

AGCO Corp (Q4 2025 Earnings)

February 5, 2026

Corporate Speakers:

- Greg Peterson; AGCO; Head of Investor Relations
- Eric Hansotia; AGCO; Chairman, President, Chief Executive Officer
- Damon Audia; AGCO; Senior Vice President, Chief Financial Officer

Participants:

- Stephen Volkmann; Jefferies; Analyst
- Kristen Owen; Oppenheimer; Analyst
- Mircea Dobre; Baird; Analyst
- Jamie Cook; Truist; Analyst
- Jerry Revich; Wells Fargo; Analyst
- Tami Zakaria; JPMorgan; Analyst
- Esther Osinaiya; Morgan Stanley; Analyst

PRESENTATION

Operator^ Good day. And welcome to the AGCO 2025 Fourth Quarter Earnings Call.
(Operator Instructions)

Please note this event is being recorded.

I would now like to turn the conference over to Greg Peterson, AGCO Head of Investor Relations.

Please go ahead.

Greg Peterson^ Thanks. And good morning. Welcome to those of you joining us for AGCO's fourth quarter 2025 earnings call.

We will refer to a slide presentation this morning is posted on our website at www.agcocorp.com.

The non-GAAP measures used in the slide presentation are reconciled to GAAP measures in the appendix of the presentation.

We will make forward-looking statements this morning including statements about our strategic plans and initiatives, as well as our financial impacts, demand, product development and capital expenditure plans and timing of those plans and our expectations concerning the costs and benefits of those plans and timing of those benefits.

We will also cover future revenue, crop production, farm income, production levels, price levels, margins, earnings, operating income, cash flow, engineering expense, tax rates and other financial metrics.

All of these forward-looking statements are subject to risks that could cause actual results to differ materially from those suggested by the statements.

These risks are further described in the safe harbor included on Slide 2 and in the accompanying presentation.

Actual results could differ materially from those suggested in these statements.

Further information concerning these and other risks is included in AGCO's filings with the SEC including its Form 10-K and subsequent Form 10-Q filings.

AGCO disclaims any obligation to update any forward-looking statements except as required by law.

We will make a replay of this call available on our corporate website later today.

On the call with me this morning is Eric Hansotia, our Chairman, President and Chief Executive Officer; as well as Damon Audia, our Senior Vice President and Chief Financial Officer.

With that, Eric please go ahead.

Eric Hansotia^ Thanks, Greg. And good morning to everyone joining us today.

We closed the year with another strong quarter, delivering an adjusted operating margin of 10.1% and fourth quarter net sales of \$2.9 billion which were up 1% year-over-year or up nearly 4%, excluding the Grain & Protein divestiture. EME continued to be a powerful driver, delivering 8% growth and extending its multi-quarter record of strong performance.

On a full year basis, we delivered a 7.7% adjusted operating margin. Adjusted earnings per share were \$5.28 on sales of \$10.1 billion, reflecting a 13.5% decrease versus 2024 or just 7%, excluding the divested Grain & Protein business.

These results highlight the disciplined execution of our global teams, driven by our three high-margin growth levers, sustained cost discipline and the positive impact of our multiyear structural transformation.

We operated at intentionally low production levels and despite a soft market environment that weighed on industry demand, we ended the year with significantly lower company and dealer inventories compared to 2024, a favorable outcome that strengthens our position and demonstrates meaningful progress.

Our adjusted operating margins are among the best in AGCO's history and the strongest we've ever delivered at this point in the cycle.

We have nearly doubled our adjusted operating margins from prior troughs and are close to prior industry peaks, clear evidence that AGCO has structurally changed to a higher performing and more profitable company.

I want to thank the AGCO team for their disciplined commitment and impressive execution throughout the year. Their agility allowed us to maintain solid performance, repeatedly exceed our expectations and continue advancing our Farmer First priorities.

Building on the transformational actions taken in 2024 including the formation of the PTx business and the divestiture of the majority of Grain & Protein business, 2025 was a year focused on advancing our strategic ambitions in agriculture machinery and precision technology.

Our redefined portfolio and focus are where AGCO wants to be, poised to continue serving farmers and investors better than anyone else when demand strengthens.

Our PTx brand continued to gain significant momentum. During 2025, we introduced 14 new products across the crop cycle expanding the industry's most comprehensive retrofit precision ag portfolio.

We also made substantial progress expanding our dealer network, ending the year with more than 70 global PTx Elite dealers, more than doubling the amount from the start of the year. These dealers sell both Precision Planting and PTx Trimble products, enabling us to broaden product coverage and deepen customer engagement. This independent retrofit network focused on the mix fleet remains an absolute clear differentiator, providing the comprehensive product expertise and the broad equipment compatibility that today's farmers require.

These PTx Elite dealers are supported by more than 300 Fendt, Massey Ferguson, Valtra equipment dealers, 200 CNH dealers, alongside continued sales to more than 100 OEM customers.

This expanding footprint is strengthening our global market presence, increasing the number of farmers we can reach with our industry-leading smart farming solutions.

Fendt delivered a standout year of market performance in almost every region. In North America, we gained large ag market share, underscoring the strength of Fendt portfolio and the power of our team of experts and dealers.

With some of our largest dealers switching to the IDEAL combine last year it further emphasized the strength of the Fendt full line product offering and our ability to accelerate our performance when North American large ag begins to recover.

Our parts and service business continued to perform well across challenging market conditions. The FarmerCore model, combined with digital engagement, 24/7 online parts access, machine configuration tools, servicing capabilities and industry-leading parts fill rates, continues to support this high-margin growth lever and drive meaningful progress.

Strong execution also drove meaningful cost actions in 2025, resulting in a \$65 million bottom line savings through continued operating efficiency across the organization, reflecting a real focus on performance improvement. We anticipate a further \$40 million to \$60 million of incremental savings in 2026.

Our overall confidence in the business is reflected in \$250 million of share repurchases in the fourth quarter, part of our \$1 billion capital return program announced last year.

As we look at 2026, we will continue to navigate a dynamic phase of the industry cycle.

Trade patterns and record global crop production continue to compress farm margins with corn, soybean and wheat prices near breakeven levels. Despite this environment, our operational discipline positions us well for continued progress.

Over time we continue to expect increased adoption of precision ag technologies as farmers constantly look for ways to profitably increase yields. Entering 2026, current market conditions continue to moderate demand across most equipment categories, yet we remain able to advance our technology strategy and expect long-term positive industry progress.

Slide 4 details industry unit retail sales by region for 2025.

Industry retail sales across all major regions were lower in 2025 as the market adjusted following several years of elevated demand.

In North America, industry retail tractor sales were 10% lower compared to 2024, with larger horsepower categories accounting for a greater portion of the change as the year progressed. Combine unit sales were 27% lower year-over-year. Current farm income dynamics, evolving grain export demand and elevated input costs continue to guide purchasing behavior, particularly for larger equipment heading into 2026.

In Western Europe, industry retail tractor sales were 7% lower than 2024, with most major markets experiencing double-digit percentage movements. Looking at 2026, relatively stable farm income levels and an aging equipment fleet are expected to support industry volumes growing modestly above the 2025 levels.

In Brazil, industry retail tractor sales were 2% lower than the prior year. Growth in smaller and mid-size equipment partially offset the moderation in larger tractor categories. While crop production remains healthy and certain trade developments

provided opportunities for farmers, demand for larger equipment has not yet shown renewed growth.

As in prior cycles, industry demand is expected to recover over time. While farmers are currently prioritizing productivity improvements across their existing fleets, the need to increase yields and meet global agricultural demand remains unchanged. Precision agriculture plays a critical role in enabling that productivity and our award-winning portfolio positions AGCO well to capitalize on that long-term opportunity.

AGCO's factory production hours for 2025 are shown on Slide 5. To ensure year-over-year comparability, Grain & Protein production hours have been excluded from the 2024 baseline.

Fourth quarter production hours were modestly higher than 2024 as increases in Europe and South America more than offset the significant production declines in North America.

For the full year, total production hours were down 12% versus 2024, with North America accounting for the largest portion of that adjustment reinforcing our disciplined approach to balancing output and market needs.

For 2026, we expect production hours to be broadly flat year-over-year with a modest lift in the first half reflecting easier year-over-year comparisons and a modest decline in the second half. This cadence ensures production remains well aligned with retail demand and supports ongoing dealer inventory normalization.

Turning to regional inventories.

In Europe, we ended 2025 with dealer inventories at approximately four months of supply, aligned with our target levels. Being at these inventory levels in our largest and most profitable region is an important positive, especially with the industry projected to grow in 2026.

In South America, dealer inventories increased modestly to about five months relative to our 3-month target. This reflects adjustments to lower forward sales expectations as industry conditions evolved during the fourth quarter. However year-end dealer inventory units were down modestly from the third quarter levels.

In North America, we achieved another quarter of sequential progress in inventory management, ending the year at seven months of supply compared to eight months at the end of the third quarter. While still above our 6-month target, we reduced dealer inventory units by over 9% during the quarter, and by more than 30% for the full year. We have significantly strengthened the quality of our channel inventory heading into 2026, and we will continue to adjust production to better align dealer inventory levels.

Slide 6 summarizes how our strategy continues to deliver even in a muted demand environment.

Over the past several years, we've reshaped AGCO into a more resilient, higher-performing company, one that generates stronger margins at the trough and greater earnings power through the cycle. The results we delivered in 2025 are clear proof of that.

Our three growth levers, high-margin products, technology-driven differentiation and a world-class aftermarket business, continued to perform well this year. Each of them contributed meaningfully despite the softer industry backdrop demonstrating that our model scales regardless of where we are in the cycle. This framework is also what positions us and gives us confidence to consistently deliver mid-cycle adjusted operating margins in the 14% to 15% range.

It's a structurally different AGCO. More focused on innovation, more disciplined on costs and investments and increasingly driven by high-value revenue streams.

Finally, the strength of this model supports 75% to 100% free cash flow conversion. That financial capacity allows us to keep investing in innovation, advancing our go-to-market transformation and returning capital to shareholders, all while maintaining disciplined operational execution.

Taken together, these levers explain why AGCO is executing at a higher level today than ever before at this point in the cycle and why we're well positioned to outperform as the cycle normalizes.

Slide 7 highlights key takeaways from our premier precision ag event, PTx's 2026 Winter Conference. It's an event that brings together thousands of farmers and dealers on site and virtually, and this year was the first showing of the full breadth and depth of the PTx portfolio.

More than 4,000 farmers, most under enormous pressures currently, focused on learning practical solutions and strategies with technologies that can be implemented immediately to improve productivity, efficiency and returns, a high-value opportunity in today's market environment.

As you would expect, the feedback on the event and new product introductions was exceptional as farmers could clearly see how we are innovating to make them more productive and more profitable.

This year, three technologies delivered notable impact.

First, SymphonyVision, our vision-based spray technology uses intelligent cameras to continuously adjust application rates based on weed severity, delivering a 60% chemical and cost savings. This year, we introduced SymphonyVision | Duo, a dual nozzle system

that allows farmers to spot spray contact herbicides, while simultaneously variable rate applying residuals, fertilizers or fungicides in a single pass, supporting better input management and higher field efficiency.

This is a one-of-a-kind injection system that mixes the solutions not only delivers meaningful cost savings from reduced chemical usage, but also delivers significantly higher uptime for farmers that other systems just can't offer.

As with our broader Precision Planting portfolio, farmers own the technology with no per acre recurring fees, reinforcing a strong value proposition.

Second is ArrowTube, a breakthrough seed delivery system designed to improve plant orientation at placement. Conventional systems drop seeds randomly into the furrow which can lead to uneven emergence and leaf alignment. ArrowTube places seeds in an optimal orientation while controlling depth, spacing and singulation, enabling each plant to capture more sunlight and reach its yield potential, a clear productivity advantage. When you think about the significant yield decline for plants that emerge just 48 hours later than the others, the opportunity is huge for our farmers.

Third is FarmENGAGE, launched in 2025, our farmer-facing digital platforms integrate machine connectivity, agronomic insights and task management across brands and platforms.

FarmENGAGE brings together functionality from AGCO Connect and Fendt one and will be included in all model year 2026 Fendt and Massey Ferguson machines sold in North America, serving as a central hub for day-to-day farm operations.

Each of these innovations reflect how we listen to the farmer to understand the issue, then deliver practical scalable solutions that address real on-farm needs and help farmers operate with greater productivity, efficiency and profitability.

I couldn't be more excited about the portfolio of award-winning products we have for our farmers, and as I look forward to further introductions later this year I'm even more confident that we will continue to be the most farmer-focused company in the industry, offering industry-leading smart farming solutions.

With that, I'll turn the call over to Damon to cover the financials in more detail.

Damon Audia^ Thank you, Eric. And good morning, everyone. Slide 8 provides an overview of regional net sales performance for the fourth quarter and full year.

Net sales for the fourth quarter were 3% lower year-over-year, excluding the favorable impact of currency translation.

For comparability, we also excluded the \$75 million of sales associated with the divested Grain & Protein business in the fourth quarter of 2024.

Breaking fourth quarter net sales down by region.

Europe Middle East net sales were 1% lower than the same period in 2024, excluding currency impacts. Lower sales across many Western European markets were partially offset by growth in Germany and the U.K. Lower sales in tractors were partially offset by better performance in hay tools.

South America net sales were 9% lower, excluding currency translation. Results reflected moderate industry demand with reduced sales of tractors and implements offset in part by growth in combines.

North American net sales were down 9%, excluding currency translation. Results reflected moderated industry demand and our deliberate production discipline to support dealer inventory normalization. Lower sales of sprayers and mid-range tractors accounted for most of the year-over-year change.

Asia Pacific Africa net sales were up 3%, excluding currency translation impacts. Higher sales in Australia were partially offset by lower sales across several Asian markets.

Finally, consolidated replacement part sales were \$440 million in the fourth quarter, up 5% year-over-year on a reported basis and down 1% excluding favorable currency translation.

For the full year, parts revenue was \$1.9 billion, reflecting 2% growth on a reported basis and flat growth, excluding favorable currency effects, underscoring the strong value and consistent progress of this important growth driver.

Turning to Slide 9. The fourth quarter adjusted operating margin was 10.1%, up 20 basis points from the prior year. The improvement reflects excellent and resilient performance in Europe Middle East again this quarter and consistent discipline across other parts of our business.

Margin performance continued to be shaped by factory under absorption and discounting across the industry. Despite that environment, higher sales and production volumes in Europe and our continued cost discipline supported better total company adjusted operating margins during the quarter.

By region.

Europe Middle East income from operations increased by \$57 million compared to the fourth quarter of 2024, with operating margins approaching 17%. Results were driven by effective pricing execution and a favorable sales mix.

North America income from operations decreased by \$33 million year-over-year and operating margins remain below breakeven. The results reflect lower sales volume and

factory under absorption associated with reduced production levels of over 50% aligned with dealer inventory normalization, representing disciplined management of this business.

South America operating income was \$21 million lower than the prior year, with margins nearing 3%, reflecting lower sales and higher engineering expense.

Asia Pacific Africa delivered relatively flat operating income with operating margins near 8%, supported by effective cost management and lower SG&A expenses.

Slide 10 shows our full year free cash flow for 2024 and 2025.

As a reminder, free cash flow represents cash provided by or used in operating activities less purchases of property, plant and equipment. Free cash flow conversion is calculated as free cash flow divided by adjusted net income, offering a clear and consistent measure of performance.

We generated record free cash flow of \$740 million in 2025, up more than \$440 million versus 2024. This strong improvement was supported by better working capital execution, higher fourth quarter sales and lower capital expenditures year-over-year, reflecting effective operational discipline.

Our capital allocation priorities remain consistent: reinvest in the business, maintain our investment-grade credit profile, consider acquisitions where we can accelerate technology adoption, and return capital directly to our shareholders, a framework that continues to deliver favorable long-term outcomes.

Following the TAFE resolution last year, we've shifted our philosophy on direct returns to investors with a focus on share repurchases rather than our special variable dividend program. With this focus, we executed a \$250 million accelerated share repurchase in Q4 of 2025 under our \$1 billion repurchase authorization, demonstrating our commitment to shareholder returns. Given the strong free cash flow generation in 2025, we will evaluate further opportunities during our normal capital allocation review later this year.

We also paid a regular quarterly dividend of \$0.29 per share throughout the year, totaling approximately \$87 million in dividend payments for 2025, reinforcing a reliable and healthy capital return program.

We continue to deploy capital with the discipline to drive long-term shareholder value, supported by the increased flexibility afforded by our repurchase program.

Slide 11 summarizes our 2026 market outlook across three major regions.

For North America, we forecast large ag industry sales down approximately 15% from 2025's already low levels. The USDA's elevated January crop supply estimates resulted in significant declines in commodity prices and both soybean and corn prices remain below

the long-term average. Farmers are delaying new equipment purchases due to elevated input costs and tighter profit margins.

The U.S. government's \$12 billion farmer bridge assistance program is helping to shore up farmers' balance sheets but has not translated into new equipment purchases at this time.

The North American small tractor segment offers a more positive counterbalance as livestock and hay economics remain comparatively resilient in the older fleet points to emerging replacement opportunities in 2026. We expect smaller tractors to be up modestly.

In Western Europe, stability from the subsidy framework provides a solid foundation and offsets softer wheat prices and geopolitical cross currents. Early season exports improved, profitability is expected to rise in '26 and winter seeding conditions have been supportive across many markets. The EU continues to benefit from lower interest rates versus other key ag regions, providing a more favorable operating position. We expect Western European tractor volumes to be up modestly in 2026.

Brazil's crop environment remains constructive, led by a large soybean harvest and healthy export demand. At the same time interest rates, credit availability, corn margins and weather in select regions will pressure demand in 2026. Our plan assumes relatively flat demand for the year with some pressure early in the year and a stronger second half due to potentially improved government support.

Slide 12 highlights the key assumptions underlying our full year 2026 outlook.

We expect global industry demand to remain relatively flat compared to 2025 with the industry increasing from 86% of mid-cycle to around 87% in 2026.

Our sales plan assumes share gains, a 2% FX benefit and between 2% and 3% in pricing. At 3%, our pricing is designed to cover material inflation and tariff costs on a dollar basis but will be margin dilutive, even at the high end of the range, impacting our 2026 operating margins and our year-over-year incrementals.

Dealer destocking advanced in 2025 and we continue to prioritize strong channel alignment in 2026, particularly in North America, reinforcing a disciplined and balanced go-to-market approach.

Our guidance reflects current tariff regime and mitigation through cost actions and pricing, ensuring a well-managed framework for navigating policy dynamics. We will adjust our outlook if policy actions change.

Engineering expense is planned to increase by almost \$50 million year-over-year, representing approximately 5% of sales and ensuring an investment level that fuels the flywheel of innovation across the portfolio.

As Eric mentioned, we expect further benefits from our restructuring actions of \$40 million to \$60 million in 2026.

Production hours in '26 are expected to be broadly in line with 2025, maintaining healthy balance between production rates and retail demand to support ongoing inventory discipline.

We expect adjusted operating margins between 7.5% and 8%, reflecting positive structural improvements to the portfolio and benefits from our ongoing cost initiatives, but muted due to the price versus cost and tariff equation this year as well as higher engineering spend.

Our effective tax rate is anticipated to be 32% to 34% for 2026.

Turning to Slide 13 for our 2026 outlook.

Our full year net sales outlook is expected to range from \$10.4 billion to \$10.7 billion. Based on this sales outlook, flat production volumes, continued cost discipline and pricing execution, we are targeting adjusted earnings per share in the range of \$5.50 to \$6. This assumes no material changes to existing trade measures.

Capital expenditures are estimated to be around \$350 million, positioning us for future demand inflection while maintaining investment discipline.

We continue to target free cash flow conversion of 75% to 100% of adjusted net income, supported by strong working capital management and ongoing inventory efficiency.

For the first quarter of 2026, we expect net sales modestly up year-over-year. As we align production with demand and continue to realize the benefits of our cost efficiency initiatives, we anticipate first quarter earnings per share between \$0.40 and \$0.45.

We expect profitability to strengthen as the year progresses, reflecting improved absorption, continued operational execution and the timing of our cost actions.

As Eric noted, 2025 performance demonstrates consistent execution on our strategy and a more resilient, better positioned business through the cycle.

We are confident in delivering continued progress across net sales, adjusted operating margin and adjusted EPS while navigating the current industry backdrop.

With that, I'll turn the call over to the operator to begin the Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And the first question today will come from Stephen Volkmann with Jefferies.

Stephen Volkmann^ Curious to think about what you're planning relative to inventories in the U.S.? I guess you're still about a month ahead of where you'd like to be. How long does that process take from here?

Damon Audia^ Steve, so I think as you hit on, we did finish the year a little bit above our 6-month target. So we will have some underproduction here likely in the first half of the year in North America trying to rightsize the dealer inventories.

We'll see how the outlook for the balance of the year goes. But at least right now I would expect sort of under production probably in the around 10% range, give or take, as we continue to rightsize here.

Overall, as I said in my comments, we did a really good job. We took units down by 9% or so, but just given that 12-month forward outlook we give you, the months didn't really move materially. They only dropped down one month despite the 9% reduction in units.

Stephen Volkmann^ Understood. Okay. And then, Damon, you mentioned in your prepared comments some discounting and yet you guys are looking for, I think 2% or 3% price for '26. Just square those two for me. What are you seeing in terms of the discounting? And how do you still get that price?

Damon Audia^ Yes. So Steve, I think overall, we've seen some competitive pressures, especially in certain markets like South America. It was definitely a more aggressive market there. When I look at the team, though, despite that our fourth quarter came in exceptionally strong. If you may recall I started at the end of the third quarter call we guided think price in the range of 0% to 1%. We finished the year just north of 1%.

So the team gained share, took dealer inventories down, and had pricing better than our plan coupled with the volume. So the team has done an exceptional job in managing and selling the value of our products relative to the competition.

So when I look at the pricing that we have carry over this year going into 2026, we have north of 1% of that 2% to 3% sort of already embedded into our base here. So overall, as we think about the new product introductions coming, what we see in Europe, we feel comfortable in that 2% to 3% range to at least start the year.

Operator^ The next question will come from Kristen Owen with Oppenheimer.

Kristen Owen^ I wanted to start here with your outlook for Europe. I mean that has continued to outperform for you guys. Can you just give us a sense of what's happening on the ground there? I mean we've seen a little bit of compression in some of the dairy margins recently.

So maybe just give us a sense of like farmer sentiment there, what you're seeing in terms of demand? And maybe ask you to double-click on the pricing acceptance that you're seeing there?

Eric Hansotia^ Sure. Yes. I'll take that one, Kristen. And if you take a start -- look at the industry to start off with, and one of the things that we watch is average age of the fleet. And it's been climbing steeply in EME as it's been in North America, but let's stay on EME for now. It's almost back to its record peak age and that's creating just a lot of pent-up demand for new products. And so that's number one. That's kind of where the fleet is.

Farmer sentiment is actually relatively positive. We had a field tech days this fall, spent time at Agritechnica and spent time with thousands of farmers at Agritechnica, the feedback that we were getting was more positive than we expected. So although the CEMA barometer is kind of just hovering in the same spot, which is one of the prediction models, we're bullish that we think the market is going to be up in EME this year.

Damon Audia^ And I think Kristen, if I go to your other questions here, overall, the demand profiles remain relatively strong. Their dealer inventories, as I made in the comments or where Eric made, we were right around four months. So we're right where we want to be from a dealer inventory standpoint.

Pricing in Europe finished the year quite strong. We had over 3% pricing in Europe in the fourth quarter on top of that strong volume growth which exceeded expectations as well. And so we have relatively good carryover going into 2026 in Europe pricing as well.

And then you layer on the new product introductions that we showed at Agritechnica. We've got some great new products out there. The Fendt 800, it's going to be a hugely successful product coupled with some of the other ones. So again the European team has continued -- despite the backdrop here, the European team is continuing to hit on all cylinders and doing very well in gaining share, holding their margins at exceptionally high levels for us, and gives us a lot of confidence as we go into '26 in that market.

Kristen Owen^ That's great. And then my follow-up question just is here on the cost savings actions. I think you called out \$65 million bottom line benefit in savings in 2025, another \$40 million to \$60 million in '26. Can you just remind us where the big buckets of those cost savings are coming from? And maybe tie that back to what you outlined for the 2029 targets, where you're seeing those cost savings come through?

Damon Audia^ Yes. Sure. Good question, Christian -- Kristen. And geographically, I would say they're very similar to our revenue split. So we're seeing them across all of our four regions, the vast majority of this is coming through or in the SG&A bucket. So a lot of -- as AGCO is a company that has been built through acquisitions, we spent a lot of time in the last couple of years really trying to standardize and simplify our processes.

Once we've done that, how do we move them into lower-cost opportunities, either offshoring them to other AGCO locations or potentially outsourcing them to third-party

providers who can do that well for us. And so we've seen a lot of savings coming from that shift.

And at the same time we believe we can even leverage artificial intelligence more and more within the company where we can automate those processes, streamline that, making it easier for our dealers, easier for our customers and easier for our associates.

So we're seeing some good momentum on the AI side of the house as well by just streamlining the work and moving it into a more technology advanced product.

You're right, we did about \$65 million in savings this year. We have another \$40 million to \$60 million in savings coming in 2026. As I've mentioned on some prior calls, given the industry downturn, we've been looking to accelerate some of those cost actions that we saw in '26 into 2025 and that was part of the benefit that we saw in the fourth quarter.

So as I think about where we are at the end of 2025, the run rate savings is about \$190 million. So we're already in line with what we told the investors in December of 2024 as to how we would run rate out of 2026. So we pulled some things in. Now we got a lot of that in the fourth quarter, so you're still going to see the absolute dollars come to the bottom line here in 2026. But from a run rate savings, we're already at about \$190 million. So we'll probably get a little bit north of that \$200 million by the end of '26.

So very well positioned for that particular bucket on delivering to the 14% to 15% adjusted operating margin at mid-cycle that we talked about at our last Investor Day.

Eric Hansotia^ Yes. Maybe I'll just add a little bit on that one. This is Project Reimagine that Damon was describing and 700 projects that are all managed very tightly going through the stage gates, that's taking out the \$200 million in overhead. What's still in front of us is more work left to do on AI, as Damon talked about. We've got about 160 Agentic AI projects in flight right now, 50 of them completely done, but a lot of them in flight.

And then shift to low-cost country. That's still in front of us as well. We're aggressively going after that in '26 and '27. Much of our supply base is in high-cost countries, we're aggressively moving that.

So overhead kind of towards the tail end and very mature. Now we're going after product cost really aggressively.

Operator^ (Operator Instructions) The next question will come from Mig Dobre with Baird.

Mircea Dobre^ I found your comments on 2025 being the biggest year of share gain to be really interesting. And I'm wondering if you can maybe give us a little more context there as I understood it, it's North America. What's sort of specific to some of the things

that you've been doing relative to maybe competitors pulling back from the market if that at all was a factor?

And PTx, can we talk a little bit about how you see that progressing as well? It seems like the market, to some extent, are starting to stabilize here. Do you think PTx can be a source of outgrowth, especially on the retrofitting part of the business as we think about '26 and even '27?

Eric Hansotia^ Yes. Thanks, Mig. A few comments.

One, overall, AGCO turned in the highest market share in our history in 2025, and that's global. So all over, when you take a look at where farmers are seeing value, they voted with their order book to come to AGCO.

What's underneath that? Net Promoter Score, which is our customer feedback to AGCO, hit its all-time high in '25. So the perception of the overall value of the product, the dealer performance, the services, the data management, data platform, all of that is coming together. And we feel like it's fueled for growth.

We had a record patent filing in 2025. So we think we've got a great set of innovations continuing to come through.

So that's the macro. Then you drill into North America, it was the largest 1-year gain in market share for large ag in North America. Largely, our portfolio has been what it is. It's now working with the dealers to get the most out of our partnership with our dealers to serve customers.

We've got several focus areas. It's not so much about conquering white space. It's largely about penetrating the space that dealers are already in. And so we've been looking at performance by county and getting a very granular work plan together with our major dealers and saying, how do we go change how we're supporting the farmers.

About 85% of our big dealers now have adopted FarmerCore, at least the early phases of it. They're showing where their service trucks are and doing much more of the work on farm. So that FarmerCore, combined with detailed work with our dealers, matched up with an industry-leading product portfolio, we think is starting to show the early days. We also made a bit of an org change to even sharpen our focus on North America.

So that's kind of the machinery side of the business.

Now if we switch over to PTx, had 14 product launches. There's essentially an innovation and an education side to that business as well. On innovation, we had 14 product launches. Way ahead of what we would have expected a year or two ago. The feedback at Winter Conference, as I talked about, I go to that every single year, super strong. Some of the best farmers in the world. I think it was one of our best Winter Conferences.

So the innovation engine is going strongly.

But the bulk of the work now is on channel development and establishing our Elite dealers which is those dealers that carry the full product line. They're the tech dealers. They don't sell tractors and combines, they just sell tech. Establishing them. We've grown that to a little over 70 dealers now. We only had about 40 and -- we have added about 40 in 2025.

So it's a channel story there as well.

If you look at retrofit, it only is down about a third as much as the overall market. So our thesis all along about serving farmers, serving the mixed fleet, serving every farmer regardless of brand, is playing out as long as you keep innovating. That farmers are thirsty to be, whether they're in a peak or a trough market, they are thirsty to be more productive and profitable.

Mircea Dobre^ Appreciate the color. That was really helpful. And then I guess my follow-up, going back to EMEA, can you talk a little bit about how we should think about margins? I mean margin here in '25 surprised, at least relative to our model pretty consistently. Should we be thinking additional margin expansion in '26, especially as maybe volumes here get a little bit better?

Damon Audia^ Yes. Mig, I think overall, I think you're going to see the European margins stay relatively consistent here in '26 versus 2025 on an annual basis. It may mix a little bit in quarter depending on production schedules, timing of pricing actions. But generally speaking, I would expect to see Europe right around that 15% operating margin where they finished last year.

Operator^ The next question will come from Jamie Cook with Truist.

Jamie Cook^ A nice quarter.

I guess Damon, just two questions. You just answered the question on EME margins, just wondering how we're thinking about margins or sorry, losses in North America in 2026 relative to 2025, given the top line outlook and how -- where we end up in South America with concerns about some of the discounting?

I guess then on the positive, the operating cash flow number was very strong in the fourth quarter for the year. So was there anything unusual in that? Is there any reason to believe free cash flow conversion has opportunities to improve from here?

Damon Audia^ Jamie, and I think on North America, we're -- as I -- in one of the earlier questions, we will be underproducing relative to retail in the first half of the year. So you're going to see the North American margins are going to be negative, likely for the first two to three quarters. A little bit too early to see how they play out in the fourth quarter right now given the industry outlook, but I think for us, we'll see Q1 and Q2 will

likely be worse than Q1 and Q2 last year given the underproduction and the decline in the large ag market. And then hopefully, we'll start to see the margins improve year-over-year, but still be down in Q3 which is likely a negative for the full year. So -- but we'll see how that fourth quarter starts to pan out.

Fourth quarter free cash flow, again as I said in my comments, just great performance, record free cash flow for the year. A lot of that was to do with the incremental volume that we saw flow through in North America and the significant volume increase we saw in South -- sorry, in Europe.

As you know Jamie, we sell those receivables to AGCO Finance so that receivable translates into cash for us very quickly. So great results for us there.

As I think about '26, we still feel comfortable in that conversion ratio of 75% to 100% of adjusted net income. So we'll stick with that for 2026.

If I think about working capital here for '26, again I expect us to continue to refine our inventory, but we'll see how the build comes up, as the team has done a really nice job with forecasting and getting the scheduling in our factories better, helping take out some of that working capital in the system.

So I'm hopeful that there's a little bit of a modest improvement in working capital in '26 as well.

Operator^ The next question will come from Jerry Revich with Wells Fargo.

Jerry Revich^ I'm wondering if we could just talk about your Precision Planting product line specifically, what kind of demand are you anticipating for this planting season? How does '26 versus '25 look for that product on a retrofit and first-fit basis, if you wouldn't mind?

Eric Hansotia^ Yes. We're expecting the market in general to be down in North America as the overall market kind of moves in the same direction. But we think that there's going to be enough attention on the retrofit business that it won't move down as much.

And there's a lot of interest in ArrowTube. That's the new seed placement launch that we had where it places the seed tip down and at the right orientation. So when it comes out of the ground, it -- perfect emergence and the leaves have more capture of sunlight.

That's unique to Precision Planting. There's nothing else like it in the world, and we think that that's going to generate a lot of attention.

But so is the dual boom spray system. So we're pretty bullish those two hardware products, combined with our FarmENGAGE platform. We think that there's a lot of interest in the Precision Planting market, especially those two are predominantly biggest hits for North America.

Damon Audia^ Yes. And Jerry, just to put some numbers, I know we've had a couple of questions on PTx. So 2025, the PTx team did an exceptional job. They hit their numbers. They finished the year right around \$860 million.

So credit to the team, they were on forecast or above every quarter, so a little bit better than where we finished 2024. And for 2026, again as Eric alluded to, we do see the retrofit market doing better than the equipment market. And I would say right now we see the '26 PTx revenue flat to modestly up versus the \$860 million that they finished this year here. So good performance by the team and a lot of new products, as Eric touched on, giving us some good momentum, especially on that retrofit channel.

Jerry Revich^ Well that's a good year given the backdrop. And in terms of overall cost structure, obviously you folks have done a lot of work.

Can you talk about any incremental opportunities that you're considering. Obviously, the tariff headwinds are pretty painful. Do we see more potential opportunities if we think about the cost structure exiting '26 versus starting '26?

Damon Audia^ I think Jerry, for us, from the SG&A standpoint, what we've sort of communicated to the -- here for the 60 -- for the \$40 million to \$60 million of incremental costs, I think we've got a really good visibility on that.

Eric alluded to more on the cost of goods sold side. And I wouldn't say that's necessarily connected to the tariff environment. But as we think about how do we make ourselves more efficient without compromising quality to the farmers. We do think there are some opportunities to evaluate our sourcing.

Now that may come to certain -- that may help us from a tariff standpoint. But as we think about that, it's identifying suppliers who can deliver the quality that our farmers demand. But doing it in a way that's lower cost for us and really leveraging the economies of scale that we have with our Massey Ferguson and our Valtra brands globally. And so we see some opportunities for that helping improve the cost of goods sold and helping position the margins for Massey and Valtra more, especially as these volumes start to pick up hopefully in '27 and beyond.

Operator^ The next question will come from Tami Zakaria with JPMorgan.

Tami Zakaria^ I wanted to get some color on how you're thinking about operating margins by the different regions. If you could provide some color there, North America, Brazil, Europe and how to think about as the year progresses like first half versus back half? So any color you can give on regional margins as it relates to first half and back half would be helpful.

Damon Audia^ Yes. Sure. No worries, Tami. I think for -- as Mig asked in the question, I think Europe should stay right around that 15% margin for the full year, similar to what

we've seen in the individual quarters. As the other question came up on North America. I think you're going to see North America, let's say directionally down in a loss position probably in that sort of high single, low double-digit range for '26 based on the industry forecast that's going to be worse year-over-year in the first half, given the industry and the underproduction and then probably a little bit better than what we did last year in the back half of the year.

And then South America, that's kind of, as you know a little bit uncertain right now. Overall, for the full year, I think it will be -- our forecast shows it being modestly better versus 2025 on a full year basis. Going to start worse off because we got to do some underproduction here, we've got to get the dealer inventories, and we've got some weaker mix right now and then sort of picking up to be a little bit stronger in the back half of the year, given what we saw here in the back half of 2025. So I'd say margins for the full year relatively flat, maybe a little bit above but more of a shift between first and second half.

And then Asia being relatively flat relative to last year from an overall margin perspective.

Tami Zakaria^ Understood. That's very helpful. And quickly, I think there's been some announcements on Indian tariffs going down. Any thoughts on whether that could be a tailwind for you? And overall, like, could you remind how much of tariff impact is currently baked in? So we can kind of keep track if other tariff rates come down, we can sort of calculate based off of that.

Damon Audia^ Yes, absolutely. So if we think about the incremental tariff costs that we're going to see in our P&L in 2026 versus '25, and it's just the tariff costs themselves, that's about a \$65 million headwind year-over-year. And if I think about what we incurred in our P&L last year, it was around \$40 million.

So the absolute total tariff cost in '26 will be just around \$105 million, \$110 million. So we've said around 1% of our sales. So that's sort of directionally where we're at, but about \$65 million of that will be incremental to 2025. And that's what's compressing our year-over-year margins because when you look at our pricing guide of 2% to 3%, as I said on the call at 3% when you look at inflation plus tariffs, we're only going to cover that on a dollar basis at the 3%. So that's actually margin dilutive. And if you look at the midpoint of our pricing guide, we would actually be negative from an earnings standpoint and it would be margin dilutive.

So that's sort of what's in the numbers right now based on what we know.

If what was communicated related to India does come to fruition, probably not going to have a big effect on us, Tami, it's a couple -- it would be a couple of million dollars of a positive but not a big mover to that \$65 million that I just quoted.

Operator^ And the last question today will come from Angel Castillo with Morgan Stanley.

Esther Osinaiya^ This is Esther Osinaiya on for Angel. Congrats on a good quarter. My question is maybe going back to tariffs, could you maybe give us like kind of the cadence each quarter going to 2026? Do you see more happening in the first half or second half? Or is it kind of equally divvied up?

Damon Audia^ Yes, Esther.

So overall, given the timing of the tariffs last year, again as I think about that \$65 million incremental, it's going to be heavily weighted here in the first half of the year because if you remember the timing of when tariffs rolled in last year, coupled with the level of inventories that we had and our dealers had, we really saw that start to pick up in the third quarter and more into the fourth quarter.

So you're sort of looking at probably the majority of that \$65 million sitting in the first half and then the balance of it sort of rolling in, in the third quarter and then being somewhat neutral in the fourth quarter.

Esther Osinaiya^ Okay. And just a follow-up, are there any limiting factors in your ability to underproduce at a greater degree just to kind of fix some of the excess inventory you mentioned in the call today?

Damon Audia^ So there's no inhibitors for us in reducing our production, but I think you have to understand the complexity of a full portfolio. And as we talk about the industry, the planter industry is different than the combine industry, which is different than a low horsepower, medium horsepower, high horsepower.

So depending on which industry is fluctuating and what that dealer has on his or her yard will influence our production. So we don't have any take-or-pay contracts with suppliers. We don't have any issues that prohibit us from slowing our production. But it's more as the different types of products have different dynamics that influence them, that's what may adjust the inventory or the months on hand that we then have to try to adjust.

Operator^ This concludes our question and answer session. I would like to turn the conference back over to Eric Hansotia for any closing remarks.

Eric Hansotia^ Great.

So I just want to thank everybody for joining us today and some of the really good questions. 2025 reflects a meaningful progress year that we've made in transferring AGCO into a more resilient, better positioned company.

We're executing with discipline and focus on what we can control in a pretty volatile market. And we're always staying focused on our Farmer First strategy that creates purpose for employees.

Our global team delivered a 7.7% adjusted operating margin in 2025. That's a high watermark and notable achievement at this stage of the ag cycle, the best we've ever performed at the trough.

I'm really appreciative of the commitment and results of our team and our dealer organization.

We remain focused on delivering for all stakeholders.

For our farmers, our innovation flywheel continues to spin fast with solutions designed to solve real on-farm problems.

We recorded a record Net Promoter Score and have a record set of patent filings.

So farmers like what we've got, and we've got more coming.

For shareholders, we exceeded -- executed a \$250 million accelerated share repurchase in quarter four. That's part of our \$1 billion program, and we're in a new chapter in that regard with our ability to do share buybacks. And share buybacks are probably coming more in the future because we had a record free cash flow of \$740 million in 2025, all-time high mark for AGCO.

Our 2026 outlook reflects our ability to keep earnings, earning the trust of farmers and OEMs, transforming our dealer network, gaining market share, driving our higher-margin growth levers and executing structural changes and cost initiatives that will position us well for when demand recovers. 2025 was the bottom of the trough and the fleets in our major markets are at the peak of their age.

So we expect that the future looks brighter. Thanks for everybody's participation today.

Operator^ Thank you for joining the AGCO earnings call. The call has concluded.

Have a nice day.