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EDITED TRANSCRIPT

ADM.N - Archer-Daniels-Midland Co at BMO Capital Markets Global Farm to Market Conference

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Christopher M. Cuddy *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

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Andrew Strelzik *BMO Capital Markets Equity Research - Restaurants Analyst*

PRESENTATION

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

All right. We're thrilled to have ADM with us today to discuss its strategy for realizing sustainable long-term growth. ADM has executed on the strategy through improvements to its portfolio mix, capital deployment, returns and operations, enabling it to capitalize on opportunities through a challenging operating environment.

And now ADM has enhanced its focus on innovation and productivity to drive enduring value creation. We're joined by Vikram Luthar, ADM CFO. Vikram was appointed CFO over a year ago and is approaching, I believe, his 20th year with ADM, having served in a number of financial leadership positions prior to being named to his current role. We also have Chris Cuddy, President of the Carbohydrate Solutions business, a role in which he's responsible for ADM's global Sweeteners and Starches, ethanol and wheat milling businesses. We're excited to have you both. Thank you very much for joining us. And with that, I'll hand it over to Vikram for some opening remarks.

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Thank you. Can you hear me? Thanks, Andrew. It's good to be back here again this year. It is an exciting time for us at ADM. We have significantly transformed the business over the last decade and extended our value chain closer to our customers by building out our Nutrition business. We have aligned our portfolio and our global asset footprint for growth, driven by 3 enduring trends of food security, sustainability and health and well-being.

Our strategy, disciplined capital allocation as well as effective execution even in very dynamic market conditions that we have witnessed over the last 3-plus years has delivered excellent financial performance. Coming off an outstanding 2022, we posted a record Q1 this year with adjusted EPS of $2.09 and returns of 14%. And we've guided that we expect 2023 to be very strong with an EPS range of $6 to $7.

And our balance sheet remains very strong. It is giving us the flexibility to look at strategic growth opportunities while still returning capital to our shareholders. In fact, we have consistently increase dividends every year for the last 50 years. And just since the beginning of 2022, we have returned $1.8 billion in terms of buybacks to our shareholders. We're also investing in a very robust productivity and innovation agenda.

In productivity, we are harnessing digital to optimize our costs and increase efficiency. In innovation, we are leveraging expansion of organic growth capacity in fast and high-growing markets like crush in some cases, in specific areas of Nutrition as well. In addition, we are leveraging our capabilities and our scale to enable the energy transition as well as lead the decarbonization of the food and ag supply chain.

That is allowing us to power new profit pools like Regen Ag, like BioSolutions, like conversion of ethanol to SAF. And thus, further expanding our base earnings power. And that's why, as I said at the beginning, it's an exciting time for us at ADM. I'll turn it over to you.

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QUESTIONS AND ANSWERS

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Great. Thank you very much for that. And so maybe we'll start. Obviously, you've talked about a couple of very, very strong years. You've given the guidance now $6 to $7 of earnings for this year. I guess for us, when we look at it very closely, there's a lot of volatility through the year in the markets and the operating environment. Can you just talk about the swing factors to start $6 and $7, what gets you to the high and low end?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Yes. So maybe I'll start with the -- with Nutrition, customer-facing business. We've guided that, that business should generate 10% growth for this full year. First half is going to be challenging. We remain confident that the growth will be back half loaded. So we feel good about the 10% growth. That's clearly part of that $6 to $7. In the Carbohydrate Solutions business, and Chris is going to talk a little bit more about this as you -- as part of your questions, we see robust demand and margin structure in the base Sweeteners and Starches portfolio.

And we anticipate ethanol looks to be constructive. But the biggest volatility causing issue in the S&S portfolio is ethanol. While the outlook looks constructive right now, we know it can change. And why is it constructive? For a few reasons. We see strong blending economics. Gasoline demand generally seems to be up, blend rates are slightly higher than we've seen before as well as imports are stronger than what we had anticipated. So the outlook is constructive, but it could change.

So that's one of the reasons why maybe there could be some pressure going to the lower end of that range. In the AS&O business, I'd say the fundamental issues are related to crush, how fast we can get the recovery in crush margins with renewable reason deal capacity -- renewable green diesel capacity coming online, which we clearly anticipate, but there might be a little bit more of a delay, which could put us -- put some more pressure for a longer period of time on crush margins.

But generally speaking, today, the outlook remains very constructive. And finally, consumer demand. We got to think about what's happening to the overall macroeconomic situation. And to the extent there's a deep recession, and every day you hear more and more news about consumers feeling pinched, retail sales being lower than what was anticipated even just yesterday, what's going to happen with the debt ceiling discussions, I think the consumer is feeling pressure.

And the extent of that pressure might weigh on some of our demand. But it depends. So I'd say those are some of the puts and takes, which give us this range of $6 to $7.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

So if we look beyond this year and kind of at the long-term value creation opportunity, what are the areas that really get you excited? And maybe there's opportunity for both of you to chime in on this one, as you think about the range of opportunities.

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Yes. So maybe -- I know the Carbohydrate Solutions business is going through a massive evolution. So maybe, Chris, you want to start first and I'll build on the others.

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

Yes, I'd love to. Thanks, Andrew. It's -- for us in Carbohydrate Solutions, which is our global corn milling and wheat milling operation, I've never seen as much excitement around what we have going on as today, really around sustainability, decarbonization and leaning into new markets. We have carbon capture and sequestration in our facility in Decatur, Illinois. We've had there for 10 years now. We're looking to add to that.

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We're looking to build pipelines across our infrastructure, both in Iowa to bring that to Decatur as well as in Columbus, Nebraska, our western facilities going west. We're exploring technology and partnerships for sustainable aviation fuel, and I'm really pumped about the future for sustainable aviation fuel and how we can be a leader in that space.

And we continue through our BioSolutions platform to deliver sustainable solutions for our customers, a lot of which are happening today, but it's also a robust pipeline that we're building for the future and not too far out either in the near future in the coming years.

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

So clearly, there's a lot of happening in the Carbohydrate Solutions business. But when you step back, and we're going to my introduction. We recognize that there is a cyclical component to our business. What's great is our team is exceptional at execution and capitalizing on the opportunities that become available to us. That same amount of opportunity going to be available to us every year? Perhaps not.

But that's why it is our responsibility. That's what we are doing, to leverage our scale and capabilities that we've built over the last 10 years to create these new profit pools of value, which are going to be able to more than offset any potential cyclical headwinds over the medium term. BioSolutions being one of them. You talk about Regen Ag, that's a huge opportunity, huge opportunity, especially when customers think about reducing their Scope 3 emissions.

And very few companies other than companies like us are well positioned to be capitalizing on that. Then as well the conversion, the energy transition, the conversion of A2J, ethanol to SAF, that Chris briefly referenced. And our focus on decarbonizing our asset footprint, our production footprint will enable that continued growth. And don't forget productivity.

That's a muscle that we've been building every year. And yes, every business sees inflation. And we've been able to more than offset inflation through our productivity efforts. We continue to see that going forward, plus enhancing it more through what we've defined as automation and digitization of our processing facilities, across the world, 70-plus facilities. It's going to take time.

Is it going to take capital? But we see strong returns, double-digit returns already being realized with a few of the facilities we've invested in. So that's what gives us a strong level of confidence and optimism about our ability to continue to expand our base earnings power. And we'll talk more about that at our upcoming Investor Day in Q4.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Great. We look forward to that certainly. Thinking about capital allocation and the balance sheet, in this environment, you're well below kind of your target levels from a leverage perspective. Are you comfortable with that? Do you -- are you looking to -- I guess how are you thinking about it? Maybe the cycle plays into it, but how are you thinking about that here?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Well, I think the balance sheet is a competitive advantage for us. Maybe it was less so in March of 2022, where interest rates were low. I mean it's amazing how quickly rates have gone up to 5%, and you all know that. But it is today a competitive advantage and gives us the ability to drive return to shareholders, which I talked about as well as invest in strategic growth opportunities.

There is an M&A pipeline that we evaluate all the time. And one thing that you may not know about us, we have done 30-plus acquisitions over the last 10 years. We have undertaken 20-plus partnerships and investments and done divestitures. We have dynamically rotated our portfolio. And the way we've been able to do that is by leveraging our balance sheet.

And actually, as you think about it, Andrew, the supply side of the grain environment is getting more comfortable, which means our working capital should actually improve. So that's going to be another inflow of cash. So we've got liquid and a very strong balance sheet to enable us to drive

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continued growth by reinvesting in the business as well as strategic opportunities and/or return capital to the shareholders. So we feel very comfortable with our balance sheet today.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

So I want to dig in on a couple of things you just talked about. First on the M&A side. So what is the environment right now for M&A? And how are you thinking about inorganic growth, your priorities, whether it's primary processing or crush capacity or anything like that or more on the value-added side?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Clearly, we are looking at exploring opportunities in the value-added side, right? And I'd say we've seen compression of multiples, and you guys are all familiar with that, in that space. And there are opportunities that will likely become available that are attractive, not just from a strategic perspective but also from a return's perspective, which is vital to the way we think about M&A.

The other thing that by -- that sellers are looking for always is speed and certainty, right? That's critical to a deal. And we offer that given the success we've had with programmatic M&A over the last decade or so. So I'd say value-added side, on the Nutrition, think about Health & Wellness, think about Pet, the opportunity's there.

But there may also be some scale opportunities available as we see some compression of multiples across other parts of our portfolio. Had you asked me about crush 3 years back, I would have said, probably, we don't want to increase capacity. But today, the structural changes that are happening in crush would suggest if there is an asset or business that's available, that is attractive with the right level of returns, we may consider that. So the M&A landscape has broadened as a consequence of some of the structural changes, but the primary focus continues to be on the value-add side.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. Great. And then kind of on the other side of that, returning cash to shareholders, the buybacks in the first quarter were above the $1 billion kind of -- the pace for the $1 billion that you've guided to. I know some of that was opportunistic, but I'm assuming your view of intrinsic value hasn't changed. And you talked about the working capital inflow. So how do you balance the M&A and the buyback side? Is there more room relative to $1 billion? Or how do you think about it?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

I'd say in general, there could be more room. But at the same time, we want to make sure that we preserve sufficient dry powder for strategic opportunities that have come by. So we have to make sure we strike the balance. And you know we've been very balanced and disciplined about our capital allocation, and that is not going to change.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. Got it. And then lastly, on this topic from a return's perspective, going more value add, going more higher margin, have the returns -- has the return on capital profile of the business changed more structurally? You've done 14% trailing ROIC, you have a 10% target. Is that target moving higher? I guess, how do you think about the returns in the business?

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Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

So we haven't established a revised ROIC target. We think about the right balance between earnings growth and returns, right? So the focus is on also driving EVA growth. But fundamentally, Andrew, if you think about the continued shift to higher margin closer to customers value add, whether it be Nutrition, whether it be BioSolutions, the margin structure should expand over time.

So you think about returns being a function of margins at asset turnover, the margin profile should be increasing, which is supportive of returns. And we'll continue as always to focus on asset turnover. And with potential commodity prices softening, we might see an expansion increase there as well. So you could see over time, a continued expansion in returns, but we've got to balance that out also with certain strategic opportunities that we might consider because with that may come some goodwill and that for a period of time, we'll have to work through.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

And within the Sweeteners and Starches business too, I mean you've seen very nice margin expansion. You have the BioSolutions as well. I mean do you see that in your business as well from a return perspective?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

Yes. I would echo what Vikram said, certainly, we've seen expansion of margins, which has helped that return profile. But what you've also seen with inflation and just permitting in the inability for folks to expand from a supply side, it's more and more difficult to expand today than it was, say, 10 years ago. Of course, money is tighter, so to go out and get new dollars for expansion in this space, I think, is more difficult, which has allowed us to expand margins. And why I think they'll stay that way for a while.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. Great. So let's switch gears a little to the Ag Services and origination segment. And I want to start on crush margins. There's been a moderation in crush margins here. You talked a little bit about the renewable diesel timelines and how that's playing out. But at the same time, we saw this softness last year as well. So I'm not sure how much you think is maybe seasonality? How much of it is the renewable diesel side? Do you think that the new crush capacity is playing a role already as well? How are you thinking about what's going on with the crush margins?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

I'd say the dynamics last year would differ. I mean we had supply shocks come through, right? And the world was trying to figure out how to balance trade flow. So let's just focus on what's happening this year okay? This year, yes, there has been moderation in crush margins. And we think there are 3 primary factors for that, at least in the near term, which we'll adjust towards the back half of the year.

One is the renewable green diesel capacity. We know they've had some supply chain and logistics challenges and catalyst issues. We already see that there is increased pull for veg oil. So we remain quite confident that the renewable green diesel capacity, while delayed, will still come back online in the back half of the year. We still believe the renewable green diesel capacity should increase by about 1 billion gallons, increase by 1 billion gallons in 2023.

And it's not just in the U.S. It's all over the world. That's one. Two is Argentina. We know what's happening in Argentina. The crop could be -- soybean crop could be 25 million metric tons, about 50% roughly lower than a typical crop. They're going to run out of beans. So now they're going to be able to crush. They're one of the largest -- they are the largest exporter of crush. So that's going to create opportunity in the back half when they run out of beans in Q2 for crushing in parts of the world that continue like North America and Brazil, in particular.

So that is a trend that will support margin structure in the back half of the year. And the third is the tightness in the soybeans, right? Right now, soybeans are tight. But you've seen the expectation of the crop -- the U.S. crop this year. So that should actually help provide some tailwinds even

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in for the processing business on the crush side as the balance sheets on soybeans get a little more comfortable than the back half of this year. So a combination of those 3 factors gives us confidence on the outlook for crush being stronger in the second half than we likely -- than we're going to be seeing in Q2.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Sure. Okay. And then -- so the other side of the crush margin is on the meal side. And I think with RD, that is a very understandable kind of longer-term demand-pull structural change on the oil side. What do you do on the meal side with the capacity that's going to be coming on? How comfortable are you that there's a home for that or the risk that, that creates disruption over the next several years from a crush margin perspective?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Yes. I mean you asked another question, Andrew, about the crush capacity. Do we see that's coming up? So I'll address both those questions. On the crush capacity side, yes. We see that crushing is going to keep coming online. Could there be some delays like in renewable green diesel? Possibly. But nevertheless, if you just do the math, the amount of crush capacity that is currently expected to come online is still going to be much less than the required amount of veg oil for the expectation of renewable green diesel capacity over the next few years.

So veg oil will continue to get supported. But then soybean meal. I think on soybean meal, here are the facts. The facts are that the underlying trend for soybean meal demand is going to be slightly higher, we believe, than even GDP growth. Why? Because as you see, balance sheet is getting more comfortable and soybean meal becoming more available, the inclusion levels should also increase. You'd see consumer diets switch towards more poultry, which, by definition, is a higher level of soybean meal inclusion.

So we remain constructive about soybean meal demand in the mid-to-long term. Possibly, as I said, even above what we had thought before. Previously, we thought GDP growth. We think it's possible to be higher than that. So that would enable the crush -- the meal from the expanded crush to get absorbed from the global markets as crush -- as soybean meal demand also shifts to parts like North America. So we might displace and substitute other soybean meal exports. So I think generally, even on the soybean meal side, we feel quite constructive about the outlook.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. And then on the core Ag Services piece, which has obviously been very strong. There's been some unique benefits there. If we do get a good U.S. crop -- obviously, we understand what's been going on in Brazil. Is that enough to fully replenish global supplies? Do stocks to sue then get back to normal levels? Or is there still enough kind of -- I guess, do you think that's enough to keep Ag Services above kind of what used to be the baseline from an earnings perspective? Or are we kind of rebasing back towards that?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Well, it depends on how you define base, right? I think it's important that -- so let's talk about what's happening. The supply side is clearly getting comfortable, more comfortable, right? You're going to have a record crop in Brazil. And based on the outlook from WASDE that was released on Friday, assuming trend lines are unchanged, and weather is good, which is, by the way, a very highly uncertain.

But assuming that happens, you'd still have a very good crop in the U.S. next year and balance sheet should get pretty comfortable. But even with that -- even in that scenario, we do see tightness in certain parts of the world, which is in veg oil. Veg oil demand for food and fuel for veg oil is very, very strong. And actually, if you think about the 4 major veg oils, we think there's going to be tightness in palm oil, which is by far the largest inclusion, over 30% of the total veg oil pool.

And why? Because plantations are getting a little dated. People were trying to squeeze the plantations to maximize the opportunities because veg oil prices were very supportive. And there's not been enough new planting. So we think palm oil is going to get pretty tight in the back half of this

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year or early part of next year, which, in general, should be very supportive of veg oil. So while supply side is getting -- potentially getting a little more comfortable, we see a lot of opportunities potentially in veg oil, and it should also help us on the processing side.

The other thing to bear in mind, we had a strong performance in Q1 in South America, we talked about that. There is this record crop in South America and a potential big crop in North America is going to increase the volume that we can process. Net-net, we have a larger footprint in North America than South America.

So net-net might be slightly negative for us, relatively speaking. But it'll give us the opportunity to put a lot more crop through our system. So volume should be higher, although the margin structure will possibly be lower. So we'll have to see what the trade-offs there generally speaking, we still see a fundamentally good story for Ag Services, albeit maybe not at the same level as 2022.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

If you put the 2 pieces together in AS&O, is that enough to get you with a good U.S. crop, what you just described? Is that enough to get you back down towards kind of the longer-term profit profile of the business that you guys have talked about previously at the Investor Day? Or is that still better because the crush is better? I guess how do you think -- what takes you back down to those -- to that range?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Well, I think we talked about a range, let's say, roughly $3 billion in the -- at the Global Investor Day. And that was driven off structural expansion in crush margins. We would think that given the growth in renewable diesel, maybe the structural opportunity on the crush margins could be possibly even higher than what we talked about in the Global Investor Day.

We haven't specifically quantified that. We are working through that, and we will perhaps talk more about that in our upcoming Investor Day. So structurally, that is very intact. The destination marketing part of the business in Ag Services remains very strong. Export volumes are going to continue to grow. And we are very well positioned with our irreplaceable footprint, asset footprint to be able to perform under those conditions and continue to drive higher volume, albeit maybe at slightly lower margins than what we had last year, just given we had some significant supply shocks last year, but still much better than what we've had historically.

So I'd say fundamentally, we see the outlook for AS&O business to be constructive and clearly much better than what we've seen historically. And perhaps better than what we had articulated even in our Global Investor Day in 2021.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Interesting. Okay. Great. Shifting gears, a little bit to the Nutrition side. Can you talk about what you're seeing in terms of demand across the Nutrition portfolio? And I guess, how do you characterize elasticity in the portfolio in this environment?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

So in Nutrition, we play in different categories, right? Generally speaking, the categories we play in are relatively price inelastic, generally speaking. Although there are some puts and takes there. We've talked about softening in dietary supplements. We've talked about softening in the plant-based proteins. We continue to see good growth in parts of the beverage space that we operate in, including an alcoholic drinks and energy drinks.

So you think about the price point there, they're not exactly low, but the consumer demand remains robust. So I'd say, in general, the categories we play in tend to be priced inelastic. And that gives us continued confidence and the reason why we have a very strong pipeline. We talked about a double-digit growth in our Human Nutrition pipeline. That is very, very helpful to help us to give us confidence in the continued growth of Nutrition and the back half loaded the 10% growth this year.

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So I'd say, overall, Human Nutrition has performed well, right? We were flat in Q1. We expect some growth in Q2, and we expect potentially in the mid-teens for the back half of this year, driven by pipeline, driven by the fact that customers are looking for innovation. And we are very well positioned to capitalize on that plays to our strengths, the breadth of our portfolio, our capabilities on creation, development and design, which is basically product development and customized solutions and systems.

So we feel good about that. There's also the destocking that we saw, part of it in Q1. We think it's going to -- will recover in the back half of this year. And the demand fulfillment challenges we've had in Human Nutrition through specific actions we've taken on operational excellence are also getting addressed and will help us with our customers and delivery customer -- to perform to our demand creation in the back half of this year.

On Animal Nutrition, Pet looks good from a demand perspective, double-digit growth in the pipeline there as well as we see improvement in the demand fulfillment with new capacity coming online, debottlenecking, which is already realizing value, but more focused on the back of -- more back-end loaded in the second half of this year.

Yes, we've had a challenge on the Animal Nutrition excluding Pet. And that's been actually softer than what we had anticipated. And we anticipate that softness will continue into Q2. But what we are doing there, and this is important for you to know, what we are doing there is we recognize the softness in volume, but we are taking specific actions to improve the margin structure. How? By focusing on our cost.

We actually took out -- we've closed down 8 to 9 operating facilities. We've closed down distribution centers. And we've also rationalized headcount by about 800 already. We see more opportunity yet in 2023 on those fronts. In parallel, we're doubling down on our commercial opportunities by leveraging what's made us successful in Human Nutrition and translating that into Animal Nutrition, reducing SKUs, focusing on specialty ingredients.

And we anticipate there will be some recovery of demand even on the base Animal Nutrition in the back half. But the focus is things that are within our control, which is margin expansion through specific measure that I cited. So those are the reasons why we are confident that we will have 10% growth in Nutrition, 10-plus percent growth in Nutrition, albeit very much back-half loaded.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

So I was going to ask about some of the specific things that you're doing in that business. So -- but I think you've pretty much covered that. I don't know there's anything else to share. But kind of longer term, what's the role of Animal Nutrition in the Nutrition portfolio? I guess when you look at the growth rates and the margin profiles, like how do you think about that piece of the business longer term relative to Human Nutrition?

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

So Animal Nutrition has got the Pet and the non-Pet component. The pet is clearly a lot more like Human, and we see margin structures being quite robust, let's say, in the 15% EBITDA range, and we talked about that at our Global Investor Day. In the Animal Nutrition, excluding Pet, the model structure may be in the mid-single digits.

So we see an opportunity to expand margins, and we are taking specific actions to do that. There are clearly elements and synergies that we are capitalizing on with Human Nutrition and with Pet. You think about probiotics. Probiotics just don't go into humans. They go into pets; they go into other animals.

So we are leveraging those synergies to be able to maximize the opportunity on the specialty side in Animal Nutrition. So we clearly see -- continue to see a space of Animal Nutrition to play within the overall Nutrition business with a focus more on margin expansion through the actions we talked about.

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Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. That makes sense. And then this one might be harder to answer, but I'm trying to get a bridge on -- or a build, I guess, on this 10% plus Nutrition growth for the year, heavily back-half weighted. And I guess your confidence level, you seem very confident. But from the outside, it's I guess a little harder, it's a big ramp in the back half.

So when you think about the visibility that you have based on what's within your control, the capacity side, the pipeline that you see, internal actions. I mean, can you -- is there a way to kind of frame the build? Or any detail on that would be great.

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

So you've got 2 factors when you think about, right, you've got demand creation. And I'd say demand creation has been very strong as evidenced by our pipeline in Human Nutrition and Pet. We've had challenges in demand fulfillment. And we -- those are self-help actions we are taking that gives us confidence that we'll be able to address that. So that match between demand creation and demand fulfillment is much better aligned now than it was last year, and in particular in the back half of this year because most of those actions are going to start bearing fruit.

The destocking that we saw, we see already signs that, that is the recovery on the destocking side as well. So we're already seeing signs of that. So we've got very good visibility on the Human Nutrition side. Now Andrew, we talked about macroeconomic uncertainty. Let's just say, hypothetically, if there is a deep recession, then could that impact some of the categories, even if they're price inelastic? Absolutely, they could.

We don't see that right now. So based on what we can see, we still see a very good demand environment on the Human Nutrition side as well as on the Pet side. I think on the Animal side, we continue to see weakness, but there are signs that of potential recovery in the back half even in the volume side, while we continue to take actions on the cost side. So based on what we see today, we feel very confident about the 10% growth in human nutrition -- or not just in Human Nutrition, in nutrition as a whole.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. Great. Let's go to the Carb Solutions side for a little bit here. Can you talk a little bit about the supply-demand environment for the core Starches and Sweeteners business? How are utilization rates in the industry? I mean pricing came through very strongly, obviously, corn helped, but how is the tightness now compared to history?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

So across North America and our international footprint as well, we see robust demand across the sector, particularly around the liquid business, our liquid sweetener business. We've seen really no erosion in volumes. Actually, a little bit of an uptick across North America, in particular, on liquid volumes into the food and beverage industries.

The dry goods, starches mainly, we've seen about a 15% reduction in volumes based on the back of falling corrugated volumes, really saw that starting to happen in the tail end of Q4. And that's continued through Q1 today. I see that leveling off from -- just an OP point of view, our margin expansion was enough that it really actually hasn't -- that volume displacement hasn't impacted us.

As well as for those of you who understand the model that we have, we always talk about fight for the grind, we do have this ability to move things around internally, which is what we pride ourselves on and that flexibility. So we continue to run at a pretty high capacity utilization as well as the industry does.

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Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Okay. So you have high utilization rates. You also have sugar that's at decade highs. So what opportunities does that create for the business in terms of switching or maybe pricing power? And are those implications near term? Or is that really as we think about next year, how that plays out?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

I think mainly for next year, the -- I'll take a couple of those pieces there. The sugar prices are -- in United States, we don't necessarily move one for one. In other parts of the world, we will move with sugar. So this is obviously very helpful. If nothing else psychologically it's helpful when you're selling liquid corn sweeteners into a sugar market in a 30-year high. So that's been beneficial for us.

There has been some switching, albeit small. But psychologically, it's a good environment to be a sweetener salesman in when sugar is at a decades high. I forget the other question that you asked along with that.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

How that -- with tight utilization rates, and you've got maybe some -- that's a good environment for pricing and kind of how -- if that's near term or longer term?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

I think it's both. We've seen a little destocking just in the dry goods where people actually -- particularly if I think about starches, acidulants, maybe some of the dry sweeteners that we have where you can store them. So we've seen a little bit of destocking. I think at some point, that has to stop.

And one of the reasons that I think liquids have been robust because you really can't stock or destock liquids. You only have so much room in tanks, whereas warehouses, you can build whatever you want to in them. So I think we're going to see that dry goods switch over to what we've seen in liquids and pick up in the back half of the year. And I think that will give us a robust margin environment coming into next year as well.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

The BioSolutions piece, is a nice long-term and medium-term contributor as well. So the growth outlook, how are you guys tracking relative to the 10% revenue growth goal annually that you've laid out? Where have you seen the most momentum, I guess, relative to your expectations?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

So we're pretty excited about the platform that we've built in BioSolutions and the way that we're penetrating that market and the customer demand that we felt there, really tied not only with the offerings that we have, but what you're going to hear about at lunch through our Regen Ag and really how we're tying this long value chain together from the farmer, all the way to the consumer.

And the ability that we're giving to our customer to meet some of their goals for sustainability and lowering their carbon intensity in their packaged goods through using us as a vendor. So we're excited about what we can do in that platform really around packaging, construction, fermentation. Those have been the ones that have been the biggest needle movers for us.

Obviously, the biggest volume market. So that certainly helps. Some of the smaller ones that have higher margins, just haven't been needle movers for us yet, like pharma, home and personal care. But certainly, we look to have some new products and move into that business as well.

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Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

If you reflect on what you laid out at the Investor Day in terms of the growth rate of the segment and what that should look like over the next several years, is the market dynamic intact to achieve what you said? Is it actually better than what you were thinking? Are there pieces where it's moved around better or worse?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

I think overall, it's there's more opportunity than we thought at the time, particularly when you think about sustainability for us and taking what we think we can do in the sustainable space and make a huge profit out of that opportunity for us and our customers. Things that -- this long value chain that I already mentioned that we can tie together that I think nobody else has or that we're in the best position to penetrate.

The opportunities around biofuels, particularly aviation fuel, I think are on the horizon. They're going to be here before we know it. So I think all those, along with BioSolutions and our ability to decarbonize, is going to make us a leader in this field. And this decarbonization thing, we've had this carbon capture and sequestration model going -- these wells going in to cater now for over a decade, around 4 million metric tons that we've already sequestered.

And so nobody else is really able to do that in our space. I'm pleased with our ability to execute there and what we can link into that platform to help us grow.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

So on the SAF side, you guys -- I guess it was disclosed in Gevo's press release that there was an agreement or an extension of the partnership. And so on the SAF side from a technology perspective, can you talk about what that is? How it compares to what you've talked about previously? And how all that's going to work?

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

Yes. So Gevo did file an 8-K, which referenced ADM in that and some other folks that we have been talking with and looking and evaluating different technologies, we continue to evaluate technologies. In this case, we have a license for the Axens technology. There's really 3 out there. We think this is the best-in-class today as it sits.

Obviously, that can change. But as we speak today, we think this is the best technology out there to get us from alcohol to jet. And hopefully, in the coming months, you'll be hearing more announcements with a little more definitive things that we can talk about. And certainly, I'm excited about it. I think, as I mentioned in the earlier comments, this is a disruptor and an opportunity for us to really lean into the future of decarbonizing jet aviation.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

And so I want to tie one of the questions -- the question that came in on the -- from the audience here with my last question. And that's around Regen Ag, decarbonization and your understanding about how ADM's assets are going to qualify for the SAF tax credits. I guess there's more uncertainty there maybe than before. But is that carbon capture a differentiator? How do you think about the ability to qualify?

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Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

It certainly is a differentiator. If others are going to qualify, they're going to have to do something similar, which most of them are looking at through different pipelines that are being explored today throughout Iowa -- or the whole Midwest, actually. So it's not a differentiator, it's a must.

So we've already proven that out. We have the wells in Decatur that I already discussed, we already have definitive agreements for our western corn plant in Nebraska to move West on the Tallgrass pipeline. So we have 2 others to do. So we're kind of 50% there. That along with really changing what we're doing around heat and power sources is another big deal.

So all of those combined, there are some things with renewable natural gas. There's lots of ways to get there. The other big component is what Paul's going to talk about lunch in -- is our tie-in with the farmers and bringing in low CI corn or feedstocks that will continue to separate us out from, I think, the rest of the pack.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Great. We will leave it there. We're out of time. We appreciate you guys being here today. Thank you very much.

Vikram Luthar - *Archer-Daniels-Midland Company - CFO & Senior VP*

Thank you.

Christopher M. Cuddy - *Archer-Daniels-Midland Company - Senior VP & President of Carbohydrate Solutions*

Thank you.

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