



The Andersons Inc. (ANDE)

Updated May 12th, 2025, by Patrick Neuwirth

Key Metrics

| | | | | | |
|-----------------------------|------|--|------------------|----------------------------------|----------|
| Current Price: | \$36 | 5 Year CAGR Estimate: | 17.8% | Market Cap: | \$1.2 B |
| Fair Value Price: | \$57 | 5 Year Growth Estimate: | 6.0% | Ex-Dividend Date: | 06/27/25 |
| % Fair Value: | 62% | 5 Year Valuation Multiple Estimate: | 9.9% | Dividend Payment Date: | 07/25/25 |
| Dividend Yield: | 2.2% | 5 Year Price Target | \$76 | Years Of Dividend Growth: | 29 |
| Dividend Risk Score: | B | Sector: | Consumer Staples | Rating: | Hold |

Overview & Current Events

The Andersons, Inc. (ANDE) is an agriculture company that conducts business in North America. It operates through the following segments: Agribusiness (Trade and Nutrient & Industrial) and Renewables. 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 \$1.2 billion company was founded in 1947 and has about 2,250 employees.

On May 6th, 2025, the company reported its first quarter 2025 results for the period ending March 31st, 2025. Revenue was \$2.66 billion, a decrease from \$2.72 billion in Q1 2024, reflecting continued pressure in global grain markets and uncertain trade flows. Net income attributable to The Andersons fell sharply to \$0.3 million, or \$0.01 per diluted share, compared to \$5.6 million, or \$0.16 per share in the prior year. Adjusted net income was \$4.1 million, or \$0.12 per share, down from \$5.6 million and \$0.16, respectively. The Renewables segment delivered strong operational performance, posting pretax income of \$25 million, with \$15 million attributable to The Andersons, up from \$24 million and \$14 million, respectively, in Q1 2024. The Renewables segment delivered improved year-over-year results driven by strong ethanol production efficiency, higher yields, and better crush margins, though co-product values remained under pressure amid an oversupply of alternative proteins, and input cost concerns persist despite expected seasonal strength in ethanol demand. The Agribusiness segment faced a difficult quarter, which now includes the former Trade operations, recorded a pretax loss of \$10 million and breakeven adjusted pretax income attributable to the company, compared to \$3 million and \$5 million, respectively, in the year-ago quarter. The weakness was driven by limited grain trade flows, challenging basis levels in western assets (including recent Skyland Grain investments), and cautious purchasing behavior from commercial customers.

The company's "strategy for growth" plan now targets an adjusted EBITDA of \$475 million 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 \$219 million as of March 31st, 2025, down from \$562 million at year-end, reflecting increased working capital and capital expenditures to support 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 | \$2.85 | \$3.81 |
| 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 |
| Shares¹ | 28 | 28 | 28 | 28 | 33 | 33 | 34 | 34 | 34 | 34 | 34 | 35 |

¹ 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 65%.

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 | 12.5 | 20.0 |
| Avg. Yld. | 1.9% | 1.8% | 1.8% | 1.9% | 2.5% | 3.8% | 1.8% | 1.9% | 1.3% | 1.9% | 2.2% | 1.2% |

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 12.5. 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 2.2% 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% | 27% | 24% |

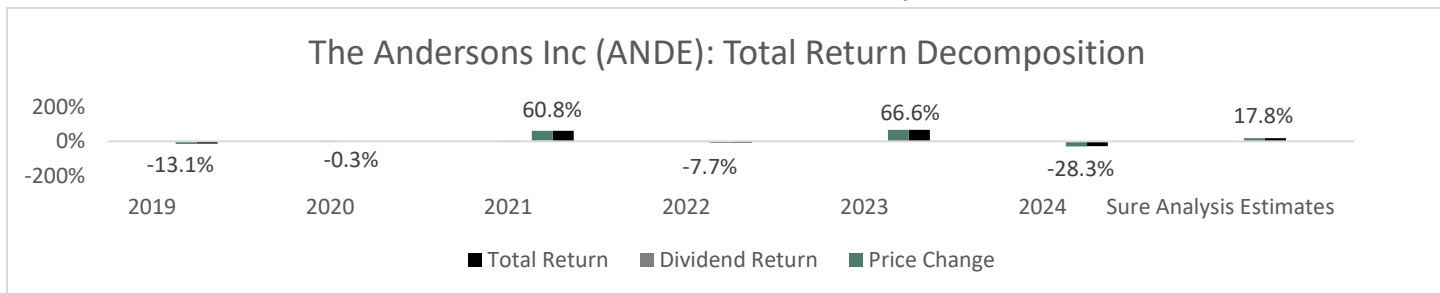
During the past five years, the company's dividend payout ratio has averaged around 77%. This high payout ratio is mainly related to low earnings-per-share in 2019 and 2020, while the company maintained its dividend growth policy. We expect that earnings growth will be modest but stable, meaning that 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 17.8% per year for the next five years, driven by 6% earnings growth, the dividend yield of 2.2%, and a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Revenue | 4,198 | 3,925 | 3,686 | 3,045 | 8,003 | 8,065 | 12,612 | 17,330 | 14,750 | 11,260 |
| Gross Profit | 376 | 346 | 319 | 302 | 461 | 366 | 593 | 684 | 745 | 694 |
| Gross Margin | 9.0% | 8.8% | 8.6% | 9.9% | 5.8% | 4.5% | 4.7% | 3.9% | 5.1% | 6.2% |
| SG&A Exp. | 389 | --- | --- | --- | 410 | 378 | 424 | 467 | 492 | 504 |
| D&A Exp. | 78 | 84 | 86 | 90 | 146 | 189 | 179 | 135 | 125 | 128 |
| Operating Profit | (13) | 29 | 32 | 44 | 51 | (11) | 169 | 218 | 253 | 190 |
| Operating Margin | -0.3% | 0.7% | 0.9% | 1.4% | 0.6% | -0.1% | 1.3% | 1.3% | 1.7% | 1.7% |
| Net Profit | (13) | 12 | 43 | 41 | 18 | 8 | 104 | 131 | 101 | 114 |
| Net Margin | -0.3% | 0.3% | 1.2% | 1.4% | 0.2% | 0.1% | 0.8% | 0.8% | 0.7% | 1.0% |
| Free Cash Flow | (33) | (123) | (102) | (345) | 78 | (179) | (133) | 147 | 796 | 182 |
| Income Tax | (0) | 7 | (63) | 12 | 9 | (11) | 29 | 40 | 37 | 30 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 2,359 | 2,233 | 2,162 | 2,392 | 3,901 | 4,272 | 4,569 | 4,608 | 3,855 | 4,121 |
| Cash & Equivalents | 64 | 63 | 35 | 23 | 55 | 29 | 216 | 115 | 644 | 562 |
| Accounts Receivable | 171 | 195 | 183 | 207 | 536 | 641 | 835 | 1,249 | 763 | 765 |
| Inventories | 747 | 683 | 649 | 691 | 1,171 | 1,293 | 1,815 | 1,732 | 1,167 | 1,287 |
| Goodwill & Int. Ass. | 184 | 170 | 119 | 105 | 311 | 272 | 246 | 230 | 213 | 197 |
| Total Liabilities | 1,575 | 1,442 | 1,339 | 1,515 | 2,705 | 3,111 | 3,262 | 3,178 | 2,339 | 2,521 |
| Accounts Payable | 669 | 582 | 504 | 463 | 873 | 955 | 1,199 | 1,424 | 1,055 | 1,047 |
| Long-Term Debt | 481 | 474 | 495 | 723 | 1,226 | 1,360 | 1,135 | 875 | 634 | 811 |
| Shareholder's Equity | 764 | 774 | 815 | 830 | 974 | 962 | 1,072 | 1,199 | 1,283 | 1,366 |
| LTD/E Ratio | 0.63 | 0.61 | 0.61 | 0.87 | 1.26 | 1.41 | 1.06 | 0.73 | 0.49 | 0.59 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|
| Return on Assets | -0.6% | 0.5% | 1.9% | 1.8% | 0.6% | 0.2% | 2.4% | 2.9% | 2.4% | 2.9% |
| Return on Equity | -1.7% | 1.5% | 5.3% | 5.0% | 2.0% | 0.8% | 10.2% | 11.5% | 6.9% | 7.3% |
| ROIC | -1.1% | 0.9% | 3.3% | 2.8% | 0.9% | 0.3% | 4.2% | 5.5% | 4.5% | 5.0% |
| Shares Out. | 28 | 28 | 28 | 28 | 33 | 33 | 34 | 34.4 | 34.4 | 34.2 |
| Revenue/Share | 148.42 | 138.05 | 130.28 | 107.04 | 241.82 | 242.99 | 372.53 | 503.52 | 429.01 | 328 |
| FCF/Share | (1.18) | (4.34) | (3.62) | (12.1) | 2.36 | (5.40) | (3.92) | 4.28 | 23.16 | 5.31 |

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

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