



# Andy Beck

Senior Vice President and CFO



# Agenda

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Operating margin progress

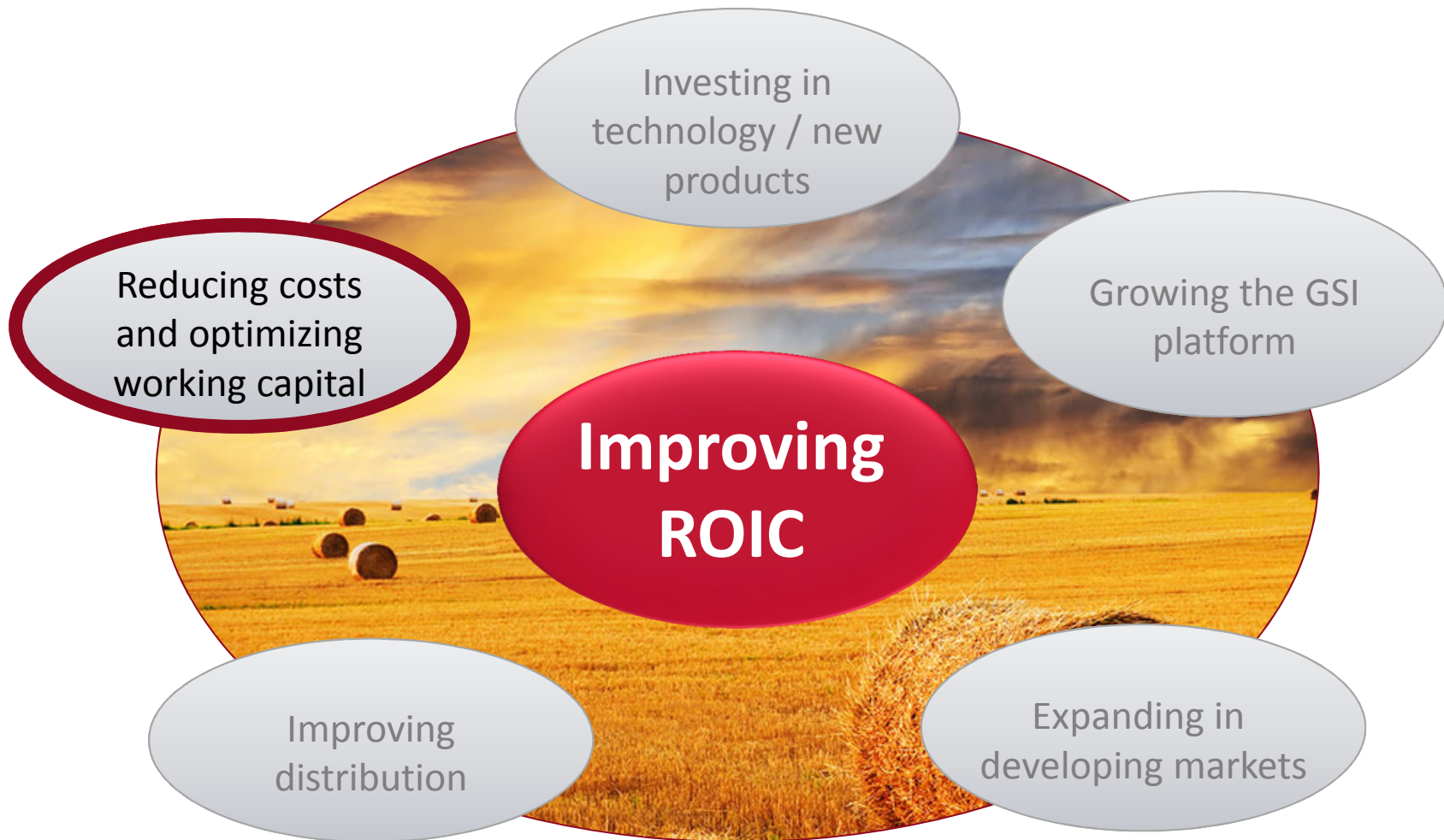
AGCO Finance update

Capital allocation

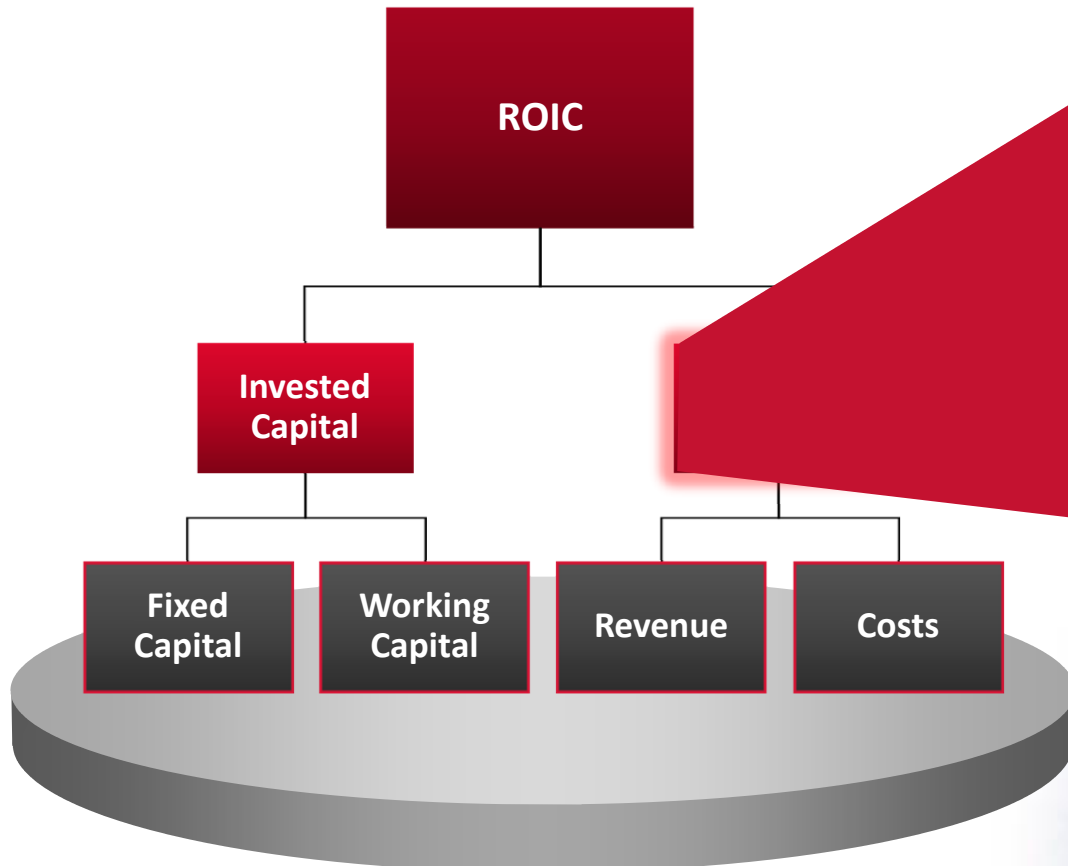
2014 Preliminary outlook



# Executing Consistent Strategy



# Focusing on ROIC Improvement



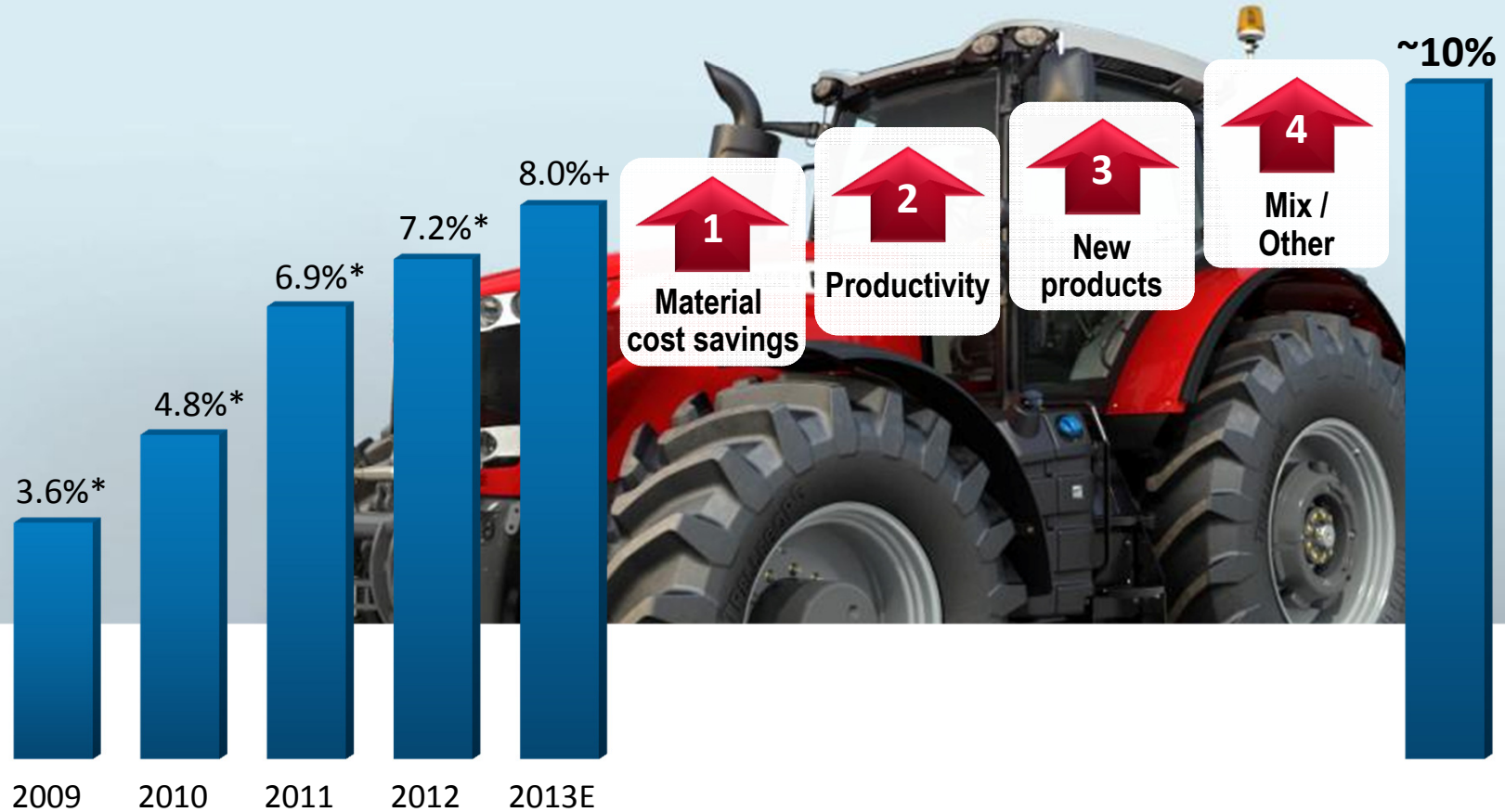
- Roadmap developed to drive improvement
- Margin expansion biggest opportunity



# Roadmap to Achieve Margin Target



## Adjusted Operating Margin



\* Reflects adjusted results, which exclude restructuring and other infrequent items. See reconciliation to GAAP metrics in the appendix of this presentation.

# Material Cost Improvement: Global Purchasing Excellence + Best Cost Country Sourcing



## Key Initiatives

### The Global Purchasing Excellence (GPE) program

- Common components
- Common suppliers

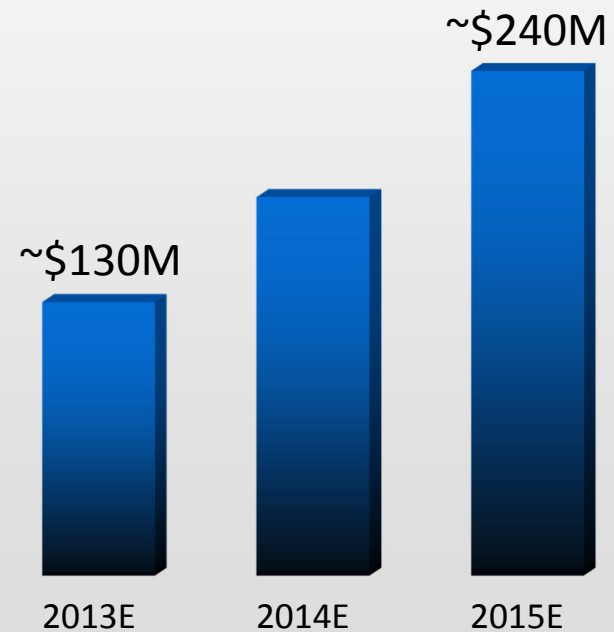
### Best-cost country sourcing

- China
- Eastern Europe
- India



## Results

### Cumulative Material Savings



# Productivity – Manufacturing Optimization



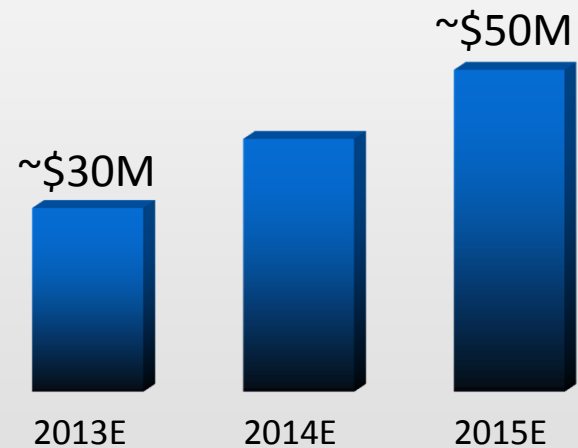
## Key Initiatives

- Utilizing six sigma and lean manufacturing
- Implementing lean office for:
  - sales
  - administration
  - back office



## Results

### AGCO Production Systems Cumulative Savings

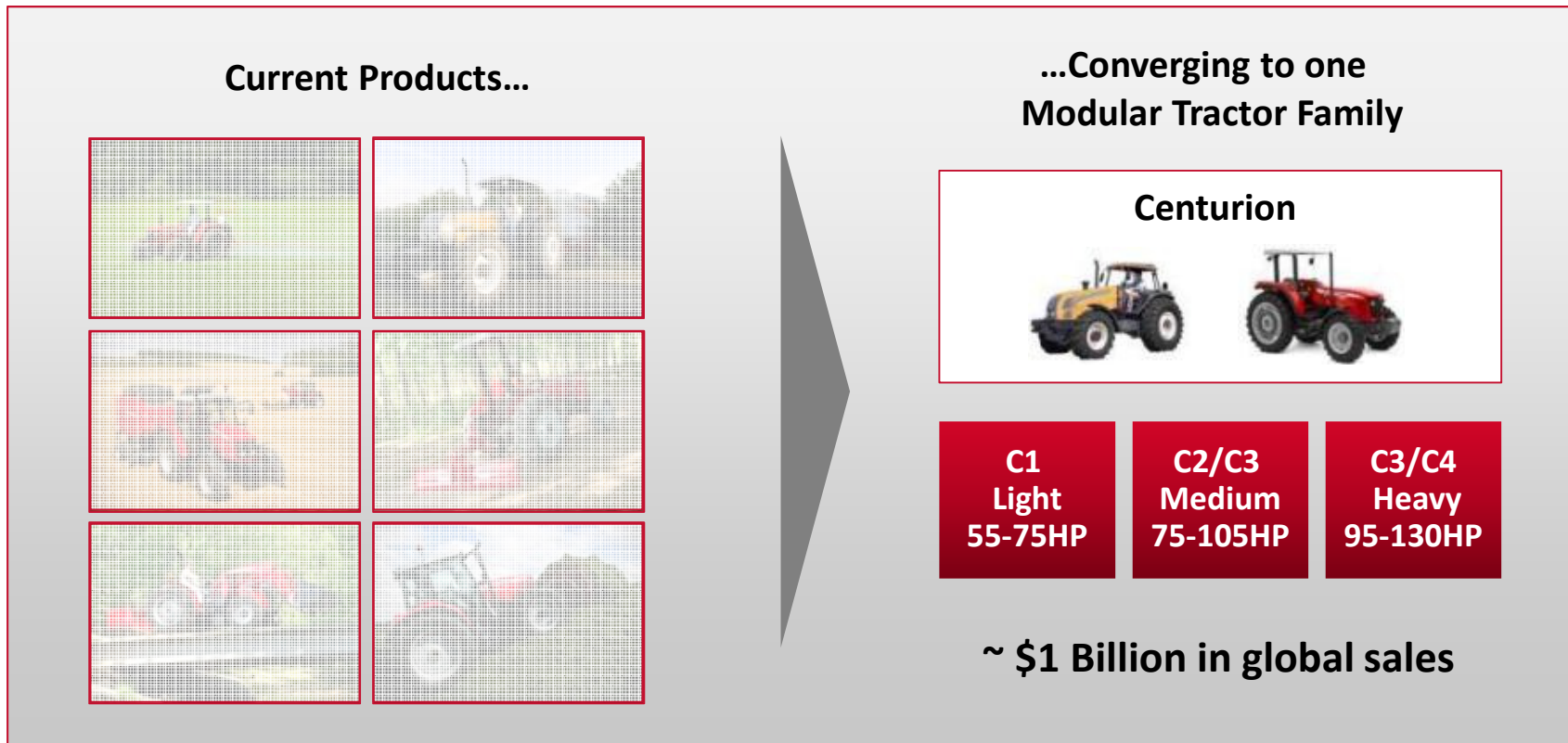


**\$50M in annual savings by 2015**

# Cost Effective New Products – Centurion Update



## New Global 55-130HP Series Replaces Many Diverse Current Products



Expected sales and margin improvement to produce \$60-80M of annual income

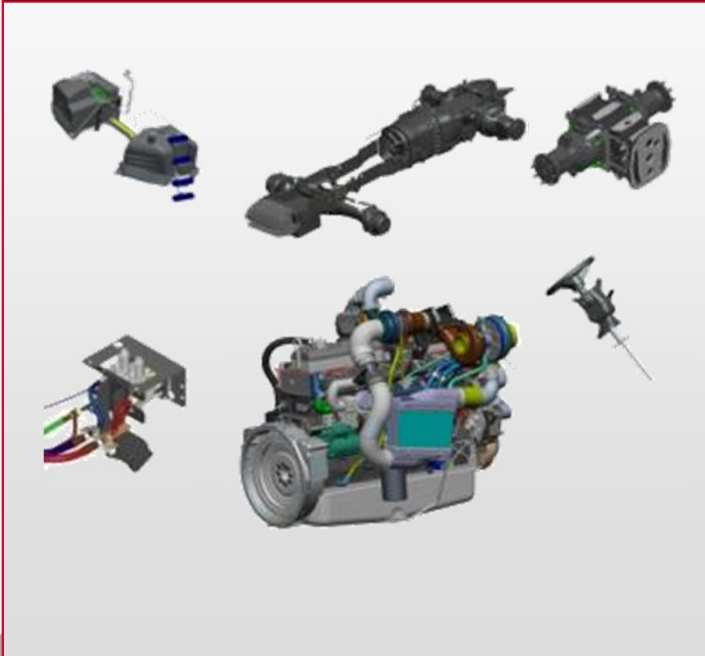


# Centurion – Production Begins in 2014 – A Key Step



# Our Longer Term Module Strategy: The HHP Tractor and Combine Platform

## Standardized Components



## Advantages

- ✓ More effective use of R&D
- ✓ Fewer parts
- ✓ Reduced material costs
- ✓ Improved quality
- ✓ Better brand differentiation

*Challenger*



**FENDT**

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# The Global Platform and Module Opportunity – To Simplify Today’s Complexity



## Percent Reduction in Components



Within AGCO, opportunity for significant complexity reduction has been identified on the level of individual sub-modules

# Common Platform and Modular Strategy

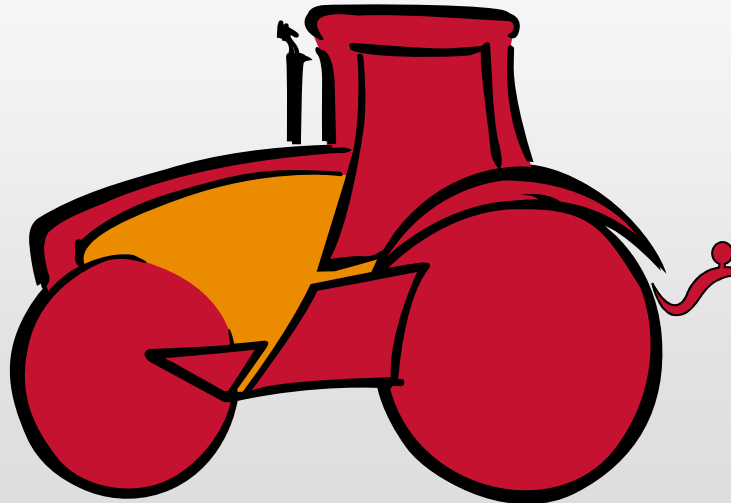
## Leverage Common Parts while Maintaining Brand Differentiators



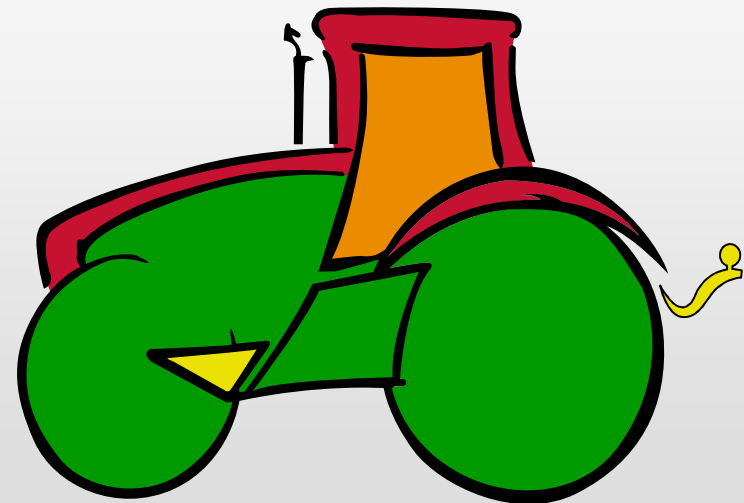
From...

To...

Independent vehicle designs



Significant share of common parts



Commonality of Parts

Less → More



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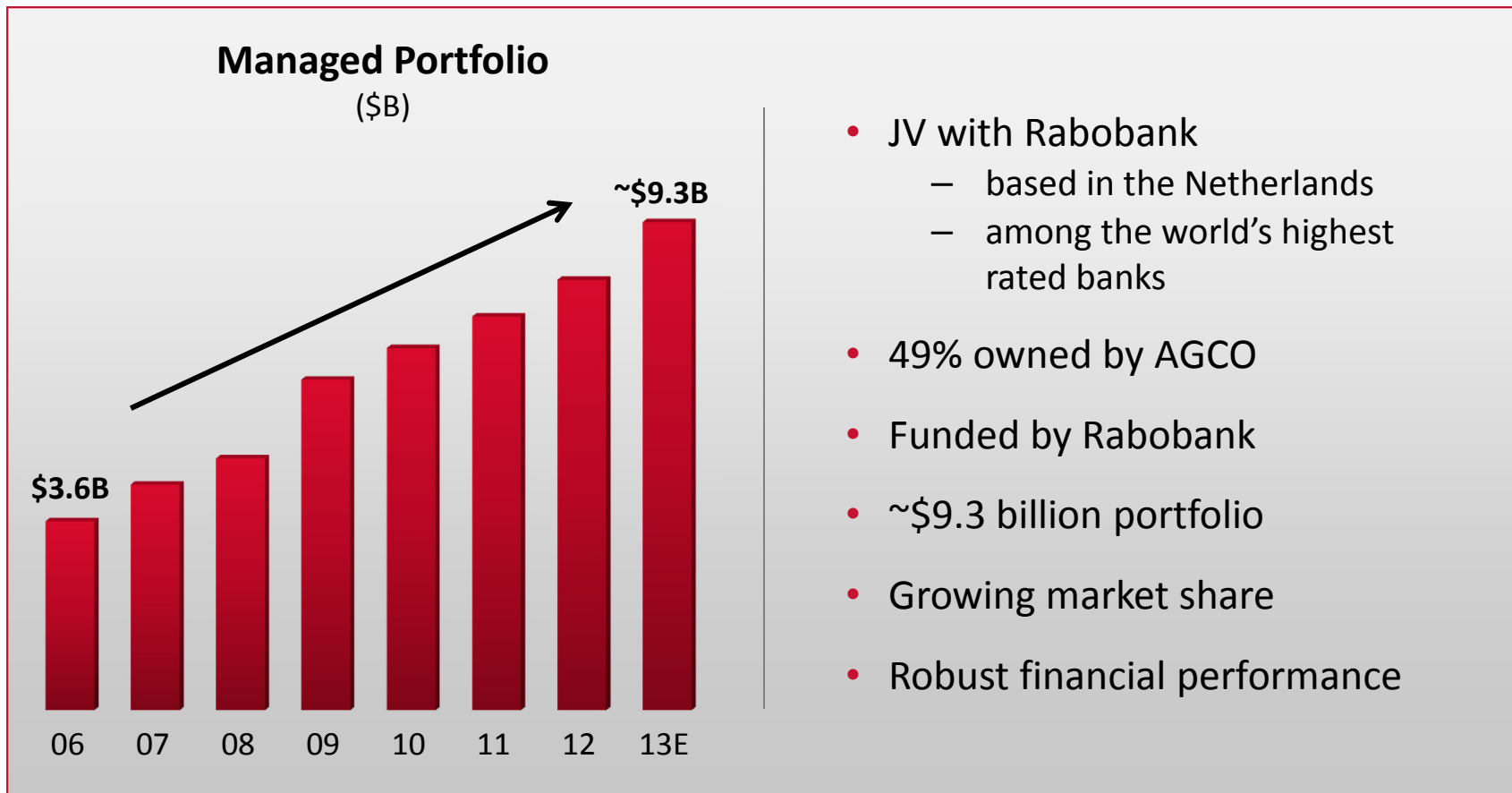
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# Solid, Growing Finance Business



# AGCO Finance – A Closer Look

Y/E 2013E

## By Product

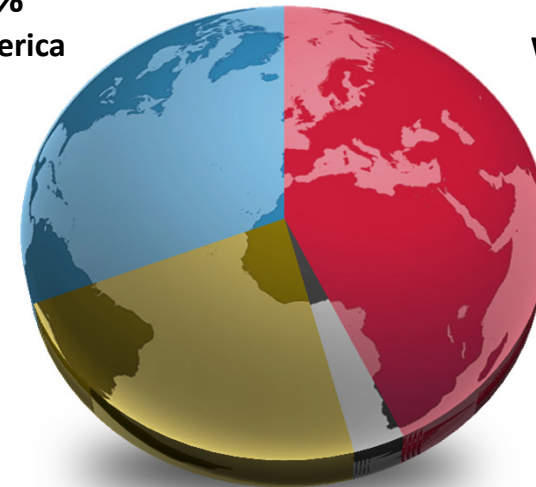
**15%**  
Wholesale Floor-plan



**85%**  
Retail Financing

## By Region

**31%**  
N. America



**43%**  
Western Europe

**23%**  
S. America

**3%**  
Australia/  
New Zealand

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# Capital Deployment Priorities



## Capital Deployment

### Capex

- Invest in facilities
- Invest in new products



### Maintain Balance Sheet

- Maintain investment grade credit rating



### Bolt-on Acquisitions

- Opportunistic approach to add to product offerings or geographic reach



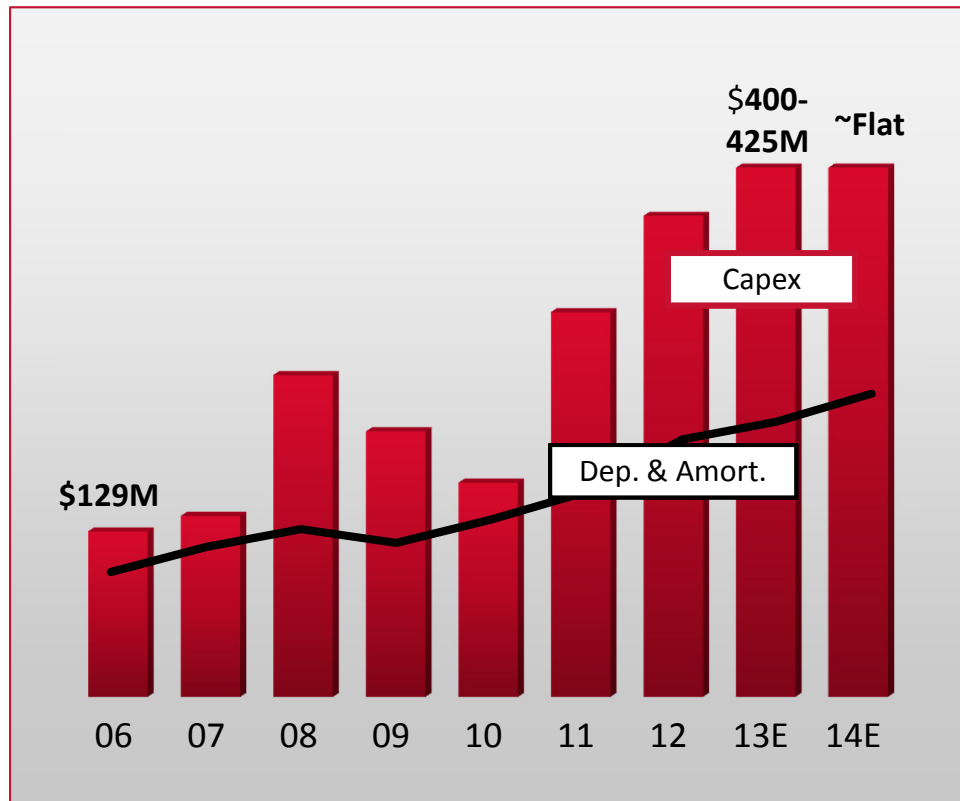
### Return Cash to Shareholders

- Share repurchase
- Dividends

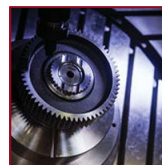
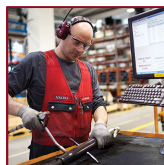
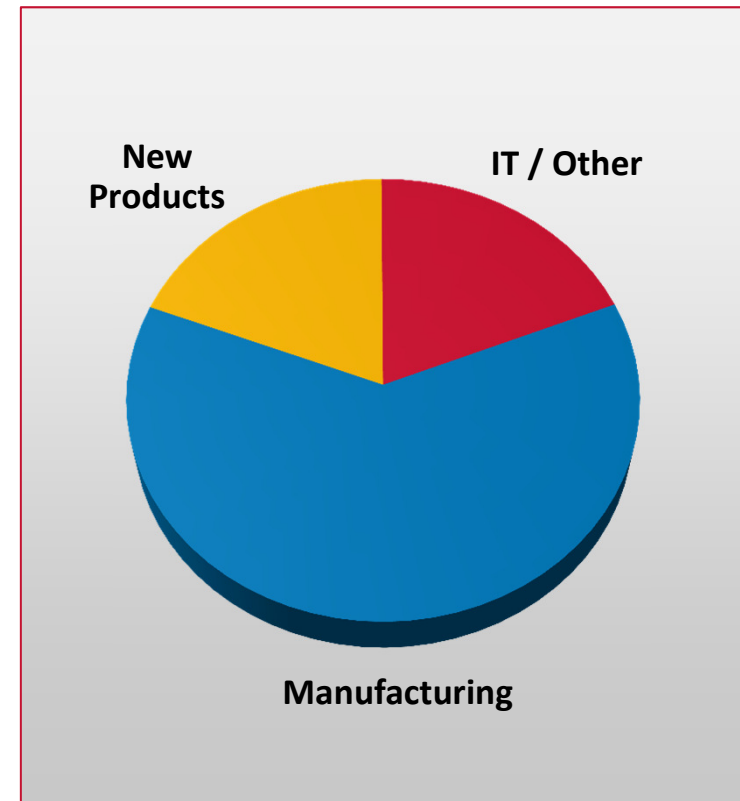


# Capital Expenditures – Investing for Growth

## Continuing to Invest

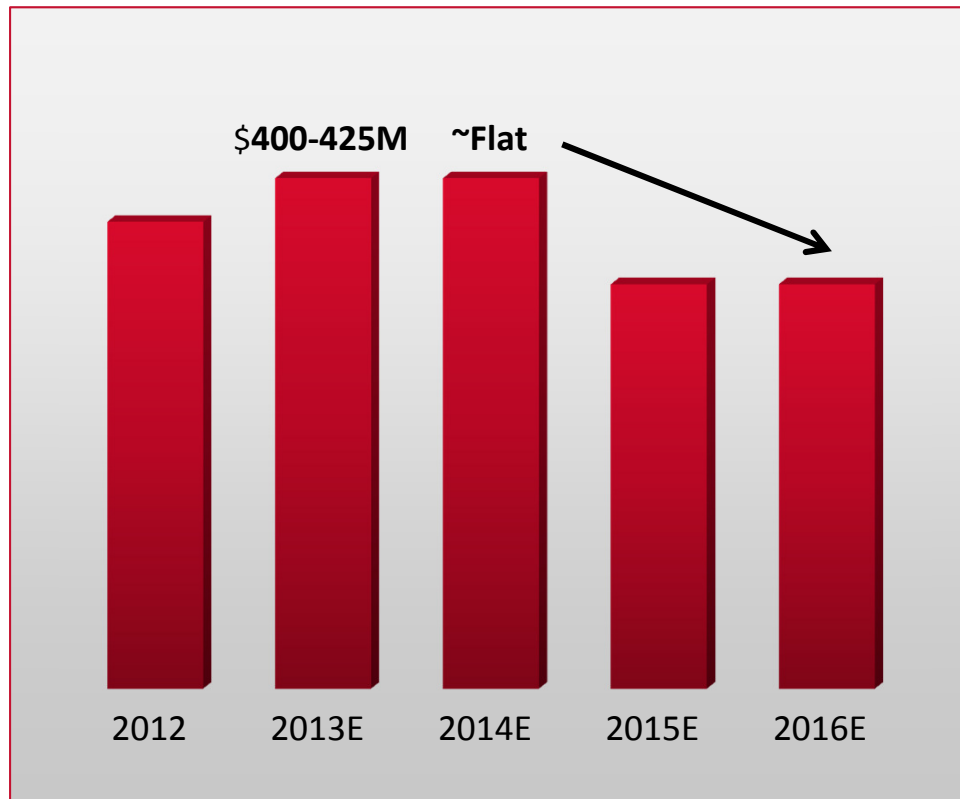


## 2014 Capex Components



# Capex Outlook – 2014 Peak

## Capital Expenditures



- Capex expected to peak in 2014
- China factory construction
- Tier 4 final
- Continued emphasis on new products



# 2014 Capital Allocation Plan – Repatriation Opportunity

## The Opportunity

- Expecting to utilize all U.S. tax losses by the end of 2013
- New U.S. tax position + tax planning creates tax efficient repatriation opportunity
- Repatriation of ~\$800M from AGCO's foreign subsidiaries expected in December 2013

Total 2013E Y/E Cash Balance ~\$900M



Changing U.S. tax structure creates a repatriation opportunity

# Returning Cash to Shareholders

## Cash to be Returned to Shareholders



### Dividend

- Initiated in 2013
- Ambition to grow



### Share Repurchase

- New \$500M share repurchase program



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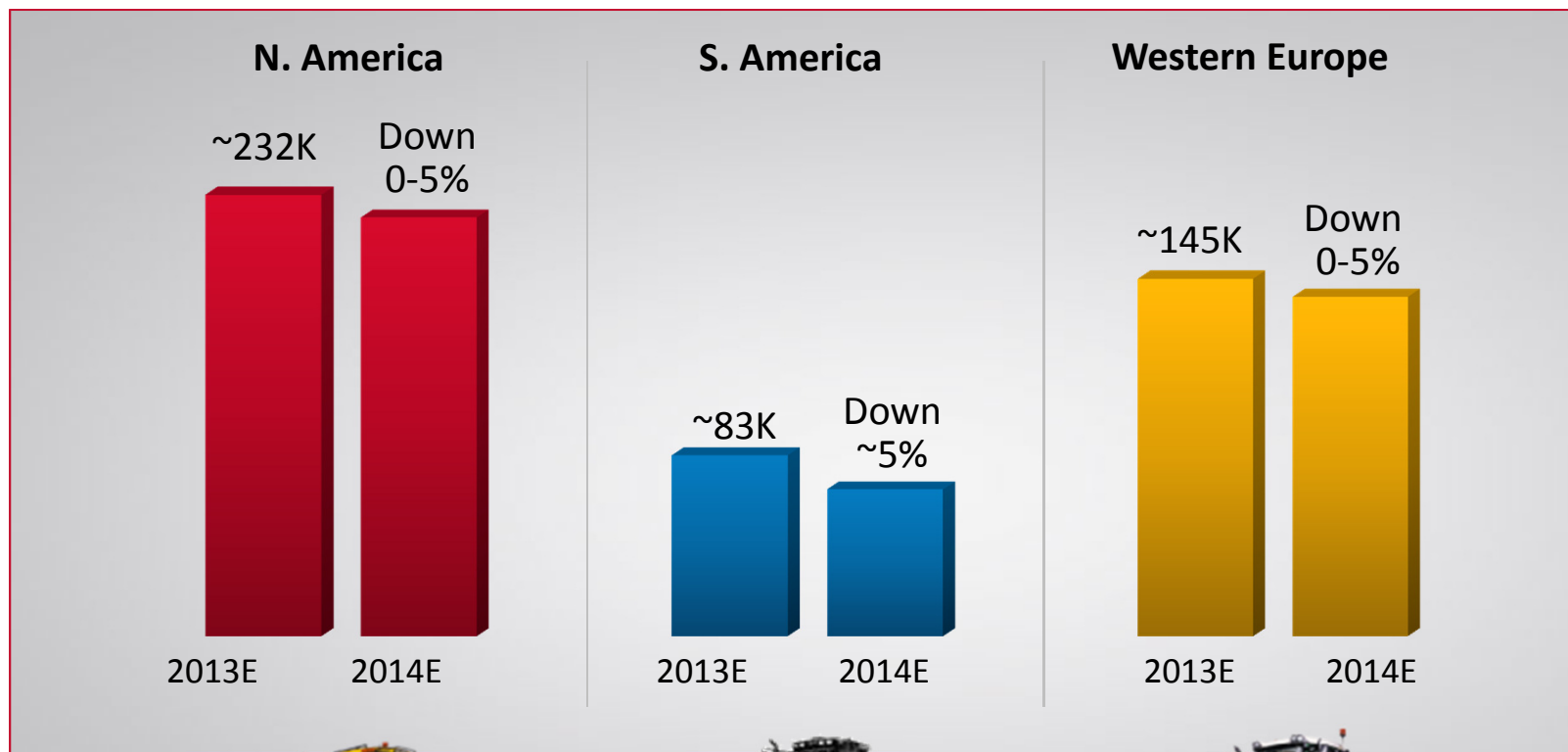
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# 2014 Preliminary Market Outlook

## Regional Market Outlook – Industry Unit Retail Tractor Sales (Volume in Units)



# 2014 Preliminary Assumptions – Summary

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- Stable Sales
  - softer end markets
  - ~2% pricing
  - impact of currency translation expected to be neutral
- 3% (\$10M) increase in engineering expense for new product development, Centurion, platform and tier 4 emission requirements
- Gross margin improvement
- ~\$10 million of start-up expense associated with China operations
- Effective tax rate 34-35%





# 2014 Preliminary Outlook



2014 Estimates	
Sales	\$10.8B to \$11.0B
Gross margin	Up ~ 50 bps
EPS	~\$6.00
CAPEX	\$400-\$425M
Free Cash Flow*	~\$250M+



\* Free cash flow is defined as net cash from operations less capital expenditures. See reconciliation to GAAP metrics in the appendix of this presentation

# Key Messages Today

## Committed to Improving Shareholder Returns



## Positioned for Growth in Attractive Markets



## Executing a Successful Strategy





# Appendix



# Non-GAAP To GAAP Reconciliation



\$M	Years Ended December 31,				
	2009	2010	2011	2012	2013E
Net Sales <sup>(1)</sup>	6,516.4	6,896.6	8,773.1	9,962.3	~10,900
Adjusted Income from operations <sup>(2)</sup>	231.9	328.6	609.6	715.6	872-911
Restructuring and other infrequent (income) expenses	13.2	4.4	(0.7)	0	0
Income from operations as reported	218.7	324.2	610.3	715.6	872-911
Adjusted operating Margin	3.6%	4.8%	6.9%	7.2%	~8.0%+

(1) (2) See Company financial statements for notes

# Non-GAAP To GAAP Reconciliation



\$M  
(except per share amts)

	12 months ended Dec. 31	
	2003	2013E
	Earnings Per Share <sup>(1)</sup>	Earnings Per Share <sup>(1)</sup>
	<u>Share<sup>(1)</sup></u>	<u>Share<sup>(1)</sup></u>
As adjusted	\$1.24	~\$6.00
Restructuring and other infrequent expenses	0.25	0
As reported	<u>\$0.99</u>	<u>~\$6.00</u>

(1) After tax. Rounding may impact summation of amounts.

See accompanying notes in the Company's press release.





# 2013 Investor Meeting

December 17, 2013

