



Archer-Daniels-Midland (ADM)

Updated May 15th, 2025 by Felix Martinez

Key Metrics

Current Price:	\$49	5 Year Annual Expected Total Return:	10.4%	Market Cap:	\$23.7B
Fair Value Price:	\$57	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	05/21/25
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	3.0%	Dividend Payment Date:	06/11/25
Dividend Yield:	4.1%	5 Year Price Target	\$69	Years Of Dividend Growth:	50
Dividend Risk Score:	B	Sector:	Consumer Staples	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 \$23.7 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)2025 on May 6th, 2025. The company reported Q1 2025 net earnings of \$295 million, with a reported EPS of \$0.61, down 57% from Q1 2024. Adjusted net earnings were \$338 million, with an adjusted EPS of \$0.70, a 52% decrease year-over-year. Total segment operating profit fell 38% to \$747 million, impacted by \$49 million in restructuring charges. Cash flows used in operations were \$342 million, though cash flows from operations before working capital reached \$439 million. The trailing four-quarter average adjusted ROIC was 7.0%. ADM reaffirmed its full-year 2025 adjusted EPS guidance of \$4.00-\$4.75 but expects results at the lower end due to market conditions.

Segment performance varied. Ag Services & Oilseeds (AS&O) operating profit dropped 52% to \$412 million, driven by lower volumes and margins in Ag Services (down 31%), Crushing (down 85%), and Refined Products (down 21%), exacerbated by trade policy uncertainty and negative mark-to-market impacts. Carbohydrate Solutions profit fell 3% to \$240 million, with Starches & Sweeteners down 21% due to lower margins, offset by gains in Vantage Corn Processors. Nutrition profit rose 13% to \$95 million, boosted by Animal Nutrition (up 150%) and Flavors, despite declines in Specialty Ingredients and Health & Wellness.

CEO Juan Luciano highlighted operational improvements, cost savings, and portfolio simplification amid a challenging environment. AS&O is consolidating its network, Carbohydrate Solutions met expectations, and Nutrition showed progress. Corporate costs rose due to incentive compensation adjustments, though lower financing costs helped. ADM's focus on execution and capital discipline supports its reaffirmed guidance, with cautious optimism for navigating market uncertainties in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.55	\$2.16	\$2.13	\$3.50	\$3.24	\$3.59	\$5.19	\$7.85	\$6.98	\$4.74	\$4.04	\$4.92
DPS	\$1.12	\$1.20	\$1.28	\$1.34	\$1.40	\$1.44	\$1.48	\$1.60	\$1.80	\$2.00	\$2.10	\$2.43
Shares ¹	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0	542.0	493.0	492.0	490.0

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 4.0% for the future. Unlike other enterprises that thrive on increased consumer spending during prosperous periods, ADM's revenue doesn't surge

¹ Share count is in millions.

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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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	15.4	18.8	20.1	14.3	17.1	14.8	13.0	11.8	10.3	10.7	12.1	14.00
Avg. Yld.	2.4%	3.0%	3.0%	2.9%	3.1%	3.3%	2.2%	1.7%	2.5%	4.0%	4.1%	3.5%

Archer-Daniels-Midland has been valued at a price-to-earnings multiple of 14.6x 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 12.1x based on 2025 expected earnings of \$4.04. Also, investors get an above-average dividend yield of 4.1% at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	44%	56%	60%	38%	43%	40%	29%	20%	26%	42%	52%	50%

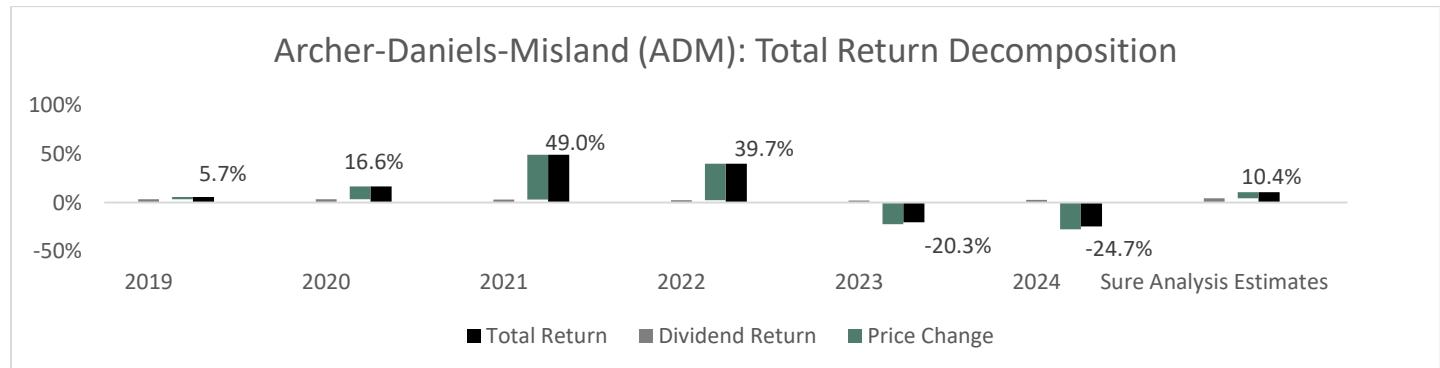
Archer-Daniels-Midland's dividend payout ratio rose substantially between 2009 and 2017, but that was when the payout ratio peaked at the 60% level in 2017. Thanks to 2018's earnings-per-share solid growth, the dividend payout ratio declined considerably to 38% in 2018. The dividend payout ratio is not 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 7.8%. 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 4.0% annually. Investors get an above-average dividend yield and an undervalued stock price with a fair price of \$57. The total return outlook is 10.4% 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



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	67,702	62,346	60,828	64,341	64,656	64,355	85,249	101,556	93,940	85,530
Gross Profit	3,966	3,618	3,518	4,181	4,147	4,453	5,987	7,570	7,513	5,778
Gross Margin	5.9%	5.8%	5.8%	6.5%	6.4%	6.9%	7.0%	7.5%	8.0%	6.8%
SG&A Exp.	1,985	1,981	1,978	2,165	2,493	2,687	2,994	3,358	3,456	3,706
D&A Exp.	882	900	924	941	993	976	996	1,028	1,059	1,141
Operating Profit	1,981	1,637	1,540	2,016	1,654	1,766	2,993	4,212	4,057	2,072
Operating Margin	2.9%	2.6%	2.5%	3.1%	2.6%	2.7%	3.5%	4.1%	4.3%	2.4%
Net Profit	,1849	1,279	1,595	1,810	1,379	1,772	2,709	4,340	3,483	1,808
Net Margin	2.7%	2.1%	2.6%	2.8%	2.1%	2.8%	3.2%	4.3%	3.7%	2.1%
Free Cash Flow	580	-7,390	-7,015	-5,626	-6,280	-3,209	5,426	2,159	2,966	1,227
Income Tax	438	534	7	245	209	101	578	868	828	476

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	40,157	39,769	39,963	40,833	43,997	49,719	56,136	59,774	54,630	53,270
Cash & Equivalents	910	619	804	1,997	852	666	943	1,037	1,368	611
Accounts Receivable	2,886	2,426	2,424	2,683	3,281	3,653	4,490	6,235	5,284	4,580
Inventories	8,243	8,831	9,173	8,813	9,170	11,713	14,481	14,771	11,960	11,570
Goodwill & Int. Ass.	3,688	3,703	3,918	4,041	5,476	5,585	6,747	6,544	6,341	6,769
Total Liabilities	22,242	22,588	21,641	21,837	24,772	29,623	33,369	35,158	30,170	30,840
Accounts Payable	3,474	3,606	3,894	3,545	3,746	4,474	6,388	7,803	6,313	5,535
Long-Term Debt	5,877	6,931	7,493	8,388	8,881	9,929	9,539	9,180	8,365	10,160
Shareholder's Equity	17,899	17,173	18,313	18,981	19,208	20,000	22,477	24,284	24,130	22,170
D/E Ratio	0.33	0.40	0.41	0.44	0.46	0.50	0.42	0.38	0.35	0.46

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.4%	3.2%	4.0%	4.5%	3.3%	3.8%	5.1%	7.5%	6.1%	3.3%
Return on Equity	9.9%	7.3%	9.0%	9.7%	7.2%	9.0%	12.8%	18.6%	14.2%	7.7%
ROIC	7.5%	5.3%	6.4%	6.8%	5.0%	6.1%	8.7%	13.1%	10.5%	5.5%
Shares Out.	595.0	573.0	557.0	559.0	557.0	563.0	566.0	563.0	542.0	493.0
Revenue/Share	109.02	105.49	106.34	113.48	114.44	113.90	150.62	180.38	173.31	173.49
FCF/Share	0.93	-12.50	-12.26	-9.92	-11.12	-5.68	9.59	3.83	5.47	2.49

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

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