

## AgJunction Reports Third Quarter 2016 Earnings Results

**HIAWATHA, KS, November 9, 2016** – AgJunction Inc. (TSX: AJX) ("AgJunction" or the "Company"), a leader in automated steering and machine control technology for precision agriculture, reported financial results for the third quarter ended September 30, 2016.

During the fourth quarter of 2015, AgJunction successfully completed a merger with Novariant, Inc., strengthening its position within the OEM precision guidance and machine control markets.

AgJunction's consolidated third quarter 2016 results are presented as a combined entity. However, the comparative third quarter ended September 30, 2015 does not include Novariant's operations.

"As indicated in our third quarter pre-announcement, overall weakness in the agriculture market continued into the third quarter, impacting our sales more than expected," said Dave Vaughn, president and CEO of AgJunction. "However, we continued our focus on best servicing our customers in today's environment and the advancement of our Novariant integration, all while strengthening our cash position.

"Looking ahead, our efforts will focus on effective balance sheet management and opportunistically growing our customer base through the downturn so that we are even better positioned for growth when the industry strengthens."

### Third Quarter 2016 Financial Results

Total sales in the third quarter decreased 12% to \$6.7 million compared to \$7.6 million in the third quarter of 2015. The decrease was primarily driven by prolonged softening in the agriculture market.

Gross profit in the third quarter was \$2.2 million compared to \$3.3 million in the third quarter of 2015. Gross margin was 32.9% compared to 43.6% in the third quarter of 2015. The decrease was primarily due to higher warranty and material costs which drove gross margin down by 200 basis points and 500 basis points, respectively. In addition, gross margin was reduced by 300 basis points due to the absorption of fixed costs over lower sales volumes.

Total operating expenses were \$5.3 million compared to \$4.1 million for the third quarter of 2015. As a percentage of sales, operating expenses were 79.1% compared to 54.1% in the third quarter of 2015. The increase is primarily attributable to incremental expenses associated with the acquisition of Novariant.

The Company recorded \$11.3 million of goodwill impairment in the quarter. This impairment was recorded after an analysis of the goodwill's value in use. Current agriculture market conditions and reduced third quarter results have caused management to re-evaluate

assumptions in the financial model for goodwill's value in use determination, resulting in an impairment.

Net loss including the goodwill charge in the third quarter of 2016 was \$(14.4) million, or \$(0.12) per diluted share, compared to a net loss of \$(0.8) million, or \$(0.01) per diluted share, in the third quarter of 2015.

EBITDA was \$(2.6) million compared to \$(0.5) million in the third quarter of 2015. The decline was primarily driven by the sales levels and incremental operating expenses discussed above.

Cash and cash equivalents at the end of the third quarter totaled \$15.3 million, an 18% increase compared to \$13.0 million at the end of 2015. The Company continues to carry no debt. Working capital was \$24.6 million, down slightly from \$26.7 million at the end of 2015.

### **Trading of Common Shares by Insiders**

AgJunction announces that in accordance with Corporation's Management Retention Plan Agreements ("MRP Agreements), the Company is required to sell on behalf of the MRP Agreement participants, a sufficient number of their common shares to cover applicable United States and state taxes and fees on 2,122,825 shares vesting November 11, 2016. Such participants include: the president and chief executive officer; the senior vice president of global sales and customer care; and the senior vice president of global operations (collectively, the "Insiders"). MRP Agreements were entered into in connection with the agreement and plan of merger with Novariant in October 2015. Pursuant to such arrangement, the Company is required to sell only a sufficient number of common shares to cover taxes and fees payable by the Insiders immediately upon vesting of the common shares. The Company will remit such taxes to the United States authorities on behalf of the Insiders. Sales of the common shares will be administered by a third party broker beginning on November 14, 2016. No sales of common shares will occur during a blackout period in accordance with the Company's insider trading policies.

### **Conference Call**

AgJunction will hold a conference call tomorrow at 11:00 a.m. Eastern time to discuss its third quarter 2016 results, followed by a question-and-answer session.

Date: Thursday, November 10, 2016  
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: 98025189

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 November 24, 2016.

Toll-free replay number: 1-855-859-2056  
International replay number: 1-416-849-0833  
Replay ID: 98025189

### **About AgJunction**

AgJunction ([www.agjunction.com](http://www.agjunction.com)) provides innovative hardware and software applications for precision agriculture worldwide. The company holds more than 140 patents and markets its products and services under leading brand names including Novariant, Outback Guidance® and Satloc®. AgJunction is headquartered in Hiawatha, Kansas, with executive offices in Fremont, California, and facilities in Scottsdale, Arizona; Winnipeg, Manitoba; and Brisbane, Queensland, Australia. AgJunction is listed on the Toronto Stock Exchange (TSX) under the symbol "AJX." For more information, please visit [www.agjunction.com](http://www.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 and other loss (income), 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 each 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. More particularly and without limitation, this press release contains forward-looking information concerning, but not limited to: management's belief that the Company is well-positioned to grow its revenue base when the industry strengthens; the realization of various synergies, both financially and competitively, from the integration of Novariant; and the Company's future plans. 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, planned synergies, capital efficiencies and cost-savings from the merger with Novariant; 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 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; failure to realize the anticipated benefits of the merger and to successfully integrate AgJunction and Novariant; 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 for the year ended December 31, 2015 which may be accessed on its SEDAR profile at [www.sedar.com](http://www.sedar.com).

Forward-looking information contained herein concerning the industry in the countries in which the Company operates and the Company's general expectations concerning this industry are based on data and information from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. While the Company is not aware of any material misstatements regarding any industry data presented herein, the agricultural industry involves numerous risks and uncertainties and is subject to change based on various factors. Further, certain information contained herein is based on, or derived from, publicly available information and/or information provided by independent third-party sources. The Company believes that such information is accurate and that the sources from which it has been obtained are reliable; however, the Company is unable to independently verify such information.

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. dollars)

	September 30, 2016 (Unaudited)	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,321,198	\$ 13,047,777
Accounts receivable, net of bad debt provisions of \$150,198 and \$184,598 as of September 30, 2016 and December 31, 2015, respectively	4,263,323	8,222,606
Inventories	8,700,569	11,800,917
Prepaid expenses and deposits	861,158	975,018
	29,146,248	34,046,318
Property, plant and equipment, net	3,235,018	3,484,406
Intangible assets, net	11,441,725	12,391,146
Goodwill	143,419	11,444,419
	\$ 43,966,410	\$ 61,366,289
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,706,981	\$ 5,970,427
Provisions	631,926	995,938
Current portion of deferred revenue	207,573	342,095
Current portion of finance lease obligation	—	1,160
	4,546,480	7,309,620
Deferred revenue	220,335	203,223
	4,766,815	7,512,843
Shareholders' equity:		
Share capital	148,423,258	147,929,647
Equity reserve	4,842,055	4,669,173
Accumulated deficit	(114,065,718)	(98,745,374)
	39,199,595	53,853,446
	\$ 43,966,410	\$ 61,366,289

# AgJunction Inc.

## Condensed Consolidated Statements of Profit or Loss

Three and nine months ended September 30, 2016 and 2015

(Unaudited - expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Sales	\$ 6,656,879	\$ 7,567,268	\$ 34,040,554	\$ 27,404,483
Cost of sales	4,467,172	4,270,360	20,396,044	15,338,849
Gross profit	2,189,707	3,296,908	13,644,510	12,065,634
Expenses:				
Research and development	1,755,714	1,424,253	5,732,117	3,832,298
Sales and marketing	1,569,864	945,280	5,297,456	3,710,858
General and administrative	1,939,164	1,726,300	6,700,351	5,269,394
	5,264,742	4,095,833	17,729,924	12,812,550
Operating income (loss)	(3,075,035)	(798,925)	(4,085,414)	(746,916)
Goodwill impairment	11,301,000	-	11,301,000	-
Foreign exchange (gain) loss, net	6,619	16,250	(29,880)	122,284
Interest and other loss (income)	(20,956)	(22,884)	(60,728)	(24,777)
Loss on disposal of property, plant and equipment	(5,103)	(2,114)	24,538	36,762
(Gain) on sale of other assets, net of liabilities	-	-	-	(1,623,219)
	11,281,560	(8,748)	11,234,930	(1,488,950)
Net income (loss) before income taxes	(14,356,595)	(790,177)	(15,320,344)	742,034
Income tax	-	-	-	-
Net income (loss)	\$ (14,356,595)	\$ (790,177)	\$ (15,320,344)	\$ 742,034
Earnings per share:				
Basic and diluted income per share	\$ (0.12)	\$ (0.01)	\$ (0.12)	\$ 0.01

# AgJunction Inc.

## Condensed Consolidated Statements of Cash Flows

Nine months ended September 30, 2016 and 2015

(Unaudited - expressed in U.S. dollars)

	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (15,320,344)	\$ 742,034
Items not involving cash:		
Depreciation	538,720	386,521
Amortization	949,421	459,281
Share-based payment transactions	579,054	42,596
Allowance on trade receivables	85,663	(42,260)
Net realizable value write down of inventory	686,198	357,001
Loss on disposal of property, plant and equipment	24,538	36,762
(Gain) on sale of other assets, net of liabilities	-	(1,623,219)
Goodwill write off	11,301,000	
Change in non-cash operating working capital, net of effects of business combination:		
Accounts receivable	3,873,620	841,544
Inventories	2,414,150	(2,045,453)
Prepaid expenses and deposits	113,860	344,770
Accounts payable and accrued liabilities	(2,263,446)	227,137
Provisions	(364,012)	(55,707)
Deferred revenue	(117,410)	(817,369)
Cash flows from operating activities	2,501,012	(1,146,362)
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(1,160)	(10,439)
Issue of common shares	87,439	-
Cash flows from (used in) financing activities	86,279	(10,439)
Cash flows from (used in) investing activities:		
Proceeds from the sale of property, plant and equipment	12,119	-
Purchase of property, plant and equipment	(325,989)	(247,787)
Intangible asset addition	-	(2,203,519)
R&D expense reimbursement	-	1,825,145
Proceeds from the sale of division	-	2,422,916
Cash flow from (used in) investing activities	(313,870)	1,796,755
Increase (decrease) in cash position	2,273,421	639,954
Cash and cash equivalents, beginning of year	13,047,777	11,223,755
Cash and cash equivalents, end of period	\$ 15,321,198	\$ 11,863,709

# AgJunction Inc.

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

Three and nine months ended September 30, 2016 and 2015

(Unaudited - expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ (14,356,595)	\$ (790,177)	\$ (15,320,344)	\$ 742,034
Interest expense (income)	(20,956)	(22,884)	(60,728)	(24,777)
Income tax	—	—	—	—
Depreciation	173,461	127,008	538,721	386,521
Amortization	317,588	175,590	948,925	459,282
Goodwill write off	11,301,000	—	11,301,000	—
EBITDA	\$ (2,585,502)	\$ (510,463)	\$ (2,592,426)	\$ 1,563,060