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ADM.N - Archer-Daniels-Midland Co at Deutsche Bank dbAccess Global Consumer Conference (Virtual)

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PRESENTATION

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Good afternoon and good evening, everybody. I'm Steve Powers, Head of Deutsche Bank's U.S. Consumer Goods Research, and I'm thrilled today to welcome ADM to our conference. Joining us today from ADM are Vince Macciocchi, ADM's Senior Vice President and President of Nutrition; and potentially joining us if we can get the technology ironed out will be Ian Pinner who is ADM's Senior Vice President of Strategy and Innovation. So Vince, thank you very much for joining us. And if Ian is able to join us, too, then that will be great as well. But either way, we're thrilled to have you here.

Before we begin, just some logistical points for those listening in. If you're joining via the conference portal, you should see the ability to submit questions in the window front of you. Please feel free to make use of that, and I'll do my best to integrate your questions in as we go. We're going to start -- Vince is going to run us through a few slides just to give us a lay of the land, and then we'll go into Q&A. So Vince, over to you.

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Thanks very much, Steve. Appreciate you having us and thanks to Deutsche Bank for having us. And if you see on the slides here, what I thought I would do is just give you a couple of slides and some commentary, a little bit on ADM's transformation, and the journey that we're on and then maybe go a little bit more deeply into the Nutrition business. And then following my brief remarks because I know it's late in the day in Europe, that we'll move into Q&A. So next slide, please. You see our safe harbor statement, please read our safe harbor statement. Next slide.

So I want to talk really about the significant transformation that ADM is currently undergoing. We've undergone and we currently continue to undergo from a basic commodity merchandiser and processor to an evolving global leader in nutrition. And really, if you think about our pathway to sustainable growth, when you think about our journey, really kind of began in 2011, really focused on what we call at the time the 3 Cs: so capital discipline, cost reduction, cash generation. Obviously, that was trying to get us fit for the journey that we are about to undertake in terms of transformation. It led us to 2014, 2015, when we talk about improving returns and creating value and really focused on 3 pillars: optimize, drive and expand.

During that period of time, you heard us begin to speak to readiness and kind of the way we operate our company from an efficiency and growth perspective. And all that, again, continuing on our journey, preparing us for kind of where we are today in 2021 and really our focus on today and the future in terms of sustainable growth.

And the pillars we're going to identify for the foreseeable future are productivity and innovation. When we think about productivity, it's obviously around execution, efficiency, lowering costs, making sure we have the right asset base and using other enablers, for example, ERP implementation around our 1ADM program, focused on automation and analytics, focusing on in terms of productivity, also in terms of our centers of excellence. So great initiatives around centers of excellence from manufacturing, procurement, quality and food safety, IT, et cetera.

And then the innovation. Innovation is really going to be the key driver of our growth. When we think about innovation, we think about sustainability, we think about kind of our segmentation in terms of go-to-market around segments, around channel expansion and really thinking about sustainable innovation and investments in science and technology as well.

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So obviously, we've been on this transformational journey and it's delivering results. When you look at our Q1 results, hopefully, you tuned into our webcast. $1.39 in earnings per share, following a record 2020 of $3.59 EPS. That makes 6 quarters in a row of growth from an operation -- operating profit perspective. Return on invested capital of 9%, 375 basis points over weighted average cost of capital. So again, it gives us some financial flexibility.

And when you really think about our business in terms of our balance sheet and liquidity and our ability to do things going forward. I think it's really important. So we've talked about the journey. We've talked about delivering results and kind of where we are today and as -- if we segway into the discussion on nutrition, we think about our focus on sustainable solutions, the key role that ADM plays in the global food supply. And then we also think about the customers and ultimately the consumer and moving closer to the consumer. And that's really what our Nutrition business is all about.

So when you think about ADM Nutrition, we're in year 7 on our journey. And when you look at 2020 results, $574 million in operating profit. That is reflective of 37% growth on a year-over-year basis, nearly $6 billion in revenue. And this is a business that's important for us to fixate on growing revenue as well. So we feel very good about what we're at -- where we're at. Obviously, we're on the journey. So $1 billion in operating profit. We think we can achieve $1 billion in operating profit in 2024. We have a very good organic growth story, and we continue to harvest the many investments we've made.

You see we've invested roughly $6 billion in this business. We've had platform deals of WILD in 2014, Neovia in 2019. We've done a series of bolt-on acquisitions. And we've invested in our businesses. We built production facilities in Campo Grande, Brazil; Enderlin, North Dakota. We built innovation centers around the world where we can innovate and prototype with our customers. And that's really kind of the lifeblood of this business.

Our Nutrition business is focused on human nutrition, which is Flavors, Specialty Ingredients and Health & Wellness and Animal Nutrition. In Animal Nutrition, we focus on feed, premix, additives, aqua and pet. So you see it's something we're very excited about. We like our footprint, our global footprint in Nutrition and the growth that we've seen, and we feel it's sustainable growth.

So if you look at the -- to summarize, you look at the slides on the journey that we've been on and then the Nutrition business, and we think about the landscape today in the 3 global megatrends: food security, health and well-being and sustainability. We're positioned well to serve in those 3 global megatrends. You've seen the strategy and the transformation. It gives us a lot of optimism for our future. So with that, Steve, I'll take some questions.

QUESTIONS AND ANSWERS

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. No, great. I think that's a really good and helpful overview to start us out. I guess picking up on the idea about corporate responsibility and sustainability. And being core to ADM's identity, can you talk a little bit about -- a little bit more about how that manifests in your business specifically, how it's integrated into the growth agenda? And then we'll move on from there.

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Sure. Yes. So sustainability is a very interesting topic. It used to be a topic that was kind of table stakes and talked about a lot. But now it's imperative in an area where you must play and you must have capabilities. And it manifests itself in many areas across the broader ADM when we look at our carbon footprint and we look at things across our business.

I think as it relates to Nutrition, something that hits us near and dear is kind of our supply chain and our level of vertical integration. When I think about sustainability, one thing that certainly comes to my mind is our supply chain on vanilla. And when you look at the ADM vanilla supply chain, it's grower in Madagascar directly to ADM. Whereas many competitors, when you think about that same supply chain, it's grower, it's collector, it's subcollection, it's processor. And again, we have a fair handshake agreement directly with the farmer. We're investing back in the communities in

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terms of schools and development programs, enhancing farming yields and that full investment. So it's something that really is imperative. And frankly, we look at sustainable innovation as a differentiator across our value chain at ADM.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Great. Now when I think about just the drivers of the growth agenda that you laid out, where would you point to in terms of the advantages that you see in your business versus peers, right, whether -- there's a lot of focus, I know you have on just the global innovation centers that you've got, consumer insights. Just the breadth of your ingredients portfolio. There's a lot of different things that I've heard you talk about. But can you just elaborate there? And then maybe focus in on where you think the biggest drivers of advantage are?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Absolutely. So first and foremost, from an advantage perspective, as you see a lot of people try and move in the direction to develop more systems and capabilities and having a broader pantry, we're in year 7 of our growth in our journey in Nutrition. So we've experienced a lot of things already in terms of putting pieces together, doing M&A, investing and building facilities. We've come through that and we're growing. I think -- as I think about it from a value perspective and differentiated value proposition to the customer, it really starts with our pantry, the breadth and depth of our pantry and the type of ingredients. Again, we're playing across flavors and colors, natural, we're playing across alternative proteins. We're playing in the health and wellness, remaining -- a focus on specialty oils, natural health and nutrition products, bioactives and then the full range that I mentioned earlier on the Animal Nutrition side on a worldwide basis. But I think where the advantage comes in is a couple of areas.

Our ability to prototype in a virtual environment or a live environment with a focus on speed and speed to market. Think about going from concept to market in 20 weeks and getting product on shelf for our customers. And I think it's really how do you want to use us provides a differentiated value. But we can sell single ingredients all day long, and we can be a single ingredient supplier.

Where we really are differentiated is in our systems DNA. And when we talk about systems, we're not talking about blending 1 or 2 ingredients. We're talking about full product development, proper order of addition with the right products that interact and these are systems backed by science, okay? So you can use this again as an individual ingredient supplier, as a systems developer or you can use us as a full turnkey product developer. We actually developed the entire formulation, the entire product, provide a full manufacturing environment and actually developed the full product concept.

So our customers have the flexibility in choosing how they use us. You think about -- so you have the breadth and depth of this pantry married with these technical capabilities, that provides a unique value proposition. And then you look at how this all ties into the current trends in the marketplace when you think about holistic health and you think about the pandemic, which we've all endured for the last year, plus. And you think about the focus on gut health. You think about people wanting food before medicine and really their overall health. Our pantry fits very nicely.

We talk about Health & Wellness, it's just not providing supplements. It's again, building products and building systems and building fortified beverages, fortifying bars, for example. You think about lifestyle diets and alternative proteins and keto, for example. You think about plant-based meat alternatives, and we're a leading player in that space. Again, it's about building the product. We've been in plant-based meat alternatives since the -- for 40 years, but the products have come a long way. And again, it's due to the ability to build the entire product.

You think about during the pandemic, the humanization of pet and the amount of time and money we've spent on and with our pets. And we're right in the middle of that trend as well. And then I -- we spoke to sustainability, but also think about clean and natural developing better labels and better products, and that's something that's very important. So again, it's the pantry, it's the technical capabilities and how it all marries in the convergence with the megatrends.

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Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

That's great. And how does the Nutrition business that you run -- how does it benefit from or complement the traditional ag and processing business of ADM?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. Steve, obviously, it's something we get asked quite frequently, right? And I think what's really important is you look at the entire value chain of ADM and you look at from origination all the way to consumer and we play in that entire space. Where does Nutrition benefit?

Nutrition benefits obviously from obviously a high level of vertical integration, which I spoke to earlier, when you think about our vanilla, which I spoke to, but also think about -- we've talked a lot about specialty proteins or alternative proteins. We manufacture our own white flake. We're not trucking it in from a supplier. We're not trucking it in from somewhere else around the world. We manufacture our own white flake and obviously, further process downstream for texturized protein. So again, great opportunity.

I mentioned at the outset, our COEs, our centers of excellence are critically important for us across the broader ADM when you think about the reach we have, when we -- our pending ERP implementation and we're the first group to go live this year. It's something that has given us greater access.

Look at our customer base. Our customer base is critically important. When we think about the traditional nutrition customers from the various parts of our business that have come together, it's been a small start-up environment mid-tier customers. What ADM has brought to us is the full range of relationships at CPG multinationals. So now we're managing the full range of customers. We still have our start-up DNA, and very focused on start-ups. We go through the mid-tier companies and then ultimately through the CPG multinationals and serving all the customers and we're serving them differently.

We have a pretty advanced key account management program, which we're focused on enterprise accounts. We're focused on global accounts, we're focused on local accounts and business unit specific accounts. But ADM affords us the ability to go across that entire customer base. So again, you have the COEs for sure. You have procurement and the advantages of procurement. You have transportation where we have access to the customer base. So there's really tremendous benefit of us being part of the broader ADM.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Great. Now the $1 billion goal in operating profit by 2024, I believe, that you alluded to earlier, I think that's about a 15% annualized operating profit CAGR off of essentially where we are today, mainly organic, as I understand it. So what -- how would you describe the biggest drivers of that growth and of the implied margin expansion, EBITDA margin expansion that underpins that goal? I'm sure you wake up every day thinking about it. So one of the -- how would you communicate it to investors?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

I'm glad you didn't say stay awake every night thinking about it, but I do wake up every day thinking about it. But I think from a driver's perspective and then I'll talk to the profitability piece. But on the driver side, it's the opportunity to drive this business globally in terms of our footprint. We look at the opportunities for us in the emerging market. We're having great success in the mature markets. So we're growing in North America, which is the biggest piece of our business.

We're growing in Europe, which is the next piece of our business. But the opportunity to continue to take this footprint and expand it to Latin America, when you think about savory culinary opportunities, our joint venture on PlantPlus Foods and the opportunity to bring that full portfolio. Same with Asia. We think about the opportunities in meat alternatives when you think about the opportunities in sweet and dairy.

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So it's kind of the globalization -- is a big driver of our organic growth. We're heavily focused on revenue. I mentioned at the outset, revenue is critical in this business. We're focused on driving our pipeline. And our pipeline is robust, but we look at it and we analyze it to our data. It's a predictive indicator of the overall health of our business. And then it's based upon our ability to execute and win. And that's where we get really excited because it goes -- our pipeline goes across the portfolio.

When I look at our opportunities in beverages, when I look at our opportunity in foods, on the savory culinary side, also on the sweet and dairy side. In Health & Wellness, when I look at our opportunities in dietary supplements in pharmaceuticals. Animal Nutrition, when you think about the opportunities in pet and aqua and in additives. When I look at all of that in the pipeline associated with it and manufacturing geographic expansion and underpinning all of that is great execution from a creation, design and development, and a sales and marketing perspective, that's what gets us excited about our drivers.

I think from a profitability standpoint, we're very focused on margining up this business. And when you look at -- when you go by business, you look at, for example, our flavor and natural color business, we have margins that are very much aligned in the low 20% range for EBITDA margin perspective, which is very much in line with the pure-play flavor companies. What you see from us is obviously, when we put products into a system, sometimes you have some commodity-like ingredients in the system, which dilutes margin but also protect your intellectual property and technically insulates you from being replaced. So great margin focus there.

Alternative protein margins are quite strong. In our Health & Wellness products, the margins are quite strong. So I think where there's opportunity to continue to margin up this business is in the animal side. Obviously, we have a complete feed business that has single-digit margins and we're looking at opportunities to margin that up. But it's also about mix shift and that's across our entire portfolio. When you think about the Animal Nutrition business, let's focus on pet, for example, in growing those margins. Those margins are very much in line with our alternative proteins, our Health & Wellness products and our Flavors. So it's really about this mix shift in this transformation and making sure we margin up this business.

When you look at the business holistically across ADM Nutrition, it's a business, if you factor in everything that's in the low to mid-double digits. And we want to continue to margin that up. If you take on the human side of it, we're 17% and 19%. And then again, you average the whole portfolio and we're in the low to mid-teens. So heavy focus on margin is going to come from revenue growth. It's going to come from mix shift. It's going to come from geographic expansion and great execution at the customer level.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. And when I think about that -- the building block, the bridge from here to $1 billion, what -- is there a way to mention the contribution from Animal versus Human Nutrition?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think when you look at the Animal Nutrition business, you should think about it in terms of, as it sits today, almost 50% of the revenue, a little more than 25% of the profit. So we'll continue to accelerate and again, we're focused on accelerating the Human portfolio as well as the Animal portfolio. Because I think 1 thing that's really important, Steve, is they converge and they converge in the area of Health & Wellness. And when you think about the ask on the animal side, too, it's not altogether different than the ask on the human side. And again, it's rooted in being able to develop systems and take advantage of the full scope of our offerings.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. In terms of -- when I think about end markets that can drive growth and profitability, my brain goes to plant-based proteins, it goes to probiotics, that gut health that you mentioned.and natural flavors. Are those the right big 3? We talked about the Nets earlier, so that's my big 3.

Is that right? Or are there other opportunities to throw in there. And whatever the right number is, how is ADM positioned to win against those large opportunity sets?

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Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think those are the big 3. And I would add, pet, as we've talked a lot about pet. I would add pet kind of as a big 4, bringing in another free agent here. But yes, I think those are the right areas to focus. But I think how we focus on flavors, how we focus on alternative proteins, how we focus on bioactives and how we focus on pet is really kind of those end markets and those segments and those channels. There's a certainly B2B opportunities that's kind of the lifeblood of our business, but there's also B2C opportunities. There are segment opportunities, which I spoke about in beverage.

Beverage is in fast-growing segment, continues to be. We have incredible expertise in beverages, and we'll continue to formulate beverages on a worldwide basis. Again, on the food side, when you think about not only for alternative proteins, not only plant-based meat alternatives, but there's beverages, there's snacks, there's Animal Nutrition products. So alternative proteins play across the spectrum. When you think about dairy, there's protein replacers and there's alternatives. There's confections, there's baked goods. So again, it's playing in those end markets.

It's dietary supplements, which is a critical pathway for us. And then when you think about animal, think about aqua and then think about companion dogs, cats, horses, et cetera. So we think the way we've structured those products that you mentioned, okay? And our execution focus around the segments really kind of drives what we feel is our right to win in the space and hopefully outpace the market and outpace other publicly traded competitors.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. There's a question that came in from the audience around -- you were talking about ways to improve mix, both from a profitability standpoint and I think also just from a growth profile perspective. And the question is, do you see opportunities to improve mix via exit opportunities as you think about the overall portfolio? And how does that prioritize in your thinking?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think it's called precision pruning. When we look at our portfolio, we continuously look at it. I mean we've taken the decision on dry lysine for example. We'll be out of the dry lysine business by the end of Q3. We've taken a decision on sorbitol crystal and we will remain in the liquid sorbitol business. So we are pruning that portfolio where it makes sense, in addition, so we can add and further invest in other areas. So I think it's a really good question, but something we're certainly focused on.

And again, if you think about the broader ADM, I think that's -- if you look at the history, I think we have some competency in that arena and making smart decisions on products that we may -- like we may exit. We need to exit any product, and we exhaust every opportunity to find usage and utility for those products, but at the right time, we have to make the right decisions to make sense for the entire portfolio.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. And maybe it's an opportunity to rewind the clock a bit and back to the acquisition of WILD in 2014. And just how that portfolio -- how your portfolio has evolved over time. I guess where do you see opportunities either -- I don't know if you want to talk about necessarily where do you see to opportunities for precision to improve from here or add from here. But I'd be curious if you are able to speak to that.

Just the process by which the portfolio has evolved and how -- if you think back on it, how much intent there was in creating the portfolio of today versus kind of left and right-hand turns that made sense at each individual turn, but not necessarily a part of an overarching strategy. What's the balance there between opportunistic portfolio creation versus structural strategy as a guideline?

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Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. Obviously, we live in a dynamic space, right? And even using COVID as an illustration and that's helped skew the portfolio in a certain direction as well. But I think if you go back to the WILD acquisition in '14, you asked how the portfolio has evolved, I'd say without question, there's a much heavier investment in technology and a much greater focus on science.

We talk about our systems a lot, but our systems are backed by science. And again, that's kind of captured in 3 global megatrends. When you think about food security, health and well-being, right, and sustainability. I think those are key drivers. So the portfolio will continue to evolve to much more value-add in investment. When you think about, again, to use the flavors illustration and you think about natural, when you think about taste modification, you think about clean and clear label, we've continued to evolve in that direction because that's what the consumer is demanding. And that's what our customers want based upon the consumer needs.

When you think about our health and wellness business, incredible amount of resource and energy invested in strains of probiotics, for example. Our BPL1 product, which has won many awards, the BIG award in Europe, for example, really focused on metabolism, thinking -- focused on weight circumference. In those products, those strains have utility in chewing gums and other vehicles that can deliver those benefits to the consumer. We're focused on immunity, skin health, gut health, all in that space. And so the portfolio has certainly evolved in a much more scientific direction. And we structured our organization accordingly, whether it's our creation, design and development team or our broader ADM science and technology company, increased level of investment, and again, focus a bit at the molecular level as well as the process level.

I expect the portfolio will continue to evolve. I think it's very important. We'll look for those things to prune. But that's not how we really think about our business. We think about adding capabilities whether we grow them internally, whether we partner or whether we acquire. And we've done all of those since this business began in 2014. That's kind of the beauty of our business and directionally where we're headed.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. Yes. And inside the company, how integrated is the Nutrition business today as a business versus vestiges of those past acquisitions that you've done? Does that makes sense? How well integrated are past additions? And as you think about bolting on new capabilities into the future, how important is that integration into the ADM way going forward? Or is it more of a holding company approach?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

No, it's very much the ADM way. And let's start again with WILD. That was 1 of 2 big platform deals we've done. And WILD been integrated. WILD has grown dramatically as part of ADM. But what we did is we took the integration of WILD. I came from WILD personally, so I can speak to it. And many of our people -- most of our people are still with us on a worldwide basis and have gone on to many other things inside of the broader ADM, so the people integration has been spectacular.

But I think what's really important is we develop a blueprint when we integrated WILD into ADM. We're following that same blueprint with Neovia, for example. Neovia was acquired in '19. We said we would deliver EUR 50 million in synergies in 4 years. We did it 2 years early, and we're on the cusp of delivering EUR 100 million in synergies by the end of this year with that transaction. And really, that integration blueprint was founded by WILD. We think we have competency in that area. All the bolt-ons we've done, we've integrated in the same way. What we do is we don't stack companies.

We -- some people stack those and that's a methodology for growth. We acquire and we integrate into the broader ADM and again, it gives our people opportunity. It gives us the full opportunity to take advantage of the entire ADM value chain, which is critically important. Again, back to those centers of excellence, when you think about procurement, you think about IT, you think about manufacturing. So our playbook on M&A integration is without question to fully integrate into ADM.

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Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Great. And from a customer perspective, we often hear flavors and ingredients companies just emphasize the benefit, the importance of being a single solution, right, more of a one-stop shop, if not a one-stop shop for customers. How critical is that from a buyer's perspective in reality as you see it in your conversations with customers? Is that an imperative that they really are looking for above and beyond other things?

Or are they -- when the push comes to shove, content to shop around and a massive portfolio is customized for them through multiple suppliers. It's -- just curious because it seems like it's an ambition for a lot of flavors and ingredients companies. I'd just love your perspective on just how important that is to you in terms of your thinking about creating your portfolio in the future?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. And without question, it's incredibly critical. The customer is facing their needs and their wants on the consumer. And the consumers are increasingly more demanding, rightfully so. So I think as we approach our customer base, we have to add value and be differentiated. We don't want to just be a pure-play ingredient company where we can give you 1 ingredient. And again, it kind of goes back to if you can buy -- if you want to be a single ingredient supplier, why not buy with a company that has this massive portfolio and you can turn your supplier base. I think that's critically important as our customers are trying to be more efficient. But our customers are also still required to innovate at the same token.

So that's where the systems piece comes in and taking from the pantry, and codeveloping products with them, whether virtually or live at 1 of our innovation centers, getting through the iterative process and getting product on shelf, winning product on shelf as quickly as possible. So customers are also asked to do more with less from their own organizations. And that's where full turnkey product development comes in.

Let's say, you work for a CPG multinational and you really focus on foods and you want to move into the beverage arena. And you have a relationship with ADM on the food side, you say, "Hey, we want to develop beverages." Well, we happen to be one of the foremost beverage development companies in the world. So they don't even need to staff a beverage product development organization. They can farm that out to ADM.

So again, I think the ability to sell single ingredients, the ability to codevelop products and do systems and then fully formulate full turnkey products is that value proposition. That's why you see so many companies trying to move in our direction. And I think you'll continue to see that. But to answer the question, I think it's critical, both on our side from an offering perspective, but on our customer's side as well.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Great. And continuing on with the customer, I mean, how have your conversations with CPG customers evolved over the past 12-plus months amidst the pandemic, right? I guess -- any lessons learned from helping them meet the moment would be helpful. But I'm also curious how you're thinking about the post-pandemic normal shaking out relative to the prepandemic normal. And how that influences your strategy. And maybe the answer differs between beverages and Animal Nutrition and so on and so forth. But just your perspective there would be really interesting.

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Sure. I appreciate the customer questions, too, because that's a critical component of our business. And my other hat is the Chief Sales and Marketing Officer for all of ADM. So a lot of customer engagement is something I'm very passionate about. But I think the answer is we have to be incredibly flexible and -- in the world going forward in our customer interactions because I think you'll see that many companies were incredibly successful and figured out that they could launch products and still innovate in a virtual environment.

So I think that will continue, right? And I think there's also the opportunity to go back to being live. And we've also created a series of digital tools, whether it's virtual tasting tools, for example, we can do real-life, real-time tasting in a virtual environment and some of these other tools that we've created, that's increased our number of customer touch points and customer interactions. But I think we will go back to a certain degree as well

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of live and we're seeing it. We have customers already visiting our innovation centers and allowing -- very slowly allowing us to go back to their facilities, but more of late, has been them coming to our facilities, which is exactly why we built these facilities.

So I think being flexible -- I think what's critically important is innovation in the many forms of innovation and having the flexibility to be -- innovate from a new product perspective, innovate from a cost-out perspective, help them do the precision pruning of their portfolio. Obviously, our products that are in the marketplace suffer some level of erosion and trying to understand and represent those brands and help them reformulate.

So again, the customer needs are probably going to be greater than ever before. But what I like is we measure through our analytics, our customer interactions. And I'll take our marketing organization, for example. If I go back and look at 2020 data, particularly Q3 and Q4, when we are in significant lockdown, we virtually more than doubled our customer interactions versus the same time pre-pandemic.

So I think the customer needs will continue to evolve, and we'll work in this hybrid model for a foreseeable period of time. But I think there'll be no less pressure on the ability to innovate in many, many forms.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Right. It sounds like innovate not only in product but innovate in the way that you actually communicate with those customers on a go-forward basis. Do you think the organization is -- given what it's been through the last 12 months is it -- I guess maybe it's an overused phrase, but is it emerging stronger? And can you give us reasons to believe if it is, that it is?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think when you're publicly traded, all starts with your results, right? And we've enjoyed incredible results across the broader ADM and nutrition. So -- but when I think about kind of the why behind that, I think it's because of our people. And that's our biggest reason to believe. And I think we've done a very good job staying close to our people during the pandemic, and they ask of our people and making sure they are staying close to our customers. And I think about our organization.

Our operation never stop working around the globe. When I think about our science and technology teams, our creation, design and development teams, they never stop for working because their work is done on site in a manufacturing environment or a laboratory environment. And when I see us coming out of it and the rest of us have gone back to the workplace, that's the reason I see us being stronger than ever, is that effort. The results and the points that we've put on the board as an organization. And again, we'll continue to invest in this business.

And where we harvested some initial investments, we're continuing to invest. We have some production facilities coming online. We're continuing to look at further innovation centers. So it's an exciting time for us for sure, but definitely reason to believe. But it's -- it all kind of starts with our people for certain.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. And in incremental innovation centers, where -- how are you -- if I gave you an extra $1, where would just spend it? Like what's -- where -- it's a broad portfolio with lots of opportunity sets, lots of ongoing initiatives. How can you communicate to investors how you're thinking about the biggest opportunity sets? And I don't know maybe -- I don't know, it could be a near term, it could be a longer term. But just -- it's a little bit difficult and I don't cover you on a day-to-day basis, so I'm coming in a little bit fresh. But as I look at the wide expanse of opportunities before you and the missions before you. It's a little bit hard to get the prioritization clear. So how would you help me do that?

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Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think if I had $1 to spend, I like the way you termed that, if had $1 to spend, I'm spending it on forward innovation. What does that mean? That means science and technology. That means sales and marketing. That means creation, design and development, anybody who's going to help us win at the customer level and create consumer products that win in the marketplace. We've already spent dollars and will continue to spend dollars on capacity and unlocks and efficiencies. But I'm spending -- if I have $1 to spend, on forward innovation.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. And what about talent recruitment? It seems like the human capital involved in this industry is important to build that incremental IP as you go forward. How well developed and advantaged do you think you are on that front in terms of attracting and it sounds like your ability to retain talent once in-house is quite good. Is that -- the pipeline for new talent, is that -- do you view that as an advantage, an opportunity, both?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Both. When I think about talent, it all starts with our team internally first, and we always look for opportunities to promote from within and build our talent not only across nutrition, but across ADM. And we've done that. So we've walked the talk.

I think what's critically important is you always have to acquire talent as well. We've acquired great talent with the platform deals and with the bolt-ons that we've done. And then we obviously go into the marketplace. And I think the ADM brand has incredible pull. And people see what we're doing. It sounds hokey, but it's not really. Whenever I talk to our employees, one of the things I talk to them about is we have the opportunity of our career in ADM Nutrition, to build the business inside of a 120-year-old company that's a Fortune 50 company, that's a dividend aristocrat and we'll invest in us.

So it's been a great tool to acquire talent from the outside, and we feel very fortunate in the great talent that we've acquired. When I speak to our Board on a quarterly basis, one of the things I say is I'm really proud of, humbled by the fact that we can simply acquire in the best of the best in the marketplace as well.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Great. We are about 1/4 of -- which means we're about at the end of our allotted time. We covered a lot. Is there anything that we -- just in closing, anything that we haven't covered that you think is important for investors in terms of feeling confident about your business, about ADM generally into the future? Or anything think you want to reinforce that we did talk about?

Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Yes. I think maybe holistically, in terms of ADM, think of the journey that we've been on, and I outlined in my initial comments and that pathway from getting fit, creating value and now driving sustainable growth, when you think about the transformation and what the company looks like right now and into the future, it's incredibly optimistic. So super excited about the future at ADM.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

Vince, thank you very much. Thanks to ADM. Thank you all for listening in, and I wish you all a very productive event for the remainder of the week. Thank you very much.

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Vincent F. Macciocchi - *Archer-Daniels-Midland Company - Chief Sales & Marketing Officer, President of Nutrition and Senior VP*

Thank you, Steve. Thanks for the opportunity.

Stephen Robert R. Powers - *Deutsche Bank AG, Research Division - Research Analyst*

You got it.

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