

## AgJunction Reports First Quarter 2019 Earnings Results

**SCOTTSDALE, AZ, May 8, 2019** – AgJunction Inc. (TSX: AJX) ("AgJunction" or the "Company"), the Autosteering Company™, is reporting financial results for the first quarter ended March 31, 2019. All currency amounts are expressed in U.S. dollars.

### First Quarter 2019 Financial Summary vs. First Quarter 2018

- Revenue was \$14.0 million versus \$15.8 million
- Gross margin at 41.1% compares to 43.0%
- Operating expenses were down 27% to \$5.7 million from \$7.8 million
- Net income improved to \$0.1 million or nil/share, vs. a net loss of \$1.0 million or \$(0.01)/share
- EBITDA increased to \$0.6 million vs. \$(0.5) million

### Management Commentary

"During the first quarter of 2019, the agriculture market continued to face uncertainties related to higher tariffs and lower grain prices, while also still feeling the effects of the devastating weather that impacted millions of acres of crops earlier this year," said Dave Vaughn, president and CEO of AgJunction. "While farmers continue to experience headwinds beyond their control, we remain committed to providing affordable autosteering solutions that reduce input costs while increasing crop yields, which can bolster a farmer's profitability, particularly during challenging times like these."

"We are pleased that our efforts to align our cost base with our reduced revenues in order to produce long-term profitability are showing progress," Vaughn continued. "This continued with our April announcement of the future closing of our facilities in Fremont and Brisbane. With the previous divestiture of non-core businesses and our tight focus on our Hands-Free Farm initiative, the consolidation of our operations under one roof not only reduces our cost structure but improves internal communication and collaboration."

"Looking forward, we remain committed to working closely with our OEM and VAR partners in providing innovative autosteering technologies to complement the precision farming solutions they sell to customers around the world," Vaughn said. "We also will continue to aggressively market the Wheelman lineup of autosteering solutions to farmers in the United States, especially those with less than 1,000 acres that can benefit from our solutions the most."

"As farmers continue to recover from the devastating weather and market uncertainties," Vaughn concluded, "we believe they will look to our products and our partners' solutions to help them plant, grow and harvest with greater efficiency, adopting new technologies that they previously would not have considered and which we are delivering in a much simpler and lower cost package than has been available in the past."

### First Quarter 2019 Financial Results

Total revenue in the first quarter of 2019 was \$14.0 million compared to \$15.8 million in the first quarter of 2018. The decline was primarily driven by the sale of the Outback and Satloc businesses in September 2018 and November 2018, respectively, partially offset by an increase in sales related to the bulk purchase order.

Gross profit in the first quarter of 2019 was \$5.8 million compared to \$6.8 million in the first quarter of 2018. Gross margin was 41.1% compared to 43.0% in the first quarter of 2018. The margin decline was primarily related to a previously identified performance issue of a single model of high-volume product which is produced under an OEM supply agreement. The issue has now been resolved and shipments of the product have begun again in Q2 2019.

Total operating expenses in the first quarter of 2019 declined to \$5.7 million compared to \$7.8 million in the first quarter of 2018, primarily driven by a decrease in employee compensation costs and assisted by an accounting change which requires deferral of development costs. As a percentage of revenue, operating expenses declined to 40.8% compared to 49.6% in the first quarter of 2018.

Net income in the first quarter of 2019 increased to \$0.1 million or nil per share, compared to a net loss of \$1.0 million or \$(0.01) per share in the first quarter of 2018. The improvement was driven by the aforementioned decrease in total operating expenses.

EBITDA in the first quarter of 2019 increased to \$0.6 million compared to \$(0.5) million in the first quarter of 2018.

Cash and cash equivalents at the end of the first quarter of 2019 totaled \$20.1 million compared to \$21.4 million at the end of 2018. Working capital was \$26.2 million compared to \$26.7 million at the end of 2018. The Company continues to operate debt free and has access to an unutilized \$3.0 million line of credit.

### **Conference Call**

AgJunction will hold a conference call tomorrow at 11:00 a.m. Eastern time to discuss its first quarter 2019 results, followed by a question-and-answer session.

Date: Thursday, May 9, 2019

Time: 11:00 a.m. Eastern time (8:00 a.m. Pacific time)

Toll-free dial-in number: 1-888-231-8191

International dial-in number: 1-647-427-7450

Conference ID: 3385756

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

The conference call will be broadcast live and available for replay via the investor center section of the Company's website at <http://www.corp.agjunction.com/>.

A replay of the conference call will be available after 2:00 p.m. Eastern time on the same day through May 23, 2019.

Toll-free replay number: 1-855-859-2056

International replay number: 1-416-849-0833

Replay ID: 3385756

## **About AgJunction**

AgJunction Inc., the Autosteering Company™ is a global leader of advanced guidance and autosteering solutions for precision agriculture applications. Its technologies are critical components in over 30 of the world's leading precision Ag manufacturers and solution providers and it holds approximately 200 patents and patents pending in the US, Canada, Europe, South America and Australia. AgJunction markets its solutions under leading brand names including Novariant®, Wheelman™, and Whirl™ and is committed to advancing its vision by bringing affordable hands-free farming to every farm, regardless of terrain or size. AgJunction has locations in California, Arizona, and Australia, and is listed on the Toronto Stock Exchange (TSX) under the symbol "AJX." For more information, please go to [AgJunction.com](http://AgJunction.com).

## **Non-IFRS Measures**

This press release uses EBITDA, which is a financial measure that does not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). EBITDA is defined as net income before interest, income tax, depreciation and amortization. The Company believes that this non-IFRS measure provides useful information to both management and investors in measuring financial performance. As this measure, does not have a standard meaning prescribed by IFRS, it may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. This non-IFRS measure is provided as additional information to complement IFRS measures by providing further understanding of operations from management's perspective. Accordingly, non-IFRS measures should never be considered in isolation nor as a substitute to using net income as a measure of profitability or as an alternative to the IFRS consolidated statements of income or other IFRS statements. See "Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) Reconciliation" herein for additional information.

## **Forward-Looking Statements**

This press release contains forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws and is based on the expectations, estimates and projections of management of AgJunction as of the date of this news release, unless otherwise stated. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to its current and future operations. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, performance or achievement since such expectations are inherently subject to significant business, economic, competitive and political uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company. In particular, forward-looking statements in this press release include, but are not limited to statements with respect to: the Company's strategy, plans, objective and focus; benefits to be derived from shedding legacy locations; expectations with respect to marketing AgJunction's products; and expectations of the agricultural market and how it can benefit from AgJunction's products. Investors are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Accordingly, readers should not place undue reliance on such forward-looking information contained in this press release.

In respect of the forward-looking information, AgJunction has provided such information in reliance on certain assumptions that it believes are reasonable at this time, including, but not limited to, the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labor and services; that AgJunction's future results of operations will be consistent with management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing and future assets and/or projects; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; that there are no unforeseen events preventing the performance of contracts; availability of key supplies, components, services, networks and developments; the impact of increasing competition; conditions in general economic, agricultural and financial markets; demand for the Company's products; and the continuity of existing business relationships.

Since forward-looking information addresses future events and conditions, such information by its very nature involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to the risks associated with the industries in which AgJunction operates; ability to access sufficient capital from internal and external sources; changes in legislation; departure of key personnel or consultants; competition; inability to introduce new technology and new products in a timely manner; legal claims for the infringement of intellectual property and other claims; fluctuation in foreign exchange or interest rates; uncertainties in the global economy; negative conditions in general economic, agricultural and financial markets; availability of key supplies and components; product liability; reduced demand for the Company's products; and changes in the Global Navigation Satellite System and other systems outside of our control. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the Company's operations or financial results, are included in reports of AgJunction on file with applicable securities regulatory authorities, including but not limited to, AgJunction's Annual Information Form which may be accessed on its SEDAR profile at [www.sedar.com](http://www.sedar.com).

The forward-looking information contained in this press release is made as of the date hereof and AgJunction undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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# AgJunction Inc.

Consolidated Statements of Financial Position  
(Expressed in U.S. dollars)

	March 31, 2019	December 31, 2018
(\$000s)	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,062	\$ 21,398
Accounts receivable, net	8,415	8,508
Current portion of notes receivable, net	320	320
Inventories	4,997	5,743
Contract assets, net	58	58
Prepaid expenses and deposits	1,424	1,286
	<u>35,276</u>	<u>37,313</u>
Contract assets, net	185	185
Notes receivable, less current portion, net	1,017	1,083
Property, plant and equipment, net	1,472	1,434
Right-of-use assets	1,650	-
Intangible assets, net	9,788	9,689
Goodwill	143	143
	<u>\$ 49,531</u>	<u>\$ 49,847</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,962	\$ 8,500
Provisions	1,234	999
Contract liabilities, net	257	84
Current portion of lease liability	588	-
Current portion of deferred revenue	1,072	1,048
	<u>9,113</u>	<u>10,631</u>
Contract liabilities, net	96	96
Deferred revenue, less current portion	4,054	4,177
Lease liability, net of current portion	1,070	-
Total liabilities	<u>14,333</u>	<u>14,904</u>
Shareholders' equity:		
Share capital	148,475	148,475
Equity reserve	5,032	4,892
Accumulated deficit	(118,309)	(118,424)
	<u>35,198</u>	<u>34,943</u>
	<u>\$ 49,531</u>	<u>\$ 49,847</u>

# AgJunction Inc.

Consolidated Statements of Profit or Loss  
Three months ended March 31, 2019 and 2018  
(Expressed in U.S. dollars)

(\$000s)	Three months ended	
	March 31,	
	2019	2018
Sales	\$ 14,013	\$ 15,774
Cost of sales	8,250	8,993
Gross profit	5,763	6,781
Expenses:		
Research and development	1,752	2,979
Sales and marketing	1,357	2,165
General and administrative	2,608	2,679
	5,716	7,823
Operating Income (loss)	47	(1,042)
Foreign exchange gain, net	(18)	(49)
Interest and other income	(60)	(5)
Gain (loss) on sale of property, plant and equipment	8	(4)
	(70)	(58)
Net Income (loss) before income tax	116	(984)
Income tax benefit	(1)	-
Net Income (loss)	\$ 115	\$ (984)
Earnings per share:		
Basic and diluted (loss) per share	\$ -	\$ (0.01)

# AgJunction Inc.

Consolidated Statements of Cash Flows  
Three Months ended March 31, 2019 and 2018  
(Expressed in U.S. dollars)

(\$000s)	2019	2018
Cash flows used in operating activities:		
Net Income (loss)	\$ 115	\$ (984)
Items not involving cash:		
Depreciation	263	177
Amortization	297	319
Share-based payment transactions	140	162
Gain on trade receivables	-	(53)
Write down of inventory to net realizable value	(304)	(195)
(Gain) loss on disposal of property, plant and equipment	8	(4)
Change in non-cash operating working capital:		
Accounts receivable	93	(3,685)
Inventories	1,050	(129)
Contract assets	-	(180)
Prepaid expenses and deposits	(138)	(200)
Accounts payable and accrued liabilities	(2,539)	996
Provisions	235	81
Contract liabilities	173	259
Deferred revenue	(99)	(20)
Cash flows used in operating activities	(705)	(3,456)
Cash flows used in financing activities:		
Principal payments on lease liabilities	(148)	-
Cash flows used in financing activities	(148)	-
Cash flows used in investing activities:		
Principal payments on notes receivable	66	-
Proceeds from the sale of property, plant, and equipment	-	37
Purchase of property, plant and equipment	(153)	(254)
Intangible asset addition, net	(396)	-
Cash flows used in investing activities	(483)	(217)
Decrease in cash position	(1,336)	(3,673)
Cash and cash equivalents, beginning of period	21,398	13,893
Cash and cash equivalents, end of period	\$ 20,062	\$ 10,220

# AgJunction Inc.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) Reconciliation

Three months ended March 31, 2019 and 2018

(Expressed in U.S. dollars)

(\$000s)	Three months ended	
	March 31,	
	2019	2018
Net income (loss)	\$ 115	\$ (984)
Interest income	(60)	(5)
Income tax benefit, net	(1)	-
Depreciation	263	177
Amortization	297	319
EBITDA	\$ 614	\$ (493)