

Ag Growth Profits up 55% in 3Q, Late Harvest May Push Grain Storage Sales Higher in 4Q

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Fueled by strong sales of its portable grain storage and other equipment, Ag Growth International reported record third quarter sales that increased profits by 55% to \$15.1 million, or \$1.17 per share, compared with the same period in 2008. Profits for the July-September period last year amounted to \$9.8 million, or 75 cents per share.

The company says that this year's late harvest should keep sales robust well into the last quarter of the year.

Sales for the 3- and 9-month periods ended September 30 were \$68.3 million and \$190.4 million, respectively, representing increases of 14% and 26% over the same periods in 2008.

Headquartered in Winnipeg, the Canadian manufacturer specializes in grain handling, storage and conditioning equipment, with 1,400 dealers and distributors serving 48 states and 9 provinces. Sales of portable grain handling and aeration equipment historically represent 65% to 75% of Ag Growth's total sales.

Overall, Ag Growth's revenue rose 14% to \$68.3 million from \$60 million. Gross margin as a percentage of sales for the 3- and 9-month periods were 42.3% (2008 – 36.5%) and 42% (2008 – 35.6%), respectively. The significant increase in gross margin percentages was largely the result of sales price increases, the impact of foreign exchange, an increase in capacity and efficiency at its Westfield facility and improved results from its Edwards/Twister division.

"Our outlook for the balance of 2009 remains positive," Rob Stenson, Ag Growth's CEO, said in a statement.

"Our primary demand driver is grain volumes, and the USDA is forecasting the second largest corn crop in history and a record soybean crop."

Stenson cautioned, however, that Ag Growth doesn't expect sales of commercial equipment to match the "exceptional levels" recorded in the fourth quarter of 2008 but general demand is expected to approximate last year's levels.

2010 Outlook. "Consistent with the last couple of years, we expect to enter 2010 with low levels of inventory throughout our distribution network which should be supportive of demand in the first half of 2010," Stenson said. "Furthermore, we are cautiously optimistic that credit conditions in developing markets are moderately improving which may result in increased international sales of commercial equipment in 2010."