

**ANDY BECK**  
SVP & CFO





# AGENDA

## ▶ Cost focused initiatives

▶ AGCO Finance update

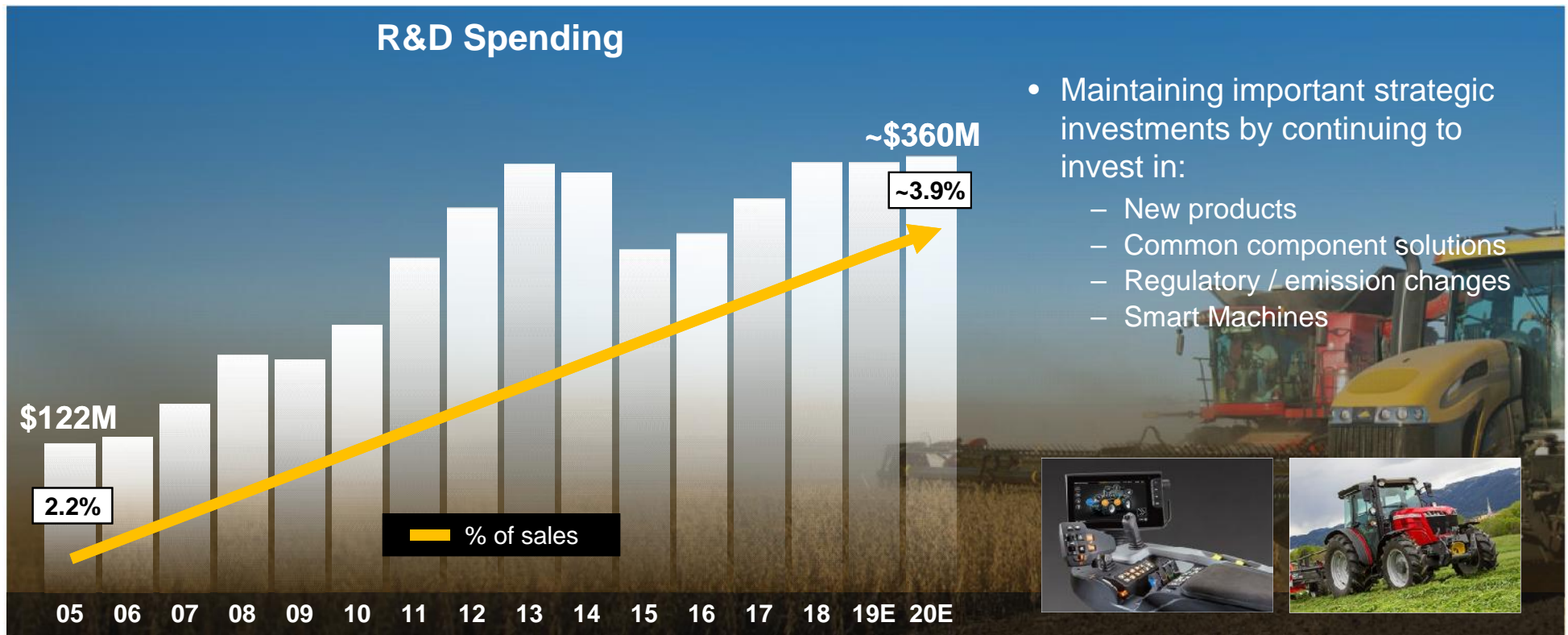
▶ Capital allocation update

▶ 2020 preliminary outlook





# INVESTING IN NEW PRODUCTS: SIGNIFICANT R&D SPEND



MATERIAL COST SAVINGS

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

## Global Purchasing Excellence (GPE)

- Common components
- Common suppliers

+

## Best-Cost Country Sourcing

Value of materials sourced from low cost locations

~\$3M 2007 → ~\$500M 2019E

Incremental annual material savings

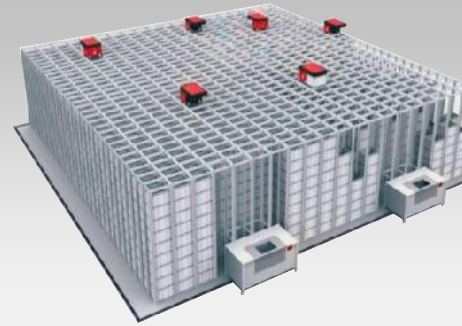
**\$40-\$50M**



# PRODUCTIVITY: MANUFACTURING OPTIMIZATION

## Key Initiatives

- Utilizing Six Sigma and Lean
- Investing in productivity enhancing technology
- Smart Factory Digitalization



## Incremental Savings

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

AGCO Production Systems incremental annual savings



FOCUSED COST MANAGEMENT

INVESTMENTS IN TECHNOLOGY

# INVESTMENTS IN TECHNOLOGY AND PRODUCT SUPPORT





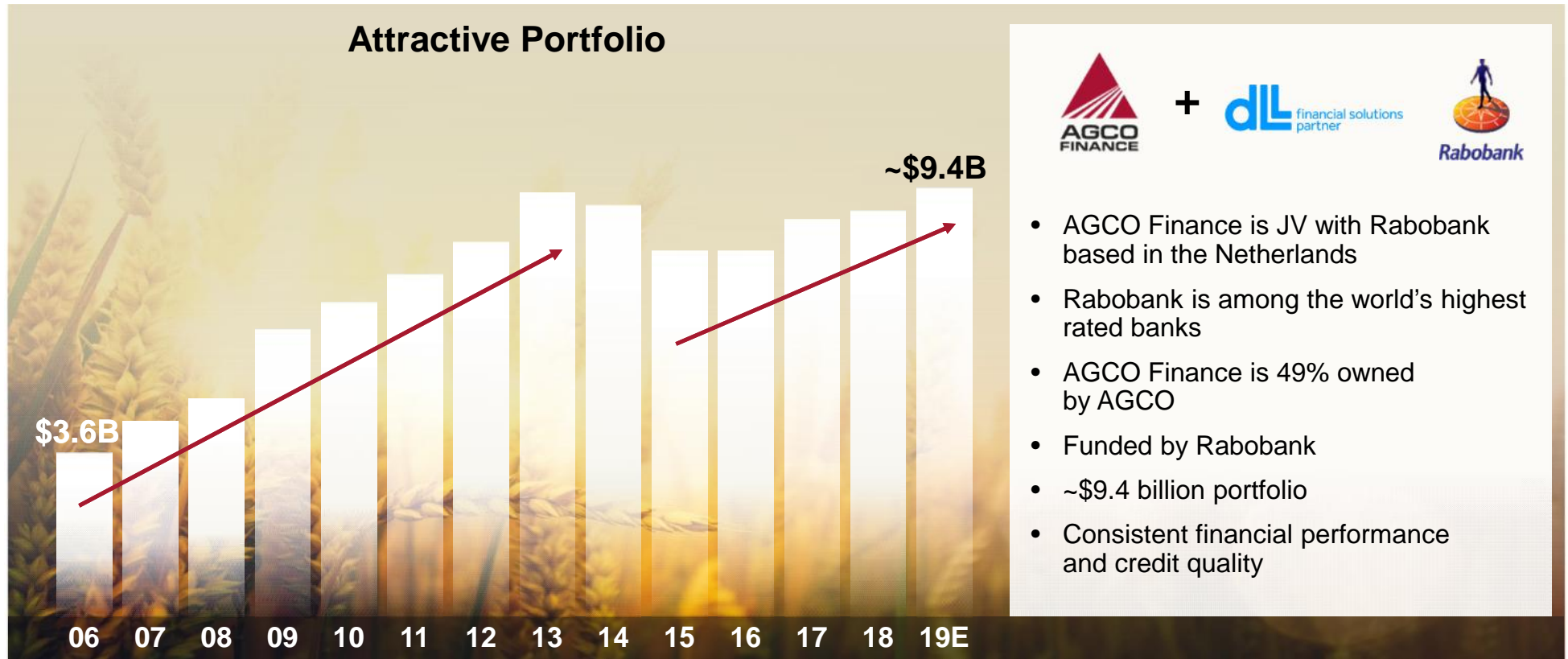
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# PROFITABLE, STABLE FINANCE BUSINESS

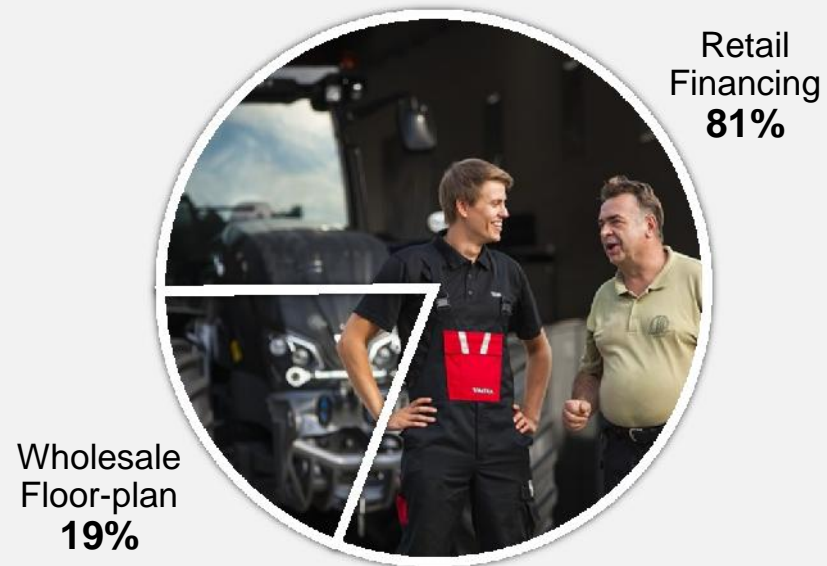




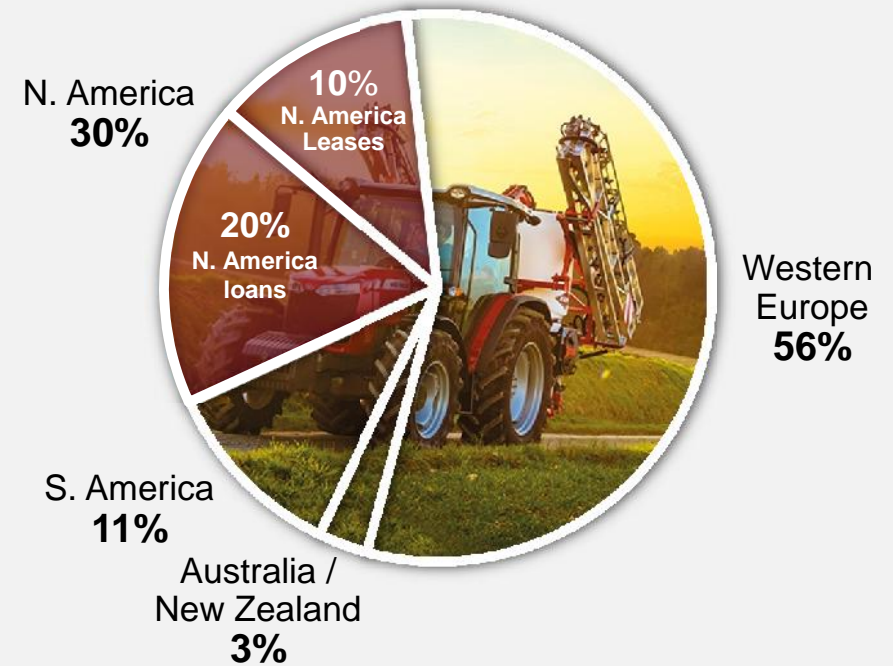
# AGCO FINANCE: A CLOSER LOOK

Y/E 2019E

## Breakdown By Product



## Breakdown By Region





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# STRONG FREE CASH FLOW



\* 4 year average    \*\* Estimate for 2020

- See reconciliation to GAAP metrics in the appendix of this presentation.
- Note: Free cash flow is defined as net cash provided by operating activities less capital expenditures.

# DISCIPLINED CAPITAL DEPLOYMENT – CLEAR PRIORITIES

1

## Capex

- ▶ Invest in new products
- ▶ Invest for productivity improvement



2

## Maintain Balance Sheet

- ▶ Maintain investment grade credit rating



3

## Acquisitions

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



4

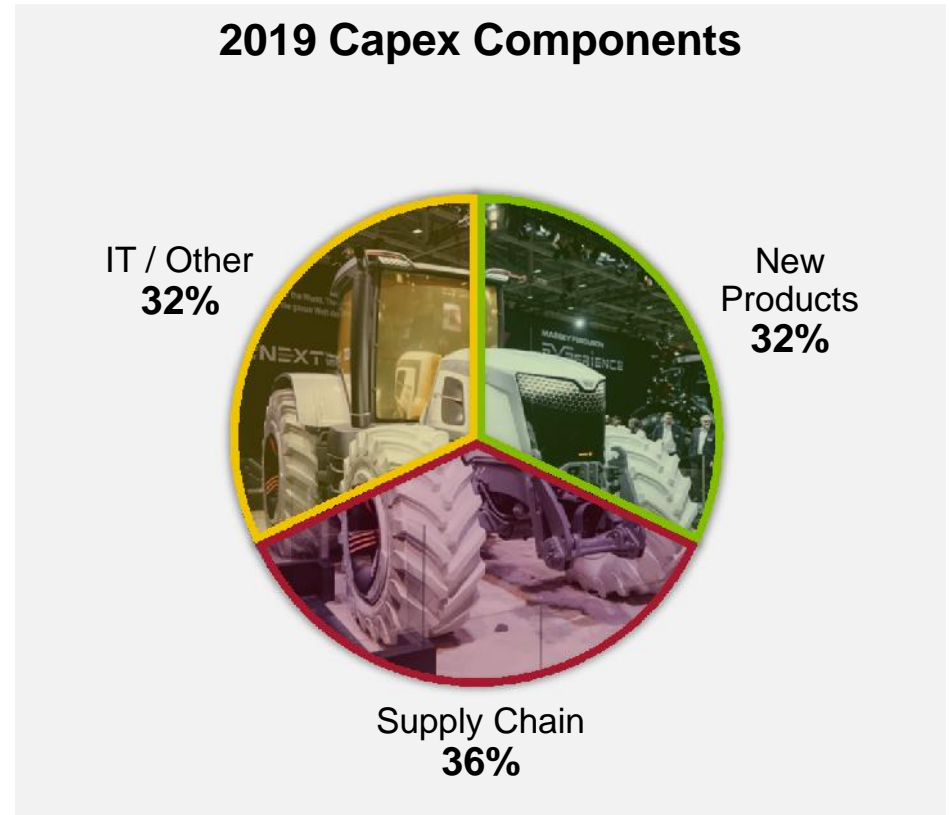
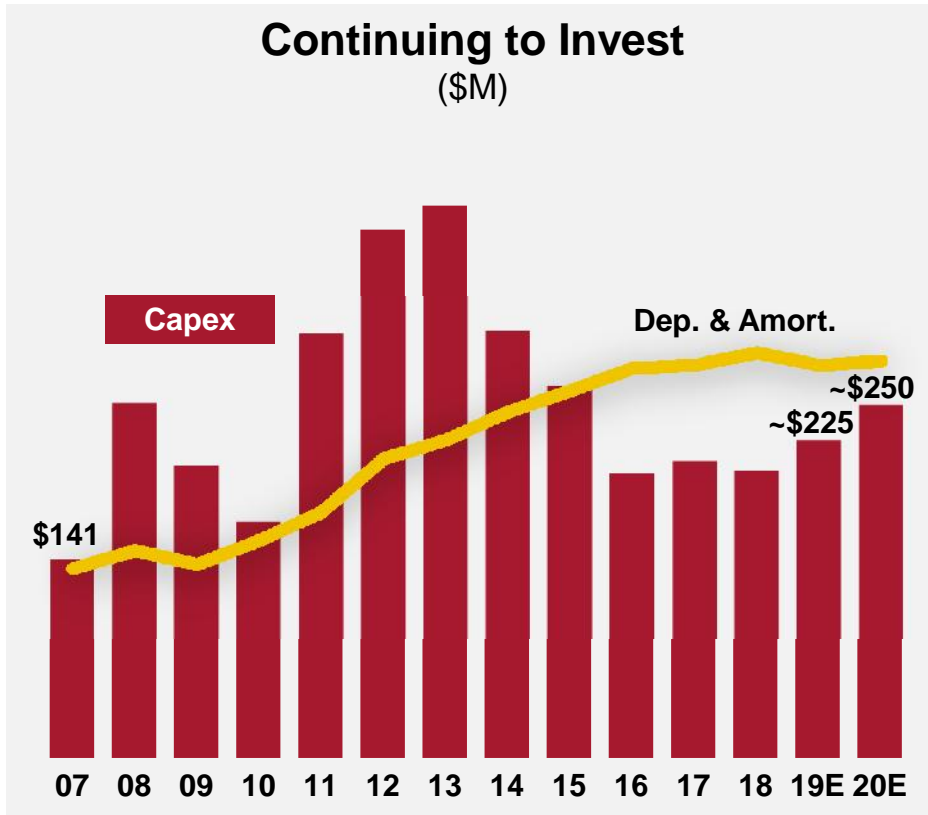
## Return Cash to Shareholders

- ▶ Share repurchases
- ▶ Dividends

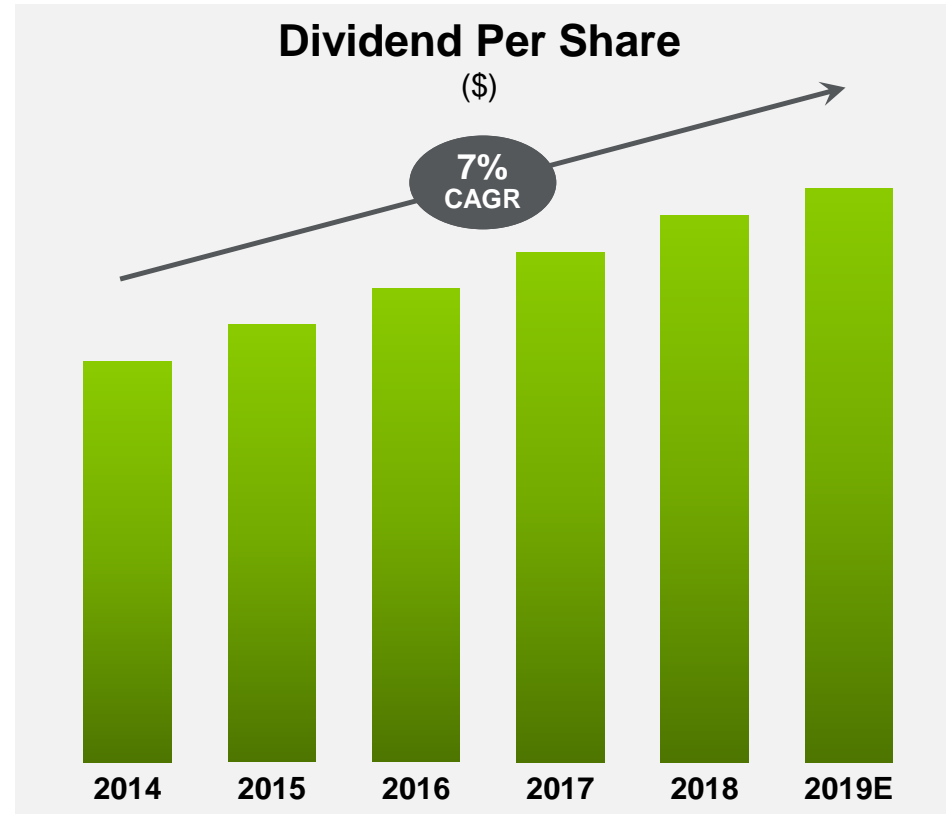
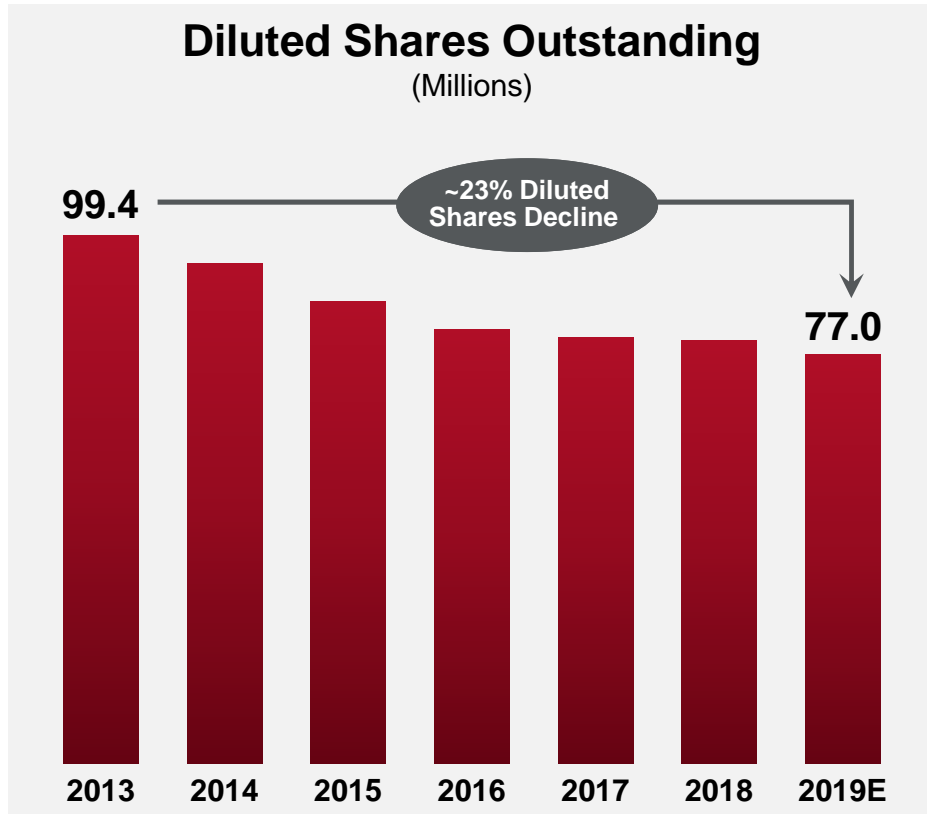




# CAPITAL EXPENDITURES: INVESTING FOR GROWTH



# RETURNING CASH TO SHAREHOLDERS





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# 2020 MARKET OUTLOOK: DOWN MODESTLY



## North America Industry Retail Units

Tractors\* and Combines (000's)

- ▶ Projected 2020 farm income remains under pressure
- ▶ Row crop sector remains below mid-cycle
- ▶ Low HP sector down modestly from high levels





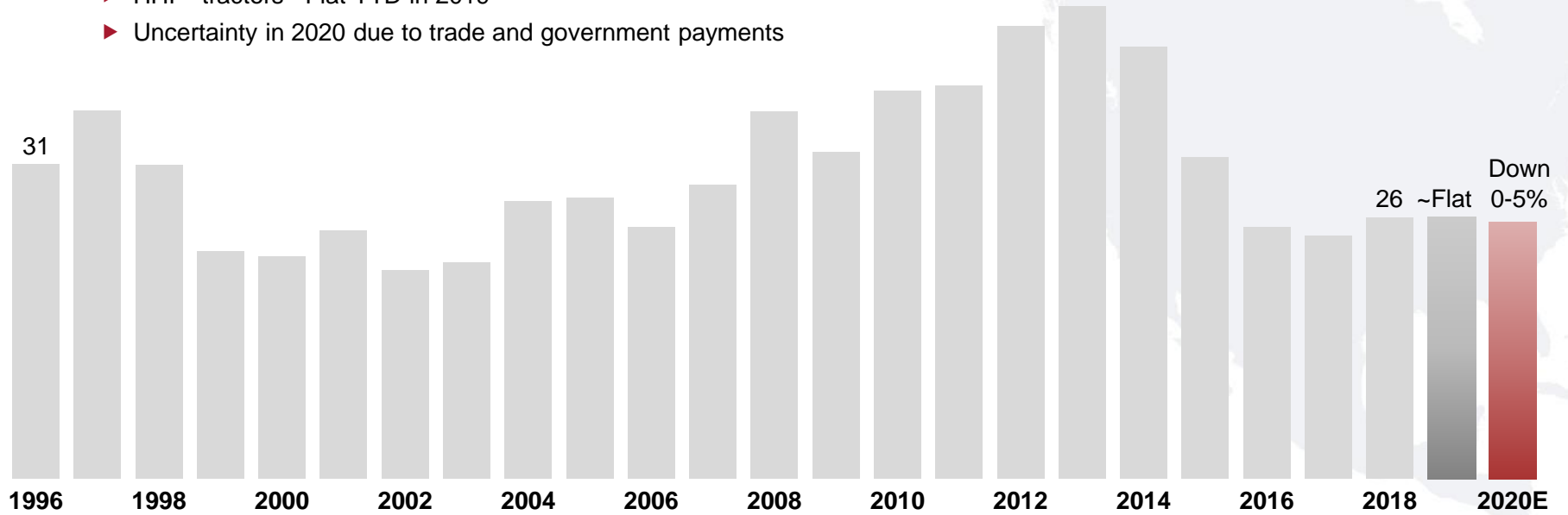
# 2020 HHP\* INDUSTRY OUTLOOK: MODEST DECLINE



## North America Industry Retail Units

High Horsepower Tractors\* (000's)

- ▶ HHP tractors good surrogate for Row Crop sector
- ▶ HHP\* tractors ~Flat YTD in 2019
- ▶ Uncertainty in 2020 due to trade and government payments



WESTERN EUROPE

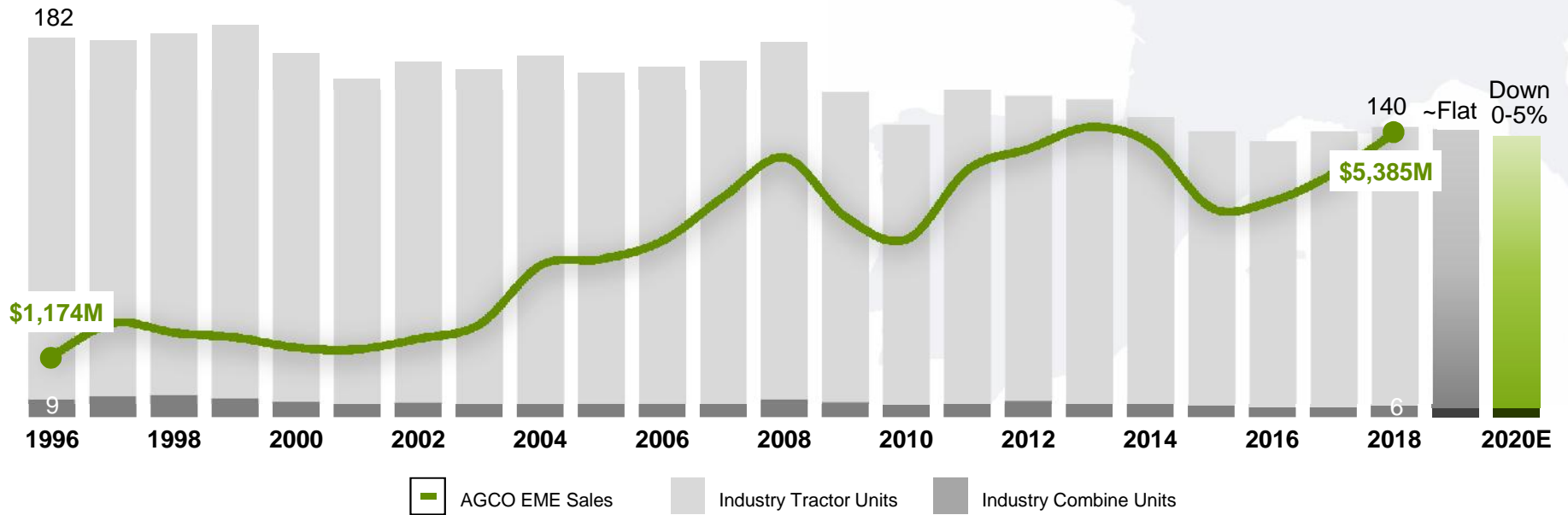
# 2020 MARKET OUTLOOK: MIXED



## Western Europe Industry Retail Units

Tractors and Combines (000's)

- ▶ Softer milk prices impacting Dairy sector
- ▶ Arable demand varies regionally due to 2nd year of dry weather





SOUTH AMERICA

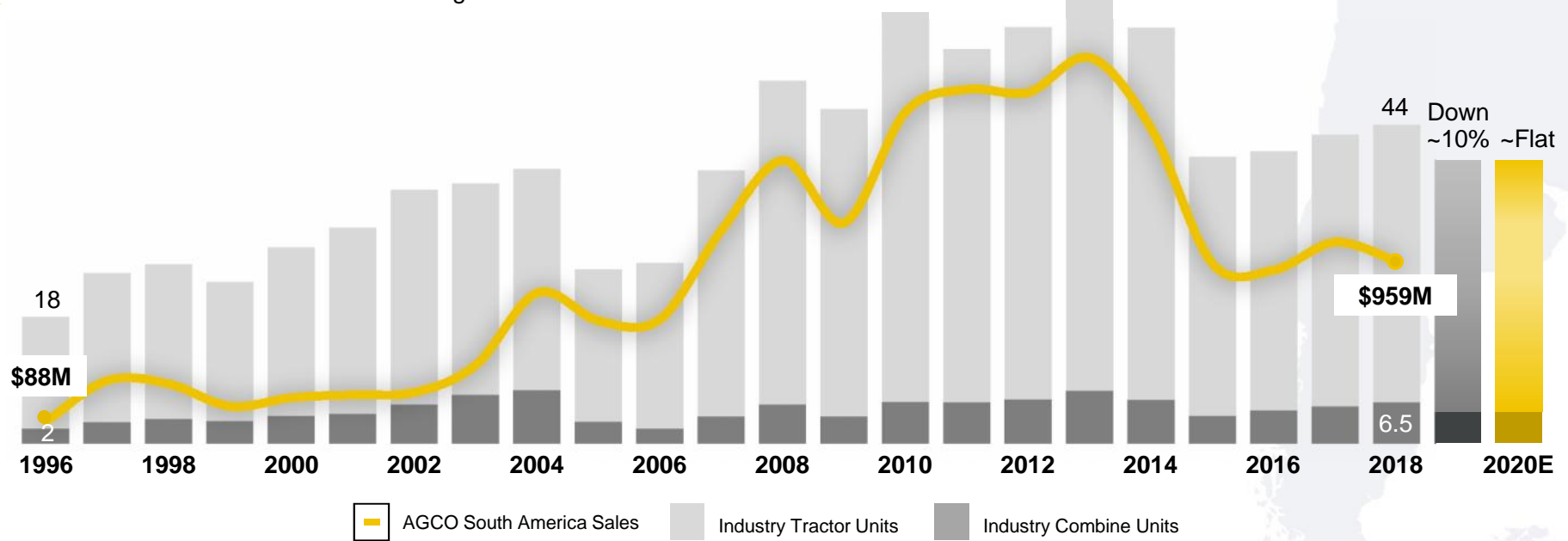
# 2020 MARKET OUTLOOK: STABLE



## South America Industry Retail Units

Tractors and Combines (000's)

- ▶ Brazil market hurt by financing and macro-economy
- ▶ Demand remains weak in Argentina



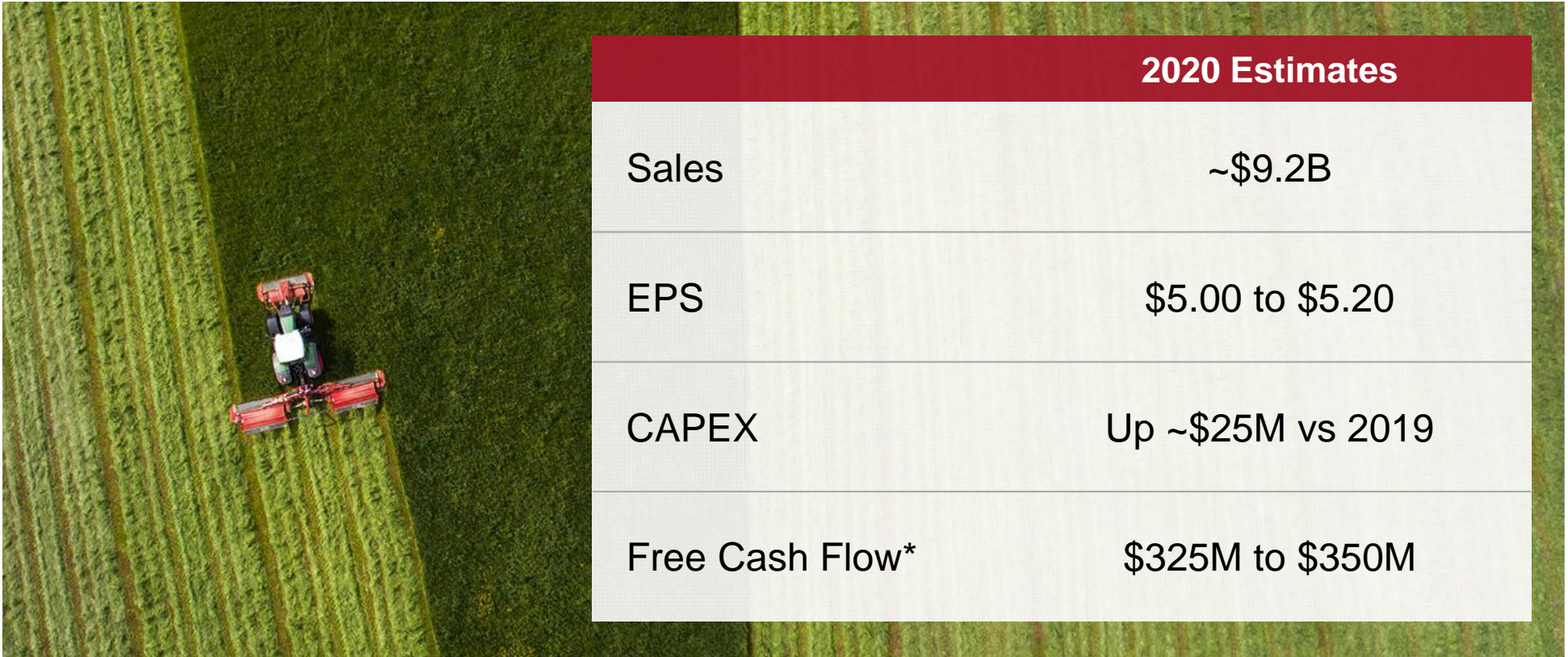
# 2020 PRELIMINARY ASSUMPTIONS: SUMMARY

- 2020 sales vs. 2019
  - Modestly lower end-market demand
  - Pricing + ~2%
  - Negative currency translation ~ -1%
  - Market share gains
- Engineering expense **~3.9% of sales**
- Operating margin **Flat to up**
- Effective tax rate **~33%**





# 2020 PRELIMINARY OUTLOOK



	2020 Estimates
Sales	~\$9.2B
EPS	\$5.00 to \$5.20
CAPEX	Up ~\$25M vs 2019
Free Cash Flow*	\$325M to \$350M

- 21
- See reconciliation to GAAP metrics in the appendix of this presentation.
  - Note: Free cash flow is defined as net cash provided by operating activities less capital expenditures.



KEY MESSAGES

# AGCO: INNOVATION DRIVING PERFORMANCE

## 1 Strong Fundamentals

Long term fundamentals support optimism for AGCO / industry

## 2 Clear Strategy

Executing successful strategy

## 3 Effective Execution

Aggressively managing for the long-term



**Goal:** Delivering improved shareholder returns

# APPENDIX





# NON-GAAP TO GAAP RECONCILIATION

	2006	2019E
	Earnings Per Share <sup>(1)</sup>	Earnings Per Share <sup>(1)</sup>
As adjusted	\$1.04	\$5.10
Restructuring and other adjustments	1.83	0.03
Deferred tax adjustment	--	0.70
As reported	\$(0.79)	\$4.37



# NON-GAAP TO GAAP RECONCILIATION

	2018	2019E
	Operating Margin <sup>(1)</sup>	Operating Margin
As adjusted	5.4%	6.4%
Restructuring and other adjustments	0.1%	0.1%
As reported	5.2%	6.3%

<sup>(1)</sup> Rounding my impact summation of amounts





# NON-GAAP TO GAAP RECONCILIATION

## Free Cash Flow

\$M

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Net cash provided by operating activities	\$ 291	\$ 348	\$ 439	\$ 726	\$ 666	\$ 797	\$ 438	\$ 524	\$ 369	\$ 578	\$ 596	\$500 to 525	\$575 to 600
Less:													
Capital expenditures	\$ (251)	\$ (207)	\$ (167)	\$ (300)	\$ (340)	\$ (392)	\$ (301)	\$ (211)	\$ (201)	\$ (204)	\$ (203)	\$ ~(225)	\$ ~(250)
Free cash flow	\$ 40	\$ 141	\$ 272	\$ 426	\$ 326	\$ 405	\$ 137	\$ 313	\$ 168	\$ 374	\$ 393	\$275 to 300	\$325 to 350

