



The Andersons Inc. (ANDE)

Updated February 22th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	\$46	5 Year CAGR Estimate:	14.6%	Market Cap:	\$1.5 B
Fair Value Price:	\$64	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	04/01/25
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	7.0%	Dividend Payment Date:	04/22/25
Dividend Yield:	1.7%	5 Year Price Target	\$86	Years Of Dividend Growth:	29
Dividend Risk Score:	A	Retirement Suitability Score:	B	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 Nutrient & Industrial (formerly Plant Nutrient). The Trade segment includes commodity merchandising and the operation of terminal grain elevator facilities. The Trade segment contributed over 68% of the company's revenue in 2024. The Renewables segment produces, purchases, and sells ethanol and co-products. The Nutrient & Industrial segment manufactures, and distributes agricultural inputs, primary nutrients, and specialty fertilizers, to dealers and farmers, along with turf care and corncob-based products. The \$1.5 billion company was founded in 1947 and has about 2,700 employees.

On February 18th, 2025, The Andersons released its fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, the company reported revenue of \$3.12 billion, a decrease from the \$3.21 billion reported in the same quarter of the previous year. The revenue decline continued to reflect weaker commodity prices and overall market sluggishness, which impacted the company's trading and merchandising activities. Net income for the quarter was \$45 million, or \$1.31 per diluted share, down from \$51 million, or \$1.49 per diluted share, in the previous year's fourth quarter. The Trade segment recorded a record Q4 pretax income of \$54 million, up from \$47 million in the prior year, driven by strong grain accumulation and premium ingredient demand. The Renewables business reported a pretax income of \$25 million, down from \$60 million in Q4 2023, impacted by lower ethanol prices and weaker co-product values, despite record ethanol production. The Nutrient & Industrial segment reported a pretax income of \$3.5 million, up from \$2.1 million in the prior year, benefiting from improved manufactured product sales, though agricultural supply chain softness remained a headwind.

For the full year 2024, The Andersons reported net income of \$114 million, or \$3.32 per diluted share, an increase from \$101 million, or \$2.94 per diluted share, in 2023.

The company's "strategy for growth" plan now targets an adjusted EBITDA of \$475 million¹ by the end of 2026, a one-year delay from its previously stated 2025 target, reflecting an annual growth rate of 17%. Management expects continued strength in ethanol margins, which should support its Renewables segment. The company expects ethanol margins to remain seasonally soft in early 2025, but strong export demand, increased corn planting, and ongoing investments in Renewables should support long-term growth, with a solid cash position of \$562 million enabling strategic initiatives.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.01	\$0.41	\$3.12	\$1.46	\$0.55	\$0.23	\$2.94	\$3.46	\$2.94	\$3.32	\$3.20	\$4.28
DPS	\$0.58	\$0.63	\$0.65	\$0.67	\$0.69	\$0.70	\$0.71	\$0.73	\$0.75	\$0.76	\$0.78	\$0.90
Shares²	28	28	28	28	33	33	34	34	34	34	34	35

¹ November 2024 Investor Presentation

² In millions.

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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 69%.

We expect the company to grow its earnings-per-share by 6% 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 29 consecutive years. In December 2024, the quarterly dividend increased by 2.6% from \$0.19 to \$0.195 per share. Over the last five years, the average annual dividend growth rate is 2.2%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.6	82.9	11.3	23.5	50.5	81.0	15.3	11.2	30.3	11.6	14.2	20.0
Avg. Yld.	1.9%	1.8%	1.8%	1.9%	2.5%	3.8%	1.8%	1.9%	1.3%	1.9%	1.7%	1.1%

During the past decade shares of The Andersons Inc. have traded with an average price-to-earnings ratio of about 34 times earnings and today, it stands at 14.2. We are using 20 times earnings as a fair value baseline, implying the potential for a valuation tailwind. For context, the average industry price-to-earnings is 22. The company's dividend yield is currently 1.7% and the raises in the last few years have contributed modestly to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	154%	21%	46%	125%	304%	24%	21%	26%	23%	24%	21%

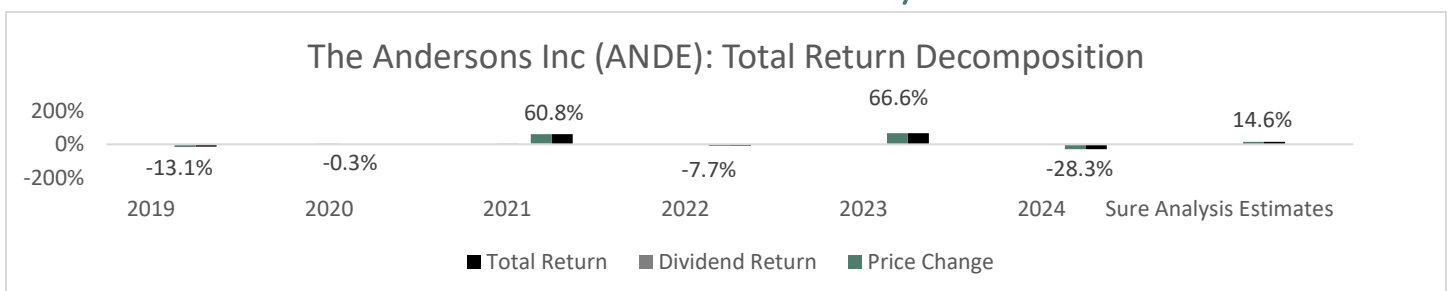
During the past five years, the company's dividend payout ratio has averaged around 77%. This high payout ratio is mainly related to low earnings-per-share in 2019 and 2020, while the company maintained its dividend growth policy. We expect that earnings growth will be modest but stable, meaning that there is still room for the dividend to continue to grow with a payout ratio below 30%.

The Andersons, Inc. operates a diversified agribusiness model focused on grain trading, ethanol production, and the distribution of plant nutrients, positioning itself for growth through strategic investments and acquisitions. Its diversified operations allow for adaptability in changing market dynamics, serving as a buffer against volatility in the agricultural sector. The company is well-positioned to capitalize on the increasing demand for renewable energy and low carbon initiatives, particularly in its Renewables segment. The grain trading operations, a cornerstone of The Andersons' business model, contribute significantly to its revenues and results, although with fluctuating performance over the past years due to the inherent volatility of commodity markets. The Andersons' ability to navigate global agricultural shifts and its focus on innovation and market expansion are central to its future potential and sustainability.

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 29 consecutive years of dividend growth are comforting. We estimate a total return potential of 14.6% per year for the next five years, driven by 6% earnings growth, the dividend yield of 1.7%, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	4,540	4,198	3,925	3,686	3,045	8,003	8,065	12,612	17,330	14,750
Gross Profit	397	376	346	319	302	461	366	593	684	745
Gross Margin	8.7%	9.0%	8.8%	8.6%	9.9%	5.8%	4.5%	4.7%	3.9%	5.1%
SG&A Exp.	316	389	---	---	---	410	378	424	467	492
D&A Exp.	62	78	84	86	90	146	189	179	135	125
Operating Profit	81	(13)	29	32	44	51	(11)	169	218	253
Operating Margin	1.8%	-0.3%	0.7%	0.9%	1.4%	0.6%	-0.1%	1.3%	1.3%	1.7%
Net Profit	110	(13)	12	43	41	18	8	104	131	101
Net Margin	2.4%	-0.3%	0.3%	1.2%	1.4%	0.2%	0.1%	0.8%	0.8%	0.7%
Free Cash Flow	(160)	(33)	(123)	(102)	(345)	78	(179)	(133)	147	796
Income Tax	62	(0)	7	(63)	12	9	(11)	29	40	37

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,365	2,359	2,233	2,162	2,392	3,901	4,272	4,569	4,608	3,855
Cash & Equivalents	115	64	63	35	23	55	29	216	115	644
Accounts Receivable	183	171	195	183	207	536	641	835	1,249	763
Inventories	796	747	683	649	691	1,171	1,293	1,815	1,732	1,167
Goodwill & Int. Ass.	139	184	170	119	105	311	272	246	230	213
Total Liabilities	1,541	1,575	1,442	1,339	1,515	2,705	3,111	3,262	3,178	2,339
Accounts Payable	707	669	582	504	463	873	955	1,199	1,424	1,055
Long-Term Debt	377	481	474	495	723	1,226	1,360	1,135	875	634
Shareholder's Equity	803	764	774	815	830	974	962	1,072	1,199	1,283
LTD/E Ratio	0.47	0.63	0.61	0.61	0.87	1.26	1.41	1.06	0.73	0.49

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.7%	-0.6%	0.5%	1.9%	1.8%	0.6%	0.2%	2.4%	2.9%	2.4%
Return on Equity	14.6%	-1.7%	1.5%	5.3%	5.0%	2.0%	0.8%	10.2%	11.5%	6.9%
ROIC	9.3%	-1.1%	0.9%	3.3%	2.8%	0.9%	0.3%	4.2%	5.5%	4.5%
Shares Out.	29	28	28	28	28	33	33	34	34.4	34.4
Revenue/Share	159.57	148.42	138.05	130.28	107.04	241.82	242.99	372.53	503.52	429.01
FCF/Share	(5.62)	(1.18)	(4.34)	(3.62)	(12.1)	2.36	(5.40)	(3.92)	4.28	23.16

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

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