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Deere DE FAIRLY VALUED

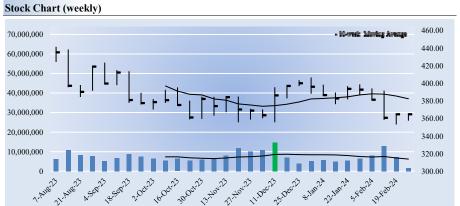
Buying Index™

3

Value Rating

Estimated Fair Value Investment Style Economic Castle Fair Value Range Sector Industry Attractive \$284.00 - \$426.00 LARGE-CAP CORE Industrials Industrial Leaders

Deere continues to showcase a strong order book thanks to a strong farm and construction industry backdrop coupled with a stablizing supply chain.



Company Vitals	
Market Cap (USD)	\$107,064
Avg Weekly Vol (30 wks)	7,446
30-week Range (USD)	353.15 - 441.47
Valuentum Sector	Industrials
5-week Return	-7.4%
13-week Return	-0.2%
30-week Return	-14.2%
Dividend Yield %	1.6%
Dividends per Share	5.88
Forward Dividend Payout Rat	io 21.3%
Est. Normal Diluted EPS	30.47
P/E on Est. Normal Diluted E	PS 12.0
Est. Normal EBITDA	12,809
Forward EV/EBITDA	6.2
EV/Est. Normal EBITDA	5.7
Forward Revenue Growth (5-	yr) -1.8%
Forward EPS Growth (5-yr) NMF = Not Meaningful; Est. = Estimated; FY	-0.1% = Fiscal Year

Returns Summary	3-year Historical Average
Return on Equity	41.1%
Return on Assets	8.7%
ROIC, with goodwill	10.1%
ROIC, without goodwill ROIC = Return on Invested Capital; NMF =	10.7% Not Meaningful

Leverage, Coverage, and Liquidity

finance sub

In Millions of USD	_
Total Debt	-27,593
Net Debt	-33,417
Total Debt/EBITDA	-1.8
Net Debt/EBITDA	NMF
EBITDA/Interest	168.2
Current Ratio	1.9
Quick Ratio	0.4
NMF = Not Meaningful; Debt exclude	s debt associated with the

Investment Highlights

- · Deere operates in three business segments. Its agricultural/turf segment makes tractors, loaders, combines, and harvesters. Its construction/forestry segment produces earthmoving machines, loaders and excavators, while its financial operation supports its dealer network via wholesale financing. The company was founded in 1837 and is based in Illinois.
- Deere's performance is heavily influenced by the economic cycle, and its financial services operation adds credit risks to its business model. We still like Deere's fundamentals, and its strong brand name and extensive dealer network are key competitive strengths.
- Deere is tied to the changing worldwide demand for farm outputs that are required to meet the population's growing food and bio-energy needs. Fluctuating agricultural commodity prices directly impact sales of Deere's equipment and are largely responsible for the cyclical tendencies of its operations. Management targets a 25%-35% payout ratio of mid-cycle earnings.
- Trade tensions and related tariffs have the potential to impact both demand for Deere's products and input costs. Deere is utilizing its pricing power and growing scale to offset inflationary pressures and logistical hurdles, to a degree, and demand for its offerings has been quite strong of late.
- In the market for agricultural/turf equipment, Deere's rivals include AGCO, CNH Global, Kubota, and Toro. Pivoting to the market for construction/forestry equipment, Deere's rival include Caterpillar, Komatsu, and Volvo. Competition remains fierce.

Investment Considerations	
DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation TM	POOR
ValueRisk™	LOW
ValueTrend TM	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	DECLINING
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	382.00
DCF = Discounted Cash Flow; MFI, U/D = Please see glossary.	. MA = Moving Average

Business Quality		ValueCreation TM	ı	
ValueRisk TM	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix

Relative Valuation	Forward P/E	PEG	Price / FV
Danaher	27.6	2.8	97.1%
Honeywell	23.3	2.2	100.6%
Lockheed Martin	16.6	2.0	95.5%
Union Pacific	22.8	1.7	109.0%
Peer Median	23.0	NMF	98.9%
Deere	13.2	NMF	102.7%
		2	

Price / FV = Current Stock Price divided by Estimated Fair Value

Financial Summary	Actua	1	Projected
Fiscal Year End:	Oct-22	Oct-23	Oct-24
Revenue	47,917	55,565	47,508
Revenue, YoY%	20.6%	16.0%	-14.5%
Operating Income	9,853	13,301	10,226
Operating Margin %	20.6%	23.9%	21.5%
Net Income	7,131	10,166	8,017
Net Income Margin %	14.9%	18.3%	16.9%
Diluted EPS	23.28	34.63	27.58
Diluted EPS, YoY %	22.6%	48.7%	-20.3%
Free Cash Flow (CFO-capex)	911	4,121	3,974
Free Cash Flow Margin % In Millions of USD (except for per share items)	1.9%	7.4%	8.4%

Structure of the Agricultural Machinery Industry

NEUTRAL

The agricultural machinery industry is composed of firms that make farm and construction equipment. Demand for agricultural equipment is levered to farm incomes and commodity prices, while purchases of construction equipment are dependent on global economic health. Population growth and the increasing need for food/energy are the major long-term drivers for new orders across the industry. Still, firms are competitive, capital intensive, and possess significant operating leverage. A strong/dependable brand and an expansive distribution network are keys to success. We're neutral on the group.



Deere DE FAIRLY VALUED

Buying Index™

WALUENTUM Value Rating



Economic Castle Attractive

Estimated Fair Value \$355.00

Fair Value Range \$284.00 - \$426.00

Investment Style LARGE-CAP CORE

Sector Industrials

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Industry Industrial Leaders

Economic Profit Analysis

ValueCreationTM **POOR**

The best measure of a firm's ability to create value for shareholders is expressed by comparing its return on invested capital (ROIC) with its weighted average cost of capital (WACC). The gap or difference between ROIC and WACC is called the firm's economic profit spread. Deere's 3-year historical return on invested capital (without goodwill) is 10.7%, which is below the estimate of its cost of capital of 11.7%. As such, we assign the firm a ValueCreationTM rating of POOR. In the chart to the right, we show the probable path of ROIC in the years ahead based on the estimated volatility of key drivers behind the measure. The solid grey line reflects the most likely outcome, in our opinion, and represents the scenario that results in our fair value estimate.

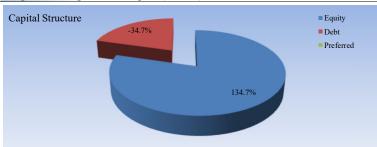
ROIC - WACC Spread, 3-year historical average	-1.0%
ROIC - WACC Spread, 5-year projected average	0.5%

These spreads equal the firm's annual average ROIC (excluding goodwill) less its WACC.

ValueTrend™ **POSITIVE**

Deere receives a ValueTrend™ rating of POSITIVE, which is based on the company's trailing three-year performance. The firm's ROIC (excluding goodwill) increased to 12.3% last year from its trailing 3-year average of 10.7%. We expect ROIC (excluding goodwill) to be in the ballpark of about 13% by the end of our discrete forecast period, with upside potential to about 17% over that time period.

Weighted Average Cost of Capital (WACC)



The cap structure above excludes finance subsidiary debt. We add the value of the finance sub to the equity value of the firm's operations, so considering it here would result in double counting

Cost of Equity

Risk Free Rate Assumption	4.3%
Fundamental Beta (ERP multiplier)	0.9
Estimated Equity Risk Premium	6.5%
Cost of Equity Assumption	9.8%

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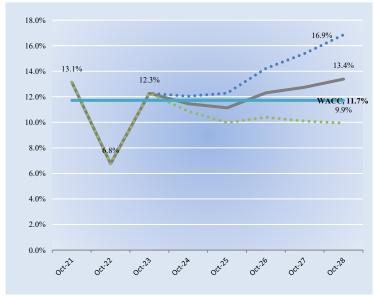
After-tax Cost of Debt Assumption	4.4%
Cash Tax Rate Assumption	21.0%
Cost of Debt Assumption	5.6%
Synthetic Credit Spread	1.29%
Risk Free Rate Assumption	4.3%
Atter-tax Cost of Debt	

Cost of Preferred Stock	
Preferred Dividends	0
Value of Preferred Stock	0
Cost of Preferred Assumption	NA

Weighted Average Cost of Capital (WACC)

ERP = Equity Risk Premium

Adjusted Return on Invested Capital (ROIC)



The graph above shows the firm's ROIC (excluding goodwill) compared with historical averages and its WACC

Assessment of Company Dividend Strategy

Key Strengths

Deere's strong brand name and extensive dealer network are key competitive advantages. The company's core business operating segments are represented by its 'Agricultural & Turf,' 'Construction & Forestry,' and 'Financial Services' divisions. Deere sees \$150+ billion in incremental addressable market opportunities across its three core business segments. The free cash flow generation potential of its equipment operations, when excluding its financing wing from this picture, is rocksolid. Deere has a stellar 'A-rated' investment grade credit rating (A/A2/A) with stable outlooks. We expect Deere will continue to steadily grow its payout going forward.

Potential Weaknesses

Deere's Dividend Cushion ratio is not as strong as it once was due in part to its large debt load. The company is tied to the ups and downs of the economic cycle, and demand for its equipment is dependent on agricultural and other commodity prices. Its financial services arm adds credit risk to its operations. We like management's priority chain for use-of-cash, as it lands the dividend as the third priority behind maintaining an investment grade credit rating and funding operations and growth needs. Management is committed to consistently and moderately raising the dividend while targeting a 25%-35% payout ratio of mid-cycle earnings.

Note: Valuentum may provide an adjusted ROIC measure to better reflect the economic substance of a company's operations, as in the case of companies with negative invested capital.



11.7%

Deere DE FAIRLY VALUED

Buying Index™

Value Rating

Economic Castle Attractive Estimated Fair Value \$355.00 Fair Value Range \$284.00 - \$426.00 Investment Style LARGE-CAP CORE **Sector** Industrials

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Industry
Industrial Leaders

Growth Analysis

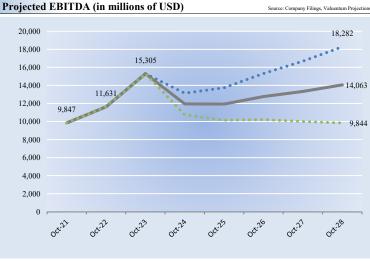
Revenue Growth				DECLINING
		Last Fiscal		
		Year	3-year Historical	5-year Projected
		Revenue	CAGR	CAGR
Deere	USD	55,565	21.1%	-1.8%
Danaher	USD	31,471	20.7%	-0.2%
Honeywell	USD	35,466	-1.1%	4.8%
Lockheed Martin	USD	65,984	3.3%	3.2%
Union Pacific	USD	24,875	4.6%	3.1%
Peer Median			4.0%	3.1%
Industry Median			7.6%	4.3%

Deere's revenue expansion has been greater than the median of both its peer group and industry group during the past three years. We expect the firm's pace of revenue growth to fall below the median of both its peer group and industry group during the next five years. Our growth assessment of each firm is based on the firm's 5-year forward revenue CAGR. Deere's future pace of revenue growth is DECLINING, in our opinion.

In the chart above, we show our baseline forecast for revenue as well as potential upside and downside cases.

EBITDA Growth Last Fiscal Year 3-year Historical 5-year Projected **EBITDA CAGR** CAGR Deere USD 15,305 32.8% -1.7% 10,964 34.9% 2.6% USD 8 274 -1 2% 7 9% Honeywell USD -0.6% 7.3% Lockheed Martin USD 8,620 Union Pacific USD 12,079 3.7% 5.7% Peer Median 1.6% 6.5% 8.0% Industry Median

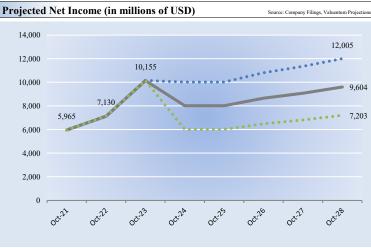
Deere's EBITDA expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of EBITDA growth to fall below that of both its peer group and industry group during the next five years. Honeywell sports the highest expected EBITDA growth rate among peers.



In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

Net Income Growth				
		Last Fiscal Year Net Income	3-year Historical CAGR	5-year Projected CAGR
Deere	USD	10,166	54.5%	-1.1%
Danaher	USD	7,209	33.8%	3.5%
Honeywell	USD	4,966	-6.8%	10.7%
Lockheed Martin	USD	5,732	-2.7%	8.9%
Union Pacific	USD	6,998	5.7%	6.1%
Peer Median			1.5%	7.5%
Industry Median			10.3%	7.0%

Deere's net income expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of net income growth to fall below that of both its peer group and industry group during the next five years. Honeywell sports the highest expected net income growth rate among peers.



In the chart above, we show our baseline forecast for net income as well as potential upside and downside cases

Deere DE FAIRLY VALUED

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Value Rating

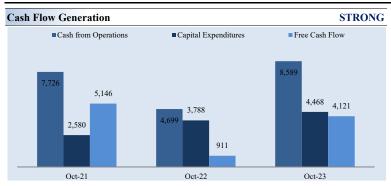
Economic Castle
Attractive

Estimated Fair Value \$355.00 Fair Value Range \$284.00 - \$426.00 Investment Style LARGE-CAP CORE Sector Industrials

3

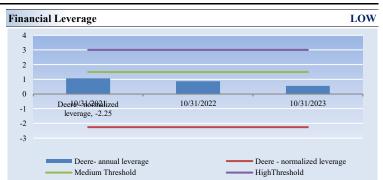
Industry
Industrial Leaders

Cash Flow and Financial Leverage Analysis



The bars above show the firms operating cash flow, capital expenditures, and free cash flow, respectively

Firms that generate a free cash flow margin (free cash flow divided by total revenue) above 5% are usually considered cash cows. Deere's free cash flow margin has averaged about 7.4% during the past 3 years. As such, we think the firm's cash flow generation is relatively STRONG. The free cash flow measure shown above is derived by taking cash flow from operations less capital expenditures and differs from enterprise free cash flow (FCFF), which we use in deriving our fair value estimate for the company. For more information on the differences between these two measures, please visit our website at Valuentum.com. At Deere, cash flow from operations increased about 11% from levels registered two years ago, while capital expenditures expanded about 73% over the same time period.



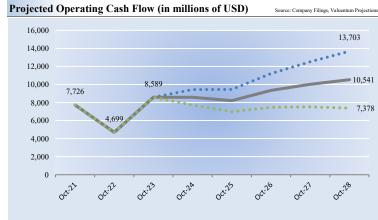
The bars above show the firm's annual debt-to-EBITDA including financial subsidiary debt. The red line shows the firm's normalized me

Firms that exhibit high leverage tend to be more risky than firms with relatively low debt loads, all else equal. We measure financial leverage by taking a firm's current total debt load and dividing it by the firm's trailing average 3-year annual EBITDA. Firms that are over 3 for this metric, we rate as having high leverage. Companies that have less than 1.5 turns of leverage (or a measure below 1.5), we rate as having low leverage. Deere's normalized debt-to-EBITDA measure, which excludes finance sub debt, of about -2.25 puts it in the LOW camp.

Cash Flow from Operations

		Last Fiscal Year CFO	3-year Historical CAGR	5-year Projected CAGR
Deere	USD	8,589	4.7%	4.2%
Danaher	USD	8,519	29.2%	4.4%
Honeywell	USD	5,274	-8.6%	12.4%
Lockheed Martin	USD	7,802	2.2%	6.4%
Union Pacific	USD	9,362	2.8%	6.0%
Peer Median			2.5%	6.2%
Industry Median			3.7%	8.6%

Deere's cash flow from operations expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of cash flow from operations growth to fall below that of both its peer group and industry group during the next five years. Honeywell sports the highest expected cash flow from operations growth rate among peers.

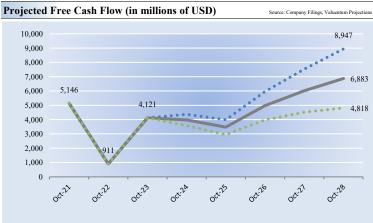


In the chart above, we show our baseline forecast for CFO as well as potential upside and downside cases.

Free Cash Flow (CFO-capital expenditures)

		Last Fiscal Year FCF	3-year Historical CAGR	5-year Projected CAGR
Deere	USD	4,121	-5.1%	10.8%
Danaher	USD	7,367	30.5%	5.2%
Honeywell	USD	4,508	-9.4%	13.8%
Lockheed Martin	USD	6,132	1.7%	8.1%
Union Pacific	USD	5,742	3.7%	10.1%
Peer Median			2.7%	9.1%
Industry Median			3.0%	13.1%

Deere's free cash flow expansion has trailed both that of its peer group and its industry group during the past three years. We expect the firm's free cash flow to outpace its peer group but trail that of its industry group during the next five years. Honeywell sports the highest expected free cash flow growth rate among peers.



In the chart above, we show our baseline forecast for free cash flow as well as potential upside and downside cases

Deere DE FAIRLY VALUED

Buying Index™

Value Rating



 Economic Castle
 Estimated Fair Value
 Fair Value Range
 Investment Style
 Sector
 Industry

 Attractive
 \$355.00
 \$284.00 - \$426.00
 LARGE-CAP CORE
 Industrials
 Industrial Leaders

Valuation Analysis

Valuation Assumptions				
In Millions of USD (except for per share items)	5-year Projections			
Revenue CAGR %	-1.8%			
Avg. EBIT Margin %	22.7%			
Avg. Cash Tax Rate %	21.0%			
Earnings Before Interest CAGR %	6.3%			
Earnings Per Share CAGR %	-0.1%			
Free Cash Flow to the Firm CAGR %	-6.6%			
Earnings before interest = Net operating profits less adjusted taxes	Long-term Projections			
Phase II> III FCFF CAGR %	4.3% (II) 3% (III)			
Cost of Equity %	9.8%			
After-tax Cost of Debt %	4.4%			
Discount Rate (WACC) %	11.7%			
Synthetic credit spread = 1.29%	Results			
Phase I Present Value	18,022			
Phase II Present Value	36,717			
Phase III Present Value	16,887			
Total Firm Value	71,626			
Net Balance Sheet Impact	32,670			
Total Equity Value	104,296			
Diluted Shares Outstanding	293.6			
Fair Value per Share	\$355.00			

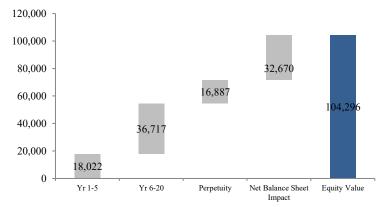
DCF Valuation Summary

We think Deere is worth \$355 per share with a fair value range of \$284.00 - \$426.00. The margin of safety around our fair value estimate is driven by the firm's LOW ValueRisk™ rating, which is derived from an evaluation of the historical volatility of key valuation drivers and a future assessment of them. Our near-term operating forecasts, including revenue and earnings, do not differ much from consensus estimates or management guidance. Our model reflects a compound annual revenue growth rate of -1.8% during the next five years, a pace that is lower than the firm's 3-year historical compound annual growth rate of 21.1%. Our model reflects a 5-year projected average operating margin of 22.7%, which is above Deere's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of 4.3% for the next 15 years and 3% in perpetuity. For Deere, we use a 11.7% weighted average cost of capital to discount future free cash flows.

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Deere and the break down to the firm's total equity value, which we estimate to be about 104.3USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact, which considers the firm's pension and finance sub, is displayed. We divide total equity value by diluted shares outstanding to arrive at our \$355 per share fair value estimate.

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In addition to the firm's cap structure, the net balance sheet impact considers the funded status of the firm's pension (-5523) and our estimate of the value of its finance sub (4776). In Millions of USD

Enterprise Free Cash Flow Fiscal Year End 10/31/2021 10/31/2022 10/31/2023 Earnings before Interest 6,203 3,720 6,938 + Depreciation 1,813 1,633 2,004 - Capital Expenditures 2,580 3,788 4,468 - Change in Working Capital 2,819 3,096 -5,409 498 Acquisitions 244 82 Enterprise Free Cash Flow (FCFF) 2,373 -2.0299,801 In Millions of USD

Our future forecasts for key valuation drivers result in a future free enterprise cash flow stream. Above, we show how we calculate enterprise free cash flow and the historical performance of the metric for Deere. Over the next five years, we expect the firm's enterprise free cash flow to expand at about a -7% compound annual growth rate. During years 6 through 20, we expect the measure to grow at a 4.3% rate. Beyond year 20 (in perpetuity), we grow the firm's free cash flow at inflation (3%).

Source: Company Filings, Valuentum Projection

Company Metrics versus Peer and Industry Medians

Company Name	Valuentum Buying Index TM	Forward Price-to- Earnings	P/E on Est. Normal Diluted EPS	Price/Earnings-to- Growth (PEG), 5- year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Deere	3	13.2	12.0	NMF	6.2	5.7	-0.1%	10.7%	1.6%	102.7%
Danaher	6	27.6	24.4	2.8	19.3	17.4	3.3%	29.6%	0.4%	97.1%
Honeywell	3	23.3	18.1	2.2	16.5	13.6	12.4%	55.2%	2.2%	100.6%
Lockheed Martin	7	16.6	15.1	2.0	13.1	12.3	10.6%	48.1%	2.8%	95.5%
Union Pacific	6	22.8	18.0	1.7	15.5	13.3	8.2%	13.5%	2.2%	109.0%
Peer Median	6.0	23.0	18.0	NMF	16.0	13.5	9.4%	38.9%	2.2%	98.9%
Industry Median	6.0	19.9	16.3	2.0	13.9	12.2	9.7%	21.6%	1.6%	99.6%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.



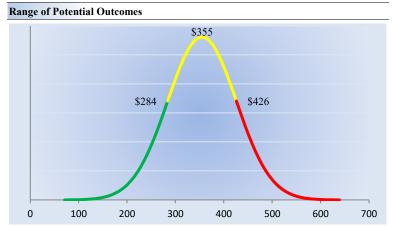
Deere DE FAIRLY VALUED

Buying Index™

Value Rating

Economic Castle Attractive Estimated Fair Value \$355.00 Fair Value Range \$284.00 - \$426.00 Investment Style LARGE-CAP CORE Sector Industrials Industry
Industrial Leaders

Margin of Safety Analysis



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about \$355 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRiskTM rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for Deere. We think the firm is attractive below \$284 per share (the green line), but quite expensive above \$426 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

ValueRiskTM LOW

3

Deere receives a ValueRisk™ rating of LOW based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.

Revenue Volatility 18.8%
Gross Margin Volatility 29.6%
Earnings (EBI) Volatility 20.7%

Cash Flow (FCFF) Volatility Greater than 50% Fair Value Range 20.0%

The Fair Value Range sets the premium or discount on our estimate of the firm's fair value

Upside and Downside Probabilities

Probability (fair value < \$0)

Probability (fair value > 2x current share price)

Less than 0.1%

0.00%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

Future Path of Fair Value

We estimate Deere's fair value at this point in time to be about \$355 per share. As time passes, however, companies generate cash flow and pay out cash to shareholders in the form of dividends. The chart to the right compares the firm's current share price with the path of Deere's expected equity value per share over the next three years, assuming our long-term projections prove accurate. The range between the resulting downside fair value and upside fair value in Year 3 represents our best estimate of the value of the firm's shares three years hence. This range of potential outcomes is also subject to change over time, should our views on the firm's future cash flow potential change. The expected fair value of \$450 per share in Year 3 represents our existing fair value per share of \$355 increased at an annual rate of the firm's cost of equity less its dividend yield. The upside and downside ranges are derived in the same way, but from the upper and lower bounds of our fair value estimate range.



The graph above shows the expected future fair value of the firm's shares relative to its current stock price.

Deere DE FAIRLY VALUED

Buying Index™

Value Rating

Economic Castle
Attractive

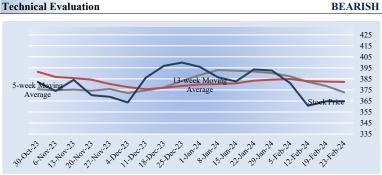
Estimated Fair Value \$355.00 **Fair Value Range** \$284.00 - \$426.00

Investment Style LARGE-CAP CORE **Sector** Industrials

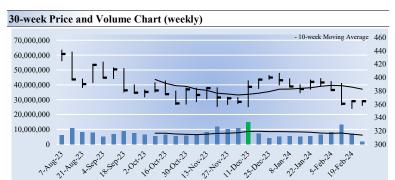
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Industry
Industrial Leaders

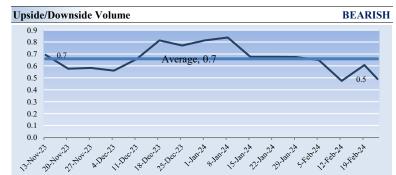
Technical Analysis



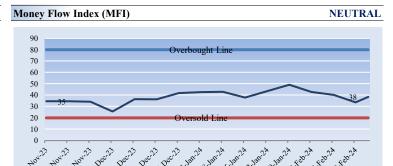
The firm's near-term moving average (5-week, grey line) and medium-term moving average (13-week, red line) are shown in the chart above. Typically, when a shorter-term moving average crosses a medium- or longer-term moving average from below, it represents a bullish signal. If the short-term moving average crosses from above, traders often view this as bearish. Deere's 5-week moving average is below its 13-week measure, indicating a BEARISH trend. This activity further confirms the company's 30-week downtrend.



In the chart above, we pinpoint the heaviest accumulation or distribution week of the firm, determined by the week with the highest trading volume during the past 30 weeks. A heavy accumulation (buying) or distribution (selling) week often determines the future near-term direction of the firm's share price, as money managers continue to move in or out of the stock in the days and weeks ahead driving the stock up or down, respectively. For Deere, the week with the highest trading volume out of the last 30 weeks was a week of heavy buying, or accumulation (green bar). Such market activity could indicate a reversal of a downtrend or further confirmation of the firm's uptrend.



The level and trend of the Upside/Downside (U/D) volume ratio reveals whether institutional participation has been bullish or bearish as of late. Deere's U/D volume ratio of 0.5 is not only less than 1 but also is lower than its trailing average, indicating BEARISH institutional interest during the past several weeks.



The Money Flow Index (MFI) is an oscillator that uses price and volume to measure buying and selling pressure. Chartists often look for overbought (above 80) and oversold (below 20) levels to warn of unsustainable near-term price extremes. Deere's MFI of 38 (green line) is neutral, suggesting the firm's stock is neither overbought nor oversold at this time. However, a score below 50 tends to favor bears. The MFI can also be used to gauge the strength or weakness of a firm's price trend. In Deere's case, its stock has generally declined during the past several weeks, but money flow or momentum has improved, a bullish divergence. We'd keep a close watch for improving technicals.

Relative Price Strength	WEAK

A firm's relative price strength can be assessed over any number of time horizons. We show the firm's performance over the past 5 weeks, 13 weeks, and 30 weeks below. In arriving at our relative strength rating for each company, we assess the past 13 weeks, which includes the market's reaction to the firm's most recently reported quarter, where applicable, and other more recent economic events. During the past 13 weeks, Deere's shares returned -0.2%, while the market benchmark returned 10.4%. We think Deere's 13-week relative price performance is WEAK.

5-week Company Performance	-7.4%
5-week Market Benchmark Performance	5.1%
5-week Relative Performance vs. Market Benchmark	-12.6%
13-week Company Performance	-0.2%
13-week Market Benchmark Performance	10.4%
13-week Relative Performance vs. Market Benchmark	-10.6%
30-week Company Performance	-14.2%
30-week Market Benchmark Performance	12.2%
30-week Relative Performance vs. Market Benchmark	-26.4%

Timeliness Ma	trix TM E	Equity Valuation				
Relative Strength	Overvalued	Fairly Valued	Undervalued			
Strong						
Neutral						
Weak						

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. A cross section of the firm's equity valuation and its relative share price strength is shown in the matrix above. We tend to prefer undervalued stocks that have strong pricing momentum, also called Valuentum stocks.



Deere DE FAIRLY VALUED

Buying Index™

3

Value Rating



 Economic Castle
 Estimated Fair Value
 Fair Value Range
 Investment Style
 Sector
 Industry

 Attractive
 \$355.00
 \$284.00 - \$426.00
 LARGE-CAP CORE
 Industrials
 Industrial Leaders

Pro Forma Income Statement

		Historical	Proje	Projected		
In Millions of USD (except for per share items)						
	Oct-21	Oct-22	Oct-23	Oct-24	Oct-25	
Total Revenue	39,737	47,917	55,565	47,508	47,556	
Cost of Goods Sold	31,768	38,077	39,675	36,667	36,716	
Selling, General and Administrative Expenses	2,879	2,964	3,428	3,168	3,172	
Other Operating Expenses	(4,670)	(4,802)	(2,762)	(2,553)	(2,556)	
Operating Income	7,918	9,853	13,301	10,226	10,224	
Unusual items	0	0	0	0	0	
Operating Income, including unusual items	7,918	9,853	13,301	10,226	10,224	
Interest Expense	(306)	(263)	(91)	(91)	(91)	
Other Non-operating Income	11	(453)	(184)	0	0	
Pre-tax Income	7,623	9,137	13,026	10,135	10,133	
Income Taxes	1,658	2,007	2,871	2,128	2,128	
Income after tax	5,965	7,130	10,155	8,006	8,005	
Minority Interest and Equity Income	(2)	1	11	11	11	
Net Income, excluding extra items	5,963	7,131	10,166	8,017	8,016	
Income Available to Common, excluding extra items	5,963	7,131	10,166	8,017	8,016	
Diluted Earnings per Share, excluding extra items	18.99	23.28	34.63	27.58	27.86	
Diluted Weighted Shares Outstanding	314.0	306.3	293.6	290.7	287.8	

Source: Company Filings, Xignite, Valuentum Projections, Seeking Alpha

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.



Deere DE FAIRLY VALUED

Buying Index™

3

Value Rating

----- Projected -----



 Economic Castle
 Estimated Fair Value
 Fair Value Range
 Investment Style
 Sector
 Industry

 Attractive
 \$355.00
 \$284.00 - \$426.00
 LARGE-CAP CORE
 Industrials
 Industrial Leaders

----- Historical -----

Pro Forma Balance Sheet

In Millions of USD (except for per share items)					
	Oct-21	Oct-22	Oct-23	Oct-24	Oct-25
Assets					
Total Cash (including marketable securities)	7,430	4,127	5,824	7,018	7,655
Inventory	6,781	8,495	8,160	7,548	7,565
Accounts Receivable	6,056	8,949	10,426	8,859	8,813
Other Current Assets	40,266	44,629	53,524	53,524	53,524
Total Current Assets	60,533	66,200	77,934	76,950	77,558
Gross Fixed Assets	14,466	14,748	14,748	19,350	24,090
(Accumulated Depreciation)	(8,355)	(8,393)	(7,905)	(9,618)	(11,334)
Net Property, Plant, and Equipment	6,111	6,355	6,843	9,732	12,757
Goodwill, Net	3,291	3,687	3,900	3,900	3,900
Intangibles, Net	1,557	1,590	1,133	1,133	1,133
Other Long-term Assets	12,622	12,198	14,277	14,277	14,277
Total Assets	84,114	90,030	104,087	105,991	109,624
Liabilities					
Accounts Payable	3,475	4,119	16,130	14,026	13,646
Other Current Liabilities	22,488	26,667	23,704	23,986	24,081
Current Portion of Long-term Debt	1,630	2,132	1,230	1,230	1,230
Total Current Liabilities	27,593	32,918	41,064	39,242	38,956
Long-term Debt	8,877	7,887	7,210	7,210	7,210
Other Long-term Liabilities	29,213	28,963	34,028	34,028	34,028
Total Liabilities	65,683	69,768	82,302	80,480	80,194
Preferred Stock	0	0	0	0	0
Shareholders' Equity					
Common Stock and Additional Paid in Capital	5,054	5,165	21,785	21,785	21,785
Retained Earnings	36,449	42,247	0	6,297	12,525
Other Equity	(23,072)	(27,150)	0	(2,571)	(4,881)
Total Shareholders' Equity	18,431	20,262	21,785	25,512	29,430
Total Liabilities and Shareholders' Equity	84,114	90,030	104,087	105,991	109,624

ce: Company Filings, Xignite, Valuentum Projections, Seeking Alpha

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.



Data as of 23-Feb-2024 Valuentum Retail Equity Research (10=best)

Deere DE FAIRLY VALUED

WALUENTUM . Buying Index™

3

Value Rating

----- Projected -----

Investment Style **Economic Castle Estimated Fair Value** Fair Value Range Sector Industry Attractive \$355.00 \$284.00 - \$426.00 LARGE-CAP CORE Industrials Industrial Leaders

----- Historical -----

Pro Forma Cash Flow Statement

In Millions of USD (except for per share items)	Oct-21	Oct-22	0-+ 22	0-4.24	0-4.25
	Oct-21	Oct-22	Oct-23	Oct-24	Oct-25
Cash from Operations					
Net Income	5,963	7,131	10,166	8,006	8,005
Depreciation and Amortization	1,929	1,778	2,004	1,713	1,715
Deferred Income Taxes	0	0	0	0	0
Operating Gains Or Losses	(166)	(4,210)	(3,581)	(1,500)	(1,250)
Changes in Working Capital	0	0	0	356	(256)
Cash Flow from Operations	7,726	4,699	8,589	8,576	8,213
Cash from Investing					
Purchase of Property, Plant, Equipment	(2,580)	(3,788)	(4,468)	(4,602)	(4,740)
Other Investing Cash Flows	(3,170)	(4,697)	(4,281)	0	0
Cash Flow from Investing	(5,750)	(8,485)	(8,749)	(4,602)	(4,740)
Cash from Financing					
Issuance (Retirement) of Stock	(2,390)	(3,534)	(7,216)	(1,071)	(1,060)
Issuance (Retirement) of Debt	2,450	5,765	11,524	0	0
Dividends Paid	(1,040)	(1,313)	(1,427)	(1,709)	(1,777)
Other Financing Cash Flows	(98)	(92)	(73)	0	0
Cash Flow from Financing	(1,078)	826	2,808	(2,780)	(2,837)
Foreign Exchange	55	(224)	31	0	0
Net Change in Cash	953	(3,184)	2,679	1,194	637

ce: Company Filings, Xignite, Valuentum Projections, Seeking Alpha

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.



Deere DE FAIRLY VALUED

Buying Index™

Value Rating



Economic Castle
Attractive

Estimated Fair Value \$355.00 Fair Value Range \$284.00 - \$426.00 Investment Style LARGE-CAP CORE **Sector** Industrials

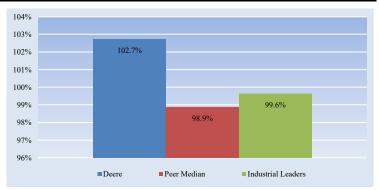
3

Industry Industrial Leaders

Industrial Leaders

Industrial Leaders FAIRLY VALUED

We think the Industrial Leaders industry is fairly valued at this time. The industry's market cap is trading between 80% and 120% of our estimate of its fair value based on our DCF process. Although we use a firm-specific ValueRisk™ measure to determine whether a firm is undervalued or overvalued based on our DCF process, we consider an industry to be undervalued if it is trading below 80% of our estimate of its fair value and overvalued if it is trading at over 120% of our estimate of its fair value. We think these fair value ranges are appropriate given the diversification benefits of holding a basket of stocks. Although there may be individual opportunities within the Industrial Leaders industry, we don't find the industry as a whole attractive based solely on valuation.



The above bar chart reveals the price/fair value of the company, its peers, and the industry as a whole.

Shaded blue denotes that the firm has earned the highest rating for that respective category.

Market Cap (USD-

Company Name	Ticker	mil)	Investment Style	DCF Valuation	Relative Valuation	ValueCreation™	ValueRisk™	ValueTrend™	Technicals	Relative Strength
3M	MMM	57,728	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	NEGATIVE	BULLISH	NEUTRAL
Amphenol Corp	APH	56,704	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	POSITIVE	BULLISH	NEUTRAL
Boeing	BA	122,590	LARGE-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	POOR	MEDIUM	POSITIVE	BEARISH	WEAK
Canadian National	CNI	82,450	LARGE-CAP CORE	FAIRLY VALUED	ATTRACTIVE	GOOD	MEDIUM	NEGATIVE	BULLISH	STRONG
Caterpillar	CAT	165,292	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Cavco	CVCO	2,852	MID-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Corning	GLW	26,104	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	POOR	MEDIUM	NEGATIVE	BULLISH	WEAK
CSX Corp	CSX	73,768	LARGE-CAP CORE	FAIRLY VALUED	NEUTRAL	GOOD	LOW	POSITIVE	BULLISH	STRONG
Danaher	DHR	167,499	LARGE-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	STRONG
Decre	DE	107,064	LARGE-CAP CORE	FAIRLY VALUED	NEUTRAL	POOR	LOW	POSITIVE	BEARISH	WEAK
Eaton	ETN	95,154	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Emerson Electric	EMR	55,219	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	VERY POOR	LOW	NEGATIVE	BULLISH	WEAK
Fastenal	FAST	36,930	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	STRONG
FedEx	FDX	69,386	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	GOOD	LOW	NEGATIVE	BULLISH	NEUTRAL
General Dynamics	GD	70,259	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
General Electric	GE	133,608	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	POSITIVE	BULLISH	STRONG
Honeywell	HON	134,728	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	NEGATIVE	BEARISH	WEAK
Illinois Tool Works	ITW	80,266	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	NEGATIVE	BULLISH	STRONG
Lockheed Martin	LMT	121,041	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	WEAK
Northrop Grumman	NOC	71,739	LARGE-CAP CORE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	VERY BEARISH	STRONG
Parker-Hannifin	PH	60,483	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	NEGATIVE	NEUTRAL	STRONG
Parsons Corp	PSN	7,197	MID-CAP BLEND	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	POSITIVE	BULLISH	NEUTRAL
Raytheon Tech	RTX	125,164	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	GOOD	LOW	NEGATIVE	BULLISH	WEAK
Republic Services	RSG	53,309	LARGE-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Roper Technologies	ROP	57,838	LARGE-CAP GROWTH	FAIRLY VALUED	UNATTRACTIVE	POOR	MEDIUM	NEGATIVE	BULLISH	STRONG
TE Connectivity	TEL	44,894	LARGE-CAP CORE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Union Pacific	UNP	148,300	LARGE-CAP CORE	FAIRLY VALUED	NEUTRAL	GOOD	LOW	POSITIVE	BULLISH	STRONG
United Parcel Service	UPS	141,860	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	NEGATIVE	BULLISH	NEUTRAL
Waste Management	WM	72,438	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	POSITIVE	BULLISH	STRONG

Valuentum's Full Page Stock Report

DCF Valuation

Shows whether the firm is undervalued, fairly valued, or overvalued based on our DCF process and by how much.

Valuentum Buying Index (VBI)

Provides insight into the timeliness of an investment opportunity. We rank firms from 1 to 10 based on rigorous fiancial, valuation, and technical analysis. A 10 represents one of our top picks.



Valuentum Value Rating (VVR)

Indicates whether we think a firm is undervalued, fairly valued, or overvalued on the basis of our DCF process.



Investment Considerations

Evaluates firms on 12 different measures, from the firm's growth and cash flow generation to the stock's money flow index and upside/downside volume. We reveal technical support and resistance levels.

Business Quality

for shareholders

operations.

compared wth the

underlying risk of its

Investment Highlights

analysis of its financial

and technical strengths

Relative Valuation

Comparison of the

peers.

firm's PE, PEG, and

Price/FV ratios versus

Our opinion of the

and weaknesses.

company, including

Summary of the firm's

ability to create value

30-week Price and **Volume Action**

Displays the last accumulation or distribution week of the stock and historical price and volume action.

Company Vitals

industry and other

relevant company

Normalized EPS

Estimation of the

firm's normalized

earnings measures

valuation mutliples.

corresponding

and EBITDA

and the

Shows sector.

information.

Visit us at www.valuentum.com Valuentum Retail Equity Research Apple AAPL UNDERVALUED 3 Buying Index™ Value Rating Economic Castle Highest Rated Estimated Fair Value Investment Style MEGA-CAP VALUE Investment Consideration Apple is as much a brand as it is one of the most innovative companies

Stock Chart (weekly) ValueCreationTM ValueRiskTM 1.800.000.000 ValueTrendTM 116.00 Cash Flow Generation 111 1,200,000,000 Technical Evaluatio 800,000,000 Relative Strength Company Vitals

Apple is as much a brand as it is one of the world's

most innovative companies. The firm is no longer

known for its iPods and personal computers, as the

proliferation of the iPhone over the past several years

has been a sight to behold. The company's execution

remains top notch, and we enter it it to continue to out innovative products in technology, its most recent many product launch.

UNDERVALUED Relative Valuation UNATTRACTIVE EXCELLENT LOW POSITIVE STRONG MODEST BULLISH STRONG Money Flow Index (MFI) NEUTRAL Upside/Downside Volume (U/D) BULLISH Near-term Technical Support, 10-week MA 112.00 ited Cash Flow; MFI, U/D = Please see glos

ansimess Saumis				
/alueRisk TM	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				
irms that generate economic	profits with little oper	eating variability scor	e near the top rigi	at of the matrix.
Relative Valuation	K	Forward P/E	PEG	Price / FV
		220	272.00	00.20/

· Criticism over the firm's dependence on sales of the	Firms that generate economic profits with little ope	postine specialistic score	a near the top riv
iPhone gained momentum in fiscal 2016, as the second quarter of the fiscal year marked the first	Relative Valuatio	Forward P/E	PEG
quarterly sales decline in 13 years. High levels of	BlackBerry	-53.0	NMF
demand for the iPhone 7 and multiple safety issues at	Cray	49.4	0.9
rival Samsung have eased concerns for the time being.	Hewlett-Packard	9.0	NMF
· Apple's rollout of future iterations of the iPhone	IBM	11.7	2.6
should propel its fundamentals higher. Though we're	Peer Median	10.4	1.8
not embedding another blockbuster hit in our model,	Apple	14.0	2.0
we wouldn't be surprised if Apple delivers another one	Price / FV = Current Stor vided by	y Estimated Fair Va	lue
from its pipeline. Perhaps only a dream five years ago, the popularity of the new Apple Watch is now worth	Financial Summar	Actual	
watching, though it has yet to catch fire in the eyes of	Fiscal Year End:	Sep-14	Sep-1

I cet teleditiit	10.4	E 140	001010	
Apple	14.0	2.0	79.3%	
Price / FV = Current Stor vided by I	Estimated Fair Val	lue		
Financial Summar	Actual		Projected	
Fiscal Year End:	Sep-14	Sep-15	Sep-16	
Revenue	182,795	233,715	215,485	
Revenue, YoY%	7.0%	27.9%	-7.8%	
Operating Income	52,503	71,230	63,313	
Operating Margin %	28.7%	30.5%	29.4%	
Net Income	39,510	53,394	48,329	
Net Income Margin %	21.6%	22.8%	22.4%	
Diluted EPS	6.45	9.22	8.34	
Diluted EPS, YoY %	13.6%	42.8%	-9.5%	
Free Cash Flow (CFO-capex)	49,900	69,778	47,138	
Free Cash Flow Margin %	27.3%	29.9%	21.9%	

· Investors should pay close attention to the firm's Return on Equity 36.8% gross margin, which is expected to fall to 37.5%-38% in fiscal 2016 from 40% in fiscal 2015. Pricing and 19.3% Return on Assets ROIC, with goodwill cost pressures may be unavoidable. A slight step back ROIC, without goodwill ROIC = Return on Invested Capital; N

\$675,472

180.295

1.2%

2.28

7.3%

9.55

12.2

89.47 - 118.69

Information Technology

Leverage, Coverage, and Liquidity Total Debt 64,462 Net Debt -141.204 Total Debt/EBITDA 0.8 Net Debt/EBITDA EBITDA/Interest Current Ratio Quick Ratio

Market Cap (USD)

Valuentum Sector

5-week Return

13-week Return

30-week Return

Dividend Yield %

Dividends per Share

Est. Normal Diluted EPS

Est. Normal EBITDA

Forward EV/EBITDA

Returns Summary

EV/Est. Normal EBITDA

Forward Dividend Payout Ratio

P/E on Est. Normal Diluted EPS

Forward Revenue Growth (5-yr)

Forward EPS Growth (5-yr)
NMF = Not Meaningful: Est. = Estimated: FY = Fiscal Year

Avg Weekly Vol (30 wks)

30-week Range (USD)

fiscal 2016 should not be a major conce vestors given Apple's massive cash position and impressive track record

· Apple's cash hoard is more than some of the market capitalizations of the largest companies in the S&P 500. The company retains tremendous flexibility in this regard, and we continue to expect dividend increases and share buybacks.

Structure of the Computer Hardware Industry The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The indu is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish perform some, and services revenue has become critical for others. We're neutral on the space

VALUENTUM

77.3%

75.9%

Returns Summary

3-year averages of the firm's key return measures, including return on invested capital, with and without goodwill.



Page 1

Leverage, Coverage, and Liquidity

A snapshot of the company's financial health.



Financial Summary

A summary of the proforma financial statements found in the extended report.

About Valuentum

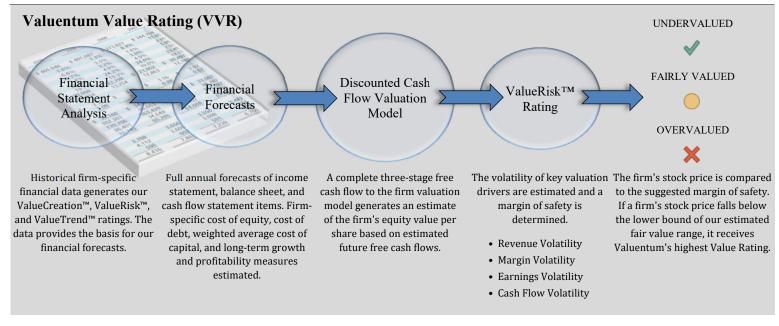
@Valuentum, we strive to stand out from the crowd. Most investment research publishers fall into a few camps, whether it be value, growth, income, momentum, chartist or some variant of the aforementioned. We think each in its own right holds merit, but we think the combination of these approaches can be even more powerful. After all, stock price movements aren't just driven by investors of the value or growth variety, but by all market participants. Therefore, we look at stocks from a variety of investment perspectives in order to better understand and identify ideas. We want to provide relevant information.

The core of our process is grounded in rigorous discounted cash flow analysis and incorporates the concept of a margin of safety. We offer a fair value estimate for each company and provide a relative valuation assessment in the context of a company's industry and closest peers. A cross section of our ValueCreationTM and ValueRiskTM ratings provides a financial assessment of a company's business quality, while our ValueTrendTM rating offers insight into the trajectory of a firm's economic profit creation. The Economic Castle rating measures the magnitude of future economic value generation, and the Dividend Cushion ratio assesses the financial capacity of a company to keep raising its dividend.

Our analysis doesn't stop there. We also offer a technical evaluation of the stock as well as other momentum indicators. We not only want to reveal to readers which firms may be undervalued, in our view, but we also want to provide readers with information to help them assess entry and exit points. Most research publishers focus on arriving at a target price or fair value estimate, but may fall short of providing a technical assessment to bolster buy and sell disciplines. We strive to go the distance and provide readers with answers--not half the story.

An explanation of our approach would not be complete if we didn't describe our ideal stock idea. We're looking for companies that are undervalued--both on a DCF basis and versus peers--have strong growth potential, have a solid track record of creating economic profits for shareholders with reasonable risk, are strong cash flow generators, have manageable financial leverage, and are currently showing bullish technical and momentum indicators. For dividend growth ideas, we look for companies that have both the capacity and willingness to keep raising the dividend.

Can such stock ideas exist? Subscribe to Valuentum to receive our best investment ideas and analysis on hundreds of stocks, dividends, ETFs and more.



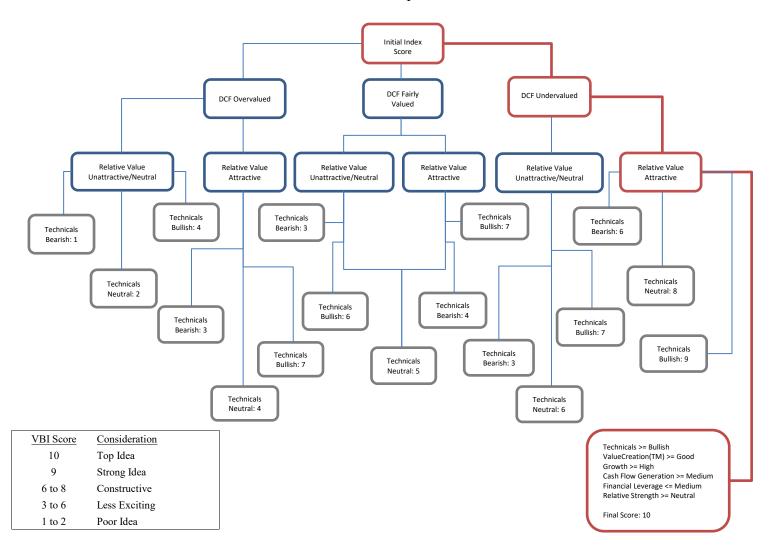
Methodology for Picking Stocks - Valuentum Buying IndexTM (VBI)

@ Valuentum, we like to look at companies from a number of different perspectives. The Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a stock's technicals to derive a rating between 1 and 10 for each company. The VBI places considerable emphasis on a company's discounted cash-flow (DCF) valuation, its relative valuation versus peers (both forward PE and PEG ratios), and its technicals in order to help readers assess entry and exit points on the most interesting ideas.

Let's follow the red line on the flow chart below to see how a company can score a 10, the best mark on the index. First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreationTM rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company. Stocks that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks, in our opinion, garnering a rating of 1. Most of our coverage universe registers ratings between 3 and 7, but at any given time there could be large number of companies garnering either very high or very low scores, especially at market lows or tops, respectively.

The Best Ideas Newsletter portfolio puts the VBI into practice.



Glossary

Estimated Fair Value. This measure is our opinion of the fair equity value per share of the company. If our forecasts prove accurate, which may not always be the case, we may expect a firm's stock price to converge to this value within the next 3 years.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRiskTM rating).

DCF Valuation. We opine on the firm's valuation based on our DCF process. Firms that are trading with an appropriate discount to our fair value estimate receive an UNDERVALUED rating. Firms that are trading within our fair value range receive a FAIRLY VALUED rating, while firms that are trading above the upper bound of our fair value range receive an OVERVALUED rating.

Relative Value. We compare the firm's forward price-to earnings (PE) ratio and its price/earnings-to-growth (PEG) ratio to that of its peers. If both measures fall below the peer median, the firm receives an ATTRACTIVE rating. If both are above the peer median, the firm receives an UNATTRACTIVE rating. Any other combination results in a NEUTRAL rating.

ValueCreation™. This is a proprietary Valuentum measure. ValueCreation™ indicates the firm's historical track record in creating economic value for shareholders, taking the average difference between ROIC (without goodwill) and the firm's estimated WACC during the past three years. The firm's performance is measured along the scale of EXCELLENT, GOOD, POOR, and VERY POOR. Those firms with EXCELLENT ratings have a demonstrated track record of creating economic value, while those that register a VERY POOR mark have been destroying economic value.

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

ValueTrend™. This is a proprietary Valuentum measure. ValueTrend™ indicates the trajectory of the firm's return on invested capital (ROIC). Firms that earned an ROIC last year that was greater than the 3-year average of the measure earn a POSITIVE rating. Firms that earned an ROIC last year that was less than the 3-year average of the measure earn a NEGATIVE rating.

Cash Flow Generation. Firms' cash flow generation capacity are measured along the scale of STRONG, MEDIUM, and WEAK. A firm with a 3-year historical free cash flow margin (free cash flow divided by sales) greater than 5% receives a STRONG rating, while firms earning less than 1% of sales as free cash flow receive a WEAK rating.

Financial Leverage. Based on the firm's normalized debt-to-EBITDA metric, we rank firms on the following scale: LOW, MEDIUM, and HIGH. Companies with a normalized debt-to-EBITDA ratio below 1.5 receive a LOW score, while those with a measure above 3 receive a HIGH score.

Upside/Downside Volume. Heavy volume on up days and lower volume on down days suggests that institutions are heavily participating in a stock's upward advance. We use the trailing 14-week average of upside and downside volume to calculate an informative ratio. We rank each firm's U/D volume ratio along the following scale: BULLISH, IMPROVING, DETERIORATING, and BEARISH.

Investment Style. Valuentum uses its own proprietary stock-classification system. Nano-cap: Less than \$50 million; Micro-cap: Between \$50 million and \$200 million; Small-cap: Between \$200 million and \$2 billion; Mid-cap: Between \$2 billion and \$10 billion; Large-cap: Between \$10 billion and \$200 billion; Mega-cap: Over \$200 billion. Blend: Firm's that we think are undervalued and exhibit high growth prospects (growth in excess of three times the rate of assumed inflation). Value: Firm's that we believe are undervalued, but do not exhibit high growth prospects. Growth: Firms that are not undervalued, in our opinion, but exhibit high growth prospects. Core: Firms that are neither undervalued nor exhibit high growth prospects.

Company Vitals. In this section, we list key financial information and the sector and industry that Valuentum assigns to the stock. The P/E-Growth (5-yr), or PEG ratio, divides the current share price by last year's earnings (EPS) and then divides that quotient by our estimate of the firm's 5-year EPS growth rate. The estimated normalized diluted EPS and estimated normalized EBITDA represent the five-year forward average of these measures used in our discounted cash flow model. The P/E on estimated normalized EPS divides the current share price by estimated normalized diluted EPS. The EV/estimated normalized EBITDA considers the current enterprise value of the company and divides it by estimated normalized EBITDA. EV is defined as the firm's market capitalization plus total debt, minority interest, preferred stock less cash and cash equivalents.

Business Quality Matrix. We compare the firm's ValueCreation™ and ValueRisk™ ratings. The box is an easy way for investors to quickly assess the business quality of a company. Firms that generate economic profits with little operating variability score near the top right of the matrix.

Timeliness Matrix. We compare the company's recent stock performance relative to the market benchmark with our assessment of its valuation. Firms that are experiencing near-term stock price outperformance and are undervalued by our estimate may represent timely buys.

Range of Potential Outcomes. The firm's margin of safety is shown in the graphic of a normal distribution. We consider a firm to be undervalued if its stock price falls along the green line and overvalued if the stock price falls along the red line. We consider the firm to be fairly valued if its stock price falls along the yellow line.

Return on Invested Capital. At Valuentum, we place considerable emphasis on return on invested capital (both with and without goodwill). The measure focuses on the return (earnings) the company is generating on its operating assets and is superior to return on equity and return on assets, which can be skewed by a firm's leverage or excess cash balance, respectively.

Technical Evaluation. We evaluate a firm's near-term and medium-term moving averages and money flow index (MFI) to assign each firm a rating along the following scale: VERY BULLISH, BULLISH, NEUTRAL, BEARISH, and VERY BEARISH.

Stock Price Relative Strength. We assess the perfomance of the company's stock during the past quarter, 13 weeks, relative to an ETF that mirrors the aggregate performance of constituents of the stock market. Firms are measured along the scale of STRONG, NEUTRAL, and WEAK. Companies that have outperformed the market index by more than 2.5% during this 13-week period receive a STRONG rating, while firms that trailed the market index by more than 2.5% during this 13-week period receive a WEAK rating.

Money Flow Index (MFI). The MFI is a technical indicator that measures buying and selling pressure based on both price and volume. Traders typically use this measure to identify potential reversals with overbought and oversold levels. We use a 14-week measure to rank firms along the following scale: EXTREMELY OVERBOUGHT (>90), OVERBOUGHT (80-90), NEUTRAL (20-80), OVERSOLD (10-20), EXTREMELY OVERSOLD (0-10).



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DE Rating History	Price	Fair Value	VBI
23-Feb-24	\$364.66	\$355.00	3
6-Dec-23	\$366.61	\$365.00	4
24-Aug-23	\$386.64	\$410.00	4
23-Dec-22	\$436.93	\$438.00	7
12-Dec-22	\$433.17	\$452.00	7
7-Nov-22	\$395.13	\$350.00	7
5-Aug-22	\$343.31	\$306.00	7
1-Jul-22	\$301.63	\$309.00	4
8-Oct-21	\$343.11	\$338.00	4
7-Sep-21	\$371.74	\$335.00	6
23-Nov-20	\$261.84	\$234.00	5
6-Nov-20	\$247.16	\$187.00	2
17-Jan-20	\$175.82	\$162.00	6
6-May-19	\$159.23	\$157.00	3

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