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# Company overview

To provide innovative solutions to improve their efficiency and profitability

## Business model

- Specialise in producing products in four are of expertise: Agriculture and turf, Construction and Forestry, Financial services, and Technology solutions
- Operates in over 100 countries with a strong presence in North America, South America, Europe, and Asia
- A household name with a strong reputation in quality and reliability, Investment in R&D has led to cutting-edge technology in precision farming and smart equipmen
- Leveraging IoT, AI, and big data to offer Innovative solutions
- Opportunities for growth include emerging markets, focusing on sustainable agriculture, and enhancing aftermarket services

## Leadership



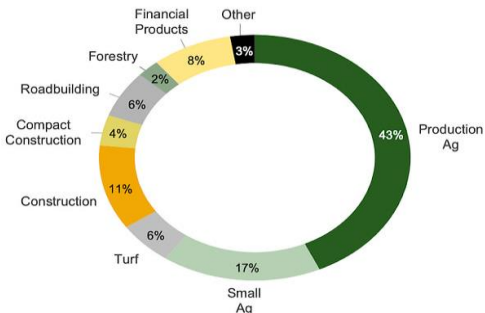
**John May, CEO**  
• (2000-present)



**Joshua Jepson, CFO**  
• Deputy Financial Officer 2022  
• CFO (2022-present)

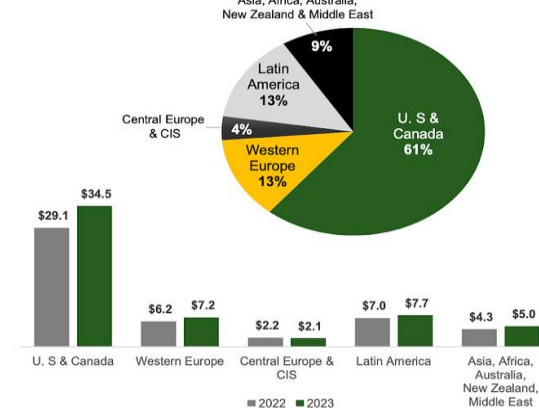
## Revenue segmentation

EQUIPMENT OPERATIONS  
NET SALES & REVENUES BY MAJOR PRODUCT LINE  
FISCAL YEAR 2023



TOTAL NET SALES & REVENUES \$61.3 BILLION

EQUIPMENT OPERATIONS  
NET SALES & REVENUES BY MAJOR MARKET  
(\$ in billions)



## Key Financials

	EQUIPMENT OPERATIONS			FINANCIAL SERVICES			ELIMINATIONS			CONSOLIDATED		
	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022
<b>Net Sales and Revenues</b>												
Net sales	\$ 44,759	\$ 55,565	\$ 47,917							\$ 44,759	\$ 55,565	\$ 47,917
Finance and interest income	596	636	213	\$ 6,035	\$ 5,055	\$ 3,583	\$ (872)	\$ (1,008)	\$ (431)	5,759	4,683	3,365 <sup>1</sup>
Other income	1,006	858	1,261	458	499	502	(266)	(354)	(468)	1,198	1,003	1,295 <sup>2,3,4</sup>
Total	46,361	57,059	49,391	6,493	5,554	4,085	(1,138)	(1,362)	(899)	51,716	61,251	52,577
<b>Costs and Expenses</b>												
Cost of sales	30,803	37,739	35,341				(28)	(24)	(3)	30,775	37,715	35,338 <sup>4</sup>
Research and development expenses	2,290	2,177	1,912							2,290	2,177	1,912
Selling, administrative and general expenses	3,791	3,611	3,137	1,059	994	735	(10)	(10)	(9)	4,840	4,595	3,863 <sup>4</sup>
Interest expense	396	411	390	3,182	2,362	799	(230)	(320)	(127)	3,348	2,453	1,062 <sup>1</sup>
Interest compensation to Financial Services	640	687	299				(640)	(687)	(299)			<sup>1</sup>
Other operating expenses	133	217	350	1,354	1,396	1,386	(230)	(321)	(461)	1,257	1,292	1,275 <sup>3,4,5</sup>
Total	38,053	44,842	41,429	5,595	4,752	2,920	(1,138)	(1,362)	(899)	42,510	48,232	43,450
<b>Income before Income Taxes</b>												
Provision for income taxes	8,308	12,217	7,962	898	802	1,165				9,206	13,019	9,127
	1,887	2,685	1,718	207	186	289				2,094	2,871	2,007
<b>Income after Income Taxes</b>												
Equity in income (loss) of unconsolidated affiliates	6,421	9,532	6,244	691	616	876				7,112	10,148	7,120
<b>Net Income</b>												
Less: Net loss attributable to noncontrolling interests	6,392	9,536	6,250	696	619	880				7,088	10,155	7,130
	(12)	(11)	(1)							(12)	(11)	(1)
<b>Net Income Attributable to Deere &amp; Company</b>												
	\$ 6,404	\$ 9,547	\$ 6,251	\$ 696	\$ 619	\$ 880				\$ 7,100	\$ 10,166	\$ 7,131

## Share price analysis



# Industry Overview

## Deere & Co. Operates Across 4 Different Sectors

### Production and Precision Agriculture (PPA)

- #1 Global Market Leader in Production Scale Agricultural Machinery
- Global Agriculture Equipment Market
- Delivers high horsepower equipment (e.g. tractors, combines) implemented with their personalized agriculture technologies such as autonomous tractors
- Growth driven by adoption of precision farming and data analytics to enhance crop yields and reduce input costs
- Main competitive advantage is the 1<sup>st</sup> mover advantage in commercial autonomous equipment
- Main Competitors: AGCO Corp, CNH Industrial

**12.24%** **39.8%**  
CAGR From 2024 - 2032      Accounts for 39.8% of Total Revenue

### Financial Services

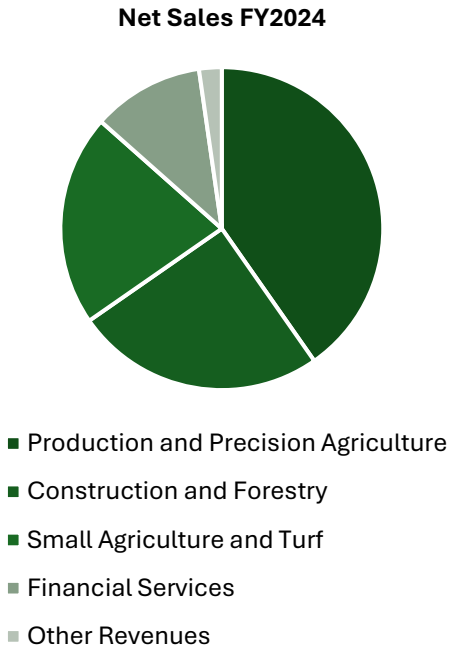
- One of the Largest Financial Services
- Delivers financing, leasing and insurance which enables customers and dealers to access and invest in machinery
- Growth driven by deep integration with equipment sales and rising equipment prices
- \$56.3 billion managed portfolio with low write off rates
- Main Competitors: CNH Industrial Capital, AGCO Finance

**7.8%** **7.8%**  
CAGR From 2024 - 2032      Accounts for 7.8% of Total Revenue

### Small Agriculture and Turf

- Top 3 Global Supplier of Compact Agricultural and Turf Equipment
- Delivers compact tractors, utility vehicles and turf care equipment
- Growth Driven by urbanization and demand for residential and commercial turf maintenance solutions
- Competitive advantage in this sector is broad dealer network and brand loyalty in compact tractor
- Main Competitors: Kubota Corp, Toro Company

**4.5%** **25.5%**  
CAGR From 2024 - 2032      Accounts for 25.5% of Total Revenue

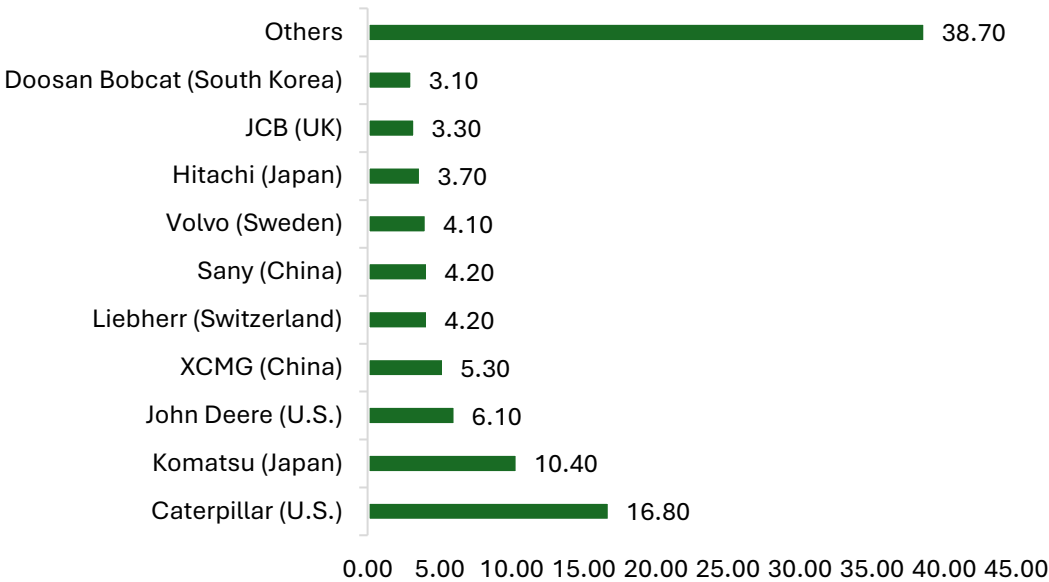


### Construction & Forestry

- Top 4 Global Player in Construction Equipment and Forestry Solutions
- Delivers high performance excavators and forestry machinery which is engineering for large scale infrastructure
- Growth driven by increases in global infrastructure spending and demand for automated fuel-efficient equipment
- Strong North American market share
- Main Competitors: Caterpillar, Komatsu

**3.8%** **23.3%**  
CAGR From 2024 - 2032      Accounts for 23.3% of Total Revenue

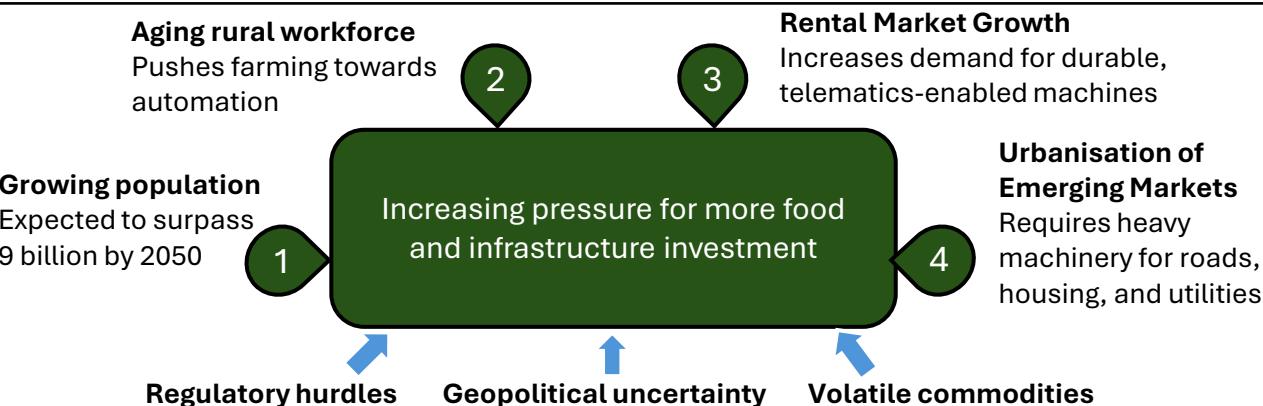
### Construction Equipment Manufacture Global Market Share FY2023



# Thesis: Deere & Co. is an attractive buy due to its first-mover advantage in autonomous farming equipment allowing it to capture long-term growth in line with macro tailwinds

Deere has outperformed on margins and continues to invest heavily into R&D

There are 4 drivers of growth in the agriculture and construction industry, all of which are progressing.



## Deere's Autonomous & AI-Powered Platform Unlocks High-Margin Recurring Revenue

- Precision agricultural technology boosts farm efficiency and enables data monetization and recurring revenue
- Labour shortages with the average farmer being over **58**, helps push farming into automation allowing for other high-value farm duties to be completed, boosts productivity
- New machinery can be managed via the **John Deere Operations Center Mobile**, a cloud-based platform which displays and computes various data and metrics.
- Precision agriculture enables real-time crop performance monitoring, variable rate seeding/fertilization, & **"See & Spray"** tech which reduces herbicide use by **77%**
- Farmers subscribe to software tools with high margins of **70-80%**
- Current recurring revenue of **10%** has potential to reach **30%** by 2030
- Shifting towards a hybrid business model and relying less on CAPEX hardware but instead on software and parts & services which contribute to **20%** of sales.

## Deere unveil new generation ADTs & Hitch Scraper Models, enhancing their lineup amongst construction

- Strategic focus on versatility, fuel efficiency, and operator comfort
- Improved JD14 engine which improves fuel economy and efficiency, lining up with ESG goals.
- The new engine platform features integrated oil and coolant paths for enhanced reliability, reduces repair time by 20%, streamlining service processes
- New scrapers offer versatility of use for both large-scale operations and smaller jobsites, improving project timelines
- New generation have enhanced integration with Deere tractors

## Growth Opportunities through global expansion

- **40-45%** of Deere's total sales come from outside the US
- Deere contains operations in **30 countries** with manufacturing facilities in Germany, Brazil, India, China, and Mexico
- Provides necessary products to ESG focused EU, whilst also providing mechanized farming machinery to emerging markets such as Brazil & India

## Current Valuation & Insider Trading

- Deere is priced like a cyclical industrial with volatile returns and revenues however, the shift towards a tech-enabled platform could provide a case for multiple expansion, currently **13-15x multiple** potentially closer to **18x**
- Currently pitching as a potential buy for the future, currently facing heavy macro headwinds and mixed demand, resulting in overvaluation. Steadier growth and increased innovation in autonomy could result in an upside in the next decade.
- Current Pennsylvania Representative, Robert Bresnahan holds \$50,000 in DE.
- Determine the buy position after earnings on the 15<sup>th</sup> of May
- Other industrial companies with congress trading tended to lack diversification

# Valuation

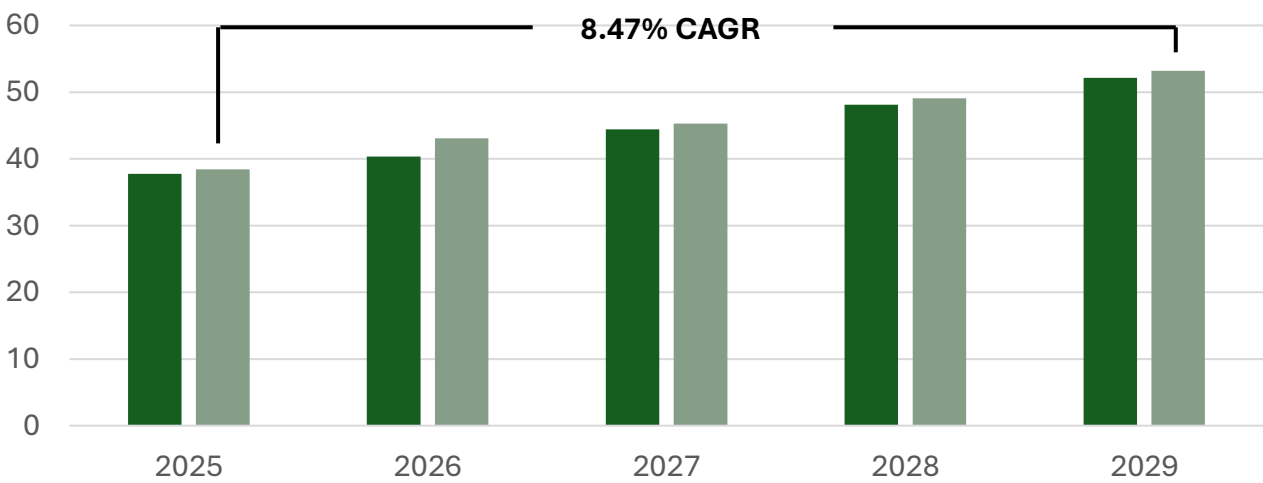
Deere & Co have suffered macro headwinds significantly affecting valuations for the current and next year

## Intrinsic Valuation

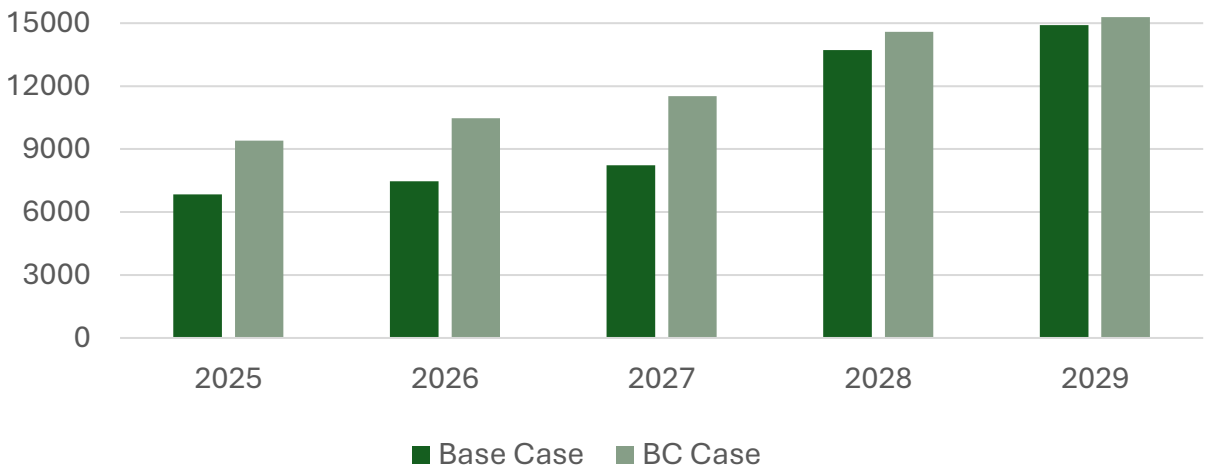
DCF Output (BC Case)		WACC Calculation (BC Case)	
Terminal Value	192.07B	Market Cap	130.82B
Present Value of Terminal Value	142.09B	% of Equity	64.45%
Enterprise Value	183.84B	Cost of Equity	9.05%
(+) Cash	5.09B	Risk Free Rate	4.15%
(-) Debt	65.36B	Beta	1.01
Equity Value	118.48B	Market Risk Premium	5.5%
Share Count	271.41M	Debt	65.36B
Current Share Price	\$ 480.02	% of Debt	35.55%
Implied Share Price	\$ 595.45	Cost of Debt	1.3%
Implied Return	24.04%	Tax Rate	21%
		WACC	6.2%

Sensitivity Table						
		WACC				
		4.2%	5.2%	6.2%	7.2%	8.2%
TGR	2.75%	1141.22	675.06	479.14	371.28	303.01
	3%	1366.19	744.96	512.00	389.98	314.89
	3.25%	1709.57	832.79	550.43	411.04	327.97
	3.5%	2298.22	946.45	595.98	434.95	342.45
	3.75%	3540.94	1099.30	650.82	462.33	358.54

## Revenue Projections (\$B)



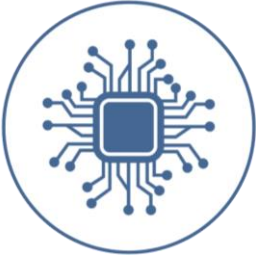
## EBIT Projections (\$M)



# Catalysts

*Full focus on autonomy, advanced technologies and an uncertain agricultural future*

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## Startup Collaboration Program

- Six new startups involved in the 2025 collaboration program, fostering innovation in ag technologies.
- Chosen companies focus on AI integration, satellite mapping, and ag automation.
- Acquired a previous startup in 2021, which now creates autonomous tractors and smart farming solutions. Allows early investment into high-tech ag solutions.



## Autonomous Technology

- A strong focus on autonomous tractor and ag equipment, reducing the burden of finding skilled labour for farmers and reducing long-term labour costs. In the US, almost half of orchard roles are unfilled, with autonomy providing a solution to the labour shortage
- New technology across high-value crops, quarry, and commercial landscaping sectors. Providing second-generation autonomy kits, these tractors see further, make decisions quicker, and allow for a 40% gain in time savings.
- Electric tractors help farmers meet sustainability goals, and reduce fuels costs, maintenance costs, and maintenance downtime by as much as 50%



## Economic & Regulatory Overview

- US tariffs on China have greatly affected food exports in the US, with soybean orders from China down 97% in just over a week, leaving farmers with stock they have no way of selling. According to the USDA, the Chinese market imported around \$27 billion in agricultural goods last year from US farmers, \$13 billion being soybeans.
- In Europe, there is still a large focus on sustainability targets. This provides \$DE with an opportunity to capitalize on their electric vehicles and 'See & Spray' technology, reducing the use of herbicides by 66%. However, the UK continue to slash subsidies and tax incentives for farms, reducing equipment investment capabilities by UK farmers.



# Risks and Mitigations

Key ESG risks are being closely monitored, with no significant disruptions observed to date  = risks  = mitigants

## 1. Exposure To Climate Change and Emissions Risks

- Emissions from the use of sold products remain significantly high, indicating challenges in reducing indirect emissions
- There is limited action to decarbonize upstream supply chains, contributing to the overall emissions footprint
- Deere & Co has achieved a 29% reduction in Scope 1 and 2 CO2 emissions, which allows it to progress towards its target of 50% reduction by 2030
- The company has introduced electric turf equipment contributing to lower emissions in its product offerings

## 2. Inefficiencies in Resource and Waste Management

- Water intensity has worsened by 11% since the 2021 baseline, contrary to reduction goals
- Waste generation per revenue unit has increased by 6%
- 92% of product materials are recyclable, demonstrating a commitment to product circularity
- Investments in energy-efficient manufacturing technologies aim to reduce resource consumption

## 3. Lagging Sustainable Product Innovation

- Electric models constitute a minor part of Deere’s product portfolio suggesting that there is slow market adoption
- There is no formal policy in place which guides the ecological impact of product design
- Technologies like See & Spray help farmers reduce chemical use, enhancing sustainable farming practices
- Dedicated research towards sustainable, low carbon equipment is underway

## 4. Supply Chain Sustainability and Labour Risks

- Risks of human rights issues have been flagged within parts of the supply chain.
- Medium- and high-risk suppliers lack comprehensive ESG screening.
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## 5. Gaps in ESG Integration at Executive and Operational Levels

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