

# **EQUITY RESEARCH REPORT**

## **Archer Daniels Midland**



# Students



Francesco Mutolo  
Group Leader  
[francesco.mutolo@studboconni.it](mailto:francesco.mutolo@studboconni.it)



Francesco Marchetti  
Head of S&S  
[francesco.marchetti@studboconni.it](mailto:francesco.marchetti@studboconni.it)



Samuele Acerbi  
Head of Finance  
[samuele.acerbi@studboconni.it](mailto:samuele.acerbi@studboconni.it)



Salvatore Durante  
Sector and Strategy  
[salvatore.durante2@studboconni.it](mailto:salvatore.durante2@studboconni.it)



Oliviero Bruno  
Co-Head of Finance  
[mail@studboconni.it](mailto:mail@studboconni.it)



Jacopo Lorusso  
Sector and Strategy  
[jacopo.lorusso2@studboconni.it](mailto:jacopo.lorusso2@studboconni.it)



Edoardo Petrillo  
Finance  
[edoardo.petrillo2@studboconni.it](mailto:edoardo.petrillo2@studboconni.it)



Tiziano Auricchio  
Sector and Strategy  
[tiziano.auricchio@studboconni.it](mailto:tiziano.auricchio@studboconni.it)



Marco Piva  
Finance  
[marco.piva3@studboconni.it](mailto:marco.piva3@studboconni.it)



Irene Tilotta  
Finance  
[irene.tilotta@studboconni.it](mailto:irene.tilotta@studboconni.it)



## SECTOR & STRATEGY ANALYSIS

### COMPANY INTRODUCTION

Archer Daniels Midlands (ADM) is a premier human and animal nutrition company, a U.S.-based multinational corporation that operates primarily in the fields of agriculture, food processing, and biotechnology.

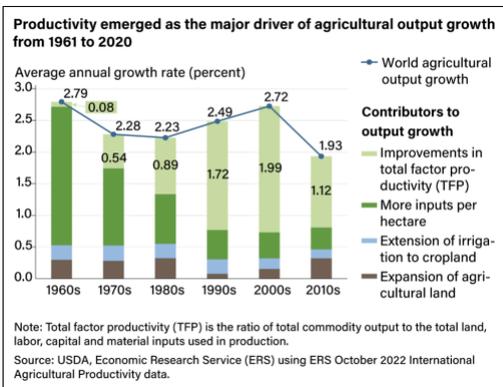
ADM's purpose is *"to unlock the power of nature, to enrich the quality of life"*. The company is committed to transforming agricultural resources into food products, animal feed, biofuels, and sustainable materials, offering innovative solutions to address global challenges related to nutrition and the environment.

Founded in 1902 and headquartered in Chicago, ADM specializes in the transformation of agricultural raw materials (such as corn, soybeans, wheat, and oilseeds) into food ingredients, animal feed, biofuels (such as ethanol), and bio-based chemical products. The company plays a crucial role in the global supply chain, with an extensive network of processing plants, storage facilities, transportation, and logistics, connecting farmers and global markets through an efficient and responsible supply chain, while also promoting sustainable practices with low environmental impact.

### INDUSTRY ANALYSIS

The company primarily operates in the agricultural and food industry, serving more than 180 countries worldwide. These two sectors are closely linked, with respective market sizes of 4.82 and 9.68 trillion dollars (Statista). While agricultural growth has been decelerating due to decreasing total factor productivity growth (USDA), it is expected to grow at a rate of 3.44% in the next 4 years. The food market is expected to expand at almost double the rate, growing at 6.44% annually. The growth is primarily attributed to increasing health consciousness and the rising demand for online food services.

Consumer preferences have shifted over time. Nowadays there is a focus on the sustainability of the products and their ethical sourcing. Consumers are increasingly seeking plant-based and healthy food; this shift has led to a rise in demand for locally



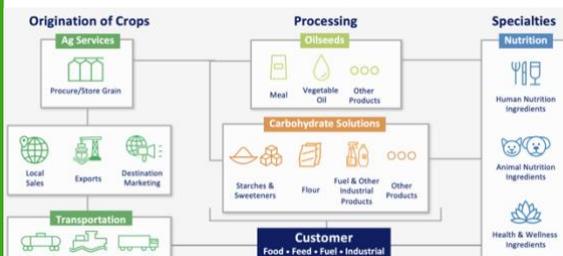
sourced products. However, convenience and taste remain a main priority too.

Several macroeconomic factors have influenced both sectors in the past years. Inflation has driven up input costs resulting in agricultural and food prices rising between 2021 and 2023. Furthermore, climate change and weather-related issues have posed a great challenge to production and costs. The COVID-19 pandemic, along with major geopolitical events such as the Russia-Ukraine conflict, have disrupted supply chains. On the other hand, higher demand and growing competition have exerted a downward pressure on prices, partially mitigating some of the previously mentioned impacts.

In response to these challenges, some Western countries have introduced policy initiatives. In March 2025, the U.S. Department of Agriculture (USDA) announced that it would issue up to \$10 billion directly to agricultural producers through the Emergency Commodity Assistance Program. Similarly, the European Union is trying to simplify and distribute its subsidies more equitably, to improve productivity. In contrast, the United Kingdom has recently closed its green subsidy scheme because of the country's financial concerns.

## PRODUCTS AND PRODUCTION

### Product



**ADM's Ag Services & Oilseeds** segment plays a foundational role by sourcing, storing, transporting, and marketing grains and oilseeds globally. This includes crushing oilseeds to produce vegetable oils for food, fuel, and industrial use, and protein meals for feed.

The segment also manages extensive logistics and export operations, including inland elevators, export terminals, deepwater ports, and a global fleet of barges and vessels that connect farmers to global markets. Additionally, ADM engages with producers through tailored farmer services, including grain origination programs, risk management tools, and digital platforms to support contract management, logistics coordination, and real-time market access.

In the **food** segment, ADM processes raw crops into essential ingredients like sweeteners (for instance corn syrup), starches, edible oils, plant proteins (such as soy and peas), flavors (which include botanical extracts and proprietary blends), and functional additives (including emulsifiers, fibers, antioxidants, and texturizers) that serve the processed foods and beverage industries.

In **animal nutrition**, it produces protein meals, complete feeds, premixes, and specialized additives that support the growth and health of livestock, poultry, aquaculture, and pets.

Finally, through its **Carbohydrate Solutions** segment, ADM manufactures ethanol and corn-based bioproducts, offering renewable fuel alternatives that support decarbonization in the transportation sector. It also produces bio-based chemicals and biomaterials, such as citric acid, biopolymers, and plant-based propylene glycol, which are used in packaging, personal care, and other industrial applications.

#### **How Products Are Used**

The products developed by ADM are integral to many aspects of everyday life and industrial operations. Products from the **Ag Services & Oilseeds** segment are fundamental to global food, feed, and energy systems. Vegetable oils extracted from soybeans, canola, and other oilseeds are refined for use in cooking, frying, margarine production, salad dressings, and processed foods.

Protein meals, another key output from oilseed crushing, are rich in nutrients and widely used as a primary ingredient in **animal feed** rations for poultry, swine, cattle, and aquaculture, with customized formulations tailored to specific needs.

ADM's farmer services ensure a reliable and efficient flow of raw materials into these downstream uses. Through **grain origination programs**, ADM purchases crops directly from producers, which are then processed or distributed globally. The **digital and logistical tools** offered to farmers help optimize crop marketing decisions and facilitate timely, traceable delivery into ADM's global network. These services play a crucial role in the integrated agri-food value chain.

**Food ingredients** produced by ADM are incorporated into a wide range of consumer products, from bakery items and beverages to snacks and plant-based foods, helping manufacturers achieve consistent taste, texture, and nutritional quality in everyday products.

ADM's **biofuels** serve as renewable and lower-carbon alternatives to traditional petroleum-based fuels, playing a crucial role in transportation and industrial energy. Additionally, its industrial **biomaterials** are designed to replace or supplement petrochemical-based products in applications such as packaging, personal care products, and other consumer goods, enabling manufacturers to meet environmental standards without compromising on performance.

#### **Differentiation from Competitors**

ADM sets itself apart through its vertical integration, which enables the company to control the entire supply chain from crop sourcing to processing and distribution. This integration ensures high quality, traceability, and cost efficiency while allowing ADM to offer a differentiated and customized portfolio of products.

The company's extensive product range allows it to serve diverse markets and meet varied customer needs. Furthermore, ADM's emphasis on innovation and sustainability, driven by continuous investments in research and development, enables it to launch innovative products such as sustainable aviation fuel and non-GMO protein solutions. These differentiators, combined with its ability to maintain reliable supply chains even in challenging market conditions, give ADM a competitive edge in the global agribusiness landscape.

### **Product Complexity and Technological Impact**

The products and services provided by ADM are characterized by high complexity in terms of:

- **Processing:** due to the involvement of advanced technologies such as enzymatic corn wet-milling, oil refining, and fermentation, which require strict quality control and sophisticated supply chain management.
- **Logistics:** since ADM's operations span global markets, it necessitates robust systems to navigate regulatory compliance, manage risk, and coordinate logistics across continents.

Technological advancements, including breakthroughs in biotechnology, synthetic biology, and digitalization, are continuously reshaping ADM's operations.

Innovations in fermentation and process optimization have improved production efficiency and sustainability, while digital tools like AI and automation allow ADM to optimize production precision, reduce costs, and enhance supply chain efficiency. They improve process control, enable real-time logistics coordination, and strengthen resilience, boosting both operational performance and strategic agility.

These technological impacts not only increase the company's operational efficiency but also open new market opportunities, such as renewable diesel and sustainable biomaterials, which further enhance ADM's competitive position.

## **CLIENTS**

### **Business Model**

ADM operates primarily as a B2B company, with minimal direct-to-consumer presence. Clients usually purchase large volumes of raw or semi-processed materials (often by truckload, railcar, or ship) which are then further processed, blended, or distributed. While there are rare instances of direct usage, such as ethanol blending or farmers purchasing livestock feed. Furthermore, ADM occasionally develops consumer-ready products (such as certain plant-based protein snacks or retail animal nutrition supplements in some markets), but these are a very small part of its business.

### **Major Clients**

Customer Type	Percentage of Revenue
Global Food Manufacturers	42%
Animal Food Producers	28%
Global Trading Companies	18%
Other Food Processing Companies	12%

In the **food and beverage** sector, ADM serves some of the largest packaged goods and drink companies in the world. Firms like PepsiCo, Coca-Cola, Nestlé, Kraft Heinz, and Unilever depend on ADM for critical raw inputs such as sweeteners, vegetable oils, starches, plant proteins, and natural flavorings. A particularly notable relationship is the 7.5-year strategic partnership established with PepsiCo in 2022, which not only ensures ADM a long-term revenue stream but also aligns both firms in promoting regenerative agricultural practices for sourcing corn, soy, and wheat. Beyond these global giants, ADM’s acquisition of companies like WILD Flavors has enabled it to support a broader range of smaller, niche food producers seeking custom and specialty ingredients.

The company is also a key player in **animal nutrition**, supplying soybean meal, feed premixes, proteins, and additives to large-scale livestock integrators and independent feed mills around the world. One important client in this domain is Wilmar International, with whom ADM operates joint ventures to serve the growing feed markets in Asia.

Additionally, pet food and aquaculture producers source from ADM’s nutrition division, underscoring its penetration across the entire feed spectrum.

ADM’s importance extends to the **energy** and **industrial sectors** as well. It is one of the top global producers of biofuels, particularly ethanol (from corn) and biodiesel (from soy), which are used by fuel blenders and refiners to meet environmental mandates and enhance fuel efficiency. Industrial clients (including those in cosmetics, pharmaceuticals, and plastics) also rely on ADM for starches, solvents, and other bio-based chemicals derived from corn and oilseeds.

Country	2024 Revenue (\$, billions)	2024 Revenue (%)
US	\$ 33.5	39%
Switzerland	\$ 19.9	23%
Cayman Islands	\$ 5.6	7%
Brazil	\$ 3.4	4%
Mexico	\$ 3.2	4%
UK	\$ 2.2	3%
Canada	\$ 2.1	2%
Other countries	\$ 15.7	18%

From a geographic perspective, ADM is a genuinely **global company**, generating \$85.5 billion in revenue in 2024 from approximately 170 countries. This not only reflects ADM’s capacity to serve regional supply chains but also mitigates its exposure to localized economic downturns or policy shocks.

**Essential Nature of ADM’s Products**

ADM’s products are largely commodities or ingredients that are essential to everyday consumer products, providing the company of a defensive buffer against the volatility of markets. Food security, energy supply, and industrial production, sector in which ADM plays a fundamental role, are not subjected to shifting consumer preferences otherwise these enhance company’s stability.

**Contracting model**

ADM didn’t release any specific information about its contracting model. Nevertheless, analysts’ approximations show that around

68% of ADM’s major customers are tied to multi-year contracts, often ranging from three to five years and valued between \$50 million and \$350 million annually. These agreements offer predictability and volume security, while the remaining short-term sales allow ADM to take advantage of favorable market dynamics. This flexibility ensures that ADM is not overly exposed to price shocks or rigid supply commitments, and it allows the company to maintain both strategic stability and commercial agility.

## SUPPLIERS

ADM sources crops like corn, soybeans, wheat, and oilseeds from around 285,000 farmers in 24 countries. About 92,000 of those farmers have long-term contracts with ADM, which covers roughly 68% of what the company buys. These contracts usually last 3 to 5 years, helping ADM keep its supplier base stable and its supply consistent.



ADM’s supply network is global, with major operations in North America, Europe, Asia, and South America. This diversification gives the company flexibility but also exposes it to geopolitical risks. For example, it recently shut down domestic trading in China and cut staff in Shanghai due to regional challenges. Thanks to its wide organization, ADM can shift between suppliers in different regions when needed, helping it stay resilient in the face of disruptions. The company also owns 1.2 million acres of farmland and runs 450 processing facilities worldwide. This vertical integration means ADM doesn’t have to rely as heavily on outside suppliers and has more control over its supply chain.



ADM has strong leverage over suppliers. The 10 most important suppliers account for just 22% of its total purchases, so there’s little risk from supplier concentration. Still, supply costs can swing due to global commodity prices, weather, or political events. To handle that, ADM uses hedging and other financial tools to manage the ups and downs.

## COMPETITORS

The agribusiness sector is highly concentrated, with several large firms. ADM is second only to Cargill in terms of size. Other significant competitors include the Olam Group, Glencore, Tyson Foods, Bunge, COFCO and LDC.

Despite the high concentration, an OECD report on the concentration and market power in food chain says that this doesn’t particularly affect farmers, because there are small signs of abuse of market power. The report allows to conclude that, at



least on the supply side, there is some competition. However, many sources argue that consumer prices are artificially inflated thanks to the power held by the firms, which in some cases have been described as holders of monopolies.

Market concentration is expected to increase in the future. As the sector focuses primarily on cost leadership, smaller firms will need to merge to reach the economies of scale of the larger firms and compete with them. A clear example is the merger between Bunge and Viterra, that will be finalized in the next months / (has been finalized), and will allow the newly created company to achieve higher productivity and efficiency.

The focus on cost leadership implies a lower market power compared to other sectors where product differentiation is easier to achieve and competition is softer. Also the fact that a large part of the transactions are B2B implies larger customers and increases competition.

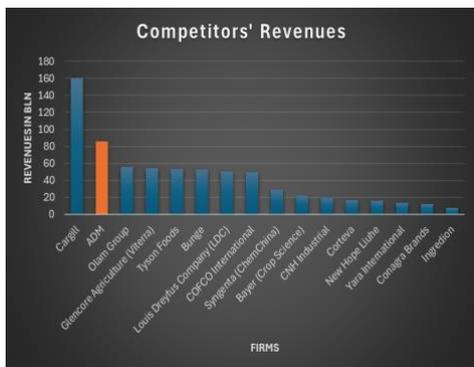
Entry to the sector is challenged by several factors: firstly the market is saturated and doesn't exert high growth, secondly, new entrants would need to compete with large firms that benefit from economies of scale, moreover, entering the sector requires significant initial investment, which are unlikely to be regained quickly.

However there are some opportunities to enter the market. A new player could create a unique differentiated product, or a new technology, or enter an underserved niche market. These strategies allow to operate in a lower competition environment and charge higher prices.

In conclusion, the level of competition in the agribusiness is medium to low. This gives ADM an advantage when it comes to setting prices.

## DISTRIBUTION AND LOGISTICS

ADM delivers its goods to global B2B clients through a fully integrated logistics network that supports its vast operational footprint across agriculture, nutrition, and industrial biosolutions. Its distribution model is centralized yet diversified, combining direct company-managed transportation assets with strategic outsourcing. Key distribution methods include:



- **Direct-to-Customer Shipments**, especially for large-volume commodity trades, ensuring control over quality, traceability, and timing.
- **Export Terminals and Processing Facilities**, located near ports and trade corridors, enabling efficient bulk and containerized shipment to international buyers.
- **ADM Logistics Services**, a third-party logistics (3PL) arm that manages delivery for ADM as well as for external customers.

Due to the company's exposure to commodity-based products, where margins are often tight and volume-driven, **logistics performance is a critical determinant of profitability**. ADM operates one of the most extensive private logistics networks in the agribusiness industry. This includes:

- **Company-Owned Assets** like 9,000 miles of river transport, 2,500+ railcars, a trucking fleet, and 7 ocean-going vessels, enabling global, multimodal freight movement.
- **Third-Party Logistics Providers (3PLs)** who support ADM with specialized services (e.g., refrigeration, ocean freight, stevedoring), enabling ADM to scale delivery operations flexibly while managing cost structures.
- **Global Distribution Centers (DCs)** and grain elevators (500+ million bushels of storage), serving as regional hubs for aggregation, processing, and outbound shipments to end customers.

Maintaining such a complex and capital-intensive logistics system involves significant operational costs. While exact figures vary across segments, transportation and storage expenses represent a major share of ADM's cost of goods sold (COGS), particularly for international and temperature-sensitive commodities.

**Key cost and risk factors in ADM's logistics structure include:**

- **Fuel and Freight Rate Volatility**, especially in marine and rail segments, which can materially affect margins during volatile oil price periods.
- **Labor Costs** across warehouse, barge, and shipping operations, especially in North America and Europe where labor regulation is stricter.
- **Climate-Controlled Transport**, particularly for perishable items in the Nutrition and Health & Wellness segments, requiring cold-chain logistics and specialized containers.
- **Inventory Management and Silo Downtime**, as bulk commodities like soy, corn, and wheat must be moved in sync with harvest cycles and customer contracts.

Due to ADM's vast scale and operational complexity, the company applies several logistics innovations and operational risk mitigants to maintain efficiency:

- **Real-Time Fleet and Inventory Monitoring**, using proprietary logistics software and ERP integration to optimize grain flow and cargo distribution.
- **Intermodal Transport Planning**, which allows ADM to balance use of river, rail, and truck based on distance, infrastructure availability, and fuel cost.
- **Digitized Documentation and Customs Clearance**, critical in international trade to ensure timely shipment and minimize customs-related bottlenecks.
- **Sustainability-Linked Routing**, where ADM prioritizes environmentally efficient paths and partners, in line with its Scope 3 GHG reduction targets.

Overall, ADM's logistics capabilities are not only operational necessities but also strategic assets. They enable ADM to serve a geographically fragmented, high-volume market while maintaining tight cost control and regulatory compliance. As global demand for sustainable, traceable agricultural products rises, ADM's logistics network will remain a critical lever of differentiation and resilience.

## MARKETING

ADM holds a unique position within the agricultural and food ingredients industry through its strategic marketing efforts, positioning itself not as a traditional commodity trader but as a "**global leader in nutrition, health, and sustainable solutions.**" Unlike typical consumer-facing companies, ADM focuses almost exclusively on **B2B marketing** strategies targeted at food manufacturers, agricultural producers, and industrial clients.

ADM's marketing communication is centered around **science, innovation, and sustainability** rather than mass-market consumer branding. The brand image ADM projects is **technical, trusted, and forward-looking**, highlighting cutting-edge innovations in food technology, plant-based nutrition, and environmental stewardship. Notably, the company aims to differentiate itself by promoting its leadership in **sustainable agriculture and regenerative farming practices**, key themes in its external communication campaigns.

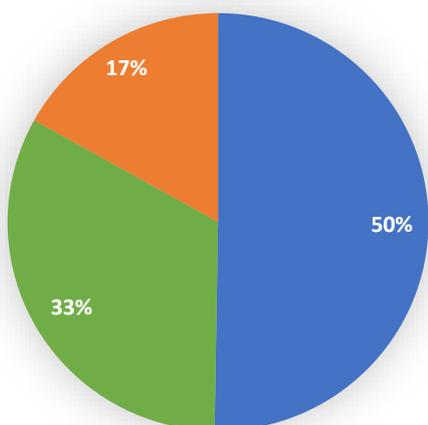
ADM's Chief Sales and Marketing Officer, Ian Pinner, has emphasized in recent statements that ADM's goal is to "connect customers with the full breadth of ADM's portfolio, from traditional agriculture to advanced nutrition science." According

to official communications, ADM sees marketing not just as brand positioning but as a **sales enabler**, integrating R&D innovation closely with customer development.

In terms of channels, ADM uses a mix of:

- **Trade Shows and Industry Conferences** such as the World Ag Expo and the International Food Technology Exhibition, where they showcase their portfolio and connect with key business clients.
- **Digital Marketing**, with investments into digital platforms like LinkedIn and YouTube to share educational content, white papers, and webinars that emphasize ADM’s role as a thought leader in food innovation.
- **Traditional Media and Direct Client Communications**, focusing on one-to-one B2B relationship building rather than mass media buys.

■ digital marketing  
 ■ Traditional marketing  
 ■ sustainability-related marketing



Approximately **\$67.2 million** is spent annually on **digital marketing**, while around **\$43.9 million** is directed toward **traditional marketing channels** such as professional publications and television for agricultural businesses. ADM also allocates about **\$22.6 million** specifically to **sustainability-related marketing**, highlighting its commitment to environmentally responsible solutions.

ADM does not disclose a precise, separate global marketing budget in its annual report. However, marketing expenditures are embedded within broader SG&A (Selling, General and Administrative) costs. Based on internal allocations and external reporting estimates, ADM’s **marketing spend likely exceeds \$150 million annually**, though it varies by sector and geography.

Assuming ADM interacts directly or indirectly with approximately 20,000 B2B customers globally across food, feed, fuel, and industrial sectors, the **estimated marketing cost per client** would be approximately **\$7,500 annually**. This is typical for a high-value, low-volume B2B environment where large contracts and long-term relationships justify higher per-client marketing investments.

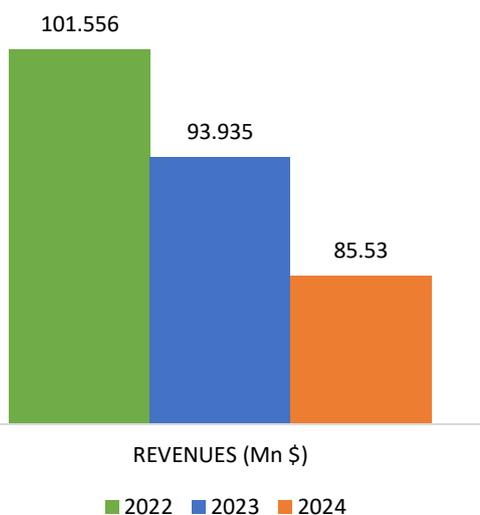
When evaluating Marketing ROI, isolating direct marketing-driven revenue impacts in a B2B setting like ADM's is complex. However, given ADM's \$93 billion in annual revenue and the company's strategic goal to expand its footprint in value-added sectors (especially Nutrition and specialty ingredients), marketing efforts play a crucial role in supporting long-term customer engagement and portfolio diversification.

## CORPORATE STRATEGY AND GOAL

The company’s mission is to “unlock the power of nature to enrich the quality of life.” That philosophy drives its focus on sustainability, innovation, and efficiency. ADM is rolling out regenerative agriculture initiatives aimed at reducing greenhouse gas emissions, improving soil health, and conserving natural resources. In response to shifting consumer and market demands, it launched over 40 new products in 2023. At the same time, the company is working to trim \$500 million in traceable costs over the next two years by tightening operations and optimizing its processes.

Still, ADM isn’t without its challenges. The company operates in a space heavily influenced by global commodity prices, which can swing unpredictably and affect margins. It also has to navigate a complex web of regulations and international trade tensions that can disrupt supply chains and business continuity. Most recently, ADM has come under scrutiny for its false and/or misleading statements, for failed to disclose material facts, about the performance and prospects of ADM’s Nutrition segment and its financial reporting practices, prompting restatements of past results and attracting federal investigations — a development that has raised concerns among investors and analysts.

Financially, the company has seen a drop in revenue, falling from \$101.56 billion in 2022 to \$85.53 billion in 2024 — a decrease of nearly 9%. Looking ahead to 2025, ADM expects earnings per share in the range of \$4.00 to \$4.75, a cautious outlook shaped by weak market conditions and uncertainty in biofuel policy and global trade. Despite these headwinds, ADM has maintained a steady commitment to shareholder returns, with a five-year dividend growth rate of 7.5%.



## GROWTH AND PARTNERSHIPS

ADM pursues partnerships to strengthen its market position, expand its operations globally and continuously drive product innovation. As noted in its 10-K filing, strategic collaborations are a key tool used by the company to enhance competitiveness.

In the Agricultural services and oilseeds sector ADM has joint ventures with Cargill, Wilmar, Associated British Foods, Princes Limited and Viterra. The main purpose of these joint ventures is to expand production and supply of edible oils. Some ventures have a global focus while others target specific geographical areas such as Egypt, North America, United Kingdom, East Europe and Brazil.

In the Carbohydrates Solutions segment, ADM has two joint ventures focused on the global sales and marketing of Fibersol

ADM's partnerships are not just aimed at the firm's economic benefit. In 2024 ADM announced regenerative agriculture partnerships with Ooni Pizza Owens and Mars, Incorporated. This initiative aims to encourage farmers to implement practices that improve soil health, water quality and biodiversity. In 2024 ADM also launched Gradable, a 50/50 joint venture with Farmer Business Network (FBN). The Gradable platform allows farmers to track the effect of regenerative practices through data driven insights. The project aims to expand and support global sustainability objectives worldwide.

In March 2025 ADM and Mitsubishi Corporation signed a non-binding memorandum of understanding (MoU) to form a strategic alliance aimed at enhancing global food and agriculture supply chains. The main objectives include the collaboration on developing a strong biofuel supply chain, strengthening global food systems and exploring sustainable food sourcing.

Throughout the recent years ADM has expanded its business through new acquisitions of firms that operate in different areas of the food and agriculture sector. The two largest recent acquisitions are FDL, a UK-based developer of flavour systems, which was bought for \$290 million, and Revela Foods, a US-based firm which specializes in dairy flavor ingredients and solutions, for \$650 million.

In the past years ADM has also focused on increasing production capacity and innovation. Thanks to new partnerships it was able to create new innovation centres and production plants, especially in Europe and the US where ADM focused a large part of its investments.

ADM has engaged in collaborations with the US government to boost regenerative agriculture programs and to participate in carbon capture initiatives. ADM also supports political candidates that align with its business interests.

## CAPITAL STRUCTURE

ADM operates as a leveraged firm, it does not rely solely on equity financing but it employs debt to maximize its growth and profitability.

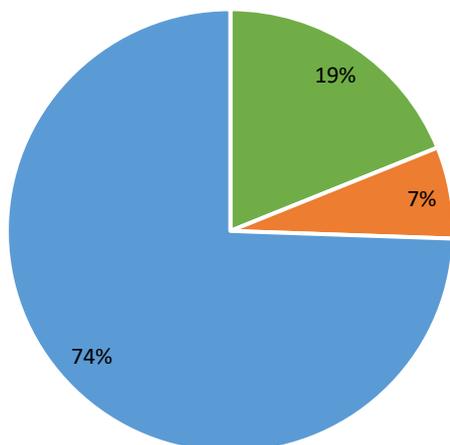
As of December 2024, the company reported total shareholders' equity of \$22,178 million, comprised of:

- \$3,223 million in Common Stock
- \$21,933 million in Retained Earnings
- \$(2,998) million in Accumulated Other Comprehensive Loss

On the liabilities side, ADM's debt structure includes:

### DEBT STRUCTURE (Mn \$)

- Short-term Debt
- Current Portion of Long-term Debt
- Long-term Debt



- \$1,903 million in Short-term Debt
- \$674 million in the Current Portion of Long-term Debt
- \$7,508 million in Long-term Debt

It is also worth mentioning 324 million in Current lease liabilities and 1,057 million in Non-current lease liabilities. Moreover, ADM has access to \$13 billion in lines of credit, with \$9.1 billion currently unused.

ADM’s capital dependency has increased in 2024. Despite positive operating cash flows, ADM saw a decrease in total cash and equivalents and restricted cash and equivalents by \$1.5 billion. This decrease is also due to ADM’s policy of continuously increasing its dividends and also to the program of share repurchases started in 2015. When looking at the short term, with only 611 millions in cash and equivalents, ADM will struggle to meet its liquidity requirements and will need to rely on new lines of credit and debt.

The D/E over equity is 1.401 (Finance says 1.39?), hence ADM relies more on debt than equity but the ratio is still sustainable. By looking at the financing cash flows it can be seen that this year ADM issued 1.8 billions of debt and paid dividends and share repurchases, therefore the Adm is relying more on its cash reserves and on newly issued debt to finance its investments and cover its expenses.

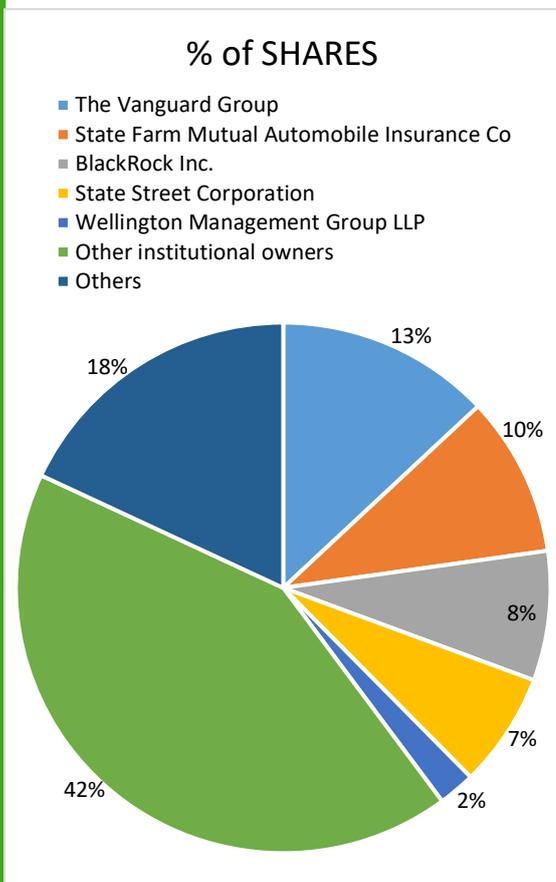
ADM’s debt rating is A/ A2, therefore it is still an investment grade company. It is important to note that all the three major credit rating agencies have revised the company’s outlook as negative.

In 2024 the company has seen a worsening of its credit rating, a decrease in liquidity and cash flows and an increase in debt. This doesn’t necessarily imply a bad outlook for the company’s future since this year has been particularly challenging. It is important to note that if this trend continues the company will eventually struggle to take on more debt and it will become a riskier investment because of higher costs and lower ratings.

## OWNERSHIP AND MANAGEMENT

ADM’s ownership structure reflects the company’s positioning as a global agricultural powerhouse and its historical stability, though recent internal turmoil and accounting irregularities have slightly shaken investor confidence. Approximately **82%** of ADM's outstanding shares are held by **institutional investors**, a share of ownership that emphasizes Wall Street’s deep engagement in the company. Major capital providers include **The Vanguard Group (13.0%)**, **State Farm Mutual Automobile Insurance Co (9.76%)**, **BlackRock Inc. (7.90%)**, **State Street Corporation**

(6.98%), and Wellington Management Group LLP (2.23%), with these five collectively owning the 40% of total shares.



Institutional activism within ADM remains characteristically passive. No activist fund appears to have taken a vocal stance regarding strategic shifts in recent years, even as ADM underwent management changes and public scrutiny regarding its financial disclosures. With insider ownership sitting at just over 0.65%, executives have only modest personal stakes in the company’s performance, which might limit alignment with long-term shareholder interests.

A notable development in 2024 and early 2025 was the moderate increase in short interest, now standing at 13.56 million shares, or 2.86% of the float, with a coverage ratio of 5.28 days. Though not alarmingly high, this figure does reflect growing market skepticism, likely exacerbated by the internal accounting probe affecting the company’s Nutrition segment. The issue—related to overstatements of intersegment profits and delayed revenue recognition—led to an earnings restatement spanning multiple years and sparked a federal investigation. This situation has become a reference point for short-sellers betting against ADM’s capacity to maintain its operational credibility in the short term.

Management at ADM has undergone a transition aimed at restoring internal trust and external credibility. Juan R. Luciano, who has served as CEO since 2015 and Chairman since 2016, remains at the helm. His long tenure at ADM, following a career at Dow Chemical, once positioned him as a stabilizing force. However, recent events have placed him under pressure, especially from analysts who question the adequacy of oversight during the misreporting period.

To help navigate the company through this period of increased scrutiny, Monish Patolawala was appointed as Executive Vice President and CFO in August 2024. Previously CFO of 3M and a senior executive at General Electric, Patolawala’s recruitment was widely seen as a move to reinforce financial transparency and control. His background in operational transformation and compliance-heavy industries is expected to help ADM regain investor confidence.

The rest of the C-suite includes:

- **Kristy Folkwein** (Chief Information Officer), leading ADM’s digitalization and technology investments;
- **Jennifer Weber** (Chief People Officer), with experience in organizational restructuring at firms like Lowe’s and Duke Energy;
- **Regina Jones** (Chief Legal Officer), overseeing compliance and governance amid the ongoing investigations;

- **Ian Pinner** (President of Nutrition and Chief Sales & Marketing Officer), tasked with rebuilding confidence in the Nutrition division, which has been at the center of ADM's financial restatement;
- **James Prince** (Chief Compliance and Integrity Officer), brought in to improve ADM's internal control systems;
- **Carrie Nichol** (Chief Accounting Officer), hired in 2025 following the resignation of key accounting staff tied to the restatement.

ADM's Board of Directors is composed of a mix of business leaders and industry veterans, but most directors do not hold large personal stakes. The company's **overall insider ownership remains low**, with no individual executive owning more than a fraction of one percent of outstanding shares. This low ownership may reduce internal pressure for aggressive change, though it's balanced by the reputational risk now associated with oversight failures.

Despite ADM's solid fundamentals in core businesses like grain origination, oils, and carbohydrate solutions, the Nutrition segment's missteps, combined with a **share price downtrend of ~17% over the last 12 months**, highlight the importance of stronger governance and a more proactive investor relations strategy. The leadership team's ability to re-establish trust, both internally and with shareholders, will likely define the firm's medium-term trajectory.

Lastly, in terms of capital return policies, ADM has historically maintained a steady approach: the company continues to pay quarterly dividends, with a current **dividend yield of around 3%**, and has a share repurchase program in place. However, given the recent earnings volatility, these policies may come under review as ADM focuses on financial discipline and restoring long-term credibility rather than signaling superficial stability to markets.

## ESG COMMITMENT

ADM emphasizes its commitment to environmental, social, and governance (ESG) principles. The company strives to operate in ways that are environmentally responsible and socially conscious, aligning its practices with international standards such as those set by the Task Force on Climate-related Financial Disclosures (TCFD). However, operating across multiple countries brings regulatory complexity. ADM must navigate a wide range of rules concerning pollution, trade, and workplace safety.

Sustainability remains a key focus area. ADM is actively investing in regenerative agriculture—an approach that supports farmers in

growing crops while preserving the environment. These initiatives aim to reduce pollution, improve soil health, and conserve vital resources like water and energy.

The company has also introduced a wave of ESG initiatives. In 2023, it launched more than 40 new products tailored to meet increasing consumer demand for healthy and sustainable food options. At the same time, ADM has been working on reducing carbon emissions and enhancing supply chain efficiency.

Despite these efforts, ADM has encountered legal challenges. In 2024, the company came under investigation for misrepresenting the financial performance of its Nutrition segment. This led to corrections in its financial statements and sparked concerns among investors about the company's transparency and ethical standards. While the investigation didn't relate to antitrust or data privacy, it highlighted ongoing risks in corporate governance.

## PORTER'S FIVE FORCES

### Threat of New Entrants: **LOW**

ADM operates in a highly consolidated global agribusiness market, dominated by a few major players (ADM, Cargill, Bunge, Louis Dreyfus), collectively controlling about 50–60% of the market. This market dominance presents significant barriers to entry for new competitors.

High capital requirements for infrastructure, global logistics, and regulatory compliance significantly discourage new market entrants.

Increasing regulatory demands and ESG standards, including sustainability and traceability, further raise the barriers to new entrants, as these require substantial investment and established operational capabilities.

### Bargaining Power of Suppliers: **MEDIUM**

ADM's suppliers, primarily farmers and growers, operate in a highly fragmented and competitive environment. This fragmentation severely limits their bargaining power, as ADM can source commodities from diverse geographical areas, minimizing dependency on specific suppliers.

ADM's strategy of direct procurement and vertical integration further diminishes supplier bargaining power. However, occasional volatility in agricultural production and specialized ESG-certified products may give limited bargaining leverage to some suppliers.

**Bargaining Power of Buyers: HIGH**

ADM's primary customers include large global food and beverage manufacturers and commodity importers who hold significant negotiating leverage due to the commodity nature of ADM's products, leading to low switching costs.

Customers are well-informed, often seeking competitive bids, which forces ADM to maintain competitive pricing and limited profit margins.

Despite the competitive environment, ADM attempts differentiation through specialty products, innovation in nutrition segments, and sustainability credentials, which partially mitigate buyer power.

**Threat of Substitutes: MEDIUM**

Basic agricultural commodities and ingredients generally have limited direct substitutes, given their essential nature in food and animal feed industries. However, substitution between different commodities is common based on pricing or supply disruptions.

Emerging technological advancements, particularly in alternative proteins (plant-based and lab-grown) and electric vehicles reducing biofuel demand, pose longer-term substitution threats to parts of ADM's traditional business lines. ADM's proactive diversification into specialty ingredients, renewable fuels, and sustainable products helps reduce vulnerability to substitutes.

**Industry Rivalry: HIGH**

Intense competition characterizes ADM's operational environment, driven by a few large global competitors and numerous regional players, continuously vying for market share. Consolidation efforts further intensify competition as large players grow even larger, challenging ADM's market position and profitability.

Competition primarily revolves around efficiency, cost management, and pricing due to low product differentiation among basic agricultural commodities. Increasingly, competition also occurs around sustainability standards, innovation, and supply chain capabilities.

**PESTEL ANALYSIS****POLITICAL**

ADM operates in more than 170 countries; it is therefore exposed to a wide range of international norms. In the United States, ADM benefits from government aid programs such as those offered by the USDA, but it also needs to adapt to changes

in policies. During the Trump administration, many firms have had the opportunity to pull back on environmental commitments in favour of profits, but ADM's leadership has stated its intention to maintain sustainability efforts, even though this might result in decreased competitiveness. On a global scale, geopolitical events such as the Russia-Ukraine conflict and the US-China trade war can disrupt supply chains and alter commodity prices, which could either result in a gain or a loss depending on the situation. For example, the disruption of supply chains from the Russia-Ukraine war has allowed ADM to charge higher prices and driven up its profits.

## **ECONOMIC**

Since ADM operates on a high-volume, low-margin model, the frequent price fluctuations pose a threat to the company's profitability. Moreover, the company's increasing leverage leaves it more vulnerable to interest rate changes. However, ADM is advantaged by the nature of its products that make demand more inelastic and less sensitive to economic downturns.

## **SOCIAL**

ADM's commitment to environmentally responsible practices plays a key role in building consumer trust. Today's consumers are highly mindful of the sourcing and sustainability of food ingredients. However, the firm's public image has recently suffered because of the inquiries on irregular accounting methods adopted by the firm in its Nutrition division, which worried investors.

## **TECHNOLOGICAL**

ADM integrates advanced technologies in every step of its value chain, from the digitalized crop origination to AI-powered logistics and biochemical fermentation for sustainable materials. R&D is fundamental for the innovation of ADM's high value segments such as biopolymers, functional ingredients and renewable fuels. Digital transformation also allows for better logistics and operational accuracy. ADM's technology doesn't just improve its efficiency but also its ability to differentiate and adapt to evolving market demands.

## **ENVIRONMENTAL**

ADM has a deep concern on ESG topics. It has launched various initiatives for regenerative agriculture, biofuels and low emissions supply chains. However, agricultural production and industrial operations demand large quantities of energy and other resources, and environmental compliance costs are high.

## **LEGAL**

ADM must comply with many strict legal frameworks in the food, environmental and business sectors. Recent inquiries regarding the accounting methods adopted by the Nutrition division have raised concerns and led to revisions of the financial statement and internal dismissions. Moreover, the sector has often been described as having many small monopolies where firms can charge higher prices compared to a competitive environment. While there are currently no antitrust investigations, the risk of regulatory scrutiny remains.

## SWOT ANALYSIS

### STRENGTHS

- Vertical integration: ADM controls the entire supply chain from raw materials to distribution, ensuring efficiency, traceability, and quality.
- Diversified product portfolio: Presence across food, feed, biofuels, and bio-based chemicals, serving customers in over 170 countries.
- Robust logistics infrastructure: One of the largest private logistics networks in the industry (9,000 miles of river transport, 2,500+ railcars, ocean vessels, grain silos, etc.).
- Sustainability leadership: Significant investments in regenerative agriculture, sustainable biofuels, and ESG-aligned practices.
- Strategic partnerships: Collaborations with major players like PepsiCo, Wilmar, Mars, and Mitsubishi to support innovation and global expansion.
- Technological leadership: Use of AI, automation, biotechnology, and digital tools to optimize production and logistics.

### WEAKNESSES

- Low profit margins: Operating in a low-margin, high-volume sector heavily influenced by commodity price volatility.
- Exposure to global risk: Vulnerable to geopolitical events, international regulations, and trade disruptions.
- Recent reputational damage: Federal investigations and financial restatements due to accounting irregularities in the Nutrition segment.
- Rising debt and declining liquidity: Increased reliance on debt financing, with cash reserves dropping significantly in 2024.
- Low insider ownership: Less than 1% of shares are held by company executives, potentially weakening alignment with shareholders.

### OPPORTUNITIES

- Expansion into emerging and niche markets: Growth potential in areas like pet food, bioplastics, and plant-based foods.
- Rising demand for sustainable products: Strong market tailwinds for natural ingredients, green fuels, and biodegradable materials.
- Further digitalization: Enhanced traceability, efficiency, and customer engagement through advanced tech solutions.
- Targeted acquisitions: Recent purchases (e.g., FDL, Revela Foods) strengthen ADM's position in high-margin segments.
- Public-private partnerships: Involvement in government programs for environmental sustainability and carbon capture.

### THREATS

- Agricultural price volatility: Fluctuations in global commodity prices impact production costs and margins.
- Intense global competition: Major competitors like Cargill, Bunge, Olam, Glencore, and LDC.
- Rising operational costs: Increased expenses for fuel, labor, and refrigerated transportation.
- Regulatory and reputational risk: Ongoing scrutiny and governance concerns affecting investor trust.
- Weakening financial performance: A 48.5% drop in net income in 2024 and reduced EPS outlook for 2025.

## CRITICAL FACTORS AND CATALYSTS

### POSITIVE CATALYSTS

**Regenerative Agriculture and Sustainability Initiatives:** ADM's leadership in sustainable agriculture, through partnerships with companies like Mars, and platforms like Gradable, positions the company to benefit from increasing demand for traceable and environmentally responsible sourcing.

**Strategic Expansion in Value-Added Segments:** ADM continues to move towards higher-margin, value-added areas, particularly in the Nutrition and BioSolutions segments. Recent acquisitions such as FDL and Revela Foods, as well as growth in the Carbohydrate Solutions segment, reflect a targeted strategy to diversify revenue streams and enhance profitability.

**Joint Ventures and Global Partnerships:** Collaborations with firms such as Mitsubishi (for now only MoU), Cargill, and Wilmar are expanding ADM's geographic and product reach. These partnerships are particularly impactful in areas like edible oils and

biofuels, supporting long-term growth in both developed and emerging markets.

**Defensive Industry Positioning:** ADM benefits from being deeply embedded in food, fuel, and industrial supply chains—sectors that offer resilience during economic downturns. Its diversified B2B customer base and multi-year contracts (~68%) provide earnings visibility and volume security.

## RISKS AND POTENTIAL NEGATIVE FACTORS

**Macroeconomic and Commodity Price Volatility:** ADM's business remains highly sensitive to fluctuations in global commodity prices, interest rates, and geopolitical disruptions. These can erode margins and introduce unpredictability into core operations.

**Accounting Irregularities and Governance Concerns:** Ongoing investigations into the Nutrition segment's misstatements and restatements of financials have eroded investor confidence. Regulatory scrutiny and reputational damage could impair access to capital and weigh on valuation.

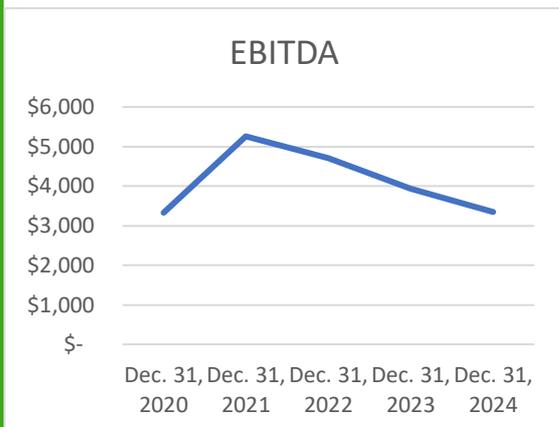
**Margin Compression and Financial Strain:** In 2024, ADM experienced a significant drop in EPS (-43.2%) and net income (-48.5%) due to declining margins, higher SG&A, and impairments. If operational challenges persist, especially in a deflationary commodity environment, profitability could continue to weaken.

**Rising Debt and Liquidity Pressures:** With a debt-to-equity ratio of ~1.39 and shrinking cash reserves, ADM's financial flexibility is constrained. Though it maintains investment-grade credit ratings, further deterioration could impact borrowing costs and capital access.

## FINANCIAL STATEMENT ANALYSIS

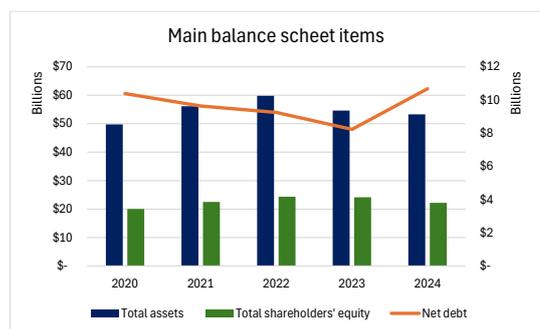
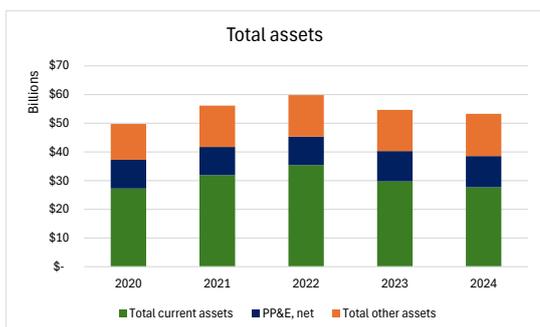
### INCOME STATEMENT

Archer-Daniels-Midland recorded revenues of \$85.5 billion in 2024, an 8.95% decrease from the prior year caused by global volatility and shifting consumer behaviours. Segment performance varied: Ag Services & Oilseeds saw modest growth to \$55.7 billion, Carbohydrate Solutions rose 3.5% to \$12.8 billion, and Nutrition led with 6.7% growth to \$12.3 billion, while some factors like other revenue streams declined by 8.5% to \$2.4 billions. At the same time, the gross profit stands at \$5.8 billions, and it has a gross margin of 6.7%, that decreased from that of 2023 at 8.0%, most likely because of an increase in the prices of commodities and, also, inefficiencies of the supply chain. Expenses from operations increased slightly through the year: Selling, General and Administrative expenses rose moderately, going from \$3.46 to \$3.71, and Asset impairment, exit, and restructuring costs almost doubled in a year time, from \$0.34 to \$0.55. The effect of these changed can be seen as we approach the data for the operating income of 2024, since it dropped by more than half with respect to that of 2023 (from \$3.72 billions to \$1.53, and from 3.94% to 1.80% as a percentage of total revenues). Furthermore, during the period in consideration interest expenses grew by 9.1% reaching \$0.7 billions from \$0.6 of the previous year and by more than 166% from that of 2021 (at \$0.27), reflecting the increased debt burden and possibly higher interest rates. Net income declined to \$1.8 billion, a 48.5% drop from \$3.5 billion, while earnings per share fell to \$3.65 from \$6.43, a 43.2% decrease, compounded by continued share repurchases. Despite maintain respectable earnings, particularly through its Nutrition segment, which affirmed the company's strategic pivot, the most noticeable aspect is the profit compression, ADM's losses in the last year portraits the difficulties of this company that, in the las year has seen steep declines in most of the Income Statement's elements and may need to elaborate a new strategy to get back without incurring in net losses in the next few years.



## BALANCE SHEET

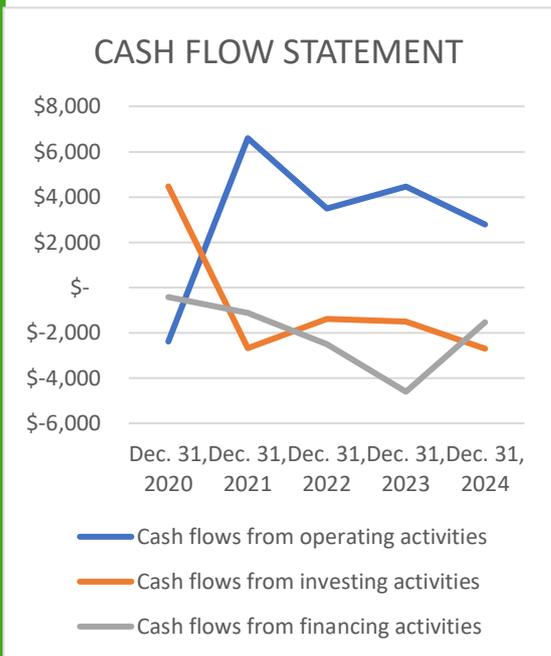
ADM’s balance sheet slightly decreased in the period taken into consideration. Total assets reached approximately \$53.3 billion, representing a 2.4% decrease from 2023 and a 10.9% from 2022. The Current assets are the main cost of this abrupt change as in 2024 they are at \$27.72 billion and, while the change from 2023 was not exorbitant as they were \$29.77 billions (6.89% decrease), it was much more noticeable that from 2022 as current assets were at \$35.41 billions, implying a 21.7% decrease in just two years. Inventories, the largest component of CA at \$11.6 billion, remained stable with respect to the 2023 amount but strongly decreased from 2022 (from \$14.77 billions, highlighting a 22.4% fall). This situation reflected both the company’s commodity-intensive business model inefficiencies and its strategic inventory management and supply chain uncertainties. Cash plummeted in 2024, from \$1.37 to \$0.61 billions, with a decrease of more than 55%, as the company utilized its capital for both operational activities and strategic projects. At the same time ADM’s account receivables also decreased by 11.9% as they went from \$4.23 to \$3.71 indicating potential longer collection periods or expanded sales activity. Non-current assets remained relatively stable, especially in particular strategic areas that continued to align with ADM’s long-term goals. Property, Plant & Equipment reached \$10.8 billion with only a 3.14% increase, most likely because of ongoing modernization and capacity expansion investments. While Goodwill and Intangibles grew slightly from \$6.34 billion to \$6.77 billion during the year, reflecting the company’s strategy for acquisition, which focuses primarily on expanding its Nutrition portfolio. Total liabilities increased by 2.66% to approximately \$30.8 billion, growing at a higher pace with respect to the asset side of the BS and indicating also a slight increase in leverage. Instead, current liabilities grew somewhat significantly with a 7% rate, from \$18.66 billions in 2023 to \$19.94 in 2024, getting back to the 2020 level, after, for 3 years, it had been below the billion dollars mark. This increase suggests increased reliance on short-term financing. At the same time, though, long-term debt decreased by 8.2% to \$7.58 billion as the company leveraged debt markets to fund its strategic initiatives while maintaining financial flexibility. Shareholders’ equity also decreased significantly in just one year, plummeting by 8.14% to \$22.2 billion, with retained earnings also going down 5.46% to \$21.9 billion while treasury stock increased by 11.3% to \$5.1 billion, reflecting continued share repurchase activity despite the challenging environment. This constellation of balance sheet movements indicates ADM



maintains financial strength despite incrementally higher leverage even though slightly dangerous if kept at this rate, with adequate resources to fund operations and strategic growth initiatives while continuing to return value to shareholders through an active repurchase program and dividend payments.

### CASH FLOW STATEMENT

ADM’s cash generation capabilities showed signs of pressure in 2024 with operating cash inflow decreasing 37.4% to \$2.8 billion reflecting, among the causes of the decrease, the variations of net income of the last year. This divergence stemmed also from less favourable working capital dynamics, particularly a \$0.16 billion cash outflow related to inventory buildup, from the \$2.89 billion of the previous year, even though ta same pattern can be seen every two years implying that the major purchase of inventories could be done biannually, and a \$0.4 billion outflow from accounts receivable compared to the \$0.7 of 2023, partially offset by a \$0.72 billion inflow from accounts payable, despite being almost halved from 2023’s \$1.54 billion. Depreciation and amortization slightly increased in the last year, following a pattern that seems to be going on, as every year this value rises moderately. At the same time investing activities increased significantly as the total cash outflow for this department was registered at -\$2.7 billion, with an 80.0% increase with respect to 2023, at -\$1.5 billion. Capital expenditure increased by 4.7% and reached -\$1.56 billion from-\$1.49 of 2023, and acquisition spending increased to \$0.9 billions from the \$0.2 of the year before, after a 450% increase from one year to another that highlights ADM’s M&A strategy focused in particular on the expansion in the high-margin Nutrition segment in line with the company’s long-term strategic objectives. These investments were not offset enough by the \$0.15 billion in proceeds from sales of assets, businesses, investments and of marketable securities as management continued portfolio optimization efforts. Financing activities reflected ADM’s balanced approach to capital allocation with total cash outflows of \$1.5 billion, decreasing 66.74% from 2023. The company’s long-term debt borrowings, as well as the long-term debt payments plummeted compared to last year’s amounts (from \$0.5 to \$0.02 billion for the borrowing and from \$1.0 to \$0.001 billion for the payments). At the same time, ADM increased its net short-term borrowings with a \$1.8 billion cash inflow, compared to the inflow of \$0.4 billion of the year before, supporting its investment program while dividend payments remained constant at to \$0.98 billion, maintaining ADM’s



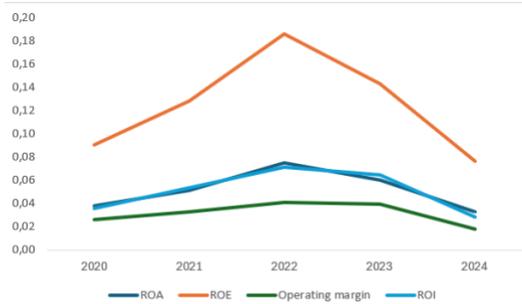
commitment to shareholder returns. In particular, it can be noticed that the repurchase of shares declined by 7.1% in 2024, reaching -\$2.33 billions from the 2023 -\$2.67 billions, reflecting a deliberate shift towards a more cautious approach to share buybacks, in order to prioritize financial flexibility in response to economic uncertainty. By the combination of these financing decisions with operational cash flow and strategic investments, ADM successfully maintained sufficient liquidity despite higher capital deployment. This approach highlights management’s commitment on maintaining a careful equilibrium between pursuing growth opportunities and exercising financial discipline during a period of significant market volatility in global agricultural commodities.

## RATIO ANALYSIS

### PROFITABILITY

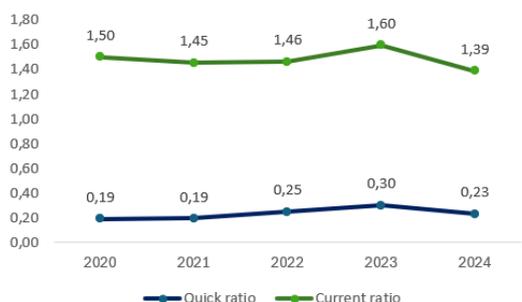
Over the years, the **ROI** has followed a rising trend until 2022, peaking at 7.2%, up from 3.6% in 2020, before declining to 2.8% in 2024. **ROE** experienced similar dynamics, increasing from 9.1% in 2020 to 18.6% in 2022, then dropping to 7.7% in 2024, due to a staggering 48% year-on-year net income decline. With reduced efficiency in turning its assets into net income, the **ROA** of the company fell to about 3.38% in 2024. The **operating margin** followed the same path, improving steadily until 2022 (4.1%) and then contracting to 1.8% in 2024.

Overall, ADM’s profitability showed consistent improvement though 2022 but has declined over the last two years due to lower margins and returns.



### LIQUIDITY

In 2024, the current ratio stood at 1.39 , comfortably above the 1.0 threshold, indicating that ADM can cover its short-term liabilities with current assets. While this suggests a generally healthy liquidity position, the quick ratio remains low at 0.23, highlighting a continued reliance on inventory to maintain short-term solvency. The slight deterioration in both ratios compared to 2023 signals a potential tightening in liquidity, calling for careful monitoring of overall liquidity management to ensure flexibility in meeting near-term obligations.



### EFFICIENCY

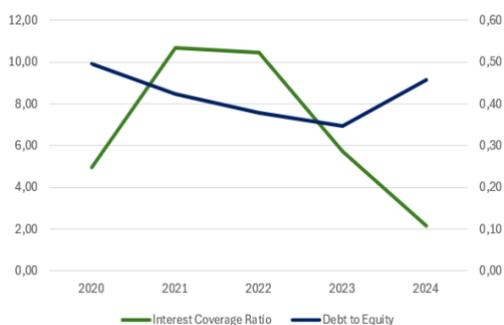
ADM’s efficiency has improved in recent years. DIO declined from 71.37 days in 2020 to 52.96 in 2024, indicating better inventory

Year	DSO	DPO	DIO
2020	15,84	27,26	71,37
2021	14,18	29,42	66,68
2022	17,70	30,30	57,36
2023	16,44	26,66	50,50
2024	15,82	25,33	52,96

management. DSO remained stable around 15–17 days, reflecting consistent collection of receivables. DPO decreased slightly from its 2022 peak, suggesting quicker payments to suppliers. Overall, the company maintains a balanced and efficient working capital cycle.

### SOLVENCY

The company recorded a debt-to-equity ratio of 0.46 in 2024, reversing the declining trend from 2020 to 2023 and signaling a modest increase in leverage. In addition, the interest coverage ratio fell sharply to 2.16, reflecting a reduced ability to cover interest expenses from operating earnings. While ADM’s solvency is still acceptable by industry standards, sustaining future performance will depend on margin recovery and capital management.



## COMPANY VALUATION

Year	Growth	Revenues
2021	32,47%	85.249
2022	19,13%	101.556
2023	-7,50%	93.935
2024	-8,95%	85.530
2025E	4,07%	89.012
2026E	1,84%	90.651
2027E	4,36%	94.602
2028E	3,00%	97.440
2029E	3,00%	100.363
TV	3,00%	103.374

### REVENUES

To determine the appropriate **growth rate** for the DCF model, historical, fundamental, and analysts' estimated growth rates were analyzed.

The table displays **ADM's historical and expected revenue**. It is evident that ADM experienced a significant revenue increase in 2021 and 2022, with growth rates of 32.47% and 19.13%, respectively. However, this trend reversed in 2023 and 2024, with revenues declining by 7.5% and 8.95%. Growth is expected to recover modestly in 2025 and 2026, before stabilizing at around 3% from 2027 onwards. After the five-year forecast horizon, a **perpetual growth rate of 3%** is assumed, in line with expected inflation and the maturity of the sector.

### WACC

#### COST OF EQUITY

The cost of equity is calculated using the **Capital Asset Pricing Model (CAPM)**. A **risk-free rate of 4.31%** was selected, based on the Yield of the 10-Year constant maturity US Treasury Securities' rate return, as an average of yearly returns every day of the 12 months prior to valuation date period. A 5-year equity **beta of 0.78** was used in the model, multiplied by a market risk premium of 4.33%. The latter value calculated by NYU Professor Aswath Damodaran. Using the values computed above, we arrived at a conclusive **cost of equity 7.68%**.

#### COST OF DEBT

We initiate the computation of the cost of debt using the **same risk-free rate** assumed for the cost of equity (4.31%).

We added to this value the **default spread**, calculated with an Interest Coverage Ratio of 2.16. With this method we came up with a default spread of 1.10%. Consequently, a pre-tax **cost of debt of 5.41%** is established. We considered a tax rate equal to 21% and therefore we computed an after-tax cost of debt of 4.27%.

Cost of equity	
Risk free rate	4,31%
Risk premium	4,33%
Beta	0,78
Ke	7,68%

Cost of debt	
Risk free rate	4,31%
Interest Coverage	2,16
Default Spread	1,10%
Kd	5,41%

WACC	
MV of Equity	22,98 bn
MV of Net Debt	10,68 bn
Tax rate	21,0%
E/(E+D)	68,26%
D/(D+E)	31,74%
WACC	6,60%

### WACC

The Weighted Average Cost of Capital (WACC) is computed by weighing the cost of debt and the cost of equity according to their perspective proportions in the capital structure. As of May 3<sup>rd</sup>, 2025, ADM has **equity** of around \$22.98 billion (68.26%) and \$10,68 billion of **net debt** (31.74%). This computation yields a **WACC of 6.60%**.

The following tables display a comprehensive list of all the data points that were used in the computation of the Weighted Average Cost of Capital (WACC).

### DISCOUNTED CASH FLOW MODEL

In the discounted cash flow (DCF) model, we built our valuation on the assumption that revenues will grow as predicted by analysts, and costs will also increase accordingly. Additionally, we categorized costs into fixed and variable: variable costs are expected to grow in line with revenues, while fixed costs are projected to increase at the inflation rate. Discounting ADM’s projected cash flows with above described WACC yields an enterprise value of \$35.212 million and an equity value of \$24.531 million. This corresponds to an intrinsic share price of \$49.76. A more detailed overview of the DCF can be found in the appendix.

Recognizing the sensitivity of the DCF model to key assumptions, we have decided to include a sensitivity analysis reflecting potential changes in the WACC and the perpetual growth rate, which are the two variables with the greatest impact on the DCF model.

### SENSITIVITY ANALYSIS

The sensitivity analysis illustrates the different equity value per share ADM can assume changing the WACC and the perpetual growth rate. The valuation spans a wide range from \$25.03 per share at the more conservative combination of a 7.6% WACC and 2% growth, to \$136.73 per share at the most aggressive combination of 6.1% WACC and 4% growth. The base case inputs (WACC = 6.60%, g = 3%) brought to a value of \$49.76 per share, highlighted in dark green.

	WACC				
	5.60%	6.10%	6.60%	7.10%	7.60%
49.76	54.68	44.45	36.51	30.18	25.03
2.00%	65.27	52.17	42.33	34.69	28.59
3.00%	79.94	62.37	49.76	40.29	32.93
3.50%	101.58	76.49	59.58	47.45	38.33
4.00%	136.73	97.33	73.18	56.91	45.22

## COMPARABLE COMPANIES ANALYSIS

COMPANY	EV/Revenue	EV/EBITDA	EV/EBIT	P/Book
Bunge Global	0,25	6,21	7,90	1,05
Ingredion	1,25	6,58	7,76	2,33
International Flavors	2,37	12,42	23,10	1,56
Andersons	0,16	5,71	9,63	1,01
South Dakota Soybean	0,71	12,76	16,16	1,54
Median	<b>0,71</b>	<b>6,58</b>	<b>9,63</b>	<b>1,54</b>

To determine the correct valuation of ADM, we also looked at **comparable listed companies** respectively their valuation multiples. We managed to find five agricultural and food processing sector companies in the same market cap category. To be precise, the comparable company multiple is based on the following five businesses: Bunge Global (BG), Ingredion (INGR), International Flavors (IFF), Andersons (ANDE) and South Dakota Soybean (SDSYA)).

In order to gain a valid understanding of the proper share price of ADM, the revenue multiple, EBITDA multiple, and EBIT multiple were calculated using the median of the four companies – due to some outliers with higher multiples, the median was the more reliable choice. Doing so we estimated the average between the result of **\$41.27**, **\$40.97** and **\$69.28** that were the only three that used the only multiples indicating a price near the current market price and in line with the findings of our DCF analysis. Doing so with the multiples ratio analysis we estimated a final price of **\$50.50**, with 5.5% upside with respect to the current price of \$47.85.

## RECOMMENDATION

Based on previous analysis, we recommend that also if the analysts provide estimates for an overpriced value, using multiple analyses with peers and a DCF model based on a sector analysis, the company is slightly **undervalued**, with great potential to grow. All this leads to an intrinsic share price **from \$49.76 up to \$50.50**, making a hold case investment with about **3.99%-5.50% upside**. The sensitivity analysis shows that in most such cases, this would prove to be a **solid and strong stock**. Our final recommendation is to **hold** the stock.

## DCF APPENDIX

### EBIT ESTIMATION

(Data in \$ million)	Historicals					Explicit forecast				
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
<b>Income statement</b>										
Sales	64,355	85,249	101,556	93,935	85,530	89,012	90,651	94,602	97,440	100,363
Growth		32.47%	19.13%	(7.50%)	(8.95%)	4.07%	1.84%	4.36%	3.00%	3.00%
COGS (excluding D&A)	(58,926)	(78,266)	(92,958)	(85,363)	(78,611)	(81,480)	(82,980)	(86,597)	(89,195)	(91,871)
% of sales	(91.56%)	(91.81%)	(91.53%)	(90.87%)	(91.91%)	(91.54%)	(91.54%)	(91.54%)	(91.54%)	(91.54%)
<b>Gross profit</b>	<b>5,429</b>	<b>6,983</b>	<b>8,598</b>	<b>8,572</b>	<b>6,919</b>	<b>7,532</b>	<b>7,671</b>	<b>8,005</b>	<b>8,245</b>	<b>8,492</b>
Other SG&A expenses	(2,767)	(3,158)	(3,424)	(3,798)	(4,251)	(4,336)	(4,423)	(4,511)	(4,601)	(4,693)
% of sales	(4.30%)	(3.70%)	(3.37%)	(4.04%)	(4.97%)	(4.87%)	(4.88%)	(4.77%)	(4.72%)	(4.68%)
<b>EBITDA</b>	<b>2,662</b>	<b>3,825</b>	<b>5,174</b>	<b>4,774</b>	<b>2,668</b>	<b>3,196</b>	<b>3,248</b>	<b>3,494</b>	<b>3,644</b>	<b>3,799</b>
Margin	4.14%	4.49%	5.09%	5.08%	3.12%	3.59%	3.58%	3.69%	3.74%	3.79%
D&A	(976)	(996)	(1,028)	(1,059)	(1,141)	(1,096)	(1,117)	(1,165)	(1,200)	(1,236)
% of sales	(1.52%)	(1.17%)	(1.01%)	(1.13%)	(1.33%)	(1.23%)	(1.23%)	(1.23%)	(1.23%)	(1.23%)
<b>EBIT</b>	<b>1,686</b>	<b>2,829</b>	<b>4,146</b>	<b>3,715</b>	<b>1,527</b>	<b>2,100</b>	<b>2,131</b>	<b>2,329</b>	<b>2,443</b>	<b>2,563</b>
Margin	2.62%	3.32%	4.08%	3.95%	1.79%	2.36%	2.35%	2.46%	2.51%	2.55%

### DCF

(Data in \$ million)	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
EBIT	1,686	2,829	4,146	3,715	1,527	2,100	2,131	2,329	2,443	2,563
Operational taxes	(354)	(594)	(871)	(780)	(321)	(441)	(448)	(489)	(513)	(538)
<b>NOPAT</b>	<b>1,332</b>	<b>2,235</b>	<b>3,275</b>	<b>2,935</b>	<b>1,206</b>	<b>1,659</b>	<b>1,684</b>	<b>1,840</b>	<b>1,930</b>	<b>2,025</b>
Depreciation	976	996	1,028	1,059	1,141	1,096	1,117	1,165	1,200	1,236
<b>Gross cash flows</b>	<b>2,308</b>	<b>3,231</b>	<b>4,303</b>	<b>3,994</b>	<b>2,347</b>	<b>2,755</b>	<b>2,800</b>	<b>3,005</b>	<b>3,131</b>	<b>3,261</b>
NWC value	1,984	664	(25)	(28)	(38)	721	734	766	789	813
% of sales	3.08%	0.78%	-0.02%	-0.03%	0.24%	0.81%	0.81%	0.81%	0.81%	0.81%
Change in noncash WC		1,320	689	3	10	(759)	(13)	(32)	(23)	(24)
% of sales		1.55%	0.68%	0.00%	0.01%	(0.88%)	(0.01%)	(0.03%)	(0.02%)	(0.02%)
CAPEX		(1,169)	(1,319)	(1,494)	(1,563)	(1,270)	(1,293)	(1,349)	(1,390)	(1,431)
% of sales		(1.37%)	(1.30%)	(1.59%)	(1.44%)	(1.43%)	(1.43%)	(1.43%)	(1.43%)	(1.43%)
<b>FCFF</b>	<b>3,382</b>	<b>3,673</b>	<b>2,503</b>	<b>794</b>	<b>727</b>	<b>1,494</b>	<b>1,623</b>	<b>1,623</b>	<b>1,718</b>	<b>1,806</b>
TV cash flow										
Year						0.5	1.5	2.5	3.5	4.5
Discount factor						0,9685	0,9086	0,8523	0,7995	0,7500
PV FCFF						704	1,357	1,384	1,373	1,354
Terminal Value										38,720
PV terminal value										29,039
<b>Enterprise Value</b>										<b>35,212</b>
(Net Debt)										(10,681)
<b>Equity Value</b>										<b>24,531</b>
NOSH										493
<b>Share Price</b>										<b>49,76</b>
Current Share Price										\$ 47,85
Upside/Downside										3,99%
<b>Recommendation</b>										<b>HOLD</b>