

## AgJunction Reports Second Quarter 2018 Earnings Results

**HIAWATHA, KS, August 13, 2018** – AgJunction Inc. (TSX: AJX) ("AgJunction" or the "Company"), a leader in advanced guidance and autosteering, is reporting financial results for the second quarter ended June 30, 2018. All currency amounts are expressed in U.S. dollars.

### Second Quarter 2018 Financial Summary vs. Second Quarter 2017

- Revenue up 3% to \$13.8 million versus \$13.3 million.
- Gross profit was 39.3% compared to 41.3%.
- Net loss was \$2.3 million or \$(0.02) per share, versus a net loss of \$0.5 million or \$0.00 per share.
- EBITDA was \$(1.9) million versus \$(0.0) million.

### Year-to-Date 2018 Financial Summary vs. 2017

- Revenue up 6% to \$29.6 million versus \$27.9 million.
- Gross profit was 41.3% compared to 44.2%.
- Net loss was \$3.3 million or \$(0.03) per share, versus net income of \$3.1 million or \$0.02 per share.
- EBITDA was \$(2.4) million versus \$4.1 million.

### Management Commentary

"AgJunction continued its year-over-year growth during the second quarter despite the uncertainty facing the worldwide agricultural market," said Dave Vaughn, president and CEO of AgJunction. "Farmers that have invested in Precision Ag equipment continue to experience lower cost and higher yields, helping them cope with the effects of higher tariffs and lower grain prices.

"During the second quarter, AgJunction continued its investment in research and development, making significant progress with our Hands-Free Farm mission to bring autosteering to all farmers. Yesterday we announced Wheelman™ powered by Whirl™, our revolutionary new autosteering device and smart software that is priced to bring Precision Ag within the reach of millions of smaller farms.

"Looking to the second half of 2018, our financial results will benefit from the large bulk purchase order we began shipping in July. In fact, we anticipate the purchase order will help us drive both revenue and profit, even as we continue to invest heavily in R&D. We believe this investment, as well as the launch of Wheelman, expands the market by bringing precision technology currently available to only the largest farm operations to millions of smaller farms. We believe creating revolutionary products and opening new markets is key to driving shareholder value."

### Second Quarter 2018 Financial Results

Total revenue in the second quarter of 2018 increased 3% to \$13.8 million compared to \$13.3 million in the second quarter of 2017. This was driven by an increase in sales in the Company's Europe, Middle East and Africa (EMEA) region.

Gross profit in the second quarter of 2018 was \$5.4 million compared to \$5.5 million in the second quarter of 2017. Gross profit was 39.3% compared to 41.3% in the second quarter of 2017. The decrease was primarily due to a lower margin mix of products sold versus the prior year.

Total operating expenses increased to \$7.7 million compared to \$6.0 million in the second quarter of 2017, primarily due to higher R&D costs associated with new corporate initiatives, as the Company invests in improving and developing new products. As a percentage of revenue, operating expenses increased to 56.3% compared to 45.3% in the second quarter of 2017.

Net loss in the second quarter was \$2.3 million or \$(0.02) per share, compared to a net loss of \$(0.5) million or \$0.00 per share in the second quarter of 2017. The decrease was driven by the aforementioned increase in operating expenses as the company continues to make investments in R&D.

EBITDA in the second quarter of 2018 was \$(1.9) million compared to \$(0.0) million in the second quarter of 2017.

Cash and cash equivalents at the end of the second quarter of 2018 totaled \$11.0 million compared to \$13.9 million at the end of 2017. The Company used some cash to build inventory ahead of the large bulk purchase it began to deliver in July. Working capital was \$17.7 million at the end of the second quarter compared to \$20.3 million at the end of 2017. The Company continues to carry no debt and has access to its full \$3.0 million line of credit.

#### **Year-to-Date 2018 Financial Results**

Total revenue in the first six months of 2018 increased 6% to \$29.6 million compared to \$27.9 million in the same period of 2017. This was driven by an increase in sales in the Company's EMEA region.

Gross profit in the first six months of 2018 was \$12.2 million compared to \$12.3 million in the same period of 2017. Gross profit was 41.3% compared to 44.2% in the same period of 2017. The decrease was primarily due to a lower margin mix of products sold versus the prior period.

Total operating expenses increased to \$15.6 million compared to \$12.3 million in the prior year period, primarily due to higher R&D costs related to the Company investing in improving and developing new products. As a percentage of revenue, operating expenses increased to 52.7% compared to 43.9% in the first six months of 2017.

Net loss in the first six months of 2017 was \$3.3 million or \$(0.03) per share, compared to net income of \$3.1 million or \$0.02 per share in the same period of 2017. The decrease was driven by the aforementioned increase in operating expenses associated with the Company's investments in R&D.

EBITDA in the first six months of 2018 was \$(2.4) million compared to \$4.1 million in the same period of 2017.



## Conference Call

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

Date: Tuesday, August 14, 2018

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: 5693578

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 Liolios 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 [www.corp.agjunction.com](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 August 28, 2018.

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

International replay number: 1-416-849-0833

Replay ID: 5693578

## About AgJunction

AgJunction Inc. 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 over 130 fundamental steering and machine control patents. AgJunction markets its solutions under leading brand names including Novariant, Outback Guidance® and Satloc® and is committed to advance its vision by bringing affordable hands-free farming to every farm, regardless of terrain or size. AgJunction is headquartered in Hiawatha, Kansas, with facilities in Silicon Valley, Arizona, Canada, and Australia, and is listed on the Toronto Stock Exchange (TSX) under the symbol "AJX." For more information, please go to [www.agjunction.com](http://www.agjunction.com).

## Non-IFRS Measures

This press release uses adjusted EBITDA, which is a financial measure that does not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). Adjusted EBITDA is defined as net income before interest, income tax, depreciation, amortization and goodwill write off. 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 "Adjusted 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. 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 each of 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.

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

	June 30, 2018 (Unaudited)	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,967	\$ 13,893
Accounts receivable, net of bad debt provisions of \$236 and \$228, respectively	6,384	4,185
Inventories	8,571	7,627
Current portion of contract assets, net	21	–
Prepaid expenses	1,123	990
	27,066	26,695
Contract assets, net (less current portion)	176	–
Property, plant and equipment, net	2,815	2,899
Intangible assets, net	9,219	9,856
Goodwill	143	143
	\$ 39,419	\$ 39,593
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,157	\$ 5,649
Provisions	716	629
Current portion of contract liabilities, net	374	–
Current portion of deferred revenue	124	149
	9,371	6,427
Contract liabilities, net (less current portion)	106	–
Deferred revenue (less current portion)	88	100
	9,565	6,527
Shareholders' equity:		
Share capital	148,598	146,896
Equity reserve	4,473	5,805
Accumulated deficit	(123,217)	(119,635)
	29,854	33,066
	\$ 39,419	\$ 39,593

# AgJunction Inc.

Condensed Consolidated Statements of Profit or Loss

Three and six months ended June 30, 2018 and 2017

(Unaudited - expressed in U.S. thousand dollars, except per share information)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue	\$ 13,776	\$ 13,341	\$ 29,550	\$ 27,914
Cost of sales	8,358	7,826	17,351	15,572
Gross profit	5,418	5,515	12,199	12,342
Expenses:				
Research and development	3,008	1,861	5,987	3,944
Sales and marketing	1,984	1,960	4,149	3,863
General and administrative	2,757	2,218	5,436	4,444
	7,749	6,039	15,572	12,251
Operating (loss) income	(2,331)	(524)	(3,373)	91
Foreign exchange loss (gain), net	28	(22)	(21)	(27)
Interest and other (income) expense	(5)	1	(10)	3
Other income	—	—	—	(3,000)
(Gain) loss on disposal of property, plant and equipment	(9)	18	(13)	18
	14	(3)	(44)	(3,006)
Net (loss) income before income tax	(2,345)	(521)	(3,329)	3,097
Income tax	—	19	—	19
Net (loss) income	\$ (2,345)	\$ (540)	\$ (3,329)	\$ 3,078
Earnings per share:				
Basic and diluted (loss) income per share	\$ (0.02)	\$ 0.00	\$ (0.03)	\$ 0.02

# AgJunction Inc.

## Condensed Consolidated Statements of Cash Flows

Six months ended June 30, 2018 and 2017

(Unaudited - expressed in U.S. thousand dollars)

	2018	2017
Cash flows (used in) from operating activities:		
Net (loss) income	\$ (3,329)	\$ 3,078
Items not involving cash:		
Depreciation	347	339
Amortization	637	633
Share-based payment transactions	370	341
Allowance loss on trade receivables	31	2
Write (up) down of inventory to net realizable value	(188)	427
(Gain) loss on disposal of property, plant and equipment	(13)	18
Change in non-cash operating working capital:		
Accounts receivable	(2,230)	(664)
Inventories	(756)	2,186
Contract assets	(7)	–
Prepaid expenses	(133)	(187)
Accounts payable and accrued liabilities	2,508	1,640
Provisions	87	119
Contract liabilities	37	–
Deferred revenue	(37)	(49)
Cash flows (used in) from operating activities	(2,676)	7,883
Cash flows (used in) financing activities:		
Purchase and cancellation of common shares	–	(1,767)
Cash flows (used in) financing activities	–	(1,767)
Cash flows (used in) from investing activities:		
Purchase of property, plant and equipment	(357)	(212)
Proceeds from the sale of property, plant, and equipment	107	1
Cash flows (used in) from investing activities	(250)	(211)
(Decrease) increase in cash position	(2,926)	5,905
Cash and cash equivalents, beginning of year	13,893	12,863
Cash and cash equivalents, end of period	\$ 10,967	\$ 18,768



# AgJunction Inc.

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

Three and six months ended June 30, 2018 and 2017

(Unaudited - expressed in U.S. thousand dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (2,345)	\$ (540)	\$ (3,329)	\$ 3,078
Interest (income) expense	(5)	1	(10)	3
Income tax	—	19	—	19
Depreciation	170	168	347	339
Amortization	318	316	637	633
EBITDA	\$ (1,862)	\$ (36)	\$ (2,355)	\$ 4,072