial measures: "backlog", "sales by segment" and "sales by geography"; to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures, non-IFRS ratios and supplementary financial measures in order to prepare annual operating budgets and to determine components of management compensation. 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 or ratio.

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

In this press release, we discuss the specified 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 this press release.

The following is a list of non-IFRS financial measures, non-IFRS ratios and supplementary financial measures that are referenced throughout this press release:

"**Adjusted EBITDA**" is defined as profit (loss) before income taxes before finance costs, depreciation and amortization, share of associate's net loss, 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, net loss on the sale of property, plant & equipment, fair value of inventory from acquisition and impairment. Adjusted EBITDA is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit (loss) before income taxes. Management added the fair value of inventory from acquisition to the adjustments in the Adjusted EBITDA calculation for the three-month period ended March 31, 2022 as management believes that the fair value increase in inventory as part of the acquisition fair value adjustments and subsequent expenditure are not reflective of the Company's ongoing operational performance. Management believes Adjusted EBITDA is a useful measure to assess the performance and cash flow of the Company as it excludes the effects of interest, taxes, depreciation, amortization and expenses that management believes are not reflective of the Company's underlying business performance. Management cautions investors that 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 "Profit before income taxes and Adjusted EBITDA" for the reconciliation of Adjusted EBITDA to profit (loss) before income taxes for the current and comparative periods. Adjusted EBITDA guidance is a forward-looking non-IFRS financial measure. We do not provide a reconciliation of such forward-looking measure to the most directly comparable financial measure calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value that may be inherently difficult to determine without unreasonable efforts. Guidance for Adjusted EBITDA excludes the impacts of finance costs, depreciation and amortization, share of associate's net loss, 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, net loss on the sale of property, plant & equipment, fair value of inventory from acquisition and impairment.

"**Adjusted EBITDA margin %**" is defined as Adjusted EBITDA divided by sales. Adjusted EBITDA margin % is a non-IFRS ratio because one of its components, Adjusted EBITDA, is a non-IFRS financial measure. Management believes Adjusted EBITDA margin % is a useful measure to assess the performance and cash flow of the Company.

"Adjusted profit" is defined as profit or loss adjusted for the share of associate's net loss, gain or loss on foreign exchange, gain or loss on financial instruments, M&A expenses, other transaction and transitional costs, net gain or loss on sale of property, plant and equipment, fair value of inventory from acquisition and impairment. Adjusted profit is a non-IFRS financial measures and its most directly comparable financial measure that is disclosed in our consolidated financial statements is profit or loss. Management added the fair value of inventory from acquisition to the adjustments in the Adjusted Profit calculation for the three-month period ended March 31, 2022 as management believes that the fair value increase in inventory as part of the acquisition fair value adjustments and subsequent expenditure are not reflective of the Company's ongoing operational performance.

Management believe adjusted profit is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performances. See "Diluted profit per share and diluted adjusted profit per share" for the reconciliation of adjusted profit to profit for the current and comparative periods.

"Backlogs" are defined as the total value of committed sales orders that have not yet been fulfilled that: (a) have a high certainty of being performed as a result of the existence of a purchase order, an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company or its divisions, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Backlog is a supplementary financial measure.

"Diluted Adjusted Profit Per Share" is defined as Adjusted Profit divided by the total weighted average number of outstanding diluted shares of AGI at the end of the most recently completed quarter for the relevant period. Diluted Adjusted Profit Per Share is a non-IFRS ratio because one of its components, Adjusted Profit, is a non-IFRS financial measure. Management believes Diluted Adjusted Profit Per Share is a useful measure to assess the performance of the Company.

"Sales by Segment and Geography": The sales information in this press release that is presented on a segment or geographic basis are supplementary financial measures and are used to present the Company's sales by segment, product group and geography.

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; our outlook for our financial and operating performance in 2022, including by segment and by geographic region, and including our expectations for our future financial results (including our forecast for full year 2022 Adjusted EBITDA), industry demand and market conditions, growth prospects, and the anticipated ongoing impacts of the COVID-19 pandemic on our business (including potential supply chain disruptions and temporary production suspensions), operations and financial results; our ability to mitigate the impact of inflation; our ability to lessen the seasonality of our business; the sufficiency of our liquidity and capital resources; 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 pandemic 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, including as a result of the conflict between Russia and Ukraine and the response thereto from other countries and institutions (including trade sanctions and financial controls), which could adversely impact economic and trade activity across Europe and perhaps worldwide, 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 to the grain bin incident and insurance coverage for the incident will prove to be incorrect as further information becomes available to the Company; and the risk of litigation in respect of equipment or work previously supplied or completed or in respect of other matters and the risk that AGI incurs material liabilities in connection with such litigation that are not covered by insurance in whole or in part. 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. Further, AGI cannot guarantee that the anticipated revenue from its backlogs will be realized or, if realized, will result in profits or Adjusted EBITDA. Delays, cancellations and scope adjustments occur from time-to-time with respect to contracts reflected in AGI's backlogs, which can adversely affect the revenue and profit that AGI actually receives from its backlogs. 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 grain bin incident 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.

FINANCIAL OUTLOOK

Also included in this press release is an estimate of AGI's 2022 Adjusted EBITDA, which is based on, among other things, the various assumptions disclosed in this news release including under "Forward-Looking Information" and including our assumptions regarding (i) the Adjusted EBITDA contribution that AGI anticipates receiving in 2022 from Eastern Fabricators, which was acquired by AGI on January 4, 2022 (see "2022 ACQUISITION – Eastern Fabricators" in our MD&A for further details regarding the acquisition of

Eastern Fabricators), and (ii) the Adjusted EBITDA contribution that AGI anticipates receiving from revenue growth in 2022 as a result of the 19% YOY increase in AGI's backlogs at March 31, 2022. To the extent such estimate constitutes a financial outlook, it was approved by management on May 10, 2022 and is included to provide readers with an understanding of AGI's anticipated Adjusted EBITDA based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT (LOSS) BEFORE INCOME TAXES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following table reconciles profit (loss) before income taxes to Adjusted EBITDA for the years ended December 31, 2021 and 2020:

	Year Ended December 31	
	2021	2020
[thousands of dollars]	$	$
Profit (loss) before income taxes	**9,383**	**(80,966)**
Finance costs	43,599	46,692
Depreciation and amortization	62,049	55,271
Share of associate's net loss [1]	1,077	4,314
Gain on remeasurement of equity investment [1]	(6,778)	—
Loss on foreign exchange [2]	2,992	1,730
Share-based compensation [3]	8,551	6,428
(Gain) loss on financial instruments [4]	(1,382)	14,502
M&A expense [5]	3,035	1,736
Change in estimate on variable considerations [6]	11,400	—
Other transaction and transitional costs [7]	12,058	14,326
Net loss on disposal of property, plant and equipment	23	187
Gain on settlement of right-of-use assets	(17)	(3)
Gain on disposal of foreign operation	(898)	—
Equipment rework and remediation [8]	26,100	80,000
Impairment charge [9]	5,074	5,111
Adjusted EBITDA [10]	176,266	149,328

[1] See “Share of associate's net loss (gain)” in our management's discussion and analysis and consolidated financial statements for the year ended December 31, 2021 (“2021 Statements”).
[2] See “Note 25 [e] - Other expenses (income)” in our 2021 Statements.
[3] The Company’s share-based compensation expense pertains to our equity incentive award plan and directors’ deferred compensation plan. See “Note 24 – Share-based compensation plans” in our 2021 Statements.
[4] See “Equity swap” in our 2021 Statements.
[5] Transaction costs associated with completed and ongoing mergers and acquisitions activities.
[6] The result of a change in management estimate on variable considerations for a one-time sales concessions related to previous sales contracts.
[7] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.
[8] See “Remediation costs and equipment rework” in our 2021 Statements.
[9] See “Note 12 - Property, plant and equipment” and “Note 15 – Intangible assets” in our 2021 Statements.
[10] This is a non-IFRS measure. See the “NON-IFRS and OTHER FINANCIAL MEASURES” section of this press release for more information on each non-IFRS measure.