



Archer-Daniels-Midland (ADM)

Updated March 16th, 2024 by Felix Martinez

Key Metrics

Current Price:	\$59	5 Year CAGR Estimate:	11.8%	Market Cap:	\$30.2 B
Fair Value Price:	\$80	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/16/24 ¹
% Fair Value:	74%	5 Year Valuation Multiple Estimate:	6.2%	Dividend Payment Date:	06/07/24
Dividend Yield:	3.4%	5 Year Price Target	\$93	Years Of Dividend Growth:	51
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

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 \$30.2 billion. Archer-Daniels-Midland's businesses include processing cereal grains, oilseeds, and agricultural storage and transportation.

Archer-Daniels-Midland reported its fourth-quarter results for Fiscal Year (FY)2023 on March 12th, 2024. For the full year, ADM reported a segment operating profit of \$5,900 million, alongside an adjusted segment operating profit of \$6,244 million, demonstrating a 6% decline compared to the prior year. The company's Chairman of the Board and CEO, Juan Luciano, emphasized ADM's resilience and global capabilities, contributing to another year of solid execution and highlighting a focus on delivering high-quality products and services to customers.

In the fourth quarter of 2023, ADM reported a segment operating profit of \$1,235 million on a GAAP basis, with earnings per share (EPS) at \$1.06. Adjusted segment operating profit stood at \$1,399 million, with adjusted EPS at \$1.36, representing a 16% decrease compared to the same period in the previous year. Lower pricing and execution margins, alongside improved manufacturing costs and lower equity earnings, influenced the quarter's results. For the full year, ADM's GAAP segment operating profit was \$5,900 million, with EPS reported at \$6.43. Adjusted segment operating profit amounted to \$6,244 million, with adjusted EPS at \$6.98, indicating a 6% decrease compared to the prior year.

Across its segments, ADM experienced varying performance levels. The Ag Services & Oilseeds segment witnessed a decline in operating profit for both the fourth quarter and full year. Carbohydrate Solutions exhibited mixed results, with a slight increase in the fourth quarter but a decline for the full year. The Nutrition segment showed a significant decrease in operating profit for both periods, while other segments displayed fluctuating performances. These figures offer insights into ADM's financial performance for the specified periods and highlight the factors influencing its results across various segments.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$3.20	\$2.55	\$2.16	\$2.13	\$3.50	\$3.24	\$3.59	\$5.19	\$7.85	\$6.98	\$5.71	\$6.62
DPS	\$0.96	\$1.12	\$1.20	\$1.28	\$1.34	\$1.40	\$1.44	\$1.48	\$1.60	\$1.80	\$2.00	\$2.32
Shares²	655.0	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0	542.0	542.0	542.0

Unlike several dividend stocks that have achieved consistent year-over-year growth in earnings-per-share, Archer-Daniels-Midland (ADM) has faced challenges in boosting its profits over the past decade. Notably, its earnings-per-share for 2012 and 2013 were notably lower than those in 2011. However, the recent acquisition of Ziegler Group and the establishment of a nutrition flavor research and customer center are expected to contribute to improved growth prospects. This positive outlook leads us to anticipate a feasible growth rate of approximately 3.0% for the future. Unlike other enterprises that thrive on increased consumer spending during prosperous periods, ADM's revenue doesn't surge

¹ Ex-Dividend and Dividend Payment date are estimates

² Shares in Millions

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



Archer-Daniels-Midland (ADM)

Updated March 16th, 2024 by Felix Martinez

significantly due to the relatively stable demand for food. Consequently, while a robust economy offers substantial advantages to many firms, it doesn't serve as a significant tailwind for Archer-Daniels-Midland.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13.5	15.4	18.8	20.1	14.3	17.1	14.8	13.0	11.8	10.3	10.4	14.0
Avg. Yld.	2.1%	2.4%	3.0%	3.0%	2.9%	3.1%	3.3%	2.2%	1.7%	2.5%	3.4%	2.5%

Archer-Daniels-Midland has been valued at a price-to-earnings multiple of 14.9x over the last decade. Even though its price-to-earnings multiple has been as low as 9.5x and as high as 20.1x. Now, shares look undervalued, with a current PE of 10.4x based on 2024 expected earnings of \$5.71. Also, investors get an above-average dividend yield of 3.4% at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30.0%	43.9%	55.6%	60.1%	38.3%	43.2%	40.1%	28.5%	20.4%	25.8%	35%	35%

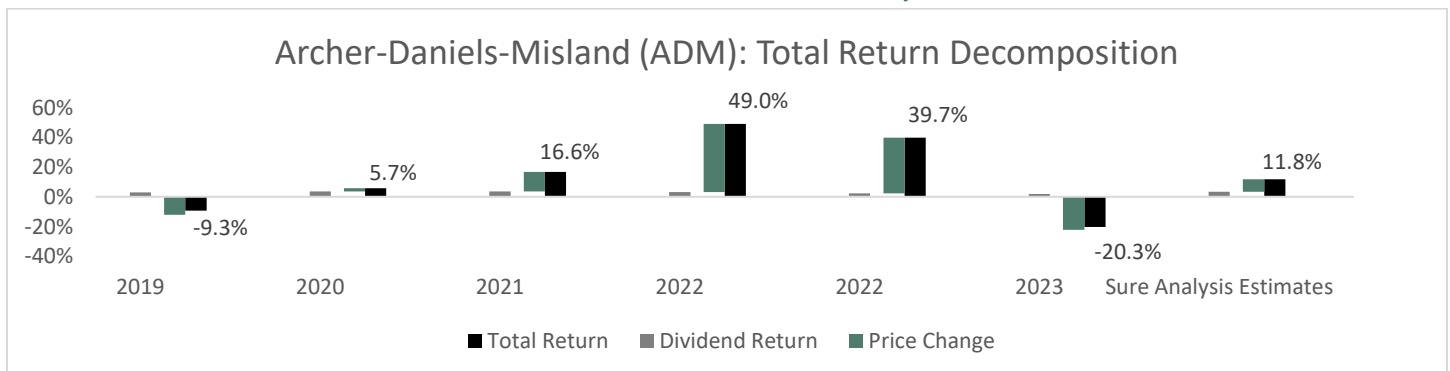
Archer-Daniels-Midland's dividend payout ratio rose substantially between 2009 and 2017, but that was when the payout ratio peaked at the 60% level in 2017. Thanks to 2018's earnings-per-share solid growth, the dividend payout ratio declined considerably to 38% in 2018. The dividend payout ratio is not high, at only 25% based on 2023 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 51 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 0.4. 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 \$80. The total return outlook is 11.8% annually for the next five years. We recommend that this company is a buy 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 March 16th, 2024 by Felix Martinez

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	81,201	67,702	62,346	60,828	64,341	64,656	64,355	85,249	101,556	93,940
Gross Profit	4,768	3,966	3,618	3,518	4,181	4,147	4,453	5,987	7,570	7,513
Gross Margin	5.9%	5.9%	5.8%	5.8%	6.5%	6.4%	6.9%	7.0%	7.5%	8.0%
SG&A Exp.	1,933	1,985	1,981	1,978	2,165	2,493	2,687	2,994	3,358	3,456
D&A Exp.	894	882	900	924	941	993	976	996	1,028	1,059
Operating Profit	2,835	1,981	1,637	1,540	2,016	1,654	1,766	2,993	4,212	4,057
Op. Margin	3.5%	2.9%	2.6%	2.5%	3.1%	2.6%	2.7%	3.5%	4.1%	4.3%
Net Profit	2,248	1,849	1,279	1,595	1,810	1,379	1,772	2,709	4,340	3,483
Net Margin	2.8%	2.7%	2.1%	2.6%	2.8%	2.1%	2.8%	3.2%	4.3%	3.7%
Free Cash Flow	4,049	580	-7,390	-7,015	-5,626	-6,280	-3,209	5,426	2,159	2,966
Income Tax	877	438	534	7	245	209	101	578	868	828

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	43,997	40,157	39,769	39,963	40,833	43,997	49,719	56,136	59,774	54,630
Cash & Equivalents	1,099	910	619	804	1,997	852	666	943	1,037	1,368
Acc. Receivable	4,236	2,886	2,426	2,424	2,683	3,281	3,653	4,490	6,235	5,284
Inventories	9,374	8,243	8,831	9,173	8,813	9,170	11,713	14,481	14,771	11,960
Goodwill & Int.	3,392	3,688	3,703	3,918	4,041	5,476	5,585	6,747	6,544	6,341
Total Liabilities	24,367	22,242	22,588	21,641	21,837	24,772	29,623	33,369	35,158	30,170
Accounts Payable	4,326	3,474	3,606	3,894	3,545	3,746	4,474	6,388	7,803	6,313
Long-Term Debt	5,660	5,877	6,931	7,493	8,388	8,881	9,929	9,539	9,180	8,365
Total Equity	19,575	17,899	17,173	18,313	18,981	19,208	20,000	22,477	24,284	24,130
LTD/E Ratio	0.29	0.33	0.40	0.41	0.44	0.46	0.50	0.42	0.38	0.35

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.1%	4.4%	3.2%	4.0%	4.5%	3.3%	3.8%	5.1%	7.5%	6.1%
Return on Equity	11.3%	9.9%	7.3%	9.0%	9.7%	7.2%	9.0%	12.8%	18.6%	14.2%
ROIC	8.6%	7.5%	5.3%	6.4%	6.8%	5.0%	6.1%	8.7%	13.1%	10.5%
Shares Out.	655.0	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0	542.0
Revenue/Share	123.78	109.02	105.49	106.34	113.48	114.44	113.90	150.62	180.38	173.31
FCF/Share	6.17	0.93	-12.50	-12.26	-9.92	-11.12	-5.68	9.59	3.83	5.47

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.