

AGCO Corp (Q1 2026 Earnings)
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Corporate Speakers

- Greg Peterson; AGCO Corporation; VP of Investor Relations
- Eric Hansotia; AGCO Corporation; Chairman, President & CEO
- Damon Audia; AGCO Corporation; SVP & CFO

Participants

- Jamie Cook; Truist Securities, Inc.; Analyst
- Kristen Owen; Oppenheimer & Co. Inc.; Analyst
- Peter Kalemkerian; Baird; Analyst
- Stephen Volkmann; Jefferies; Analyst
- Joel Jackson; BMO Capital Markets Equity Research; Analyst
- Unidentified Participant; Citigroup Inc.;
- Unidentified Participant; Wells Fargo;
- Unidentified Participant; Morgan Stanley;
- Unidentified Participant; Bernstein;

PRESENTATION

Operator^ Good day. And welcome to the AGCO 2026 Q1 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 first quarter 2026 earnings call.

We will refer to a slide presentation this morning that 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'll make forward-looking statements this morning including statements about our strategic plans and initiatives as well as our financial impacts. We'll address 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'll also cover future revenue, crop production and 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 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 for the year ended December 31, 2025, 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, Senior Vice President and Chief Financial Officer.

With that, Eric, please go ahead.

Eric Hansotia^ Thank you, Greg. And good morning, everyone.

AGCO delivered very solid results in the first quarter, reflecting effective execution against our strategy and the growing impact of the actions we've taken over the recent years to streamline our cost structure.

Net sales were approximately \$2.3 billion, up 14% year-over-year driven primarily by stronger performance in EME compared to the challenging prior year period.

With differing industry conditions across regions, the year-over-year improvement highlights our ability to perform consistently and deliver solid results across varied demand environments.

Operating income increased more than 60% year-over-year to \$80.7 million with reported operating margin expanding 100 basis points to 3.4%. On an adjusted basis, operating margin improved 50 basis points to 4.6%, driven by better volume leverage and ongoing benefits from business optimization initiatives, partially offset by higher cost inputs including tariffs.

These results underscore the pragmatic, focused manner in which we are operating the business. Over the past two years, we have taken deliberate actions to simplify and focus our operations, and sharpen execution, including a leaner cost structure, more disciplined production planning and improved channel alignment. The performance delivered this quarter supports the increased durability and resilience of our earnings model.

While near-term demand remains uneven across regions, we continue to believe the business is operating around the trough of the cycle, with inventories normalizing and underlying conditions beginning to set the stage for the next phase of recovery.

Adjusted operating income increased nearly 30% and adjusting EPS more than doubled year-over-year to \$0.94, highlighting the operating leverage inherent in the business from lower cycle levels as well as a lower adjusted tax rate in the quarter.

We also continue to emphasize structured working capital management and inventory alignment. Dealer inventories improved in the first quarter, positioning us in a more balanced position to support customers while maintaining better operational stability through the remainder of the year.

We are encouraged by the progress delivered this quarter and remain fully focused on executing our plans to drive sustainable margin enhancement, cash generation and long-term value creation.

Slide 4 details industry unit retail sales by region for the first quarter. While fleet ages continue to increase, farmer purchasing activity reflects a measured and thoughtful approach shaped by the current macro environment. Trade policy dynamics, higher interest rates and input costs, tighter credit conditions and currency volatility are influencing buying decisions globally, particularly for larger equipment.

In North America, overall industry tractor volumes trended lower relative to the prior year with the most pronounced weakness in higher horsepower tractors. Farmers continue to defend more capital-intensive purchases amid current farmer economics, evolving grain export demand and elevated input costs.

In Western Europe, industry tractor sales increased compared to a softer prior year period with growth across most of Western European markets. Combine demand, however, remain cautious as farmers weigh financing conditions and capital allocation decisions.

In Brazil, industry retail demand moderated across both tractors and combines with larger equipment most affected by higher interest rates, credit availability and currency effects, while demand for smaller and midsize equipment remain relatively more resilient.

Against the evolving macro backdrop, farmer purchasing decisions remain deliberate with customers balancing operational requirements, alongside financing costs and broader economic conditions.

Investment activity continues to prioritize solutions that deliver clear productivity gains and cost benefits including precision agriculture and technology upgrades, while larger equipment replacement decisions are sequenced thoughtfully. This environment continues to support disciplined production planning and inventory alignment across the industry.

AGCO's factory production hours are shown on Slide 5. First quarter production hours increased 15% year-over-year, reflecting a lower level of production in the first quarter of 2025. The year-over-year increase was driven primarily by Europe, where production levels rebounded from a particularly reduced first quarter 2025 base.

Importantly, first quarter 2026 production was aligned with our operating plan and reflected intentional timing and product mix rather than a change in underlying demand trends.

Full year 2026 production hours are still planned to be broadly flat to modestly lower than 2025. We are executing a deliberate and measured step down in production as the year progresses. This approach reflects our continued focus on inventory optimization in North America and Latin America, active support of dealer destocking and close alignment of output with end market demand.

Turning to regional inventories.

In Europe, dealer inventory months of supply improved modestly to just under four months aligned with our target. This reflects effective execution across the channel with Fendt operating below the regional average and Massey Ferguson and Valtra modestly above. This well-balanced position provides operational flexibility across product categories and supports continued focus on margin quality and mix optimization in our largest and most profitable region.

In Latin America, dealer inventories moved to four months of supply from five months at year-end, continuing progress toward our three-month target. Dealer inventory units declined approximately 10% during the quarter, reflecting disciplined coordination of shipments and production with a slightly softer industry outlook.

In North America, dealer inventories closed the quarter at approximately seven months of supply, consistent with our year-end levels and slightly above our six-month target. Large ag units decreased sequentially but were offset by the normal increase in the low horsepower segment this quarter in anticipation of the spring retail selling season.

Production continues to be managed intentionally with a clear priority on channel health, and long-term stability.

Slide 6 highlights our strategy to outpace the market and drive margin improvement to our adjusted operating margin target of 14% to 15% at mid-cycle over time. What is increasingly evident is that AGCO is delivering stronger and more resilient financial outcomes across a range of demand conditions compared to prior cycles. The structural actions implemented over recent years are translating into a more durable margins, improved earnings stability and higher quality cash generation, demonstrating the effectiveness of our evolved operating model.

Our three growth levers: high-margin products, technology-driven differentiation and a growing higher-value aftermarket business, continue to provide meaningful support in the current environment. Each lever contributes distinct value, and together, they reinforce a business model that is less reliant on unit volumes and more centered on value creation.

This foundation underpins our ability to consistently deliver mid-cycle adjusted operating margins in the 14% to 15% range over time. It reflects a structurally improved AGCO, more focused on higher-value revenue streams, more disciplined on costs and investment, and increasingly driven by technology solutions and services.

Importantly, this operating model also supports strong cash generation with free cash flow conversions of approximately 75% to 100% through the cycle. That financial flexibility enables continued investment in innovation and business advancement, while supporting capital returns to shareholders as evidenced by our recent increased dividend and share repurchase announcements.

Taken together, these elements highlight why AGCO is operating today from a more favorable and resilient position and why our business is well positioned to deliver consistent performance across future market cycles.

Turning to Slide 7, we are seeing a series of tangible strategy wins as we execute against our Farmer-First priorities. These actions demonstrate how we're building a durable competitive advantage by combining engineering leadership with increasingly advanced digital and AI-enabled capabilities.

Our approach reflects a focus on prioritizing growth while also delivering efficiency, as we apply AI where it delivers measurable value for farmers and strengthens business performance through better decisions and execution. AI is increasingly becoming a significant enabler in that roadmap and across the organization to support long-term value creation and differentiation.

AI solutions on the farm and in our products are designed to help farmers to achieve more with fewer inputs such as land, labor, fuel and chemicals. Solutions including SymphonyVision use intelligent cameras intended to optimize precision application in real time improving effectiveness and helping to reduce waste.

At our PTx Winter Conference, we introduced AI-enabled innovations including SymphonyVision Duo and ArrowTube to advance real-time precision applications and automated seed placement. These innovations reinforce our position in high-value technology-enabled solutions.

We use AI in customer support and service to connect machine data, customer needs and AGCO expertise to reduce downtime and strengthen long-term customer relationships. It is transforming how we work with thousands of parts leads generated for dealers and tools like Product Information Assistant to more closely connect dealers and farmers.

And third, AI inside AGCO is improving efficiency, quality, cost and speed. Use cases range from AI-powered financial forecasting to AI-driven market analytics that automate used equipment price analysis and free up experts to focus on more value-driven actions. These capabilities are being deployed in a structured and purposeful manner to support margin expansion and growth.

We are seeing strong and growing demand from our employees to leverage and deploy innovative AI solutions to better support our dealers and farmers. We view this momentum, along with our Project Reimagine run rate cost savings as a clear opportunity to drive measurable efficiency gains and productivity improvements across the organization over time.

In short, we are taking an enterprise view with AI using human-in-the-loop oversight and aligning with the evolving regulatory frameworks to support trusted, responsible and scalable usage.

On Slide 8, we also continue to see strong external validation of our innovation and technology leadership. Our OutRun mixed-fleet retrofit technology earned the prestigious Davidson Prize for the second consecutive year, this time for autonomous tillage, reflecting our step-by-step progress towards our ambition for full farm autonomy by 2030.

Our AGCO Parts Shop received the Digital Engineering Award for a next-generation unified B2B platform that improves dealer efficiency, order accuracy and visibility at scale, which supports aftermarket growth and reinforces our Farmer-First focus on uptime.

AGCO's -- AGCO Power's CORE80 was named Diesel Engine of the Year, reinforcing our continued leadership in efficient powertrain innovation. The family of CORE engines were designed to run on an array of fuel options, helping them deliver the performance our farmers demand around the world.

I want to recognize and thank the teams across AGCO whose work continues to set a high bar for our industry.

With that, I'll turn it over to Damon to walk through the financial results for the quarter.

Damon Audia^ Thank you, Eric. And good morning, everyone.

Slide 9 provides an overview of regional net sales performance for the first quarter. Net sales increased approximately 5% in the first quarter compared to the prior year period, excluding the favorable impact of currency translation.

By region, the Europe/Middle East segment delivered a 9% increase in net sales on a constant currency basis. Higher sales resulted from increased unit volumes compared to the first quarter of 2025, which included dealer inventory destocking. Sales growth in Germany and the United Kingdom was partially offset by lower activity in Turkey and France. The increase was driven by strong growth in high horsepower tractor sales.

North American net sales also increased 9%, excluding currency impacts. Higher unit sales compared to the prior year, together with positive share growth, supported the increase. The most significant gains were in high-horsepower tractors, hay equipment and sprayers highlighting continued customer investment in productivity-enhancing solutions.

Net sales in Latin America were 30% lower on a constant currency basis, reflecting very measured purchasing activity across virtually all product categories as the environment in Brazil and Argentina remain challenging in the quarter.

Asia Pacific, Africa net sales increased more than 20%, excluding currency impacts, driven by higher sales in Australia and South Africa, partially offset by lower sales across most Asian markets.

Consolidated replacement part sales were approximately \$447 million in the first quarter, increasing 3% year-over-year on a reported basis and down nearly 6%, excluding favorable currency translation. Results reflected wet weather in Europe early in the quarter that limited parts consumption. And in North America, where dealers remain focused on inventory optimization amid continued cautious farmer sentiment.

Turning to Slide 10. Adjusted operating margin was 4.6% in the first quarter, an improvement of 50 basis points year-over-year. This reflects strong execution in the Europe/Middle East region, once again, combined with continued operational and cost discipline across the broader organization.

By region, Europe/Middle East income from operations increased by over \$104 million compared to the first quarter of 2025 with operating margins exceeding 16%. These strong results were driven by sales growth, a richer mix and increased production compared to the prior period.

North America income from operations reflected an approximately \$27 million year-over-year reduction with operating margins remaining below breakeven. Results heavily reflect the year-over-year impact of tariff-related costs along with factory under-absorption associated with our disciplined approach to reduce production levels.

Latin America operating income decreased roughly \$47 million year-over-year, with results below breakeven, driven by several factors including significantly lower sales volume and negative pricing.

Asia/Pacific/Africa operating income increased about \$7 million in the first quarter, supported by higher sales and increased production during the quarter.

Slide 11 outlines our first quarter cash performance and full year estimated free cash flow. Free cash flow represents cash used in or provided by operating activities less purchases of property, plant and equipment. Free cash flow conversion is defined as free cash flow divided by adjusted net income.

We used \$455 million of cash in the first quarter of 2026, reflecting the normal seasonal inventory build, consistent with our operating cadence. The prior year quarter reflected unusually low production levels, mainly in Europe, that limited inventory investment and reduced cash usage.

Our 2026 production schedule reflects a return to our typical seasonal patterns, resulting in higher inventory investment and cash usage early in the year. This profile is fully aligned with our plan and remains consistent with achieving free cash flow in a targeted range of 75% to 100% of adjusted net income for the full year.

Our approach to capital allocation remains disciplined and consistent, prioritizing reinvestment in the business, maintaining an investment-grade balance sheet, pursuing targeted acquisitions that accelerate technology adoption and returning capital to shareholders. This framework continues to guide both our decision-making and the sequencing of capital deployment.

As part of this approach, today, we announced that we are evolving our long-standing AGCO Finance U.S. and Canadian joint ventures to better align with increasing regulatory and compliance requirements on enhancing capital efficiency.

On April 30th, the company executed various agreements with wholly owned subsidiaries of Rabobank to sell AGCO's 49% equity interest in its U.S. and Canadian joint ventures for approximately \$190 million, while establishing new financing framework agreements that are intended to strengthen the strategic and commercial benefits of these partnerships.

AGCO Finance remains the predominant financing partner for AGCO and our customers. This structural evolution strengthens AGCO's Farmer-First strategy by ensuring continued access to competitive finance offerings.

These actions optimize regulatory capital deployment, strengthen our commitment to providing competitive financing solutions to our farmers and dealers and bolster our financial flexibility. The proceeds from these transactions are incremental to free cash flow and are being used to support capital returns to shareholders.

Building on both our record free cash flow generation in 2025 and these proceeds AGCO has increased our capacity to return capital to shareholders. We continue to execute share repurchases under our \$1 billion authorization. Following the initial \$300 million announcement in October last year, we are initiating an additional \$350 million in repurchases during the second quarter of 2026.

In addition, the Board of Directors also improved an increase in our regular quarterly dividend to \$0.30 per share, up from \$0.29. At this rate, annualized dividends would total \$1.20 per common share. Collectively, these actions demonstrate a continued focus on disciplined capital deployment, balancing enhancing near-term shareholder returns with long-term financial flexibility.

Turning to Slide 12 which summarizes our 2026 market outlook across our three major regions. Global agricultural markets entered 2026, reflecting conservative purchasing behavior shaped by high borrowing costs, extended margin compression and evolving policy and trade dynamics.

Recently, geopolitical developments have contributed to higher fertilizer and fuel costs, reinforcing cautious behaviors across the industry. Current conditions point to a gradual and

uneven recovery, rather than a near-term rebound. We are maintaining our forecast for North America and Western Europe and adjusting our Latin American forecast from flat to down modestly in 2026.

In North America, farm income dynamics and increased input costs continue to shape demand, particularly for large equipment. Dealer activity continues to focus on managing used inventories and limiting new commitments which is weighing on large tractors and combine purchases.

Higher fertilizer and diesel costs, tied to recent geopolitical developments, have added to grower caution heading into the planting season, further limiting discretionary capital spending.

Smaller equipment continues to demonstrate relatively stable demand compared to large ag, supported by livestock and hay-related demand. While performance has improved year-over-year, early year activity has been more modest than anticipated amid recent macro events, reinforcing our views that upside remains limited for the remainder of the year.

Overall, we expect the North American large ag equipment market to be down around 15% below 2025 levels with the small ag segment modestly higher.

In Western Europe, near-term demand has demonstrated select areas of strength. At the same time, confident remains fragile. Farmer profitability challenges, increased input costs, evolving regulatory uncertainty and prudent capital spending behavior continue to weigh on sentiment. Recent geopolitical developments, including the development in the Middle East, have added to this environment, particularly around energy costs, despite near-term demand strengths.

Subsidy frameworks and relatively favorable interest rate dynamics continue to provide a stabilizing foundation for the region. Taken together, we still expect Western Europe to be up modestly in 2026.

In Brazil and broader Latin American region, interest rates and tighter credit conditions continue to influence purchasing patterns, particularly for large machinery. Increasing input costs and financing dynamics are guiding investment decisions, contributing to equipment demand variability.

Brazilian retail tractor volumes in '26 are now projected modestly below 2025 levels, but with long-term fundamentals remaining relatively constructive.

Overall, the agricultural equipment cycle in '26 reflects discipline, selective purchasing and delayed replacement activity. As financing conditions normalize, input cost pressures moderate and grain prices improve, the aging fleet and structural foundation supporting recovery remain in place with regional timing varying by market and segment.

Slide 13, highlights the key elements underlying our full year 2026 outlook. Global industry demand in 2026 is now positioned in line with prior year levels, operating at approximately 86% of mid-cycle demand, consistent with the stabilization phase of the cycle.

Our sales plan reflects continued market share gains, pricing in the range of 2% to 3% and roughly a 3% foreign currency benefit. While pricing helps moderate the impact of material inflation and tariff-related costs, the incremental increases in these pressures from events in the first quarter will now more than offset pricing actions, resulting in margin dilution and lower profitability in 2026.

Inventory management remains a priority in 2026, particularly in North America and Latin America, supporting our ongoing dealer inventory alignment and a balanced demand-driven go-to-market approach.

Our outlook reflects the current tariff environment and our established mitigation actions including cost initiatives and pricing. Since the fourth quarter earnings call, the tariff environment has evolved with the Supreme Court ruling related to IEEPA tariffs as well as new guidance on the calculation methodology related to Section 232 tariffs. We now expect tariff costs of approximately \$135 million in 2026, which is around \$90 million increase from 2025 and \$25 million higher than our previous estimate. These estimates could change as things evolve during the year.

Our adjusted operating margin and earnings per share outlook do not assume any refunds related to the IEEPA tariff. We are currently evaluating the impact to our business and the ultimate timing and amount of any potential refunds remain uncertain. We are prepared to adjust our outlook should tariff or trade policy conditions change.

Engineering expense is planned at around 5% of sales in 2026, representing an increase of nearly \$40 million year-over-year, supporting innovation across the portfolio while maintaining investment discipline.

Operational efficiency initiatives are increasing and we now expect them to deliver approximately \$60 million to \$70 million of benefit in 2026, up from \$40 million to \$60 million, reinforcing our ongoing transformation progress. Production hours in 2026 are expected to be flat to slightly down compared to 2025, with a measured step down as the year progresses to support inventory normalization and demand alignment.

Based on these assumptions, adjusted operating margin is still targeted in the range of 7.5% to 8% reflecting structural portfolio improvements and cost actions, partially offset by price-cost pressures, increased tariff costs, as well as increased freight costs.

Finally, although our effective tax rate was 24% in the first quarter, we still expect our effective tax rate for 2026 to be in the range of 31% to 33%.

Turning to Slide 14 for 2026 outlook.

We have modestly tightened our full year net sales outlook to \$10.5 billion to \$10.7 billion, reflecting improved performance in certain regions slightly higher foreign exchange effects and continued execution, partially offset by ongoing market volatility.

Adjusted earnings per share are targeted at approximately \$6, supported by continued strong cost discipline and execution consistency. This revised outlook reflects our strong first quarter performance, along with the incremental tariff costs and other cost headwinds I mentioned previously. The current earnings per share outlook also assumes approximately \$0.15 per share benefit associated with the share repurchase announced today.

Capital expenditures are planned at around \$350 million, positioning the company for future demand while preserving investment discipline.

Free cash flow conversion remains targeted at 75% to 100% of adjusted net income, supported by strong working capital management and ongoing inventory efficiency.

Second quarter net sales are targeted between \$2.7 billion and \$2.8 billion. Second quarter earnings per share are targeted between \$1.35 and \$1.40, reflecting the alignment of production with demand, cost execution and timing of efficiency initiatives.

The second quarter EPS target excludes any impact from the potential IEEPA tariff refunds or the sale of our equity interest in the AGCO Finance U.S. and Canadian joint ventures.

The AGCO Finance transaction in North America will accelerate cash flows from the existing portfolio and result in a second quarter earnings benefit. However, for the full year, we do not expect a meaningful change in the portfolio's earnings contribution.

Slide 15 outlines the details for our 2026 Tech Day to be held near Chicago, Illinois. A strategic business update will be held on October 6, followed by a live field demonstration of our Precision Agricultural stack and FarmerCore initiative on October 7. We look forward to hosting you just outside of Chicago.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question is from Jamie Cook with Truist.

Jamie Cook^ I guess two questions. Damon, just unpacking how we think about -- I mean we had losses in North America and in Latin America in the first quarter. Just trying to understand, in particular, with like the restatement with Mexico, how do we think about the full year potential loss in cadence, I guess, of earnings throughout the year, I guess, would be my first question.

And then my second question, can you just dig a little deeper on some of the pricing commentary that you referred to like by region. You know what I mean, I guess I was impressed that we actually held the 2% to 3% price increase. Thanks.

Damon Audia^ Sure. Good morning Jamie. So I think if we look at the cadence here with the incremental tariff costs that we alluded to in the scripted remarks, we're going to see North

America sort of stay at this sort of the mid-teens margin loss for the balance of the year here. Despite the solid pricing, that incremental \$25 million is going to really be concentrated in North America, as you would expect. It will fluctuate a little bit in the quarters with volume here, but generally, you're looking at sort of an earnings kind of in that negative 10%, negative 12% for the full year.

South America, we had a challenging first quarter -- or Latin America, excuse me, we had a challenging first quarter. We see that sort of rolling into the second quarter here with a slight breakeven, a slight loss likely in Q2. And then as we hopefully see the industry recover, we've talked about the election year, some of the incentives as we get to the FINAME funding in the middle of the year, we see that turning slightly positive.

I think net for the full year, when you look at the first half headwinds, second half opportunities probably closer to a breakeven business for Latin America as we look at the full year.

I think, Jamie, on the second question on pricing, again, we did reaffirm the 2% to 3%. When I look at how pricing panned out in the first quarter, overall, I would say total company, it was modestly a little bit better than what we had expected. Now we saw stronger performance in pricing in North America and in Europe and then we saw a significantly weaker pricing in the Latin American region.

So, for total company, again, I still feel good that we're in that 2% to 3% range. But as I look at how things are unfolding, so far, I would say it's going to be a little bit stronger coming from North America and Europe and a little bit weaker coming out of the Latin American region, at least to start the year.

Operator^ The next question is from Kristen Owen with Oppenheimer.

Kristen Owen^ Damon, you walked through a lot of puts and takes on the guidance. It's easy to look at it and say, okay, you beat by \$0.50 in the first quarter, so we're going to raise the guidance by \$0.50. But it sounds like there's a lot more to it than that. So maybe just help us with the bridge on the updated guidance, what got better, what got worse? And then I have a follow-up on some of the cost-related items.

Damon Audia^ Yes, sure. Sure, Kristen.

So I think if you look at our prior guidance, we were \$5.50 to \$6. So we'll use the midpoint there. We rolled through the \$0.50 beat in the first quarter. I alluded on the call, tariffs are around a \$25 million incremental headwind, so call that around \$0.25 of a headwind, Kristen. We tweaked our volumes, our industry outlook for South, for Latin America and a little bit, I would say, in Eastern Europe, Turkey mainly. So the industry being a little bit softer for the balance of the year, that's around a \$0.20 headwind.

We've had incremental freight costs as we look at diesel fuel, ocean freight charges, other costs that we're seeing given the Middle East conflict, that's around a \$0.20 headwind flowing into our cost of goods sold.

To offset that, we included the share repurchase. We've estimated that at around \$0.15 of a positive for the full year. And then we've also increased our restructuring savings outlook which was \$40 million to \$60 million. We now have that at \$60 million to \$70 million. So that, coupled with a little bit of other cost of goods sold savings opportunities, that's around a \$0.20 positive relative to our original outlook. And so when you put those together, you get around \$6.

Kristen Owen^ Fantastic. So the restructuring savings then the \$40 million to \$60 million, now \$60 million to \$70 million. In some of the prepared remarks, you talked about some of the internal initiatives. Can you maybe help us understand how much of that is just an acceleration or maybe a pull forward of the bridge that gets us to 14% to 16% by the end of the decade? Or how much of that is sort of incremental upside that maybe gives you greater confidence in that mid-cycle margin target?

Damon Audia^ Yes. So I'd say, Kristen, it's probably about 50-50. So we did have some savings that was planned more into the Q3, Q4 timeframe. Given the industry, we've been able to pull, as we did a little bit last year, we pulled some of that ahead. So if you remember on the fourth quarter call we said we were run rating at around \$190 million. I would tell you now after the end of the first quarter, we're run rating just a little bit over \$200 million. So part of that was pulling some things ahead.

But in this environment, as we leverage technology, more of the teams are seeing more opportunities. So there is some incremental long-term savings. So, again, for this year, I would say it's kind of split between a pull ahead and an incremental. So that will carry over to some incremental savings as we get into 2027 given the annualization. But generally, I'd say we're run rating a little bit north of \$200 million now.

Operator^ The next question is from Mig Dobre with Baird.

Peter Kalemkerian^ This is Peter Kalemkerian on for Mig this morning.

I guess I have one on Europe here. How confident are you in the relative strength in Europe holding through the remainder of the year? It's my understanding that EU farmers maybe don't preorder their inputs to the same extent as we see in North America. So could you maybe help me understand the dynamics there, what you're seeing in terms of farmer health?

And then second part of the question on margin progression for Europe, I believe it's previously been a pretty steady mid-teens through the year. Is there any change there that we should be aware of?

Eric Hansotia^ Yes. I'll start off with that answer.

So if you think about the crops that are planted in Europe, the biggest crop planted is wheat, and it's often -- it's a winter wheat predominantly. So that's planted in the fall. It starts growing over the winter and then it continues to grow in the spring and in the summer and is harvested early summer.

So the cycle is a little different than what we think about in North America of most of the planting happening in the spring because of the mix of grains that they put in. So that's one dimension.

They still do prebuy a fair amount, not quite as much as North America, but a fair amount. And so I think it really comes down to how long is this war going to last and how big of an impact is the increase in cost for fertilizer.

Fertilizer is up somewhere between 35% and 50%, but it all depends on if that lasts through the rest of the year. Most predictions right now, of course, this is unpredictable, but many folks are using the assumption that this war is not going to last in terms of quarters, it's going to last in terms of several more weeks in terms of cutting off the strait.

So if that's true, then flow can normalize in time for the next big use of fertilizer in the Northern Hemisphere which is more weighted toward the fall.

Damon Audia^ And then, Peter, if I -- in answer to your second question about the European margins and the cadence, again, Europe continues to be very strong for us if I think about the margins. Generally speaking, likely in the mid-teens for each of the remaining three quarters, a little bit lower here in the second quarter as we'll have some of that incremental engineering expense.

Remember, we have a high concentration of engineering expense in Europe. I'd say probably closer to flat to last year's margins and then picking up modestly here in the back half of the year as we introduce some new products and some of that new product pricing kicks in.

But generally speaking, kind of in those mid-teens here for the balance of the year.

Peter Kalemkerian^ Awesome. And then a quick follow-up here on Latin America. How many -- do you have the pricing in place you feel to clear the channel here in the next couple of quarters? Or do you think that price will have to come down even further? And I guess, tangential to that question, how many quarters of destock do you think we have left before inventory can get down to that target level of, call it, three-ish months?

Damon Audia^ Yes. I think, Peter, for us, we're always looking market back from a pricing standpoint and our relative value to the farmers and also relative to the competition.

I don't see a significant change in pricing, but again, subject to market conditions. I think we're trying to be much more proactive on our side. We will have inventory -- production will come down probably around 20% year-over-year in Q2 as we look to better adjust the production schedule. We made great progress on the dealer inventories this last quarter. As I mentioned in my part of the remarks, units were down around 10%. So we are taking the units out. We're reducing the production here. We'll reduce it again another 20%, trying to get closer to that three-month target here, hopefully by the end of the second quarter.

But again, remember, for us, when we give you the dealers' month of supply, that's a 12-month forward look. So as that industry is changing either positively or negatively, that 12-month forward calculation can also influence even though the units may come down.

So I feel good about what the team is doing in managing a very challenging situation. We know South America is likely the most susceptible to the diesel fuel cost, the fertilizer increases that Eric just alluded to. So the team is doing a good job sort of managing the production schedule to try to keep the retail and production as closely aligned as possible, but at the same time getting the dealer inventory levels down, but still servicing the demand we're seeing.

So a lot of work down there, but we feel good about how the team is managing it.

Eric Hansotia^ Maybe one more thing on Brazil. It's a very, very tight presidential race. And last week was Agrishow. There was a lot of talk at Agrishow about favorable terms coming into the market from the government. Unfortunately, there's no detail on what those terms are going to be, but certainly a lot of talk about they're coming.

And so farmers, I think, to some degree, are a bit on hold until they get clarity on what that environment will be. But if you anticipate the chapter we're in right before an election is probably going to be something positive for farmers. Just don't have any clarity on it yet.

Operator^ The next question is from Steve Volkmann with Jefferies.

Stephen Volkmann^ I apologize if I missed this, Damon. I think you said that '26 production hours are going to be flat to slightly down, but it sounds like they're going to be down quite a bit in the second quarter, and you obviously reduced inventory in the first. So is the cadence that we're going to have like some big increases in the second half? Just how does that sort of play out?

Damon Audia^ Yes, Steve. So we had the big increase here in the first quarter. It was heavily in Europe because of the year-over-year comparison. It wasn't that we were running in excess. If you remember last year, we had a slow start as we were sort of destocking a little bit in Europe.

If I look at Q2 here, you're looking at North America is likely going to be relatively flat to year-over-year. The big change will be the South American market. We'll be slowing production there in Q2 and likely in Q3 based on the current industry outlook.

But as Eric just alluded to, such a volatile market or uncertain market there, we manage it one quarter at a time. But at least our outlook right now this flat to down guide assumes more underproduction in the Latin American region, but relatively stable production in Europe and in North America for the balance of the year.

Stephen Volkmann^ Okay. I see. And then just anything to call out relative to your view of kind of how Precision Ag sales kind of flow this year? Is there any upside or downside to your views there?

Damon Audia^ I don't think there's any upside or downside. Again, the first quarter was very much in line with our expectations. I think the sales for PTx as a whole were relatively flat year-over-year.

So I think, Steve, when you look at the industry being down here in North America, down in the, the challenge in South America, the fact that PTx delivered relatively flat sales year-over-year is a testament to the retrofit market and how well that business is doing.

For the full year, we still expect it to be flat to modestly up for the full year.

Operator^ The next question is from Joel Jackson with BMO Capital Markets.

Joel Jackson^ I wonder if you can provide any like we're talking about traversing the bottom here, things getting better as the year progresses. Do you have any updated views on what you think this cycle will look like in the next year or two as we get back into growth and maybe compare that to prior cycles?

Eric Hansotia^ Yes. It's a pretty uncertain environment we're in, but I would say we expect that - you look at what are the drivers of cycles. And the primary one I'd look at is the age of the existing fleet in the farm. And in all of our regions, it's at peak levels.

So when the farmer looks out into their machine shed, they see old equipment and they see a lot of technology coming into the market. And so there's a draw or replacement demand that's going to happen. And there's other turbochargers that could happen and could boost that. Brazil is putting a lot more of their corn into ethanol. The U.S. ethanol blend may move from 10% to 15% may move to year around. I don't know yet, but that's under a heavy discussion. Biofuel policy and sustainable aviation fuel are getting a lot of attention right now. There's more protein demand with everybody and the GLP drugs.

So you combine all of those things, and those all give us -- those are the ones we've been talking about for several years. Those are natural tailwinds for this industry to recover tactically because of the fleet age and more strategically because of these macro drivers. And we see all of those as playing for the farmer.

They need some more certainty. They need the strait to open up. They need their cost to settle back down and they need the trade flows to open up which is a relatively short-term thing. Once that happens, I think the cycle will progress like it usually does.

We've been two to three years now at the bottom, and then it usually works its way back up. It's depending on the situation, 7- to 10-year overall cycle. So we expect a migration back up to mid-cycle volumes and then hopefully above mid-cycle after that.

Joel Jackson^ I apologize for the background noise. And just my second question, with the buyback just announced, would that be very upfront like the buyback last year or more spread across the year [ahead into it]?

Damon Audia^ Yes. Normally, we do the buyback in the form of an ASR. There is a portion that is directly done with TAFE, our largest shareholder. So you can assume that 85% of it directionally is done through the form of an ASR and then the balance comes from TAFE at a later date.

Operator^ The next question is from Kyle Menges with Citigroup.

Unidentified Participant^ This is [Randy] on for Kyle. It would just be great to get some more color on some of the changing tariff dynamics as it relates to your outlook, maybe bifurcating between impacts from the IEEPA overturn, the new Section 232 ruling. And then any color on how you're thinking about what potential Section 301 impacts could be would be helpful.

Damon Audia^ Yes, Randy. So with the IEEPA ruling, we have now taken that out of our guidance and factored in the new cost calculation for 232. When we look at the net of those two, that's around a \$24 million headwind relative to our prior guidance. And so that's sort of been factored into our outlook.

As I mentioned in my pre-scripted remarks, we've not assumed any refund or anything related to the IEEPA in our current EPS outlook. If something was to be monetized, that would be incremental.

As it relates to the pending 301 tariffs, again, we have not assumed anything beyond what's currently in place today into our outlook. I think it's important to remember, though, as if there is something that comes as a result of 301, the question of when do those take effect, when do they hit our inventory and then when does that flow through cost of goods sold. So as we think about something maybe coming this summer, the reality of that hitting 2026 is quite low, just given the flow of inventory and finding its time to our cost of goods sold.

So again, we're monitoring the situation. The teams are doing a great job in trying to mitigate these tariffs, looking for offsets or ways to ship directly to Canada which historically we would have flown those European products into the U.S. and then up to Canada.

So looking for ways to avoid some of these where possible to limit the impact on our dealers and our farmers. But overall, as I said, around \$25 million is the net headwind this year.

Operator^ The next question is from Kevin from Wells Fargo.

Kevin Uherek^ Can you talk about what you're seeing in terms of used inventory destocking in North America during the quarter? And what do you expect in terms of the pace going forward?

Damon Audia^ Yes, Kevin, I think overall, we don't have as much visibility as maybe some of our competitors do on the used. But overall, generally speaking, it's not as big of an issue for our dealers versus the new. We're probably directionally about maybe a month in a better position than we are in the news -- in the new.

So overall, not a huge issue, but something that we're watching closely.

Kevin Uherek ^ Got it. And then maybe switching gears, how should we think about the sales of the stake in the joint ventures in terms of the impact on the equity income line on a go-forward basis?

Damon Audia^ Yes. I think the -- so Kevin, thanks for asking the question.

I guess the way to think about this is the \$190 million of cash that I mentioned is reflective of the equity value and the cash flow considerations of the existing portfolio as of April 30.

So if you think about that, the transaction, it's going to accelerate the cash flows from the existing portfolio, and that's what's going to result in this Q2 earnings benefit. But on the full year basis, the contribution from the portfolio hasn't really changed. So that's the way to think about it here in 2026.

As I think about '27 and beyond, what's happening is that equity and earnings is now going to disappear for those two entities, and you're going to see that show up at a smaller percentage, but show up as a reduction in sales discount. So it will be slightly accretive to the operating margin and a little bit negative from an earnings per share perspective.

Operator^ The next question is from Angel Castillo with Morgan Stanley.

Esther Osinaiya^ This is Esther on for Angel. I just had a question around North America market share. Can you unpack a bit more about what you're seeing in North America and just provide a little bit more color on the market share gains? Also curious to know if farmers are telling you anything that's driving the switch of brands and whether there are any particular regions in the U.S. where you're seeing this?

Eric Hansotia^ Yes. I'll take that one.

So globally, we had our highest market share. We grew again market share in quarter one. We've now got our all-time record highest market share for the company globally. And a big driver of that is North America.

We're getting market share gains in both of our brands, Massey Ferguson and Fendt, in terms of machinery brands. And essentially, we've gone through a few phases here. The first phase was getting our parts and service performing at a record level, and that's been done for several years now. Then getting our product portfolio to the best in the industry. We've got that in place solidly.

And now we're working with our dealers to really raise their performance. That's the focus of this chapter. We're working with all of our dealers to implement FarmerCore which is a changing of the distribution model where they do the work on the farm. They move from reactive to proactive, monitoring the machinery on the farm and doing everything proactively instead of having the customer having to come to the brick-and-mortar store, we come to the farmer, way more convenient, way more proactive.

So this establishment of the world's best products has been done. Now we're working on the world's best distribution and service support that can be delivered to the farmers. And we're seeing once farmers experience that, they love it. They love the convenience of having everything done with them and on their location. So that's the primary thing.

It's more of a large ag focus. You asked kind of where is it happening? It's more large ag than small ag because it's -- that's the focus of FarmerCore. But it's geographically, I wouldn't say that there's a specific area in the country.

Did I capture all your points? Or was there anything --

Esther Osinaiya ^ Just like a quick follow-up. Just like what you laid out, is there any concerns about any like aggressive pricing from competition just due to the market share gains that you're seeing?

Eric Hansotia^ Well we always have to keep our eyes on that. But in general, I think we're all public companies, disciplined players and working on generating value as opposed to trying to take margin hits to go after price discounts.

We've not seen that in the past on any kind of broad scale, not saying it can't ever happen, but we haven't seen it in the past, and we're not seeing it now.

Operator^ The final question today is from John Peter with Bernstein.

Unidentified Participant^ This is Inigo filling in for John] Can we double-click on your order book by region, please?

Damon Audia^ Yes. Sure. I'll take care of that.

So for North America, our order board is kind of in the range of two to four months depending on the product type. I would say for the lifestyle or the rural lifestyle, so the lower horsepower, we're about two months. As I mentioned in my remarks, we're into the spring selling season right now, so very customary to see the order board at the low point.

For Fendt, we're probably closer to four months.

In Europe, we're at three to four months, so relatively consistent to where we've been for the last several quarters.

And in Latin America, if you remember, we only open the order board up one quarter in advance. And so we're sitting at around three months of orders in South America. So again, fairly consistent as to where we've been in the last few months -- last few quarters, excuse me.

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^ Thank you for joining us today for our continued -- and your continued interest in AGCO. The first quarter highlights our continued progress in building a more focused and resilient AGCO, executing with discipline and staying anchored to what we control while advancing our Farmer-First strategy. The performance delivered this quarter reflects the effectiveness of actions taken over several years including portfolio sharpening, execution enhancement and improved earnings durability.

We remain focused on delivering for all of our stakeholders. For our farmers, we continue to invest in practical innovation spanning precision agriculture and AI-enabled solutions, service and uptime, all designed to help them operate more productively and profitably.

We've achieved the highest Net Promoter Score for quarter one in the history of our company and have a record high market share globally with big gains in North America.

For shareholders, our record 2025 cash generation enables balanced capital deployment including increased dividends and ongoing share repurchases, alongside continued investment.

Looking ahead, we remain focused on cost management, production alignment, technology advancement and market share growth, positioning the company to perform effectively through the current environment and capture opportunity as demand grows over time.

Thank you for your continued support for AGCO. We value your partnership and look forward to building long-term value together.

Operator^ Thank you for joining the AGCO earnings call. The call has concluded. Have a nice day.