



Bunge Limited (BG)

Updated August 9th, 2023, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$114	5 Year CAGR Estimate:	2.7%	Market Cap:	\$17.1 B
Fair Value Price:	\$120	5 Year Growth Estimate:	-1.0%	Ex-Dividend Date:	11/17/2023 ¹
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date:	12/01/2023
Dividend Yield:	2.3%	5 Year Price Target	\$114	Years Of Dividend Growth:	4
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Sell

Overview & Current Events

Bunge Limited is one of the largest agribusiness and food companies globally, with integrated operations that stretch from farmer to consumer. The company buys, sells, stores, transports, and processes oilseeds and grains to make protein meals for animal feed and edible oil products for commercial customers. Bunge also produces sugar and ethanol from sugarcane, mills wheat and corn, and sells fertilizers. BG currently has a market capitalization of \$17.1 billion.

The company's strong balance sheet and liquidity position provides it with a competitive advantage in adverse market conditions. Even though the global supply chain bottlenecks persist, BG has profited from the rise in crop prices since a growing global population has raised the need for more food-grade oils and well-fed livestock.

On August 2nd, 2023, the company announced Q2 2023 results, reporting GAAP EPS of \$3.72, beating markets' estimates by \$1.06. Bunge reported revenues of \$15.05 billion, down 16.1% year-over-year. Strong Brazil soybean origination and softseed crush were the main factors in the quarter's better results. These factors also helped boost crush performance in Brazil and facilities in Europe and Asia. Results were also better than previous year in the US.

The company now anticipates full-year adjusted EPS of at least \$11.75 per share for 2023 after taking into account first-half results, the current margin environment, and forward curves, with possible upside depending on how the market performs over the course of the year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$5.29	\$2.96	\$4.84	\$5.07	\$1.51	\$1.57	\$1.75	\$7.71	\$13.64	\$10.51	\$11.97	\$11.38
DPS	\$1.14	\$1.28	\$1.44	\$1.60	\$1.76	\$1.92	\$2.00	\$2.00	\$2.05	\$2.30	\$2.65	\$3.68
Shares²	147.8	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	149.8	150.1	151.4

Bunge Limited has grown its EPS by a CAGR of 7.9% over the past nine years, well below its 5-year CAGR of 47.4%.

Indeed, the company has experienced significant growth in EPS in the last two years, with an EPS increasing materially in 2020 and 2021. However, as we move closer to the end of the cycle, the company may face earnings normalization with slower growth in the medium-term. Nevertheless, BG now has an increasing opportunity to expand its revenue. For instance, as the world advances toward sustainability, the growth in renewable diesel, produced from crop oils, is currently a modest portion of Bunge's business but may become big in the future.

We maintain our EPS forecast of \$11.97 in 2023, as we expect an EPS normalization in the coming years with a negative 1.0% growth annually between 2023 to 2028, leading to our estimated EPS of \$11.38 by 2028. Additionally, we have assumed a 6.8% dividend growth resulting in a dividend payment of \$3.68 in 2028. Nevertheless, higher crop prices are not the only factor driving growth for Bunge. Lastly, as per the management, full-year results in the agribusiness are anticipated to be somewhat better than its previous forecast, led by higher results in processing, but lower than last year's due to lower anticipated performance in merchandising.

¹ The ex-div and dividend payment dates are estimated based on historical data.

² In millions.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	14.3	27.5	16.6	12.1	48.8	43.7	31.0	6.2	6.0	9.4	9.5	10.0
Avg. Yld.	1.5%	1.7%	1.7%	1.9%	2.4%	2.8%	3.0%	2.9%	2.8%	3.2%	2.3%	3.2%

Due to the material rise in EPS since 2020, the market has assigned a much lower P/E multiple, which is significantly lower than its 10-year and 5-year P/E ratio of 21.6 and 19.3, respectively. As a result, we believe the company could trade at a P/E ratio of around 10.0 by 2028, implying a valuation tailwind. Finally, we expect the company to be consistent with its historical dividend payout policy, resulting in a stable dividend yield of 3.2% by 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

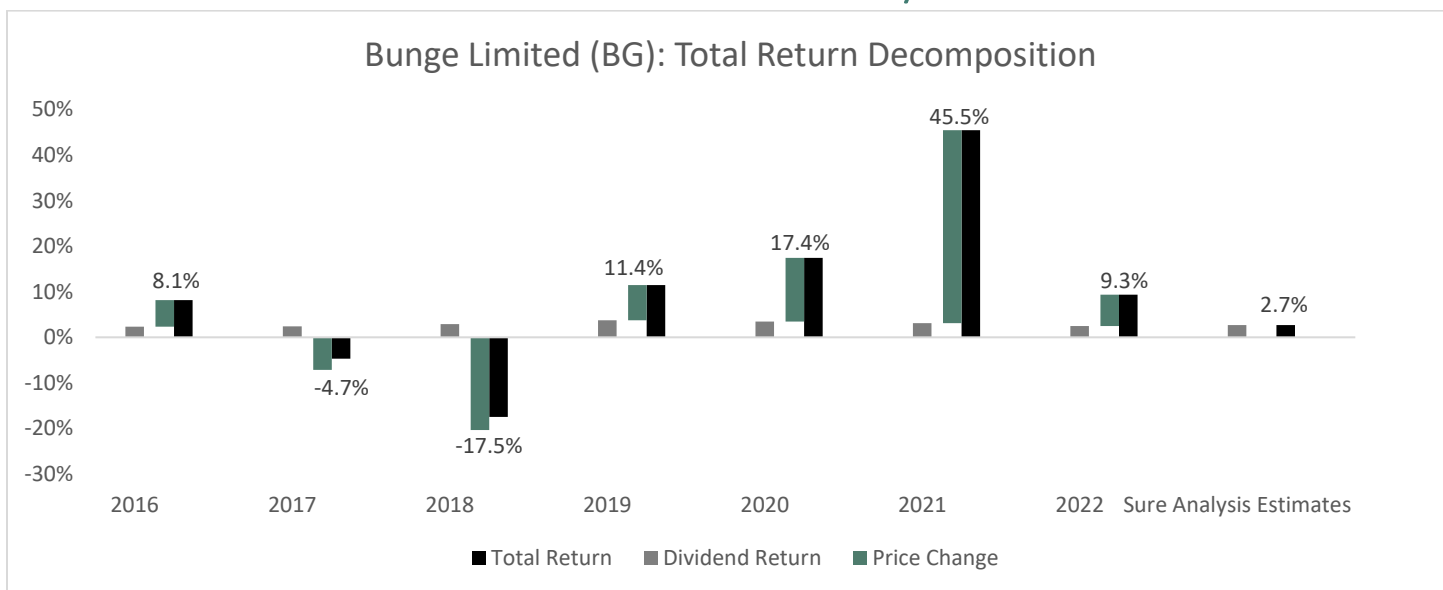
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	22%	43%	30%	32%	117%	122%	114%	26%	15%	22%	22%	32%

Bunge's CEO Gregory Heckman, who took over in 2019, has been instrumental in introducing structural changes to harness the global scale of its business, increasing the earnings power of the company and reducing the level of debt on the balance sheet. The company has been very disciplined at paying out dividends and is a great capital allocator. The company ended 2022 with \$1.1 billion in cash and equivalents, nearly triple 2019 levels. The company faces risks from the volatile nature of commodity prices. The markets for the products of the company are characterized by high competition and subject to product substitution. The management noted that competition faced by the company is principally based on price, quality, product and service offerings, and geographic location.

Final Thoughts & Recommendation

It is reasonable to expect the company to pass on the cost to its customers efficiently, offering Bunge inflation resistance in the current environment. Undoubtedly, Bunge is a cyclical stock, and we believe that prices are near their peak. However, following the recent stock price increase, we revise our rating for Bunge to sell, premised upon the 2.7% annualized total return expectation derived from the forecasted earnings-per-share decline of 1.0%, the 2.3% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	61,347	57,161	43,455	42,679	45,794	45,743	41,140	41,404	59,152	67,230
Gross Profit	2,760	2,621	2,693	2,410	1,765	2,266	542	2,785	3,363	3,682
Gross Margin	4.5%	4.6%	6.2%	5.6%	3.9%	5.0%	1.3%	6.7%	5.7%	5.5%
SG&A Exp.	1,559	1,691	1,435	1,284	1,437	1,423	1,351	1,358	1,234	1,369
Operating Profit	1,201	930	1,258	1,126	328	843	-809	1,427	2,129	2,313
Op. Margin	2.0%	1.6%	2.9%	2.6%	0.7%	1.8%	-2.0%	3.4%	3.6%	3.4%
Net Profit	306	515	791	745	160	267	-1,280	1,145	2,078	1,610
Net Margin	0.5%	0.9%	1.8%	1.7%	0.3%	0.6%	-3.1%	2.8%	3.5%	2.4%
Free Cash Flow	1,183	560	-39	-338	-2,637	-1,757	-1,332	-3,901	-3,293	-6,104
Income Tax	904	249	296	220	56	179	86	248	398	388

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	26,781	21,432	17,914	19,188	18,871	19,425	18,317	23,655	23,819	24,580
Cash & Equivalents	742	362	411	934	601	389	320	352	902	1,104
Acc. Receivable	2,144	1,840	1,607	1,676	1,501	1,637	1,705	1,717	2,112	2,829
Inventories	5,796	5,554	4,466	4,773	5,074	5,871	5,038	7,172	8,431	8,408
Goodwill & Int.	718	605	744	709	838	1,424	1,194	1,115	915	830
Total Liabilities	16,693	12,742	11,262	11,845	11,514	13,047	12,287	17,450	15,994	14,620
Accounts Payable	3,522	3,248	2,675	3,485	3,395	3,501	2,842	2,636	4,250	4,386
Long-Term Debt	9,114	5,200	4,768	4,792	4,794	5,372	4,994	7,288	5,964	4,651
Total Equity	9,167	7,756	5,751	6,454	6,458	5,483	5,223	5,379	6,979	9,224
LTD/E Ratio	0.92	0.62	0.74	0.67	0.67	0.87	0.84	1.20	0.78	0.50

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.1%	2.1%	4.0%	4.0%	0.8%	1.4%	-6.8%	5.5%	8.8%	6.7%
Return on Equity	3.2%	6.1%	11.7%	12.2%	2.5%	4.5%	-23.9%	21.6%	33.6%	19.9%
ROIC	1.6%	3.1%	6.3%	6.3%	1.3%	2.2%	-11.2%	9.3%	15.2%	11.2%
Shares Out.	147.8	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	153.1
Revenue/Share	413.79	388.24	285.44	287.93	324.17	322.81	290.76	276.60	388.22	439.04
FCF/Share	7.98	3.80	-0.26	-2.28	-18.67	-12.40	-9.41	-26.06	-21.61	-39.86

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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