

# ANDY BECK

SVP & CFO



# AGENDA

▶ Focused Cost Management

▶ AGCO Finance Update

▶ Capital Allocation Update

▶ 2018 Preliminary Outlook



# FOCUSED COST MANAGEMENT

1

**Material**  
Global Purchasing  
Excellence



2

**Direct Labor**  
AGCO Production  
Systems



3

**Engineering**  
Increasing Strategic  
Investment



4

**SG&A and Fixed  
Manufacturing Costs**  
Targeted Actions



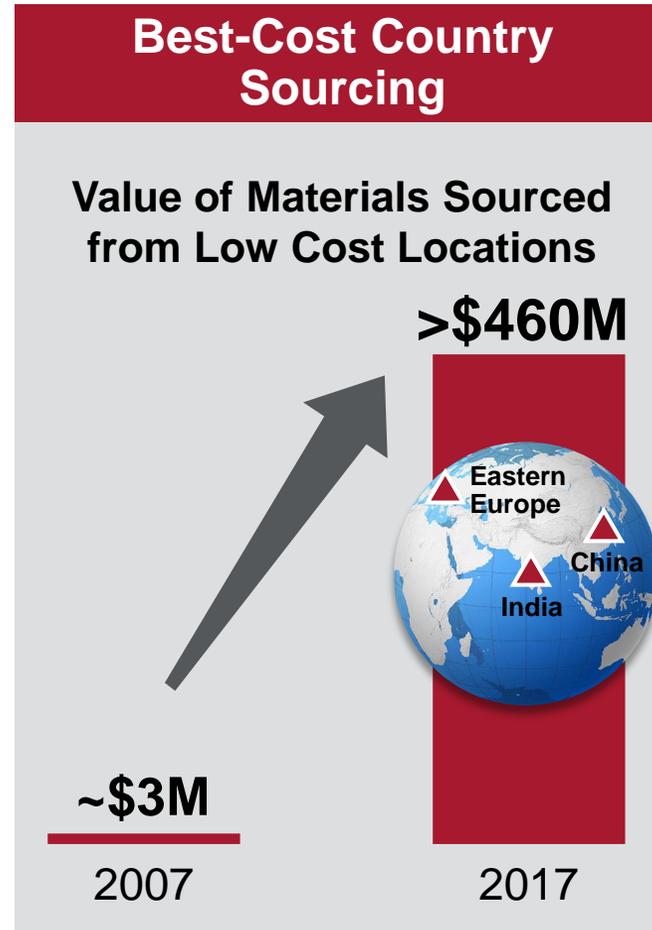
# MATERIAL COST IMPROVEMENT: GLOBAL PURCHASING EXCELLENCE + BEST-COST COUNTRY SOURCING

## Global Purchasing Excellence (GPE)



- ▶ Common components
- ▶ Common suppliers

+



=

# SAVINGS

## \$40-\$50M

incremental annual material savings



# PRODUCTIVITY: MANUFACTURING OPTIMIZATION

## Key Initiatives

- ▶ Utilizing six sigma and lean
- ▶ Investing in productivity enhancing technology



## Savings

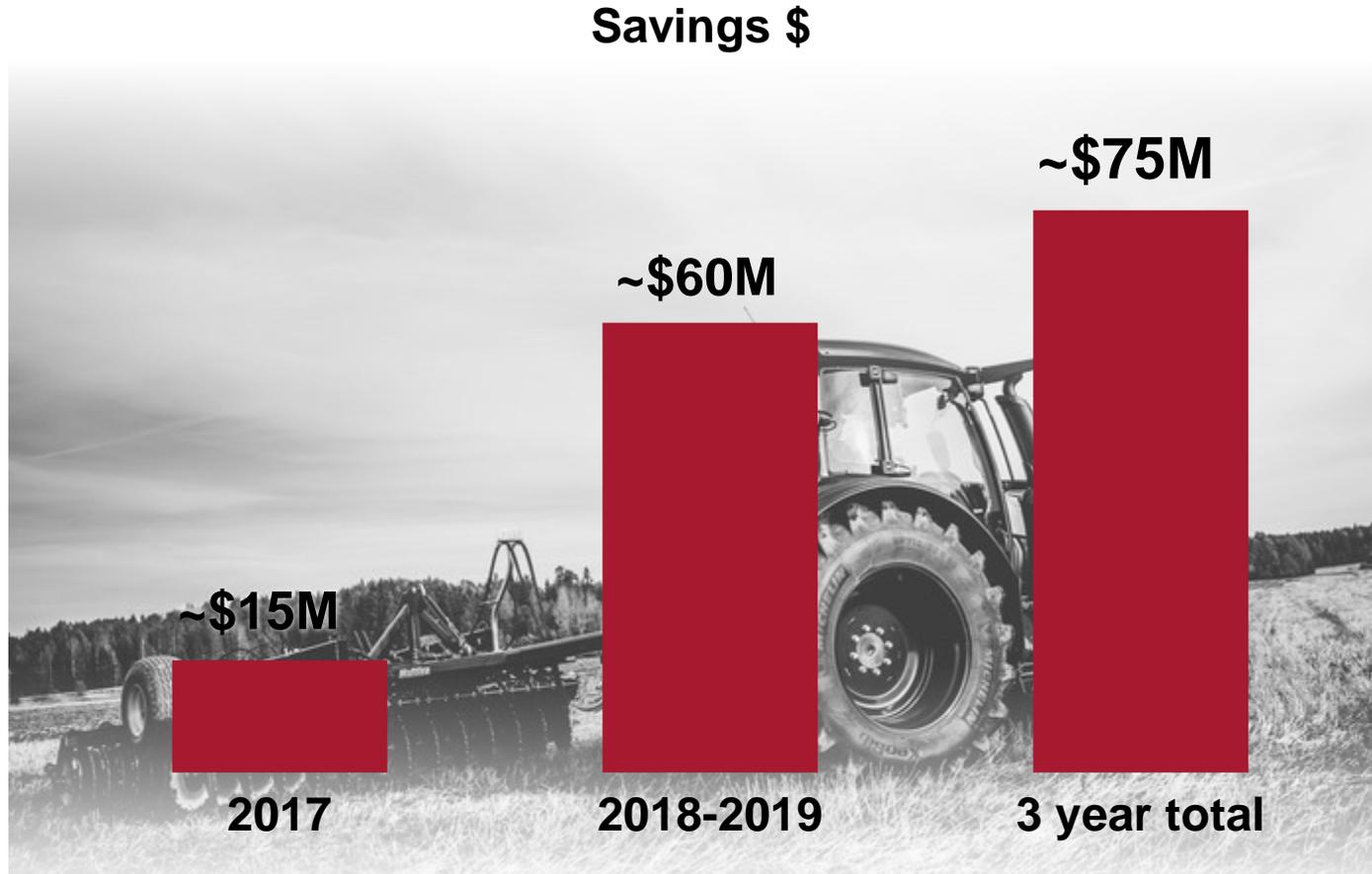
**\$15-\$20M**

**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**

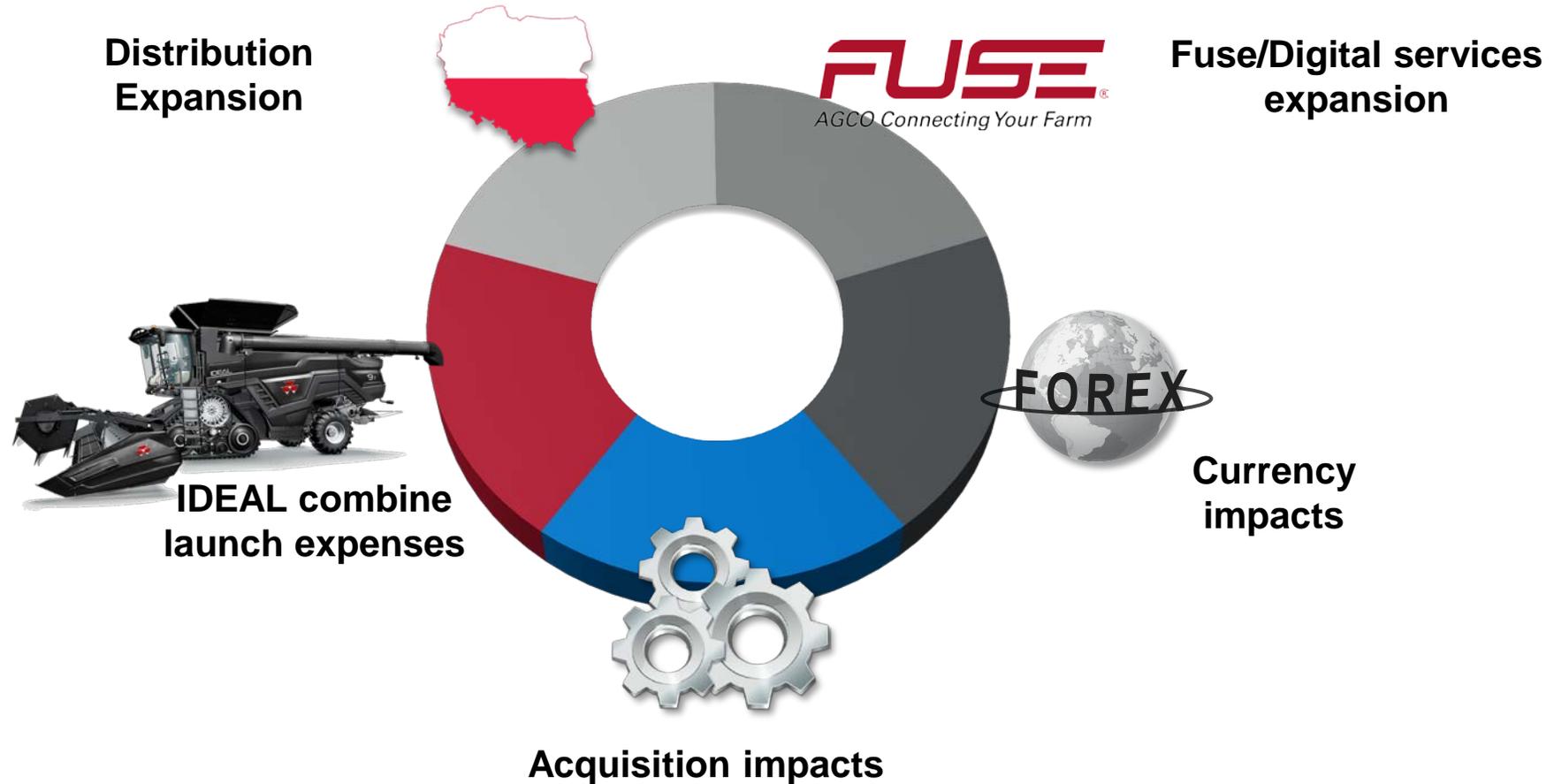
# TARGETED COST SAVINGS ACTIONS – SG&A AND FIXED MANUFACTURING COSTS



## 2018-2019 Actions

- ▶ Reduce fixed cost structure by:
  - Manufacturing rationalization
  - Globalizing processes
  - Reducing complexity
  - Better leveraging scale across shared services
- ▶ ~\$20M of savings in 2018
- ▶ ~75M total 3 year savings

# INVESTMENTS IN TECHNOLOGY AND PRODUCT SUPPORT



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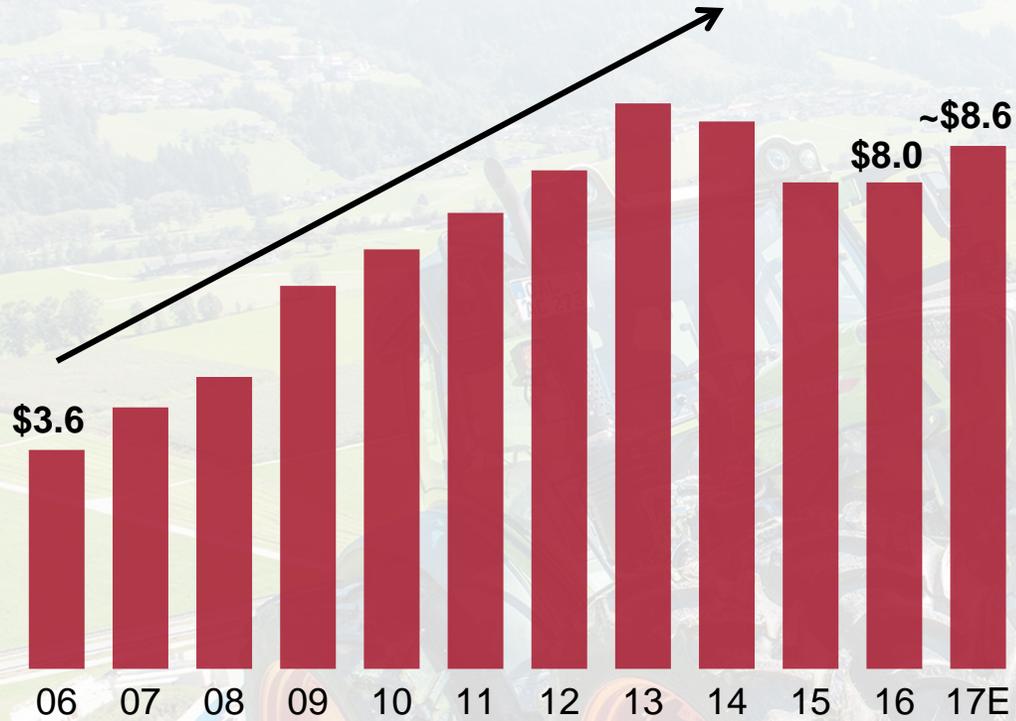
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# PROFITABLE, STABLE FINANCE BUSINESS

Attractive Portfolio  
(\$B)

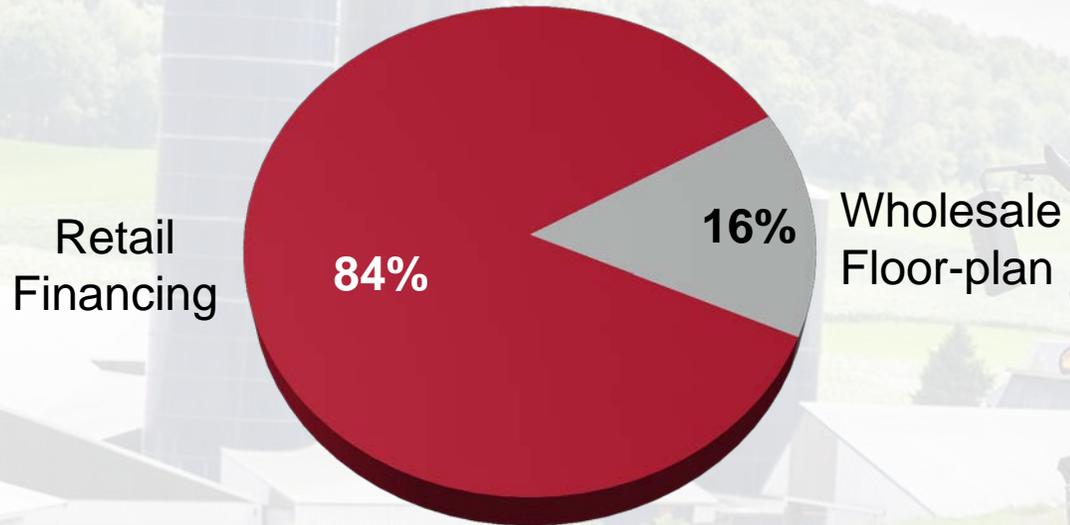


- ▶ AGCO Finance is JV with Rabobank based in the Netherlands
- ▶ Rabobank is among the world's highest rated banks
- ▶ AGCO Finance is 49% owned by AGCO
- ▶ Funded by Rabobank
- ▶ ~\$8.6 billion portfolio
- ▶ Consistent financial performance and credit quality

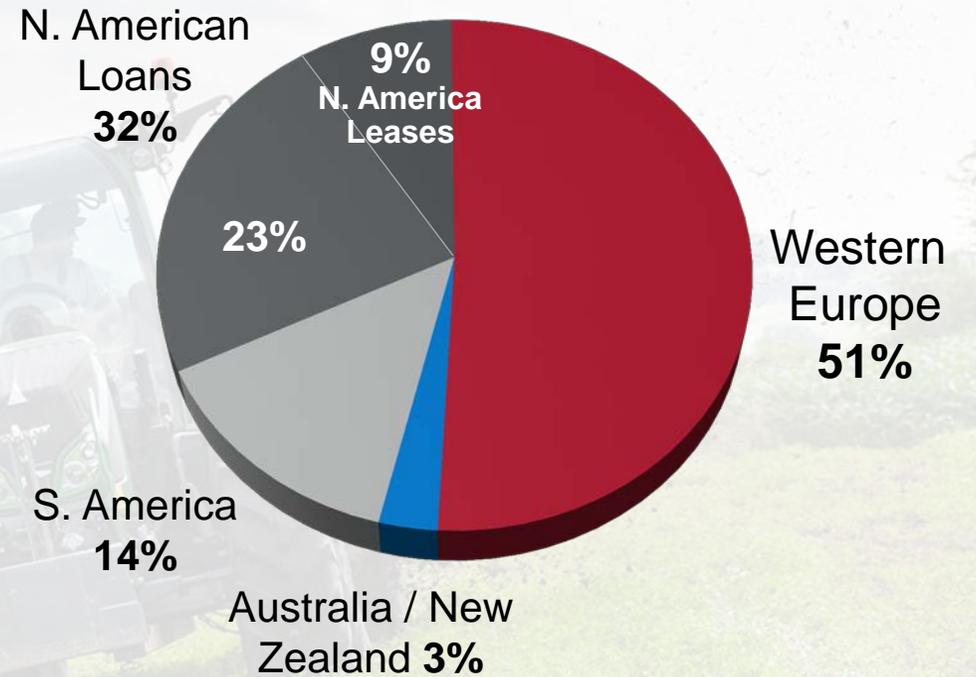
# AGCO FINANCE: A CLOSER LOOK

Y/E 2017E

## Breakdown By Product



## Breakdown By Region



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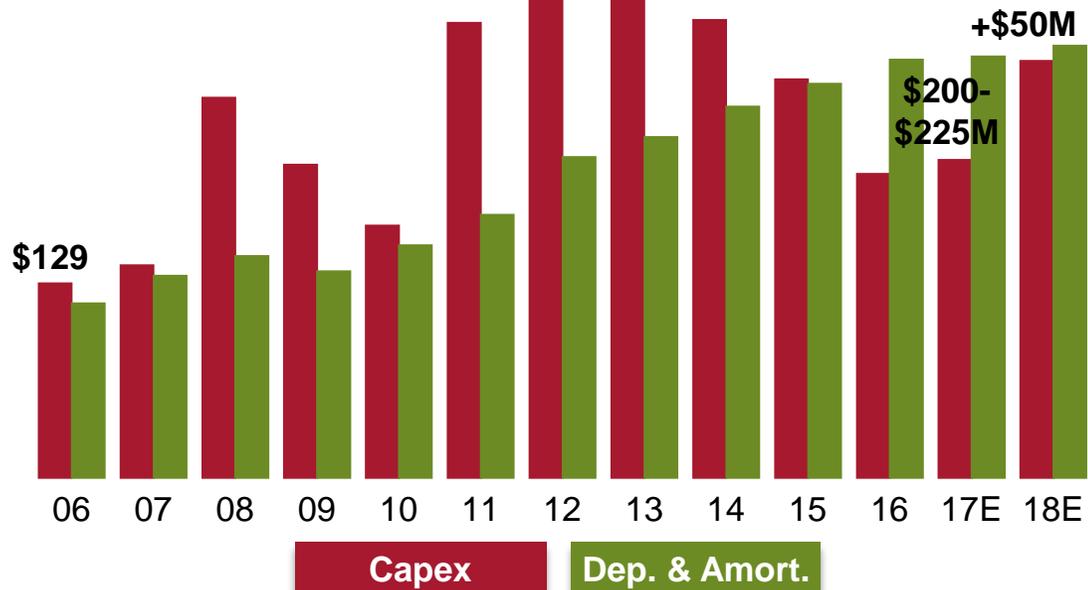


# CAPITAL DEPLOYMENT PRIORITIES

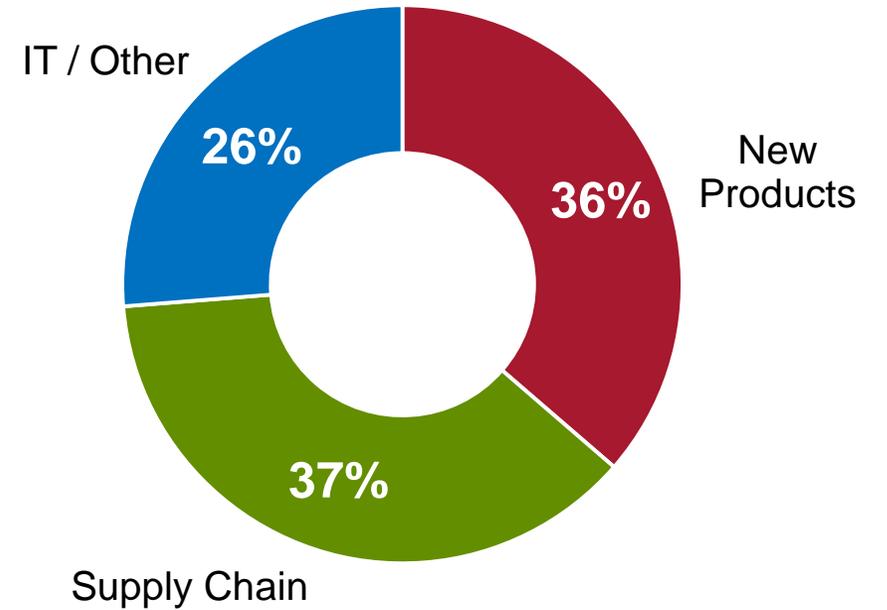


# CAPITAL EXPENDITURES: INVESTING FOR GROWTH

Continuing to Invest  
(\$M)



2017 Capex Components



# RETURNING CASH TO SHAREHOLDERS

## Dividend

- Initiated in 2013
- Ambition to grow

## Share Repurchase

- \$300M new authorization

Cash to be  
**RETURNED**  
to Shareholders



# AGENDA

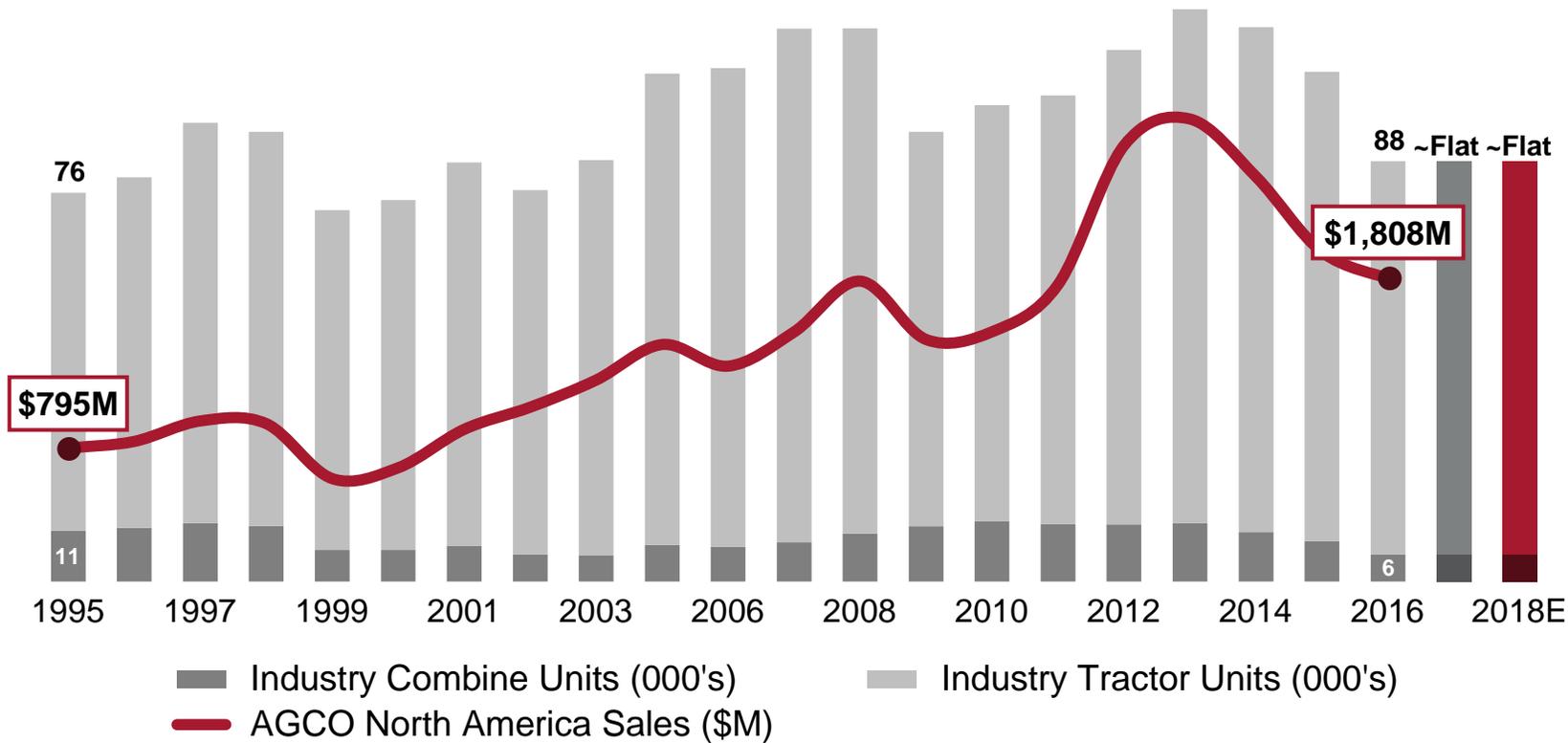
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# 2018 MARKET OUTLOOK: STABLE



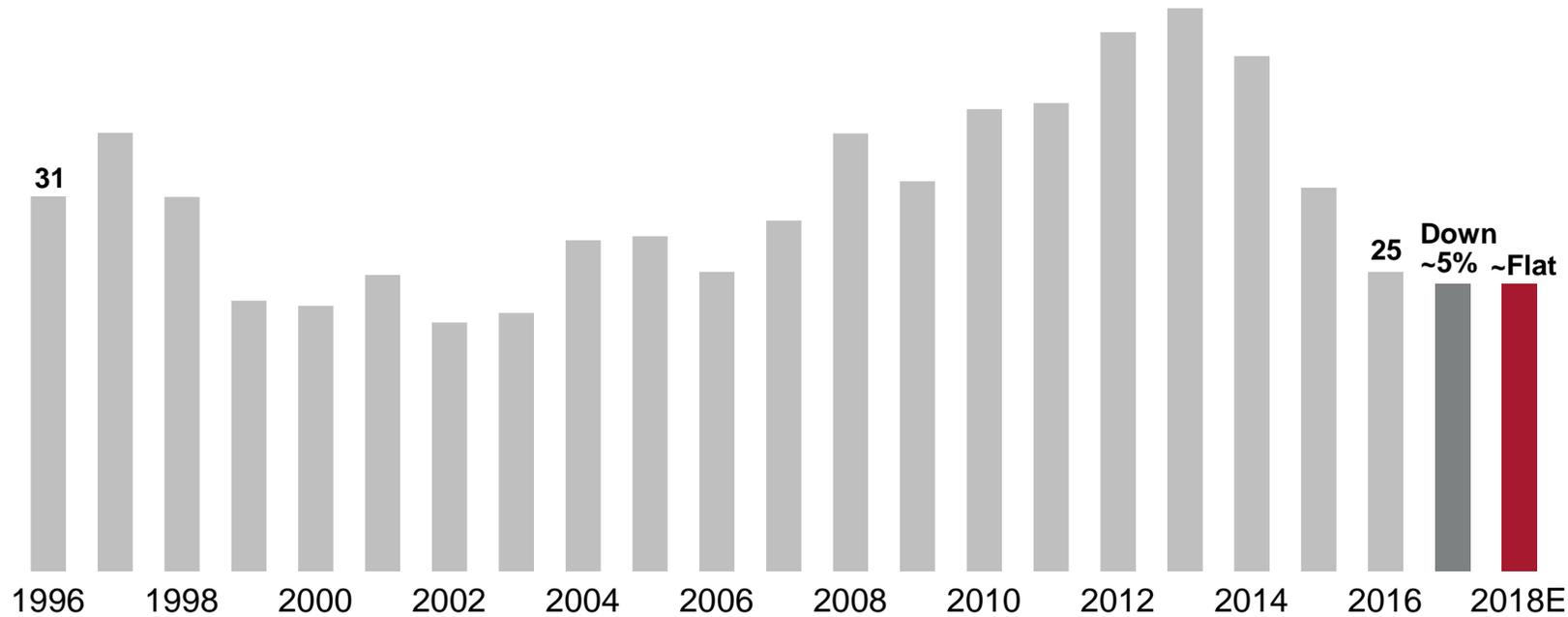
**North America Industry Retail Units**  
Tractors\* and Combines (000's)



- ▶ Projected 2018 farm income remains under pressure
- ▶ Row crop sector bottoming
- ▶ Mix remains negative

# 2018 HHP\* INDUSTRY OUTLOOK: STABLE

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

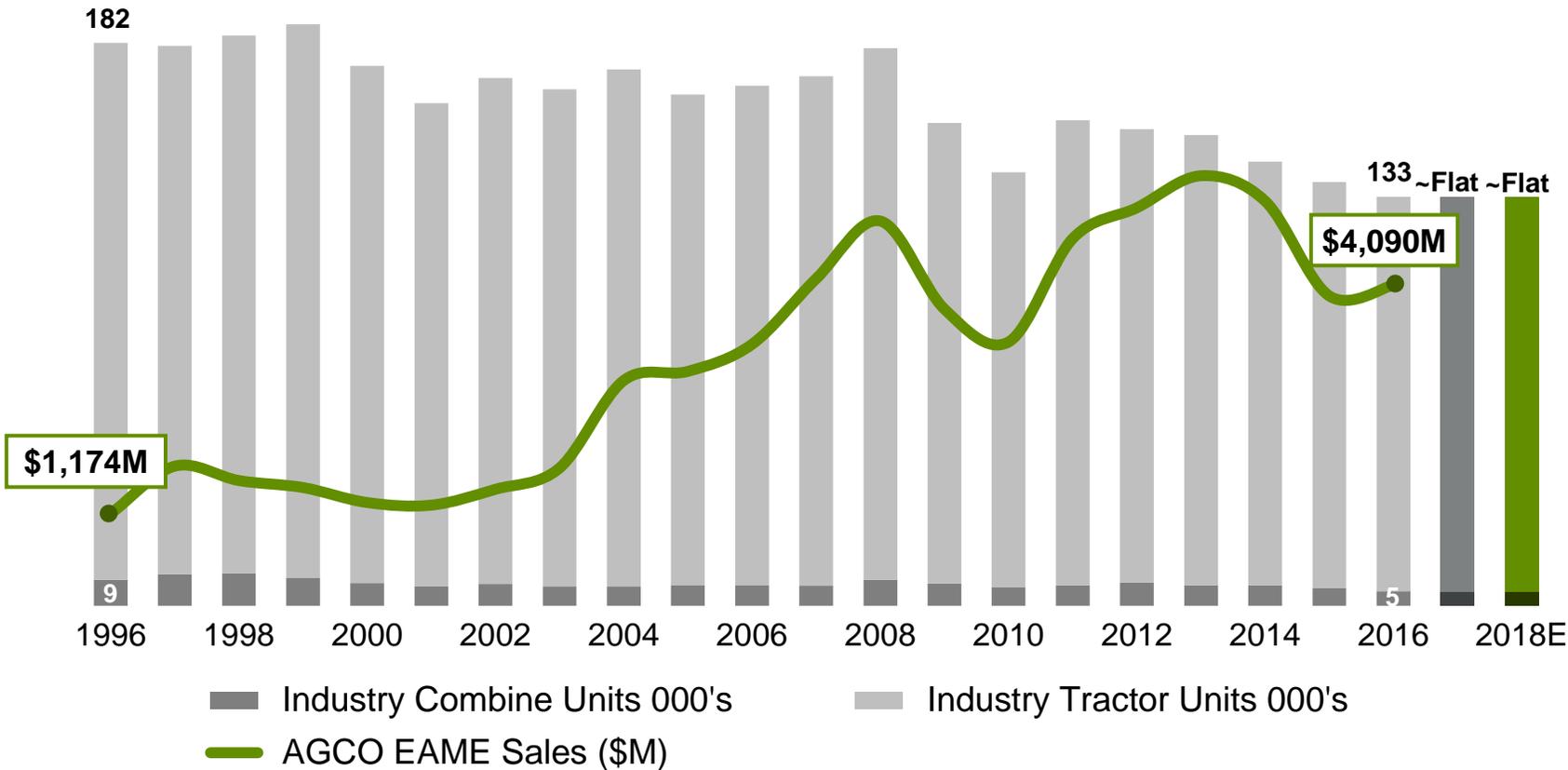


- ▶ HHP tractors good surrogate for Row Crop sector
- ▶ ~5% decline in HHP\* tractors YTD in 2017
- ▶ ~Flat in 2018

# 2018 MARKET OUTLOOK: STABLE



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

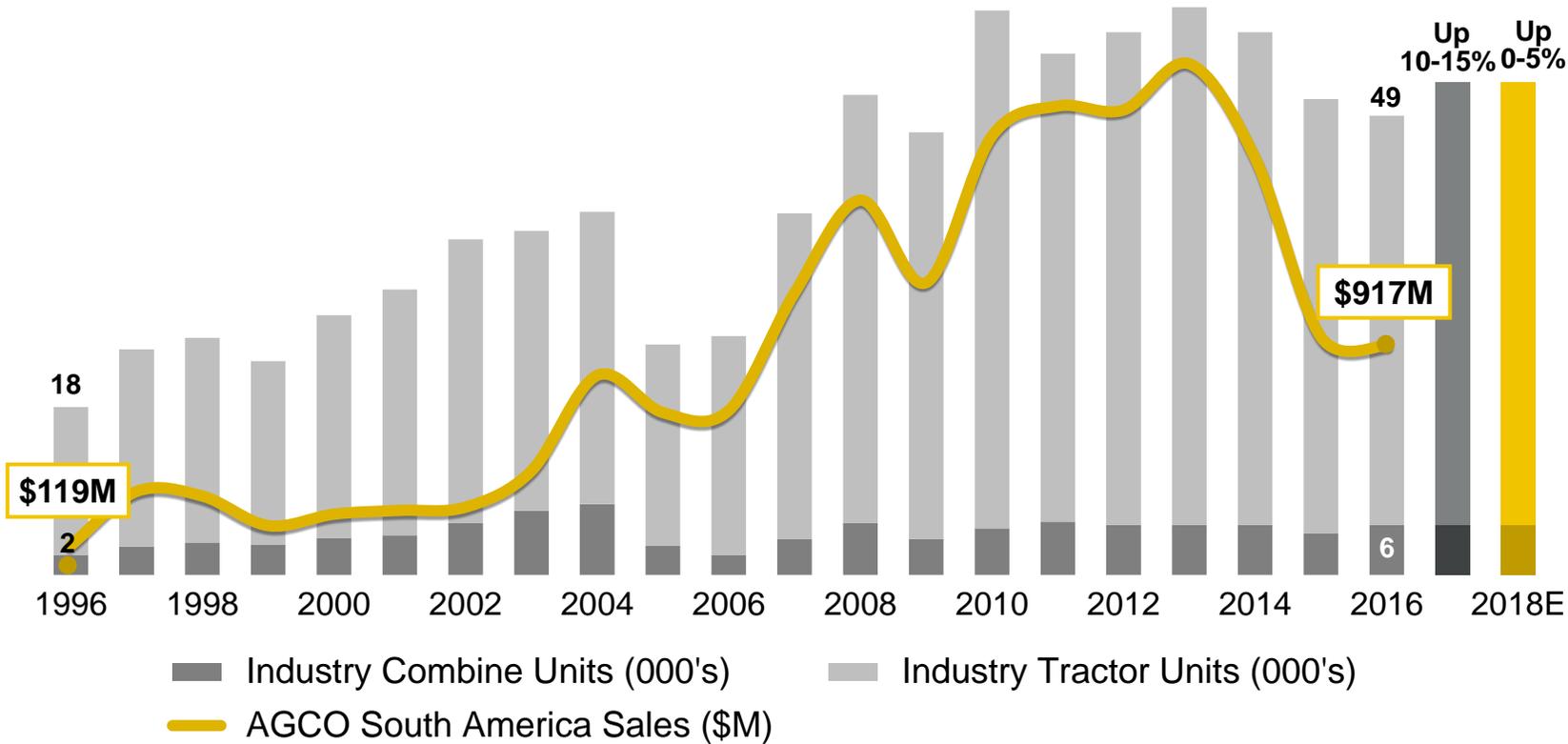


- ▶ Healthy dairy sector
- ▶ Low Commodity prices impact row crop demand

# 2018 MARKET OUTLOOK: STABLE



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



- ▶ Market demand in Brazil remains weak
- ▶ Demand remains strong in Argentina

# 2018 PRELIMINARY ASSUMPTIONS: SUMMARY

- ▶ 2018 sales up ~9% vs 2017
  - Relatively stable end-market demand
  - Pricing +1.5%
  - Positive currency translation +3.0%
  - Acquisitions +2.5%
- ▶ Engineering ~4% of sales (up ~\$35M vs 2017)
- ▶ Operating margin improvement
- ▶ Effective tax rate ~38%



# 2018 PRELIMINARY OUTLOOK

2018 Estimates	
Sales	~\$9.0B
Adjusted EPS	~\$3.50
CAPEX	Up ~\$50M vs 2017
Free Cash Flow*	~\$225M



# KEY MESSAGES

## THE FUNDAMENTALS

Long term fundamentals support optimism for industry / AGCO



## THE STRATEGY

Executing successful strategy



## THE EXECUTION

Aggressively managing for the Long-term



## GOAL

Delivering improved shareholder returns

# APPENDIX



# NON-GAAP TO GAAP RECONCILIATION

	2006	2017E
	Earnings Per Share <sup>(1)</sup>	Earnings Per Share <sup>(1)</sup>
As adjusted	\$1.04	~\$3.00
Restructuring and other expenses/adjustments	1.83	~0.14
As reported	\$(0.79)	~\$2.86



# NON-GAAP TO GAAP RECONCILIATION

Free Cash Flow \$M	Projected Year Ended Dec. 31, 2018
Net cash provided by operating activities	~500
Less: Capital expenditures	~\$(275)
Free Cash Flow	<hr/> ~\$225 <hr/>



# NON-GAAP TO GAAP RECONCILIATION

## Europe/Middle East (EME) \$M

	For the year ended December 31, 2014		
	As Reported	Currency Translation	As Adjusted
Net Sales	\$ 4,969.1	\$ (830.0)	\$ 4,139.1

	For the year ended December 31, 2014		
	As Reported	Currency Translation	As Adjusted
Income from Operations	\$ 466.0	\$ (70.3)	\$ 395.7

