

November 23rd, 2025

AG Growth International Inc. (TSX: AFN)

Thomas Giroux

Recommendation: (L) Price Target of \$30.86 cad (S) Sr. Uns. 7.50% due June 30th, '30

Estimated Total 1yr Return: (Bull) = +89%, (Base) = +58%, (Bear) = -20%

Company Overview: Ag Growth International Inc. is a Canada-based manufacturer and distributor of equipment and systems for the storage, handling, processing, and conditioning of bulk agricultural commodities, serving global farm and commercial markets across the agri-food supply chain. The company was founded in 1996 and is based in Winnipeg, Manitoba, Canada.

As of Nov 21st, 2025- cad mm

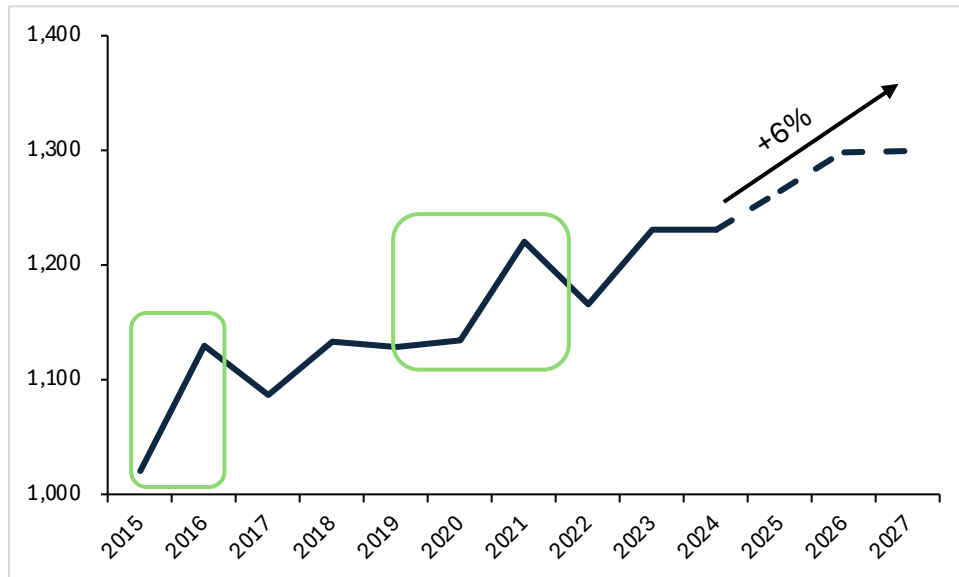
Share Price	\$19.53	Multiples:		Trading Stats:		Shareholders:	% Owned
Shares Out	19		Consensus	Short Interest (% of float)	11%	Jean-Philippe Choquette	5.32%
Mkt Cap	367	FY'25 FCF yoy	-31%	52-Wk High	\$55.41	Beutel Goodman & Company	4.81%
Cash	48	EV/EBITDA '25	5.4x	52-Wk-Low	\$18.07	Amundi	2.83%
Debt	952	FY'26 FCF yoy	17%	Avg Volume (000's)	90	Timelo Investment Mgmt	1.96%
EV	1,272	EV/EBITDA '26	5.3x	Sr. Sub '26 YTW	8.80%	Dimensional Fund Advisors	1.94%
APIC	498	FY'27 FCF yoy	26%	Conv Jun '27 YTW	8.20%	IG Investment Management	1.19%
RE	(280)	EV/EBITDA '27	4.7x	Conv Dec '27 YTW	7.13%	SLGI AM	1.15%

View: I anticipate that the agriculture sector is currently at the cyclical trough in terms of both grain futures prices and production volumes, particularly for corn and soybeans. I expect the forward curve for corn and soybean prices will experience an upswing of 10% to 20% over the next 18 months, coinciding with a period of sustained production growth for both commodities. This sustained growth in production and price will stem from demand in biofuel, APAC + EMEA stocking up on these grains and global population growth. This projected expansion in agricultural output is expected to serve as a significant tailwind for AFN, driving its top-line revenue and bottom-line earnings above consensus.

Opportunity: On November 13th, 2025, AFN delayed its Q3'25 earnings report due to lack of accounting data for their Brazil segment, leading the company to withdraw its EBITDA guidance and apply for a management cease trade order (which is required by law). This caused the stock to drop 40%. After having conversed with multiple industry experts both in Canada and Brazil, I don't expect the material financial mismanagement or unexpected losses to have induced the delayed reporting, which leads me to believe the 40% was exaggerated.

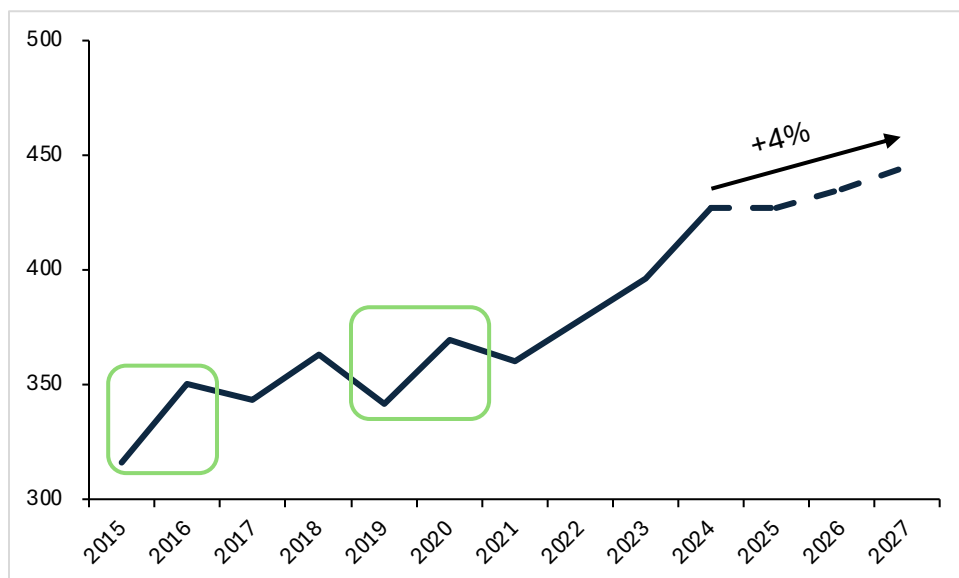
1) As the global production for both corn and soybeans are set to increase by 4-6% over the next 3 years, the comparables of AFN will experience an expansion on a multiples basis, which leads me to believe that AFN will also benefit from these headwinds as the company will at the very least grow its top line at the same rate as global grain production. Also, please note how the biggest jumps in production for corn and soybeans ('15 to '17 and '19 to '21) coincide with the sharpest jumps in multiples for the agricultural machinery companies:

Historical & Forecasted Global Corn Production (million metric tons)

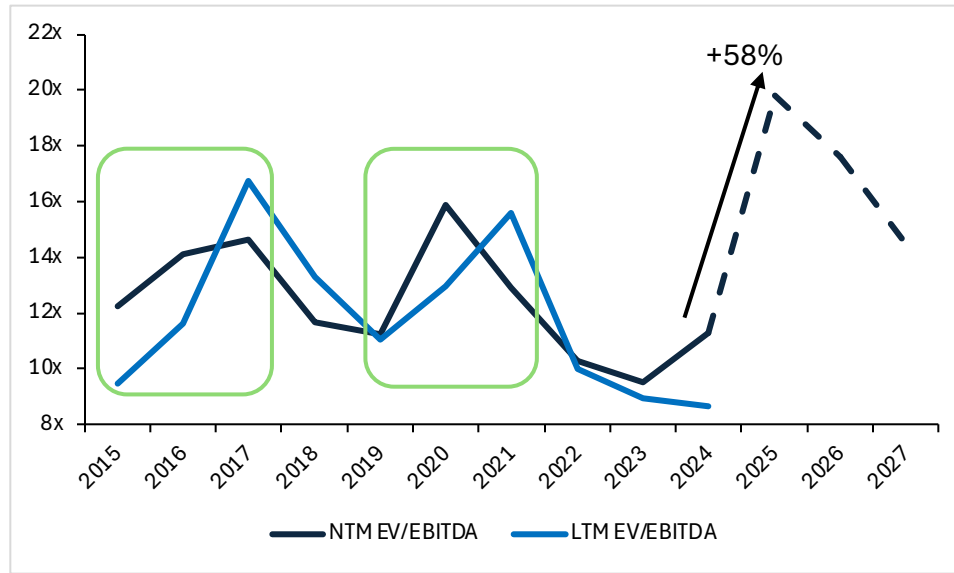


Source: <https://www.fas.usda.gov/data/production/commodity/0440000>

Historical & Forecasted Global Soybean Production (million metric tons)



Comparables Historical and Forward Multiples



Source : 1)

2) AFN shifted from aggressive acquisition-driven growth (2014-2020) that pushed leverage above 6x to a disciplined organic growth strategy focused on debt repayment and reducing net debt leverage to roughly 3x by Q4 2024. The company aims to deploy \$40-50 million in capex per year, has paused M&A entirely and focuses on debt repo. I believe this moderate leverage enables the company to benefit from incremental margin improvements because of fully integrated acquired companies. Assuming, the company keeps trading at an historically low 6x multiple, quarter point margin improvements would have immense returns on the share price given the company's leverage position. This present great downside risk if the stock wasn't so cheap already:

Revenue	\$1,384	\$1,384	\$1,384	\$1,384	\$1,384	\$1,384
Margin %	15.00%	15.25%	15.50%	15.75%	16.00%	16.25%
EBITDA	\$208	\$211	\$215	\$218	\$221	\$225
Multiple	6x	6x	6x	6x	6x	6x
Valuation	\$1,246	\$1,266	\$1,287	\$1,308	\$1,329	\$1,349
Net Debt	\$905	\$905	\$905	\$905	\$905	\$905
Equity Value	\$341	\$362	\$383	\$403	\$424	\$445
S/O	19	19	19	19	19	19
Equity Value Per Share	\$18.14	\$19.25	\$20.35	\$21.46	\$22.56	\$23.66

3) AFN is positioned to benefit dramatically from revenue and margin expansion due to its now fully integrated acquired companies and a high-fixed-cost structure. The aggressive focus on debt repayment to ~3x leverage dramatically de-risks the equity, making the stock less vulnerable to external shocks once the Q3 report clears the current overhang. The margin

sensitivity illustrated above shows how a small 25bps margin improvement translates into an immense return on the share price.

Risks

- 1) The execution risk in Brazil implied in the delayed filing highlights potential governance/internal control weaknesses in a high-growth, key international market. Continued delays or discovery of larger-than-expected losses would severely damage credibility and valuation (highlighted in the bear case scenario).
- 2) Commodity price volatility in corn and soybeans jeopardizes the entire thesis, because it relies on the cyclical upswing of corn and soybean prices/production. A sustained downturn (e.g., due to trade wars or poor weather) would negate the fundamental tailwind.
- 3) The liquidation risk is critical. A forced fire sale of discounted assets is insufficient to cover total debt, resulting in a ~52% principal impairment for the unsecured debentures (see appendix for liquidation analysis).

Trade Positioning

Long AFN common shares with a target price of \$36.93 and Short the 7.50% Senior Subordinated Unsecured Debentures due 2030. Strong Cash Flow from Operations fully covers the first three tranches of secured debt after CapEx. However, the common shares, currently trading at historical lows, offer superior risk/reward to the senior debt. Shorting the unsecured 2030 notes hedges against prolonged crisis or liquidity fears, as these bonds bear the brunt of any deterioration in the capital stack. There's also a play on the mean-reversion on the bonds price to the downside, as the secured and convertible notes are trading below the unsecured due '30.

Sources: FY2025 to FY 2027		Uses: FY2025 to FY2027	
Estimated Cash on Hand	\$70	Capex	\$139
Estimated Cash From Ops	\$376	Debt to Refi	\$249
Revolving Line of Credit	\$0	Excess Cash for Debt Paydown	\$59
Total Sources	\$447	Total Uses	\$447

Bond	Coupon	Amt. Outst.	Latest Price	YTM	YTW
Dec 31 '26 Sr. Sub. \$63.41m 5.25%	5.25%	\$85	\$970.00	8.13%	5.30%
Jun 30, '27 Sub. \$92.64m 5.00%	5.00%	\$93	\$989.50	5.69%	5.41%
Dec 31 '27 Sub. \$71.44m 5.20%	5.20%	\$71	\$970.00	6.75%	4.13%
Jun 30, '30 Sr. Unsecured \$71.45m 7.50%	7.50%	\$98	\$990.00	7.77%	

Scenarios:

Scenario	Bull	Base	Bear
Rationale	Multiples expansion due to cycle trough and margin growth	Modest multiple expansion + Brazil issue resolved with minor issue	Brazil issue worst than anticipated, margin compression
EBITDA	\$228	\$228	\$200
Multiple	7.0x	6.5x	6.0x
Implied Share Price	\$36.93	\$30.86	\$15.72
Return	89%	58%	-20%

- Bull Case (Cyclical Upswing):** This scenario assumes the agricultural cycle rebounds strongly, driving significant revenue growth and allowing the company's multiple to expand to a peer-comparable 7.0x EV/EBITDA. This combination of higher earnings and a higher valuation multiple results in the \$36.93
- Base Case (De-risking & Reversion):** This is the most likely outcome, where the Brazil accounting issue is resolved without material financial loss, and the company benefits moderately from the deleveraging strategy and gradual cyclical recovery. The multiple partially reverts to a conservative 6.5x EV/EBITDA, yielding a share price of \$30.86
- Bear Case (Extended Distress):** This scenario models a failure of the equity thesis, assuming the Brazil issue is prolonged, or a new cyclical downturn begins. With a depressed 6.0x EV/EBITDA multiple, the equity value declines sharply to \$15.72

Appendix

1) Source : S&P Capital IQ

Historical NTM EV/EBITDA Multiples														2015-2024	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Average	Median
NYSE: DE	19x	21x	18x	16x	16x	19x	18x	14x	13x	17x	27x	24x	20x	17x	17x
NYSE: CNH	15x	15x	15x	14x	13x	19x	14x	13x	12x	16x	35x	31x	24x	15x	15x
NYSE: AGCO	8x	10x	11x	8x	8x	9x	9x	7x	6x	7x	10x	9x	8x	8x	8x
NYSE: TEX	7x	10x	15x	8x	7x	16x	11x	7x	7x	6x	7x	7x	6x	9x	8x
Average	12x	14x	15x	12x	11x	16x	13x	10x	10x	11x	20x	18x	15x	12x	12x
Median	12x	13x	15x	11x	11x	18x	12x	10x	10x	11x	19x	16x	14x	12x	11x
TSE: AFN	9x	10x	10x	10x	10x	10x	9x	7x	7x	6x	6x	5x	5x	9x	9x

Historical LTM EV/EBITDA														Average	Median
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
NYSE: DE	12x	16x	16x	17x	15x	16x	20x	16x	12x	12x				15x	16x
NYSE: CNH	12x	13x	15x	14x	11x	16x	17x	10x	11x	11x				13x	13x
NYSE: AGCO	6x	8x	11x	9x	8x	8x	9x	7x	6x	5x				8x	8x
NYSE: TEX	7x	9x	24x	14x	10x	12x	16x	7x	7x	6x				11x	9x
Average	9x	12x	17x	13x	11x	13x	16x	10x	9x	9x				11.8x	11.3x
Median	10x	11x	16x	14x	11x	14x	17x	9x	9x	9x				11.8x	10.8x
TSE: AFN	14x	18x	14x	13x	12x	17x	26x	13x	10x	9x				14x	13x

Liquidation Analysis :

cad mm

Security	Rate	Outstading Jun. 30th, '25	Mult of LTM EBITDA	Price 11/21/2025	YTW 11/21/2025
<u>Revolving Credit:</u>					
Senoir Credit Facilities		\$290.2	1.63x		
Senior Credit Facilities		\$241.0	1.35x		
<u>Term Loans:</u>					
Loan - Equipment Financing		\$0.8	0.00x		
<u>Senior Subordinated:</u>					
Dec 31 '26 Sr. Sub. \$63.41m 5.25%	5.25%	\$85.0	0.48x	\$970.00	5.30%
<u>Convertible Unsecured:</u>					
Jun 30, '27 Sub. \$92.64m 5.00%	5.00%	\$92.6	0.52x	\$989.50	5.41%
Dec 31 '27 Sub. \$71.44m 5.20%	5.20%	\$71.4	0.40x	\$970.00	4.13%
<u>Unsecured:</u>					
Jun 30, '30 Sr. Unsecured \$71.45m 7.50%	7.50%	\$97.8	0.55x	\$990.00	
<u>Other:</u>					
Lease Liabilities	2.1%-17.2%	\$45.2	0.25x		
Total		\$924.1	5.18x		
Common Equity		\$289.0	1.62x	\$34.48	
Total Capitalization		\$1,213.1			
<u>Memo:</u>					
LTM EBITDA	178				
Cash	48				

Liquidation Value			
	MRQ	Discount	Value
Cash	48	0%	48
Net Working Capital	103	30%	72
Net PP&E	361	40%	217
Estimated Asset Value			336
Revolver			(531)
Remaining value			(195)
Term Loan			(1)
Remaining Value			(196)
Sr. Subordinated			(85)
Remaining Value			(281)
Convertible			(164)
Remaining Value			(445)
Unsecured			(98)
Remaining Value			(543)
Other			(45)
Remaining Value			(588)