

Commodities stock pitch:

Archer Daniels Midlands

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Investment summary:

Catalyst Summary

- 01** Expansion of Direct Origination Volumes, Office expansion to the Asia and the Middle East and customer relationships
- 02** ADM has commissioned over 300 projects to achieve \$500 million in savings over the next two years
- 03** Expansion of BioSolutions and Flavor Segments



Stock Price across 5 years: Source - Macro trends

Upside and Fundamentals

Current price: \$51.77 (*As of December 4, 2024*)

TARGET PRICE: \$66

UPSIDES: 18.78%

INVESTMENT PERIOD: 12-24 months

IPO Date: December 24, 1924

Number of Employees: 41,802 (as of December 31, 2023)

Industry: Agricultural commodities processing and food production

LSE

Enterprise Value: \$35,373 million

52-week low: \$48.92

52 week high: \$77.35

PE ratio: 14.56 (trailing)

EV/EBITDA: 8.53

TIM Revenue: \$87,010 million

TTM Earnings: \$3.52

Company background:

About ADM:

170+

OPERATE IN OVER 170
COUNTRIES

330

330 PROCESSING
FACTORIES

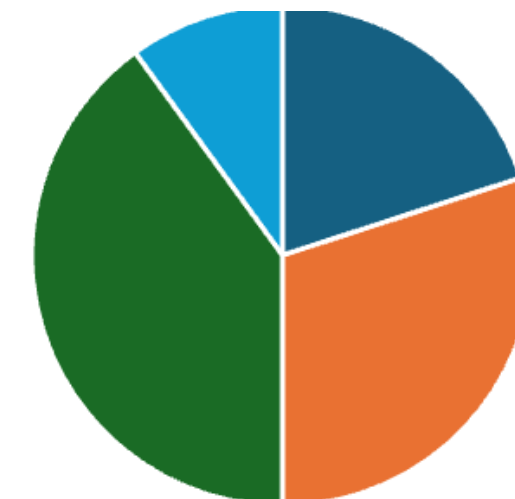
- A global leader in the agricultural processing and commodities trading industry Plays a key intermediary
- role in the supply chain, connecting farmers and producers to consumers and industries worldwide

Revenue sources

- **Services and Oilseeds** -> Focused on handling grains and oilseeds such as soybeans and corn, ADM processes these raw materials into products like vegetable oils, animal feed, and biofuels.
- **Carbohydrate Solutions** -> Specialising in the production of sweeteners, starches, ethanol, and food-grade industrial products.
- **Nutrition** -> : Centered on specialty food ingredients, plant-based proteins, and pet nutrition products.

40%: Services and oilseeds

20%: Nutrition



30%: Carbohydrate

Catalysts explained:

01

ADM plans to leverage its network of over 200,000 farmer relationships to increase direct origination volumes by approximately 10% year-over-year, while also expanding its destination marketing efforts by 6%. Plans to add two to four new offices across Asia and the Middle East in 2024

02

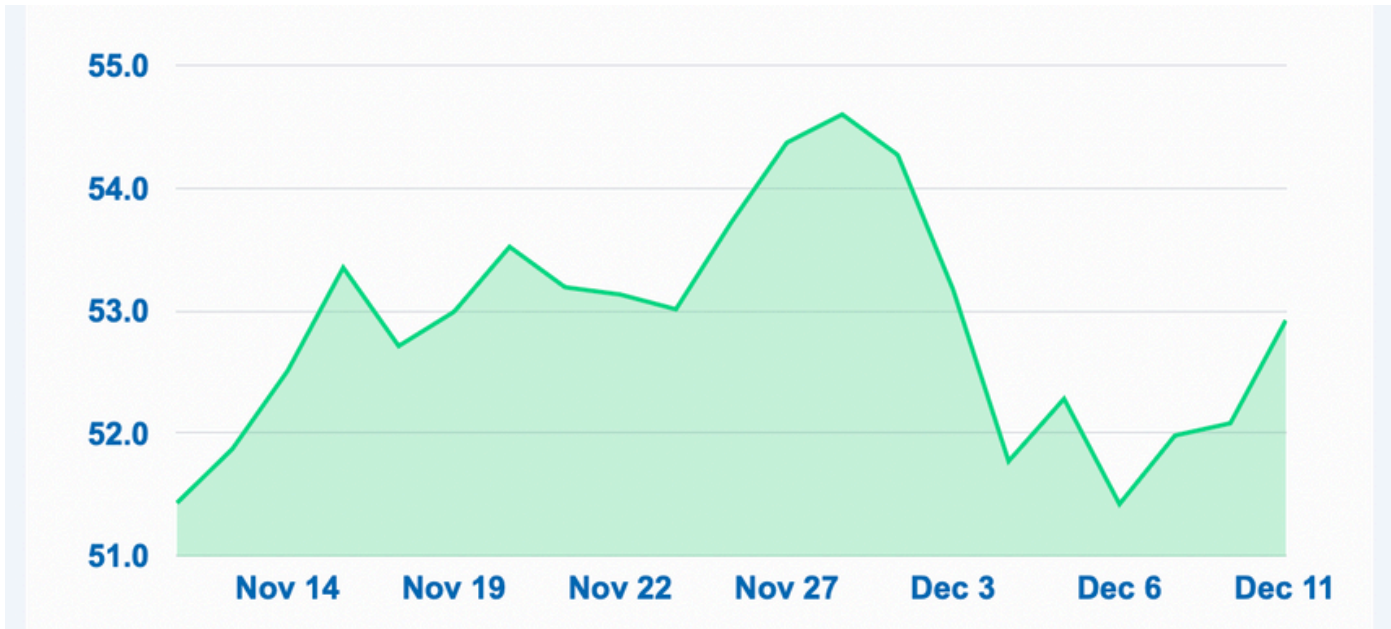
ADM has commissioned over 300 projects aimed at achieving \$500 million in traceable cost savings over the next two years. This includes reducing brands presented to customers by two-thirds, downsizing about 17% of SKUs, and closing more than 20 Animal Nutrition production lines in 2023.

03

ADM is investing in strategic initiatives such as regenerative agriculture and BioSolutions, with record volume handled in October 2024. The company is also actively integrating recent acquisitions in the flavour sector, addressing demand fulfilment issues

Financials:

Stock price over the last Fiscal Month



Overview: (Present)

The Archer-Midlands-Dans company has a market cap of \$25.32B. With 483M shares outstanding, With a PE ratio of 11.52, this company demonstrates solid earnings in comparison to its stock price, signaling potential value for investors seeking growth at a reasonable cost.

Valuation Metrics (12 Months)

PE Ratio: 14.19 (S&P 500 avg is 26.96%)
P/S Ratio: 0.29 (S&P 500 avg is 3.14)
EBITDA: 4.28%
Dividend yield: 3.78%

Financial Performance (12 Months)

Debt-Equity Ratio: 0.46
FCF Per Share: 7.32
Gross Margin: 6.47%

SWOT Analysis:

Strengths:

- Strong brand reputation with over a century of experience and is a trusted name in the sector
- Maintained dividend payment for 54 consecutive years and raised dividend for 49 years (showing strong commitment)

Opportunities:

- Looking to expand in the plant-based market which is growing

Weaknesses:

- Commodities market can be volatile with prices dependent on the market
- Highly regulated market: Policies are constantly changing which need to be adapted too

Threats:

- Competition high levels high
- Climate: Different climate conditions could change the supply

ESG:

MSCI

ESG RATINGS



ADM is a **leader** among 283 companies in the **food products industry**.

ESG Rating distribution in relation to industry peers

Universe: Food Products, (283 companies)

Environment:

Committing to “No deforestation”

Social:

Running a programme food is both sustainable and affordable

Governance:

“Support business units to drive transformation and help create value across the supply chain”



Final Recommendation: BUY

Invest: £400

Suggested buy price: \$52.55 (£41.16)

High target sell price: \$74 (£58.02)

Low target sell price: \$60 (£47.0)

Stop losses: \$45 (£39.5)

Projected earnings: 16-40 %





QUESTIONS?