

**ANDY BECK**  
SVP & CFO



# AGENDA

Focused Cost Management

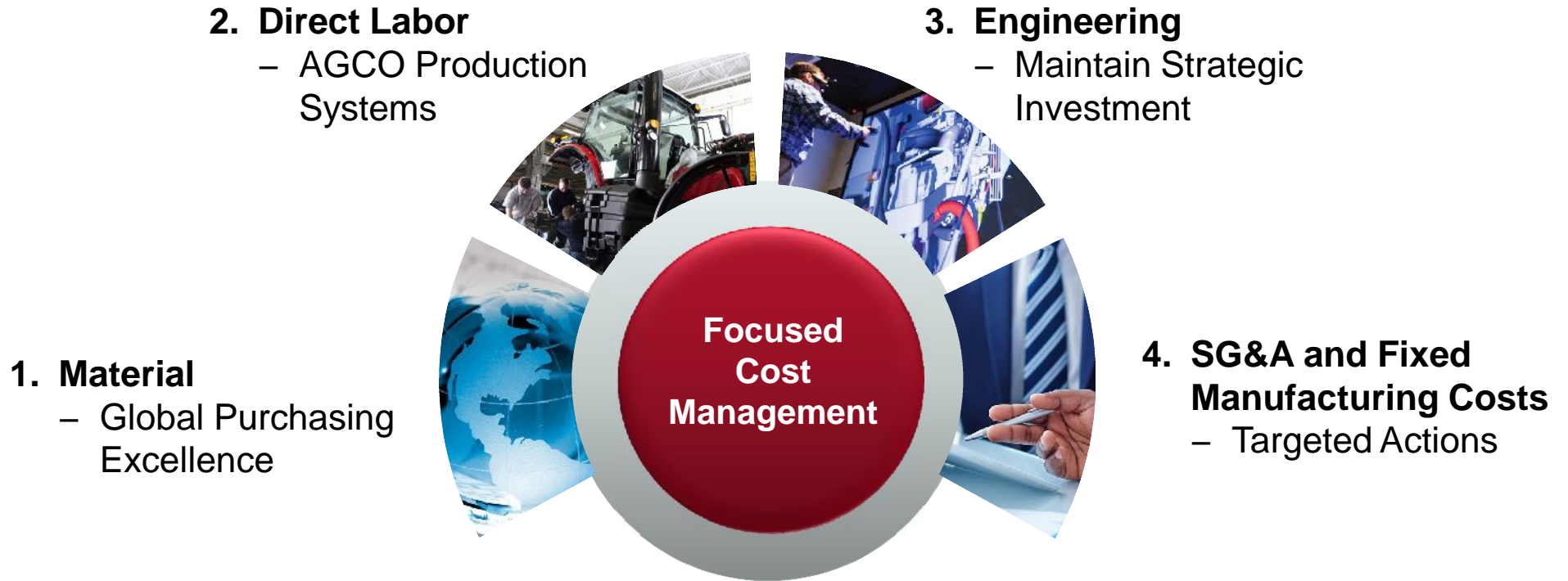
AGCO Finance Update

Capital Allocation Update

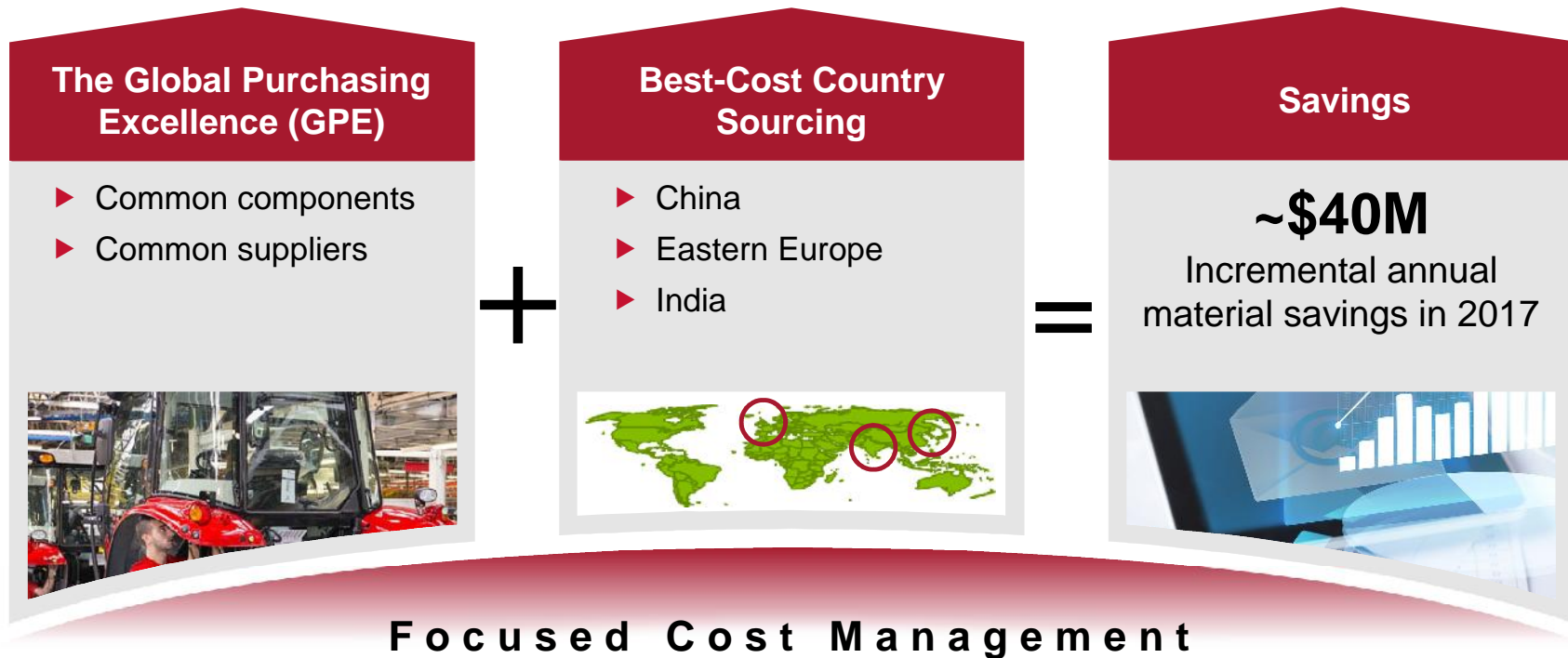
2017 Preliminary Outlook



# FOCUSED COST MANAGEMENT



# MATERIAL COST IMPROVEMENT: GLOBAL PURCHASING EXCELLENCE + BEST-COST COUNTRY SOURCING



# PRODUCTIVITY – MANUFACTURING OPTIMIZATION

## Key Initiatives

- Utilizing six sigma and lean
  - Kaizen workshops
  - Daily shop floor meetings
  - Value Stream Mapping
  - GEMBA
  - Yamazumi boards



## Savings

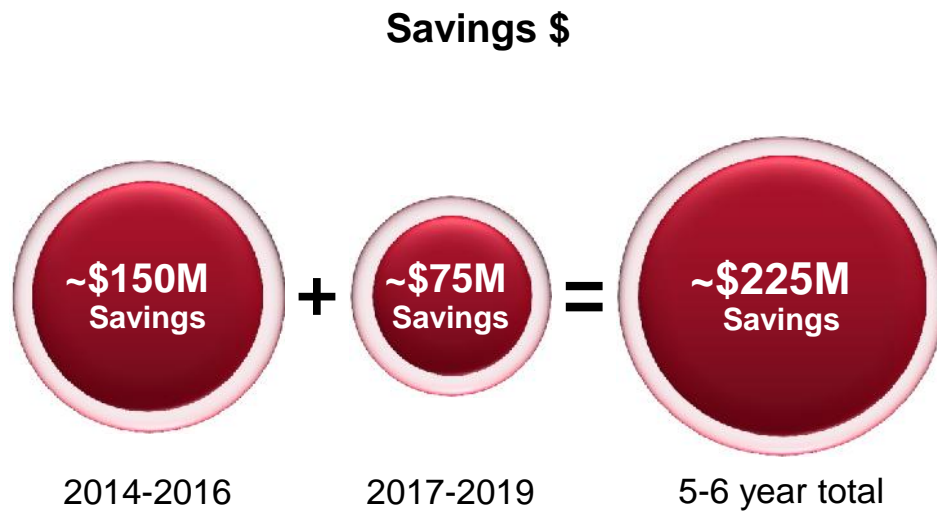
**\$15-\$20M**

**AGCO Production Systems  
incremental  
annual savings**



**F o c u s e d   C o s t   M a n a g e m e n t**

# TARGETED COST SAVINGS ACTIONS – SG&A AND FIXED MFG COSTS



## 2017-2018 Actions

- ▶ Reduce fixed cost structure by:
  - Manufacturing rationalization
  - Globalizing processes
  - Reducing complexity
  - Better leveraging scale across shared services
  
- ▶ \$10-15M of savings in 2017





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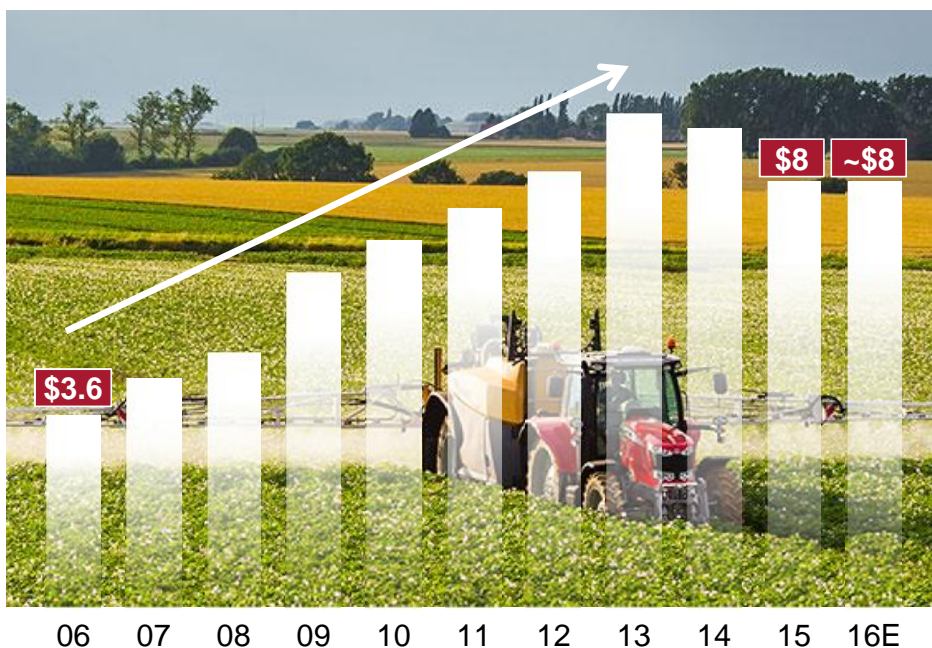
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# PROFITABLE, STABLE FINANCE BUSINESS

**Attractive Portfolio**  
(\$B)



- ▶ AGCO Finance is JV with Rabobank based in the Netherlands
- ▶ Rabobank is among the world's highest rated banks
- ▶ AGCO Finance is 49% owned by AGCO
- ▶ Funded by Rabobank
- ▶ ~\$8.0 billion portfolio
- ▶ Consistent financial performance and credit quality



AGCO FINANCE UPDATE  
**A CLOSER LOOK**  
 Y/E 2016E

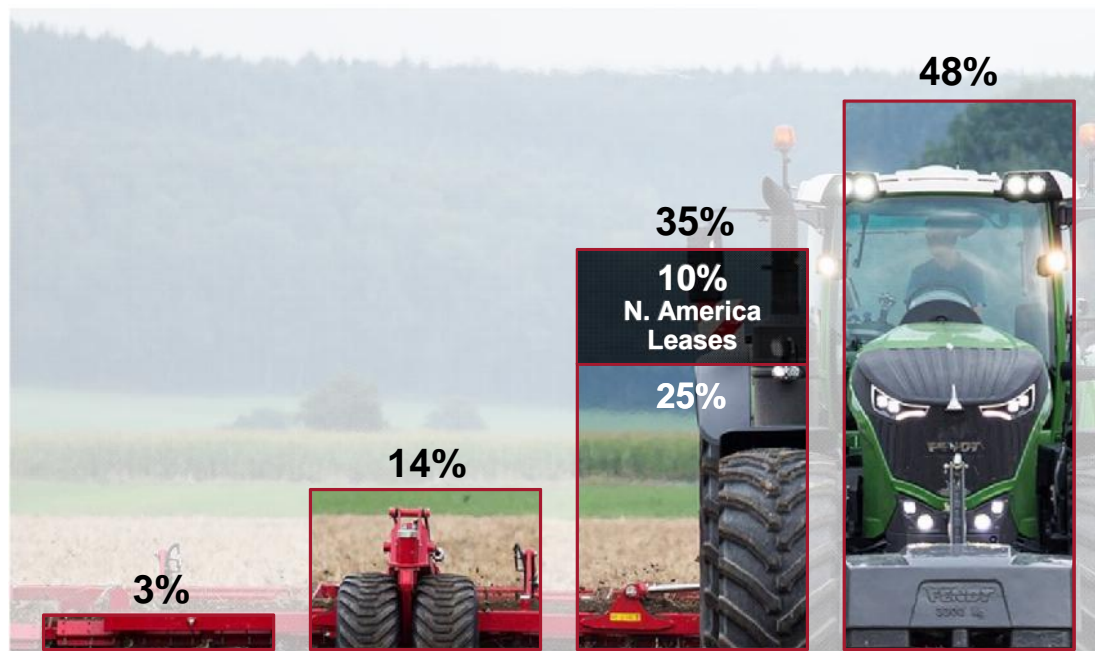
**Breakdown By Product**



Wholesale Floor-plan

Retail Financing

**Breakdown By Region**



Australia / New Zealand

S. America

N. American loans

Western Europe

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# CAPITAL DEPLOYMENT PRIORITIES

## Capex

- ▶ Invest in facilities
- ▶ Invest in new products



## Maintain Balance Sheet

- ▶ Maintain investment grade credit rating



## Acquisitions

- ▶ Opportunistic approach to add to product offerings or geographic reach



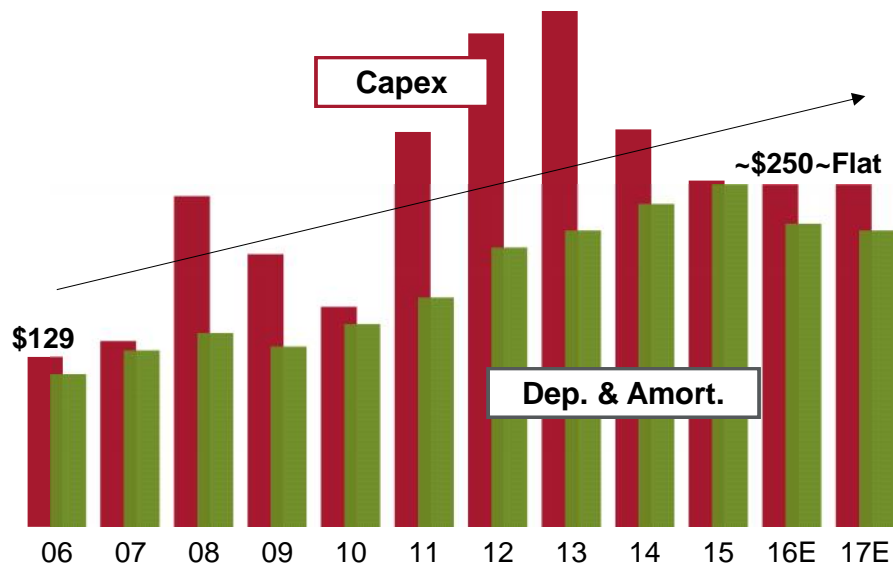
## Return Cash to Shareholders

- ▶ Share repurchases
- ▶ Dividends

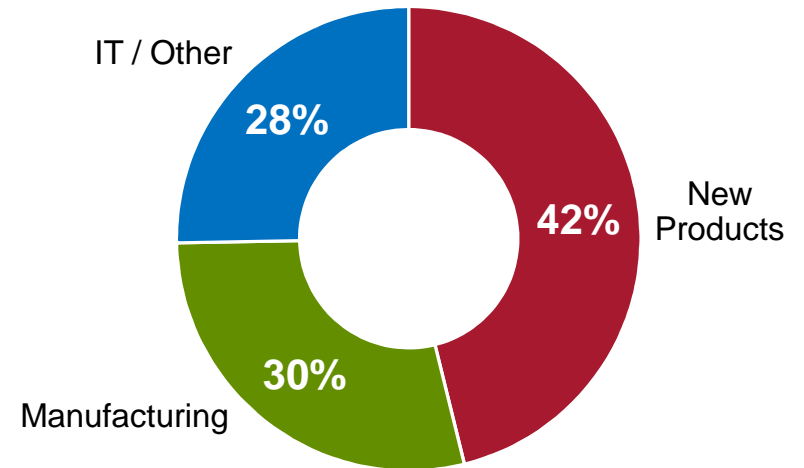


# CAPITAL EXPENDITURES – INVESTING FOR GROWTH

Continuing to Invest  
(\$M)



2016 Capex Components



# RETURNING CASH TO SHAREHOLDERS

## Cash to be Returned to Shareholders

### Dividend

- ▶ Initiated in 2013
- ▶ Ambition to grow



### Share Repurchase

- ▶ \$300M new authorization
- ▶ To be completed over next 36 months





# AGENDA

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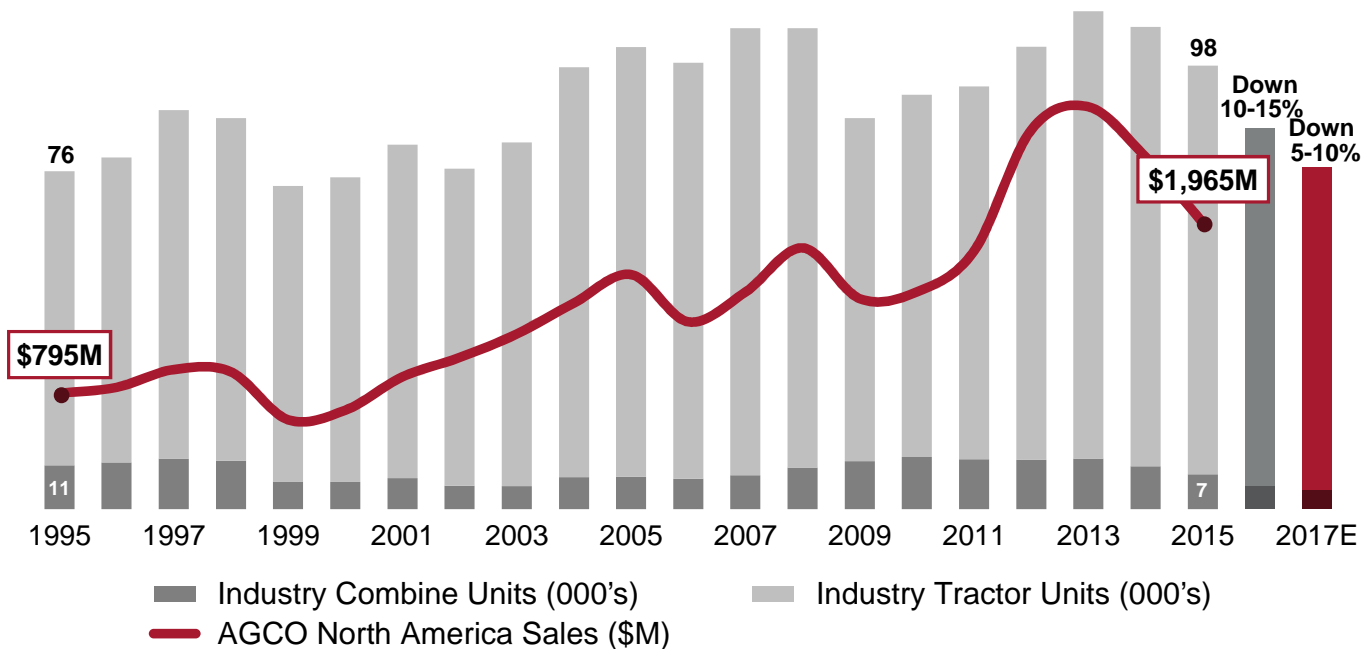
2017 Preliminary Outlook



# 2017 MARKET OUTLOOK – FOURTH YEAR OF WEAKER DEMAND



**North America Industry Retail Units**  
Tractors\* and Combines (000's)

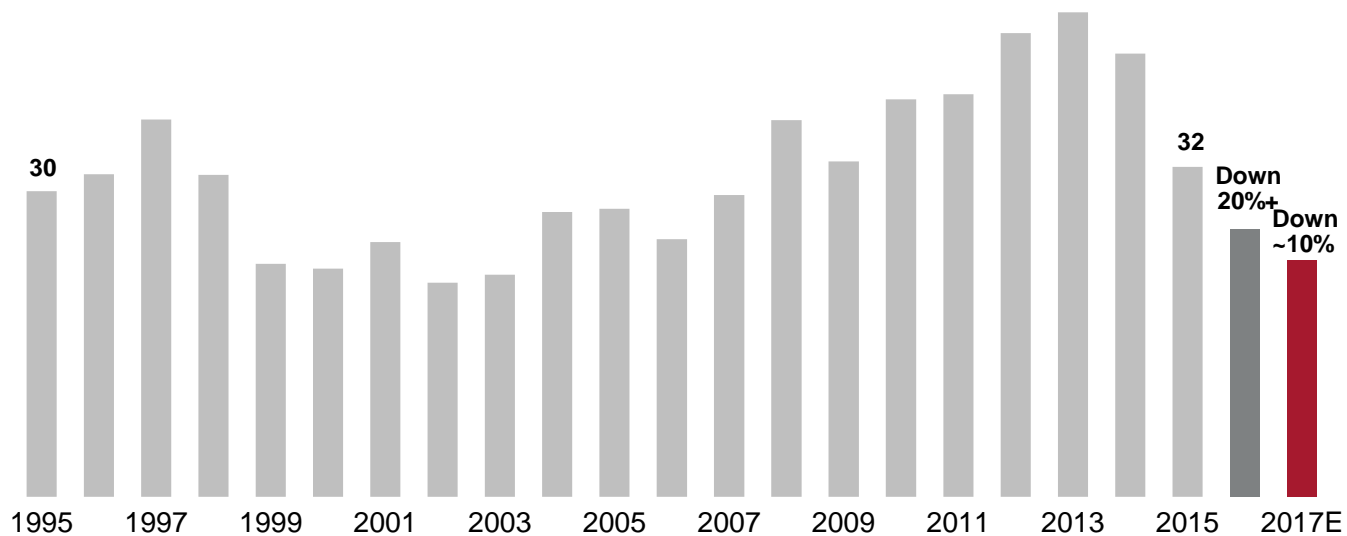


- ▶ Projected 2017 farm income remains under pressure
- ▶ Row crop sector remains weak
- ▶ Negative mix impacts

NORTH AMERICA

## 2017 HHP\* INDUSTRY OUTLOOK – FURTHER DECLINES

North America Industry Retail Units  
High Horsepower Tractors\* (000's)



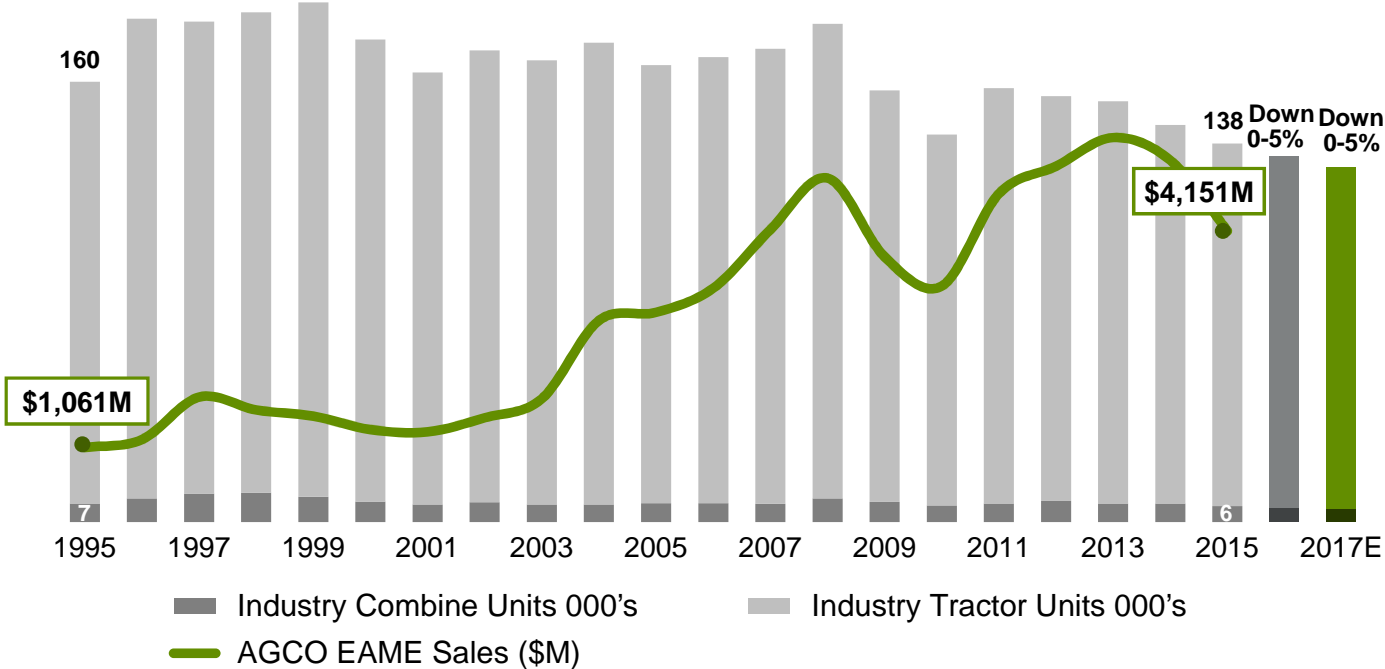
- ▶ HHP tractors good surrogate for Row Crop sector
- ▶ ~22% decline in HHP\* tractors YTD in 2016
- ▶ Another ~10% decline expected in 2017

WESTERN EUROPE

# 2017 MARKET OUTLOOK – MODESTLY LOWER



**Western Europe Industry Retail Units**  
Tractors and Combines (000's)

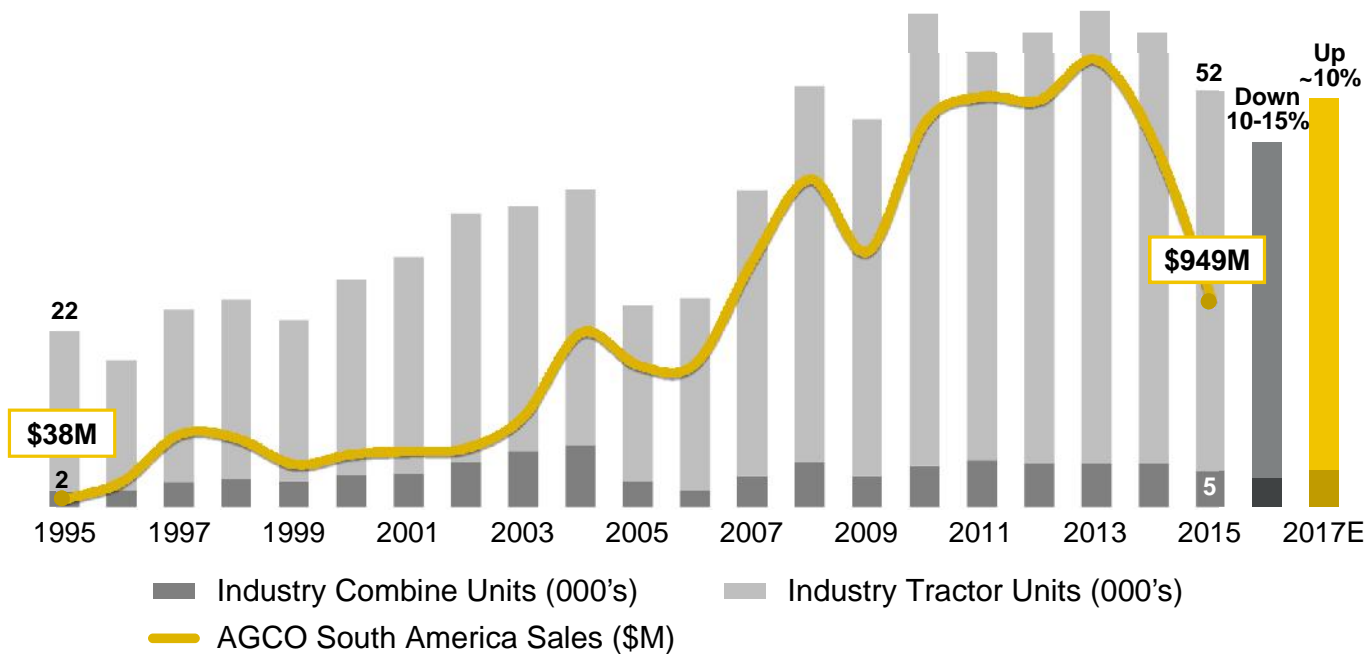


- ▶ Dairy sector still weak
- ▶ Smaller wheat harvests in France and Germany
- ▶ Continued emphasis on professional farmer with new HHP tractors and harvesters

SOUTH AMERICA  
**2017 MARKET OUTLOOK – UP ~10%**



**South America Industry Retail Units**  
 Tractors and Combines (000's)



- ▶ Sugar sector showing order growth
- ▶ Funding of Brazilian Gov't subsidized loan program assumed stable for 2017
- ▶ Weaker Brazilian Real supportive to farm exports



# 2017 PRELIMINARY ASSUMPTIONS – SUMMARY

- ▶ 2017 Sales Up 2-3% vs 2016
  - Softer end-market demand in North America and Western Europe.
  - 1.5% to 2% pricing
  - Impact of currency translation expected to be –4%
- ▶ Engineering ~4.1% of sales (up ~\$10M vs '16)
- ▶ Operating margin improvement
- ▶ Effective tax rate ~40%



# 2017 PRELIMINARY OUTLOOK

	2017 Estimates
Sales	~\$7.4B
Adjusted EPS	~\$2.50
CAPEX	~Flat vs 2016
Free Cash Flow*	\$225-\$250M



# KEY MESSAGES TODAY



# APPENDIX



# NON-GAAP TO GAAP RECONCILIATION

	2006	2016E
	Earnings Per Share <sup>(1)</sup>	Earnings Per Share <sup>(1)</sup>
As adjusted	\$1.04	~\$2.30
Restructuring and other expenses/adjustments	1.83	~0.45
As reported	(\$0.79)	~\$1.85





# NON-GAAP TO GAAP RECONCILIATION

Free Cash Flow \$M	Projected Year Ended Dec. 31, 2017
Net cash provided by operating activities	\$475 to \$500
Less:	
Capital expenditures	~\$(250)
	<hr/>
Free Cash Flow	\$225 to \$250
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