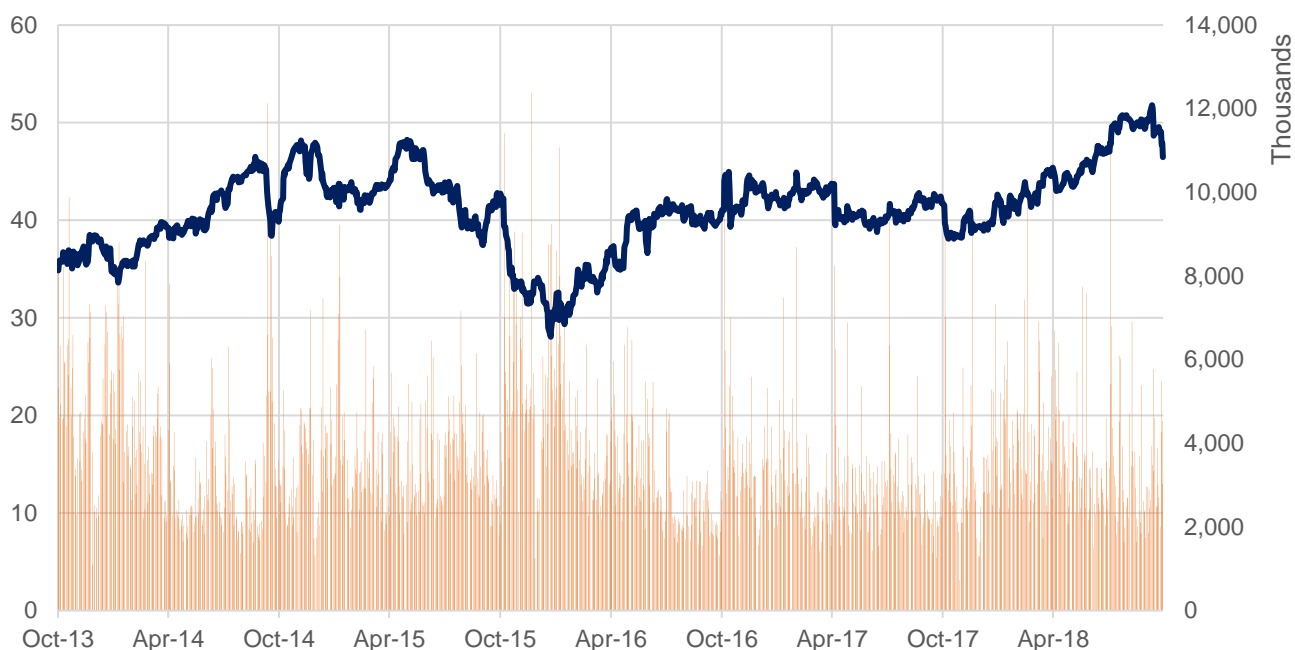


Archer Daniels Midland Company



Ticker: **ADM**

Market: **NYSE**

Previous Close: **\$46.46**

52-Week Range: **\$38.59 – \$52.07**

Avg. Volume: **3,440,265**

Market Cap: **\$26.01B**

Beta: **1.04**

P/E Ratio: **13.52**

EPS: **3.42**

Dividend Yield: **2.88%**

5y Return: **33.28%**

1y Return: **11.17%**

1y Target Estimate: **\$55.00**

Archer-Daniels-Midland Company is one of the leading food processing companies in the world. As of Q1 2018 it operates through four segments: **Carbohydrate Solutions**, **Nutrition**, **Oilseeds**, and **Origination**. The **Carbohydrate Solutions** segment generates revenue from the sale of products manufactured at the Company's global corn and milling facilities around the world. The **Nutrition** segment sells specialty products including natural flavor ingredients, flavor systems, natural colors, animal nutrition products, other specialty food and feed ingredients. The **Oilseeds** segment generates revenue primarily from the sale of products manufactured in its global processing facilities. The **Origination** segment generates revenue from the sale of commodities and from the service fees for the transportation of goods.

Archer Daniels has gained 32.1% year to date, **outperforming** the industry's 14% due to the company taking strategic initiatives to manage its business portfolio, which are expected to help in realizing value and reinvest it in return enhancing resources. ADM has recently **acquired Rodelle** to increase its already vast portfolio of vanilla flavorings to be able to offer the most comprehensive range. Archer-Daniel has also **agreed to acquire Neovia** which is expected to move the company further down the value chain, adding substantial capabilities in the high-growth value-added additives, premixes, pet care and agriculture businesses. The addition will create one of the **world's leading animal nutrition** providers, with estimated 2018 combined revenue of \$3.5 billion. Also, ADM has signed a **joint development agreement** with **Qingdao Vland Biotech Group** for the development and commercialization of enzymes for animal feed applications, which will enhance its ability to develop products for the enzyme market. All these reflect Archer-Daniels's focus on improving its portfolio in the Nutrition space.

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One of ADM's strategies involves **cost savings** to strengthen business and it has targeted \$550 million dollars over 5 years. In the first six months of 2018 ADM has reported operational savings of \$150 million dollars which serves to show the management is on the right track.

Archer-Daniels reported an **increase** of 78.9% in adjusted YoY earnings of \$1.02 per share in the second quarter compared to 48 cents in the prior-year quarter. It has also reported 14.2% second-quarter **revenue increase** in YoY with all 4 segments showing solid growth.



	ADM	Industry	S&P500
P/E	13.52x	23.82x	16.88x
EV/EBITDA	9.37x	4.62x	12.45x
Cash Flow Growth	6.15%	(23.27%)	9.02%
Debt/Capital	24.38%	16.51%	41.61%
Net Margin	3.05%	0.91%	10.41%
Return on Equity	9.19%	3.58%	17.61%

ADM stock's P/E ratio of 13.52x indicates a **discount** compared to 23.82x for industry average and to that of the S&P 500 average of 16.88x. As the value multiples show, ADM is an **attractive buy** compared to industry with the **P/E multiple** being **lower**, but **ROE being greatly higher** (9% compared to 4%). One reason for the low P/E (and why EV/EBITDA is above industry average) could be the D/E ratio which is higher than the industry, but only slighter. Since this higher level of debt is due to recent acquisitions which are deemed value-creating for ADM, it should not reflect that much in P/E, so it is still a **value stock**. The growth multiples also show ADM's strength with the Current Cash Flow Growth **surging** to 6.15% compared to the industry (23.27%). With already mentioned high ROE, Net Margin is also **very strong** compared to the industry at 3.05%, which tells us the management is on the right track in regards to its cost saving and operational excellence strategy.

About Financijski klub

Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

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All performance and holdings data as of 31 October-18.

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