

AGCO Reports Fourth Quarter Results for 2022

AGCO Corporation (NYSE: AGCO) has announced its results for the fourth quarter, which ended December 31st, 2022. AGCO is active worldwide in the development, manufacturing and distribution of tractors and agricultural equipment, as well as solutions for the agricultural industry.

- **Record fourth quarter and full year net sales and earnings per share**
- **Full year reported operating margin of 10% and adjusted operating margin of 10.3%**
- **Full year South American operating margin of 17.6%**
- **Reiterates 2023 full year net sales of ~\$14 billion and earnings per share of ~\$13.50**

AGCO reported net sales of \$3.9 billion for the fourth quarter of 2022, an increase of 23.6% compared to the fourth quarter of 2021. Reported net income was \$4.29 per share for the fourth quarter of 2022, and adjusted net income(3), which excludes restructuring expenses and a charge related to the divestiture of a Russian joint venture, was \$4.47 per share. These results compare to reported net income of \$3.75 per share and adjusted net income(3), which excludes restructuring expenses and the reversal of a valuation allowance previously established against the Company's deferred tax assets in Brazil, of \$3.08 per share, for the fourth quarter of 2021. Excluding unfavorable currency translation impacts of 9.2%, net sales in the fourth quarter of 2022 increased 32.7% compared to the fourth quarter of 2021.

Eric Hansotia (Chairman, President and CEO AGCO Corporation)

"Our record results in 2022, underscored by net sales of approximately \$12.7 billion and adjusted operating margin of 10.3%, are the result of continued execution of our strategy," stated Eric Hansotia, AGCO's Chairman, President and Chief Executive Officer. "Our performance was fueled by robust demand for our industry-leading products coupled with continued solid global industry demand. Our farmer-first focus was highlighted by our fourth quarter results that not only delivered record net sales and operating margin, but also generated substantial free cash flow. These results are further evidence that our precision ag technology and premier equipment are in high demand and are driving productivity improvements for our farmers while providing us margin-rich growth opportunities."

Mr. Hansotia continued, "For 2023, we expect continued sales growth and margin expansion as industry demand remains strong and our farmer-first strategy continues to gain traction. We assume global market conditions will remain healthy, as favorable farm economics allow farmers to continue to invest in new more productive equipment and technology upgrades. While improving, we expect supply chain pressures will persist, presenting challenges throughout the year. We remain focused on growing our high-margin precision ag business, globalizing the full-line of our Fendt branded products and expanding our parts and service business. We will continue to accelerate investments in premium technology, smart farming solutions and enhanced digital capabilities to support our farmer-first strategy while helping to sustainably feed the world."

Fourth Quarter Highlights

- **Reported fourth quarter regional sales results(1): Europe/Middle East ("EME") +21.7%, North America +22.1%, South America +66.4%, Asia/Pacific/Africa ("APA") (23.1)%**
- **Constant currency fourth quarter regional sales results(1)(2)(3): EME +37.9%, North America +23.2%, South America +57.9%, APA (14.5)%**
- **Fourth quarter regional operating margin performance: EME 14.6%, North America 7.4%, South America 20.0%, APA 9.0%**
- **Full-year reported operating margins and adjusted operating margins(3) improved to 10.0% and 10.3% respectively, in 2022 compared to 9.0% and 9.1% in 2021**
- **Generated \$838.2 million in cash flow from operations and \$449.9 million in free cash flow(3) for the full-year 2022**

(1) As compared to fourth quarter 2021.

(2) Excludes currency translation impact.

(3) See reconciliation of Non-GAAP measures in appendix.

Net sales for the full year of 2022 were approximately \$12.7 billion, which is an increase of 13.6% compared to 2021. Excluding unfavorable currency translation impacts of 8.5%, net sales for the full year of 2022 increased 22.1% compared to 2021. For the full year of 2022, reported net income was \$11.87 per share, and adjusted net income(3), excluding impairment charges, restructuring expenses and other related items, was \$12.42 per share. These results compare to reported net income of \$11.85 per share and adjusted net income(3), which excludes restructuring expenses and the reversal of a valuation allowance previously established against the Company's deferred tax assets in the United States and Brazil, of \$10.38 per share in 2021.

Market Update

Industry Unit Retail Sales

	Tractors	Combines
Year ended December 31, 2022	Change from Prior Year	Change from Prior Year
North America(1)	(5.0)%	14.6%
South America	3.2%	(1.6)%
Western Europe(2)	(8.5)%	10.2%

(1) Excludes compact tractors.

(2) Based on Company estimates.

“Supportive farm economics are resulting in robust demand for larger agricultural equipment as farmers continue to replace aging machines,” stated Mr. Hansotia. “Supply chain constraints have limited industry production, and dealer inventory levels of new and used large agricultural equipment remain below normal levels across the industry. Full year global industry retail sales of farm equipment in 2022 were lower in some of AGCO's key markets, with weaker sales of smaller equipment being partially offset by higher sales of larger machines.”

North American full-year industry retail tractor sales declined compared to the previous year. Lower sales of smaller equipment, more closely tied to the general economy, were partially offset by strong growth of high horsepower tractors and combines. Favorable commodity prices, extended fleet age and precision ag technology are continuing to stimulate demand for row crop farmers. These conditions are expected to continue in 2023, resulting in flat North American industry sales compared to 2022.

Industry retail tractor sales in Western Europe, decreased 9% for the full year of 2022 compared to high levels in 2021. Farmer sentiment in the region has been negatively impacted by the conflict in Ukraine, higher input cost inflation and while lessening, looming energy concerns. Healthy income levels for arable farmers as well as dairy and livestock producers are expected to support relatively flat retail demand for equipment in 2023 compared to 2022.

In South America, industry retail tractor sales increased 3% during 2022. Strong growth in Argentina and the smaller South American markets offset modestly lower sales in Brazil. Healthy crop production and favorable margins are supporting farm profitability. These supportive economics are expected to drive modestly higher South American 2023 industry sales compared to 2022.

Regional Results

AGCO Regional Net Sales (in millions)

Three Months ended			% change from	% change from 2021 due	% change excluding
December	2022	2021	2021	to currency translation(1)	currency translation
31st 2022					
North America	\$823.7	\$674.7	22.1 %	(1.2)%	23.2 %
South America	674.8	405.6	66.4%	8.5%	57.9%
EME	2,186.5	1,796.9	21.7%	(16.2)%	37.9%
APAC	212.0	279.0	(23.3)%	(2.6)%	(14.5)%

APR	213.9	210.0	(23.1)%	(0.0)%	(14.5)%
Total	\$3,898.9	\$9,155.2	23.6%	(9.2)%	32.7%

(1) See Footnotes for additional disclosures.

AGCO Regional Net Sales (in millions)

Year ended December 31st 2022	2022	2021	% change from 2021	% change from 2021 due to currency translation(1)	% change excluding currency translation
North America	\$3,175.1	\$2,659.2	19.4%	(0.8)%	20.2%
South America	2,121.6	1,307.7	62.2%	5.6%	56.6%
EME	6,447.3	6,221.7	3.6%	(14.8)%	18.5%
APA	907.4	949.7	(4.5)%	(8.0)%	3.6%
Total	\$12,651.4	\$11,138.3	13.6%	(8.5)%	22.1%

(1) See Footnotes for additional disclosures.

North America

AGCO's North American net sales increased 20.2% for the full year of 2022 compared to 2021, excluding the negative impact of currency translation. Increased sales of precision ag products and services as well as high horsepower tractors represented the largest increases. Income from operations for the full year of 2022 increased \$40.7 million compared to 2021. The improvement was the result of higher sales and production, and positive net pricing partially offset by higher engineering expense as well as higher material costs.

South America

Net sales in the South American region increased 56.6% for the full year of 2022 compared to 2021, excluding the impact of favorable currency translation. Sales increased significantly across all the South American markets with strong growth achieved in high-horsepower tractors, combines and planting equipment. Income from operations for the full year of 2022 increased by \$241.7 million compared to 2021 and operating margins exceeded 17.6%. The improved South America results reflect the benefit of higher sales and production, favorable pricing, and a better sales mix, partially offset by higher materials costs.

Europe/Middle East (EME)

Net sales in the Europe/Middle East region increased 18.5% for the full year of 2022 compared to 2021, excluding negative currency translation impacts. Healthy growth across all the major European markets contributed to the improvement. Increased sales of mid-range and high horsepower tractors as well as replacement parts produced most of the growth. Income from operations increased \$28.7 million for the full year of 2022 compared to 2021, due to higher net sales and production volumes as well as significant price realization which more than offset higher material costs and engineering expenses.

Asia/Pacific/Africa (APA)

Asia/Pacific/Africa's net sales increased 3.6%, excluding the negative impact of currency translation, during the full year of 2022 compared to 2021. Higher sales in Japan, Australia and Africa, produced the majority of the increase. Income from operations was relatively flat for the full year of 2022 compared to 2021 as the benefit of higher sales and an improved product mix was mostly offset with higher material costs and engineering expense.

Outlook 2023

AGCO's net sales for 2023 are expected to be approximately \$14.0 billion, reflecting improved sales volumes and pricing partially offset by negative foreign currency translation. Gross and operating margins are projected to improve from 2022 levels, reflecting the impact of higher sales and production volumes as well as pricing to offset cost inflation. These improvements are expected to fund increases in engineering and other technology investments to support AGCO's precision agriculture and digital initiatives. Based on these assumptions, 2023 earnings per share are

targeted at approximately \$13.50.

Additional assets available online: [Photos \(2\)](#)

<https://news.agcocorp.com/2023-02-13-AGCO-Reports-Fourth-Quarter-Results-for-2022>