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# EDITED TRANSCRIPT

ADM.N - Q4 2022 Archer-Daniels-Midland Co Earnings Call

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**OVERVIEW:**

ADM reported 2022 adjusted EPS of \$7.85 and 4Q22 adjusted EPS of \$1.93.

## CORPORATE PARTICIPANTS

**Juan Ricardo Luciano** *Archer-Daniels-Midland Company - Chairman, CEO & President*

**Megan Britt** *Archer-Daniels-Midland Company - VP, Investor Relations*

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

## CONFERENCE CALL PARTICIPANTS

**Adam L. Samuelson** *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

**Benjamin M. Theurer** *Barclays Bank PLC, Research Division - Head of the Mexico Equity Research & Director*

**Benjamin Shelton Bienvenu** *Stephens Inc., Research Division - MD & Analyst*

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## PRESENTATION

### Operator

Good morning, and welcome to the ADM Fourth Quarter 2022 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's call, Megan Britt, Vice President, Investor Relations for ADM. Ms. Britt, you may begin.

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**Megan Britt** - *Archer-Daniels-Midland Company - VP, Investor Relations*

Thank you. Hello, and welcome to the fourth quarter earnings webcast for ADM. Starting tomorrow, a replay of this webcast will be available on our Investor Relations website.

Please turn to Slide 2, which says that some of our comments and materials constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These statements and materials are based on many assumptions and factors that are subject to risks and uncertainties. ADM has provided additional information in its reports on file with the SEC concerning assumptions and factors that could cause actual results to differ materially from those in the presentation. To the extent permitted under applicable law, ADM assumes no obligation to update any forward-looking statements as a result of new information or future events.

On today's webcast, our Chairman and Chief Executive Officer, Juan Luciano, will discuss our full year accomplishments and share detail on our priorities for 2023. Our Chief Financial Officer, Vikram Luthar, will review the drivers of our financial performance at the segment level and review our cash generation and capital allocation results. Juan will have closing remarks regarding our planning framework for 2023, and then he and Vikram will take your questions.

Please turn to Slide 3. I'll now turn the call over to Juan.

**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Thank you, Megan. This morning, we reported very strong fourth quarter adjusted earnings per share of \$1.93. Adjusted segment operating profit was \$1.7 billion. Our full year adjusted EPS of \$7.85, adjusted segment operating profit of \$6.6 billion and trailing 4-quarter average adjusted ROIC of 13.6% demonstrate once again the great work of our global team of dedicated colleagues who managed unprecedented market disruptions to deliver an outstanding year.

Our full year operating cash flow before working capital was \$5.3 billion. This strong cash flow and the disciplined management of our balance sheet allow us to continue to reinvest in our business, with \$1.3 billion in capital expenditures and return cash to shareholders. In total, we returned \$2.3 billion to our shareholders in the forms of dividends and share repurchases in 2022. Next slide, please.

With the expectation of continued strong cash flows, today, we are announcing a 12.5% increase in our quarterly dividend to \$0.45 per share. We are proud of our record of 91 years of uninterrupted dividends and 50 consecutive years of annual dividend increases. And I'd like to thank our shareholders for their continued support of ADM. Next slide, please.

When I examine 2022, our ability to drive structural growth in earnings and improvement in ROIC was supported by key strategic accomplishments across the enterprise, particularly the progress we made on our productivity and innovation objectives. Our productivity work in 2022 included enhancing our operational resilience, including through stabilizing our plant operations and streamlining our operating systems. In order to meet growing customer demand and drive efficiencies, we delivered multiple projects to enhance our operational footprint, from modernization to improving unscheduled downtime to capacity expansions. We completed our Marshall, Minnesota modernization, opened a new mill house in Clinton, completed our Quincy refinery expansion and improved output and yields at our Rondonopolis biodiesel plant in Brazil.

We also continued to optimize our North American milling footprint. As you know, we also introduced a new billion-dollar challenge in 2022. There is no clearer demonstration of how our colleagues and culture are driving returns than the fact that thousands of ADM team members from around the globe took the initiative, stepped up and identified opportunities that unlocked more than \$1.6 billion in cash in 2022.

On innovation, our accomplishments include a focus on capturing the benefits of organic growth investments and M&A as we continue to get closer to our customers and extend our capabilities to meet growing global demand for our products. Our Nutrition business continued to outpace the industry, with 18% constant currency revenue growth for the full year. We delivered an impressive 26% year-over-year revenue growth in BioSolutions. The portfolio of acquisitions we made in the prior year continued to deliver OP above our financial projections.

And we advanced targeted production capacity expansions to meet growing customer demand. We announced expansions of our alternative protein capability in Decatur, Illinois, and starch production in Marshall, Minnesota. We completed our alternative protein expansion in Serbia, and are about to launch our expanded probiotic capacity in Valencia, Spain. And we continue to expect our joint venture crush and refining facility in North Dakota to be operational by this year's harvest.

Slide 6, please. Now let's look ahead. We have a robust plan for driving enduring value creation in 2023 and beyond. In productivity, our work has a common theme: changing the way we work by standardizing, digitizing and automating our manufacturing plants and our offices alike. I previously mentioned our successful Marshall modernization. That was the blueprint for our wider work to unlock value across our production footprint through enhanced automation, more sophisticated control systems and the increased use of analytics. We have now approved the scope for the first 2 years of the program, encompassing 18 manufacturing facilities. We continue to expect double-digit returns from this important initiative.

And we are continuing to advance 1ADM, which is enabling us to improve our processes and expand capabilities across the value chain. 2022 was an important year for our 1ADM business transformation. We completed several rollouts, and we are seeing benefits in areas ranging from indirect procurement to go-to-market strategies to grain merchandising. In 2023, we will continue to expand the breadth and scope of this work, which is empowering our businesses to deliver profitable revenue growth and higher margins.

Next, we are focused on maintaining our structural growth momentum via our innovation work. As you may recall, we've spoken in the past about our strategic growth platforms: sustainability, differentiated grain, alternative proteins, biosolutions, microbial solutions and microbiome modification. These growth opportunities grow -- go through a natural evolution. When new, we launch them at the corporate level. As they mature, they become

more embedded in our businesses. Differentiated grain is now formally part of our Ag Services and Oilseeds segment's everyday work. BioSolutions is growing within Carbohydrate Solutions. Alternative proteins and microbiome are pillars of Nutrition.

With these efforts maturing in the businesses, we are able to focus on other opportunities. One of the most important is decarbonization, which is a critical component of our sustainability growth platform and is driving the evolution of our Carbohydrate Solutions business. Our goal is to reduce the carbon intensity of our assets and value chain in order to be the preferred partner in low-carbon intensity feedstocks for a growing demand base.

We have made several announcements to mark milestones towards this goal in recent years, including our regenerative agriculture efforts, which enrolled 1 million unique acres over the past year; our Strive 35 goals; our initiatives to connect and expand our carbon capture and storage capabilities; and our heat and energy project in Decatur. We're looking at multiple other pathways to reducing our carbon intensity, like more sustainable energy sources for our facilities. And our efforts aren't just in the U.S. We have plans for other regions as well, including some EMEA projects we hope to speak about in the future.

All of these projects contribute to our ability to offer low carbon intensity feedstocks, and that is allowing us to continue to advance our work to transition our dry mills to produce sustainable aviation fuel; help scale up the scaled food products with new sustainable attributes, like the ingredients we will sell to Pepsi from the regenerative agriculture agreement we announced last year; and propel the expansion of BioSolutions with joint ventures like with LG Chem.

And even as we advance our decarbonization plan, we're always looking at new ways to help solve our world's challenges for food security, health and well-being and sustainability. For example, we are continuing to explore opportunities around precision fermentation, which we used to call microbial solutions, in which microbes rapidly growing -- grown in fermenters fed by dextrose, transform the sugars into a wide variety of products for food, feed and fiber. That's a longer-term horizon for ADM, but it gives us a hint of the kind of opportunities we see in the years ahead.

Now I would like to turn the call over to Vikram to talk about our business performance. Vikram?

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

Thank you, Juan. Please turn to Slide 7. The Ag Services and Oilseeds team capped off an outstanding year, with substantially higher year-over-year results in Q4. Ag Services results were higher than the fourth quarter of 2021. Low water conditions reduced North American export volumes, partially offset by the South American team, which executed well to deliver higher margins and volumes. Global trade results were lower than the strong fourth quarter of 2021, with lower ocean freight results partially offset by higher results in EMEA origination and destination marketing. The business benefited from a \$110 million legal recovery related to the 2019 and 2020 closure of the Reserve, Louisiana export facility.

Crushing results were more than double those of the prior year period. In North America, strong export volumes for soybean meal and growing domestic demand for renewable diesel contributed to strong margins. In EMEA, oil demand powered strong rapeseed margins, more than offsetting higher energy costs compared to the prior year. Expanding margins drove negative timing impacts in the quarter of approximately \$40 million.

RPO results were significantly higher year-over-year as the business continued to execute well to meet demand for food oil, renewable diesel in the U.S. and biodiesel globally. Equity earnings from Wilmar were much higher versus the fourth quarter of 2021.

Looking ahead, we expect AS&O results for Q1 to remain strong, similar to last year's very strong quarter, led by continued strength in crush margins and RPO. Ag Services is likely to be lower year-over-year, particularly in light of very strong global trade results in the prior year quarter.

Slide 8, please. Carbohydrate Solutions had a strong 2022, with full year results higher than 2021. For the quarter, results were substantially lower than the fourth quarter of 2021 due to pressured industry ethanol margins. The Starches and Sweeteners subsegment, which includes ethanol production from our wet mills, delivered much higher year-over-year results. The North America business delivered solid volumes and strong margins in both Starches and Sweeteners, partially offsetting lower ethanol margins.

The EMEA team effectively managed risk and delivered improved results on better margins in a continued dynamic environment. The global wheat milling business delivered higher margins driven by solid customer demand. Vantage Corn Processors results were substantially lower as higher ethanol inventory levels pressured margins, especially compared to the very strong margin environment in the fourth quarter of 2021.

Looking at the first quarter for Carbohydrate Solutions, we expect continued solid demand and strong margins for starches, sweeteners and wheat flour. Ethanol margins are currently pressured due to high industry inventory levels. If industry stocks come back down, results for the quarter could be similar to Q1 of 2022. If margins remain pressured, results would likely be lower.

On Slide 9, the Nutrition business continued its strong growth trajectory in 2022. ADM demonstrated that it remains the provider of choice in nutrition for systems as our growing pipeline and continued strong win rates delivered full year revenue growth of 18% on a constant currency basis. The business continued to outperform industry growth levels and delivered 11% higher profits for the full year on a constant currency basis.

For the fourth quarter, revenues grew 11% on a constant currency basis. Q4 operating profits were significantly lower than the prior year quarters.

Human Nutrition results were lower than those of the fourth quarter of 2021. Flavors results were similar to the prior year as strong revenue growth helped offset demand fulfillment challenges. Specialty Ingredients continued to see strong demand for its product portfolio, including plant-based proteins, offset by inventory adjustments. Health & Wellness was higher year-over-year, driven primarily by the bioactives portfolio, including the results from the Deerland acquisition.

Animal [Nutrition] (added by company after the call) results were substantially lower than the prior year quarter, primarily due to the lower margins in amino acids, driven by recovery in the global supply of lysine. Pet nutrition, volumes were lower in Latin America, partially driven by demand fulfillment challenges. Feed results were stronger, driven by APAC and Latin America, partially offset by the impact of softer demand in EMEA.

As we look ahead, we expect overall Nutrition results in Q1 to be lower than the prior year's record first quarter, with Human Nutrition delivering similar year-over-year results on strong Flavors and SI growth and lower Animal Nutrition results primarily due to weaker margins in amino acids.

I want to take a moment to expand on our view of Nutrition in 2023. Nutrition is expected to continue on a positive growth trajectory for full year 2023, including 10-plus percent profit growth and a similar level of revenue growth. The growth is likely to be led by Human Nutrition and to be weighted in the back half of the year as the first half will see headwinds in Animal Nutrition due to the continued impacts of weaker margins in amino acids and because we will see increasing recovery in demand fulfillment as we move through the year.

Slide 10, please. Other Business results for Q4 were significantly higher than the prior year's fourth quarter. Higher short-term interest rates drove improved earnings in ADM Investor Services and captive insurance experienced favorable underwriting results and lower claim settlements versus the prior year. In the corporate lines, unallocated corporate costs of \$299 million were higher year-over-year due primarily to higher IT operating and project-related costs and higher costs in the company's centers of excellence related to growth initiatives.

Other corporate was favorable versus the prior year, primarily due to higher contributions from foreign currency-related hedge activity and lower railroad maintenance expense. Corporate results also included losses related to the mark-to-market adjustment on the Wilmar exchangeable bond and severance totaling \$6 million. Net interest expense for the quarter increased year-over-year on higher interest rates.

We expect corporate cost for 2023 to be around \$1.5 billion, driven primarily by inflation and higher interest expense. Other business performance should be higher than 2022, offsetting a significant portion of the increased corporate costs as higher interest rates positively impact our ADMIS business.

The effective tax rate for the fourth quarter of 2022 was approximately 16% compared to 21% in the prior year. The decreased rate was driven primarily by changes in the geographic mix of pretax earnings in addition to lower discrete tax expense versus the prior year. Our full year adjusted tax rate was 17%. For 2023, we expect our adjusted tax rate to be between 16% and 19%.

Next slide, please. Year-to-date operating cash flows before working capital of \$5.3 billion are up significantly versus \$3.9 billion over the same period last year. Our net debt-to-total capital ratio is about 25%, and we continue to have ample available liquidity. Our strong cash flows and balance sheet have enabled continued investment in the business, with \$1.3 billion in capital expenditures for the full year. We currently plan to maintain capital expenditures at about \$1.3 billion in 2023 and continue to have significant financial capacity to pursue strategic growth objectives.

We have been continuing to return capital to shareholders. We distributed \$900 million in dividends and repurchased almost \$1.5 billion of shares in 2022. We are planning \$1 billion in opportunistic buybacks for 2023, subject to other strategic uses of capital.

Juan?

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**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Thank you, Vikram. Next slide, please. 2022 was a truly outstanding year for ADM. As we look forward to 2023, we expect another very strong year. There are a number of market factors that we see as relevant for shaping our performance. We still see tightness in supply and demand balances in key products and regions. We see strong demand for vegetable oil, driven largely by robust demand for biodiesel and renewable diesel. Resilient food demand should drive higher volumes and margins in starches, sweeteners and wheat milling.

We see continued strong demand for ethanol, including positive discretionary blending economics. And as Vikram mentioned, we expect 10-plus percent constant currency OP growth from Nutrition.

We have a strong playbook powered by our deep expertise and our unparalleled footprint and capabilities to manage a dynamic market environment. Our healthy balance sheet provides ongoing optionality as we continue to pull the levers under our control to deliver results. And we expect positive contributions from productivity and innovation initiatives across the company that will help us drive value in 2023. Taken together, we expect to deliver another very strong year in 2023.

With that, Bailey, please open the line for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question today comes from the line of Ben Bienvenu from Stephens.

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**Benjamin Shelton Bienvenu** - Stephens Inc., Research Division - MD & Analyst

So I want to ask in the Nutrition segment. Your guidance, I think, one, you said 10% growth in constant currency. Two questions, I have. One is at the current exchange rate levels, what would that imply in just a reported growth rate? And then secondarily, just thinking strategically, you're talking about some of the expansions that you're making in organic growth investment. What does your appetite for M&A look like in that segment? And how fertile is the landscape for potential M&A?

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**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Yes. Thank you, Ben. Listen, that business has been a very successful story at the customer level for many, many years. We continue to drive higher growth rates than the industry we participate in. So that has not changed, the robust pipeline growth's there, and we have achieved all that, Ben, through a very disciplined strategy of bolt-on acquisitions and organic growth. So we did 4 bolt-ons in 2021. We took the time in 2022 to integrate them and digest them. At the same time, in 2022, we started many projects that I highlighted in my initial comments on organic growth.

So I would say that will be the pattern that you should expect to us. I mean we have stated many years in our balanced capital allocation. And in this Nutrition pace, if you will, of bolt-on and M&A and taking some time to digest some of those things, I'm very pleased to report that the 4 acquisitions we made in 2021 are executing or delivering ahead of their business model. So we're not planning to change the pace or the strategy that we have had so far. The projects that we are making selective expansions on or bringing to life soon are all going well even despite the long time -- long lead time equipment and sometimes you face in the industry. We've done that in anticipation of all that. So we feel very good about being able to support, with capacity, the growth in demand that we see in the marketplace from our participations.

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**Benjamin Shelton Bienvenu** - *Stephens Inc., Research Division - MD & Analyst*

Okay. And the question on the constant currency versus reported, any color you can offer there at current exchange rates?

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

Yes. So effectively, Ben, we don't assume a lot of change in currency for 2023. Yes, you've seen some weakness in the U.S. dollar, but you can assume that, even on a reported basis right now, we assume similar growth rates in OP.

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**Benjamin Shelton Bienvenu** - *Stephens Inc., Research Division - MD & Analyst*

Okay. Great. Can I ask one follow-up? Or is that too greedy?

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**Juan Ricardo Luciano** - *Archer-Daniels-Midland Company - Chairman, CEO & President*

Go ahead, Ben.

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**Benjamin Shelton Bienvenu** - *Stephens Inc., Research Division - MD & Analyst*

Okay. I actually want to shift gears a little bit and pivots to Starches and Sweeteners. That business was fantastic in the quarter. Your forward commentary sounded quite constructive as well. Could you give us a little bit more color on how you see that evolving into 2023? And do you think you can achieve margin expansion there?

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

So based on the customer contracting we've seen in the Sweeteners and Starches portfolio, Ben, we do see strong volumes and margins. And with the improved mix, we talked about BioSolutions expansion, we actually had 26% year-on-year growth, and BioSolutions margin remained very robust. And with the improved mix, we actually see a potential in the Sweeteners and Starches business to have higher volumes and margins in 2023.

Clearly, ethanol remains uncertain, and we've seen recently inventory levels remain high, and that's actually pretty similar to January of last year as well. But we're still constructive in terms of outlook for ethanol, given what's happening with the RVO framework, the fact that gasoline demand is expected to be roughly flat versus 2022, blending economics remain very favorable. And frankly, export volume should be similar to last year, around 1.4 billion gallons. So that's a quick snapshot of our outlook for 2023.

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**Operator**

The next question today comes from the line of Adam Samuelson from Goldman Sachs.

**Adam L. Samuelson** - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So I wanted to hopefully tie together some of the forward comments that you made and see, just to help calibrate kind of us on the net impact of that at the earnings level. So Nutrition is going to have kind of 10% constant currency profit growth, not much FX right now. Other -- and other and corporate and interest kind of basically seemingly netting out to roughly flat year-over-year. Tax rate, flat to maybe up slightly year-over-year. So I guess the 2 pieces of the puzzle that are missing from there are Ag Services and Oilseeds profit and Carbohydrate Solutions. I think ethanol remains somewhat of a wildcard on carbohydrates, although the rest of Starches and Sweeteners, you sound generally constructive.

So can you help us, Juan, Vikram, just thinking about kind of a range of outcomes on Ag Services and Oilseeds based on where crush margins are today, kind of assuming, let's say, an average U.S. crop, no enormous supply dislocation coming out of the U.S. in the second half of the year, just how kind of the profit outlook would be tracking in Ag Services and Oilseeds? And if there's anything else on a year-on-year basis, you want us to be considering, that would be really helpful.

**Juan Ricardo Luciano** - *Archer-Daniels-Midland Company - Chairman, CEO & President*

Yes. Thank you, Adam. I think you captured the situation well. I think we continue to see a very strong margin environment in Ag Services and Oilseeds. 2022, we hit in all cylinders. I think that every piece of our business hit records. When we look at the 2023, we continue to see very strong demand. If you look at North America, North America had a strong meal demand and certainly very strong domestic demand for oil, driven by all the factors, driven by sustainability that you know.

We see a strong potential for crush margins in Europe, given the bad crop in Argentina and the fact that Europe will continue to export biodiesel to the U.S. given the need that we have here. So all in all, we continue to see strength. Certainly, RPO, we're going to see the strong demand. Biodiesel and all that is going -- we're seeing strong margins and very good volumes for next year. We do have visibility into this -- into the next year, given our book, so we feel good about that business.

As Vikram mentioned in the commentary, maybe Ag Services, we're planning it a little bit slower than last year, given the exceptional results that we had last year. And -- but as difficult as it is to pinpoint a number, Adam, given that we have China uncertainty, war that has been going on for a year and, certainly, weather events that we still need to build the U.S. crop, and we still need to finish the Latin American crops, I would say we favor more a range of scenarios.

And in the range of scenarios, 2023, falls into a very strong range for us. So I don't know -- I will not venture to pinpoint a specific number, but certainly strong range. When you go to carb solutions, when we talk to our customers, demand for the products is stable. We've been able to have strong margins in all that, whether it's Sweeteners and Starches or whether it's wheat milling. When we look at BioSolutions, it continues to grow, like 26% of revenue. And then we see EBITDA margins in the 20% for that business, which is a very profitable business that is growing their contribution into carb solutions as part of the total OP.

So that is a business that Vikram called the question mark of -- the more volatile part of it probably is ethanol. And that's -- right now, like a little bit like in the last year, we start with this time of the year with low margins. And -- but we think that we're going to have a very good incentive for people to blend ethanol. The numbers are there. RINs balances are tight, will encourage people to blend. So I think that given the prices that they have, I think that expecting export in the range of 1.4 million to 1.5 billion gallons per year is reasonable. And you saw these days, Petrobras in Brazil increasing the gasoline prices by 7%, so they're going to be less flow from there to here in all these.

So we're still planning for a little bit softer, maybe carb solutions in light of our ethanol forecast. But conditions are -- could change in ethanol and it could make it a close year. So all in all, we continue to see a very strong year for 2023.

**Operator**

The next question today comes from the line of Ben Theurer from Barclays.

**Benjamin M. Theurer** - *Barclays Bank PLC, Research Division - Head of the Mexico Equity Research & Director*

Just wanted to quickly follow up on the Nutrition dynamics you've seen in the fourth quarter and how that translated into 1Q and somehow if you could frame it for that medium-term growth algorithm you've laid out a little over a year ago during your Capital Markets Day update. So fair to assume that there was obviously a lot of specific issues around fulfillment, some very specific demand items that kind of impacted in the fourth quarter, and you expect this, obviously, to continue into the first half and then recover into the second half.

Now clearly, the 10% you've laid out and what you've talked about OP growth in 2023 is kind of below the algorithm. So can you help us frame how '23 kind of fits within your '25 strategy and where you want to go? Is that just a small dip can then be recovered? Or would you need some M&A to get back on track to the target of 1.2 at least by 2025 so that we understand how to think about the specific headwinds that can potentially be offset versus what might be more of a structural challenge within Nutrition?

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

Yes, Ben, in terms of Q4, the issues that affected Q4, I'd say, are kind of a little more temporary, right, that we think we'll be able to work through over the course of 2023, as I talked about. Specifically, what's important for you to know that the demand is very, very strong, right? So that is -- we talked about the strongest-ever pipeline in the Human Nutrition business and very strong win rates. So across every category that we play in, almost we've got strong demand.

Yes, there is some softening in certain parts of the business, right? You know -- aware of dietary supplements, that being a little softer. Plant-based protein growth may moderate a bit from the pace we've seen historically. But nevertheless, our growth has been very strong in Human Nutrition. The challenge we've had is the demand fulfillment. That's going to take us a while to address and overcome.

Animal Nutrition, on the other hand, we benefited from strong margins in lysine. But in Q4, the compression in margins were sharper and faster than we expected, and that's going to continue over the course of 2023. So we've got to offset that plus drive growth, and that's what gives us a slightly below trend line growth for 2023 around 10-plus percent. Having said that, the outlook remains robust.

And maybe, Juan, do you want to talk about the 2025 perspective?

**Juan Ricardo Luciano** - *Archer-Daniels-Midland Company - Chairman, CEO & President*

Yes. Thank you, Vikram. Ben, listen, I think we've been -- you've been witnessing how we built this Nutrition business over the years. This is a business that, if I take out the last 3 years, it has been growing OP by 20%, CAGR, if you will. So it's a business that we continue to add layers of capabilities so we can continue to win at the customer front, whether it's we go from individual ingredients to systems, where we bring functionality to those systems through bioactives, whether we bring sustainability benefits to that through our decarbonization or Regen Ag.

So we continue to add layers to continue to help customers excel at the consumer level. And we see that in our win rates, and we see that in our pipeline. So we have visibility into that. As Vikram said, maybe some of the categories soften a little bit, but our ability to gain share, to win faster than those categories has been demonstrated. I think this year, we grew revenue significantly higher than the market. So when we look forward, as I said in my -- I think one of the earlier answers, we continue to expect bolt-on and M&A -- bolt-on M&A and organic growth. We had 4 companies in 2021. We're building capabilities and new capacity in 2022 that we're going to see onstream in '23, and we're going to continue to grow that.

So we haven't deviated from our 2025 plan. And I don't think it will require massive M&A to achieve there. It will -- you will see this steady state. But this is a business that we're building in the middle of a lot of volatility in the market. This is, of course, versus the legacy ADM business. It's more complex in the number of SKUs that we have, in the number of customers that we have, in the number of plants and categories that we manage. So when supply chain issues happen or market volatility happen, it's a little bit more complex to fix in this business. And that's why we expect a first half that's going to be a little bit subdued when you add the demand fulfillment issues and some of the capability building, with the fact that also lysine is coming down, if you will, in prices at least for the moment.

So I would say nothing has deviated. Certainly, if you ask me personally, and I think the management team, are we happy with Q4? I mean, of course, Q4 underperformed our own expectations. I mean that's nothing new for a business that, again, has been growing 20% per year CAGR. And -- but we think that this is just a trajectory in the business that continued to win faster than what the market gives us at this point in time. We don't expect a deviation to our long-term plan at this point.

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**Operator**

Our next question today comes from the line of Manav Gupta from UBS.

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**Manav Gupta** - *UBS Investment Bank, Research Division - Analyst*

Congrats on the beat and the dividend hike, shareholder returns matter and you have continuously rewarded your shareholders. My quick question here is, and you've kind of alluded to it also, is we are seeing a lot of new capacity start up on the renewable diesel side, I think, major projects starting up even last quarter. And then your outlook for both soybean oil and soybean meal, it seems pretty strong right now. Any risks to that? And how do you see the year progressing from the perspective of both soybean oil and soybean meal?

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**Juan Ricardo Luciano** - *Archer-Daniels-Midland Company - Chairman, CEO & President*

Yes. Thank you, Manav. Thank you for the question. We continue to see very strong demand across the world, not only for all the oils. I think that if you take the 4 oils, demand is running harder than production, if you will, globally. So even I would say before renewable green diesel happened, we had already a tight balance sheet from an oils perspective, and that has continued. When you think about the capacity that renewable green diesel is installing, it's going to have a huge pull in soybean oil.

And we have found that there is -- we have found relatively easy to place the meal in the export markets. And if you look at the market overall, the meal market is a market of like 175 million metric tons and growing. So if you calculate by 2026, we need to have 20 million tonnes more soybean meal, just to catch up with the demand. And if you look at everything that we are building through the RGD and the capacity expansions, we are estimating about 15 million tonnes of supply on soybean meal. So still, we have -- we're still covered in only 75% of the expected soybean meal demand out there.

So we're looking at this, as you can understand, very carefully. Remember, as I always mentioned, it took us 2 years to assess Spiritwood and start building it. I'm happy to report that is going to come online for the harvest. So I would say we look at this, but the demand on both sides on the soybean meal and soybean oil clearly can support all this capacity. So we continue to see an environment in which crush margins will be strong and highly supportive for many, many years.

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**Operator**

The next question comes from the line of Steve Byrne from Bank of America.

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**Salvator Tiano** - *Bank of America - Equity Research Analyst*

Yes. This is Salvator Tiano filling in for Steve. So firstly, I wanted to ask a little bit about China, and specifically, you mentioned meal demand. So a little bit short- and long-term view. In the short term, I guess, with the reopening there, et cetera, do you see actually a positive momentum for demand for soybean meal or soybeans versus what you saw in the past couple of years with COVID 0? And then long term actually is we've been reading how Chinese population dropped last year. Essentially, it seems to have peaked much earlier than expected. And there are articles talking about what could be the long-term trajectory of food demand there, including protein demand and, therefore, what would be the demand for feed. So how are you seeing the long-term outlook in China for soybean meal and other products that you make?

**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Yes. Thank you. Good questions. So on the short-term part of the question, we see China will continue to increase imports. If you look at domestic grain prices are at historically high levels, especially now that we are -- that they are reopening. Of course, a reopening of China could be a game changer for a variety of commodities, not just grains. We look at domestic vegetable oil stocks have been at relatively low levels. And we have seen, during the second half of 2022, an increase in domestic pork prices since, I would say, last spring. So that prompted farmers to increase their herd.

So we see that demand in the short term. But again, I think the variability here may be on the upside on how much of the reopening is bringing people to consumption. Of course, people have been in lockdown almost for 2 years in China. And there is a -- you're going to find the same pent-up demand that we saw ourselves maybe since last year when everybody came out of COVID. So I think at this point in time, short term, China will be probably a positive upside, if anything, to our forecast.

When you look at the long term and the demographics of China that you described, probably about 50% of the Chinese population is middle class or what you will consider middle class, and they are in this process of increasing their protein consumption. But still, historically, if you look at the U.S., we consume about 270 pounds per year of proteins. China is at the 170 pounds per year level. So they are still far from our level of consumption. And again, if you look at our lifestyles are converging slowly, so you will expect their protein per capita consumption to grow significantly during this period.

The other thing you need to remember is we're still going to be 10 billion people in the planet by 2050, which is one of the issues that serves our -- or drives our purpose, which is trying to increase the carrying capacity of the planet, trying to feed all that. And whether it's in China or whether it's in Africa or whether it's in Southeast Asia, we are a global company, we have a global footprint, and you have seen us continue to expand our destination marketing footprint to serve customers around the world. So we will serve the feeding of growing population of the world, whether it's in China or somewhere else. But as I said, I don't expect China to have a decline in the next probably 2 decades in terms of their demand for protein consumption.

**Operator**

The next question today comes from the line of Robert Moskow from Credit Suisse.

**Robert Bain Moskow** - *Crédit Suisse AG, Research Division - Research Analyst*

I was hoping to get a little more detail on your forward outlook for AS&O. In the slides in the back, you indicate that the front month board crush is about \$75 a tonne, and that's lower than where it was in your third quarter call. Does that influence your outlook for forward crush and all the fact that it's come down a bit? And how can I relate that to what happened in calendar '22?

**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Yes. Rob, I couldn't hear you very well, but I get the gist of the question. So listen, I think at this point in time -- and as I said before, we have visibility for probably the first quarter and big part of the first half. 2023 will be another strong year for crush, certainly above the long-term guidance that we provided at our Global Investor Day. We also are planning to have an improvement in our processed volumes that -- given some of the operational resilience initiatives. And we're going to have Spiritwood online in Q4. And hopefully, by -- in a couple of -- maybe in a couple of weeks and a month, we will resume crush in Paraguay.

We continue to have good crush margins in Europe. Certainly, Europe will be helped by the small crop in Argentina. Also, I think energy prices have moderated a little bit in Europe given the warm summer. So we are also shifting in Europe as much to soybean crush as we can as there is margin there. We're also going to have this year that we didn't have last year, better canola margins. Canola crush margins, certainly and now that we have a Canadian crop, are more in the \$120 to \$140 per tonne in North America, maybe \$70 to \$75 in Europe.

So I would say, we are having good crush rates. We're having good meal export demand in the U.S. We're having very strong soybean oil demand here in the U.S. So I will say, in general, we don't see any clouds in the horizon for crush. Crush -- the crush business will have a very strong year in 2023. As I said before, Rob, I wouldn't pinpoint a specific number given the China reopening, given the issues in Ukraine that whether it's not driving crush margins, that may drive energy prices. And certainly, the crops, we are expecting that Brazil needs to have a big crop that will offset the decline in Argentina. And we hope that the U.S. will have a big crops as well, but we still need to go through the weather in both instances. So again, I'll just reiterate a very strong environment for crush as far as we can see.

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**Operator**

The next question today comes from the line of Eric Larson from Seaport Global Securities.

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**Eric Jon Larson** - *Seaport Research Partners - Research Analyst*

Congratulations on a great year, everyone. So yes, my question comes down to -- we've talked a lot about the bean markets globally and domestically here. But one of the big kind of hangovers right now in the grain market is corn demand. And obviously, I think Brazil is going to be running out of corn here pretty quickly. We may have seen some new Chinese demand coming in here for corn. But how do you look at -- and we have been uncompetitive, I think, just from a currency basis -- from everything else. But could you talk a little bit, Juan, about the corn market and how you see the export situation with that particular commodity?

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**Juan Ricardo Luciano** - *Archer-Daniels-Midland Company - Chairman, CEO & President*

Yes. I think you called it well. I think that when we had the low water levels in the Q4 that hurt us, of course, we lost some bean business. But the corn business basically is going to be with us until the crop in Brazil -- the harvest in Brazil comes, so it's like middle of the year. So we see that as a very strong business in Ag Services for North America. We also have, unfortunately, the, I think, Ukraine Grain Association has come up with a statement that they don't believe corn for '23 will exceed 18 million tonnes, which is a far cry from the 29 or 30 that they used to produce or we expected.

So demand continues to be solid out there. And we still -- as a world, we need Brazil to have a good crop. Of course, if there are rains and delay a little bit the harvest of soybeans, that may delay a little bit the planting of the next crop. But we hope that in your farm and everybody's farm, corn is growing strongly because we need it. And again, the U.S. will be exporting a lot of that from here until probably July.

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**Operator**

The final question today comes from the line of Steve Byrne from Bank of America.

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**Salvator Tiano** - *Bank of America - Equity Research Analyst*

Yes. Salvator Tiano here again. Just wanted to ask about the press release that was out a couple of days ago about the new biostimulant that ADM released. The NeoVita 43, I think, it's called. And I know that you do have a business where you work with farmers to provide them fertilizers, et cetera. But I think this seems to be the first sign that you're actually rolling out one of your own proprietary products. So I'm just trying to understand a little bit -- both your strategy here. Will you invest more in products for nutrition and crop protection, especially biologicals? And what do you think is the potential market and actually the earnings potential for ADM?

**Juan Ricardo Luciano** - Archer-Daniels-Midland Company - Chairman, CEO & President

Yes. Thank you for the question. Listen, I think that we continue to enlarge our relationships with customers but also with farmers. And as we continue to increase our digital engagement with them, we also increased the bartering and exchange of many, many products. And we have a good relationship with farmers. We have the trust of the farmers. And so every now and then, they bring challenges to us. And I think the challenges of biologicals, if you will, given that we have some work in precision fermentation and things like that, we're always interested in doing that.

So there's always a division out there in ADM exploring and extending a little bit our franchises and our engagement. So I wouldn't be surprised to see experiments or tests here and there. And we do that a lot. We do that in products at our B2C. We do that in products that are biological. We do that in products that relate to the farmer. And we continue to expand. These are things that, over the years, they turn out into big businesses. At one point in time, we started with destination market, and now it's a big part of our franchise. At one point in time, we started with BioSolutions, and now we're making more \$0.25 billion of EBITDA on that.

At one point in time, we started with the differentiated grain that now we call Regen Ag, and now we are in the million acres of that. So I think it's just the innovation part of ADM, and you're going to see green shoots at that. I'm glad you're paying attention to that. And we're going to see expansion of those things into the future. So thank you.

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**Megan Britt** - Archer-Daniels-Midland Company - VP, Investor Relations

So with that, I think that was the last question for the call today. I'd like to thank you for joining us. Please feel free to follow up with me if you have any other questions. Have a good day, and thanks for your time and interest in ADM.

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**Operator**

This concludes today's conference call. Thank you all for your participation. You may now disconnect your lines.

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