

26-Nov-2025

Deere & Co. (DE)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Josh Beal

Director-Investor Relations, Deere & Co.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

John C. May

Chairman & Chief Executive Officer, Deere & Co.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

OTHER PARTICIPANTS

Stephen Volkmann

Analyst, Jefferies LLC

Jamie Cook

Analyst, Truist Securities, Inc.

Kristen Owen

Analyst, Oppenheimer & Co., Inc.

Tim W. Thein

Analyst, Raymond James & Associates, Inc.

David Raso

Analyst, Evercore ISI

Jerry Revich

Analyst, Wells Fargo Securities LLC

Chad Dillard

Analyst, Bernstein Institutional Services LLC

Steven Fisher

Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Deere & Company Fourth Quarter Earnings Conference Call. Your lines have been placed on a listen-only until the question-and-answer session of today's conference.

I would now like to turn the call over to Mr. Josh Beal, Director of Investor Relations. Thank you. You may begin.

Josh Beal

Director-Investor Relations, Deere & Co.

Hello. Welcome and thank you for joining us on today's call, and a happy early Thanksgiving for those of you celebrating tomorrow. Joining me on the call today are John May, Chairman and Chief Executive Officer; Josh Jepsen, Chief Financial Officer; Deanna Kovar, President, Worldwide Agriculture & Turf Division, Production & Precision Ag, Americas and Australia; and Chris Seibert, Manager, Investor Communications.

Today, we'll take a closer look at Deere's fourth quarter earnings, then spend some time talking about our markets and our current outlook for fiscal 2026. After that, we'll respond to your questions. Please note that slides are available to complement the call this morning. They can be accessed on our website at johndeere.com/earnings.

First, a reminder. This call is broadcast live on the Internet and recorded for future transmission and use by Deere & Company. Any other use, recording or transmission of any portion of this copyrighted broadcast without the

express written consent of Deere is strictly prohibited. Participants in the call, including the Q&A session, agree that their likeness and remarks in all media may be stored and used as part of the earnings call.

This call includes forward-looking statements concerning the company's plans and projections for future that are subject to uncertainties, risks, changes in circumstances, and other factors that are difficult to predict. Additional information concerning factors that could cause actual results to differ materially is contained in the company's most recent Form 8-K, risk factors in the annual Form 10-K, as updated by reports filed with the Securities and Exchange Commission.

This call also may include financial measures that are not in conformance with accounting principles generally accepted in the United States of America, (GAAP). Additional information concerning these measures, including reconciliations to comparable GAAP measures, is included in the release and posted on our website at johndeere.com/earnings under Quarterly Earnings & Events.

I will now turn the call over to Chris Seibert.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you, Josh, and good morning to everyone joining us today. John Deere's fiscal 2025 results for the fourth quarter and for the full year reflect resilience of our business amidst a challenging and uncertain market backdrop. In the fourth quarter, the equipment operations delivered 9.2% margins. Full year operating margins came in at 12.6%, and we delivered over \$5 billion in net income, financial performance that represents our best results yet for this point in the cycle.

Our teams continue to manage this downturn effectively by focusing on what we can control, and we believe the progress we have made throughout this past fiscal year positions us well as we enter fiscal year 2026. Looking ahead to 2026, we anticipate that Large Ag in North America will continue to be subdued. However, there are indications of stabilization, and we also see areas of optimism emerging in other segments and geographies. Notably, we see opportunities for growth ahead in our Small Ag & Turf and Construction & Forestry businesses.

Slide 3 begins with the results for fiscal year 2025. Net sales and revenues were down 12% to \$45.7 billion, while net sales for equipment operations were down 13% to \$38.9 billion. Net income attributable to Deere & Company was \$5 billion or \$18.50 per diluted share. Next, fourth quarter results are on slide 4. Net sales and revenues were up 11% to \$12.4 billion, while net sales for the equipment operations were up 14% to \$10.6 billion. Net income attributable to Deere & Company decreased to \$1.1 billion or \$3.93 per diluted share.

Diving into our fourth quarter results for our individual business segments, we'll begin on slide 5 with our Production & Precision Ag business. Net sales of \$4.74 billion were up 10% compared to the fourth quarter last year, primarily due to higher shipment volumes and favorable price realization. Price realization in the quarter was positive by approximately 3 points.

Currency translation was also positive by about 1 point. Operating profit was \$604 million, resulting in a 12.7% operating margin for the segment. The year-over-year decrease in operating profit was primarily due to higher production costs, higher tariffs and special items, which were partially offset by price realization and higher shipment volumes.

Turning to Small Ag & Turf on slide 6. Net sales were up 7% year-over-year, totaling \$2.457 billion in the fourth quarter, primarily due to higher shipment volumes. Price realization in the quarter was positive by approximately 1

point. Currency was also positive by more than 0.5 point. For the quarter, operating profit declined year-over-year to \$25 million. The decrease was primarily due to higher tariffs, warranty expenses and production costs.

Slide 7 details our fiscal year 2026 Ag and Turf industry outlook. We expect industry sales of Large Ag equipment in the US and Canada to be down 15% to 20%. Row crop farmers continue to face challenging farm fundamentals, which are pressuring short-term liquidity. Used equipment, while continuing to improve over the past quarter, remains a constraint to investments in new machinery. However, strong crop yields and consumption, new trade agreements, growing demand for biofuels and supportive government payments support potential upside.

For Small Ag & Turf in the US and Canada, industry demand is estimated to be flat to up 5%. The dairy and livestock sector continues to generate profits, driven by strong beef prices. Additionally, a modest recovery in turf is anticipated following a rebound in the housing market and growth in the overall economy. In Europe, the industry is projected to be flat to up 5%. The outlook for the dairy sector continues to be robust, with stabilizing interest rates helping to support investment decisions. In addition, margin for arable farmers are strengthening, as crop yields recover in major European Ag markets.

Within South America, we anticipate industry sales of tractors and combines will remain flat in 2026. While soybean and corn acreage is expected to grow at trend line pace in Brazil, customer demand for equipment has been tempered due to the high interest rate environment. Additionally, strong global crop yields are weighing on prices, and the recent trade agreement between China and the US creates uncertainty around demand for Brazil exports of soybeans. In Argentina, industry growth is anticipated to moderate after robust growth in 2025. Industry sales in Asia are expected to be down 5% following slight gains in India last year.

Moving to our segment forecast on slide 8, we anticipate Production & Precision Ag net sales to be down 5% to 10% in fiscal year 2026. The forecast assumes roughly 1.5 points of positive price realization and about 1.5 points of positive currency translation. Segment operating margin for the full year is forecasted between 11% and 13%, reflecting stability in international markets amidst incremental tariff and mix headwinds, with Large Ag in the US declining another year.

Slide 9 provides our forecast for the Small Ag & Turf segment. We expect fiscal year 2026 net sales to be up around 10%. This includes 2 points of positive price realization, as well as 1 point of positive currency translation. The segment's operating margin is projected to be between 12.5% and 14%, reflecting strength in the dairy and livestock segment.

Shifting to Construction & Forestry on slide 10. Net sales for the quarter were up 27% year-over-year to \$3.382 billion, due to higher shipment volumes. Price realization was negative by about 1 point, while currency translation was positive in the quarter by roughly 1.5 points. Operating profit increased to \$348 million, resulting in a 10.3% operating margin. Higher shipment volumes and a positive sales mix were partially offset by increased production costs, driven by higher tariffs and special items.

Slide 11 outlines our 2026 Construction & Forestry industry outlook. Industry sales for Earthmoving Equipment in the US and Canada are expected to be flat to up 5%, and Compact Construction Equipment in the US and Canada is also expected to be flat to up 5%. Construction markets are expected to experience modest growth, supported by employment at all-time highs and construction backlogs at robust levels.

US government infrastructure spending continues to bolster the industry. Additionally, declining interest rates, increasing investments in rental fleets and surging data center construction starts are also providing support. And

while US single-family housing starts are expected to show modest improvement in 2026, investment activity in the private commercial sector continues to be restrained. Global Forestry markets are expected to remain flat. Global Roadbuilding markets are expected to remain flat at strong levels.

Continuing with our C&F segment outlook on slide 12. 2026 net sales are forecasted to be up around 10%. Our net sales guidance for the year includes about 3 points of positive price realization and 1 point of positive currency translation. The segment's operating margin is projected to be between 8% and 10%, as the benefits of higher North American Earthmoving volumes and price realization are tempered by incremental tariff expense.

Switching to our Financial Service Operations on slide 13. Worldwide Financial Services net income attributable to Deere & Company was \$293 million for the fourth quarter. The year-over-year increase was mainly due to favorable financing spreads, special items and the lower provision for credit losses. For fiscal year 2026, the net income forecast is \$830 million. Results are expected to be lower year-over-year, primarily due to lower portfolio levels driven by volume, partially offset by favorable financing spreads.

Slide 14 concludes with our guidance for net income, effective tax rate and operating cash flow. For fiscal year 2026, our full year net income forecast is expected to be in the range of \$4 billion and \$4.75 billion. Included in this estimate is projected pre-tax direct tariff expense of approximately \$1.2 billion, with additional inflationary pressures also contemplated from the indirect impacts of tariffs.

Next, our guidance incorporates an effective tax rate between 25% and 27%, which is higher year-over-year as a result of fewer discrete items and a less favorable geographic mix, driven by projections for a higher percentage of income coming from outside the United States. Lastly, cash flow from equipment operations is projected to be in the range of \$4 billion to \$5 billion.

We would like to highlight that our implied midpoint guidance of approximately \$16 in earnings per share reflects sub-trough conditions in PPA, with projected fiscal year 2026 sales at less than 80% of mid-cycle levels. This level of performance reflects the structural improvements we have made to the business over the last several years, our ongoing efforts to managing the cycle through proactive inventory management and cost control, and the resilience that comes from a more diversified business, as both Small Ag & Turf and Construction & Forestry are projected to grow in 2026.

This concludes our formal remarks. We'll now cover a few key topics before opening the line for Q&A. But before we get into the details, John, would you like to share your thoughts on the year?

John C. May

Chairman & Chief Executive Officer, Deere & Co.

Thanks, Chris. 2025 marked a year of significant challenges and uncertainty, but it also reflected the resilience and strength of the Deere organization, as we continue to demonstrate structurally higher performance levels while making substantial progress on our Smart Industrial journey. Despite the uncertainty, we delivered over \$5 billion in net income and we achieved Equipment Operations OROS of 12.6%, which included about 1.5 points impact from tariffs.

It's notable that these income and margin levels surpassed our performance in 2020, the year we launched Smart Industrial despite being at a lower level point in the cycle this year. Continually demonstrating higher cycle-over-cycle performance, particularly in trough years, emboldens us to stay the course as we advance towards our ambitions. We believe this fuels future growth that positions us to unlock even more value for our customers when this cycle inflects.

I also want to take a moment to thank our teams. Our organization is used to managing cyclicalities. But this year, we faced an additional headwind of heightened uncertainty and a rapidly changing business environment. I am so proud of our team's grit and determination to push forward, as well as the resulting accomplishments from their efforts. To name a few examples, our Sales, Life Cycle and John Deere Financial teams worked hand-in-hand with our dealers to keep our customers up and running throughout the year, while at the same time taking the actions needed to continue driving down used inventory levels.

Our logistics, supply management and finance teams partnered with the broader organization to assess and mitigate tariff exposures, manage disruptions in global supply chains and maintain sufficient liquidity, all in an effort to ensure our factories continue producing the complete goods and parts that support our customers on a daily basis. At the same time, our design and go-to-market teams sustained their constant focus on bringing cutting-edge innovations to the multiple production systems we serve, efforts grounded in the core principle of helping our customers do more with less. That fuels customer value unlock and enables enterprise growth.

As a result of this focus, we're seeing accelerating momentum in the growth of our tech stack, which is shown on slide 15 of the presentation. This growth is happening both in the number of solutions that we're bringing to market and the depth and breadth of customer utilization of those solutions. And it's happening across all layers of the stack from base precision to digital engagement to advanced automation and to full autonomy. More importantly, this growth isn't confined to Large Ag.

In 2025, we saw an amplification of technology leverage across nearly all production systems. Let's look at two examples, one from the base of the tech stack and one from the top. At the base, we reached new heights in 2025 in terms of connectivity and digital engagement, supported by game-changing connectivity solutions like JDLINK Boost, retrofit options like Precision Essentials, and the expansion of the John Deere Operations Center into Roadbuilding, Earthmoving, Golf and Turf.

At the peak of the tech stack, we began the calendar year at CES in Las Vegas, showing you where we're directly leveraging our autonomy tech stack, developed in row crop farming, into solutions for other industries like commercial mowing, orchards and quarry operations. As we close out the fiscal year, we started taking orders for spring delivery of our autonomous row crop tillage solution, which should help our customers get the job done at the right time, unconstrained by the challenge of labor scarcity.

In difficult markets, it's natural for people to focus only on the near-term challenges in front of them. But I am incredibly proud of how our organization has delivered exceptional performance in the current environment, while also continuing to advance the development and delivery of solutions that have the potential to unlock tremendous value for our customers and serve as the foundation for Deere's growth into the future. I'm excited for all of you to hear more about this during our upcoming Investor Day on December 8, where we're going to spend a little bit of time reflecting on the past five years of Smart Industrial, but more importantly, talk about where we expect it to take us in the years to come.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you, John. We are really looking forward to hearing more about the future of Smart Industrial in a couple of weeks. Before we move on to questions about the 2026 guides, I'd like to focus briefly on our 2025 results. This past fiscal year demanded a lot from our teams. But as John mentioned, we still delivered more than \$5 billion of net income.

Josh Beal, could you please unpack what happened during the quarter as well as the entire fiscal year?

Josh Beal

Director-Investor Relations, Deere & Co.

Yeah. Sure, Chris. I'll begin with the quarter. Overall, the results were in line with our expectations, but there were a few moving pieces that I'd like to briefly go over. Net sales for all segments finished a bit higher than expected, driven by strong execution at our factories, especially in North America. Price realization for PPA in the quarter was nearly 3%, while SAT came in at 1%.

Notably, Large Ag price realization in Brazil in the quarter was strong, closing out 2025 with full year mid single-digit price growth after a challenging 2024. Quarterly pricing in Construction & Forestry was slightly negative due to additional incentives to support retail activity. Turning to cost, direct tariff expense negatively impacted Equipment Operations margins in the quarter by more than 3%.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

This is Jepsen. Touching on the full year for a moment, John already noted how our performance is a testament to the organization's perseverance. In a year where we saw industry declines in a majority of major markets that we serve, placing the business below trough levels, the combination of our operational execution and the work that we've done to improve the business over the last several years continue to yield positive results.

Our margins are a notable example of this. Even with the North American Large Ag industry declining this year by around 30%, we delivered margins over 450 basis points better than 2016, the last time we were at this point in the cycle. Excluding tariff headwinds, that improvement would have exceeded 600 basis points.

A decade ago, the profitability of our business was heavily indexed to North American Large Ag, with other geographies and business segments operating at much lower margins. Since Smart Industrial, we've significantly raised the level of performance across all our business segments around the globe. While North American Large Ag continues to be a critical market for Deere, this diversification of profitability has bolstered the company's through-cycle resilience. We're seeing the vision we had when we launched the Smart Industrial journey come to life with better performance across the breadth of our businesses.

Josh Beal

Director-Investor Relations, Deere & Co.

Thanks for that additional color, Josh. Beyond profitability, this year's results also reflect focused cycle management, most notably in managing inventory. In North America Large Ag, we produced roughly in line with retail demand for the full year, keeping new field inventory at the very low levels where fiscal 2025 started. Inventory to Sales ratios for combines and four-wheel drive tractors both closed the year at 8%, while 220-horsepower and above tractors were at 12%.

To put it in perspective how low absolute inventory levels are, new field inventory for Deere 220-horsepower and above tractors ended fiscal 2025 at the lowest unit level we've seen in over 17 years. For Small Ag & Turf, we underproduced global retail demand in 2025 by around 10%, and as a result, saw significant reduction in field inventory levels, particularly in North America. Notably, inventory for North American tractors below 100-horsepower was down nearly 40% year-over-year, while 100 to 220-horsepower tractor inventory in the region was down by nearly a third.

Similarly, the underproduction that we did in North American Earthmoving at the end of fiscal 2024 and into the beginning of fiscal 2025 has also positioned that business well for next year. Field inventory levels of North American Earthmoving Equipment were down around 35% from the end of our fiscal 2024 third quarter, positioning that business to build in line with retail sales in 2026 as that market shows signs of recovery.

Cost management is the other hallmark of managing cycles, and our efforts to control production costs for the equipment operations remained successful throughout fiscal 2025. Excluding the impact from tariffs, full year production costs were favorable, driven by strong reductions in material cost. This enabled price/cost ex-tariffs to be positive as well, inclusive of the price actions that we took in a competitive Earthmoving market and the additional pool funds that we deployed in Large Ag to support used inventory management. The work on costs enabled our future growth, evidenced by the record level of R&D investment that we made in fiscal 2025.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thanks, Josh. You mentioned used inventory management. I would like to discuss that topic a little further. Last quarter, we talked about the additional pool funds that we deployed to support used inventory reduction. Could you please provide an update on our current position in North America and share any notable developments or progress observed?

Josh Beal

Director-Investor Relations, Deere & Co.

Sure, Chris. Support through these targeted pool fund programs, along with the ongoing commitment and focus of our dealers on improving the health of the trade ladder, is generating positive momentum. This is particularly notable amongst late model year high-horsepower tractors, which remain the area of focus in the channel.

As an example, Deere 175-horsepower and greater tractors in North America have declined by around 7% since they peaked in March 2025, supported by a 4% sequential decrease in the fourth quarter. Compared to the previous cycle peak 10 years ago, current unit levels for those horsepower category are lower by nearly 15%, although the value of inventory today is higher than the last cycle due to a higher population of late model equipment. However, that mix continues to improve. Notably, model year 2022 and model year 2023 used inventory of Deere 8R tractors reduced by a mid-teens percentage in Q4 and is now around 25% below the peak in March 2025.

Our used inventory progress in other product categories is also notable. Inventory levels of Deere 100 to 174-horsepower tractors have decreased around 20% from their 2025 peak, while Deere sprayers are down mid-teens and Deere planters are down nearly 30% from their recent highs. Deere used combines declined over 10% sequentially in our fourth quarter, resulting in a nearly 25% decrease from their spring 2024 peak. Perhaps more importantly, the model year distribution of Deere used combines in the field has returned to a nearly normal level of distribution.

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Thanks for highlighting those inventory reduction progress, Josh. This is Deanna. I'm glad to join everyone today and wanted to provide some additional thoughts. As mentioned, our team has done an excellent job managing new inventory, bringing us to low levels in North America. As we manage inventory through the cycle, considering current industry demand and when that might inflect, we not only think about the total level of inventory in the field, but also the balance between new and used equipment.

Our goal is a healthy product mix and a healthy trade ladder that supports the current level of demand in the market. With that in mind, I'm pleased by the used inventory progress we've made jointly with our dealers. Although there's still work to be done here, the combination of our aligned channel and support provided by higher pool fund contribution rates and targeted programs in 2026 give me confidence that we have the right tools in place to sustain this positive momentum and position the market well in 2026.

Nevertheless, our customers are still facing headwinds that are driving near-term investment caution. Although there are incremental demand drivers emerging, our priorities remain clear: manage new inventory carefully; avoid oversupply when demand is still dropping; and double down on used inventory reduction. These priorities influence our approach to production planning. It's our intent to start the new fiscal year with lean production for North American Large Ag, while building flexibility in the full year production plan to respond quickly when the market inflects.

John C. May

Chairman & Chief Executive Officer, Deere & Co.

This is John. Building on Deanna's comments, I want to take a moment to express my gratitude to our dealers for the work that they've done this past fiscal year in support of our customers and our business. This partnership is critical, particularly when navigating the ups and downs of market cycles. I'm proud to work alongside them and consistently impressed by how they represent our brand through their dedication to customers, their drive for innovation and delivery of world-class support.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you, all, for your comments and insights. Now, let's build on that and talk in more depth about the Ag and Turf outlook for fiscal year 2026. The guide varies by segment and geography. Can you please unpack why this is the case?

Josh Beal

Director-Investor Relations, Deere & Co.

Yeah. This is Josh Beal. Happy to, Chris. Let's start with North America. Global farm fundamentals are expected to stay challenged in 2026. US crop yields have been strong, and we've seen robust production this year in other major markets as well. As a result, the USDA expects stocks of – global stocks of corn and wheat to rebuild and soybean stocks to remain at elevated levels, putting continued pressure on commodity prices. That dynamic, combined with the persistently high input prices we've seen over the last several years, continues to challenge farm profitability.

As a positive, commodity demand continues to climb. Demand for US corn remains robust, with projected US exports to reach an all-time high, up 9% from the previous year. The amount of US corn going to ethanol is approaching record levels, with US ethanol exports approaching a new peak for the second consecutive year, supported by recent trade deals and driven by strong shipments to Canada, the UK, India and the Netherlands.

Meanwhile, Brazil is also allocating significantly more of its corn production for domestic ethanol use. Similar demand drivers exist for soybeans. The projected US soybean crush for the 2025-2026 marketing year is expected to reach an all-time high, marking a 5% year-over-year increase. Similarly, US soybean oil use is also projected to reach record levels, primarily fueled by rising demand for biomass-based diesel.

Broadly, US renewable fuel policies continue to move in a positive direction. The EPA's proposed Renewable Fuel Standards for 2026 and 2027 include substantially higher targets for biomass-based diesel, while the Clean Fuel Production Tax Credit was extended via the One Big Beautiful Bill, incentivizing the domestic production of biofuels. California enacted a law allowing for the sale of E15, providing additional support for long-term growth in ethanol consumption, and we are optimistic a federal solution will be finalized soon to allow the year-round sale of E15 across the country.

In addition to these favorable demand dynamics, US government support for farmers is expected to exceed \$40 billion in 2025, with the majority of payments going to row crop producers. While farm balance sheets remain healthy, with land values supportive of good debt to equity ratios, additional government support provides help with near-term liquidity challenges facing growers.

Moving to the Small Ag & Turf segment, dairy and livestock margins remain healthy, supported by ongoing strength in beef prices. With favorable margins, bonus depreciation from the One Big Beautiful Bill is more attractive for customers in this segment and is expected to support modest equipment replacement growth in 2026. And as you mentioned earlier, Chris, we're expecting the Turf industry to recover modestly next year, as the housing market improves.

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Thanks, Josh. With that set up, let me jump in to cover our industry expectations. The backdrop that Josh just laid out, along with our current view of order books, drove our North American industry guides of down 15% to 20% for Large Ag and flat to up 5% for Small Ag & Turf. Translating that to Deere sales, the low inventory levels that we discussed previously in Large Ag will enable us to keep producing in line with retail demand in 2026.

We mentioned in last quarter's call that based on the results of the early order program, Deere sprayer shipments would be down around 20% this coming year. Our planter early order program resulted in a similar year-over-year change, and our combine EOP, which closes in mid-December, is projected to fall within our guided range for the industry.

North American large tractors operate on a rolling order book, with row crop tractor availability already pushing into the third quarter. Current order velocity indicates that demand for North American row crop tractors in 2026 will also be within our forecasted range for the industry. But it's worth noting that velocity can shift as market conditions change, and we're prepared to respond.

Preserving this optionality was the primary reason for our lean production approach to start the fiscal year, which will also cause our production to deviate from normal seasonality. For example, for large tractors produced in Waterloo, we typically see a seasonal build in North American inventory in the first quarter of the year. Given higher levels of uncertainty this past summer and early fall, when we were taking orders for Q1, we decided to limit production slots in the quarter for North America.

As a result, we'll have a lower-than-normal level of seasonal production to start the year and won't see the typical early year inventory build. But we've given ourselves flexibility to adjust to demand in subsequent quarters. Since setting our Q1 production plans, we have seen positive developments in the North American market. For example, the recent US trade agreement with China has lifted soybean prices to their highest levels in over a year, providing marketing opportunities for farmers to lock in more favorable prices.

Turning to South America, our guide is for a flat industry in 2026. In Brazil, strong commodity production supported by area growth and the potential for interest rate reductions next year are supportive of demand. However, profitability for Brazilian corn and soy growers may be impacted by lower commodity prices and the potential return to more normal soybean trade activity between the US and China.

I was just in Brazil a few weeks ago, and it was clear that there is strong enthusiasm for our solutions. We have many new products and technologies coming to support increased productivity and precision for our Brazilian customer base. We have been investing in our solution development, factory production and channel capabilities in the region, and the extended Deere team is poised to take advantage of it. Brazil is a great market for us today and an even bigger opportunity in the future.

Closing out the ag walk around the world, we expect the European Ag industry to be flat to up 5% in 2026. The outlook for dairy margins continues to be robust, and arable cash flows are showing improvement, as harvest results exceeded expectations in key markets such as France, Germany and Spain. With interest rates stabilizing at current levels, the environment in Europe is conducive for growers to move forward with planned investments following a period of caution.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

This is Jepsen. A couple of points to add. As we translate these industry outlooks to our own sales forecast, we're expecting Small Ag & Turf to return to growth in 2026 with sales up about 10%. And this is driven by a combination of improving end market demand, as well as the benefit of producing much closer to retail demand compared to underproduction in 2025. For Production & Precision Ag, we expect sales down 5% to 10%, which is comprised of the market outlooks noted, Europe up, South America flat, North America down.

For Large Ag in North America, while we see the industry declining in 2026, we also see a number of positive factors that lead us to believe this coming year will mark the bottom of the cycle. As noted earlier, consumption of US corn and soy remains strong and is expected to grow. Paired with strong support for biofuels and recent improvement in commodity prices, the demand picture on grains feels incrementally better compared to a quarter ago. Additionally, with new trade agreements driving purchase commitments, further stability has been brought to the market. Lastly, the continued reductions that were seen in used inventory levels are freeing up the market as the trade ladder gets healthier.

John C. May

Chairman & Chief Executive Officer, Deere & Co.

This is John. One additional comment. We are encouraged by the administration's support and focus on the ag economy, delivering trade agreements and policies that are driving demand growth and stability for US farmers.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thanks for your comments. I'd like to revisit Deanna's comments regarding our production plans and product mix. What implications does this have for seasonality as we begin the year?

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

Sure, Chris. For 1Q 2026, in Production & Precision Ag, we anticipate net sales will be close to the first quarter of 2025, but margins will be significantly lower in the low single-digits. Product and regional mix will be a large driver of the reduction, as our lean production plan anticipates shipping fewer large tractors in Q1 versus historical first quarters.

Absorption of tariffs and lighter price realization, in part due to lower shipment volumes, are also a headwind to margins year-over-year. And since we're talking about first quarter, it's also worth touching on Construction & Forestry. Compared to the first quarter of 2025, we expect top line to be up about 20%, while margins at similar levels due to the impact of tariffs.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you – thank you for the insights. Building on that last comment, let's pivot to the overall C&F segment. 2025 proved to be a demanding year for C&F, as we faced increased competitive price pressure and the highest level of tariff exposure among our business units. Despite these headwinds, we've observed some positive trends in both retail performance and order intake. Our outlook suggests that industry demand is expected to slightly improve in the coming year, with our sales forecasted to outpace this industry growth.

Josh Beal, could you provide an overview of what we anticipate for 2026?

Josh Beal

Director-Investor Relations, Deere & Co.

Yeah. You bet, Chris. As you mentioned, we saw a pick-up in retail demand for Earthmoving Equipment in the back half of fiscal 2025. North American Earthmoving and Forestry retails were up a mid single-digit year-over-year in our third quarter, and we saw this momentum carry into the fourth quarter, although our numbers require a little unpacking.

As you can see in the appendix of our earnings call deck, Q4 North American Earthmoving and Forestry retails were down in the single-digit year-over-year. However, our construction equipment retails were actually up mid single-digits in the quarter. This was offset by a year-over year decline in compact construction, which faced a difficult comp, as we saw strong activity for this segment in October 2024.

Notably, our North American Earthmoving order book is up around 25% year-over-year, with availability approximately three to four months out. As previously discussed, our underproduction in Earthmoving in late 2024 and early 2025 has positioned us well from a field inventory standpoint. We expect to produce North American Earthmoving Equipment in line with retail in 2026, which is a significant driver of our 2026 net sales guide of up around 10%.

Roadbuilding and forestry industry volumes are expected to remain flat year-over-year. Notably, our Roadbuilding business, given its market leadership position and global diversification, continues to benefit from strength in infrastructure spending around the world.

John C. May

Chairman & Chief Executive Officer, Deere & Co.

This is John. I think it's important to note the impressive synergies that we're seeing in Roadbuilding, particularly in terms of leveraging Deere technology. As the industry leader, we're now expanding the value proposition to customers with tools like the John Deere Operations Center, which we brought to Roadbuilding in 2025. We

believe that customers are now benefiting from an advanced digital platform to monitor fleet, logistics and job performance. We've already seen over 3,200 customer organizations engage with this platform. This is just one of many opportunities we have for delivering more value to customers in this sector.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you both for your comments. Your insights have clarified the dynamics across different segments and geographies and explained why our overall forecast suggests net sales will increase year-over-year. Now that harvest is complete, I'm also interested in learning about the technology progress we have made during the past fiscal year, what's ahead and how these advancements will further benefit our customers. Josh Beal, could you share some updated statistics?

Josh Beal

Director-Investor Relations, Deere & Co.

Sure, Chris. Just like many of our customers' operations post-harvest, it's a good time to take stock of what we did in the past year. As John mentioned earlier, in fiscal 2025, we made significant progress across all layers of the tech stack, both in terms of expanded offerings and utilization, but also in greater leveraging of technology across more production systems and geographies.

Let's start with the foundational layer of the tech stack, base precision. We've talked in the past about how Precision Essentials, our retrofit kit, brings the core elements of precision technology, guidance, connectivity and onboard compute deeper in the installed base of Deere and non-Deere equipment via a low upfront cost with an annual license. Reception of this offering continues to be strong. In the two years since it's been on the market, we've had orders for over 24,000 kits, and this core technology has brought 3,300 new organizations into the John Deere Operations Center.

Another key example of our growth in base precision is JDLink Boost, which brings Starlink-enabled satellite connectivity to areas of the world where terrestrial cell is insufficient for machine connectivity. We launched this solution in Brazil and the US in January of this year and expanded the offering to additional regions over the summer. Since launch, we've taken over 8,000 orders for this solution globally.

The next layer of the tech stack is digital, the John Deere Operations Center. John already mentioned how we've leveraged the Operations Center in the Roadbuilding business. We've also brought it to Earthmoving, Commercial Landscaping and Golf. In agriculture, we continue to see higher and higher levels of digital engagement.

The John Deere Operations Center now covers over 500 million engaged acres, a 10% increase from last year, and the number of highly engaged acres rose by 17% year-over-year, reaching 147 million. More highly engaged acres suggest more customers each day are realizing the value gained from digitally documenting multiple production steps and executing value-enhancing actions using the tool.

The next layer of the tech stack is automation. Deanna, last quarter, Cory Reed shared some early customer feedback related to our newest combine offerings, Harvest Settings Automation and Predictive Ground Speed Automation. Now that harvest is wrapping up, would you mind sharing your thoughts on how the season went?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Absolutely. Fiscal year 2025 marked the first year of availability for both solutions. Harvest Settings Automation had an impressive year one take rate of over 90% on North American combines. On average, operators use the technology over 60% of the time they were in the combine, resulting in over 5 million acres covered by this solution. And the adoption of this tech isn't limited to the North American market. The 5 million acres covered, and more importantly, value realized from this technology included acres in Brazil, Europe and Australia.

Predictive Ground Speed Automation, which further enhances the harvest experience, yielded a nearly 30% increase in throughput measured by bushels per hour. Continuing with automation, I'd also like to highlight the results we saw from See & Spray in 2025. This year, See & Spray technology also covered over 5 million acres, after covering over 1 million acres in 2024. The average herbicide savings from the technology in 2025 was around 50%.

To give you a sense of this value that customers can realize, let me share an example from AGRITECHNICA this month. A customer from the State of Washington approached us at the show and shared that in one day, he saved more than \$20,000 using See & Spray. Examples like this give us confidence in the continued growth in both adoption and utilization of the technology. The tech is working, and when customers see that value in their operation, it's anticipated that they will continue to use it pass-over-pass and season over season.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thanks, all. It's great to hear the examples of technology adding real value to our customers. Deanna, would you mind sharing some thoughts on the top layer of the tech stack, autonomy?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Certainly, Chris. As John mentioned, we recently opened up dealer orders for our tillage autonomy kits that are retrofittable onto 8R and 9R tractors. I had the opportunity to visit an early autonomy customer two weeks ago in Illinois. He was pleased with their experience with autonomy on a 9RX and a 2680 High Speed Disk this fall. Autonomy is unique, because the value to the customer is really more about operational flexibility. Autonomy certainly addresses labor shortages, while also allowing existing resources to concentrate on higher value tasks within their operations.

But to this customer I visited in Illinois, it was even more than convenience. He said it was invaluable to have the ability to get a job done when there was no one around to put in a seat, to just take the tractor to the field and let it go to work. And no matter where I go in the world, labor availability is a huge issue on the farm, especially in busy seasons like spring and fall. That's why we began by concentrating on our corn and soy production system and started developing a solution that can support customers in those peak activity periods.

Since the start of our autonomous tillage journey, we've covered over 200,000 acres autonomously, and we're looking forward to even more next spring. And labor availability isn't unique to the corn and soy production system. It's prevalent across all the production systems that Deere supports, which is why you saw us at CES this year highlight how we're leveraging the technology in High-Value Crops, Turf Care and Earthmoving. The value of autonomous solutions can be tremendous, and we're just getting started.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thank you. It's encouraging to see numerous examples that show how our ongoing tech investments are fueling substantial innovation and creating real value for our customers. Now, before we open the line for questions, do you have any final thoughts you'd like to share, Josh Jepsen?

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

Yeah. I'll be brief. 2025 was a challenging year for the industry and for our team at Deere, as the agricultural sector continued its downturn for a second straight year. As mentioned before, I've never witnessed Deere's resilience more than I did this year, represented by how we took care of customers, while achieving performance that exceeded other similar points in the cycle.

From a shareholder perspective, our performance yielded \$18.50 in earnings per share that supported continued strong cash generation. Equipment operations cash flow was \$5.1 billion, a significant improvement from past downturns and better than any year outside of the period of 2021 to 2024, which enabled us to return over \$2.8 billion to shareholders via dividends and share repurchases.

We paused buybacks in the fourth quarter due to heightened market uncertainty, but we expect to resume our normal capital allocation activities in 2026. As we look ahead to the next year. We believe our field inventories across all segments are in good shape. We expect to see growth in Small Ag & Turf, as well as in Construction & Forestry. And in North American Large Ag, we will enter the year lean from a production perspective, but with flexibility to allow us to respond swiftly as market demand inflects.

The structural improvements we've made empower us to support robust levels of R&D and capital spending. We remain focused on the long-term customer value that we expect to unlock through technology, which should enable future growth for Deere and greater levels of value for shareholders and all stakeholders.

Finally, the achievements we've delivered this year are a direct result of the commitment and hard work of our teams worldwide. I'm truly proud of what we've accomplished together, and I'm excited to keep advancing our mission to empower customers to do more with less in 2026 and beyond.

Christopher Seibert

Manager-Investor Communications, Deere & Co.

Thanks, Josh. Now, let's open the line to questions from our investors.

Josh Beal

Director-Investor Relations, Deere & Co.

We're now ready to begin the Q&A portion of the call. The operator will instruct you on the polling procedure. In consideration of others and our hope to allow more of you to participate in the call, please limit yourself to one question. If you have additional questions, we ask that you rejoin the queue.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin our question-and-answer session. [Operator Instructions] Our first question will come from Stephen Volkmann from Jefferies. Your line is open.

Stephen Volkmann

Analyst, Jefferies LLC

Q

Great. Good morning, everybody. Thank you for taking the question. I guess I will focus on tariffs, and you talked about the \$1.2 billion, I think, headwind. I think that was your 2026 number. But how are you thinking about offsetting that and over what period would you think that perhaps you'd be able to kind of recapture that? I'm trying to think a little bit about the cadence of the year. I assume you'll improve as the year progresses, but I'm curious how you're thinking about it. Thanks.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks, Steve, for the question. You got the numbers right. So, it's \$1.2 billion is the pre-tax tariff hit in 2026. That's about \$600 million incremental from the \$600 million that we saw in 2025. Run rate of the tariffs by quarter is pretty evenly spread, roughly \$300 million per quarter. If you look at our price/cost expectation for 2026, inclusive of tariffs in that number, we expect to be price/cost positive. So, we'll start to capture back – we'll capture the incremental exposure this year and some of the exposure that we saw in 2025. That won't get us fully there, but it gives us a good chunk along the way. We'll continue to execute activities to mitigate that and expect to take some continued price in the future as well to cover that additional piece. Thanks for the question, Steve.

Stephen Volkmann

Analyst, Jefferies LLC

Q

Thank you.

Operator: Thank you. Our next question comes from Jamie Cook with Truist Securities. Your line is open.

Jamie Cook

Analyst, Truist Securities, Inc.

Q

Hi. Good morning. Just a question on Production & Precision Ag, just the – on a 7% sales decline, the implied decrementals, I think, are approaching 60%. So, just trying to understand that. I mean, I'm assuming a good portion of that is tariffs. So, how much is allocated to tariffs? And also, just your comments on mix, understanding North American Large Ag is going to be down a lot, but you've also spoken to improving profitability in other regions, in particular Brazil. So, if you could just unpack the decremental margin on the sales decline. Thank you.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Yeah. Your numbers are right, Jamie. If looking at PPA specifically into 2026, it's around 60% will be the implied decremental margin. Tariffs, for that business, have approximately 1.5 points or so margin impact for the full year of 2026. So, if you back out that piece, it takes decrementals to kind of the low to mid-50s. So, still elevated, above normal levels for PPA, and that delta between a normal would be the geographic mix that you're seeing. You're right that profitability levels around the world have improved. We've talked to that. But still, North

America Large Ag remains our most profitable market. So, it is negative mix for the year. And just given the magnitude of decline, that's what's driving the higher level of decrements next year. Thanks, Jamie.

Operator: Thank you. Our next question comes from Kristen Owen with Oppenheimer. Your line is open.

Kristen Owen

Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. Thank you for the question. I wanted to double click on the Large Ag price assumption, that 1.5%. I think when we were talking about early order program, that number in North America was closer to 3% to 4%. So, could you just help us unpack that 1.5%? How much of that is being driven by maybe some of the geographic mix? Just a little bit more color on the underlying assumptions for that number. Thank you.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks for the question, Kristen. You're right. Early order programs in large tractor pricing North America for 2026, list price increases are in the range of 3% to 4%. And that's held. What you're seeing with the 1.5 points price guide is a couple of things. One thing you're spot on is geographic mix. We talked about Brazil in 2025. We did very strong price in Brazil in 2025, mid single-digit price increase positive. It'll still be positive in 2026, but more muted, think about closer to the guide range. So, that is pulling down some of the list price.

The other thing that's happening in North America is a – I'd call it a parts mix versus complete goods. As we go down in the cycle, parts make up a bigger mix of our sales in a given year. And our parts pricing was a little more muted for 2026. So, the combination of those two is really what's pulling down that guide versus the list price increases.

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

A

Yeah. Thanks for unpacking that, Josh. This is Deanna. And as we think about North American pricing overall, we go back to two of our priorities, and first is the continued focus on used reduction. So, you will see us continue to provide pool fund opportunities to our dealers at a similar level in 2026 as we did in 2025. And from an overall pricing standpoint, we remain mindful of where our customers are at in the cycle and maintaining our opportunities for the future.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Thanks, Kristen.

Operator: Thank you. Our next question comes from Tim Thein with Raymond James. Your line is open.

Tim W. Thein

Analyst, Raymond James & Associates, Inc.

Q

Thank you. Good morning. The question is just on production costs in 2026. You highlighted tariffs. But just ex that, you saw kind of a build throughout 2025 just in terms of production costs. How are you thinking about that as we look into 2026? Obviously, a number of pieces that flow into that. So, maybe just some help in terms of – for the overall equipment ops, how we're thinking about production costs. Thank you.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks, Tim, for the question. Yeah. If you back off the incremental \$600 million of tariffs in production cost, we would still expect to be slightly unfavorable for production cost in 2026. But there's a few moving pieces there. Overheads for our business, particularly in Large Ag, are expected to be unfavorable next year. We do have some headwinds in our North American labor from our current contract. 2026 is a step-up year in that contract for production labor. So, that provides a headwind.

That's largely offset by some favorability in profit sharing that we'll see next year just on lower income levels. Material, ex tariffs, will be slightly negative, pretty close to flat. That does include the inflationary impact of indirect impacts of tariffs that we're seeing in the business, but slightly negative when you roll it all together. But again, I think the point to make, price/cost, we'd expect to be favorable for the full year, and again, that helps offset some of the tariff costs that we saw in 2025 that we weren't able to mitigate with price that year.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

A

Hey, Tim. This is Jepsen. I'd say the other thing is we still have a bunch of opportunity and runway as it relates to taking cost out of product and process, production costs. So, the teams have done a really good job over the last couple of years, and we think that will continue. So, we're by no means done on that journey. And I think that'll continue to create opportunity for us to grow margins, particularly as we've seen some of these headwinds here over the back half of 2025 into 2026.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Thank you.

Operator: Thank you. Our next question comes from David Raso with Evercore ISI. Your line is open.

David Raso

Analyst, Evercore ISI

Q

Hi. Thank you. Given the full year Large Ag sales guide and the first quarter implied a flat, it's implying the rest of the year down 9%. I was just curious, when you think of [ph] PPA (00:55:45) for the rest of the year after the first quarter, are we down every quarter? And then, maybe to help us with the margins for the rest of the year, any cadence you can give us on the pricing? Obviously, the pricing was up. I know it was an easy comp in Brazil, but just a 1.5% for the full year. Just how to think about that cadence, just so to think how we get over the hump on kind of price/cost later in the year if we don't have any growth in any quarter for Large Ag? Thank you.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks, David, for the question. As Deanna talked earlier, seasonality will be a little different for Large Ag next year, given our leaner start in Q1. We will see that typical ramp-up in the second quarter, and actually, you're going to have a fourth quarter that's going to be particularly strong as well, just given some of the timing of the shipments. To your question, we would expect to be down year-over-year in all those quarters just given the level of decline that we're seeing. But you see margin improve quite a bit as you get into the second quarter, and we'll stay at those higher margin levels through the balance of the year. It's really an impact on Q1, given the lean production that's driving that.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

A

David, this is Jepsen. The other thing I'd add is we would expect to – post-1Q to kind of return to more normal seasonality, highest net sales, highest margin in the second quarter. So, a more traditional seasonality as we go from there. And then, if you just step back and look at 2Q through 4Q, those margins, we would expect, based on the guide, to be north of 14% or around there. So, a pretty big step-up, and then more even performance through the remainder of the year. Thank you.

Operator: Thank you. Our next question comes from Jerry Revich with Wells Fargo. Your line is open.

Jerry Revich

Analyst, Wells Fargo Securities LLC

Q

Yes. Hi. Good morning, everyone, and happy Thanksgiving. I'm wondering if you would care to provide an update on the expectations for See & Spray in terms of deliveries of retrofit kits into the US for 2026 and any expectations on acres coverage. And overall, as we look back on fiscal 2025, any update on progress on the subscription build-out that you can share?

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks, Jerry. Happy Thanksgiving to you as well. I mean, maybe a couple of points there. First, just as we look at take rates of See & Spray on our 2026 early order program, at a pretty similar level to what we saw in 2025 in terms of that factory-installed piece. We'll need to see what happens with the retrofit orders, which tend to be placed over the course of the winter. But from a take rate standpoint, we're at a pretty similar level to what we saw in 2025.

I think one point to make on acres covered is the returning customers that had machines in 2024 and moving into 2025, we saw them cover on average about 20% more acres on their operation in the 2025 year. And that's a positive sign to us for a number of reasons. It validates what Deanna said earlier that the technology is working, it's delivering savings, and as a result, we see customers increasing utilization year-over-year. So, our expectations would be to continue to grow that number in 2026.

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

A

Yeah. And this is Deanna. In addition to the increasing installed base with new model year 2026 sprayers coming out of factory and additional retrofit kits increase per machine usage in their second year. We also know that See & Spray is expanding globally, as we see other markets in the world beginning to take up this technology as well. So, our expectation is to see growth in acres covered in 2026, and we look forward to seeing our customers have those great savings that we saw in 2025 continue.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Thank you.

Operator: Thank you. Our next question comes from Chad Dillard with Bernstein. Your line is open.

Chad Dillard

Analyst, Bernstein Institutional Services LLC

Q

Hi. Good morning, everyone. So, a question for you on your guidance. So, as we think about 2026, to what extent does it embed any additional farm assistance from the government? And then, also just like how do you think about the operating leverage of the business coming out of this deeper-than-normal cycle?

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Happy Thanksgiving, Chad. I would say our baseline expectation is not for any more assistance. I mean, we based our forecast off of what we see in the market today, informed by order velocity. And Deanna mentioned this in the comments that we can see order velocity change, and we've seen some positives over the last, call it, month or so. As an example, the trade agreement with China, we've seen a pick-up in purchases of soybeans, and that's been reflected in the soy price as well. So, we'll see how the rest of the year plays out. We've intentionally put some flexibility in the back half to respond to changes in velocity, and we'll see how that plays out over the balance of the year.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

A

Yeah, Chad. This is Jepsen. As it relates to leverage, your question on kind of what – as things inflect, I think as we start to see those volumes pick up, and even in Production & Precision Ag, as we discussed kind of first quarter versus rest of year, you see some of that improvement and benefit as we go through the year. Clearly, we're seeing that on Small Ag & Turf and Construction. Even with, call it, 10% increased sales, those – particularly if you take out the tariff impact, those incrementals are really solid. So, I think that's a positive reflection of that.

I think across the businesses too, we're seeing more from a technology perspective, whether that's in Construction & Forestry, where we saw 20% growth in technology sales there, the opportunities in Small Ag & Turf continuing to present themselves. So, I think the combination of the work we've done on the cost structure – obviously, we've got more work ahead of us as we work to mitigate and take out some of that tariffs. But I think the leverage for us, as we inflect, will be positive from a margin perspective.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Thanks, Chad. We'll go ahead and do one more question.

Operator: Thank you. Our last question comes from Steven Fisher with UBS. Your line is open.

Steven Fisher

Analyst, UBS Securities LLC

Q

Thanks. Good morning. I wanted to just clarify a couple of assumptions that you mentioned in the dialogue. I think there's some folks that were surprised to see the expectation of South America flat in light of some of the sort of incremental caution we've seen there. But it sounded like you cited some potential for lower interest rates. Can you just kind of give us a little more color on your confidence there? And then, on the Small Ag side, you cited some expected improvement in – or a better result as a result of better housing activity. Can you just clarify if you've seen any indications of that already? Thank you.

Josh Beal

Director-Investor Relations, Deere & Co.

A

Yeah. Thanks, Steve, for the question. A couple of things on South America. We've talked about kind of a mix of caution and optimism in that region. And as we've seen, I think, over the past quarter or so, it's probably a bit more caution there, and interest rates have been a big driver. The benchmark rate at 15% is certainly having an impact on replacement. As we look at expectations, over the last month or so, inflation expectations have eased a little bit, and as a result, you're seeing expectations for that rate to come down by a couple of points over the course of 2026.

So, obviously, we need to see how that plays out, and that will be impactful on the market. But I think that's embedded sort of in that combination of caution and optimism, which is what's reflected in the flat guide. The other thing I would say is just on our order books in the region, they look really strong. I mean, we are about five months out in Brazil. So, we've got pretty good coverage through most of the first part of the year. Obviously, we need to see how that plays out in the back half. But from an order velocity standpoint, it looks good.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

A

I think one other positive there in Brazil is on high-value crop, as we've seen some tariff relief on things like coffee, beef, citrus. Particularly if you think about our small and mid-tractor business, I think that bodes well for the industry and in turn for us and our dealers as well.

Josh Beal

Director-Investor Relations, Deere & Co.

A

On Small Ag, Steve, and specific to turf, our forecast is based off of housing starts coming up a little bit next year, not a massive increase, but a low single-digit increase in home sales, I should say, not housing starts, home sales in 2026. That's based off of some expectations around easing in the US. We'll see how that plays out. But as we see home sales come back, that tends to be supportive of our turf business. And so, we've got some modest growth in turf as well, which is reflected in that Small Ag guide of flat to up 5%.

Joshua A. Jepsen

Chief Financial Officer & Senior Vice President, Deere & Co.

A

Yeah. One thing I'd add. This is Jepsen. I think the prospect of a little more – a few more interest rate cuts and what that could mean for housing, both for our Earthmoving, Compact Construction and Turf are all positive, particularly given just the low levels of inventory. We're under-inventoried from a single-family housing perspective. So, I think that a little bit of continued rate easing there would be positive.

Josh Beal

Director-Investor Relations, Deere & Co.

Yeah. Thanks – thanks for the question, Steve. This concludes today's call, and we really appreciate everybody's time with us today. Just as a reminder, we'll be hosting our upcoming Investor Day on December 8. You can find additional details for the event in the appendix of today's slide deck. And for all of those of you in the US who are celebrating, we hope you have a great Thanksgiving holiday. Have a great day.

Operator: That concludes today's conference. Thank you for participating. You may disconnect and have a great rest of your day.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.