



# Bunge Limited (BG)

Updated December 5<sup>th</sup>, 2023, by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$106	<b>5 Year CAGR Estimate:</b>	5.0%	<b>Market Cap:</b>	\$15.9 B
<b>Fair Value Price:</b>	\$125	<b>5 Year Growth Estimate:</b>	-1.0%	<b>Ex-Dividend Date:</b>	02/15/2024
<b>% Fair Value:</b>	85%	<b>5 Year Valuation Multiple Estimate:</b>	3.4%	<b>Dividend Payment Date:</b>	03/01/2024
<b>Dividend Yield:</b>	2.5%	<b>5 Year Price Target</b>	\$119	<b>Years Of Dividend Growth:</b>	3
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Hold

## Overview & Current Events

Bunge Limited (BG) 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 \$15.9 billion.

The company's strong balance sheet and liquidity position give it 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 October 26<sup>th</sup>, 2023, the company announced Q3 2023 results, reporting GAAP EPS of \$2.99, which beat the markets' estimates by \$0.49. Bunge reported revenues of \$14.23 billion, down 15.1% year-over-year. Bunge has announced a robust performance for the third quarter, driven by effective execution and strategic initiatives. The company has seen a mixed performance in its Agribusiness sector, with higher processing results overshadowing lower outcomes in Merchandising. However, the Refined and Specialty Oils segment showed notable strength, particularly in North America, contributing positively to the overall results.

An important development for the company has been the progress on the Viterra transaction, a strategic combination that received overwhelming shareholder support. This transaction is expected to accelerate Bunge's growth trajectory significantly. Finally, reflecting the company's strong performance and confidence in its prospects, Bunge is increasing its full-year adjusted EPS outlook to at least \$12.50.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$5.29	\$2.96	\$4.84	\$5.07	\$1.51	\$1.57	\$1.75	\$7.71	\$13.64	\$10.51	<b>\$12.50</b>	<b>\$11.89</b>
<b>DPS</b>	\$1.14	\$1.28	\$1.44	\$1.60	\$1.76	\$1.92	\$2.00	\$2.00	\$2.05	\$2.30	<b>\$2.65</b>	<b>\$3.68</b>
<b>Shares<sup>1</sup></b>	147.8	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	149.8	<b>150.1</b>	<b>151.4</b>

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.

Following the robust Q3, we match the company's EPS estimate at \$12.50 for 2023. However, we continue to 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 \$11.89 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.

<sup>1</sup> Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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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	8.5	10.0
Avg. Yld.	1.5%	1.7%	1.7%	1.9%	2.4%	2.8%	3.0%	2.9%	2.8%	3.2%	2.5%	3.1%

Due to the material rise in EPS since 2020, the market has assigned a much lower P/E multiple, significantly lower than its 10-year and 5-year P/E ratio of 21.6 and 19.3, respectively. As a result, 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 3.1% by 2028.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

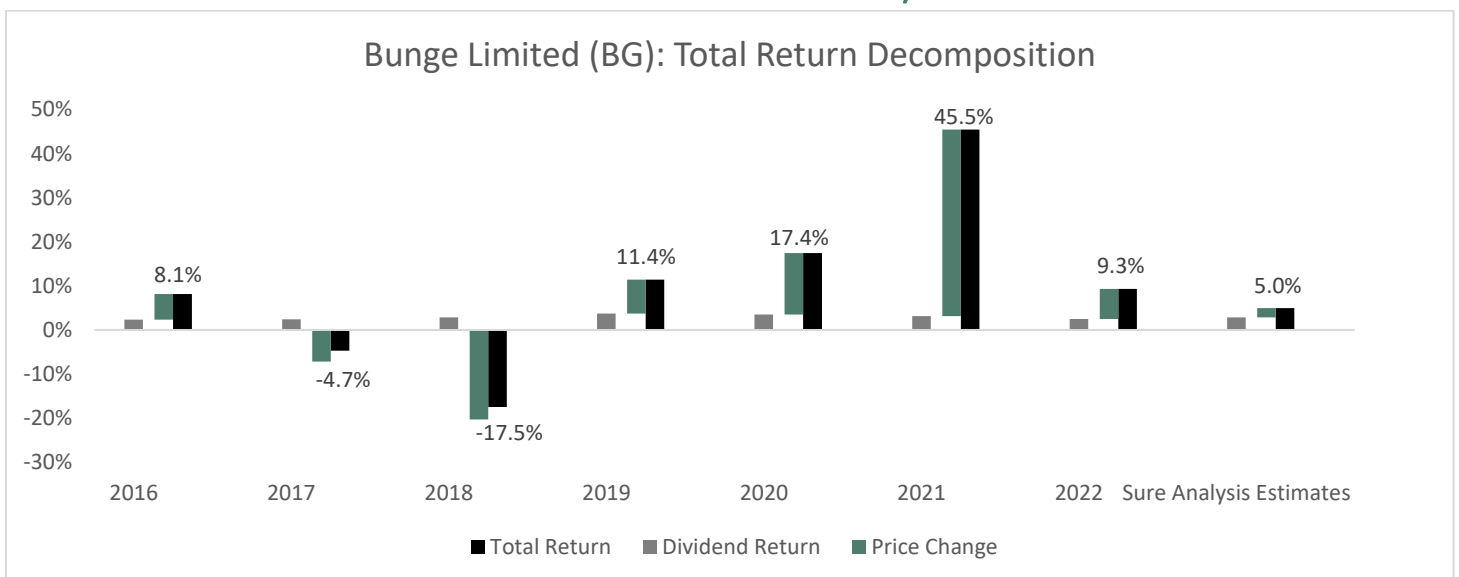
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	22%	43%	30%	32%	117%	122%	114%	26%	15%	22%	21%	31%

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 disciplined at paying dividends and is a great capital allocator. The company ended 2022 with \$1.1 billion in cash and equivalents, nearly triple 2019. The company faces risks due to the volatile nature of commodity prices. The markets for the company's products are characterized by high competition and subject to product substitution. The management noted that the company's competition is based on price, quality, product and service offerings, and geographic location. Bunge has been active in shareholder returns, repurchasing approximately \$600 million of its common shares since Q2 of 2023.

## 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. Therefore, we revise our rating for Bunge to hold, premised upon the 5.0% annualized total return expectation derived from the forecasted earnings-per-share decline of 1.0%, the 2.5% 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
<b>Revenue</b>	61,347	57,161	43,455	42,679	45,794	45,743	41,140	41,404	59,152	67,230
<b>Gross Profit</b>	2,760	2,621	2,693	2,410	1,765	2,266	542	2,785	3,363	3,682
<b>Gross Margin</b>	4.5%	4.6%	6.2%	5.6%	3.9%	5.0%	1.3%	6.7%	5.7%	5.5%
<b>SG&amp;A Exp.</b>	1,559	1,691	1,435	1,284	1,437	1,423	1,351	1,358	1,234	1,369
<b>Operating Profit</b>	1,201	930	1,258	1,126	328	843	-809	1,427	2,129	2,313
<b>Op. Margin</b>	2.0%	1.6%	2.9%	2.6%	0.7%	1.8%	-2.0%	3.4%	3.6%	3.4%
<b>Net Profit</b>	306	515	791	745	160	267	-1,280	1,145	2,078	1,610
<b>Net Margin</b>	0.5%	0.9%	1.8%	1.7%	0.3%	0.6%	-3.1%	2.8%	3.5%	2.4%
<b>Free Cash Flow</b>	1,183	560	-39	-338	-2,637	-1,757	-1,332	-3,901	-3,293	-6,104
<b>Income Tax</b>	904	249	296	220	56	179	86	248	398	388

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	26,781	21,432	17,914	19,188	18,871	19,425	18,317	23,655	23,819	24,580
<b>Cash &amp; Equivalents</b>	742	362	411	934	601	389	320	352	902	1,104
<b>Acc. Receivable</b>	2,144	1,840	1,607	1,676	1,501	1,637	1,705	1,717	2,112	2,829
<b>Inventories</b>	5,796	5,554	4,466	4,773	5,074	5,871	5,038	7,172	8,431	8,408
<b>Goodwill &amp; Int.</b>	718	605	744	709	838	1,424	1,194	1,115	915	830
<b>Total Liabilities</b>	16,693	12,742	11,262	11,845	11,514	13,047	12,287	17,450	15,994	14,620
<b>Accounts Payable</b>	3,522	3,248	2,675	3,485	3,395	3,501	2,842	2,636	4,250	4,386
<b>Long-Term Debt</b>	9,114	5,200	4,768	4,792	4,794	5,372	4,994	7,288	5,964	4,651
<b>Total Equity</b>	9,167	7,756	5,751	6,454	6,458	5,483	5,223	5,379	6,979	9,224
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	1.1%	2.1%	4.0%	4.0%	0.8%	1.4%	-6.8%	5.5%	8.8%	6.7%
<b>Return on Equity</b>	3.2%	6.1%	11.7%	12.2%	2.5%	4.5%	-23.9%	21.6%	33.6%	19.9%
<b>ROIC</b>	1.6%	3.1%	6.3%	6.3%	1.3%	2.2%	-11.2%	9.3%	15.2%	11.2%
<b>Shares Out.</b>	147.8	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	153.1
<b>Revenue/Share</b>	413.79	388.24	285.44	287.93	324.17	322.81	290.76	276.60	388.22	439.04
<b>FCF/Share</b>	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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