2019

PREMIER TECH REPORT

PREMIER TECH

2019

PREMIER TECH REPORT

CONTENTS

Thiago Sousa • SOUT2. Jundiaí, São Paulo, BRAZIL


TECHNOLOGIES

PEOPLE AND TECHNOLOGIES

MAKING A DIFFERENCE

Making a difference, this is what we are all about at Premier Tech. One team driven by a shared passion to deliver solutions that will better the lives of people, businesses and communities.

At Premier Tech, People and Technologies connect in lasting, transformative ways, giving life to products and services that help feed, protect and improve our world.

We are committed to creating sustainable solutions that help bring beautiful gardens to life, increase crop yields, improve the efficiency of manufacturing facilities, treat and recycle water, and much more as we keep innovating.

We are Premier Tech

People and Technologies making a difference

THE PREMIER TECH BRAND STORY

What is the purpose and importance of a brand? Done right, it's a compelling way to unify your team and tell the world your story. It's a recognizable identity that powerfully stakes out who you are and what you do. It's the promise that brings together your whole organization and its products and services into a coherent and cohesive entity. The Premier Tech brand story mirrors the passion of our team members and is the result of a collective effort built on nearly a century of products and services that help feed, protect and improve our world.

When we first set out to reposition our brand, we deliberately set the bar high. We wanted an identity that would withstand the test of time and clearly express our past, present, and future. The ambition was to renew and give voice to a brand with deep roots in a nearly century-long history, one still vibrant and loaded with potential for the future. We needed to deliver a strong, cohesive promise across all our Businesses to connect locally wherever we operate. Keeping in line with the ties that bind us to our partners, clients and communities.

Driven by the constant desire to master our destiny, an inherent part of our Culture, and fully understanding the depths of the challenge we were facing, we set up an internal task force, supported by branding agency BrandBourg. We delved deep, exploring the multiple facets of our business to identify the essential elements that have been setting us apart for nearly a century now. Not to reinvent ourselves, but to bring those that define us to life in order to fully express, and assume our identity.

The passion of our team members for what we do, for our products and services and for our clients quickly stood out. A passion for making a difference — sometimes small, and often disruptive — by mastering the science of our technologies. We have been connecting People and Technologies in incredible manners, ones we had never imagined in the first place.

This is at the very core of who we are, and who we have been for more than 95 years.

WE ARE PREMIER TECH

PEOPLE AND TECHNOLOGIES MAKING A DIFFERENCE

PT-SHIRT Day. Campus Premier Tech, Rivière-du-Loup, CANADA

Creative design sprint. Campus Premier Tech, Rivière-du-Loup, CANADA

MAKING OUR BRAND SHINE

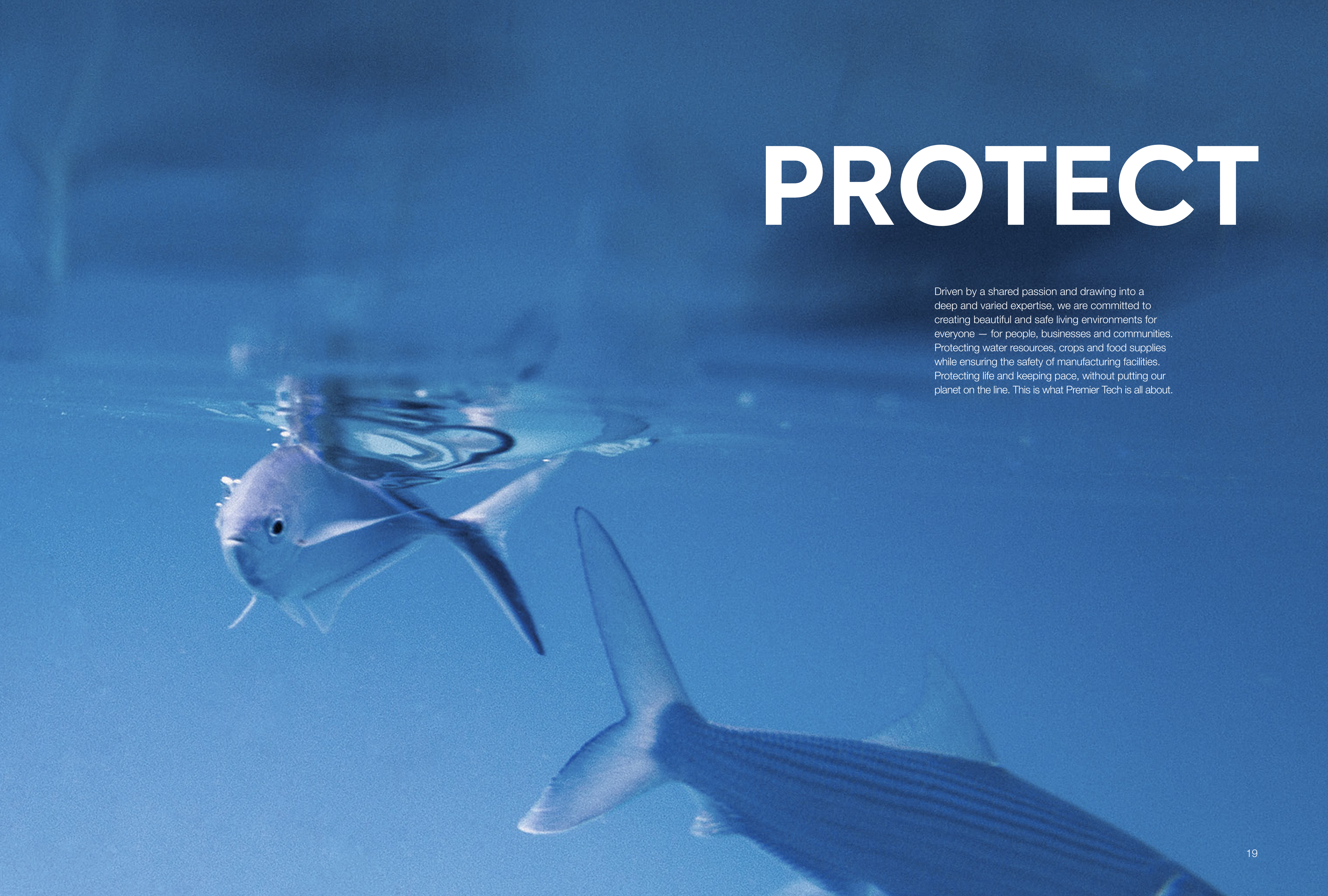
Following the repositioning of the PT brand promise came the redesign of our visual identity. This evolution had to be consistent with our journey, all while delivering tremendous change drawing from ideas of solidity, stability and timelessness. The new PT logo is the visual incarnation of our brand story — the People and Technologies that have been making a difference in the lives of people, businesses, and communities for over 95 years.

FEED

Feeding growing populations worldwide in a sustainable and respectful manner for future generations through the whole of PT Businesses. Creating technological solutions for agri-food industries and securing shared water resources. This is what motivates us.

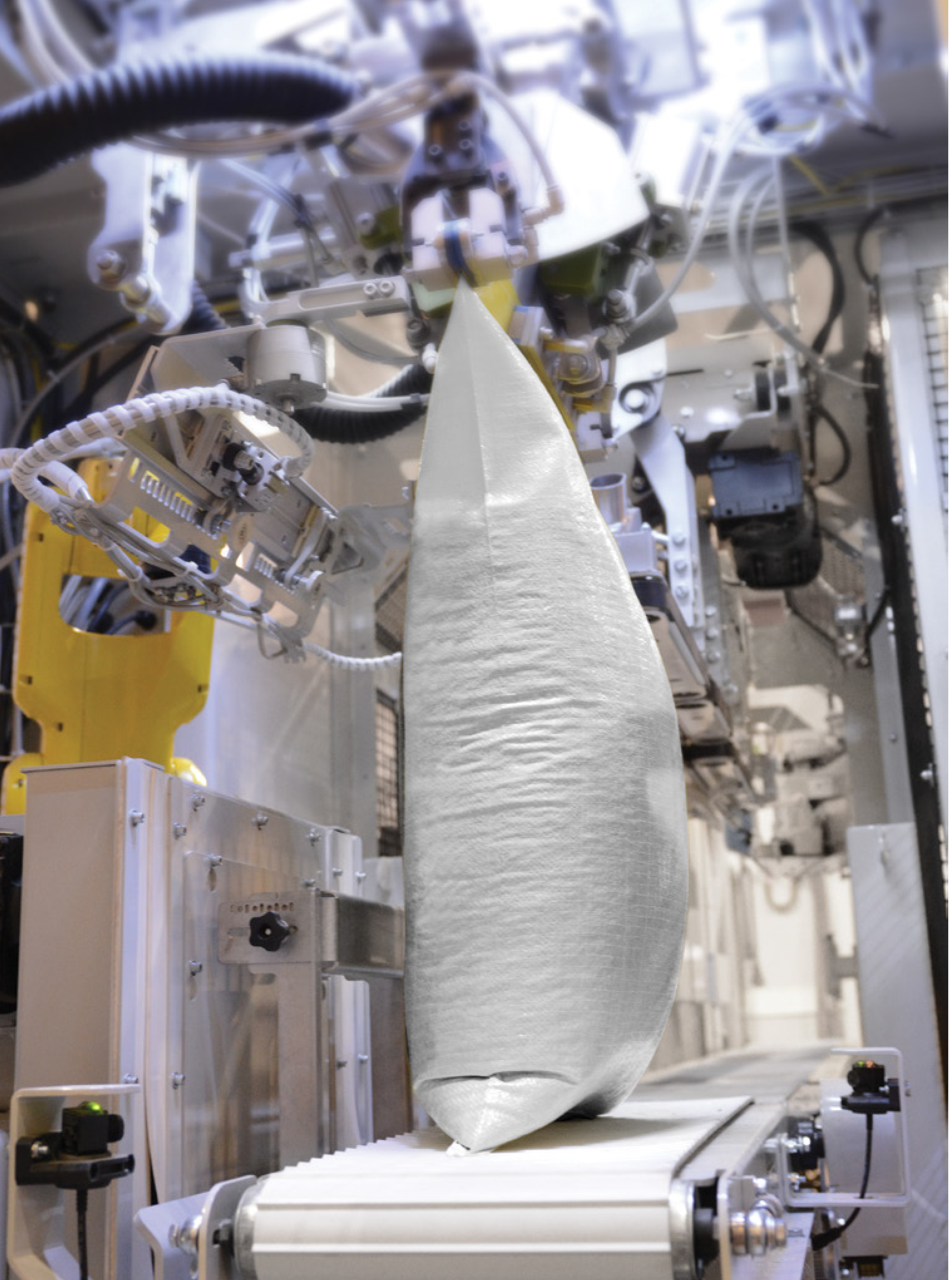
FEED
PROTECT
IMPROVE

One idea. Three words. A single entity to express the essence of what Premier Tech is all about: connecting People and Technologies to bring products and services to life and help feed, protect, and improve our world.



PROTECT

Driven by a shared passion and drawing into a deep and varied expertise, we are committed to creating beautiful and safe living environments for everyone — for people, businesses and communities. Protecting water resources, crops and food supplies while ensuring the safety of manufacturing facilities. Protecting life and keeping pace, without putting our planet on the line. This is what Premier Tech is all about.



IMPROVE

Innovating, challenging paradigms, venturing out of conventional wisdom and proactively engaging with people, businesses and communities — this is what drives our team. From a flowering garden to an agri-food plant. From a lakeshore to a production greenhouse. Our commitment remains the same: being a reliable partner every step of the way. This has been our promise for more than 95 years.

FEED
PROTECT
IMPROVE

Making a difference in so many ways through the common strength of our People and our Technologies.

People and Technologies making a difference

"Sandbanks Provincial Park is a fragile natural ecosystem unlike anything else in the world that needs careful protection for future generations. The Ecoflo® biofilter provides that kind of protection for the environment. It's a unique, high-capacity technology designed for small, sensitive environments."

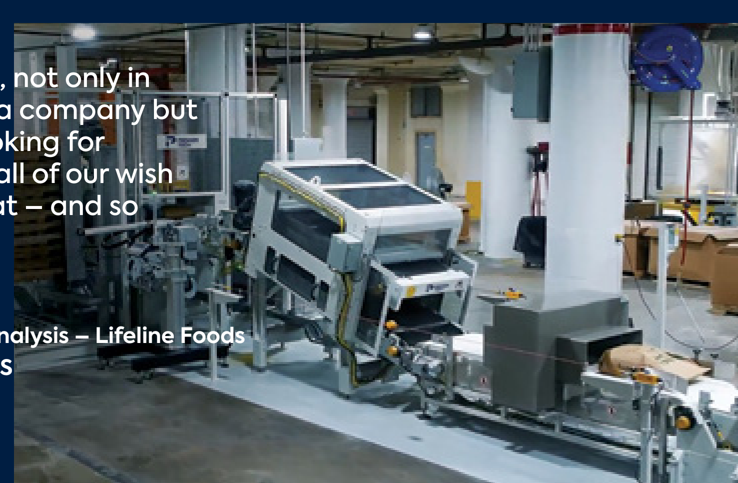
— **DON BUCHOLTZ**
Superintendent
Sandbanks Provincial Park
Picton, Ontario, CANADA

"Premier Tech is leading the charge into a new frontier, leveraging the ingenuity of nature to allow our crops to be more successful and produce more yield. It's been a great fit for us!"

— **CRAIG DAVIDSON**
President, Founding Partner
Taurus Agricultural Marketing
Calgary, Alberta, CANADA

"PT stood above and beyond, not only in the value creation for us as a company but also in the cost. We were looking for a solution that would meet all of our wish list. Premier Tech did just that – and so much more!"

— **MICHELLE CLARK**
Director, Strategic Planning and Analysis – Lifeline Foods
St. Joseph, Missouri, UNITED STATES



"Innovation is at the very heart of what we do. I believe this is what truly makes a difference for our clients."

— **MOUHAMADOU SADY • SADM2**
Automation team – Innovation
Premier Tech
Rivière-du-Loup, Québec, CANADA

PREMIERTECH.COM

Discover our new website and how we bring the PT brand to life

ANNUAL REVIEW

Team members. Campus Premier Tech, Rivière-du-Loup, CANADA

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MOVING FORWARD AS ONE

> "The first year of a strategic plan is always pivotal. That's why we make sure we hit the ground running."
>
> **— JEAN BÉLANGER • BELJ**

All things considered, fiscal 2019 was a good year at Premier Tech. Heading into fiscal 2020, we can look back with a sense of accomplishment on the efforts and achievements of the past year, the first of our VISION 2023 strategic plan. The joint efforts of all team members enabled us to post another record-breaking year in terms of revenues for fiscal 2019. Demand for PT products and services continued to increase, and as a team we rose to the challenge, stepping up to the plate with energy and conviction to deliver upon our commitments and make a difference for our clients worldwide, with yet another year of double-digit growth. On the other end, such growth added pressure to certain processes and systems currently being upgraded to reflect our size and scope. This had an impact on our operating margins and overall financial performance. But with record orders on the books for fiscal 2020, we look ahead to the years to come as we keep moving forward.

In the last eighteen months, major efforts were invested in repositioning the Premier Tech brand and fiscal 2019 saw all of it come together with the official launch. We redefined our brand story and the architecture of our product brands in relation to Premier Tech as well as the visual identity of our logo. The results of this work were launched internally to team members on March 20 and externally on May 30.

FINANCIAL PERFORMANCE: HITTING HISTORIC NEW HEIGHTS

Premier Tech generated $882.7 million in revenue in the fiscal year ended March 2, 2019, up $89.1 million (11.2%) over the previous year. Once again, organic growth accounted for the lion's share of new revenue, clocking in at 8.2%, or nearly $65.2 million. Acquisitions drove the remaining $23.9 million. These results bring total organic growth over the past five years to $227 million, an average of $45 million per year, and growth through acquisitions to $131 million, an annual average of $26 million. The recent year's sustained performance translates into a compound annual growth rate (CAGR) of 11% for the five-year period ending March 2, 2019.

EBITDA for fiscal 2019 stood at $77.7 million, up $6.5 million (9.1%) over fiscal 2018. Despite the increase, our EBITDA margin was down slightly to 8.8%, largely as a result of investments to increase manufacturing capacity and revamp systems and processes, as well as the impact of integrating acquisitions made in FY18. These actions are a crucial part of our ongoing efforts to better serve our clients as we upgrade our systems, processes, and tools to reflect our size and scope and keep on growing while delivering increased financial performance.

WELCOMING NEW ADDITIONS TO THE PT TEAM

Fiscal 2019 was quite active in terms of acquisitions, with five transactions and the signing of a key strategic alliance. As always, these transactions serve two vital purposes: they strengthen our role as partners in our clients' success by helping us serve them better, and they act as platforms for organic growth.

Serving clients better isn't just a matter of providing better products and services. It also means reinforcing the internal processes and platforms we rely on to deliver on our brand promise. Two of this year's acquisitions by our Industrial Equipment Group — Dutch-based steel parts maker SWABO and Québec-based AMD, which specializes in automation and robotics — will help do exactly that, first by improving supply chain integration in Europe, and second, by strengthening our equipment engineering design capacity here in Québec.

Of course, PT also has a tradition of seeking out companies that enrich our product and technology offerings or open doors to new market segments or regions. The addition of French growing media producer TerreauxSTAR to our Horticulture and Agriculture Group and Australian packaging and bulk handling equipment specialist Kockums Bulk Systems to our Industrial Equipment Group are right in line with this strategy.

The acquisition of Manevco, another Québec-based firm, will also play a key role in supporting PT's digital strategy. One of the cornerstones of VISION 2023 is the digital acceleration of Premier Tech, and Manevco's team is bringing years of experience and a solid reputation in the marketplace here in Québec, but also in France and the United States. Now part of Premier Tech Digital, Manevco will speed up our growth in the smart manufacturing market sector and will benefit from strong synergies with our various verticals.

On the partnership front, the strategic alliance with the Germany-based company Petkus is the latest in a long line of business partnerships that have helped anchor and drive PT's development and growth over the years. The alliance adds a strong portfolio of cutting-edge conditioning equipment for seed and grain in the agriculture market sector of our Industrial Equipment Group in North America.

"This year more than ever, Premier Tech allocated the necessary capital to ensure its manufacturing network and facilities were aligned with its strategic plan and global ambitions."

— MARTIN NOËL • NOEM

INVESTING TO SUPPORT VISION 2023

Every year, we invest in our facilities around the world in order to keep up with demand and maintain productivity and competitiveness. Fiscal 2019 saw a higher level of capital being allocated to that end with projects to increase manufacturing capacity and deploy new cutting-edge technologies in Caraquet, New Brunswick, and Mattaponi, Virginia. We were also very proud to commission our brand new plant and office in Jundiai, Brazil, a flagship project that firmly establishes our presence in South America, as well as adding a new assembly hall at one of Industrial Equipment Group's two plants in Rivière-du-Loup, Canada. Together these two projects represented more than $6.5 million in investments.

Furthermore, we consolidated the presence of our Horticulture and Agriculture Group in Europe, with the inauguration of a new headquarters in Vivy, France. We also added some 70 000 sq. ft of office space at the PT Campus in Rivière-du-Loup, Canada. These various projects were designed according to PT's distinctive architectural model to reflect our Culture where we operate around the world. Together these represented more than $16 million in investments.

As it turns out, we aren't the only ones who appreciate the care and attention we put into creating inspiring workspaces for our team members. Québec's Order of Architects singled out our project at the PT Campus for its 2019 Award of Excellence in the administrative building category. Kudos to our architectural and interior design teams for their excellent work and creativity.

Of course, we can't talk about investing for the future without noting our ongoing efforts in Innovation, Research and Development (IR&D) as well as in training. As always, these areas remain a priority at PT. They underpin our ability to keep on making positive contributions for our clients and partners and the people and communities we serve, with innovative products and services that continue fuelling our sustained organic growth. In fact, our Industrial Equipment Group was recognized for such a contribution by Owens Corning, which named it its Innovative Supplier of the Year for 2018.

TACKLING RECRUITMENT CHALLENGES HEAD ON

Like many other companies in Québec, we've been feeling the effects of a tighter labour market. But as a global business headquartered outside a major urban centre, we've always had to be proactive about attracting new talent. This year was no exception, with initiatives like our successful province-wide hiring tour to meet with potential candidates and get the word out about the many career opportunities at PT. Increasingly, we have also been looking beyond Canada's borders to tap into top talent wherever it is to be found — thus adding to the depth and diversity of our global team.

"Attracting skilled talent to the PT Campus in Rivière-du-Loup has always been part of our business model. It used to be about relocating people from Québec City and Montréal — now we're relocating them from the United States, Europe, North Africa, or wherever they live."

— LINE C. LAMARRE • LAML

FISCAL 2020 — A YEAR TO LOOK FORWARD TO

As we turn our gaze to 2020, there's a lot to be excited about. We're eager to see the impact of our latest acquisitions on our performance, coupled with the repositioning of the PT brand and its endorsement of our market-leading product brands. We have also launched a new website to better engage the conversation with clients and talents alike, a key strategy to support future growth.

We are also accelerating the review and overhaul of systems and processes to boost our operational efficiency, accelerate acquisition integration, and foster profitable growth.

As was the case this year, we'll be balancing all these initiatives against the need to deliver the current year top and bottom line and secure the level of service and commitment our clients have come to expect from us. We're heading into fiscal 2020 on a very sound financial footing, and that's in no small part due to the commitment and dedication of our 4 500 team members and the support of loyal PT clients all over the globe. They are what keeps our company healthy and thriving, and we look forward to another great year working with them.

— THE PREMIER TECH LEADERSHIP TEAM

LEADERSHIP TEAM

LEADERSHIP TEAM

BERNARD BÉLANGER

Chairman of the Board
Chief Executive Officer

JEAN BÉLANGER

President
Chief Operating Officer

JEAN-PIERRE BÉRUBÉ

Vice-President
Infrastructure

WILHELM BIELERT

Vice-President
Chief Digital Officer

YVES GOUDREAU

Vice-President
Corporate Development

LINE C. LAMARRE

Senior Vice-President
Organizational Development

MARTIN NOËL

Senior Vice-President
Chief Financial Officer

ANDRÉ NOREAU

President
Industrial Equipment Group

MICHEL NOREAU

Senior Vice-President
Information Systems and Procurement

GERMAIN OUELLET

Senior Vice-President
Human Resources
Corporate Secretary

HENRI OUELLET

President
Environmental Technologies Group

MARTIN PELLETIER

President
Horticulture and Agriculture Group

PIERRE TALBOT

Senior Vice-President
Innovation

Previous spread, from left to right: Pierre Talbot, Jean-Pierre Bérubé, Line C. Lamarre, Yves Goudreau, Martin Noël, Wilhelm Bielert, Jean Bélanger, André Noreau, Henri Ouellet, Germain Ouellet, Michel Noreau, Martin Pelletier and Bernard Bélanger

From left to right: Bernard Bélanger, Pierre Racine, Germain Ouellet, Martin Cauchon, Jean-Yves Leblanc, Jean Bélanger and Gilles Laurin

BOARD OF DIRECTORS

BERNARD BÉLANGER ▲
La Pocatière, Québec

Chairman of the Board
Chief Executive Officer
Premier Tech

JEAN BÉLANGER
Notre-Dame-du-Portage, Québec

President
Chief Operating Officer
Premier Tech

HON. MARTIN CAUCHON ▲
Montréal, Québec

Executive Chairman
Groupe Capitales Médias

GILLES LAURIN ▲ •
Durham-Sud, Québec

Corporate Director
Chairman, Human Resources Committee
Will retire from the Board of Directors
as of July 11, 2019

JEAN-YVES LEBLANC •
Ville Mont-Royal, Québec

Corporate Director
Lead Independent Director
Chairman, Audit and Corporate Governance Committee

GERMAIN OUELLET
Saint-Hubert-de-Rivière-du-Loup, Québec
Senior Vice-President Human Resources
Premier Tech
Corporate Secretary

PIERRE RACINE •
Pointe-Claire, Québec

Corporate Director

▲ Human Resources Committee member
• Audit and Corporate Governance Committee member

FINANCIAL REVIEW

FISCAL 2019: A YEAR OF GROWTH

Fiscal year 2019 is in line with the long-term development and sustainable growth plan Premier Tech has been implementing for over 25 years, yielding a satisfactory performance in the eyes of our Leadership Team.

The Company posted a higher-than-budgeted increase in revenues with earnings up 11.2%, while at the same time reporting operational earnings before interest, tax, depreciation, and amortization (operating EBITDA) of 8.8%. These results came against a background of sustained organic growth and competitive challenges in various market segments worldwide.

Again this year, Premier Tech's organic growth exceeded external growth, despite five acquisitions completed by the Company during fiscal year 2019. These transactions contributed to its fiscal year 2019 results on average for a period of ten months, bringing the Company's acquisition growth to approximately $24 million, compared to approximately $65 million in organic growth.

Over the past five years, Premier Tech has maintained a ratio of 64% in organic growth to 36% in growth through acquisitions, which is in line with its IR&D investment and acquisition growth strategy and gives the Company momentum to achieve the objectives set out in its VISION 2023. All together, the Company has generated $357.6 million in total revenue growth since 2014, which represents a compound annual growth rate (CAGR) of 11% over the period.

We are entering fiscal year 2020 with considerable velocity in our various market segments and very healthy level of booked orders in all of our Business Units. Our next fiscal year budget forecasts $920 million in sales, representing projected growth of $37.3 million, or 4.2%, before any additional external growth.

With respect to our financial performance, we estimate an operating EBITDA in the range of 9.1% to 9.3% for fiscal year 2020, representing an improvement both in absolute figures and as a percentage of revenues.

FORWARD-LOOKING STATEMENTS

FISCAL YEAR ENDED MARCH 2, 2019

The Premier Tech Report includes forward-looking statements regarding the objectives, projections, estimates, expectations and forecasts of the Company or management. These statements are indicated by positive or negative verbs such as believe, plan, estimate, expect and assess, or by related expressions.

The Company cautions that, by their very nature, forward-looking statements involve major risks and uncertainties, which means that the Company's activities or results could differ substantially from what is indicated, whether explicitly or implicitly, in such statements.

Earnings before interest on the long-term debt, interest and bank charges, income taxes on earnings, depreciation and amortization (earnings before interest, tax, depreciation and amortization: EBITDA) is a measurement that has no standardized definition under the Canadian Accounting Standards for Private Enterprises (ASPE). It is included in this Premier Tech Report to provide readers with additional information about the evolution of the results of the Company's operations.

Unless otherwise indicated, all amounts are expressed in Canadian dollars.

EXTERNAL FACTORS TO CONSIDER

As a business operating in several different sectors, Premier Tech is subject to many external factors that must be taken into consideration to ensure that the Company continues to grow and to generate a satisfactory financial performance. These external factors include credit risk management, exchange rates, interest rates, weather conditions, general economic factors, the competition, and various other operational and financial risks.

As such, the Company must not only be forward-looking and proactive, but also adapt to the conditions — whether economic, climatic, operational or competitive — in the markets it services.

OPERATING RESULTS

EVOLUTION OF SALES

Consolidated sales for the fiscal year ended March 2, 2019, reached $882.7 million, which represents an increase of $89.1 million, or 11.2% of sales, compared to the $793.6 million reported for the preceding 12-month period. This growth was generated by business acquisitions made during fiscal years 2018 and 2019 in the amount of $23.9 million, and by organic growth in the amount of $65.2 million, or 8.2% of organic growth compared to the previous fiscal year's sales. This performance follows a growth of 9.8% in fiscal year 2018, yielding compounded annual growth of 10.5% over the past two years.

SALES GROWTH

$89.1M

↑ 11.2%

In fiscal year 2019, the Company reported an 18.1% increase in sales (25.5% in 2018) for its Industrial Equipment Group (IEG), a 6.5% increase (19.7% in 2018) for its Environmental Technologies Group (ETG), and a 4.7% increase (-4.1% in 2018) for its Horticulture and Agriculture Group (GHA).

EVOLUTION OF ASSETS TO SALES RATIO

From $0.94 in total assets at year-end for each dollar of sales reported in fiscal year 2014, the Company has progressively improved asset use, reporting $0.82 in total assets for each dollar generated in 2019. About $0.05 of the $0.12 per sales dollar decrease came from the decrease in the working capital asset ratio per sales dollar, while the remaining $0.07 came from the decrease in the long-term asset ratio per sales dollar, reflecting better use of the production capacity and assets available to the Company. Moreover, total assets as a percentage of sales at the end of 2019 were down by almost $0.01 over the end of 2018.

$0.82

TOTAL ASSETS PER 2019 SALES DOLLAR

$0.94

TOTAL ASSETS PER 2014 SALES DOLLAR

$0.12

IMPROVEMENT IN THE USE OF ASSETS PER SALES DOLLAR

FINANCIAL HIGHLIGHTS
2009 vs 2019

SALES

OPERATIONAL EBITDA

TEAM MEMBERS

MANUFACTURING FACILITIES

SALES

$882.7M

2019 EBITDA

$77.7M

TOTAL GROWTH OVER 5 YEARS

$358.1M

64% ORGANIC

36% BY ACQUISITION

EBITDA GROWTH SINCE 2014

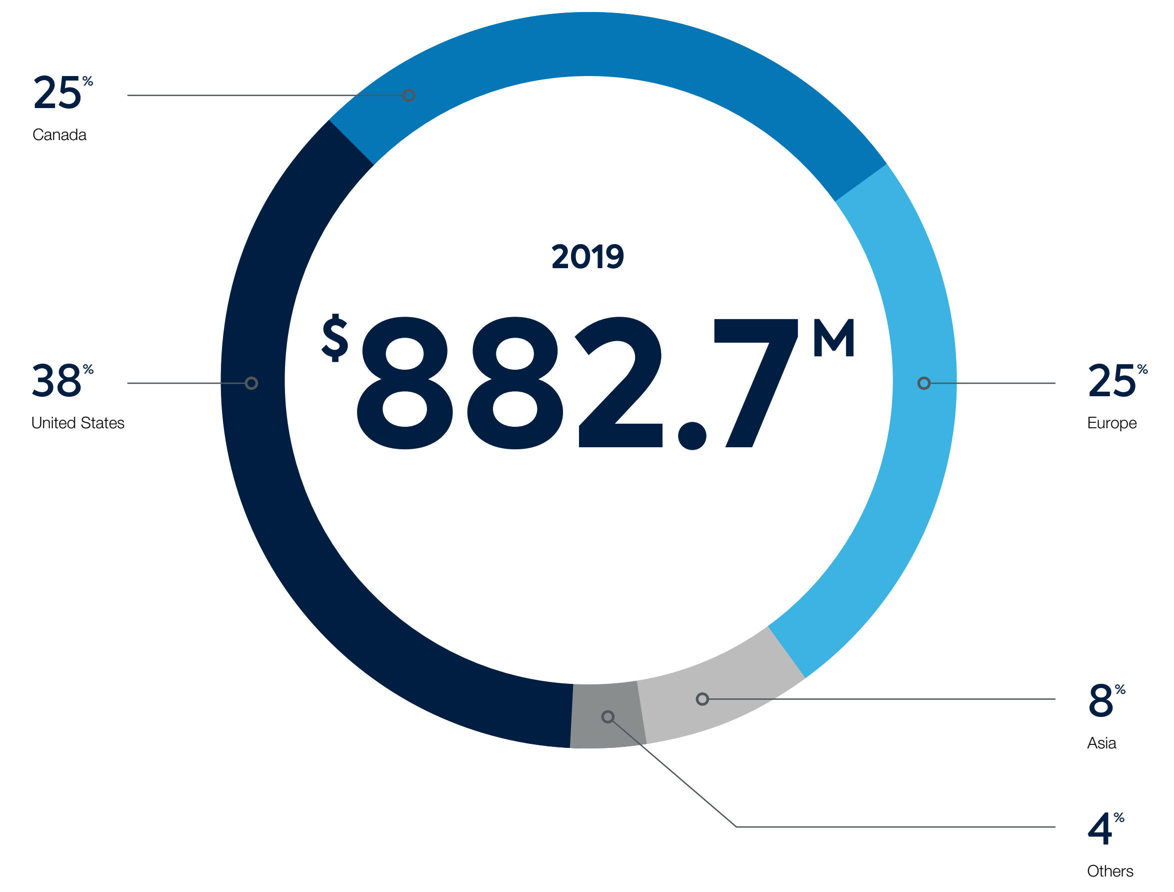
$29.7M

GEOGRAPHIC DISTRIBUTION OF SALES

GHA generated nearly 12% of its sales in the European Union in 2019, compared to 11% in 2018, due to the 2019 acquisition of TerreauxSTAR. In consequence, North American sales went from 89% in 2018 to 88% in 2019, including approximately 42% in the United States and 45% in Canada. As most of GHA's North American manufacturing operations are in Canada, this means that GHA is primarily exposed to fluctuations in the exchange rate of the US dollar against the Canadian dollar, and to a much lesser extent, of the euro against the Canadian dollar.

IEG generated approximately 67% of its sales in North America (67% in 2018), and is therefore exposed to variations in the exchange rate of the US dollar against the Canadian dollar, since most of its manufacturing takes place in Canada whereas the majority of its sales are made in US dollars. Europe represented approximately 23% of IEG's sales (25% in 2018), whereas Asia and Oceania accounted for about 10% (8% in 2018), thanks to organic growth and the acquisition of Melbourne, Australia–based Kockums Bulk Systems early in fiscal year 2019.

ETG, which generated some 25% of its sales in North America (27% in 2018), about 65% in Europe (64% in 2018) and approximately 10% in Asia (9% in 2018), had relatively few exchange rate variations to deal with since its revenues, expenses and investments were almost in balance in each of the four main currencies in which it operates. It should be noted that ETG is the only PT Group that has larger sales and manufacturing operations in Europe than in North America.

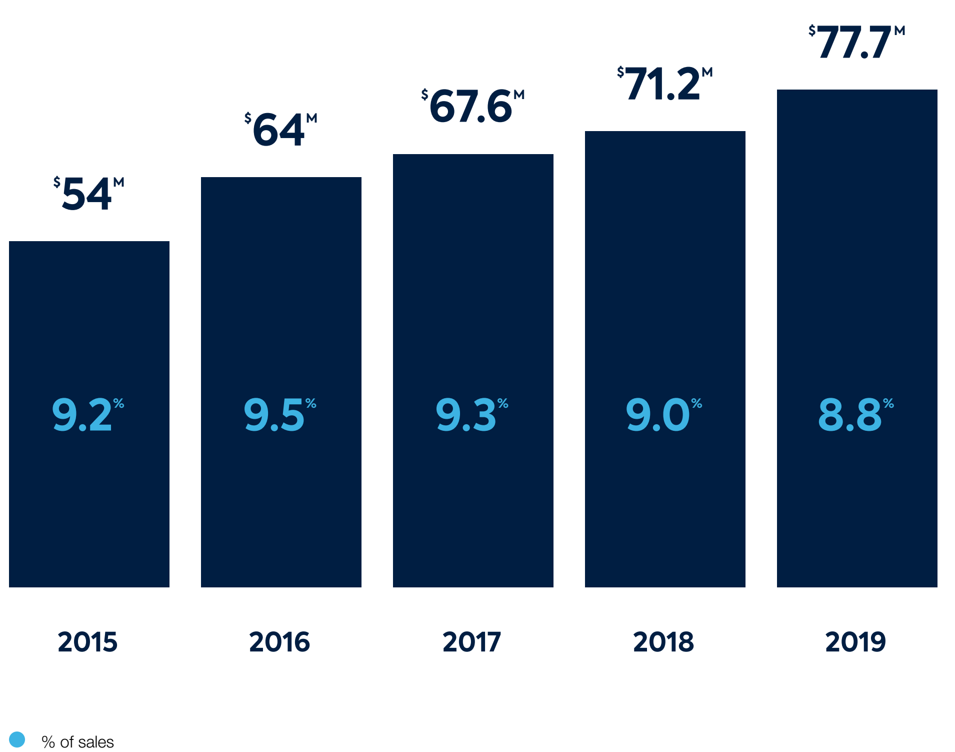


OPERATING EXPENSES AND EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

In 2019, operating expenses, net of other income but excluding the impact of exceptional items, represented 91.2% of sales, compared to 91% in 2018, 90.7% in 2017, 90.5% in 2016, and 90.8% in 2015.

This translates into a slight decrease in the Company's financial performance as a percentage of sales over the past two fiscal years compared to the three previous fiscal years.

OPERATING EBITDA



EVOLUTION OF OPERATING EBITDA

At the same time, operating EBITDA increased by $6.5 million to $77.7 million as of March 2, 2019, compared with $71.2 million for the previous year and $67.6 million for fiscal year 2017.

The Company has seen operating EBITDA grow by some $10.1 million over the past two years, and $13.7 million over the past three years, a percentage increase of 14.9% and 21.4% respectively.

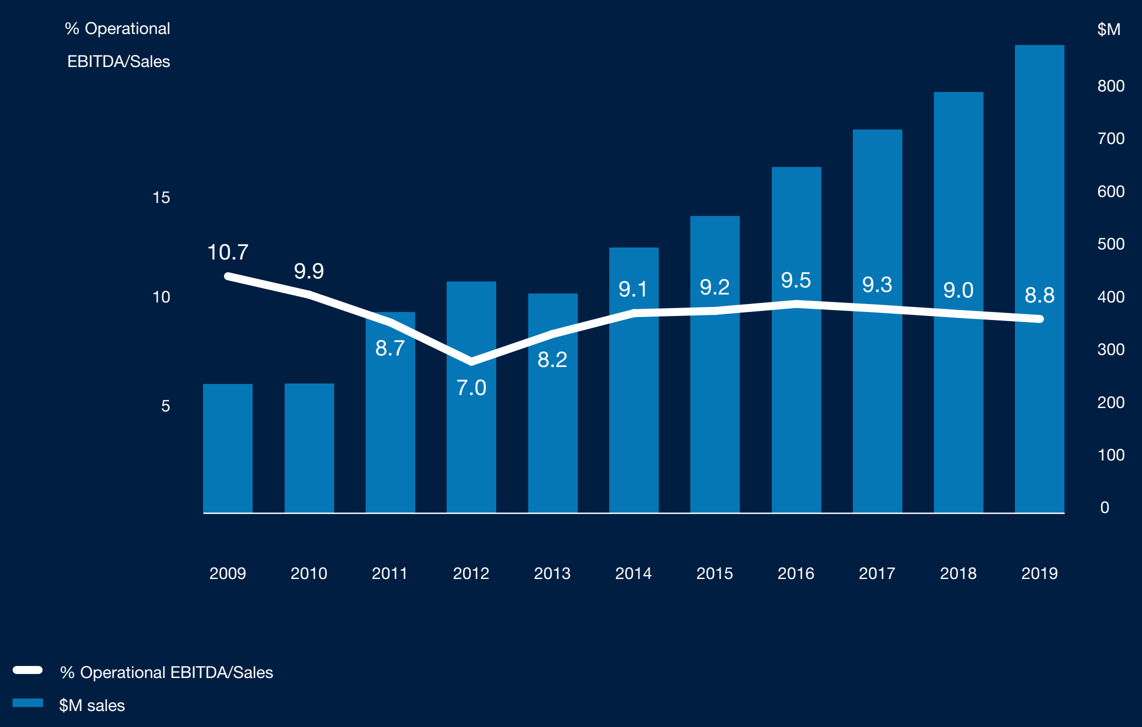
In 2009 and 2010, Company sales in dollars were relatively stable, despite an increase of shipments which were negatively affected by adverse exchange rate fluctuations. A period of sustained growth then followed from 2011 to 2019, both in volumes shipped and in dollars. Over the 2009–2019 period, operating EBITDA as a percentage of sales fluctuated from 10.7% in 2009 to a low of 7% in 2012 before rising steadily from 2013 to 2016, when it reached 9.5%. The last three fiscal years have seen a slight decrease — to 9.3%, 9%, and 8.8% respectively.

Changes in sales distribution and financial performance in the industries the Company operates in explain the change in operating EBITDA as a percentage of sales. The Company is deploying a variety of initiatives aimed at bringing operating EBITDA back above 10% of sales, in accordance with the objective the Leadership Team set in VISION 2023.

OPERATING EBITDA

8.8%

SALES AND OPERATING EBITDA



WORKING CAPITAL AND TOTAL ASSETS

Working capital grew steadily from 2009 to 2012, and has since remained fairly stable in dollars, varying between $70 million and $83 million.

Working capital as a percentage of annual sales fluctuated between 9.9% and 17.2% between 2009 and 2018, with exceptional peaks in 2010 and 2012. In 2010, the Company reclassified a long-term investment as a short-term investment, and in 2012, the Company completed a refinancing operation that saw $42 million in term loans put in place, leading to an equivalent working capital injection. The Company's use of working capital improved between 2013 and 2018, falling as a percentage of annual sales by 39%, from 16.2% in 2013 to 9.9% in 2018.

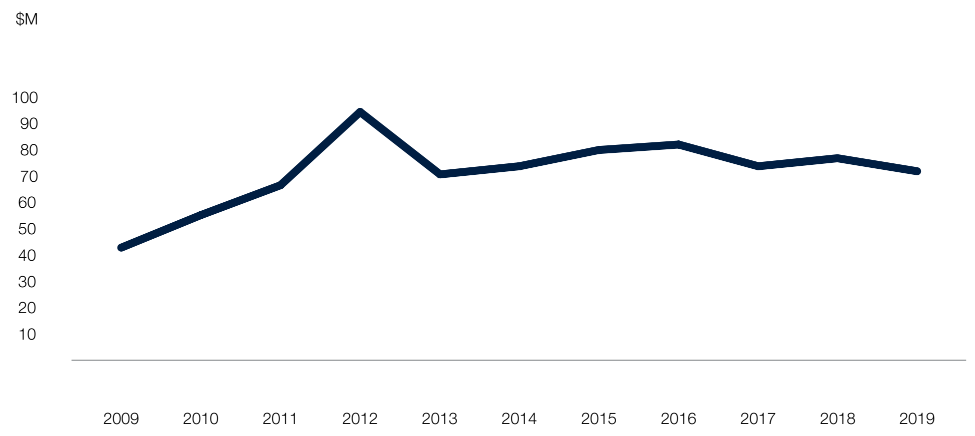
The notable decrease in working capital as a percentage of annual sales between 2018 (9.9%) and 2019 (8.3%) is the direct result of the temporary financing of about $18 million in capital asset acquisitions through the operating line of credit. These acquisitions will be refinanced as long-term debt in the first half of fiscal year 2020. Had refinancing been completed during the final quarter of fiscal year 2019, working capital would have been $89 million, presenting a slight increase as a percentage of annual sales at 10.3%.

Furthermore, the Company's business model is stable, resulting in relatively constant proportions of long-term and short-term assets use.

SALES

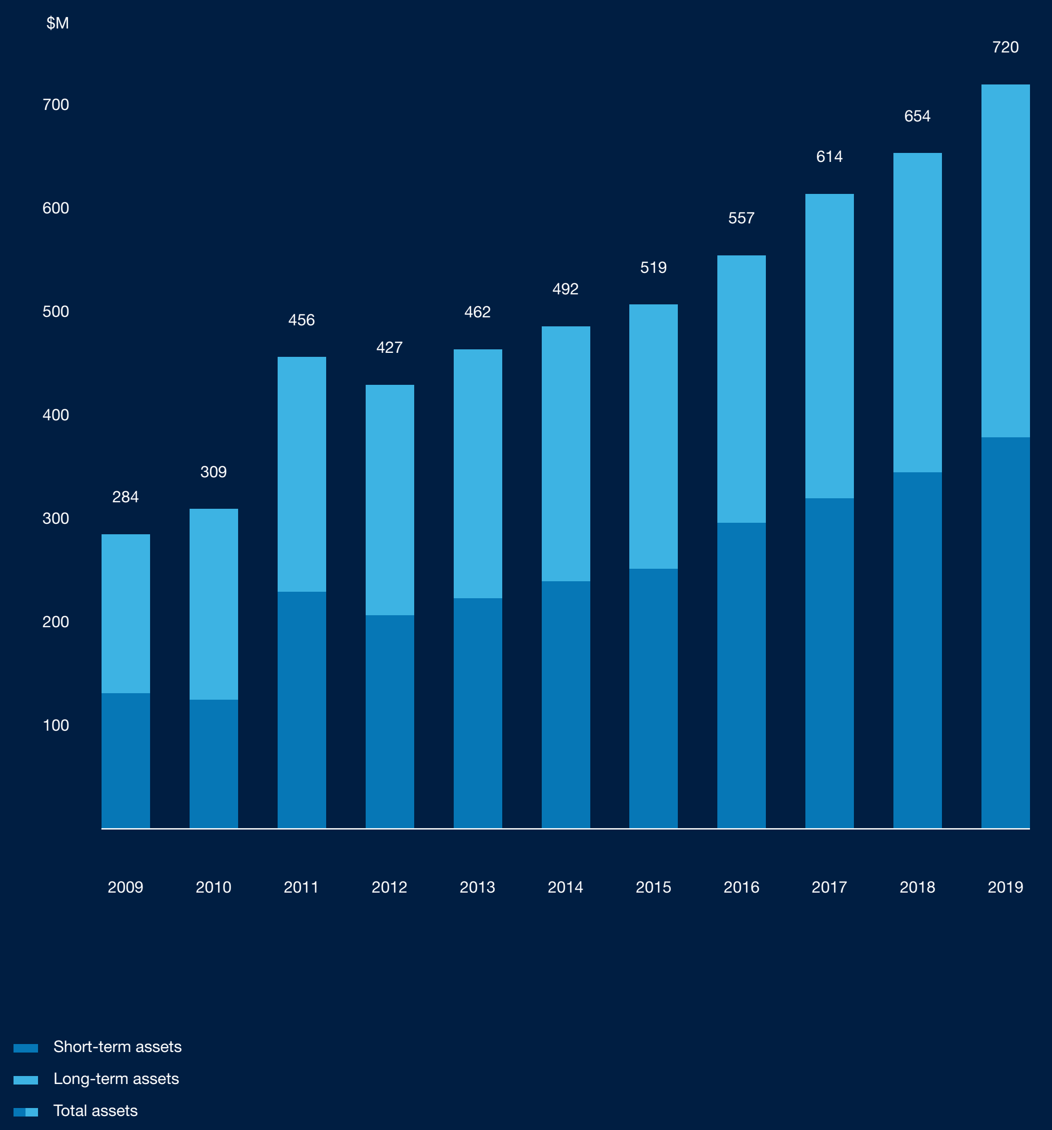
$882.7M

WORKING CAPITAL



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WC	45	57	68	95	72	75	81	83	75	78	73
WC ratio	1.52	1.83	1.42	1.85	1.47	1.43	1.42	1.39	1.31	1.29	1.24
WC as % of sales	17.2	21.7	16.9	21.3	16.2	14.3	13.8	12.3	10.4	9.9	8.3

TOTAL ASSETS



FINANCING AND OUTLOOK

During fiscal year 2019, aside from the 0.2% decline in operating EBITDA as a percentage of sales, the Company's overall financial performance was in line with the expectations of its shareholders and financial partners. As of March 2, 2019, the Company met all ratios applicable under its financing agreements. Management also expects that it will continue to meet these and other obligations related to its financing agreements throughout the next fiscal year ending February 29, 2020. Management also believes that the Company's existing and future sources of financing will allow it to pursue its operations, investment, and Innovation, Research and Development (IR&D) activities in accordance with its VISION 2023.

LINE OF CREDIT FINANCING

In fiscal 2019, the average use of the operating lines of credit stood at $63 million ($51 million in 2018 and $42 million in 2017). The significant increase between 2017 and 2018 (over $9 million) and between 2018 and 2019 (over $12 million) resulted mainly from the temporary financing through the operating line of credit of the purchase price of certain business acquisitions as well as major fixed asset acquisitions realized during fiscal years 2018 and 2019, whereas long-term financing was disbursed at the end of the 2018 and 2019 fiscal years, and will be in the first half of fiscal year 2020. As of March 2, 2019, the Company had an authorized operating line of credit with a limit varying between $80 million and $105 million, depending on the time of year, from the Canadian Imperial Bank of Commerce and BMO Bank of Montreal. This operating line of credit was renewed for a five-year term on January 31, 2018. Further to this renewal, the Company secured the possibility of obtaining loans in euros and pounds sterling in addition to maintaining the possibility of borrowing in Canadian and US dollars. This line of credit also includes the option of increasing the authorized limit to $150 million, provided there are sufficient securities with regard to inventories and accounts receivable. The operating line of credit thus has the necessary features to allow the Company to cover its financial needs in a context of sustained growth and the pursuit of its operations and investment activities. Considering its expected growth, various business acquisitions, and other investment projects financed in whole or in part using the net availability from the line of credit during fiscal years 2018 and 2019, and absent any additional business acquisitions funded through the line of credit in 2020, the Company foresees that average use of its operating line of credit will amount to approximately $56 million in fiscal year 2020. Net availability from the operating line of credit in fiscal year 2020 is expected to average $46 million ($34 million in 2019), which provides the Company with ample leeway to meet the seasonal needs of its various Business Units, and still have sufficient financial resources at its disposal to take advantage of any business opportunities that may come its way.

LONG-TERM DEBT FINANCING

On February 28, 2018, the Company put in place an enhanced $165 million credit facility with its principal term lenders — Farm Credit Canada, Roynat Capital and Business Development Bank of Canada — and received $16.5 million, bringing the total amount disbursed to the Company by these lenders to $100 million.

An additional $25 million was disbursed to the Company on November 29, 2018, and allocated to working capital in order to refinance business and fixed asset acquisitions transacted in fiscal years 2018 and 2019. The balance of $40 million represents a pre-approved term loan to be used to finance business acquisitions by February 2021. A $25 million tranche of these loans is subject to a four-year moratorium on capital repayment and will subsequently be repayable annually based on the excess cash flows generated by the Company, with any remaining balance on the $25 million being due on the 12th anniversary of the disbursement. The $140 million balance of the loan is repayable monthly in equal capital installments over a twelve-year period from the date of disbursement. As of March 2, 2019, the balance due with respect to this credit facility amounted to $116.7 million out of the $125 million cashed to date by the Company.

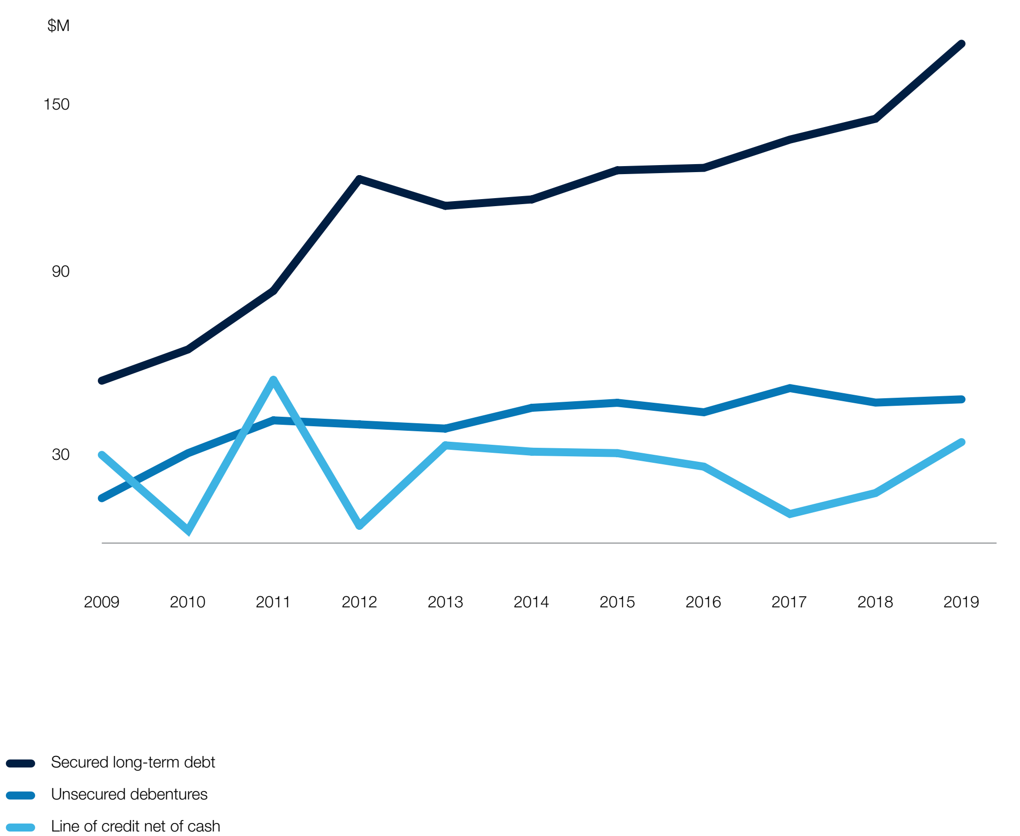
On February 14, 2018, the Company and Fonds de solidarité FTQ agreed to consolidate outstanding unsecured debentures totaling $46.9 million to allow for repayment over a seven-year period through monthly capital installments of $400,000 plus interest, with the balance of $13.3 million being repayable in February 2025. On the same date, the Company concluded an additional $25 million pre-authorized financing agreement with Fonds de solidarité FTQ in the form of unsecured debentures to finance, in part, business acquisitions the Company will realize by February 2021. On February 27, 2019, $6 million has been disbursed, leaving $19 million available on this credit facility.

In fiscal year 2016, the Company secured a loan of €6 million (±$8.5 million) from HSBC Bank and the Banque publique d'investissement from France to facilitate the development of its Environmental Technologies Group in France, both through working capital support and financing additional production capacity. The transaction was also designed to help the Company develop local sources of financing in jurisdictions where it is active, thereby diversifying its financing base and creating a natural hedge for cash flows generated in foreign currencies.

On November 14, 2017, the Company signed an eight-year interest-free term financing agreement with the Government of Québec for an amount of up to $18 million. The annual payouts from Investissement Québec under the agreement will depend on the fixed asset investments made as part of the Company's AVENIR program, which calls for $53.5 million in capital investments between November 2016 and October 2019. The first payout request on this loan was made in the fall of 2018, with an amount of approximately $11 million to be disbursed in the first half of fiscal year 2020.

In fiscal year 2019, the Company collected $7 million out of a $12 million loan granted by Caisse centrale Desjardins for the construction of an office building that the Company is occupying since September 2018. The balance of the loan ($5 million) will be disbursed in the first half of fiscal year 2020.

EVOLUTION OF THE INTEREST-BEARING DEBT



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MAIN FINANCIAL PARTNERS

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BMO BANK OF MONTREAL

BUSINESS DEVELOPMENT BANK OF CANADA

CAISSE CENTRALE DESJARDINS

CANADIAN IMPERIAL BANK OF COMMERCE

EXPORT DEVELOPMENT CANADA

FARM CREDIT CANADA

FONDS DE SOLIDARITÉ FTQ

HSBC BANK

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