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EDITED TRANSCRIPT

ADM.N - Archer-Daniels-Midland Co at BMO Capital Markets Boston Growth Conference - Fireside Chat

EVENT DATE/TIME: DECEMBER 09, 2020 / 6:00PM GMT

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PRESENTATION

Kenneth Bryan Zaslow *- BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Hey, good afternoon, everyone. We have Ray and Alison. We're so glad that you both are here to discuss the overarching role of sustainability for ADM.

Ray, as CFO, you've been instrumental in effectively and structurally changing ADM's identity in terms of the capital allocation, efficiency, culture and product mix. ADM has better prioritized capital towards growth initiatives and cost efficiency programs. And Alison as Chief Sustainability Officer for nearly 4 years, who continue to position ADM to have a social and environmental impact on a global scale. In fact, under your leadership, ADM accomplished its 15% reduction goals a year earlier than expected and now has set out its Strive 35 plan, which sets ambitious greenhouse gas emissions and energy intensity reduction targets by 2035. Previously, Alison had been Vice President for Sustainability at Siemens and served as Chief Counsel to the U.S. Senate Environment and Public Works Committee. Welcome both of you guys. Thank you both for being here for today.

With that, I'm going to turn it over to Ray for a few introductory comments before we head right into the Q&A.

Ray Guy Young *- Archer-Daniels-Midland Company - Executive VP & CFO*

Hey, Thanks, Ken, and good afternoon, everyone. It's good to be here for this -- for sustainability and growth conference.

And for us, at ADM, as you know, our purpose statement, as you know, is really about unlocking the power of nature in order to enrich the quality of life. So when you think about sustainability, it's actually core to our existence here. And so when I think about us being one of the largest nutrition companies in the world with more than 800 facilities around the globe, the aspect of really driving sustainability as part of our growth strategy, as part of our long-term plans, is just fundamental in terms of what we do in our existence.

We do take our roles very seriously in terms of feeding the world. In fact, when you take a look at the pandemic, COVID-19, what happened this year, I think we're extremely proud that we're able to kind of keep the global food supply chains moving, keep our colleagues safe and continue to serve our customers in the midst of this pandemic. And in the midst of all this, we're delivering great financial results. And we are having a great year this year in terms of profitability.

And probably more importantly, I feel proud about all the fundamental improvements that we've done in this company, which frankly, will contribute towards the fundamental earnings power of this company going forward here. So I'm very, very proud of all this.

We're actually executing very well this year. We continue to advance our long-term priorities, and the area of sustainability is one of these areas here. So I'm very proud to introduce Alison Taylor, who we brought on board as the Chief Sustainability Officer of ADM. And so -- and she'll make some introductory comments before we go into Q&A.

So Alison, please?

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Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

Thanks, Ray. I'm looking forward to the discussion today. In my about 12 years as a Corporate Sustainability Officer at Siemens and ADM, and prior to that, about 12 years on Capitol Hill, it's been a really interesting journey from focus on environmental compliance and laws to issues like climate change, which are certainly broader longer term. To the kind of discussions we're having today about the company's role in society and tackling the bigger issues like zero hunger, like climate change, that no one company can really accomplish alone.

Mature companies, and I would say that's where ADM has come, are embedding ESG in strategy, as Ray said. So not just a separate sustainability department with separate initiatives. But really, the company is thinking about sustainability and strategy in all kinds of decisions and certainly in the commercial opportunity space as well. So some examples of how we're doing that at ADM are with respect to governance, with respect to our planning, with respect to operations and also some of our commercial activities.

On governance, We have a sustainability committee of our Board of Directors. Five of our directors are on this committee meeting quarterly, deep diving into sustainability issues and providing strategic guidance, asking good questions, giving us that leadership, but also their perspective from outside of the company. And we're pretty unique in that regard. It's something that I think really shows the level of interest and also leadership that we're really demonstrating in the ESG or sustainability space.

With respect to our planning, sustainability is in our 5-year planning. Our business leaders incorporate sustainability into their objectives. It's a part of our capital planning, and we have processes so that we're evaluating capital projects and expenditures in terms of their impact on our sustainability goal. It's in our R&D spending, our innovation spending, in our technology investment plans as well. As with respect to our operations, as Ken mentioned, we have just launched our next generation of environmental goals. We call it Strive 35. And that is building on our success in our previous generation of goals, which was called 15x20. And this will be the way in which we bring the company together to find ways to increase our environmental stewardship to reduce our environmental footprint in water and waste and energy and greenhouse gas emissions.

We have a very specific feasibility study posted on our website, specifically oriented to the greenhouse gas emissions plan. I don't know many other companies that are actually putting the pathways that they're going to follow to make those reductions into the public realm.

And with respect to our commercial activities, we're very oriented to looking at our special position within the agriculture value chain. And I say special because we're the link between the consumers, the customers that are serving those consumers and our producers, the producers who are so instrumental in those customers making their sustainable agriculture goals and objectives. And so we're doing quite a lot of work in sustainable agriculture, which we'll talk a little bit more about today.

We look forward to the discussion, Ken, and I'll turn it back to you.

QUESTIONS AND ANSWERS

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

There's been a great deal about sustainability and its implications. What I'd like to tackle over the next 30 or so minutes is the concept of and the interaction of sustainability on 3 levels. First, the sustainability of agribusiness operating environment; second is sustainability of ADM's earnings from internal structural business and strategic changes; and then, third, ADM's role in the sustainability of environment and social responsibility.

So we're actually going to start in reverse order. Our view on ESG for successful companies is being able to manage ESG broadly and meet a threshold, then differentiate in 1 or 2 areas. With that, does ADM have some 1 or 2 areas that was really -- that you look to differentiate, maybe call it superpower or something that really differentiates you from the pack? And what have you developed around those strengths?

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Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

Maybe I'll just start first, and then I'll turn it over to Alison. I think the way we think about that, Ken, is like we want to take a look at sustainability from a holistic perspective. So it's not like cherry-picking certain areas whereby we're going to excel and then the other ones would just be kind of meet threshold levels. I mean that's not how we think about it. So I'd just like to maybe ask Alison to talk about our holistic view towards ESG. So Alison, please?

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

Yes. Yes. So that's right. I mean a lot of companies are looking as we are at the table stakes. And so that's part of the whole [indiscernible] what are we expected to do. As I said, we're expected to be stewards of the environment, particularly important for our company dependent on natural resources like we are. We're expected to be transparent or expected to be carrying out traceability. So we know where our supply chains are located, and not only that, the practices that are happening on the farm.

We're also expected to look more broadly in ESG into the social dimension. For instance, diversity and inclusion, talent retention. We're supposed to be looking at innovation opportunities as well. ESG is multidimensional, obviously, by definition. And I think while a lot of companies like ours are doing, looking not only at risk mitigation, but also where are the opportunities where our core competence really differentiates us and puts us in a different category.

And so I'd say those superpowers, as you mentioned, Ken, would be our connections to both sides of the agriculture value chain, that connection between the producers and our consumers and customers, as I mentioned, and specifically working in those deep relationships that we have with farmers. And our second super power would be around plant proteins and our ability to not only innovate and put such an important growth strategy into the marketplace, but that's such a great sustainability story because there are alternatives to meet. They're better for the planet, but also there is nutrition value that gives customers choices, and that's really customers globally as well. So that helps us to further progress on the zero hunger goal that's important to us.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think, Ken, you may be on mute. You may be on mute, Ken.

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

You are.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think you're on mute, Ken. You're on mute.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Keep on doing. I think they keep on making -- sorry about that. When you think about sustainability objectives, how do you -- like when I think about it, can you talk about your deforestation efforts, what your objective is, how do you include your customers in that? Also, the carbon footprint side of it, what efforts are you making on that side?

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Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

So our deforestation efforts are really very important to us. It's certainly a material issue to the company, something that our customers definitely expect us to be drilling into. We've had a No-Deforestation Policy since 2015 published on our website. We're actually doing a refresh of that policy. I think good companies are always looking to see whether their policies are cutting edge. That policy covers all of our supply chains.

And so there are some challenges, certainly with supply chain if it's as sensitive as ours to be drilling into third and fourth tier suppliers, and we are doing that work. We hold our suppliers to our standards. They're aware of our No-Deforestation Policy. And I think what's very important for us, and somewhat of a differentiator is our usage of technology.

So we use satellite imagery to monitor our supply chains to see that we are sourcing from areas that are deforestation-free. And we also report biannually, at least on our website, about how we're progressing with respect to traceability in our supply chains, drilling specifically into soy and palm, big volume and bigger risk for deforestation.

Carbon footprinting, also an area where our customers are expecting us to be making progress. It's important to us as a company as well. We can also see cost savings from energy efficiency measures, of course. But the carbon footprinting is a part of our walking the talk and our being responsible for our part in mitigating climate change.

So as I said, we have a very specific feasibility study. It lays out the pathways that we can take globally. These are global goals, to reduce our carbon footprint. We already have a carbon capture and storage facility in Illinois. We can deploy that in a bigger way. We can look for new technologies, maybe battery storage technologies and hydrogen technology, some of the cutting-edge things that could be usable to us at scale.

And we're also experts in biomass. We already use biomass, and we can go in that direction to a greater degree. So we're demonstrating our ability to reduce our footprint, but also demonstrating that in a credible way, not greenwashing. We studied this for a long time, and we expect to meet our goals.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And then how do you know -- how do you set your goals? A lot of these companies have talked about goals, but how do you know your goals are aggressive enough or not too aggressive? Like, how do you come up with the goals? Where do you derive them? And what happens if you miss them?

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

Yes. Yes. So for us, the process started internally where we have a lot of expertise about our facilities, of course, and we have smart energy engineers and environmental engineers who are responsible for our plants every day. So we started internally with a challenge to reduce our footprint as much as we could in the next generation. As you know, we're building on the success of our first generation of goals. And then we asked an outsider to -- an outside consultant, a professional to come in and challenge us and to verify our work, but also to ask us tough questions.

And so it was a 2-part process and a very, very effective process, over almost 1.5 years. So prior to the expiration of our other goals, we were already working on the next generation of goals. And as I said, that feasibility study lays out a pathway. It's not just we hope to get there. It's not completely aspirational, although it's aggressive.

We have a number of processes in place to make sure that as we are making decisions, acquisition decisions, capital spending decisions around the company, we are definitely looking at the impact on those goals, making sure we don't backslide. And if you miss the goals, well -- and as you know, some companies have, I think, actually, most stakeholders realize aspirational long-term goals have maybe not the most linear trajectory because the world changes and COVID and unexpected things happen.

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I think when a company is showing progress and transparently reporting that, particularly on the annual basis like we do, in a variety of ways, then stakeholders see that the company is serious about this, and they see that there's progress being made. Like I said, I do expect that we will meet our goals, but I think credibility, transparency and information about how the company is getting there is really what stakeholders are looking for.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Are there any natural limitations to the extent to which ADM could be ESG compliant? Is there just limitations? And is there a misunderstanding in the education process that needs to be furthered to ensure that ADM is not pigeonholed into a certain ESG framework?

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

Yes. Yes. Well, I think that because we do have impact on the land as well as dependency on the land, I think that there are tough questions that we are asking, we should be asked about our stewardship and how seriously we take the sustainability programs.

I believe that now that our sector has really stepped up to put more information out there and to put aggressive goals into the public realm, I think that we're viewed with a lot more credibility. We're certainly competitive in terms of the scores and the rankings and the ratings that we see, even some of our customers are achieving.

And I would say that's another important proof point to us. When our customers are coming to us and saying, we want you to partner with us. So there's a lot of opportunity for that in the agriculture value chain. We can't do this alone. Can you help us to be the bridge to the farmer to figure out how we lead the customer going to meet our sustainable acre goals? We know that we have that important position to them. But we also know that that's kind of a test of our credibility. And I think that the sustainability world is recognizing agriculture is a place for innovation, agriculture is a place for stewardship and an important player in achieving global goals.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Can you describe the intersection of ESG and operating performance goals in terms of growth, cost efficiency, investment opportunities? And specific examples are always enjoyed.

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

So as I mentioned, one of the lower-hanging fruits is energy efficiency. So that's always an investment that makes sense most of the time for a company because the return is very fast. There's also cost savings. And so we've recognized more than 20% energy efficiency and cost savings as well in our previous generation of sustainability goals. We intend to build on that another 15% intensity reduction. And we can do that through what we call energy treasure hunts. And so in that way, we can identify opportunities throughout our global facilities for cost savings as well as energy efficiency.

With respect to growth, and that's the more interesting and fun part of this. When we talk about things like plant proteins, which are, in many ways, a sustainability story. That's an area that is not only important to the planet, important to our consumers and customers, but it's also a big growth and innovation area for the company. So we're able to identify those opportunities and see where we can differentiate.

And when we combine that with our ability to reach back to the farmer and to know what their practices are and to influence them to have sustainable practices, that's a tie between the innovation and the product that we can create with flavors and the ways in which we're able to bring those products to market. But we're also able to reach back, look upstream, influence the farmer and also provide the information about the farm to the consumer. That's the way in which we can combine our role along the agriculture value chain and be a differentiator and creating a unique value for customers that want information and want the product as well.

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Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

In terms of plant-based, how much are you looking to invest generally? I know you may not give us an exact -- and what type of returns do you get on something like that as those 2 intersections come together?

Alison Taylor - *Archer-Daniels-Midland Company - Chief Sustainability Officer*

I think I will refer to our numbers person, to Ray, to answer that question.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

So thank you, Alison. Again, yes, the plant-based proteins is a very, very important part of our nutrition business, as you know. It's a part of our human nutrition business. It's one of our key pillars of our human nutrition business. We are probably the world's largest plant-based protein producer right now. And we were the ones that invented the segment many, many years ago. And we've built capacity around the world, right, whether it be the Campo Grande facility down in Brazil or the Enderlin pea protein plant that just recently come online. So we've added capacity in terms of expanding our presence in this market.

And clearly, the market is growing fast. And so therefore, from our perspective, we're working through capacity unlocks right now to further improve what we can produce off of our existing plants. And that's actually one of these areas whereby our CoEs, our CoE and manufacturing excellence is helping us with a lot of these capacity unlocks right now.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And what kind of returns do you get on a project of protein? Again, as you go into these ESG growth initiatives, are they higher or lower than what you would consider growth initiatives years ago? Are they in line with it? Is there cost associated with them that may be actually lower? Just -- and I know -- just some framework for us.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

No, no. I mean these are attractive projects. This is a growing market, good margins. It's fair to say that these things are significantly above our hurdle rates in terms of projects. So these things are very much EVA-accretive to our company. And we like these projects.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Can you talk about -- just shifting to low gears into structurally, what have you done to create a sustainable model at the operational level? So how much of that, what you've done over the last, call it, 3 to 6 years, have you been able to create a sustainable operation that you don't have to worry so much about the fluctuation in commodities, what have you done? How much did that create? And how do I think about that going forward?

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

It's interesting. One of my themes within the company is about sustainable earnings, right? So that's a play on the word sustainable, both in terms of making sure earnings continue to grow, but also we're doing it on a sustainable basis. So that's one of my themes within the company.

So I think about 3 important areas whereby we're driving sustainable earnings. Number one, we've done a lot in our portfolio. When you think about our business portfolio, our product portfolio, we've made it a lot more resilient than it was, say, 5 years ago. So a case in point, our Global Trade operations, which, before it was named Global Trade, it was called Toepfer, right? Toepfer had very, very volatile earnings because it was

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frankly trading a lot, right? And so what we've done is we've adjusted the business model on this business to be really what we call trading around our assets.

And so, therefore, we've seen the level of robustness of earnings of global trade significantly improve over the past couple of years. Hence, I'd say a major contributor towards our overall ag services results. So that's an example of making our portfolio more robust. Another one is grow our Nutrition business. Five years ago, we really didn't have a formal Nutrition business. It was buried within our existing businesses through the WILD Flavors acquisition and recently the Neovia acquisition, we've actually grown the Nutrition business, whereby now it's a significant contributor. And it's actually very, very robust earnings, right, very predictable, robust earnings. So the portfolio is one of these areas, Ken.

Secondly, readiness. We've talked a lot about readiness, a lot of people ask me, what is -- what really is readiness? Readiness is, from my perspective, driving continuous improvement in terms of how we execute within the company. And so by doing that, we actually have, what I call, less leakages in this company. So we're executing a lot better. I actually think 2020 is a great example, whereby when I look at the performance of this company, our execution capabilities have been superior. I've seen very few leakages within the company here. And I attributed that really towards our readiness program in terms of helping us understand discipline, execution, et cetera, et cetera. So I think that's a second major contributor in terms of why I believe there's a lot more sustainable earnings well enforced.

And then, thirdly, in terms of just our construct within the company. We've introduced the concept of CoEs within company. So we've introduced an organizational construct whereby we have the businesses, driving a lot of it on the commercial side of the business, but we also have the CoE. So we got CoEs in the manufacturing, purchasing, supply chain, IT. Centralized law of these activities. We brought out the best people into these activities. We hired from the outside. And so, therefore, we're bringing a lot of great knowledge and great energy in terms of how do we actually even improve our operations going forward much, much better than we've done in the past. So I think those 3 areas can really -- gives me confidence regarding sustainable earnings going forward for this company.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And continue to move through this topic of sustainability, but more on the industry side. How does renewable diesel play into the sustainability role for you guys both from an ESG side, but also from an earnings? And how did that affect the outlook for soybean oil? And what are the long-term implications?

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think the renewable green diesel is a catalyst for us going forward. When I think about the ag services and oilseeds business, maybe I kind of use this -- that as a basis in terms of how I think about this segment going forward. There are several factors that actually result in a very, very positive outlook for our ag services, oilseeds business.

So if I look at ag services, for example, the whole aspect of China returning back into the global markets in terms of sourcing agricultural commodities, whether it be soybeans or corn or sorghum or all the -- that's a significant factor in terms of kind of our near-term forward outlook for ag surfaces because that's going to be a significant demand driver in terms of supporting origination, whether it be in North America or South America.

But in the case of oilseeds, you're right, I think renewable green diesel is a catalyst in terms of supporting bean oil demand going forward. And again, this thing is going to unfold over time. I mean as more and more renewable green diesel capacity comes online, there's going to be more pull for the soybean oil feedstock. So this is a story that's starting to unfold right now, but I can see this thing really start unfolding in the latter part of '21. And -- but really, think about 2022, I mean, that could be a pretty significant story here.

But the layer on top of this, Ken, the fact that on the meal side, you see animal protein demand recovering. After we get through the COVID-19, after we get through the pandemic, right, so as the vaccines kind of get generally distributed in the first half of next year, you're going to see the foodservice sector start recovering in the back half of next year. So you're going to see demand for animal proteins, the demand for meat start returning again. And so that's going to have a roll-on effect as well on the whole aspect of the animal protein markets and, hence, the meal market.

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So I do feel that in the case of the oilseeds, you've got the whole story unfolding right now, but you're also going to see a recovery in terms of the meat markets, animal protein markets. That's going to be supportive for the meal market as well.

So I'm actually quite constructive, frankly, in terms of how 2021 will unfold in terms of the overall crush environment for the world.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

This is always the death of an analyst is to say this time is different. But is there a change in the industry behavior and capacity expansion, right? That is the one thing that can take this beautiful scenario off its -- off course, right? I mean we've seen it before in other industries. So you pointed out, obviously, the China demand for soybean meal, the renewable diesel. How do we know that the industry will keep on that path and not distort the growth algorithm ...

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think -- I mean I can speak on the behalf of ADM. I mean, as you know, our objective is to drive towards a 10% ROIC objective for the company. So we are going to be very much returns-focused in terms of how we think about running our business here.

My sense, in general, for -- is like the soybean crushing industry, which has, by the way, consolidated over time, right? I think about this industry compared to 5 years ago, you've seen a lot of regional consolidations going on as well. So the industry has consolidated. And generally, there's also an attitude that returns are important for our industry for the long-term viability of the industry here.

So I think what you're going to see in terms of renewable green diesel impact on our industry is people are going to focus, first of all, on capacity unlocks, right? You're not going to immediately go towards building new greenfield capacity. There are opportunities for capacity unlocks with respect to the existing capacity. And these are things that we work on. There are opportunities also to figure out in terms of the actual bean oil, the mix associated with bean oil sales. And so I suspect some of the lower-margin destinations for bean oil, which would include the export markets, I suspect that there's going to be some cutback in those areas, some diversions into the domestic market. And there'll be some adjustments in terms of the use of bean oil and biodiesel demand as well.

So I think, Ken, I think the industry is going to be very smart in terms of looking at how do we actually come up with the incremental bean oil in order to satisfy the renewable green diesel market. I think there's going to be some logical thinking that's going to go on here in order to make sure that we protect the returns. Again, I think a lot of us are very much returns-oriented right now.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And what is ADM's path to $1 billion in operating profit in Nutrition? And how quickly can you attain that? And what are your key assumptions and drivers?

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think the $1 billion in 2024, as we talked about in the last earnings call, is a pathway whereby we think this is a continuation of what we've done. So we've made 2 significant, what I call, platform acquisition, WILD Flavors back in 2014, and then recently, Neovia, for the case of the Animal Nutrition business. We've got the 2 large platforms for us to grow the business. And so we're going to supplement these platforms with organic growth initiatives, which is what we're doing. We're making organic investments right now, but also bolt-on acquisitions.

I mean there are clearly opportunities for us to do additional bolt-on acquisitions, whether it be enhancing our regional presence in Latin America or enhancing our regional presence in Asia Pacific. There's probably some parts of the product portfolio we can round out as well with bolt-on acquisitions.

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I mentioned that health and wellness. This is a fast growing area, whereby we're involved in the probiotics business. We've got a strong presence already through a couple of acquisitions, namely Biopolis and Protexin. But we can probably supplement those as well as part of our growth strategy here.

So I think, Ken, in terms of our pathway towards getting towards $1 billion, there's organic growth. There's going to be a lot of innovation. I think that the whole aspect of our key account management initiatives are going to be very important in terms of how we actually further enhance our relationship with customers and come up with customer solutions, not just selling ingredients, but actually selling solutions for our customers. And then we'll supplement with some bolt-on acquisitions as well.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

How much -- to get to your 10% return on invested capital, how much does it require your core refining business to change certain characteristics, given the -- and managing the flex capacity between high-fructose corn syrup and ethanol, how much does it require that environment to get better? Is there enough self-help that you can do because you can manage the flex capacity? Just talk about those 2 issues.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

Yes. I think it's fair to say that when we talk about our 10% ROIC objective in the future, maybe compared to many, many years ago whereby ethanol was a significant contributor towards that 10%, it's fair to say that we're not assuming ethanol to be a major contributor towards that particular 10% ROIC objective because effectively, one can argue that we've replaced the earnings of ethanol with the earnings of Nutrition, which is far more robust than back in 2014. So as I think about the 10% ROIC objective, there's going to be the aspect of growing the Nutrition business, right, through, again, organic growth and bolt-on acquisitions, which I talked to you about. But a lot of this is also, in case of carbohydrate solutions, continue to run the business extremely well, right? So therefore, the aspect of cost efficiency or corn processing operations, making sure that the most efficient operations in the United States. Same thing on the milling, the wheat milling business, making sure they're very, very cost-efficient. Because with the industry structure that we have right now, the margins are good margins. And our job is to maintain those margins.

We will also look at alternative products. Diversification of the starch stream into other products, including food-grade starches and industrial-grade starches. I see the opportunity, for example, that -- I'm talking about sustainability, sustainable materials, right? As we replace plastic-based packaging with renewable packaging, which includes cardboard packaging or paper based packaging, which requires industrial starches, that's a growth opportunity for us, right? So that's an opportunity to divert some of the starch stream away from the sugar part or the high-fructose corn syrup part into more of the starch-based applications. And so a lot of work being done in that area as well as part of the diversification of that part of the business as well.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Okay. You talked before about China demand, and that's obviously created a very healthy elevation margin opportunity. How do you assess the permanency? Or if it's temporal on that? And is this -- because, again, we used to -- not many of us go back that long, but there used to be a time that you actually used to earn good elevation margins 6 to 10 years ago. And then they kind of stopped. So the question is, is this a change of -- a structural change? Is this a temporary benefit? How do we assess that? And what's your thoughts?

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

I think the China aspect is an important phenomenon. I mean the growth factor of China in terms of the fact that they're eating more proteins, the fact that they've recovered from the pandemic. And that's an important factor because the reality matter is China cannot satisfy their food needs internally, right?

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And so, therefore, when you take a look at what's happening in 2021, Ken, I mean, they're going to be importing a lot of soybeans from around the world. Their hog herd has -- is rebuilding. They're probably not going to be at pre-ASF levels until 2022. But they're clearly rebuilding a hog herd. And they're also rebuilding a hog herd in the manner that most of the hogs are being raised in professional farms, which require then professional feed, which then requires more soybean that gets converted to soybean meal but also corn. So I think that's a structural change in terms of China. That's a structural change compared to 4 or 5 years ago, whereby the backyard farms remain an important part of how they're raising the hog herd. The structural change is the professionalization of farming in China. That creates incremental demand.

So therefore, that is going to be supportive of exports, whether it be from North America or from South America. And that will be supportive for, frankly, origination margins in both parts of the world there. So I think there is a structural change here going on, Ken.

And I use this as an example. I remember before as we were talking about maybe China importing 100 million metric tons of soybeans, right, before ASF. This year, 2021, I should say, 2021, we're now talking about well in excess of 100 million metric tons, right? And that's before the hog herd has fully recovered to the pre-ASF level. It tells me that the inclusion rates in China are going up in terms of professional feed. It tells me that China has to import more products. So this is a structural bump up in terms of demand that we're seeing in the world from China. And to me, that's a positive for the origination companies around the world.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

So if I put it all together, and I think about ADM's 10% return on invested capital, it obviously implies north of $4 or at least around there. What is the pace to what you can get there? And why would you not think that this is a structural change that you can get there at a faster pace and maybe even start to exceed those levels? How do we think about that? Because the return on invested capital of 10% seems more attainable than ever before given the 3 sustainability things we've discussed. How -- am I wrong? Or can you comment on that?

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

Yes. I mean I think 10% ROIC when you do the arithmetic, and anyone can take an HP calculator and do the arithmetic, a 10% would translate to above $4 a share, right? And so again, I'm not going to talk about EPS targets, but I'm very much focused on the return target for the company here, the 10% ROIC target.

But when I think about the forward outlook for ADM over the next year, next couple of years, so it's not just 2021. I'm talking multiyear now, right? And I think of both our 3 businesses right now. And let me go reverse order in terms of the value chain. I think about the Nutrition business, the $1 billion target that we set up for 2024. I think about the performance that we've been executing in 2020, because I think this clearly is a breakout year for Nutrition. I think about kind of like what's in our innovation pipeline right now in the case of our Nutrition business, all the good work we're doing on the Animal Nutrition business, I feel very good about where the Nutrition business is going, right, towards that particular target.

Carbohydrate Solutions. I think about the vaccine going to general distribution in the front half of next year. So therefore, I think the foodservice sector is going to start recovering in the back half of the year. So I actually see a recovery in terms of the high-fructose corn syrup part of the market in the back half of the year, back half of 2021. I see general economics to be recovering in the case of -- and that will have an impact on the ethanol business. I see China starting to buy ethanol from the United States. I think part of it is because they need it, part of it maybe because it's part of the Phase 1 agreement there.

So if I think about the ethanol environment in 2021, it's going to be better than 2020. It's going to be better than 2020. So that's going to be a positive delta for our business. And to the extent that the U.S. Supreme Court does not hear the appeal of small refinery exemption, that'll be also a positive for our ethanol industry there. So I see that being a positive pillar in terms of our earnings over a multiyear period.

And then I think about ag services and oilseeds, right? And I get back to China being a fairly aggressive buyer of agricultural commodities around the world, both North America and South America, as they need it because of the growth of the economy. And then I look at crush, and I think

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about how renewable green diesel is going to be impacting the demand for oil over a multiyear period. And you lay on top of that the meal demand is going to remain solid, right, especially with the recovery of the foodservice sector in the back half of the year.

So how I see it, Ken, is like the drivers, the main driver and then -- by the way, and layer on top of that, all of the -- how our company has improved in terms of execution, like through the readiness initiatives through the CoEs that we put in place, right? You put all this together, I feel pretty good about where we're headed right now, right? I feel very good about the 10% ROIC objective. I'm not going to tell you exactly when we're going to get there. But if you ask me sitting here today compared to maybe a year or 2 years ago in terms of how I feel about where we are as a company, I feel significantly better about where we are as a company in terms of our ability to deliver upon the long-term objective that we set forth. So I think we're sitting at a very, very nice point in this company right now.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

With that, we'll end it at that. Thank you guys so much. It's really been a pleasure.

Ray Guy Young - *Archer-Daniels-Midland Company - Executive VP & CFO*

Okay. Thank you, Ken. Thank you, everyone.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And be well.

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