

**AG GROWTH INTERNATIONAL INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Dated: November 14, 2019**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2018, the Management's Discussion and Analysis (the "Annual MD&A") of the Company for the year ended December 31, 2018 and the unaudited interim condensed consolidated comparative financial statements of the Company and accompanying notes for the three and nine month periods ended September 30, 2019.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ["IFRS"]. All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Throughout this MD&A, references are made to "trade sales", "EBITDA", "adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted profit" and "diluted adjusted profit per share". A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Information" in this 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].

**SUMMARY OF RESULTS**

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

[1] See "Non-IFRS Measures".

[2] See "Operating Results – Trade Sales".

[3] See "Operating Results – EBITDA and Adjusted EBITDA".

[4] See "Detailed Operating Results – Diluted profit (loss) per share and diluted adjusted profit per share".

Trade sales in the third quarter of 2019 increased over the prior year due to higher sales of portable grain handling and drying equipment, sales growth in Brazil and a strong performance from AGI's recent acquisition in India. Sales growth in the quarter was tempered by challenging Farm conditions in both Canada and the U.S., as well as by global economic uncertainties and their impact on the timing of customer commitments, most notably in offshore markets. Gross margin percentages in the quarter remained strong and were consistent with 2018 levels, despite the impact of challenging market conditions on some product lines. Adjusted EBITDA as a percentage

of sales decreased 150 bps compared to Q3 2018 due to AGI's continued investment in sales and marketing initiatives, digital tools and its technology platform. The benefit from these investments is expected to gain momentum in future quarters, and to accelerate as our end user markets normalize from the transient items experienced in 2019. Profit and profit per share decreased compared to Q3 2018 due to non-cash losses on foreign exchange and the Company's equity compensation swap, as well as a Q3 2019 charge related to project rework. Adjusted profit and adjusted profit per share were consistent with the prior year (see "diluted profit (loss) per share and diluted adjusted profit per share").

## **BASIS OF PRESENTATION - ACQUISITIONS**

When comparing 2019 results to 2018, we have in some cases noted the impact of acquisitions made in 2019 and 2018. When noted, both the 2019 and 2018 periods exclude results from acquisitions made in those years, namely Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmaré"] [February 22, 2018], Cobalt Investissement and its wholly owned subsidiaries [collectively "Sabe"] [July 26, 2018], Improtech Ltd. ["Improtech"] [January 18, 2019], IntelliFarms, LLC ["IntelliFarms"] [March 5, 2019], and Milltec Machinery Limited ["Milltec"] [March 28, 2019].

In the disclosure that follows, Danmare, Sabe, Improtech and Milltec are categorized as Commercial divisions. IntelliFarms is categorized as a Farm division.

## **OUTLOOK**

### Farm

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

### Commercial

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

In the United States, Commercial Grain handling activity is stable but for the last number of years has been restrained by depressed agricultural markets and international trade disputes. Nevertheless, AGI's sales order backlog in the United States is higher than the prior year due to progress in the Fertilizer and Food categories. In Canada, the Commercial market remains very

active due to continued investment in Grain infrastructure, including in port facilities and inland terminals. However, compared to the prior year, the Canadian Commercial backlog has decreased due to the impact of deliveries made on large Canadian Grain projects in Q3 2019 and because the 2018 comparative included a large Fertilizer project.

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

### Summary

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

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

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

### **IFRS 16, Leases** ["IFRS 16"]

In 2019, the Company adopted IFRS 16 and recorded a right-of-use asset and a lease liability of \$9.1 million as at January 1, 2019. The Company applied IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. In the comparative three- and nine-month periods ended September 30, 2018, adjusted EBITDA included expenses related to operating leases of \$0.9 million and \$2.7 million of which \$0.7 million and \$2.0 million would have related to right-of-use assets under IFRS 16. In the three- and nine-month periods ended

September 30, 2019 under IFRS 16, these payments are not categorized as an operating expense and instead AGI has recorded depreciation expense of \$0.7 million and \$2.2 million related to its right-of-use assets.

## OPERATING RESULTS

**Trade Sales** [see "Non-IFRS Measures" and "Basis of Presentation - Acquisitions"]

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade Sales	261,134	243,120	770,344	719,868
Foreign exchange loss <sup>(1)</sup>	(936)	(954)	(3,173)	(3,881)
<b>Total Sales</b>	<b>260,198</b>	<b>242,166</b>	<b>767,171</b>	<b>715,987</b>

[1] A portion of foreign exchange gains and losses are allocated to sales.

## Trade Sales by Geography

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Canada, excluding acquisitions	77,052	84,181	260,316	251,963
Acquisitions	1,744	926	4,314	2,179
<b>Total Canada</b>	<b>78,796</b>	<b>85,107</b>	<b>264,630</b>	<b>254,142</b>
U.S., excluding acquisitions	110,597	108,293	310,091	302,038
Acquisitions	7,888	1,479	18,893	2,961
<b>Total U.S.</b>	<b>118,485</b>	<b>109,772</b>	<b>328,984</b>	<b>304,999</b>
International, excluding acquisitions	47,369	45,703	139,419	158,163
Acquisitions	16,484	2,538	37,311	2,564
<b>Total International</b>	<b>63,853</b>	<b>48,241</b>	<b>176,730</b>	<b>160,727</b>
Total excluding acquisitions	235,018	238,177	709,826	712,164
Total acquisitions	26,116	4,943	60,518	7,704
<b>Total Trade Sales <sup>(1)</sup></b>	<b>261,134</b>	<b>243,120</b>	<b>770,344</b>	<b>719,868</b>

[1] See "Non-IFRS Measures".

## Trade Sales by Category

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Farm	121,190	117,574	371,937	359,698
Farm – acquisitions	4,218	-	9,676	-
<b>Total Farm</b>	<b>125,408</b>	<b>117,574</b>	<b>381,613</b>	<b>359,698</b>
Commercial	113,828	120,603	337,889	352,466
Commercial – acquisitions	21,898	4,943	50,842	7,704
<b>Total Commercial</b>	<b>135,726</b>	<b>125,546</b>	<b>388,731</b>	<b>360,170</b>
<b>Total Trade Sales <sup>(1)</sup></b>	<b>261,134</b>	<b>243,120</b>	<b>770,344</b>	<b>719,868</b>

[1] See “Non-IFRS Measures”.

The movement in Q3 2019 trade sales compared to the prior year is summarized below:

### Canada

- Trade sales in Canada, excluding acquisitions, decreased 8% over Q3 2018:
  - Farm sales increased in Q3 2019 due to higher sales of portable grain handling and aeration equipment. These gains were partially offset by lower storage sales that were negatively impacted by a challenging growing and harvest season.
  - Commercial sales in the quarter decreased as Q3 2018 included a large fertilizer project and there was no similar project in the current year. Sales related to large commercial grain infrastructure projects remained strong in Q3 2019.
- Sales from acquisitions relate primarily to Danmare and Improtech.

### United States

- Trade sales in the U.S., excluding acquisitions, increased 2% over Q3 2018:
  - Farm sales in Q3 2019 were level with strong 2018 results due to robust demand for drying and aeration equipment. Demand for portable grain handling equipment and grain storage systems remained steady despite market conditions that have had a significant negative impact on other product categories in the agricultural equipment space.
  - Sales of Commercial equipment in Q3 2019 increased due to higher fertilizer project sales compared to 2018. Demand for Commercial grain handling equipment remains steady but subdued, largely due to the impact of trade uncertainties.
- Trade sales from acquisitions in the United States increased as a result of Danmare, Sabe and IntelliFarms.

### International

- International trade sales, excluding acquisitions, increased 4% over Q3 2018:
  - International sales in the third quarter of 2019, net of acquisitions, remained strong and were the highest on record for a Q3.
  - Sales in Brazil continue to gain momentum due to increasing brand and product awareness and improving economic conditions in the country.
  - International sales in 2019 have been negatively impacted by global economic uncertainties, including trade disputes. Consistent with commentary from recent quarters, our sales order backlog is tracking to levels similar to the prior year and

we continue to add to our 2020 order book. The underlying demand for global grain handling infrastructure is intact and AGI's backlog internationally, excluding acquisitions, approximates 2018 levels.

- International sales from acquisitions relate primarily to Milltec and Sabe.

#### Gross Margin [see "Non-IFRS Measures"]

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade sales <sup>(1)</sup>	261,134	243,120	770,344	719,868
Cost of inventories	179,313	166,769	525,389	493,949
<b>Gross margin <sup>(1)</sup></b>	<b>81,821</b>	<b>76,351</b>	<b>244,955</b>	<b>225,919</b>

Gross margin as a % of trade sales	31.3%	31.4%	31.8%	31.4%
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[1] See "Non-IFRS measures".

Gross margin percentages remained consistent with the prior year as a strong operational performance in India and improving results in Brazil were offset by the impact of poor conditions in the U.S. and a less favourable overall sales mix compared to the prior year.

#### EBITDA and Adjusted EBITDA [see "Non-IFRS Measures"]

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

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Profit (loss) before income taxes</b>	<b>(7,605)</b>	<b>26,838</b>	<b>26,891</b>	<b>52,961</b>
Finance costs	11,626	10,883	33,464	28,099
Depreciation and amortization	13,321	8,309	36,266	24,233
Share of associate's net loss	788	-	788	-
<b>EBITDA</b>	<b>18,130</b>	<b>46,030</b>	<b>97,409</b>	<b>105,293</b>
Loss (gain) on foreign exchange	4,006	(2,413)	(2,413)	9,920
Share based compensation	1,388	2,311	4,642	6,985
Loss (gain) on financial instruments <sup>(2)</sup>	7,592	(7,256)	3,060	(8,501)
M&A (recovery) expenses	(18)	582	3,046	1,450
Other transaction expenses <sup>(3)</sup>	301	1,051	6,427	3,474
Gain (loss) on sale of PP&E	124	(71)	124	145
Fair value of inventory from acquisitions <sup>(4)</sup>	522	-	1,742	1,183
Equipment rework <sup>(5)</sup>	7,000	-	7,000	-
Impairment <sup>(6)</sup>	46	-	46	232
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>39,091</b>	<b>40,234</b>	<b>121,083</b>	<b>120,181</b>

- [1] See "Non-IFRS Measures".
- [2] See "Equity Compensation Hedge".
- [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] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.
- [5] 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.
- [6] To record assets held for sale at estimated fair value.

## DETAILED OPERATING RESULTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(thousands of dollars)	\$	\$	\$	\$
<b>Sales</b>				
Trade Sales	261,134	243,120	770,344	719,868
Foreign exchange loss	(936)	(954)	(3,173)	(3,881)
	260,198	242,166	767,171	715,987
<b>Cost of goods sold</b>				
Cost of inventories	186,836	166,769	534,132	493,949
Depreciation /amortization	7,852	5,014	21,139	14,832
	194,688	171,783	555,271	508,781
<b>Selling, general and administrative expenses</b>				
SG&A expenses	45,008	38,990	131,244	115,504
M&A (recovery) expenses	(18)	582	3,046	1,450
Other transaction expenses <sup>(1)</sup>	301	1,051	6,427	3,474
Depreciation /amortization	5,469	3,295	15,127	9,401
	50,760	43,918	155,844	129,829
<b>Other operating expense (income)</b>				
Net (gain) loss on disposal of PP&E	124	(71)	124	145
Net loss (gain) on financial instruments	7,592	(7,256)	3,060	(8,501)
Other	(846)	(514)	(2,573)	(1,454)
	6,870	(7,841)	611	(9,810)
Impairment charge	46	-	46	232
Finance costs	11,626	10,883	33,464	28,099
Finance expense (income)	3,025	(3,415)	(5,744)	5,895
Share of associate's net loss	788	-	788	-
<b>Profit (loss) before income taxes</b>	(7,605)	26,838	26,891	52,961

Income tax expense (recovery)	(4,786)	6,094	3,972	14,482
<b>Profit (loss) for the period</b>	<b>(2,819)</b>	<b>20,744</b>	<b>22,919</b>	<b>38,479</b>
<b>Profit (loss) per share</b>				
Basic	<b>(0.15)</b>	1.26	1.23	2.34
Diluted	<b>(0.15)</b>	1.14	1.21	2.25

[1] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

## Impact of Foreign Exchange

### *Gains and Losses on Foreign Exchange*

The 2019 loss (gain) on foreign exchange in finance expense (income) was a non-cash loss (gain) and related primarily to the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the three- and nine-month periods ended September 30, 2019. As at September 30, 2019, AGI has no outstanding foreign exchange contracts. See also "Financial Instruments – Foreign exchange contracts".

### *Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three- and nine-month periods ended September 30, 2019 was \$1.32 [2018 - \$1.31] and \$1.33 [2018 - \$1.29]. A weaker Canadian dollar relative to the U.S. dollar results in higher reported sales for AGI, as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a weaker Canadian dollar results in higher costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA increases when the Canadian dollar weakens relative to the U.S. dollar.

## **Selling, General and Administrative Expenses ["SG&A"]**

SG&A expenses for the three- and nine-month periods ended September 30, 2019 excluding M&A expenses, other transaction expenses and depreciation/amortization, were \$45.0 million [17.2% of trade sales] and \$131.2 million [17.0% of trade sales], respectively, versus \$39.0 million [16.0% of trade sales] and \$115.5 million [16.0% of trade sales], respectively, in 2018.

Excluding acquisitions, SG&A expenses for the three- and nine-month periods ended September 30, 2019 were \$39.1 million [16.6% of trade sales] and \$117.6 million [16.6% of trade sales], respectively, versus \$38.5 million [16.2% of trade sales] and \$114.9 million [16.1% of trade sales], respectively, in 2018. Variances to the prior year include the following:

- Sales & marketing expenses increased \$1.0 million as AGI continued to invest in market growth initiatives including further investment in branding initiatives and its digital platform.
- Share based compensation expense decreased \$1.0 million due to a change in anticipated achievement levels.
- No other individual variance greater was than \$0.5 million.



## **Finance Costs**

Finance costs for the three- and nine-month periods ended September 30, 2019 were \$11.6 million and \$33.4 million, respectively, versus \$10.9 million and \$28.1 million, respectively, in 2018. In Q3 2018 finance costs included accelerated amortization of deferred finance fees in the amount of \$1.6 million related to the refinancing of AGI's senior credit facility. In 2019, finance costs have increased due to new debt drawn in conjunction with the March 2019 acquisition of Milltec.

## **Finance Expense (income)**

Finance expense (income) for the three- and nine-month periods ended September 30, 2019 were \$3.0 million and \$(5.7 million), respectively, versus \$(3.4 million) and \$ 5.9 million, respectively, in 2018. The expense (income) in both periods relates primarily to non-cash translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the year.

## **Share of associate's net loss**

Share of associate's net loss for the three- and nine-month periods ended September 30, 2019 were \$0.8 million and \$0.8 million, respectively, versus nil and nil, respectively in 2018. The net loss relates to AGI's proportionate share of the net loss of the associate, since the date of AGI's investment.

## **Other Operating Expense (income)**

Other operating expense (income) for the three- and nine-month periods ended September 30, 2019 were \$6.9 million and \$0.6 million, respectively, versus (\$7.8 million) and (\$9.8 million), respectively, in 2018. Other operating income includes non-cash gains and losses on financial instruments, including AGI's equity compensation hedge [see "Equity Compensation Hedge"].

## **Depreciation and amortization**

Depreciation of property, plant and equipment; depreciation of right-of-use assets and amortization of intangible assets are categorized in the income statement in accordance with the function to which the underlying asset is related. The increase in the three-and nine-month periods ended September 30, 2019 primarily relates to the acquisitions of Milltec, Danmare, Sabe, Improtech and IntelliFarms as well as depreciation of right-of-use assets totaling \$0.7 million and \$2.2 million in the three and nine months, respectively, that resulted from the adoption of IFRS 16. Included in amortization in the third quarter of 2019 is an expense of approximately \$1.8 million related to the amortization of the backlog intangible recorded upon the acquisition of Milltec, which was fully amortized in Q3 2019.

## **Income tax expense**

### *Current income tax expense*

For the three- and nine-month periods ended September 30, 2019, the Company recorded current tax expense of \$3.2 million and \$8.1 million, respectively, versus \$5.8 million and \$10.9 million, respectively, in 2018. Current tax expense relates primarily to AGI's Canada, U.S., Italy, France and India subsidiaries.

### *Deferred income tax expense*

For the three- and nine-month periods ended September 30, 2019, the Company recorded a deferred tax recovery of \$8.0 million and \$4.1 million, respectively, versus an expense of \$0.3 million and \$3.6 million, respectively, in 2018. The deferred tax recovery in 2019 relates primarily to changes in corporate tax rates, primarily to a decrease in rates in India, the increase of deferred tax assets plus a decrease in deferred tax liabilities that relate to recognition of temporary differences between the accounting and tax treatment of property, plant and equipment, accruals and long-term provisions.

### *Effective tax rate*

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(thousands of dollars)	\$	\$	\$	\$
Current tax expense	3,225	5,814	8,089	10,912
Deferred tax expense (recovery)	(8,011)	280	(4,117)	3,570
<b>Total tax expense (recovery)</b>	<b>(4,786)</b>	<b>6,094</b>	<b>3,972</b>	<b>14,482</b>
Profit (loss) before income taxes	(7,605)	26,838	26,891	52,961
Total tax %	62.9%	22.7%	14.8%	27.3%

The effective tax rate in 2019 was impacted by items that were included in the calculation of earnings before tax for accounting purposes but were not included or deducted for tax purposes. Significant items are included in the tables under "Diluted profit (loss) per share and diluted adjusted profit per share".

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

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

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

[1] See "Non-IFRS Measures".

[2] Non-cash expenses related to the sale of inventory that acquisition accounting required be recorded at a value higher than manufacturing cost.

[3] Includes restructuring and other acquisition related transition costs, as well as the accretion and other movement in contingent consideration and amounts due to vendors.

[4] To record assets held for sale at estimated fair value.

[5] To record pre-tax charge for the estimated cost of rework for equipment supplied to two distinct projects. The charge relates to additional time, material and services.

## QUARTERLY FINANCIAL INFORMATION

[thousands of dollars other than per share amounts and exchange rate]:

	2019				
	Average USD/CAD Exchange Rate	Sales		Basic Profit (loss) per Share \$	Diluted Profit (loss) per Share \$
		\$	\$		
Q1	1.33	215,035	13,222	0.71	0.70
Q2	1.34	291,938	12,516	0.68	0.67
Q3	1.32	260,198	(2,819)	(0.15)	(0.15)
<b>YTD</b>	<b>1.33</b>	<b>767,171</b>	<b>22,919</b>	<b>1.23</b>	<b>1.21</b>

2018					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q1	1.26	213,666	4,943	0.30	0.30
Q2	1.29	260,155	12,792	0.78	0.75
Q3	1.31	242,166	20,744	1.26	1.14
Q4	1.31	215,677	(11,861)	(0.66)	(0.66)
<b>YTD</b>	<b>1.29</b>	<b>931,664</b>	<b>26,618</b>	<b>1.58</b>	<b>1.56</b>

2017					
	Average USD/CAD Exchange Rate	Sales \$	Profit (Loss) \$	Basic Profit (Loss) per Share \$	Diluted Profit (Loss) per Share \$
Q4 <sup>[1]</sup>	1.27	167,182	(1,800)	(0.11)	(0.11)
<b>YTD<sup>[1]</sup></b>	<b>1.31</b>	<b>749,397</b>	<b>33,664</b>	<b>2.11</b>	<b>2.08</b>

[1] The company adopted IFRS 15 in 2018 without retrospective application and as a result reversed sales and adjusted EBITDA of \$5.3 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, where applicable, these amounts have been adjusted for in the 2017 figures in the above table and elsewhere in the MD&A

The following factors impact the comparison between periods in the table above:

- AGI's acquisitions of Danmare [Q1 2018], Sabe [Q3 2018], Improtech [Q1 2019], IntelliFarms [Q1 2019] and Milltec [Q1 2019] significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- Sales, gain (loss) on foreign exchange, profit (loss), and profit (loss) per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial grain and fertilizer projects and higher in-season demand at the farm level. The seasonality of AGI's business may be impacted by several factors including weather and the timing and quality of harvest in North America. AGI's continued expansion into the seed, fertilizer, feed and food verticals should lessen the seasonality related to annual grain volumes and harvest conditions.

## LIQUIDITY AND CAPITAL RESOURCES

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and cash flow has been lower in the first half of each calendar year. Internally generated funds are supplemented when necessary from external sources, primarily the Credit Facility [as defined below], to fund the Company's working capital requirements, capital expenditures, acquisitions and dividends. The Company believes that the debt facilities and debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditure, dividend and debt service requirements.

## CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Profit (loss) before tax	(7,605)	26,838	26,891	52,961
Items not involving current cash flows	25,706	373	41,179	37,271
Cash provided by operations	18,101	27,211	68,070	90,232
Net change in non- cash working capital	27,147	(12,688)	(40,405)	(52,595)
Non-current accounts receivable and other	42	(1,345)	(187)	(883)
Long-term payables	-	-	-	(135)
Settlement of EIAP obligation	(296)	57	(2,461)	(1,953)
Income tax paid	(5,114)	(2,096)	(8,084)	(6,219)
Cash flows provided by operating activities	39,880	11,139	16,933	28,447
Cash used in investing activities	(47,681)	(29,793)	(197,738)	(70,506)
Cash provided by financing activities	14,664	43,433	168,143	21,330
Net increase (decrease) in cash during the period	6,863	24,779	(12,662)	(20,729)
Cash, beginning of period	14,085	18,473	33,610	63,981
<b>Cash, end of period</b>	<b>20,948</b>	<b>43,252</b>	<b>20,948</b>	<b>43,252</b>

Cash provided by operating activities in the third quarter of 2019 increased significantly over 2018 due to an increase in cash generated from non-cash working capital, primarily from a reduction in inventory and higher cash deposits from customers. Cash used in investing activities relates to the acquisitions of Improtech, IntelliFarms and Milltec. Cash provided by financing activities relates primarily to draws on the Company's revolver facility to fund acquisitions and for general purposes, as well as the issuance of debentures in Q1 2019, less dividends paid.

### Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable in North America are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels in North America increasing throughout the year and peaking in the third quarter. Inventory levels in North America typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. The recent expansion of AGI's fertilizer business has had the effect of increasing working capital requirements in Q4 and Q1, and Milltec's seasonality is opposite of that described above. In addition, AGI's growing business in Brazil is less seasonal due to the existence of two growing seasons in the country and the increasing importance of Commercial business in the region. Growth in overall international business has resulted in an increase in the number of days accounts receivable remain outstanding and may result in increased

usage of working capital in certain quarters. Overall, requirements for AGI in 2019 are expected to be generally consistent with historical patterns.

### Capital Expenditures

Maintenance capital expenditures in the three- and nine-month periods ended September 30, 2019 were \$4.1 million [1.6% of trade sales] and \$10.5 million [1.4% of trade sales], respectively, versus \$2.2 million [0.9% of trade sales] and \$7.7 million [1.1% of trade sales], respectively, in 2018. Maintenance capital expenditures in 2019 relate primarily to purchases of manufacturing equipment and building repairs.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures in the three- and nine-month periods ended September 30, 2019 of \$11.6 million and \$26.4 million, respectively, versus \$6.8 million and \$17.5 million, respectively, in 2018. In 2019, non-maintenance capital expenditures relate primarily to the purchase of manufacturing equipment and facility expansions.

Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Non-maintenance capital expenditures are expected to approximate \$33 million in fiscal 2019. Maintenance and non-maintenance capital expenditures in 2019 are anticipated to be financed through bank indebtedness, cash on hand or through the Company's Credit Facility [see "Capital Resources"].

### CONTRACTUAL OBLIGATIONS

The following table shows, as at September 30, 2019 the Company's contractual obligations for the periods indicated:

[thousands of dollars]	<b>Total</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024+</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
2015 Debentures	75,000	-	75,000	-	-	-	-
2017 Debentures	86,225	-	-	-	86,225	-	-
2018 Debentures	86,250	-	-	-	86,250	-	-
2019 Debentures	86,250	-	-	-	-	-	86,250
Long-term debt	438,006	31,635	381	350	216	347,207	58,217
Lease liability	10,757	834	2,777	2,095	1,658	1,034	2,359
Short term and low value leases	913	50	182	157	153	149	222
Due to vendor	12,777	4,048	4,329	2,908	1,492	-	-
Contingent consideration	5,959	-	-	-	5,959	-	-
Preferred shares liability	31,138	-	-	18,683	12,455	-	-
Purchase obligations <sup>[1]</sup>	8,126	8,126	-	-	-	-	-
<b>Total obligations</b>	<b>841,401</b>	<b>44,693</b>	<b>82,669</b>	<b>24,193</b>	<b>194,408</b>	<b>348,390</b>	<b>147,048</b>

[1] Net of deposit.

The Debentures relate to the aggregate principal amount of the debentures [see “Capital Resources - Debentures”] and long-term debt is comprised of the Credit Facility and non-amortizing notes [see “Capital Resources – Debt Facilities”].

## CAPITAL RESOURCES

### Assets and Liabilities

	September 30	September 30
	2019	2018
	\$	\$
[thousands of dollars]		
Total assets	1,466,504	1,230,486
Total liabilities	1,070,621	913,832

### Cash

The Company’s cash balance at September 30, 2019 was \$20.9 million [2018 - \$43.3 million].

### Debt Facilities

[thousands of dollars]	Currency	Maturity	Total Facility	Amount	Effective
			[CAD] <sup>[1][2]</sup>	Drawn <sup>[1]</sup>	Interest Rate
			\$	\$	
Canadian Swing Line	CAD	2023	40,000	31,522	4.87%
Canadian Revolver Tranche A <sup>[4]</sup>	CAD	2023	135,000	96,859	4.87%
Canadian Revolver Tranche B	USD	2023	52,972	50,000	4.89%
U.S. Revolver <sup>[3][5]</sup>	USD	2023	231,753	200,234	5.63%
Series B Notes <sup>[6]</sup>	CAD	2025	25,000	25,000	4.44%
Series C Notes <sup>[6]</sup>	USD	2026	33,108	33,108	3.70%
Equipment Financing <sup>[6]</sup>	various	2025	1,226	1,226	Various
<b>Total</b>			<b>519,059</b>	<b>437,949</b>	

(1) USD denominated amounts translated to CAD at the rate of exchange in effect on September 30, 2019 of \$1.3243.

(2) Excludes the \$200 million accordion available under AGI’s credit facility.

(3) Inclusive of USD \$20 million swing-line facility.

(4) Interest rate fixed for \$40 Million via interest rate swaps. See “Interest Rate Swaps”.

(5) Interest rate fixed for USD \$38 Million via interest rate swaps. See “Interest Rate Swaps”.

(6) Fixed interest rate.

The Company has a credit facility [the “Credit Facility”] with a syndicate of Canadian chartered and other banks that includes committed revolver facilities of \$446 million from which CAD or USD can be drawn. Amounts drawn under the Credit Facility bear interest at BA or LIBOR plus 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations.

The Company has issued USD \$25.0 million and CAD \$25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement [the “Series B and Series C Notes”]. The Series B and C Notes are non-amortizing.

AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

## Debentures

### Convertible Debentures

The following table summarizes the key terms of the convertible unsecured subordinated debentures of the Company that were outstanding as at September 30, 2019:

<b>Year Issued / TSX Symbol</b>	<b>Aggregate Principal Amount \$</b>	<b>Coupon</b>	<b>Conversion Price \$</b>	<b>Maturity Date</b>	<b>Redeemable at Par <sup>(1)(2)</sup></b>
2015 [AFN.DB.C]	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 [AFN.DB.D]	86,225,000	4.85%	83.45	Jun 30, 2022	Jun 30, 2021
2018 [AFN.DB.E]	86,250,000	4.50%	88.15	Dec 31, 2022	Jan 1, 2022

[1] At the option of the Company, at par plus accrued and unpaid interest.

[2] In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of convertible debentures at par plus accrued and unpaid interest, such convertible debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ("Common Shares") of the Company during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the Debentures by delivering sufficient common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company redeemed its 2014 Debentures on April 2, 2019. Upon redemption, AGI paid to the holders of the 2014 Debentures \$52,435,000 equal to the outstanding principal amount of the 2014 Debentures redeemed including all accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. Consequently, the Company expensed the remaining unamortized balance of \$425,000 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income.

### Debentures

On March 19, 2019, the Company closed the offering of \$75 million aggregate principal amount of senior subordinated unsecured debentures (the "5.4% Debentures") and on March 26, 2019, closed the over-allotment option of \$11.25 million. The following table summarizes the key terms of the 5.4% Debentures that were outstanding as at September 30, 2019:

<b>Year Issued / TSX Symbol</b>	<b>Aggregate Principal Amount \$</b>	<b>Coupon</b>	<b>Maturity Date</b>
2019 [AFN.DB.F]	86,250,000	5.40%	June 30 2024



On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.4% Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 5.4% Debentures by delivering sufficient common shares. The number of shares issued would be determined based on market prices at the time of issuance.

## **SUBSEQUENT EVENT**

On October 30, 2019, the Company announced an offering of \$75 million aggregate principal amount of senior subordinated unsecured debentures (the "5.25% Debentures") at a price of \$1,000 per Debenture (the "Offering"). AGI has also granted to the Underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional \$11.25 million principal amount of 5.25% Debentures at the same price. If the over-allotment option is fully exercised, the total gross proceeds from the Offering to AGI will be \$86.25 million. Closing of the Offering is expected to occur on or about November 19, 2019. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange.

The 5.25% Debentures will bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The 5.25% Debentures will have a maturity date of December 31, 2024.

The 5.25% Debentures will not be redeemable by the Company before December 31, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture (the "Indenture") governing the 5.25% Debentures. On and after December 31, 2022 and prior to December 31, 2023, the 5.25% Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On or after December 31, 2023, the 5.25% Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest.

The Company will have the option to satisfy its obligation to repay the principal amount of the 5.25% Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable common shares in accordance with the terms of the Indenture.

The 5.25% Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

AGI intends to redeem in full the Company's 5.00% convertible unsecured debentures due December 31, 2020 (the "2015 Debentures") in accordance with the terms of the indenture governing the 2015 Debentures. The net proceeds of the Offering will initially be used to repay a portion of the Company's revolving bank debt which will then be redrawn to fund the redemption of the outstanding 2015 Debentures.

## COMMON SHARES

The following number of Common Shares were issued and outstanding at the dates indicated:

	<b># Common Shares</b>
December 31, 2018	18,363,780
Settlement of EIAP obligation	291,421
Conversion of convertible unsecured subordinated debentures	299
<b>September 30, 2019</b>	<b>18,655,500</b>
Settlement of EIAP obligation	-
<b>November 14, 2019</b>	<b>18,655,500</b>

At November 14, 2019:

- 18,655,500 Common Shares are outstanding;
- 1,865,500 Common Shares are available for issuance under the Company's Equity Award Incentive Plan [the "EIAP"], of which 1,129,318 have been granted and 736,182 remain unallocated;
- 85,136 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued; and
- 3,261,698 Common Shares are issuable on conversion of the outstanding convertible debentures, of which there are an aggregate principal amount of \$248 million outstanding.

AGI's Common Shares trade on the TSX under the symbol AFN.

## DIVIDENDS

AGI declared dividends to shareholders in the three- and nine-month period ended September 30, 2019 of \$11.2 million and \$33.5 million, respectively, versus \$9.9 million and \$29.6 million, respectively, in 2018. AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines. In the three-month period ended September 30, 2019, dividends paid to shareholders of \$11.2 million [2018 – \$9.9 million] were financed from cash on hand and nil [2018 – nil] by the DRIP. AGI suspended its DRIP in Q2 2018.

## FUNDS FROM OPERATIONS AND PAYOUT RATIO [see "Non-IFRS Measures"]

Funds from operations ["FFO"], defined under "Non-IFRS Measures", is adjusted EBITDA less cash taxes, cash interest expense, realized losses on foreign exchange and maintenance capital expenditures. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility [See "Capital Resources"]. Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

(thousands of dollars)	Nine Months Ended		Last Twelve Months Ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Adjusted EBITDA <sup>(1)</sup>	121,083	120,181	149,097	141,428
IFRS 15 adjustment <sup>(1)</sup>	-	-	-	(1,532)
Interest expense	(33,464)	(28,099)	(42,432)	(39,071)
Non-cash interest	4,417	5,042	5,581	8,374
Cash taxes	(8,084)	(6,219)	(11,840)	(7,438)
Maintenance CAPEX	(10,475)	(7,768)	(13,998)	(10,365)
<b>Funds from operations</b> <sup>(2)</sup>	<b>73,477</b>	<b>83,137</b>	<b>86,408</b>	<b>91,396</b>
Dividends	33,510	29,633	44,527	39,323
<b>Payout Ratio</b>	<b>46%</b>	<b>36%</b>	<b>52%</b>	<b>43%</b>

[1] The Company adopted IFRS 15 in 2018 without retrospective application and as a result reversed sales and adjusted EBITDA of \$5.3 million and \$1.5 million, respectively, that under IAS 18 had previously been recognized in 2017. For purposes of comparability, these amounts have been adjusted for in the last twelve months ended September 30, 2018 figures in the above table.

[2] See "Non-IFRS Measures".

The increase in payout ratio is partially related to the acquisition of Milltec. Milltec's sales and adjusted EBITDA reflect agricultural seasonality in India, and historically approximately 70% of their sales have occurred in the first and fourth calendar quarters. Milltec was acquired on March 29, 2019 and accordingly the nine month and LTM periods in the table above include only Milltec's seasonally low two quarters. In addition, AGI added 1.9 million common shares in Q4 2018, the proceeds of which contributed to funding the acquisition of Milltec on March 28, 2019.

## FINANCIAL INSTRUMENTS

### Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter into foreign exchange contracts to partially mitigate its foreign exchange risk. AGI has no foreign exchange contracts outstanding as at September 30, 2019.

### Interest Rate Swaps

The Company has entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates.

	Currency	Maturity	Amount of Swap [000's] \$	Fixed Rate <sup>[1]</sup>
Canadian dollar contracts	CAD	2022	40,000	3.8%
U.S. dollar contracts	USD	2020	38,000	3.7%

[1] With performance adjustments.

The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these

contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.1%. The notional amounts are \$90.3 million in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three- and nine-month periods ended September 30, 2019, a loss of \$0.1 million and \$1.6 million [2018 – gain of \$1.1 million and \$1.9 million] was recorded in gain (loss) on financial instruments.

### **Equity Compensation hedge**

The Company is party to an equity swap agreement with a financial institution to manage the Company's cash flow exposure due to fluctuations in its share price related to the EIAP. As at September 30, 2019, the equity swap agreement covered 722,000 Common Shares at a weighted average price of \$38.76 and the maturity date of the agreement is April 6, 2021.

As at September 30, 2019, the unrealized gain on the equity swap was \$4.2 million, and in the three- and nine-month periods ended September 30, 2019, the Company recorded a loss in the unaudited interim condensed consolidated statements of income of \$7.6 million and \$1.7 million [2018 – gain of \$4.5 million and \$5.7 million].

## **2018 ACQUISITIONS**

### **Danmare**

In February 2018, AGI acquired 100% of the shares of Danmare. Danmare provides engineering solutions and project management services to the food industry, with a specialization in automated systems for pet food, rice and pasta, confectionery, ready-to-eat foods, sauces and meat processing. Sales and adjusted EBITDA for Danmare in its fiscal year-ended August 2017 were \$6.4 million and \$1.7 million, respectively.

### **Sabe**

In July 2018, AGI acquired 100% of the outstanding shares of Sabe. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base. Sales and adjusted EBITDA for Sabe in its fiscal year-ended May 2018 were €16.4 million and €2.2 million, respectively.

## **2019 ACQUISITIONS**

### **Improtech**

In January 2019, AGI acquired 100% of the outstanding shares of Improtech. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

## **IntelliFarms**

In March 2019, AGI acquired IntelliFarms, a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri. Sales at IntelliFarms for the year ended December 31, 2018 were approximately \$11.0 million USD.

## **Milltec**

In March 2019, AGI acquired 100% of the outstanding shares of Milltec. The purchase price for Milltec was \$113.1 million, plus the potential for up to an additional \$30.8 million based on the achievement of EBITDA targets. Milltec is headquartered in Bangalore, India, and is a market leading manufacturer of rice milling and processing equipment in India. For the twelve months ended January 31, 2019, Milltec's sales and EBITDA were \$56.2 million and \$10.1 million, respectively.

## **RELATED PARTIES**

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and nine-month period ended September 30, 2019, the total (recovery) cost of these legal services related to general matters was nil and \$244 [2018 – \$50 and \$582], and \$275 is included in accounts payable and accrued liabilities as at September 30, 2019.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. During the three- and nine-month period ended September 30, 2019, the total cost of these consulting services related to AGI's international plant expansion project was \$1 and \$1 [2018 – nil and \$80], and nil is included in accounts payable and accrued liabilities as at September 30, 2019.

These transactions are measured at the exchange amount and were incurred during the normal course of business.

## **CRITICAL ACCOUNTING ESTIMATES**

Described in the notes to the Company's 2018 audited annual consolidated financial statements are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 to the audited consolidated financial statements for the year ended December 31, 2018 for a discussion of the significant accounting judgments, estimates and assumptions.

## **RISKS AND UNCERTAINTIES**

The Company and its business are subject to numerous risks and uncertainties which are described in this MD&A and the Company's most recent Annual Information Form, which are available under the Company's profile on SEDAR [www.sedar.com]. These risks and uncertainties are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

## **CHANGES IN ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES**

### **New accounting policies**

*IAS 28, Investments in associates and joint ventures [“IAS 28”]*

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

AGI's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The unaudited interim condensed consolidated statements of income (loss) reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income [“OCI”] of those investees is presented as part of AGI's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the unaudited interim condensed consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between AGI and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the unaudited interim condensed consolidated statements of income (loss) and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of AGI.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within “Share of associate's net income (loss)” in the unaudited interim condensed consolidated statements of income (loss).

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

## **Adoption of new accounting standards**

### *IFRS 16, Leases [“IFRS 16”]*

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

*Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for leases.*

At inception of a contract, AGI assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate

cannot be readily determined, the Company's incremental borrowing rate. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the Standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rates, the amount expected to be payable under a residual value guarantee, or the Company's assessment of whether it will exercise a purchase, extension or termination option. Upon remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not recognize right-of-uses assets and lease liabilities for short-term leases (12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adoption of IFRS 16, the Company recorded a right-of-use asset and a lease liability of \$9,071 as at January 1, 2019 on the consolidated statements of financial position.

#### *IAS 19, Employee Benefits ["IAS 19"]*

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments or settlements of the Company; as at September 30, 2019, there were no such amendments.



### *IFRIC 23 – Uncertainty Over Income Tax Treatments*

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

### **Standards issued but not yet effective**

#### **Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]**

The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including AGI's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of AGI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Subsequent to September 30, 2018, AGI acquired Improtech, IntelliFarms and Milltec. See "Basis of Presentation - Acquisitions". Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these acquired businesses. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal

controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of Improtech, IntelliFarms and Milltec. The following is the summary financial information pertaining to Improtech, IntelliFarms and Milltec that was included in AGI's consolidated financial statements for the nine-month period ended September 30, 2019:

[thousands of dollars]	<b>Improtech/IntelliFarms/Milltec</b> <b>\$</b>
Revenue <sup>[1]</sup>	34,452
Profit (loss) <sup>[1]</sup>	(10,298)
Current assets <sup>[1][2]</sup>	35,721
Non-current assets <sup>[1][2]</sup>	149,401
Current liabilities <sup>[1][2]</sup>	20,320
Non-current liabilities <sup>[1][2]</sup>	35,433

[1] Net of intercompany

[2] Statement of financial position as at September 30, 2019

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **NON-IFRS MEASURES**

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with 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 MD&A, 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 this 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 and 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" 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" 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" 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" 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" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit.

In addition, the financial information in this MD&A relating to Milltec's sales and EBITDA for periods prior to its acquisition by AGI was derived from Milltec's financial statements, which are prepared in accordance with generally accepted accounting principles in India, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

## **FORWARD-LOOKING INFORMATION**

This MD&A 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 MD&A 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 MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for our future financial results including sales, EBITDA and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom including from purchasing and personnel synergies and margin improvement initiatives. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product and input pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, as well as sociopolitical conditions in certain local or regional markets, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Company's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition, AGI's failure to achieve the expected benefits of recent acquisitions including to realize anticipated synergies and margin improvements; and changes in trade relations between the countries in which the Company does business including between Canada and the United States. These risks and uncertainties are described under "Risks and Uncertainties" in this 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 MD&A is made as of the date of this MD&A 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.

#### **ADDITIONAL INFORMATION**

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available under the Company's profile on SEDAR [[www.sedar.com](http://www.sedar.com)].