AGCO Corp (Q3 2026 Earnings)
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Corporate Speakers

- Greg Peterson; AGCO Corporation; Head of Investor Relations
- Eric Hansotia; AGCO Corporation; Chairman, President and Chief Executive Officer
- Indira Agarwal; AGCO Corporation; Senior Vice President and Chief Financial Officer

Participants

- Kristen Owen; Oppenheimer; Analyst
- Jamie Cook; Truist Securities; Analyst
- Stephen Volkmann; Jefferies; Analyst
- Tami Zakaria; JPMorgan; Analyst
- Randy Marker; Citi; Analyst
- Judah Aronovitz; UBS; Analyst
- Michael Shlisky; D.A. Davidson; Analyst
- Jerry Revich; Wells Fargo Securities; Analyst
- Esther Osinaiya; Morgan Stanley; Analyst

PRESENTATION

Operator^ Good day, and welcome to the AGCO 2026 Third 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 Third Quarter 2026 Earnings Call.

This morning we'll refer to a slide presentation that's 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 that presentation. We'll make forward-looking statements this morning, including statements about our strategic plans and initiatives as well as their financial impacts.

We'll discuss 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 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 are Eric Hansotia, our Chairman, President and Chief Executive Officer; and Indira Agarwal, Senior Vice President and Chief Financial Officer.

With that, Eric, please go ahead.

Eric Hansotia^ Thank you, Greg. Good morning, everyone, and thank you for joining us.

Since our last call the industry environment has become even more challenging with additional pressure on farmer economics across our major regions. Higher input costs, particularly diesel and fertilizer, lower grain production in Europe following drought conditions, higher interest rates and continued pressure on commodity prices have weighed on farmer sentiment and further softened industry demand. Global demand is now at its weakest level in more than a decade.

We continue to believe the industry is at the trough of the cycle with some recovery coming in 2027. Equipment fleets have been aging for several consecutive years, with our estimates showing that the tractor fleet is matching its oldest average age in the last couple of decades. Growing replacement needs should provide additional tailwind as market conditions improve. This data gives us confidence that market demand improvement is in front of us.

We are managing through this environment with strong operational discipline. Our third quarter results reflect the fact that we are focused on what we can control, aligning production with retail demand, actively managing dealer inventories and taking structural costs out of the business. These actions are helping improve channel health and strengthen AGCO's cost position as we navigate the trough cycle and position the company for the recovery.

At the same time, we continue to strengthen the market position of our premium brands and expand our precision agriculture offerings. We are navigating today's market conditions while continuing to invest and maintain momentum behind our Farmer-First strategy.

Net sales for the quarter were approximately $2.3 billion, 8.6% lower compared with the prior year. Adjusted earnings per share were $1.05 compared with $1.35 in the prior year period. Reported earnings per share were $0.75 compared with $4.09 last year.

Operating income was $116.1 million for the quarter, reflecting results 23% below the third quarter of 2025. Adjusted operating margin was 6.1%, down 140 basis points, primarily reflecting lower sales and lower factory absorption from the reduced production volumes.

Structural cost actions, ongoing business optimization benefits, disciplined pricing and certain IEEPA tariff refunds recognized during the quarter helped offset the impact. Our Project Reimagine cost efficiency actions are delivering measurable results, and we remain on track to realize $60 million to $70 million of cost and productivity benefits in 2026.

As we address these near-term challenges, we remain firmly focused on the farmer. That starts with understanding their everyday needs: securing labor, managing input costs and getting the most from their equipment. Our solutions help farmers automate tasks and accomplish more with the resources they have, all with the goal of improving their profitability.

Slide 4 provides an overview of industry unit retail sales by region through September. Across our major markets, demand remained well below historical mid-cycle levels and now below the previous trough as elevated input costs and pressure on near-term farm profitability continue to drive cautious equipment investment.

In North America, tractor retail sales, excluding compact tractors, were 9% lower year-to-date and combine sales were 10% lower. The largest change continued to be in the higher horsepower categories. Commodity prices and evolving conditions surrounding trade and export demand continue to influence farmer profitability.

We are also seeing more selective purchasing activity in the lower horsepower categories as higher interest rates continue to influence discretionary purchases among rural lifestyle customers.

In Western Europe, tractor retail sales were 1% lower through September, including a 9% decline in the third quarter, while combine sales were 2% lower year-to-date. Hot and dry weather created yield variability across large parts of the region, while softer crop economics and elevated input costs weighed on farmer sentiment.

Relatively healthy livestock and dairy economics and an aging equipment fleet continue to support replacement demand. Still, we expect industry demand to remain challenged through the balance of the year, influenced by uneven crop economics, elevated input costs and cautious farmer sentiment.

In Brazil, tractor retail sales were 17% lower year-to-date and combine sales were 38% lower. Higher interest rates, constrained credit conditions, soft farm economics and broader economic and policy uncertainty led farmers to delay equipment purchases. Despite the current pressure,

Brazil remains a strategically important agricultural market, supported by its significant production base and growing importance to global grain supply.

Across all these markets, near-term demand remains under pressure, but the structural fundamentals for agricultural investment remains unchanged. Food demand is rising. Equipment fleets are aging and farms must produce more with limited resources. That keeps farmers focused on controlling costs, improving yields and getting more productivity from every acre and machine. Those conditions reinforce our commitment to continue investing in precision agriculture, automation and other solutions that allow farmers to improve productivity and returns.

Slide 5 shows AGCO's factory production hours. We continue to use production as an active lever to align wholesale activity with retail demand and support the health of our dealer channel.

In the third quarter, production hours were approximately 19% lower year-over-year, with the largest reductions in Europe/Middle East and Latin America as market conditions weakened during the quarter.

Our fourth quarter production is designed to support our dealer channel with full year production hours projected to be approximately 5% below 2025. This reflects our measured approach to aligning production with current retail demand.

Turning to dealer inventories.

In Europe and Middle East, dealer inventory remained below our 4-month target. Both inventory units and the forward retail outlook declined during the quarter.

In Latin America, dealer inventory was just under five months of supply, above our 3-month target and up from approximately 3.5 months at the end of the second quarter. The increase in months of supply was driven almost entirely by the lower forward retail outlook, while inventory units increased modestly. We are reducing production and shipments to reflect current market demand and improved channel balance.

In North America, we maintained dealer inventory levels just below seven months, compared with our 6-month target with modest movements in both units and forward retail outlook. We remain focused on disciplined execution of our production and shipment plans to further improve channel health.

As we continue to optimize dealer inventories through the balance of the year, we expect 2027 production to be close to retail demand in North America and EME. Latin America continues to experience uncertainty, and we will continue to prioritize restoring and sustaining channel health by calibrating production as conditions develop.

Earlier this month, we brought analysts and investors to Stewart Farms just outside of Chicago for our annual Technology Event, putting AGCO's technology strategy in the spotlight. We highlighted how we design our business around the farmer. Farmers are working to address three

fundamental challenges: securing labor, making better use of their data and improving profitability.

AGCO brings together three complementary capabilities to help address those challenges.

First, our premium brands provide purpose-built machines that fit each farming operation rather than a single equipment ecosystem.

Second, PTx delivers retrofit-first, mixed-fleet technology, allowing farmers to adopt new capabilities without waiting for a machinery trade or development cycle, proving the value in their operation and expanding adoption over time.

And third, FarmerCore brings the dealership closer to the farmer through mobile, digital and on-farm service solutions, providing support when and where it's most convenient for the farmer. The result is a model that gives farmers flexibility in how they buy equipment, how they adopt technology and how they are served.

Slide 7 shows how these capabilities translate into practical solutions across the crop cycle.

In planning and preparation, FarmENGAGE, Panorama and Aurora connect technology, data and machines across brands. FarmENGAGE supports mixed fleet planning and task management. Panorama brings agronomic and machine data together. And Aurora makes that information easier to access and use through voice and text-based AI.

PTx planting technologies are helping farmers place seed more precisely in the soil, something traditionally left to chance. It has been one of the industry's toughest challenges, and our team is a leader in bringing this breakthrough seed orientation tech to farmers.

In application, the Symphony product family brings greater precision to crop protection, helping farmers target inputs more effectively and reduce unnecessary application.

In harvesting, our industry-leading OutRun autonomy solution helps address labor constraints and improve execution during narrow operating windows by enabling autonomous grain-cart and tillage operations.

Across every stage, FarmerCore, our unique distribution approach supports machine performance, uptime and farm insight by bringing digital tools, parts, service and support closer to the farmer, online and on the farm.

Together, these solutions demonstrate the strength of our approach: practical technology that works across mixed fleets, addresses real farmer challenges and creates attractive growth opportunities for AGCO.

Before I finish, I want to thank Damon Audia for his outstanding leadership as AGCO's Chief Financial Officer. Over the past four years, Damon helped guide AGCO through a period of significant transformation, strengthened our financial discipline and helped shape our strategy.

Damon has now taken on the role of President of PTx, Corporate Strategy and Distribution, where he is leading the next phase of growth for our Precision Ag business. I am pleased to have Damon's enterprise perspective and strategic focus driving it forward.

I'm also very pleased to welcome Indira Agarwal to her first earnings call as AGCO's Chief Financial Officer. Indira has hit the ground running, and I appreciate the leadership, perspective and energy she has already brought to the role.

With that, I'll turn over the call to Indira for a deeper review of the financial results.

Indira Agarwal^ Thank you, Eric. And good morning, everyone.

Slide 8 summarizes regional net sales performance for the third quarter and first nine months of 2026.

Third quarter net sales were $2.3 billion, 8.6% lower on a reported basis and 8.7% lower, excluding the favorable impact of currency translation.

North America net sales increased 35.1% on a constant-currency basis. Higher unit sales across nearly all equipment categories supported the increase with the most significant growth in high horsepower and mid-range tractors and parts, along with encouraging market share performance in several key categories.

Latin America net sales were 19.1% lower on a constant-currency basis. Softer industry demand resulted in lower sales across the region with Brazil showing the most weakness.

Europe/Middle East net sales were 18.1% lower on a constant currency basis. The decline was primarily driven by weaker industry demand. Demand and production remained below prior year levels during the quarter.

Asia/Pacific/Africa net sales increased 9.2% on a constant-currency basis. Higher sales in Australia were partially offset by lower activity across several Asian and African markets.

For the first nine months, consolidated net sales were up 0.7% on a reported basis and 2.7% lower, excluding favorable currency translation. North America and Asia/Pacific/Africa were above the prior year on a constant-currency basis, while Europe/Middle East and Latin America were lower.

Replacement parts sales remained comparatively resilient with consolidated sales of $506 million in the quarter, up just over 1% on both a reported and constant-currency basis. North America was the strongest contributor with parts sales up approximately 12% on a constant-currency basis. While Asia/Pacific/Africa also grew, Europe/Middle East and Latin America were modestly lower. Overall, farmers continue to prioritize fleet maintenance and uptime despite more cautious equipment investment.

Turning to Slide 9. Third quarter adjusted operating income was $137 million, down approximately 26%, and adjusted operating margin was 6.1% compared with 7.5% in the prior year quarter. The 140-basis point margin decline primarily reflected lower sales and production volumes, particularly in Europe/Middle East and Latin America, and the associated impact on factory absorption.

By region, North America generated $13.8 million of operating income compared with a $42 million loss in the prior-year quarter. Higher sales and production volumes, combined with approximately $13 million of certain IEEPA tariff refunds recognized during the quarter, contributed to the improvement.

Latin America operating income was $7.4 million, approximately $13 million below the prior year, associated primarily with lower sales and production volumes.

Europe/Middle East operating income was $137.3 million, approximately $115 million below the prior year period, reflecting reduced sales and production levels.

Asia/Pacific/Africa operating income increased to $24.9 million from $7.7 million in the prior year. Higher sales and favorable product mix supported the improvement.

For the first nine months, adjusted operating income was $416 million and adjusted operating margin was 5.8% compared with $485.9 million and 6.8% in the prior year period.

We remain focused on effective cost management and disciplined factory output as we work through the current demand environment.

Slide 10 shows our cash-flow performance. Free cash flow was a use of approximately $381 million through September, compared with positive free cash flow of approximately $65 million in the prior year period.

The year-over-year change relates to higher use of working capital in 2026.

The fourth quarter is seasonally stronger for cash generation, and we expect disciplined working capital management, including inventory reduction, to be the primary source of cash through year-end.

We are confirming our full year target of generating free cash flow equal to approximately 75% to 100% of adjusted net income.

Our capital allocation priorities remain unchanged: maintain an investment-grade balance sheet, continue to invest in the business, pursue targeted technology-focused opportunities and return excess capital to shareholders.

During the third quarter, we completed approximately $57 million of share repurchases from TAFE associated with the repurchase announcement from the second quarter of 2026, bringing

year-to-date repurchases through September to approximately $402 million. We also recently declared our regular quarterly dividend of $0.30 per share.

Slide 11 summarizes our updated 2026 industry outlook across our major markets.

We have lowered our outlook for Western Europe, Latin America and small ag equipment in North America to reflect the latest market conditions. I'll walk through each of these in more detail.

In North America, we continue to expect large agricultural equipment demand to be approximately 15% below 2025 levels, while the small ag segment is now expected to be down approximately 5%. Farmer sentiment remains cautious with financing costs influencing discretionary purchases in small ag. Demand is expected to remain below historical mid-cycle levels through the balance of the year.

Turning to Western Europe. We now expect industry tractor demand to be down between 0% and 5%. Conditions vary by market, and unfavorable weather impacted yields during the third quarter. As Eric mentioned, replacement demand and relatively healthy livestock and dairy economics continue to provide some support, although overall industry demand is expected to remain challenged through the balance of the year.

In Brazil, we now expect industry tractor demand to be down approximately 15%. Higher production costs, elevated interest rates and tighter credit availability continue to weigh on farmer sentiment, and the recent presidential election has not yet brought clarity to the policy and interest rate outlook. Looking ahead, rural credit and overall farm economics will remain key drivers of equipment demand. Long term, we continue to view Brazil as an attractive agricultural market, supported by a significant agricultural production base and the growing need for productivity-enhancing technology.

Across all regions, we are maintaining a disciplined approach to production and dealer inventory, while protecting the investments that position AGCO to serve farmers as demand recovers.

These market updates are reflected in our full year financial outlook which is summarized on the next two slides.

Slide 12 summarizes the key assumptions underlying our updated outlook.

We now expect a decline in global industry demand of 4% compared to 2025, with the industry operating at approximately 83% of historical mid-cycle levels, well below the previous trough. Our outlook also assumes pricing of approximately 1.5% to 2%, a favorable foreign currency impact of approximately 1% and continued market share gains.

We continue to stay focused on our production schedules to keep wholesale shipments in step with the retail activity to sustain progress on dealer inventory in North America and prevent excess equipment from building in the dealer network in Latin America.

Our outlook also reflects the estimated financial impact of current tariff policies and the corresponding mitigation actions we have implemented through pricing, sourcing and cost initiatives. During the third quarter, we recognized approximately $13 million of certain IEEPA tariff refunds, bringing the total refunds recognized year-to-date to approximately $35 million. Our outlook incorporates the tariff impacts and mitigation actions reflected in our current assumptions and does not assume any benefit from additional tariff refunds.

Engineering investment remains a strategic priority with spending planned at 5% of sales in 2026.

For the full year, we project production hours to be approximately 5% below 2025. Our fourth quarter schedule is calibrated to current retail activity and the inventory needs of each dealer channel.

Our cost and productivity initiatives remain on track to deliver between $60 million and $70 million of benefits in 2026, reflecting the progress we are making to improve AGCO's structural cost position and helping offset a more challenging demand environment.

Together, these assumptions support an adjusted operating margin of approximately 7% for 2026.

Finally, our full year effective tax rate is expected to be between 31% and 33%.

Moving to Slide 13. Based on our updated market outlook and key assumptions, we now expect full year net sales of between $9.8 billion and $10 billion.

Adjusted earnings per share are expected to be approximately $5.50. Our updated outlook reflects softer industry demand, particularly in Europe/Middle East and Latin America, as well as our revised assumptions for pricing and foreign currency. Disciplined cost management, structural productivity initiatives, inventory actions and share repurchases completed during the year are expected to help mitigate those pressures.

Capital expenditures are now expected to be between $250 million and $300 million, reflecting project timing and execution efficiencies while maintaining our commitment to strategic growth initiatives and capabilities.

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

Our outlook reflects tariff policies in place as of October 29, together with our established mitigation actions and sourcing strategies. It does not assume benefits from any additional tariff refunds.

We are navigating today's industry with focus and agility, and our priorities are clear: execute well, keep dealer inventories healthy and continue investing in the strategy that will drive AGCO's long-term growth.

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 comes from Kristen Owen with Oppenheimer.

Kristen Owen^ I wanted to start by digging into your North America results here. And if you could maybe talk a little bit about sort of the sell-in versus sell-out, what you're hearing from your dealers in terms of maybe year-end buying appetite? And just help us on the margin front. You got to breakeven before the benefit of tariff recovery. So help us understand the margin improvement and how durable that is.

Eric Hansotia^ Yes. Maybe I'll start with the market and then ask Indira to help with the margin walk.

So the -- we went through some different sentiment chapters here, where around Farm Progress Show when there was a run-up in grain, North America had a pretty strong positive mood shift for a while. Farmers were able to sell off their remaining grain from last year's harvest. They're able to lock in next year's grain price on the futures market into a nice market condition. And so there is a good excitement. We were closing deals at Farm Progress Show and so on. That's moderated since then as the grain prices have pulled back and their input costs have not. But still, North America is probably the most positive market globally.

We're seeing dealers feeling relatively good about inventory positions. And year-end, we don't expect anything huge here. Let's say, nothing unusual. There's always year-end tax buying. There will be some profitability in the market this year. So -- but nothing really to report up or down for year-end this year. And then maybe Indira can talk about the margin comparison.

Indira Agarwal^ So as you noted, North America was a strong, solid quarter for us. So, a couple of pieces there. We saw good sales volume across the brands. In addition to that, parts and PTx performed well and the pricing discipline was really strong in the quarter for North America.

In terms of your question of retail demand, I would point to dealer inventory. So, we were below seven months at the end of the second quarter. We continue to stay below seven months. So it is not where the dealer inventory levels are increasing. So this is where we have delivered higher volumes. We are gaining market share. The pricing discipline is good and dealer channel looks healthy.

And the other data point is also on our early order program, the strength of that program. Even though it covers only 20%, 25% of North America sales, it's approximately high teens, 20% better as compared to last year.

So all in all, all of this shows strength in our North America market with the strength of our brands, our go-to-market strategy and how our FarmerCore is working for our farmers on farm

mindset which is helping that aftersales business continue to perform in these industry conditions.

Eric Hansotia^ Yes. Actually, I just triggered a couple of thoughts here. Across the board in most of our products in North America, we're gaining share. In large ag, especially, we're still up over 200 basis points for the large ag business across both brands. And so that's been a continual trend over the last few years. This year is probably the strongest year, combination of the new products we've launched into the market along with FarmerCore growth. We're now -- average on-farm work is at 65% with our dealers. Our best dealers are at 75%. That's way up from where most of the industry is and where we started. Dealers are really embracing this because farmers see it so much more convenient. So I think that combination is creating a winning equation in North America.

Kristen Owen^ Really appreciate that color. I do want to ask a follow-up on the margin question. I mean you called out the $60 million to $70 million in cost benefits this year. Just wondering how much more there is to go there? How does that contribute to '27? And how much of that should we think about being maybe eaten up by higher steel and freight costs?

Indira Agarwal^ So Kristen, I'll respond that question in two parts. So last quarter, we have talked about our cost efficiency, productivity savings at $60 million to $70 million. So we are on track to deliver that. And by the time we end the year, we will be about $200 million of these savings. And that translates to $40 million of year-over-year carryover to 2027. The other piece is we continue to look at these kind of productivity and structural cost efficiencies. It's a nature of our -- how we operate our business in these times.

In addition to that, when you talk about kind of higher steel prices, higher tariffs or higher supply chain prices, we mitigate that through supply sourcing, from freight and other avenues, from manufacturing efficiencies. So we've got multiple levers to pull when we think about higher supply chain prices or higher commodity prices on the steel and metal part.

Operator^ The next question comes from Jamie Cook with Truist.

Jamie Cook^ I guess my question is on LatAm, sort of similar to Kristen's. I was pleased to see return to profit in LatAm. At the same time, dealer inventories looked like they went in the wrong direction. So I guess, Indira, was this an anomaly? Is this -- should we get excited that LatAm is finally turned for structural reasons?

And then I guess my follow-up question was just with regards to the comments you guys made about 2027, with I think you said production should be close to retail for North America and EME. Again, Latin America seems a little squishier based on what you're saying. So any color that you could give around that?

Indira Agarwal^ So Latin America, from a market industry perspective, it's one where there's a lot of uncertainty. So in the third quarter, we saw continued high interest rates. We saw constraints in credit availability, and we saw higher rural delinquencies as well.

So the Brazil election which was supposed to unlock that industry for us, that kind of went into the second round, and there's still lack of clarity in that kind of what the interest rate and trade environment is going to look like.

So Jamie, the first part of your question, what happened to dealer inventory? So when we ended the second quarter, we were at 3.5 months of dealer inventory and our target is three. Now when we look at the end of the third quarter, we are just under five months. But the important thing to point out is there was very nominal increase in the actual units of dealer inventory. What really drove this increase of dealer months of supply was our forward retail outlook deteriorated very fast. So just as a reminder, our dealer months of supply is a function of the forward 12 months of retail outlook. So as that deteriorated in the quarter, that's what drove that 3.5 to five months.

The other part I wanted to talk about was kind of operating margin. So second quarter to third quarter on relatively very slightly high net sales, we delivered a more robust operating income percent. And that's largely a function of what's happening in the dealer inventory channel. So last quarter, we talked about how we are trying to move aged non-tractor inventory, and we were having to target discounts to help our dealers move that, which showed up in pricing. As that inventory continues to come down, it helps pricing that we saw in the third quarter. But overall, Latin America is a market that has that continued uncertainty.

Another data point is FINAME funding that usually comes out at this time of the year, it came out a little later this year which was end of July. And normally in the past years in three months, 80% of that has been taken up. But what we are seeing this year is about 10%, 11%. So that shows the hesitation in the farmer sentiment. And everything we are hearing about El Nino and if that's going to -- what the rains are going to look like between December and February, how it could impact yield. Overall, that adds to that uncertainty in the Latin America market.

Operator^ The next question comes from Stephen Volkmann with Jefferies.

Stephen Volkmann^ I'm wondering if we could put a little bit finer point on your Slide 5 here around production. What does that fourth quarter sort of underproduction number look like and maybe some regional commentary where you're at? I assume mostly Brazil, but you can fill in that blank.

Indira Agarwal^ So the fourth quarter, when we look at production hours, EME will be relatively flat or modestly kind of single digits maybe. And North America is where we're going to see increase in production hours. And to your point, the largest decline is going to come from South America, and that's largely because of this kind of uncertainty. And as that forward retail sentiment declines, we'll continue to manage our production hours. Our priority is to manage inventory, our inventory, as well as keep the health of our dealer channel.

Stephen Volkmann^ Got it. Okay. And then the follow-up there, I guess, the kind of the implied margin in the fourth quarter is kind of flat year-over-year. Seems like good performance if you're going to have down production a little bit and some of these other headwinds that you've talked about. So what are the offsets that give you confidence in kind of keeping that margin kind of flat year-over-year?

Indira Agarwal^ So I'll start with North America, Steve.

So North America is the one where we're going to continue to see that momentum, that strength in terms of sales volume as well as production volumes. And in addition to that, it's our market share growth. So North America overall is going to look stronger year-over-year.

The other part is Europe. And one of the things we have to remember is there is seasonality. Overall, AGCO, there's seasonality but fourth quarter is the strongest for us. And for Europe, it's all of the sales and the shipment cadence and Europe normally has the summer shutdown that we come out of the summer shutdown in fourth quarter which translates to a very strong quarter for us. This year, we extended our summer shutdown and that -- coming out sequentially, fourth quarter will have better production volumes which will give us better factory absorption.

Latin America is going to be the one that we're going to continue to watch with all of that uncertainty and net sales and what that does to our pressure on operating margin.

The other piece that I cannot fail to miss is fourth quarter is also where we will see a lot of those cost-saving initiatives being realized. So that will help us bring -- offset some of these pressures we are seeing in Latin America.

Operator^ The next question comes from Tami Zakaria with JPMorgan.

Tami Zakaria^ I think I heard you say early orders for 2027 in North America is looking up high teens for the 20%, 25% that's covered for next year. Is that a volume comment? And if so, what level of pricing are you expecting from these orders next year?

Indira Agarwal^ So that is a volume comment, Tami. So in terms of pricing, I'll set the stage that we've seen our pricing strength more on the strength of our brand and our warranty, our Gold Star warranty and it's our dealer and farmer service. So we expect to maintain that pricing discipline as we continue to move forward.

Tami Zakaria^ Understood. So second question, I think when I look at your updated guide, your pricing expectation ticked down a bit from what you had in the last quarter. So is this full year pricing outlook applicable for next year? Is that how we should be thinking about it?

Indira Agarwal^ So Tami, at this point, we are not providing any 2027 guidance. It's very still early. We're working through the planning process, and we'll come back to you.

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

Randy Marker^ This is Randy on for Kyle. I was just hoping we could talk a little bit more about Europe and what you're seeing across your key markets, maybe bifurcating between some of the key regions like Germany, the U.K., France. And I guess just anything that gives you confidence about how Europe's ability to recover in 2027 would be helpful.

Eric Hansotia^ Yes. I can speak to that. Largely, the market strength goes with where the drought was, strength and weakness. And so France had a significant -- France, U.K. and a couple of other countries had a lot of impact from the drought, and so they've pulled back the most.

As you move further east, the drought wasn't as severe there and the markets are more robust. And so you can -- it's a pretty tight correlation between weather impact on yields and farmer sentiment and farmer buying behavior. That's 2026.

As we look into 2027, there's a number of factors that we're watching that give us confidence that it will be a recovery year in Europe. Now it will be an uneven recovery year, and it will be a relatively slow recovery year. I don't want to overpromise here, but there's several factors. I'll just walk through them with you.

Europe is at below where we typically model the trough. We think Europe operates between 90% of mid-cycle and 110%. They're sitting at 87%. And it's one of the longest downturns Europe has experienced. And so there's -- that leads to a pent-up demand because of the aging fleets. We monitor aged fleets, and it's the oldest since we've been monitoring fleet age in Europe.

So there's kind of a rubber band that's been stretched. There's tension in the system. And as soon as farmers have confidence through profitability, we expect them to come back into the market for replacement demand.

Another factor is government assistance programs. This drought has triggered many governments and the EU in general to come out with assistance programs and individual countries can go up to 200% of the EU mandate. So we expect to see continued local support country by country.

Dealer inventory is low, as Indira said earlier, we're actually below our target there. So there's a -- everything I've said so far is farmer impact. There's secondly a dealer impact where there's some restocking opportunity just to get dealers back to where we'd like them today. And then if there's a market recovery, they're going to have to restock further for any renewed demand in the future.

And then it's just going to be an easy compare year. 2026 was an extreme drought condition leading to a significant negative impact on yields. That's an easy compare for 2027.

And then finally, most of this conversation has been about the grain farmer. The livestock farmer is doing better. So we expect segment by segment some uneven recovery in Europe next year. But a lot of factors to keep our eyes on, many reasons why there could be some positive news next year.

Randy Marker^ Got it. That's all helpful color. And then I guess maybe just one more on going back to Brazil. I mean I'm just curious what some of your thoughts are on maybe some of the potential ramifications from the recent election? And I mean if that changes how you're thinking about 2027 at all and some of the puts and takes there?

Eric Hansotia^ Well I think farmers would have probably wanted the election to go a different direction. Historically, there's been more support for the other party. But the good thing I would -- if you had to kind of say what's the silver lining, at least there's certainty. You know what you have with the existing government. And so farmers like certainty as they're making capital purchases or multiyear decisions. So that's the positive.

But the reality is that farmer economics are not good in Latin America right now. There's a lot of debt, not much profitability, not much confidence. And so that's priority #1. And so things like market access, interest rate policy and things like that are going to be primary. I think that's understood by the government, but that's going to be -- it's kind of a core need by the farmers just to get back profitability.

Operator^ The next question comes from Judah Aronovitz with UBS.

Judah Aronovitz^ I'm on for Steve Fisher today. I just want to follow up about underproduction. And it sounds like the base case is for production to be relatively in line with retail in '27. But Latin America seems to still be kind of a question mark. Inventory months are still going in the wrong direction. North America, I think, is still a bit elevated. Is there some risk that you'll need to underproduce for at least part of '27? That's my first question.

Eric Hansotia^ In Latin America, I think the answer is yes. Rest of the world, we're feeling pretty good about it. And in fact, inventory is below target in Europe. So there's some restocking needed. So the answer is yes, in Latin America, largely because of the forward look, like Indira has already said, it's not that the units were too much, it's that the forward look has been dropped. So we'll probably underproduce in Latin America and then need to restock in Europe, and everywhere else is about where we need it to be.

Judah Aronovitz^ Okay. So on balance, relatively in line with retail. And my follow-up, just about the order trends. You mentioned the EOP results, 20% to 25% of your volume. How closely does that usually track to the following year's retail performance? Like should we be kind of penciling in double-digit growth? And then like if you could parse out what your underproduction was in '26 and whether you could potentially outpace retail in '27, assuming you don't further underproduce?

Eric Hansotia^ Yes. Let me take a stab at that early order program.

If you think about what that applies to, it's the seasonal products, planters and sprayers and things like that. Those are more volatile than the overall market, meaning that when the market goes down, those go down early and more. And that's what we've seen. In this downturn, they're down more than the average market, tractors are more stable.

And so directionally, I'd say, yes, it's a good indicator but not an accurate reflection of the magnitude. So we do look at it as a positive sign that there's market strength going into 2027. We also like our market share performance. We like the FarmerCore ability. We've got -- like our new data platform. So there's a lot of reasons, but I would just caution us to not to oversell

because the rebuild of the seasonal products probably will not carry over into the tractor business, and that's the majority of the market for us.

Operator^ The next question comes from Michael Shlisky with D.A. Davidson.

Michael Shlisky^ And I want to follow up on that question as well as like with Tami's from earlier. With the early order programs being up nicely in North America for '27, you mentioned volume being up, you mentioned pricing probably being positive.

I just want to add to that and just follow up on the PTx attachment rates. Could that also -- the mix of higher PTx attachment onto new equipment be a tailwind also for '27? And maybe perhaps more broadly, how much do you think PTx might grow next year on both hardware and on subscriptions, just to kind of broad range just to give us a sense as to how that's feeling.

Eric Hansotia^ Yes. A couple of comments, I'd say, PTx, we've talked about it, has a few different elements to it.

One is the innovation engine about how well we're developing new solutions for farmers' toughest problems. We feel great about that. 14 new products last year, 12 products this year, data platform, AI agent sitting on top of that data platform that allows farmers to engage with the data platform through voice or text, getting a lot of positive excitement. And then OutRun autonomy is -- we see ourselves as a market leader in autonomy. So the innovation engine is going well.

The gating factor is really our channel build and how well we can get this tech channel up and running to full capacity. It's a lot of work because in every spot in the world, there's overlapping historical dealers, and we've got to melt those together and build them into strong tech dealers.

Our early order program was strong in North America and matched kind of some of the strength that we're seeing in our machinery dealer organization. But we're not giving any numbers yet for 2027.

Indira Agarwal^ And I would add on to that. So when we look at that PTx, it comes through three channels. So one is PTx technology on AGCO machines coming out of the factory, PTx technology. The second one is going to other OEMs. These two will be impacted by how the industry moves, the wholesale goods side moves.

The third one is our retrofit channel. And the point that I wanted to highlight is this is where this channel has shown resilience even when North America is at 70% of industry cycle.

So between all of that innovation, building out the channel and that technology penetration and tack it along with the channel strength of retrofit, put it all together, that's what gives us belief in that PTx growth trajectory.

Michael Shlisky^ Got it. And then I also wanted to ask about -- a little bit more about Europe and some of the more recent news items out there. Has the unrest you've been hearing about in

France, Italy and elsewhere, it's not really farmer related, but it's more macro and political related. Has that affected farmer sentiment at all or dealer sentiment? Just any thoughts as to whether that's going to be a kind of near-term impact here?

Eric Hansotia^ We haven't seen that one show up directly in farmer. They're more focused on their profitability. What's going on with their input costs, what's happening for commodity prices and openness of markets.

Historically, there have been times of other unrest in Europe, protests of one sort or another. It's not the first time this has happened. And usually, those are disconnected from the farmer mindset. So, so far, not a big impact.

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

Jerry Revich^ I'm wondering if we could just talk about in North America, nice progress on margins, excluding the IEEPA benefit, as we think about cyclically the recovery playing out, how should we be thinking about incremental margins over the next couple of years? Can you just update us on whether there's an opportunity for a step change in profitability based on product cycle or otherwise?

Indira Agarwal^ Yes. So two parts.

So the first thing I wanted to point out is North America for breakeven, we say in that tariff environment, we are $2.2 billion, $2.3 billion. So the way we are progressing in 2026, we will be very close to $2 billion on that net sales. So it shows the strength of that North America top line.

And in terms of that incremental margins, it's approximately 30% is the way to think about those incremental margins.

Jerry Revich^ Great. And then just to shift gears in terms of the Precision Ag interest that you folks are seeing, is it too soon to talk about what the aftermarket part of the business could look like for planters for you folks? What are you hearing from the channel? And any other major new product revenue tailwinds that we should be thinking about '27 versus '26?

Eric Hansotia^ Well I think the news is really what we shared at the Tech Days.

We did have a good early order program. And largely, that's -- there's a fair bit of planter business inside that early order program. So that's a positive.

The new features that we talked about are features like our targeted sprayer Symphony system. Really great reception on that, the ability to save 60% of the contact herbicide for farmers, very easy solution to retrofit on booms that are already in the marketplace. So farmers don't have to buy an entirely new machine.

And then ArrowTube seed orientation, we're the only ones in the market that have unlocked the seed orientation where the seed always lands in the trench tip down, allows the root to go down

right away and helps with even emergence of all the plants coming up at the same time which helps with yield.

And then we see ourselves as a leader in autonomy. We've got two solutions out there right now for harvesting and tillage and more to come, all leveraging the same hardware package and automating more and more tasks around the full crop cycle. We still feel confident that we're on track to deliver solutions all the way around the crop cycle by 2030. And that's an important unlock. If you can only do one or two things for the farmer, it's not that much value. As we add more and more tasks automated, then the farmer gets a lot more value out of the same hardware and software package that they're investing in.

Those that have used it, really liked it. It's a little bit like the early days of adoption of guidance 20, 25 years ago that if you just sit in the conference room and talk about it, people scratch their head and say, maybe I don't need that. But once you experience it for -- in real time they get pretty excited.

So those are the things that we see coming into '27 that are different and bigger than '26 in terms of the big ticket items.

Operator^ And our last question comes from Angel Castillo with Morgan Stanley.

Esther Osinaiya^ This is Esther on for Angel. I just had a quick one. Could you maybe quantify the market share gains across the regions? Maybe tell us like what specific products that you're seeing the market share gains in? And also perhaps like what are customers telling you in terms of switching their products over to AGCO specific? If you can just clarify some of that.

Indira Agarwal^ Yes. So I would say market share gains, they vary by region, by product, by category. So it's different when you look at a lot of stuff.

When you look at North America, we've grown market share in our large high horsepower tractors, mid-range tractors, the volume is good.

If you look at Europe, in Germany, even though that industry is contracted, we've grown market share.

What are we hearing from the farmers who are making the switch? It's a lot of factors that add up.

It is -- the farmers knew that our tech was the best of the best. They love our Fendt brand. So when they're making that capital purchase decision, the other factors that come into play is our FarmerCore. This is how they get served on the farm. So it reduces any downtime risk. Then it's our Gold Star warranty. It's our bumper-to-bumper warranty that reduces any risk of ownership for them. And then you layer on the data platform which now helps the farmer buy a Fendt machine on a mixed fleet farm because now the data can move back and forth.

So that helps -- for the farmer to make the decision. So the strength of the brand, the technology of the brand was always established. It's now all of these other facilitators that's helping the farmer make the switch. So Eric and I and the rest of the leaders met farmers at our Farm Progress Show, and that was one of the things we heard consistently from our farmers at that show.

Esther Osinaiya^ And just a quick follow-up. Can you maybe talk more about the recent Agility Robotics partnership? What is the opportunity cost like are we still on the cost side for these initiatives that you recently announced?

Eric Hansotia^ Yes. This is early day learning and adaptation of our system.

We're looking at -- we've been looking for several years and have implemented robotic solutions in many of our factories, predominantly for material handling and some repetitive tasks in manufacturing.

We're always looking to push the envelope on that. And so we've got humanoid robots, I think, in operating in five factories now. But it's still pretty much experimental to learn. It's not broad-based by any means. But we expect it's part of the future, and we want to be on the front edge of that to say, where does it apply? Where can it be delivering a better solution for our farmers first and then also better economics for us.

So early days, it's just part of the overall automation journey we're on. If we look at our new parts facility in Europe that we just opened up, it's predominantly automated. And so it's just one piece in the larger strategy evolution that we've been driving.

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^ Yes. Just briefly, I'd just like to thank all the participants today for your thoughtful questions.

Our third quarter demonstrated our ability to respond decisively to a difficult demand environment while strengthening the business for what comes next.

We also protected the strategic investments that strengthen AGCO through the cycle. Our premium equipment brands, PTx mixed fleet solutions, parts and services business are all strong, along with FarmerCore model, uniquely position us to help farmers improve productivity today.

Our differentiated strategy positions AGCO to create value through the cycle and capture growth as market conditions improve.

In fact, if you take a step back and you look at AGCO today versus AGCO at the last trough, it's a transformation. In the last trough, we were at -- the trough was at 85%, and the company was delivering 4% margins. Now we're at even deeper trough, 83%, maybe even be lower by the end

of the year, who knows. And we're delivering somewhere around 7%, and that's carrying the burden of $100 million in tariffs and $230 million more in engineering spend which is all investment for a stronger future.

So we're really excited about the work that has been done by the AGCO team to make a stronger business that can deliver more for farmers.

And we'd like to thank all our employees, dealers, farmers and shareholders for all your partnership, hard work, creativity and innovation that you've delivered over these last few years to make that possible. And thanks to all of you for your confidence in AGCO.

Have a great day.

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

Have a nice day.