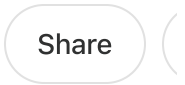
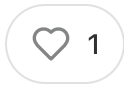


Monthly Editorial - Insights from John Deere's 2024 Annual Report

& Key Observations for 2025



REESE DRENTH
FEB 09, 2025



Happy Super Bowl Sunday!

Whether you're rooting for the Philadelphia Eagles or Taylor Swift ****clears throat**** I mean the Kansas City Chiefs...we hope this evening is spent with friends and family.

Let's Get Started

Taking a left turn with February's editorial of the month - we decided to share some insights from John Deere's fiscal year 2024 and how they estimate 2025 and beyond will play out. To do so, we'll break this article down into four parts.

1. 2024 Review
2. "Recurring Revenues"
3. Where's the Cash Going?
4. Forecasts for 2025

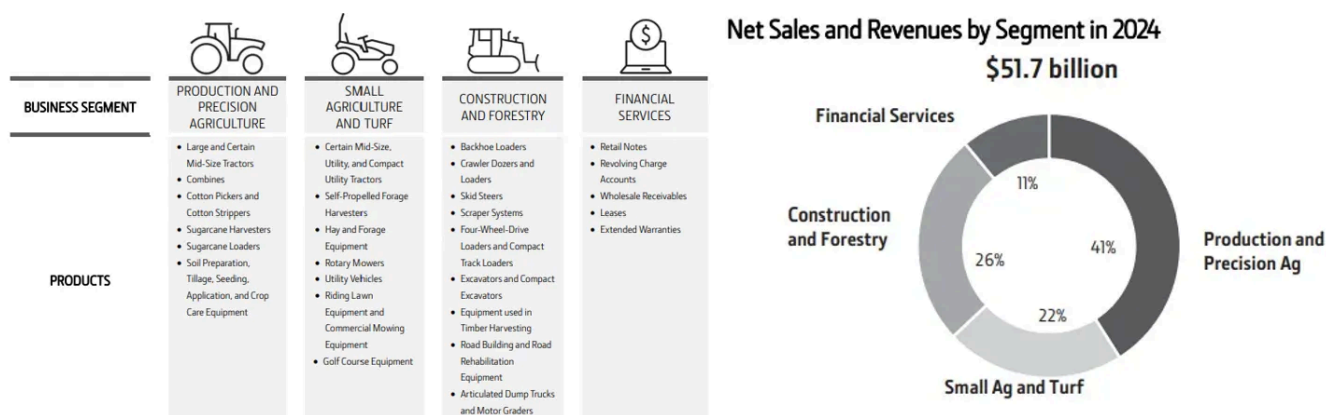
At the young age of 188, Deere & Co. is one of the oldest and most influential businesses in the U.S. In fact, it's one of four U.S. businesses that have grace

the ranks of the Fortune 500 since its inception in 1955. The purpose in sharing this information - which may not be consumed “on the regular” - is offer insights on how John Deere’s business may impact operations across 1 country. It may help readers form opinions on the direction of the ag economy as well, considering its stock price is often viewed as an indicator the ag sector’s financial health.

We hope you enjoy.

2024 Financial Review

First, lets look at how John Deere segments its businesses (compiled of near 75,800 employees) and how each one faired in 2024:



Here’s a further breakdown of how each business unit operated in 2024 vs 2023, as well as some corresponding notes from the annual report.

Production and Precision Agriculture Operations

	2024	2023	% Change
Net sales	\$ 20,834	\$ 26,790	-22
Sales volume and other			-24
Price realization			+2
Currency translation			
Operating profit	4,514	6,996	-35
Operating margin	21.7%	26.1%	

- U.S./Canadian sales volumes down 17% vs 2023
- Brazilian Sales down 40% vs 2023
- European sales down 30% vs 2023
- Lower sales attributed to lower commodity prices, elevated interest rate and inventory management

Small Agriculture and Turf Operations

	2024	2023	% Change
Net sales	\$ 10,969	\$ 13,980	-22
Sales volume and other			-24
Price realization			+2
Currency translation			
Operating profit	1,627	2,472	-34
Operating margin	14.8%	17.7%	

- U.S./Canadian sales down 22% vs 2023
- European sales down 28% vs 2023
- Mexican sales down 45% vs 2023
- Lower sales attributed to poor market conditions

Construction and Forestry Operations

	2024	2023	% Change
Net sales	\$ 12,956	\$ 14,795	-12
Sales volume and other			-12
Price realization			
Currency translation			
Operating profit	2,009	2,695	-25
Operating margin	15.5%	18.2%	

- U.S./Canadian sales down 15% vs 2023
- Sales outside the U.S. down 8% vs 2023
- Lower sales & lower price realization attributed to poor market conditions

Financial Services Operations

	2024	2023	% Change
Revenue (including intercompany)	\$ 6,493	\$ 5,554	+17
Average balance of receivables and leases			+12
Interest expense	3,182	2,362	+35
Average borrowing rates			+20
Average borrowings			+12
Net income	696	619	+12

- Revenues higher due to higher financing rates
- New retail note volumes declined due to lower retail demand
 - *retail note = a simpler corporate bond*
- Higher dealer “used” inventory levels attributed to a 26% increase in wholesale receivables
 - *more inventory on the lot = more wholesale receivables*

Deere had their best year on record during FY 2023. And in the face of well documented, challenging, agricultural economic conditions, their financials reverted backward toward those of FY 2022. Here's a few total company specifics:

- Total revenues declined by roughly \$9.5 billion in 2024 vs 2023.
- 2024 net income was reduced by just over \$3 billion vs 2023
- Deere was able to lower inventories by 13% in 2024 vs 2023
- Interest expenses grew by 36% in 2024 vs 2023
 - **Up over 200% from 2021** (I think we all can appreciate this statistic)

Despite these setbacks, Deere's stock price has never been higher. Take a look at how that compares to some competitors.

Deere & Co

\$465.60

↑178.05% +298.15 5Y

After Hours: \$465.60 (0.00%) 0.00

Closed: Feb 7, 5:02:53 PM UTC-5 · USD · NYSE · Disclaimer



Deere & Co	\$465.60	+\$298.15	↑ 178.05%	
Caterpillar Inc	\$363.88	+\$230.51	↑ 172.83%	×
Agco Corp	\$99.98	+\$33.13	↑ 49.56%	×
Titan International ...	\$8.64	+\$5.98	↑ 224.81%	×

Recurring Revenues

In 2023 Deere & Co. implemented a “Solutions as a Service” business model highlighting their initiative to obtain 10% of their yearly revenue in “recurring offerings by 2030. What does that mean? Think about this like a subscription. One-time, large purchases can be daunting. But a monthly or yearly subscription is less threatening both mentally and to the pocket book. In our opinion, Deere hopes this model will stabilize their revenue streams vs rely

on equipment affordability, which in turn relies on volatile commodity markets.

What are some examples of Recurring Revenue products?

1. See & Spray
2. JDLink Boost.

JDLink Boost is the product of Deere's partnership with SpaceX and Starlink. The program - rolled out mainly in Brazil so far - is meant to help growers facing rural connectivity challenges by placing equipment on top of machinery cabs that link to Starlink satellites. According to Deere, JDLink Boost will improve decision making timeliness in the field and will benefit other offerings like In-Field Data Sharing, AutoPath (autosteer), and Connected Support (signals dealer/technicians when something is wrong).

*The cost of JDLink Boost is **\$1,000 up front**, then **\$200/month** after 3-years have past.*

See & Spray is a precision ag technology that turns the sprayer on only when necessary. This initiative is meant to save the grower input and application costs by maximizing product efficiency. Think of this like a giant Round Up Pump & Go you'd buy at the local hardware store, only targeting specific weeds rather than the whole lawn.

*The cost for Deere to turn this technology on is **\$25,000 up front**, plus **\$3/acre** BUT, Deere will only charge when the system is turned on and saving the grower product, not for the whole field.*

Remember, Deere's goal is to achieve 10% revenue from recurring services by 2030. So let's run some numbers.

In 2024, Deere's revenue totaled roughly \$52 billion. 10% of that metric would be \$5.2 billion. Let's assume zero revenue growth between now and 2030 for this exercise.

According to Deere, one million acres were sprayed with See & Spray technology in 2024. Doubling that number every year between now and 2030 would total 64 million acres of See & Spray or **\$192 million** of revenue (at \$3/acre). Tripling acres between now and 2030 results in **\$2.2 billion** of revenue (at \$3/acre). **Both fall short of the \$5.2 billion goal.**

Deere has said that they've received roughly 1,000 orders for See & Spray systems in 2025, and they expect significant increases in the number of acres covered by See & Spray.

If Deere is to continue with the "Solutions as a Service" model, it's safe to say more subscription type offerings are on deck in the future. Be on the looko

Where's the Cash Going?

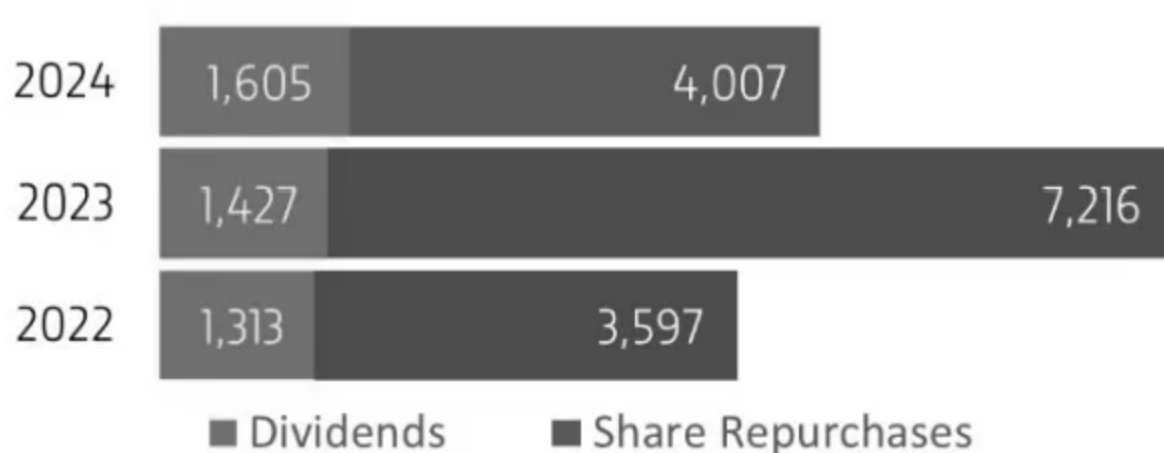
In 2024, Deere & Co.'s net increase in cash, cash equivalents and restricted cash grew by just \$13 million. This compares to a net increase in the same category of \$2.6 billion in 2023. See below:

CASH FLOWS	2024, 2023, and 2022		
	2024	2023	2022
Net cash provided by operating activities	\$ 9,231	\$ 8,589	\$ 4,699
Net cash used for investing activities	(6,464)	(8,749)	(8,485)
Net cash provided by (used for) financing activities	(2,717)	2,808	826
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(37)	31	(224)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 13	\$ 2,679	\$ (3,184)

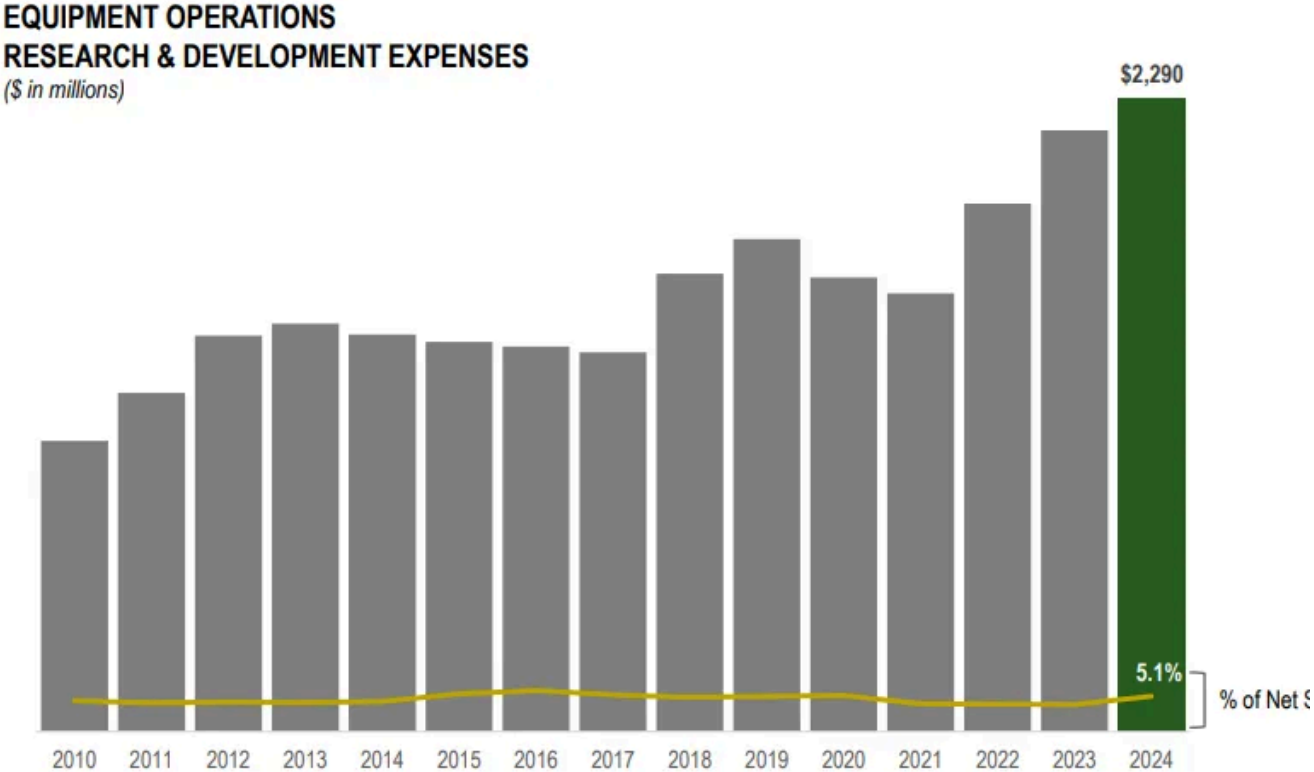
Deere spent \$1.6 billion on capital expenditures in 2024. They plan on the same amount in 2025. This compares to \$1.5 billion in 2023.

Cash returned to shareholders decreased by \$3 billion in 2024. In their annual report, Deere stressed that managing cash flows through the current challenging market conditions resulted in the change.

Cash Returned to Shareholders

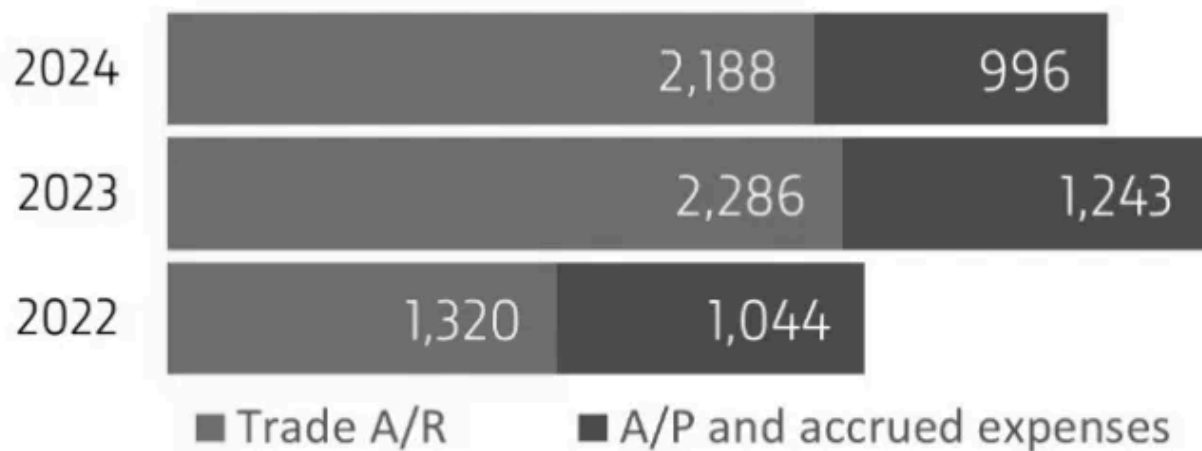


R&D expenditures hit new highs in 2024 totaling almost \$2.3 billion. This is nearly \$1.0 billion in the last ten years. Deere stated numerous times in their annual report that they'll continue to expand R&D capacity as the market evolves.



Cash is also distributed to dealers in the form of bonuses and Incentives. In 2024, lower sales lead to lower incentives.

Sales Incentive Accruals



Finally, in FY 2022 and 2023, Deere reported several acquisitions totaling roughly \$1.2 billion in purchases. No such acquisitions were reported in 2024.

2025 Outlook

Sales

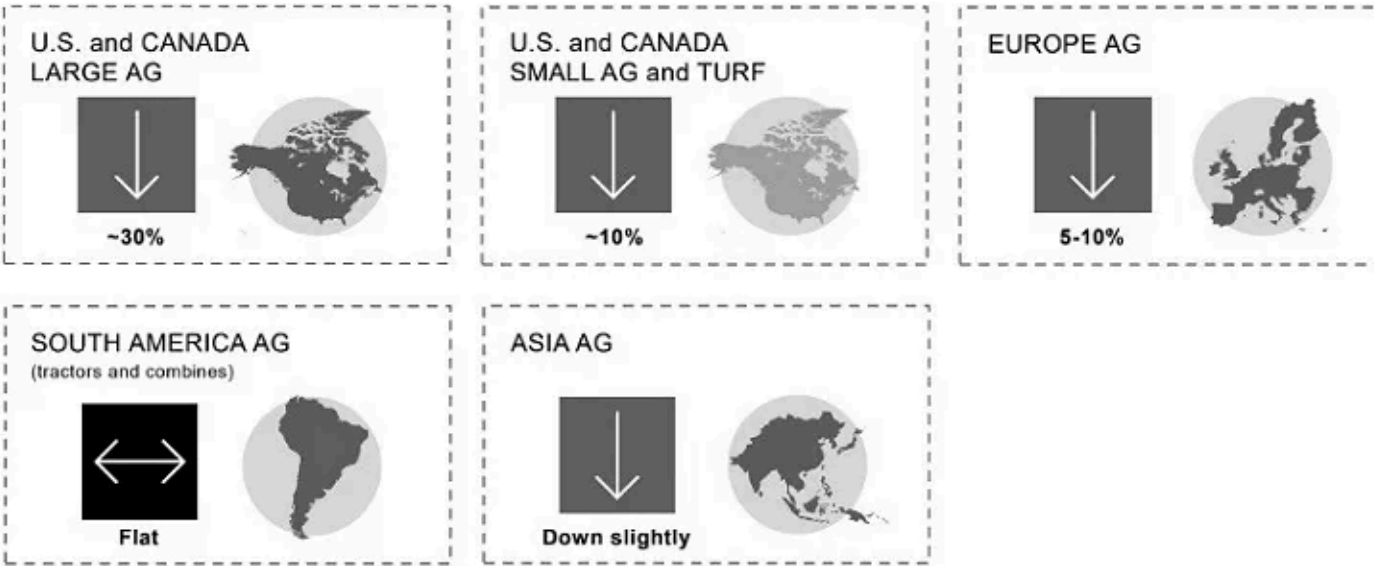
In the U.S., Deere is forecasting further contraction in sales heading into FY 2025. In the Ag & Turf sectors, high interest rates, poor farming margins, and liquidity constraints will limit growth in production ag. The declining rate of single family home purchases and pinched home improvement budgets will limit the sales of utility tractors, lawn tractors, etc.

Issues like unfavorable legislation, elevated input costs and depressed yield will limit growth in Europe.

Deere estimates Brazilian demand for equipment will be flat, but there's opportunity for growth in Argentina as the new government works to resolve extremely unfavorable economic conditions that have plagued the ag industry.

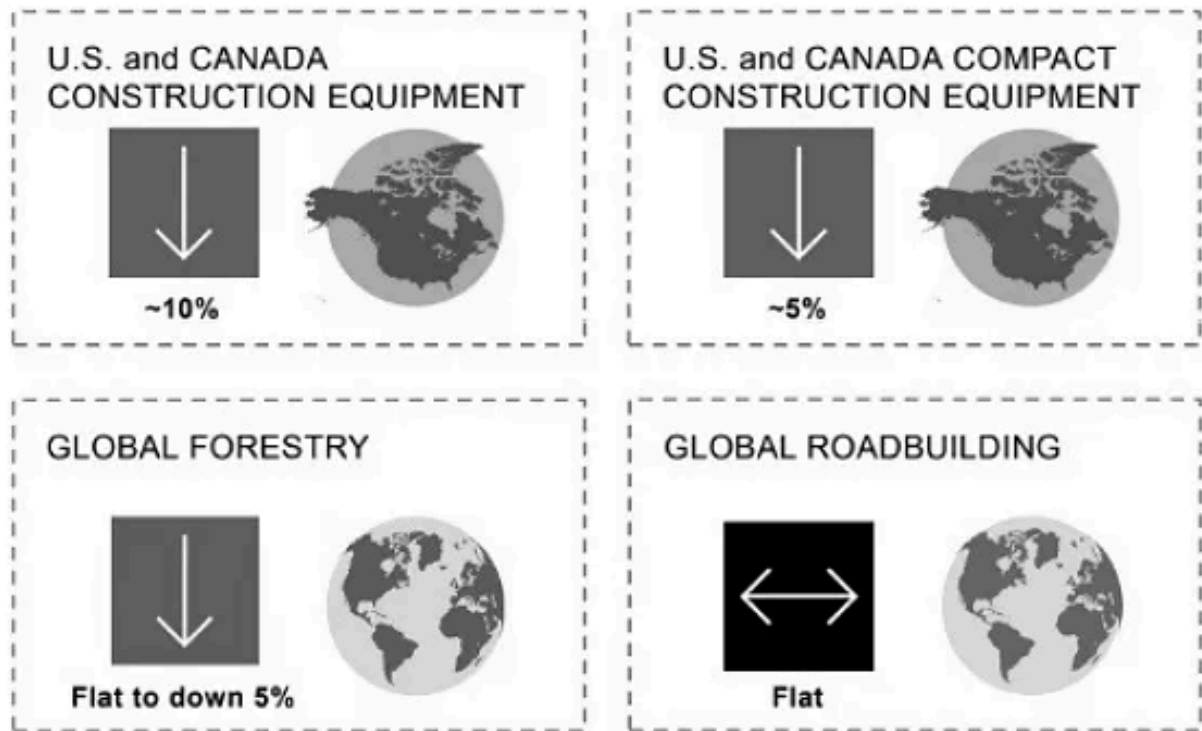
Industry Sales Outlook for Fiscal 2025

Agriculture and Turf



Deere expects construction sales to decline based on shaky demand for new equipment.

Construction and Forestry



Interest Rates

Rising interest rates present a large threat to John Deere's business. The greatest blow is dealt by simply lowering demand for products they manufacture. They also note that historically, higher interest rates have negatively impacted borrowing costs sooner than the benefits can be realized from their financial services business.

Inventory

Deere's inventory goal allows for three months of dealer inventory on hand average. This will require further production cuts in 2025.

Dealer Network

According to Matt Percy, VP, Solutions as a Service, Deere is still "laser focused" on providing their dealers with the tools to help customers get the

most value from their equipment & software. John Deere's dealer network consists of 2,050 dealers in U.S. and Canada, while equipment is sold to distributors and dealers for resale in over 100 other countries.

Fun Facts

1. As of 10-27-24, Deere had more financing receivables on their books than the GDP's of Iceland, Georgia and Estonia.
2. In August 2024 Deere sold 50% stake in Banco John Deere - formerly a fully owned financial services company in Brazil
 - a. The intent of the joint venture is to limit risk in the Brazilian market
 - b. Perhaps a response to rising default rates in the Brazilian ag sector?

Thank You For Reading!

References:

[John Deere 2024 Annual Report](#)

[John Deere 2025 Investor Presentation](#)

[John Deere 2023 Business Impact Report](#)

[deere.com](#)

[John Deere 2024 Annual Report Highlights and Analysis - Upstream Ag](#)



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