

Company: **AGCO Corporation (NYSE: AGCO)**

Performance Rating: **Buy**

Current Price: **\$116.06**

Target Price: **\$145.89**

Investment Horizon: **12 – 18 Mos**

### AGCO Performance Highlights



Market Cap: **\$8.7b**

YTD return: **-16%**

Dividend Yield: **1%**

P/E (LTM) multiple: **7.5x**

Source: Factset

Investment Team: Abigail Doeksen and Zach Ogle

Report Date: December 10, 2023

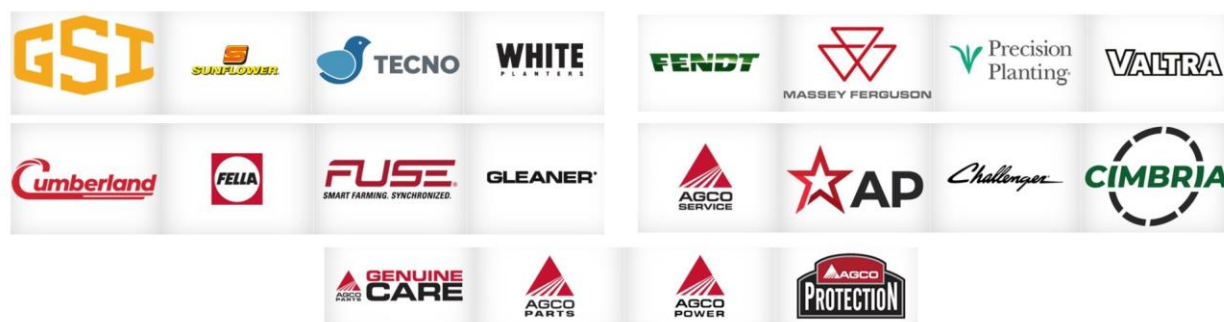
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## 1. Company Overview

**Overview.** AGCO is a top three global market leader in the Agricultural Equipment space. AGCO was founded in 1990 in Duluth, Georgia and is still headquartered there today. The company employs over 25,000 people, with approximately 3,100 dealer locations across 140 countries. AGCO sells a range of Agricultural Equipment including tractors, combines, hay tools, sprayers, forage equipment, seeding and tilling equipment, and grain storage/protein production systems. The company sells its products under 20 different brand names, but their five key brands are Fendt, Massey Ferguson, Challenger, Valtra, and GSI.

Figure 1.1: AGCO Product Brands



Source: AGCO Website

**Financials.** In 2022, AGCO reported \$12.7B in revenue with \$1.6B of EBITDA (~12% margins) and has grown 8% p.a. over the last five years (CAGR from FY18-22).

**Global Presence.** The company's revenue is highly diversified geographically, with ca. 51% of sales coming from Europe and the Middle East, ca. 25% from North America, ca. 17% from South America, and 7% from APAC and Africa.

**M&A History.** Since going public in 1992, the company has successfully completed ~40 acquisitions. A major recent acquisition of note is Trimble, which was a \$2b add-on deal that closed in September 2023. The acquisition boosted AGCO's Precision Agriculture product portfolio, specifically AGCO will benefit from Trimble's equipment technology that helps farmers maximize their crop production.

**Management.** AGCO is led by Eric Hansotia, who has been the company's CEO since early 2021. Eric Hansotia joined AGCO in 2013, holding various roles at the company (including COO) before becoming CEO. AGCO's CFO is Damon Audia, who joined AGCO as the CFO in 2022. Prior to joining AGCO, Mr Audia was the CFO of Kennametal and was the CFO of Carpenter Technology Corp.

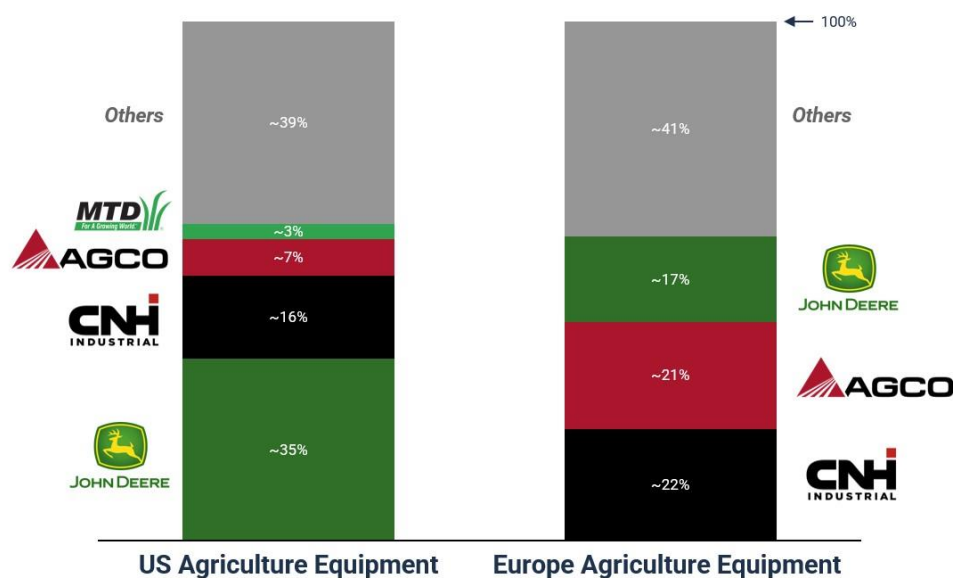
## 2. Competitive Landscape

**Key Competitors.** While there are many agriculture Equipment manufacturers globally, there is a limited set of scale players against which AGCO primarily competes. AGCO's key competitors are listed below.

- **Deere & Co. (\$52b rev, 80k FTEs).** The global market leader in Agriculture and Farm Equipment and considered to be AGCO's main competitor.
- **CNH Industrial (\$24b rev, 40k FTEs).** A top European player, with a large presence in the US. The company markets equipment not under the CNH logo but through a range of brands such as New Holland, Case IH, Steyr, and others.
- **Mtd Products (~\$2.6b rev, 7.5k FTEs).** Based in Ohio, USA, MTD Products is AGCO's principal competitor in the small agriculture and turf segment, specializing in equipment like lawnmowers, utility vehicles, and smaller tractors.
- Other Agricultural Equipment competitors of note include CLAAS, Kubota, Mahindra, and Toro.

**Market Shares.** AGCO is the third largest Agricultural Machinery player in the US, trailing behind just John Deere and CNH. AGCO is the second largest Agriculture Machinery player in Europe, where they are trailing only CNH. Given this is a mature industry, we believe AGCO's market shares will be fairly stable overtime.

**Figure 2.1: Estimated US Market Shares of Key Competitors**



Source: IBIS World, Tractors-and-Machinery.com

**Risk of New Entrants.** The agricultural equipment sector is characterized by high entry barriers. The complexity and technical specifications of the machinery, especially with the advent of smart equipment capable of sophisticated tasks such as discerning weeds from crops before picking, limit the threat of new competitors. In addition, another large barrier is the large start-up costs to start a new equipment manufacturing business, including the high capex investments required to build the manufacturing facilities and the dealer locations to sell the end products.

### 3. Revenue Forecast

Unlike competitors, AGCO is a pure play agricultural equipment manufacturer. With this in mind, we examined the idea of forecasting revenue by geographic segment. We ultimately elected to forecast revenue directly, as variance in regression outcomes across these segments was marginal.

**Forecast methodology.** Agriculture customers' ability to purchase equipment from AGCO is primarily impacted by farm cash receipts. Elevated farm cash receipts enhance farmers' purchasing power, leading to increased sales of machinery and equipment. To predict revenue growth for AGCO, we selected Agricultural Price Index (API) growth as the primary indicator. API growth offers insights into farmers' potential income, influencing their equipment purchases. Forecasts for API are more readily available than forecasts for farm cash receipts, and changes in API are correlated with changes in farm cash receipts.

To determine the impact of API on AGCO's sales, we regressed the log of revenue in period  $t$  on a constant, the log of agriculture revenue in the prior period, and the log of growth in API. The regression model used was<sup>1</sup>:

$$\text{LogAgRev}_t = \beta_0 + \beta_1 \text{LogAgRev}_{t-1} + \beta_2 \text{Log} \frac{\text{API}_t}{\text{API}_{t-1}} + \varepsilon$$

Our regression utilized AGCO revenues and API values dating back to 2001 and generated the following coefficients with an R-squared value of .951:

$\beta_0$	1.4133
$\beta_1$	.8441
$\beta_2$	1.3158

**2023E Revenue.** To estimate 2023 sales, we relied on management guidance. Extrapolating full year sales based on YTD data would be ineffective, as supply chain challenges in 2022 had a significant impact on sales timing. While YTD sales are up 21.2% compared to 2022Q3, management expects sales to increase 16.2%. Under the current management team, actual year-end performance has beaten guidance by an average of 1.05%, so our estimate revises guidance upward.

**2024F+ Revenue.** We combined API forecast data with the previously described regression to forecast agricultural revenues for 2024 - 2028. In the long term, farm equipment is expected to maintain a constant share of the overall economy. So, after 2028 we assumed growth at a terminal value in line with expected inflation of 2%.

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<sup>1</sup> To understand the impact of inflation, a separate regression including  $\text{Log} \frac{\text{CPI}_t}{\text{CPI}_{t-1}}$  was examined. The effects of the change in API term were significant, while the change in CPI term was not.

	2022A	2023E	2024F	2025F	2026F	2027F	2028F
<b>API</b>		119.7	111.99	108.1	106.75	106.96	107.45
<b>Change in Ag Revenue</b>		17.4%	-13.3%	-9.8%	-7.2%	-5.4%	-4.4%
<b>Agricultural revenue (\$m)</b>		14,854	12,878	11,613	10,776	10,199	9,750

Source: IBISWorld (I102: Agricultural Price Index)<sup>2</sup>

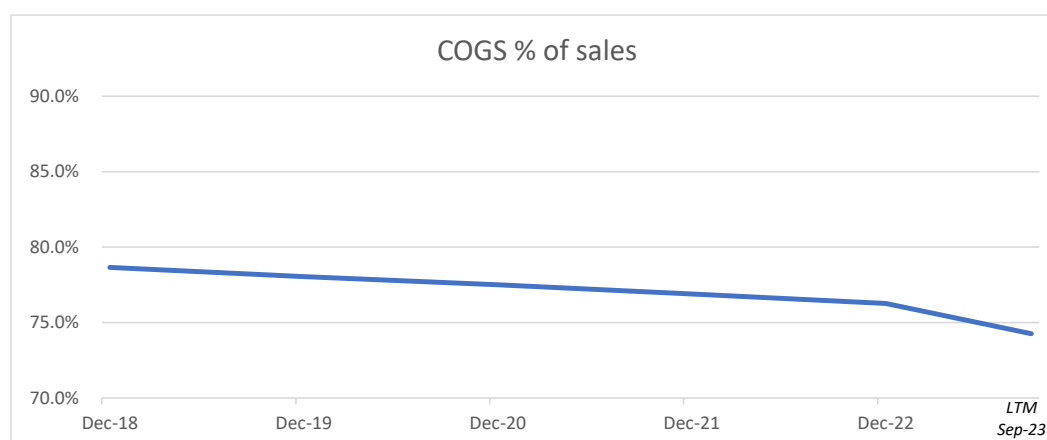
#### 4. Costs & Cash Flow Forecasts

##### Costs Forecasts

**COGS.** For 2023E, we assumed COGS as a percentage of sales would be **74.3%**, which is equal to AGCO's latest reported LTM figure for COGS/Sales (LTM Q3-2023). We believe the latest reported LTM figure best reflects what AGCO will achieve this full fiscal year, and thus used that for our 2023E COGS assumption. Then for the remaining years of our forecast (2024F-2028F), we assumed **COGS/Sales would decrease 60-bps per year and stabilize at 72.2% by 2028.**

The 60-bps decline per year is an extrapolation of historical trends, from 2018-2022 AGCO's COGS/Sales percentage decreased at a median rate of 60 bps per year (with very low variation), see figure 4.1. We believe AGCO will continue to decrease COGS/Sales at this rate in the near-term as we have no reason to believe they cannot continue this pattern; however, we believe the COGS will cap out at 72.2%. The 72.2% is derived from a competitive benchmarking analysis of the COGS levels of other Agriculture Equipment manufacturers with more than \$10b in FY22 revenue ('AGCO's peers'). In FY2022 the lowest level of COGS/Sales of AGCO's peers was 72.2%, see figure 4.2, so we believe this is the minimum COGS level AGCO will likely be able to achieve and assumed this as the cap for AGCO's COGS/Sales in our forecast.

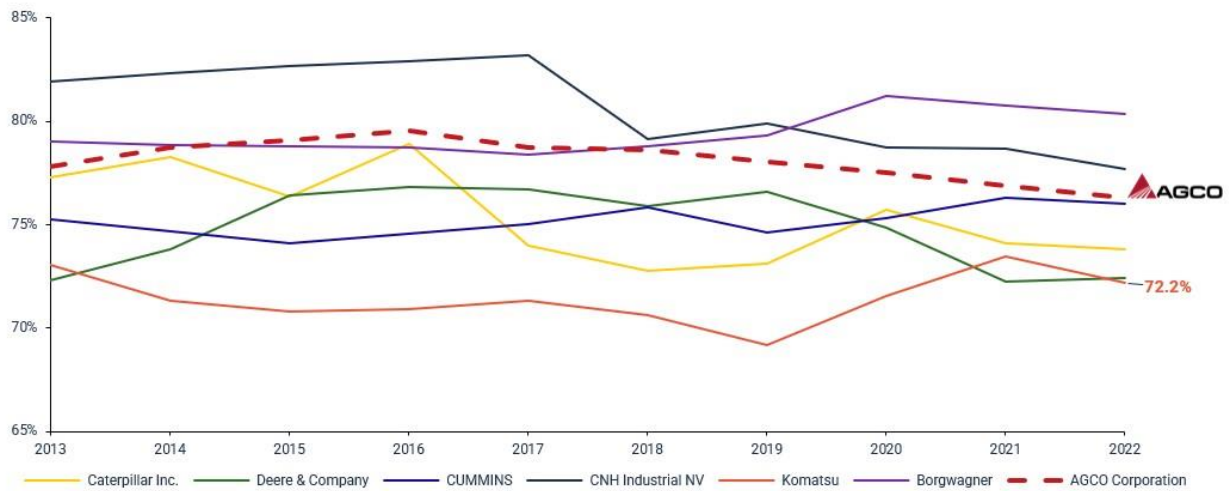
**Figure 4.1: AGCO's COGS over the last five years**



Source: CAPIQ estimates

<sup>2</sup> API predictions are sourced from IBISWorld. We utilized IBISWorld forecasts because they are the best available forecast for this indicator. Limited data suggests previous forecasts have landed within 1.7% of actuals for the first three forecast periods.

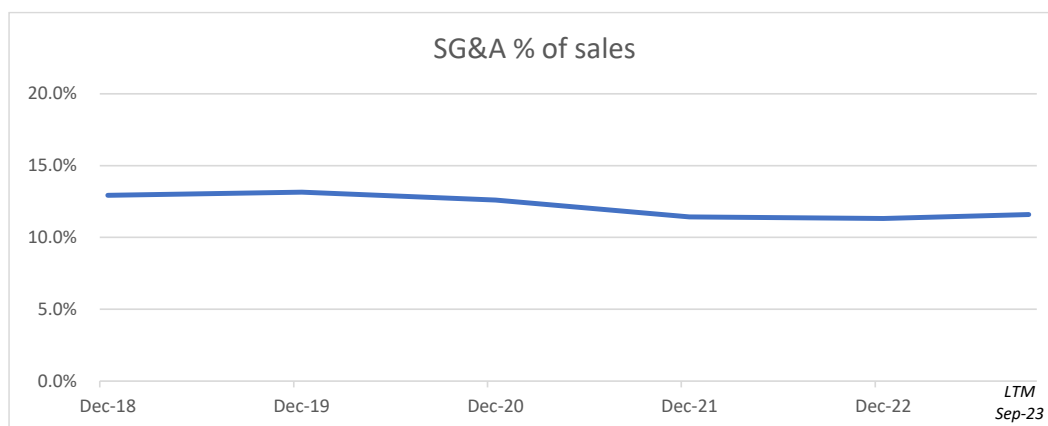
**Figure 4.2: COGS Competitive Benchmarking**



Source: CAPIQ estimates

**SG&A.** For 2023E, we assumed AGCO's SG&A as a percentage of sales would be **11.6%**, which is equal to the company's latest reported LTM figure for SG&A/Sales, specifically the Q3-2023 LTM SG&A/Sales figure. We believe the latest LTM figure best reflects what AGCO will achieve this full fiscal year, and thus used that for our 2023E SG&A assumption. Then for the remaining years of our forecast (2024F-2028F) we assumed **SG&A/Sales would be equal to 11.43% of sales**, which is the median of the 2021, 2022, and Q3-23 LTM SG&A/Sales. Given that AGCO's SG&A as a percentage of sales has shown relative stability at around ~11.5% since 2021, as illustrated in Figure 4.3, we believe this level represents a 'normalized' state for SG&A. Therefore, we believe that SG&A will maintain this 'normalized' level of ~11.5% in the near-term.

**Figure 4.3: AGCO's SG&A over the last five years**



Source: CAPIQ estimates

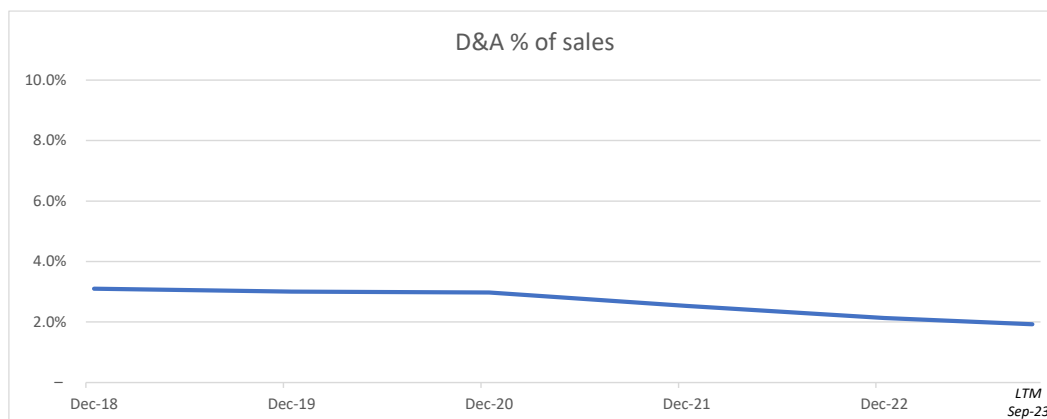
### Cash Flow Line Items Forecasts

**D&A.** We assumed **D&A would be equal to 2% of sales** in all years of our forecast. 2% is the median of AGCO's FY2022 and Q3-2023 LTM D&A/Sales, which we believe represents a normalized level of D&A. D&A was relatively stable from 2018-2020, declined from 2020-2022, but appears to be stabilizing around the FY2022 levels (see figure 4.4) as the Q3-2023 LTM D&A/Sales is approximately equal to the FY2022 D&A/Sales. Thus, we believe the recent two years for D&A/Sales represent normalized levels of D&A that we expect AGCO to achieve in the near-term.

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**Figure 4.4: AGCO's D&A over the last five years**

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Source: CAPIQ estimates

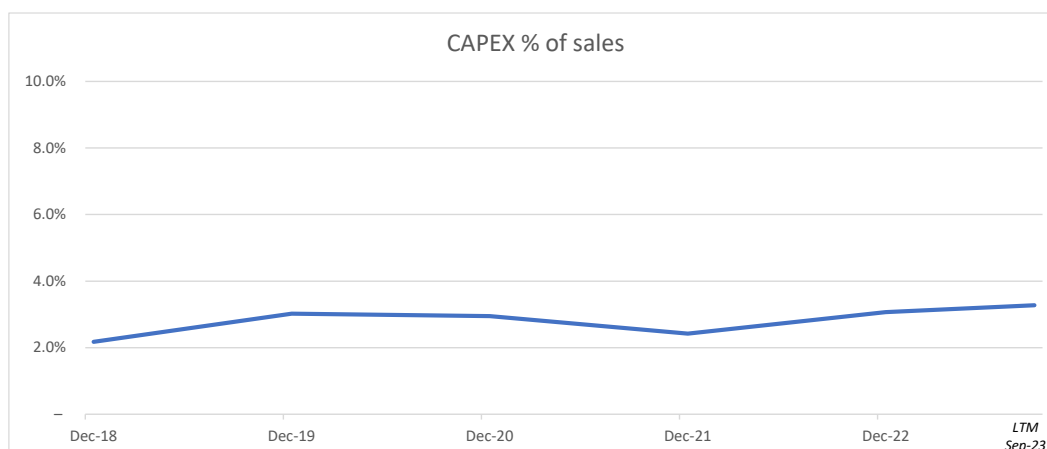
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**CAPEX.** We assumed AGCO's **CAPEX would be equal to 2.9% of sales** in all years of our forecast. The 2.9% is derived from historicals, specifically we took the median of AGCO's CAPEX/sales from FY19 to FY22. Since 2019, AGCO's CAPEX/Sales has been relatively stable at around 2.5-3% of sales, so we believe this is a normalized level that AGCO will likely achieve in the near-term and thus used AGCO's recent CAPEX levels as the basis of our CAPEX assumption going forward.

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**Figure 4.5: AGCO's CAPEX over the last five years**

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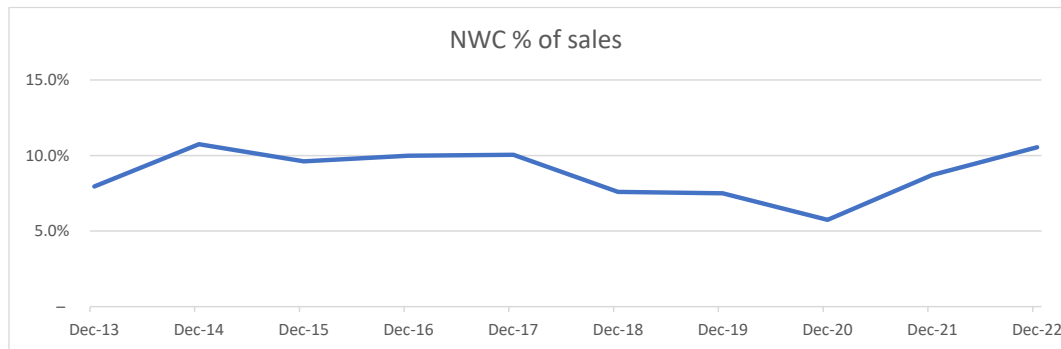
Source: CAPIQ estimates

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**NWC.** We assumed AGCO's **NWC/Sales would be equal to 10% of sales** in all years of our forecast. Historically, AGCO's NWC/Sales was ~10% of sales from FY14-FY17, then from FY18-FY20 it dropped slightly, but in recent years NWC/Sales has returned to ~10% of sales, so we believe ~10% represents a normalized level of NWC/Sales that AGCO will likely achieve in the near-term and thus used this level as the basis for our NWC assumption.

**Figure 4.6: AGCO's NWC over the last 10 years**



Source: CAPIQ estimates

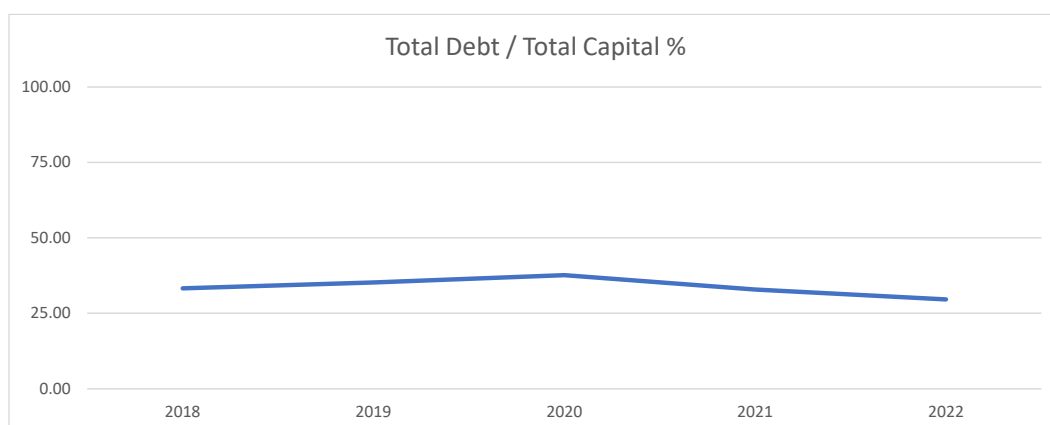
**Tax Rate.** We assumed a **tax rate of 27%** in all years of our forecast. 27% is AGCO's latest guidance (as of Q3-2023) for the company's full-year 2023 effective tax rate (see appendix for reference).

**Terminal Value Growth Rate.** We assumed a **TV growth rate of 2%**, which is the US Fed Fund's target inflation rate.

## 5. Valuation Methodology & WACC

**Methodology.** For the last five years, AGCO's D/V has been relatively constant at around .30-.35. As a result, for our analysis, we used the standard DCF valuation method, discounting forecasted FCFs using a WACC.

**Figure 5.1: AGCO's Debt / Total Capital over time**



Source: Factset

**Discount Rate.** Based on the assumptions listed below, we assumed a discount rate, or WACC, of **10.36%**

WACC INPUTS	Value	Notes
% Debt	33.2%	5-year historical median from FY18-FY22 (see exhibit above)
Rd	4.37%	Yield on AGCO's Notes/Bonds outstanding (see exhibit below)
Tax Rate	27.0%	AGCO's effective tax rate guidance for 2023 (see appendix)
% Equity	66.8%	
Re	13.9%	Calculated using CAPM
Be	1.385	Rolling Beta was around ~1.385 the last two months of 2022 (see exhibit below)
Rm-Rf	7.0%	LT Historical Average
Rf	4.229%	Current 10-year treasury rate (see exhibit below)

<b>WACC</b>	<b>10.36%</b>
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- **Return on Debt:** We assumed a return on debt of **4.37%**, which is the average yield on AGCO's Notes/Bonds outstanding as of today. AGCO didn't report the yield on its term loans outstanding so we couldn't calculate the total weighted average cost of debt, but we are assuming that the yield on AGCO's notes/bonds is a good estimate for AGCO's current cost of debt.

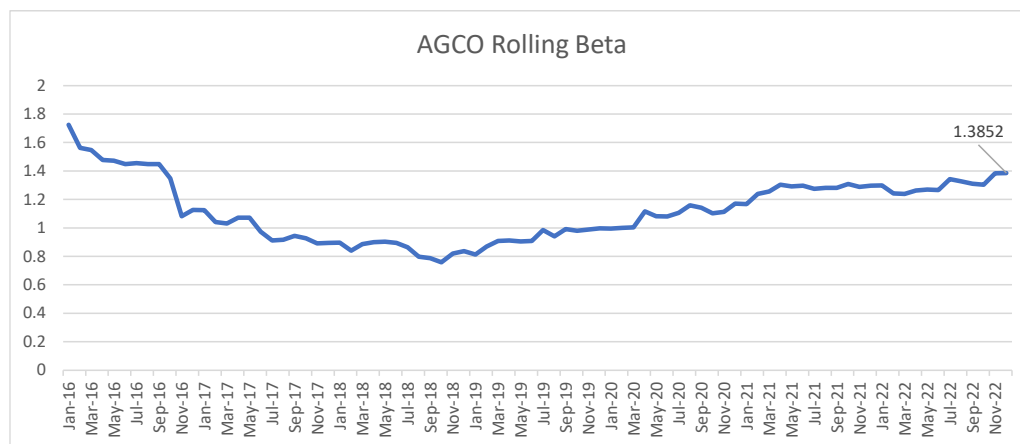
**Figure 5.2: AGCO's debt outstanding**

Instrument ID	Description	Balance Sheet Amt Out (USD)	Current Amt Out (USD)	Coupon Rate	Coupon Type	Issue Date	Maturity Date	Issue Curr	Seniority	Price	YTW
<b>Term Loans</b>		<b>501.3</b>	<b>423.5</b>								
FDS0KGG05	Senior Unsec. Term Loan - 73.5M EUR	77.8	0.0	1.330%	Fixed	10/16	10/23	EUR	SNR Unsec	-	-
FDS0ZVYG8	Senior Unsec. Term Loan - 30.5M EUR	32.3	32.3	-	Variable	08/18	08/25	EUR	SNR Unsec	-	-
FDS0ZVYI4	Senior Unsec. Term Loan - 32.5M EUR	34.4	34.4	1.670%	Fixed	08/18	08/25	EUR	SNR Unsec	-	-
FDS0ZNNL7	Senior Unsec. Term Loan - EIB - 250M EUR	264.5	264.5	1.002%	Fixed	01/19	01/25	EUR	SNR Unsec	-	-
FDS0KGEK0	Senior Unsec. Term Loan - 52.5M EUR	55.6	55.6	1.980%	Fixed	10/16	10/26	EUR	SNR Unsec	-	-
FDS0ZVYT0	Senior Unsec. Term Loan - 31M EUR	32.8	32.8	2.260%	Fixed	08/18	08/28	EUR	SNR Unsec	-	-
-	Borrowings	3.9	3.9	-	-	-	-	USD	Other	-	-
<b>Notes/Bonds</b>		<b>634.9</b>	<b>634.9</b>								
N0106ZAB6	AGCO International Holdings BV - 600M EUF	634.9	634.9	0.800%	Fixed	10/21	10/28	EUR	SNR Unsec	84.46	<b>4.37</b>

Source: Factset

- **Equity Beta:** We assumed a Beta Equity of **1.385** based on below, which shows the rolling beta has been around 1.385 the last couple months of FY2022.

**Figure 5.3: AGCO's Rolling Equity Beta**



Notes: US overall stock market used for market return

Source: CRSP Data (WRDS), Team Analysis

- Risk-free rate: We used the current rate on the 10-year US Treasury, **4.229%**.

**Figure 5.4: 10-year Treasury Rate overtime**



Source: CNBC (12/09/2023)

## 6. Valuation & Recommendation

**PnL Forecast.** We forecasted AGCO's Income Statement for the next five years using the assumptions mentioned in sections 3 and 4.

**Figure 6.1: Forecasted PnL**

INCOME STATEMENT									
Fiscal Year	2023E	2024F	2025F	2026F	2027F	2028F	CAGR <sub>s</sub>		
YE Date	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	'18-22	'20-22	'22-28
<b>Revenues</b>	<b>14,854</b>	<b>12,878</b>	<b>11,613</b>	<b>10,777</b>	<b>10,199</b>	<b>9,750</b>	<b>7.8%</b>	<b>17.6%</b>	<b>(4.2%)</b>
% growth	17.4%	(13.3%)	(9.8%)	(7.2%)	(5.4%)	(4.4%)			
(-) COGS	(11,031)	(9,486)	(8,484)	(7,809)	(7,364)	(7,040)	7.0%	16.6%	(5.1%)
<b>Gross Profit</b>	<b>3,824</b>	<b>3,392</b>	<b>3,129</b>	<b>2,968</b>	<b>2,835</b>	<b>2,711</b>	<b>10.7%</b>	<b>20.8%</b>	<b>(1.7%)</b>
% of sales	25.7%	26.3%	26.9%	27.5%	27.8%	27.8%			
(-) SG&A	(1,723)	(1,472)	(1,328)	(1,232)	(1,166)	(1,115)	4.3%	11.4%	(4.1%)
<b>EBITDA</b>	<b>2,101</b>	<b>1,920</b>	<b>1,801</b>	<b>1,736</b>	<b>1,669</b>	<b>1,596</b>	<b>18.8%</b>	<b>31.8%</b>	<b>0.3%</b>
% of sales	14.1%	14.9%	15.5%	16.1%	16.4%	16.4%			
(-) D&A	(297)	(258)	(232)	(216)	(204)	(195)	(1.8%)	(0.4%)	(5.3%)
% of sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%			
<b>EBIT</b>	<b>1,804</b>	<b>1,662</b>	<b>1,569</b>	<b>1,520</b>	<b>1,465</b>	<b>1,401</b>	<b>27.1%</b>	<b>43.4%</b>	<b>1.2%</b>
% of sales	(12.1%)	(12.9%)	(13.5%)	(14.1%)	(14.4%)	(14.4%)			
<b>Memo</b>									
CAPEX	438	380	343	318	301	288			
NWC	1,485	1,288	1,161	1,078	1,020	975			
Delta NWC	151	(198)	(126)	(84)	(58)	(45)			

Source: Team Analysis, CAPIQ, Factset

**FCF Forecast & Valuation.** Using the above Income Statement forecast and the Cash Flow assumptions mentioned in section 4, we forecasted AGCO's FCFs from 2023E to 2028F. We then discounted the cash flows back to today (12/10/2023) using a 10.36% WACC. Given there are 21 days left in the year 2023 as of this report's date, we discounted the 2023E FCF figure back 21 days and discounted every period thereafter n years (n\*365 days) plus 21 days. This resulted in an **AGCO target share price of \$145.89.**

**Recommendation:** *Our estimate for AGCO's share price is ~25% over current trading, signaling the current share price is undervalued. As a result, we recommend a buy.*

**Figure 6.2: FCF Forecast & Valuation Estimate**

CASH FLOW STATEMENT							
Fiscal Year	2023E	2024F	2025F	2026F	2027F	2028F	2029F
YE Date	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
NOPAT	1,317	1,213	1,145	1,110	1,070	1,023	
(+) D&A	297	258	232	216	204	195	
(-) CAPEX	(438)	(380)	(343)	(318)	(301)	(288)	
(-) Delta NWC	(151)	198	126	84	58	45	
FCF	1,024	1,289	1,161	1,091	1,031	975	994
Terminal Value						11,898	
Total FCF	1,024	1,289	1,161	1,091	1,031	12,872	
WACC	10.36%	10.36%	10.36%	10.36%	10.36%	10.36%	
Discount Factor	0.994	0.901	0.816	0.740	0.670	0.607	
PV of FCFs	1,018	1,161	948	807	691	7,820	
<b>Valuation Estimates</b>							
PV of FCFs (Est. TEV)	12,446						
(-) Latest Reported Net Debt	(1,522)						
Est. Equity Value / Market Cap	10,924						
(÷) Number of shares outstanding (millions)	74.88						
Target Price per share today (12/10/23)	\$145.89						
Latest Closing Price (12/08/23)	\$116.06						
Target Price premium (discount) over latest close	26%						

Source: Team analysis, CAPIQ, Factset

## 7. What the market missed

**Implied market assumptions.** We reverse-engineered the market's share price (within ~5%) by adjusting two assumptions in our AGCO forecast: 1.) the revenue growth assumptions for the years 2024F-2028F, and 2.) the COGS as a percentage of Sales assumption from 2024-2028F.

1. **Revenue Growth:** We adjusted down our revenue growth assumption for the years 2024F-2028F by 1% point in each year (in essence lowering our revenue CAGR by 1% point from 2024-2028F in our forecast). We believe that the market may currently be anticipating slightly slower growth in the near-term versus our forecast.
2. **COGS/Sales:** We removed the 60-bps p.a. decline in COGS/Sales from our forecast, assuming the market believes AGCO will maintain a flat COGS/Sales percentage for the foreseeable future.

**What the market is missing.** We believe there are a couple key factors the market is overlooking in its revenue growth assumption and COGS assumption.

1. Revenue Growth: We believe the market is currently assuming two key things that are leading them to assume a lower revenue growth assumption than our forecast. First, the market may be biased by some of AGCO's peers showing week performance so far this year (e.g., CNH is down ~30% YTD). This may lead the market to anticipate a slowdown for AGCO as it aligns with its peer group, however AGCO's performance cannot be predicted based its peers' performance that have completely different internal operations (e.g., different sales org structures, etc.). Second, that the market is possibly over-reacting to recent forecasts in farm receipts that indicate top-line softness is likely coming to the overall Agricultural Equipment industry in the near-term. While soft commodity prices will likely impact the firm, older-than average capital stock, low dealer inventories, and increasingly efficient and technologically sophisticated offerings leave AGCO room to drive revenue in line with their historical performance.
2. COGS/Sales: We believe the market thinks AGCO will not be able to continue to realize the 60-bps p.a. decrease in COGS/Sales and is just assuming a flat COGS/Sales for the foreseeable future. However, the market is overlooking two key things in its implied COGS assumption. First, that AGCO has room for improvement in its COGS/Sales percentage, as evidenced by peer benchmarking, which indicates that AGCO's COGS/Sales level currently exceeds the median of its peer group (see figure 4.2 for reference). Second, that AGCO's management, as indicated in their latest earnings calls, believes there is more room for cost improvements in COGS. In addition, management's previous success in reducing cost indicates an ability to realize these additional cost savings in the future.

### 7.1 Estimate for the street's PnL Forecast

INCOME STATEMENT												
Fiscal Year	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F	2028F	CAGRs		
YE Date	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	'18-22	'20-22	'22-28
Revenues	9,150	11,138	12,651	14,854	12,729	11,352	10,421	9,758	9,231	7.8%	17.6%	(5.1%)
% growth	1.2%	21.7%	13.6%	17.4%	(14.3%)	(10.8%)	(8.2%)	(6.4%)	(5.4%)			
(-) COGS	(7,092)	(8,566)	(9,650)	(11,037)	(9,458)	(8,434)	(7,743)	(7,250)	(6,859)	7.0%	16.6%	(5.5%)
Gross Profit	2,058	2,572	3,001	3,818	3,271	2,917	2,678	2,508	2,372	10.7%	20.8%	(3.8%)
% of sales	22.5%	23.1%	23.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%			
(-) SG&A	(1,153)	(1,274)	(1,432)	(1,723)	(1,455)	(1,298)	(1,191)	(1,116)	(1,055)	4.3%	11.4%	(5.0%)
EBITDA	904	1,299	1,570	2,095	1,816	1,620	1,487	1,392	1,317	18.8%	31.8%	(2.9%)
% of sales	9.9%	11.7%	12.4%	14.1%	14.3%	14.3%	14.3%	14.3%	14.3%			
(-) D&A	(272)	(282)	(270)	(297)	(255)	(227)	(208)	(195)	(185)	(1.8%)	(0.4%)	(6.1%)
% of sales	3.0%	2.5%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%			
EBIT	632	1,017	1,300	1,798	1,561	1,392	1,278	1,197	1,132	27.1%	43.4%	(2.3%)
% of sales	(6.9%)	(9.1%)	(10.3%)	(12.1%)	(12.3%)	(12.3%)	(12.3%)	(12.3%)	(12.3%)			
<b>Memo</b>												
CAPEX	269.9	269.8	388.3	438	375	335	307	288	272			
NWC	526	971	1,334	1,485	1,273	1,135	1,042	976	923			
Delta NWC	(152)	446	363	151	(213)	(138)	(93)	(66)	(53)			

Source: Team analysis

## 7.2 Estimate for the street's FCF Forecast & Valuation

### CASH FLOW STATEMENT

Fiscal Year	2023E	2024F	2025F	2026F	2027F	2028F	2029F	
YE Date	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	
<b>NOPAT</b>	1,312	1,140	1,017	933	874	827		
(+) D&A	297	255	227	208	195	185		
(-) CAPEX	(438)	(375)	(335)	(307)	(288)	(272)		
(-) Delta NWC	(151)	213	138	93	66	53		TV growth
<b>FCF</b>	<b>1,020</b>	<b>1,231</b>	<b>1,046</b>	<b>927</b>	<b>847</b>	<b>792</b>	<b>807</b>	<b>2%</b>
Terminal Value						9,661		
<b>Total FCF</b>	<b>1,020</b>	<b>1,231</b>	<b>1,046</b>	<b>927</b>	<b>847</b>	<b>10,453</b>		
WACC	10.36%	10.36%	10.36%	10.36%	10.36%	10.36%		
Discount Factor	0.994	0.901	0.816	0.740	0.670	0.607		
<b>PV of FCFs</b>	<b>1,014</b>	<b>1,110</b>	<b>854</b>	<b>686</b>	<b>568</b>	<b>6,350</b>		

### Valuation Estimates

<b>PV of FCFs (Est. TEV)</b>	<b>10,582</b>
(-) Latest Reported Net Debt	(1,522)
<b>Est. Equity Value / Market Cap</b>	<b>9,060</b>
(÷) Number of shares outstanding (millions)	74.88
<b>Target Price per share today (12/10/23)</b>	<b>\$121.00</b>

<b>Latest Closing Price (12/08/23)</b>	<b>\$116.06</b>
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Target Price premium (discount) over latest close 4.3%

Source: Team analysis

## 8. Appendix

Figure 8.1: Share Price & Shares Outstanding Information

Current Capitalization (Millions of USD)	
Currency	USD
Share Price	\$116.06
Shares Out.	74.880

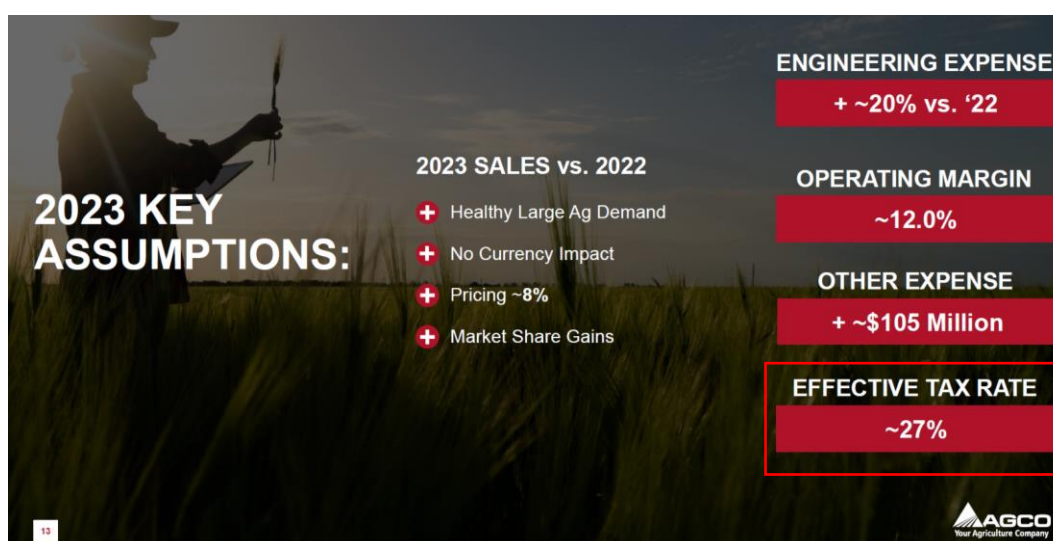
Source: CAPIQ (data for latest close, 12/08/2023)

Figure 8.2: Valuation Sensitivities

		Share Price Sensativity to TV Growth Rate & WACC						
		TV Growth Rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	9.0%	\$150.9	\$157.6	\$165.2	\$174.0	<b>\$184.1</b>	\$195.8	\$209.7
	10.0%	\$134.9	\$140.1	\$145.9	\$152.4	\$159.7	\$168.2	\$177.9
	<b>10.36%</b>	\$130.0	\$134.7	\$140.0	<b>\$145.9</b>	\$152.5	\$160.1	\$168.7
	11.0%	\$122.0	\$126.0	\$130.5	\$135.5	\$141.1	\$147.4	\$154.5
	12.0%	\$111.3	\$114.5	\$118.1	\$122.0	\$126.3	\$131.1	\$136.5

Source: Team Analysis

Figure 8.3: AGCO's Tax Rate Guidance



Source: AGCO's Q3 2023 Earnings Presentation

**Important Disclaimer**

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