



Double Your Money in 2020 and Retire Early

Description

Ag Growth International ([TSX:AFN](#)) was founded in 1996 to pursue the [acquisition of manufacturers of grain handling](#), storage, and conditioning equipment, and it has the strategic objectives of geographic and business line diversification and development of a wide-ranging offering of complementary products. Ag Growth International (AGI) is organized internally into Farm and Commercial divisions to better focus on the nature of products and customers in each sector.

The company has a price-to-earnings ratio of 22.92, a price-to-book ratio of 1.98, and market capitalization of \$819 million. Debt is very opportunistically used at AGI, as evidenced by a debt-to-equity ratio of 1.82. The company has excellent performance metrics with an operating margin of 10.54% and a return on equity of 9.46%. Although a majority of AGI's sales are in North America, the company sells to customers around the world.

AGI is a leading provider of equipment solutions for [agriculture bulk commodities](#) including seed, fertilizer, grain, and feed systems, with a growing platform in providing equipment and solutions for food-processing facilities. AGI also provides engineering solutions and project management services to the food industry. The company's recent investment in a new manufacturing facility in Brazil is expected to both expand AGI's product offering as well as increase the company's presence in growing international markets.

AGI has also substantially expanded the fertilizer platform with numerous recent acquisitions. The company substantially increased a subsidiary's storage presence in the U.S. farm market by acquiring Global and further expanded AGI's applied technology and fertilizer platforms with the acquisitions of CMC and Junge. In early 2018, AGI acquired Danmare, expanding the company's emerging food platform. In 2017, AGI's sales were weighted 37% in Canada, 43% in the United States, and 20% International.

AGI faces competition in product offerings, distribution, quality, and pricing. Competitive conditions, primary competitors, and AGI's relative position vary along product lines and by geography.

AGI's market for portable grain handling equipment is mostly domestic, with key markets and

competitors being primarily in North America, particularly in the United States. AGI's competition includes a relatively small number of companies, most of which are small and privately owned. Management believes that large-scale, geographic diversification, and strong manufacturing and distribution capabilities have provided it with a competitive advantage over smaller participants.

AGI believes that focusing on the company's core business has positioned it well to compete with larger industry participants, while large-scale, geographic diversification and strong manufacturing and distribution capabilities have provided it with a competitive advantage over smaller participants. AGI's businesses performed well in 2019, despite significant headwinds in North America and offshore. It is encouraging to note that there is a growing expectation that U.S. farmers will plant a record amount of corn acres in 2020, which would positively impact demand for portable grain handling equipment and grain storage systems.

AGI Brazil continues to make progress both in manufacturing efficiencies and market development, and management anticipates improved results in the country in 2020. Internationally, the company's backlog related to 2020 has started to build, and the company expects to end 2019 with a strong book of business.

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