



Archer-Daniels-Midland (ADM)

Updated May 2nd, 2023 by Felix Martinez

Key Metrics

Current Price:	\$76	5 Year CAGR Estimate:	9.9%	Market Cap:	\$42.4 B
Fair Value Price:	\$96	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/17/2023
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.9%	Dividend Payment Date:	06/08/2023
Dividend Yield:	2.3%	5 Year Price Target	\$111	Years Of Dividend Growth:	48
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Archer-Daniels-Midland is the largest publicly traded farmland product company in the United States. The company, founded in 1902, trades with a market capitalization of \$42.4 billion. Archer-Daniels-Midland's businesses include processing cereal grains, oilseeds, and agricultural storage and transportation.

Archer-Daniels-Midland reported its first-quarter results for Fiscal Year (FY)2023 on April 25th, 2023. The company had another excellent quarter and full year. The company reported adjusted earnings per share of \$2.09 the quarter vs. \$1.90 in 1Q23, an increase of 9.9% Year over Year (YoY). Revenues were up by 1.8%, from \$23.6million in the first quarter of 2022 to \$24.1 million. Net income increased from \$1,054 million to \$1,170 million, or a 11% growth for the quarter compared to 1Q22. Ag Services results were much higher than the first quarter of 2022. Also, Nutrition results were significantly lower year-over-year versus the record prior-year quarter.

We think the earnings growth will slow down next year as this is a cyclical industry. We expect earnings for the entire year of 2023 to be \$6.75 per share, an decrease of (14)% compared to FY2022.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$2.33	\$3.20	\$2.55	\$2.16	\$2.13	\$3.50	\$3.24	\$3.59	\$5.19	\$7.85	\$6.85	\$7.94
DPS	\$0.76	\$0.96	\$1.12	\$1.20	\$1.28	\$1.34	\$1.40	\$1.44	\$1.48	\$1.60	\$1.80	\$2.09
Shares¹	659.0	655.0	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0	563.0	563.0

Compared to many other dividend stocks that have successfully grown their earnings-per-share for many years in a row, Archer-Daniels-Midland has had difficulty increasing its profits over the last decade. EPS in 2012 and 2013 was much lower than in 2011. We expect better growth with the new acquisition of Ziegler Group and the nutrition flavor research and customer center opening. Thus, we believe that a growth rate of around 3.0% is feasible for moving forward.

The business is resistant to recessions, as people have to eat even during an economic downturn. On the other hand, Archer-Daniels-Midland does not profit from economic expansion, as the amount of food sold does not rise quickly during good times. Thus, a strong economy is not a significant tailwind for Archer-Daniels-Midland, unlike many other companies, which profit substantially from higher consumer spending.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	17.6	13.5	15.4	18.8	20.1	14.3	17.1	14.8	13.0	11.8	11.0	14.0
Avg. Yld.	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	3.1%	3.3%	2.2%	1.7%	2.3%	1.9%

¹ Shares in Millions

Disclosure: This analyst is long the security discussed in this research report.



Archer-Daniels-Midland (ADM)

Updated May 2nd, 2023 by Felix Martinez

Archer-Daniels-Midland has been valued at a price to earnings multiple of 15.6 over the last decade. Even though its price-to-earnings multiple has been as low as 9.5 and as high as 20.1. Now, shares look relatively undervalued, with a current PE of 11.0 based on 2023 expected earnings of \$6.85. Also, investors get an above-average dividend yield of 2.3% at current prices than the S&P current dividend yield of 1.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	32.6%	30.0%	43.9%	55.6%	60.1%	38.3%	43.2%	40.1%	28.5%	20.4%	26%	26%

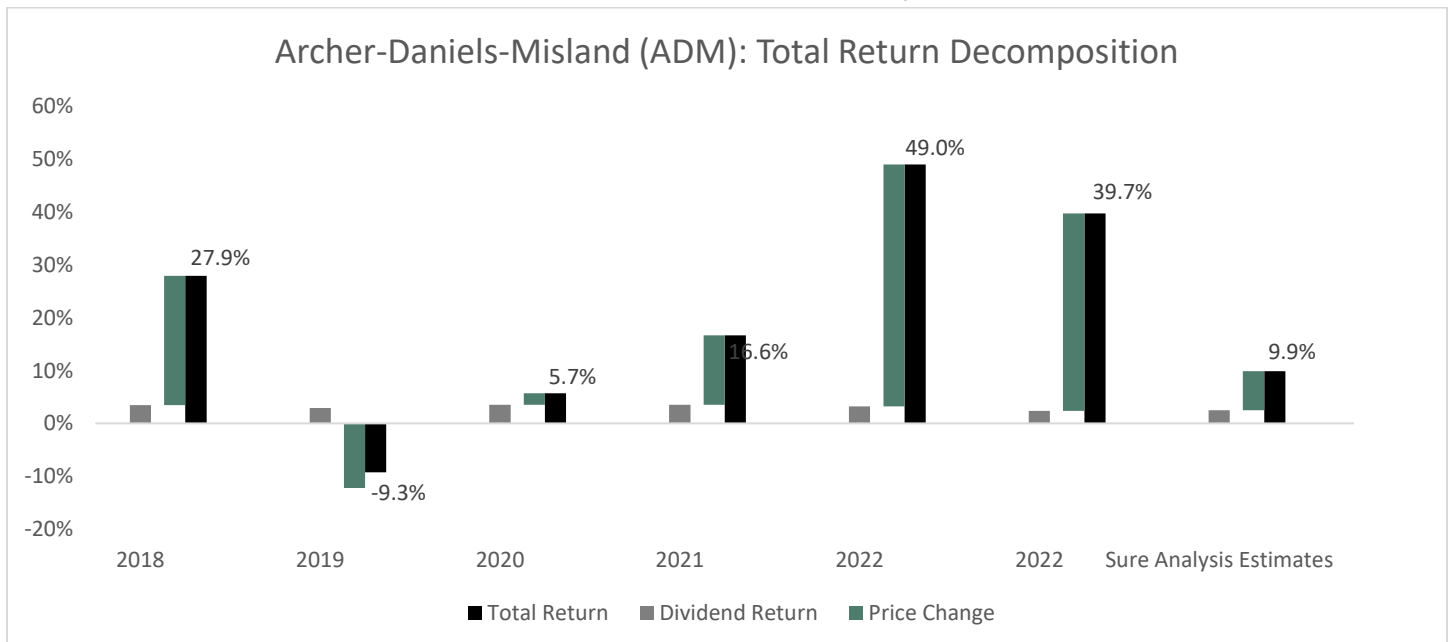
Archer-Daniels-Midland's dividend payout ratio rose substantially between 2009 and 2017, but that was when the payout ratio peaked at the 60% level in 2017. Thanks to 2018's earnings-per-share solid growth, the dividend payout ratio declined considerably to 38% in 2018. The dividend payout ratio is not high, at only 26% based on 2022 earnings. Also, because the company's profits performed well during the last recession, which saw earnings grow from \$2.84 in 2008 to \$3.06 in 2009, we believe that the dividend is relatively safe.

Archer-Daniels-Midland's business is recession resilient since the demand for food products is not cyclical. Archer-Daniels-Midland is one of the most significant players in its industry and has competitive advantages due to its scale and geographical reach. The company has been increasing its dividend for 48 consecutive years and has a 5-year dividend growth rate of 6.1%. Archer-Daniels-Midland looks like a low-risk investment due to its recession resilience, solid balance sheet, geographic diversification, and dividend history. However, note that the company balance sheet Debt/Equity ratio is 0.5. This is a little higher than the past five-year average but not at a dangerous level for the company.

Final Thoughts & Recommendation

We expect Archer-Daniels-Midland to grow earnings at 3.0% annually. Investors get an above-average dividend yield and an undervalued stock price with a fair price of \$96. The total return outlook is 9.9% annually for the next five years. We recommend that this company is a Hold at the current price because of the expected returns.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst is long the security discussed in this research report.



Archer-Daniels-Midland (ADM)

Updated May 2nd, 2023 by Felix Martinez

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	89,804	81,201	67,702	62,346	60,828	64,341	64,656	64,355	85,249	101,556
Gross Profit	3,889	4,768	3,966	3,618	3,518	4,181	4,147	4,453	5,987	7,570
Gross Margin	4.3%	5.9%	5.9%	5.8%	5.8%	6.5%	6.4%	6.9%	7.0%	7.5%
SG&A Exp.	1,759	1,933	1,985	1,981	1,978	2,165	2,493	2,687	2,994	3,358
D&A Exp.	909	894	882	900	924	941	993	976	996	1,028
Operating Profit	2,130	2,835	1,981	1,637	1,540	2,016	1,654	1,766	2,993	4,212
Op. Margin	2.4%	3.5%	2.9%	2.6%	2.5%	3.1%	2.6%	2.7%	3.5%	4.1%
Net Profit	1,342	2,248	1,849	1,279	1,595	1,810	1,379	1,772	2,709	4,340
Net Margin	1.5%	2.8%	2.7%	2.1%	2.6%	2.8%	2.1%	2.8%	3.2%	4.3%
Free Cash Flow	4,313	4,049	580	-7,390	-7,015	-5,626	-6,280	-3,209	5,426	2,159
Income Tax	670	877	438	534	7	245	209	101	578	868

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	43,752	43,997	40,157	39,769	39,963	40,833	43,997	49,719	56,136	59,774
Cash & Equivalents	3,121	1,099	910	619	804	1,997	852	666	943	1,037
Acc. Receivable	4,522	4,236	2,886	2,426	2,424	2,683	3,281	3,653	4,490	6,235
Inventories	11,441	9,374	8,243	8,831	9,173	8,813	9,170	11,713	14,481	14,771
Goodwill & Int.	561	3,392	3,688	3,703	3,918	4,041	5,476	5,585	6,747	6,544
Total Liabilities	23,558	24,367	22,242	22,588	21,641	21,837	24,772	29,623	33,369	35,158
Accounts Payable	4,513	4,326	3,474	3,606	3,894	3,545	3,746	4,474	6,388	7,803
Long-Term Debt	6,870	5,660	5,877	6,931	7,493	8,388	8,881	9,929	9,539	9,180
Total Equity	20,156	19,575	17,899	17,173	18,313	18,981	19,208	20,000	22,477	24,284
LTD/E Ratio	0.34	0.29	0.33	0.40	0.41	0.44	0.46	0.50	0.42	0.38

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	3.0%	5.1%	4.4%	3.2%	4.0%	4.5%	3.3%	3.8%	5.1%	7.5%
Return on Equity	6.9%	11.3%	9.9%	7.3%	9.0%	9.7%	7.2%	9.0%	12.8%	18.6%
ROIC	4.8%	8.6%	7.5%	5.3%	6.4%	6.8%	5.0%	6.1%	8.7%	13.1%
Shares Out.	659.0	655.0	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0
Revenue/Share	135.45	123.78	109.02	105.49	106.34	113.48	114.44	113.90	150.62	180.38
FCF/Share	6.51	6.17	0.93	-12.50	-12.26	-9.92	-11.12	-5.68	9.59	3.83

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.