Deere & Co. (DE)

Rating: Buy

Price	Yield	Market Cap.	52-Week Range
$514.10	1.3%	$130.7B	$533.78 – $340.20

Data as of 06/24/2025

Sector	Industrials
Subsector	Capital Goods
Investment Category	Large Cap
Price Movement	Average

Company Overview

Deere & Co. was founded in 1837 and has been the world's leading manufacturer of agricultural equipment since 1963 and is a major producer of construction, earthmoving and forestry equipment. It also markets North America's largest line of lawn- and garden-care equipment to residential and commercial markets. It operates a Credit subsidiary which provides financing for its products.

Revenues International	46%
Standard & Poor's/Moody's	A/A2
MSCI ESG Rating	AA/Leader

Dividend Outlook (1-Year): Rising

Annualized Payment	$6.48
Last Change	10% (Dec 3, 2024)
Consec. Yrs Increased	5
Paid Since	1937
5-Yr. Trailing Growth	16%
Long-Term Growth Est.	8%
Payout Ratio ('25)	34%
Dividends Paid	Feb, May, Aug, Nov

Commentary: Deere's current dividend represents 34% of our 2025 earnings per share estimate. We expect dividend growth to average 8% over the long term.

Valuation & Earnings

	'24A	'25E	'26E
Earnings Per Share	25.62	19.03	22.05
P/E	20.1x	27.0x	23.3x
PEGY	2.0x	2.6x	2.3x
LT EPS Growth Est.			9%
Est. Earnings Date			August 15, 2025

Annualized Total Returns	1yr	3yr	5yr
Deere & Co.	38%	20%	30%
S&P Industrials Index	20%	20%	19%
S&P 500 Index	13%	18%	17%

Data as of 6/24/25. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

Investment Summary

We rate shares of Deere & Company (Deere) a Buy. We believe the company is well-positioned to benefit from the increasing global demand for food driven by the rising global population, a growing middle class, and the improving quality of diets, especially in emerging markets such as China. Additionally, Deere's construction and forestry business should participate in growing construction spending and an upturn in infrastructure, in our view. Given its strong presence in the high-horsepower equipment and dealer network, we believe Deere remains in the best position for precision-agriculture adoption. We believe the shares are attractive for long-term investors.

Outlook

Agriculture Machinery Cycle Still Supportive - Farmers' incomes are expected to decline from recent highs but will remain above historical averages, which should continue to support further agriculture-equipment demand.

Growth Opportunities Beyond Farm Machinery - Deere offers other equipment and services beyond agriculture, including Construction & Forestry Equipment (excavators, dozers), Turf Management (riding lawn mowers, golf course maintenance machines) and John Deere Credit (financing for Deere machines).

Precision Agriculture, a Long-term Opportunity - Deere continues to make advances in precision agriculture, an approach to farming that uses technology and data to optimize efficiency and productivity while reducing input costs and increasing yields. Deere plans to transform its precision-ag solutions into a recurring revenue model (less than 1% of revenue today, targeting 10% by 2030). This should help improve the company's profit margins and smooth out the cyclicality in ag-equipment revenue, leading to a better P/E ratio.

Valuation and Recent Performance – The stock is trading at about 27 times our fiscal 2025 earnings estimate, which is above the five-year average of 18. We think the shares are attractive based on our positive long-term growth outlook. Deere shares have outperformed industrial peers on a five-year basis due to the strong financial results the company has generated amid the upturn in agricultural-machinery demand.

Risks – The primary downside risk to our rating is a decline in farm commodity prices, which could be pressured by stronger-than-expected crop yields. Also, slowing economic growth could hurt Deere's construction and forestry markets.

Key Developments

5/15/25: Deere reported fiscal second-quarter earnings per share of $6.64, above the average analyst estimate of $5.56 but down 22% from the prior-year quarter's result. Revenue was also slightly above expectations but declined 18% year-over-year, primarily driven by lower machinery shipment volumes. Deere widened its fiscal 2025 net income guidance to $4.75 billion to $5.5 billion from $5.0 billion to $5.5 billion.

We think Deere reported a solid quarter despite facing a challenging demand environment. Operating income exceeded our expectations in both the Production & Precision Ag and Small Ag & Turf segments, though this was partially offset by weaker performance in Construction and Forestry. The upside was largely driven by strong profit-margin execution. While management modestly lowered full-year guidance despite better-than-expected results, the revision appears to reflect tariff uncertainty in the construction segment and remains largely in line with our expectations. After several years of declining industry sales, we believe the agricultural machinery cycle is nearing a bottom, and 2025 is likely representing the trough in the down cycle. Deere has done a wonderful job managing through the downturn, proactively cutting production to align with retail demand. We think the downturn is well-understood, and Deere continues to gain market share despite the challenging backdrop. This should position the company well to harvest these gains once the upcycle presents itself. Overall, we remain constructive on the long-term outlook for Deere, and we think Deere remains well-positioned to benefit from a favorable equipment-replacement cycle and incremental adoption of precision agriculture, which we see improving profit margins longer-term.

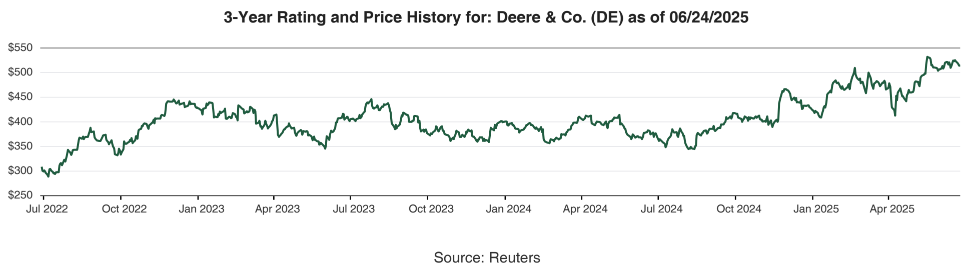
Analyst: Faisal Hersi, CFA

Please see important disclosures and analyst certification on page 2 of the report.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Faisal Hersi, CFA

Required Research Disclosures



June 25, 2025	BUY	HOLD	SELL
Stocks	55%	44%	0%
Investment Banking Services	4%	6%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies where the firm has acted in furtherance of a public offering of the issuer within the past 12 months.

- Initiated Coverage PRE-1996.....(B) 10/06/09-11/12/10...(H) 11/12/10-05/24/12...(B) 05/24/12-
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Opinion Rating Definitions: Buy (B) - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** – Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

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- Price Movement: Above Average (AA) – This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) – This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) – This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
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