



AGI Announces Second Quarter 2020 Results

Winnipeg, MB, August 12, 2020 – Ag Growth International Inc. (TSX: AFN) (“AGI”, the “Company”, “we” or “our”) today announced its financial results for the three and six-months ended June 30, 2020.

[thousands of dollars except per share amounts]	Three-months Ended June 30		Six-months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade sales ^{[1][2]}	261,420	293,012	490,295	509,210
Adjusted EBITDA ^{[1][3]}	44,094	51,355	69,744	81,992
Profit (loss)	14,472	12,516	(34,372)	25,738
Diluted profit (loss) per share	0.76	0.67	(1.84)	1.37
Adjusted profit ^[1]	11,965	20,206	19,246	25,197
Diluted adjusted profit per share ^{[1][4]}	0.63	1.04	1.01	1.34

[1] See “Non-IFRS Measures”.

[2] See “OPERATING RESULTS – Trade Sales” in our Management’s Discussion and Analysis for the period ended June 30, 2020 (“MD&A”).

[3] See “OPERATING RESULTS – EBITDA and Adjusted EBITDA” in our MD&A.

[4] See “Diluted (loss) profit per share and diluted adjusted profit per share”.

Robust demand for AGI Farm products and a solid operational performance across all regions resulted in strong Q2 2020 adjusted EBITDA of \$44.1 million, despite COVID-19 related headwinds. Strength in Farm sales was broad-based across product categories and reflects the resilience of our business in the face of COVID-19, trade uncertainty and sustained lower crop prices. AGI’s gross margin percentage increased compared to Q2 2019, despite numerous COVID-19 related production suspensions, due to strong Farm results, an improved operational performance internationally, particularly in Brazil, and the impact of recent strategic capital expenditures. Our EBITDA margin in Q2 2020 of 16.9% represents an increase of 570 bps over Q1 2020 and is consistent with Q2 2019 (17.5%), despite the aforementioned challenges and a continued investment in AGI’s technology platform. Adjusted EBITDA in Q2 2020, excluding the AGI SureTrack platform, was \$45.9 million or 17.8% of trade sales (Q2 2019 – 17.3%). Adjusted profit and adjusted profit per share decreased compared to Q2 2019, while the impact of non-cash gains on foreign exchange translation and the Company’s equity compensation swap resulted in an increase in profit and profit per share compared to Q2 2019.

“The resilience of our business was demonstrated in the second quarter with strong results in our Farm business and relatively stable performance across AGI despite the significant headwinds created by COVID.”, said Tim Close, President and CEO of AGI. “We have been pushing hard over the last number of years to diversify our business from a geographic and end market basis to decrease regional exposure and align our business more closely with global food supply infrastructure build and maintenance. Our historical, and in particular our performance in 2020, continues to highlight the resilience of our business and the strength of our customer relationships and market positions. The outlook across AGI is positive as we move through the year with stable backlogs and positive

momentum across our business. I would also like to stress the outstanding work by our teams globally in dealing with the stress and uncertainty during the current crisis. Our teams have faced the challenges created by COVID with calm determination to continue to support our customers and maintain safety across our facilities.”

OUTLOOK

COVID-19

Prior to the COVID-19 crisis management expected adjusted EBITDA in Q2 2020 to fall slightly below the record results of Q2 2019, for 2020 sales and adjusted EBITDA to be weighted to the second half and for annual growth over 2019. The COVID-19 impact in Q2 2020, significant but relatively contained, was consistent with the communication included in our Q1 2020 MD&A. The impact on the second half remains subject to the effect of COVID-19 on our manufacturing facilities, markets and customers.

As previously reported, international production suspensions due to COVID-19 in the first half of 2020 lasted between two and four weeks and impacted Q1 and, more significantly, Q2. In the United States, internal safety protocols required AGI to temporarily suspend production on several occasions in Q2, and these plant closures generally lasted three to ten days. To date there have been no production suspensions in Canada. AGI is currently manufacturing at full capacity at all locations.

Below are our comments regarding current market fundamentals and our expectations for the second half of 2020, based on conditions as at the date of this MD&A.

Farm

Crop conditions in both Canada and the United States remain favourable and, based on existing conditions, strong crop yields are expected on both sides of the border. The primary demand driver for AGI Farm equipment remains crop volume, and accordingly end-user demand for our products has not been significantly impacted by COVID-19, which has negatively impacted corn prices due to a decrease in demand for ethanol, nor by continuing trade uncertainties with China. Our sales order backlog for Farm products as at June 30, 2020 is 25% higher than at the same time in 2019, and management anticipates strong Farm sales across all product categories in the second half of 2020.

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, and more recently has been negatively impacted by the emergence of COVID-19 as some customers have delayed decisions with respect to capital deployment. In Canada, the Commercial market was very active over the last several years due to an increased investment in grain infrastructure, however, Commercial activity in Canada has begun to normalize and the Canadian backlog has now decreased compared to the high levels of a year ago. Nonetheless, in part due to higher backlogs of Fertilizer and Food projects, our Commercial sales order backlog in North America as at June 30, 2020 is flat to 2019.

International

AGI entered 2020 with an international sales order backlog weighted towards the second half of the fiscal year. However, international sales in the first six months of 2020 have significantly exceeded those of the prior year, largely due to strong performances in Brazil and India. Market conditions in Brazil are favourable as farmer economics have benefited from a depreciation in the Brazilian Reals, good crops and strong export demand, and results in Brazil in the second half of 2020 are expected to further reflect continued sales market development and improved operational metrics. In India,

operational metrics remain very strong and we anticipate Milltec will leverage its market share and benefit from what is expected to be a large rice harvest later in the year. In many other regions capital decisions related to Commercial projects have slowed due to the uncertainty surrounding COVID-19. Management anticipates these delays will impact sales in Q3 2020 and Q4 2020, however the extent and duration of the crisis will determine the impact on the pace of project pipeline development and the subsequent timing of revenue recognition. On balance, new order intake has remained strong in certain regions, including Brazil and India, and AGI's international backlog as at June 30, 2020 is flat to 2019.

Technology

In 2019, AGI demonstrated the success of its AGI SureTrack subscription model as demand exceeded capacity and this momentum has continued in 2020 as retail equivalent sales increased by 80% compared against the first six months of 2019. Management anticipates the recent release of AGI SureTrack version 2.0 will facilitate continued growth. In addition, AGI added ERP functionality to the platform via the acquisition of Compass in January 2020. AGI SureTrack moved into a new facility in Lenexa, Kansas, in Q2 2020 to increase capacity to match rising demand. 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

Management remains confident in the resilience of AGI's business as we progress through the COVID-19 crisis. The essential nature of farming and the food infrastructure continuum requires continued investment in AGI products, as evidenced by our performance in Q2 2020. AGI's Farm business remains very strong and has been largely unaffected by COVID-19. Diversification across our Feed, Fertilizer and Food platforms has supported our domestic Commercial business in a difficult environment, and as a result our North American Commercial backlogs are consistent with the prior year. Offshore, our regional diversity has allowed our business to perform well despite regional impacts related to COVID-19, and sales order backlogs remain consistent with the prior year. Based on existing conditions, management anticipates adjusted EBITDA in the second half of 2020 will exceed 2019 results.

PROJECT REWORK

In the quarter ended June 30, 2020 the Company added \$6 million to the estimate of total costs related to the previously disclosed equipment rework. The substantial increase in our estimate of the required rework as this project progressed toward completion was based on unforeseen expansion of the required scope of the refurbishment, and substantially higher costs for all associated materials, labour and third-party expenses. Our assessment of the original, and subsequently amended scope, was based on extensive assessment at the time however the issues leading to the rework cascaded throughout more of the project than was expected by our team and consultants. The site will soon move to the commissioning phase and as such management is satisfied that this increased amount is a comprehensive estimate of the entire project.

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

The Company's diluted profit (loss) per share for the three and six-month periods ended June 30, 2020 was profit of \$0.76 and loss of \$(1.84), respectively, versus profit of \$0.67 and \$1.37, respectively in 2019. Profit (loss) per share in 2020 and 2019 has been impacted by the items enumerated in the table below, which reconciles profit (loss) to adjusted profit. Most significantly, fluctuations in the rate of exchange between the Canadian and U.S. dollar and volatility in the Company's share price resulted in significant non-cash gains and losses on foreign exchange and on AGI's equity compensation financial instrument.

[thousands of dollars except per share amounts]	Three-months Ended June 30		Six-months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Profit (loss)	14,472	12,516	(34,372)	25,738
Diluted profit (loss) per share	0.76	0.67	(1.84)	1.37
Loss (gain) on foreign exchange	(6,094)	(3,895)	15,996	(6,419)
Fair value of inventory from acquisition ^[2]	-	1,196	-	1,220
M&A expenses	1,497	927	1,271	3,064
Other transaction and transitional costs ^[3]	2,410	3,502	7,150	6,126
Loss (gain) on financial instruments	(7,497)	5,906	16,767	(4,532)
Loss on sale of PP&E	72	54	129	-
Gain on settlement of leases	(2)	-	(2)	-
Equipment rework ^[4]	6,000	-	10,000	-
Share of associate's net loss	1,107	-	2,307	-
Adjusted profit ^[1]	11,965	20,206	19,246	25,197
Diluted adjusted profit per share ^[1]	0.63	1.04	1.01	1.34

[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 the 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.

MD&A and Financial Statements

AGI's financial statements and management's discussion and analysis (the "MD&A") for the three and six-months ended June 30, 2020 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 August 12, 2020, at 8:00 a.m. EDT to discuss AGI's results for the three and six-months ended June 30, 2020. To participate in the conference call, please dial 1-888-390-0546 or for local access dial 416-764-8688. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-888-390-0541 or for local access dial 416-764-8677. Please quote passcode 280545# 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.

For More Information Contact:
Investor Relations
Steve Sommerfeld
204-489-1855
investor-relations@aggrowth.com

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, fair value of inventory from acquisitions and equipment rework costs. 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 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, cost of equipment rework and share of associate's net loss. See "Diluted (loss) profit 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 including for the second half of 2020, industry demand and market conditions, the anticipated impacts of the coronavirus (COVID-19) outbreak on our business, operations and financial results; the sufficiency of our liquidity; the launch of version 2.0 of our AGI SureTrack platform and the impact thereof; long term fundamentals and growth drivers of our business; future payment of dividends and the amount thereof; and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: the anticipated impacts of the COVID-19 outbreak on our business, operations and financial results; anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including the effects of global outbreaks of pandemics or contagious diseases or the fear of such outbreaks, such as the recent COVID-19 pandemic, including the effects on the Company's operations, personnel, and supply chain, the demand for its products and services, its ability to expand and produce in new geographic markets or the timing of such expansion efforts, and on overall economic conditions and customer confidence and spending levels, changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; changes in trade relations between the countries in which the Company does business including between Canada and the United States; and cyber security risks. 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.