



The Andersons Inc. (ANDE)

Updated March 29th, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$51	5 Year CAGR Estimate:	12.9%	Market Cap:	\$1.7 B
Fair Value Price:	\$70	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/31/22
% Fair Value:	73%	5 Year Valuation Multiple Estimate:	6.6%	Dividend Payment Date:	04/22/22
Dividend Yield:	1.4%	5 Year Price Target	\$90	Years Of Dividend Growth:	26
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

The Andersons, Inc. (ANDE) is an agriculture company that conducts business in North America. It operates through the following segments: Trade, Renewables, and Plant Nutrient. The Trade segment includes commodity merchandising and the operation of terminal grain elevator facilities. The trade segment contributed over 70% of the company's revenue in 2021. The Renewables segment produces, purchases, and sells ethanol and co-products. The Plant Nutrient segment manufactures, and distributes agricultural inputs, primary nutrients, and specialty fertilizers, to dealers and farmers, along with turf care and corncob-based products. The \$1.7 billion company was founded in 1947 and has about 2,500 employees.

On February 15th, 2022, The Andersons released its fourth-quarter and full-year 2021 results. For the quarter the company reported revenue of \$3.8 billion, an increase of 50% versus Q4 2020, and adjusted earnings per diluted share of \$1.14, up \$0.58 versus Q4 2020. The adjusted EBITDA from continuing operations was \$130.5 million, which is a quarterly record. Fourth-quarter growth was driven by strong results across all assets and solid agriculture products margins on rising fertilizers prices, tight supplies, and well-positioned inventory.

The full-year 2021 ended with revenue up 56% to \$12.61 billion and an adjusted EBITDA of \$355.2 million, an increase of 109% compared to 2020.

The Andersons has a modest growth ambition for the coming years. Management presented a “strategy for growth” plan with an adjusted EBITDA between \$375 - \$400 million in 2025.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.82	\$3.18	\$3.84	\$2.01	\$0.41	\$3.12	\$1.46	\$0.55	\$0.23	\$3.14	\$2.81	\$3.59
DPS	\$0.40	\$0.43	\$0.44	\$0.58	\$0.63	\$0.65	\$0.67	\$0.69	\$0.70	\$0.71	\$0.72	\$0.88
Shares¹	27	28	29	28	28	28	28	33	33	34	34	35

The Andersons’ long-term earnings growth track record has been volatile due to its industry (commodity trading) and due to the COVID-19 impact. Over the last five years, the average EPS growth rate is -1.3%.

We expect the company to grow its earnings-per-share by 5% per year on average over the next five years. The company has a good track record in volatile markets with experienced trading, logistics, and operations. Increasing global demand, product innovation and M&A growth in fertilizers are key to success.

The company has a long history of paying dividends and has increased its payout for 26 consecutive years. In December 2021, the quarterly dividend increased by 3% from \$0.1750 to \$0.18 per share. Over the last five years, the average annual dividend growth rate is 2.1%.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	21.6	12.9	14.9	19.6	82.9	11.3	23.5	50.5	81.0	15.3	18.2	25.0
Avg. Yld.	1.9%	1.0%	0.8%	1.5%	1.8%	1.8%	1.9%	2.5%	3.8%	1.8%	1.4%	1.0%

During the past decade shares of The Andersons Inc. have traded with an average price-to-earnings ratio of about 33 times earnings and today, it stands at 18.2. We are using 25 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The average industry price-to-earnings is 22.5. The company's dividend yield is currently 1.4% and the dividend raises in the last few years contributed modestly to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	14%	14%	11%	29%	154%	21%	46%	125%	304%	23%	26%	24%

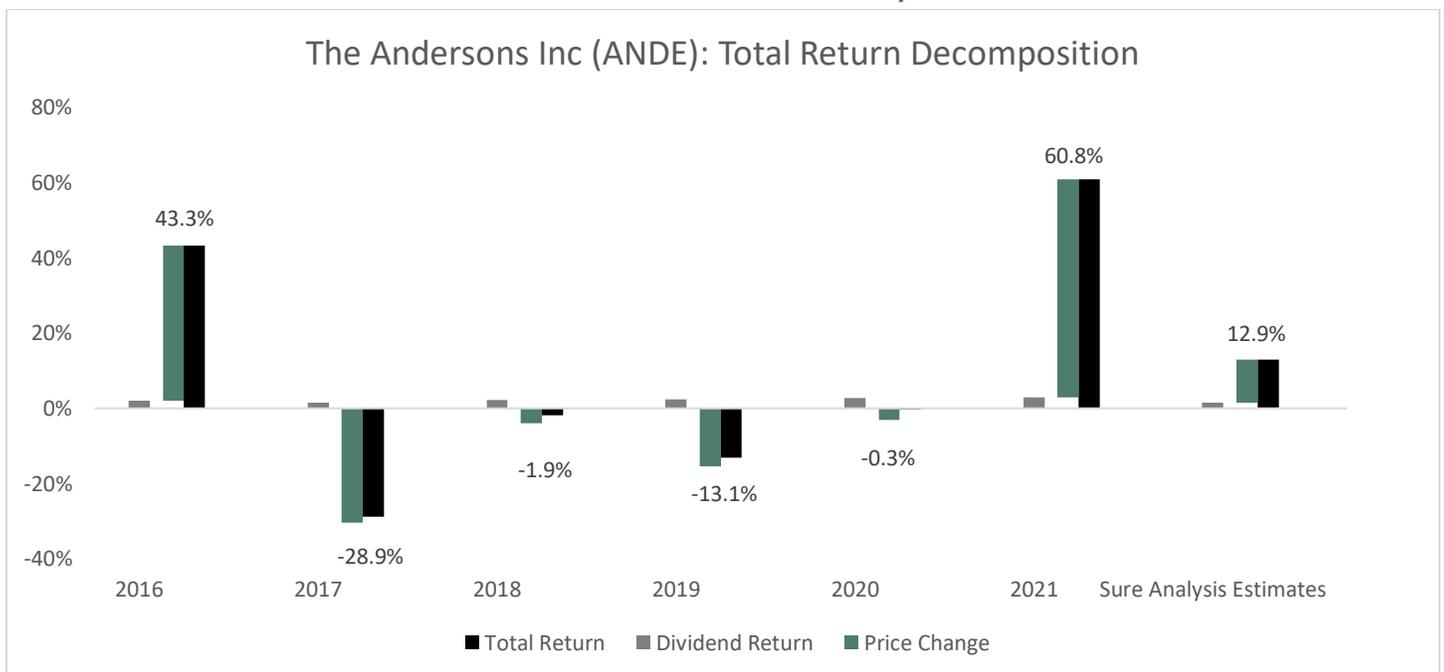
During the past five years, the company's dividend payout ratio has averaged around 103%. This high payout ratio is mainly related to low earnings-per-share in 2019 and 2020, while the company maintained its dividend growth policy. We expect that earnings growth will be modest but stable, meaning that there is still room for the dividend to continue to grow with a payout ratio below 30%.

The Andersons presented four robust back-to-back quarter results and started to surge on the back of the Ukraine crisis. The company is picked up by investors as it is seen as a consumer defensive stock and a commodity stock. As a result, the one-year share price has increased by 86%.

Final Thoughts & Recommendation

We believe that the company's earnings and revenue could continue to grow modestly in the coming years. Revenue is predominantly dependent on the Trade segment, which has a volatile profile. The 26 consecutive years of dividend growth are comforting. Expected total returns come in at 12.9% per year, driven by 5% earnings growth, a 1.4% dividend yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	5,272	5,605	4,540	4,198	3,925	3,686	3,045	8,003	8,065	12,612
Gross Profit	358	365	397	376	346	319	302	461	366	593
Gross Margin	6.8%	6.5%	8.7%	9.0%	8.8%	8.6%	9.9%	5.8%	4.5%	4.7%
SG&A Exp.	247	278	316	389	---	---	---	410	378	424
D&A Exp.	49	55	62	78	84	86	90	146	189	179
Operating Profit	111	87	81	(13)	29	32	44	51	(11)	169
Operating Margin	2.1%	1.5%	1.8%	-0.3%	0.7%	0.9%	1.4%	0.6%	-0.1%	1.3%
Net Profit	79	90	110	(13)	12	43	41	18	8	104
Net Margin	1.5%	1.6%	2.4%	-0.3%	0.3%	1.2%	1.4%	0.2%	0.1%	0.8%
Free Cash Flow	148	198	(160)	(33)	(123)	(102)	(345)	78	(179)	(133)
Income Tax	45	54	62	(0)	7	(63)	12	9	(11)	29

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	2,182	2,274	2,365	2,359	2,233	2,162	2,392	3,901	4,272	4,569
Cash & Equivalents	138	309	115	64	63	35	23	55	29	216
Accounts Receivable	209	174	183	171	195	183	207	536	641	835
Inventories	777	615	796	747	683	649	691	1,171	1,293	1,815
Goodwill & Int. Ass.	80	78	139	184	170	119	105	311	272	246
Total Liabilities	1,571	1,549	1,541	1,575	1,442	1,339	1,515	2,705	3,111	3,262
Accounts Payable	748	747	707	669	582	504	463	873	955	1,199
Long-Term Debt	467	427	377	481	474	495	723	1,226	1,360	1,135
Shareholder's Equity	594	701	803	764	774	815	830	974	962	1,072
LTD/E Ratio	0.79	0.61	0.47	0.63	0.61	0.61	0.87	1.26	1.41	1.06

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	4.1%	4.0%	4.7%	-0.6%	0.5%	1.9%	1.8%	0.6%	0.2%	2.4%
Return on Equity	14.2%	13.9%	14.6%	-1.7%	1.5%	5.3%	5.0%	2.0%	0.8%	10.2%
ROIC	8.1%	8.1%	9.3%	-1.1%	0.9%	3.3%	2.8%	0.9%	0.3%	4.2%
Shares Out.	27	28	29	28	28	28	28	33	33	34
Revenue/Share	188.0	198.84	159.57	148.42	138.05	130.28	107.04	241.82	242.99	372.53
FCF/Share	5.28	7.02	(5.62)	(1.18)	(4.34)	(3.62)	(12.1)	2.36	(5.40)	(3.92)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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