Bunge Limited (BG)

Updated February 28th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$94	**5 Year CAGR Estimate:**	1.4%	**Market Cap:**	$14.3 B
Fair Value Price:	$90	**5 Year Growth Estimate:**	-1.0%	**Ex-Dividend Date:**	02/15/2024
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	03/01/2024
Dividend Yield:	2.8%	**5 Year Price Target**	$86	**Years Of Dividend Growth:**	4
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Sell

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 February 7th, 2024, the company announced Q4 2023 results, reporting GAAP EPS of $3.70, beating the markets' estimates by $0.90. Bunge reported revenues of $14.94 billion, down 10.3% year-over-year.

Bunge released its financial reports for the 2023 fourth quarter and full year, reporting the solid execution and foundational progress of the company. Full-year GAAP diluted EPS of $14.87 rose significantly from $10.51 the year before. Excluding certain gains, charges, and mark-to-market timing differences, the EPS on an adjusted basis was at $13.66 compared to $13.91 a year ago. Fourth-quarter GAAP diluted EPS was $4.18 versus $2.21 a year ago, and adjusted EPS was $3.70 versus $3.24, reflecting excellent execution across both value chains.

Bunge had strong cash flow, generating full-year adjusted funds from operations of approximately $2.5 billion. The firm made significant progress on the Viterra transaction and other strategic growth initiatives to enhance its operational effectiveness during 2023. This is a new "record performance" because it took place in an active environment where core investments are being put in capabilities, growth areas, sustainability, and new technology, linked to the strategic combination with Viterra to strengthen and diversify Bunge's business.

For 2024, Bunge anticipates an adjusted EPS of about $9.00, excluding the impact of acquisitions slated to close within the year. This outlook is shaped by the current margin landscape and forward curves. The company forecasts a decline in Agribusiness full-year results, particularly due to compressed margins in Processing across various regions. Merchandising results are expected to decrease slightly from the previous year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.96	$4.84	$5.07	$1.51	$1.57	$1.75	$7.71	$13.64	$10.51	$14.85	***$9.00***	***$8.56***
DPS	$1.28	$1.44	$1.60	$1.76	$1.92	$2.00	$2.00	$2.05	$2.30	$2.61	***$2.65***	***$3.38***
Shares[1]	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	149.8	151.0	***151.6***	***154.9***

Bunge Limited has grown its EPS by a CAGR of 19.6% over the past since 2014, well below its 5-year CAGR of 56.7%. Indeed, the company has experienced significant growth in EPS in the last few years, with EPS increasing materially from 2020 to 2023. However, as we move closer to the likely 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

[1] Shares in millions.

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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. Nevertheless, higher crop prices are not the only factor driving growth for Bunge.

Following the robust outlook in 2024, we match the company's EPS estimate at $9.0. However, we continue to expect an EPS normalization in the coming years with a negative 1.0% growth annually between 2024 and 2029, leading to our estimated EPS of $8.56 by 2029. Additionally, we have assumed a 5.0% dividend growth, resulting in a dividend payment of $3.38 in 2029.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	25.6	17.2	16.5	49.1	43.3	38.6	8.9	5.4	6.9	4.0	***10.4***	***10.0***
Avg. Yld.	1.7%	1.7%	1.9%	2.4%	2.8%	3.0%	2.9%	2.8%	3.2%	4.4%	***2.8%***	***4.0%***

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 21.5 and 12.8, respectively. As a result, the company could trade at a P/E ratio of around 10.0 by 2029, implying a valuation headwind. Finally, we expect the company to be consistent with its historical dividend payout policy, resulting in a stable dividend yield of 4.0% by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

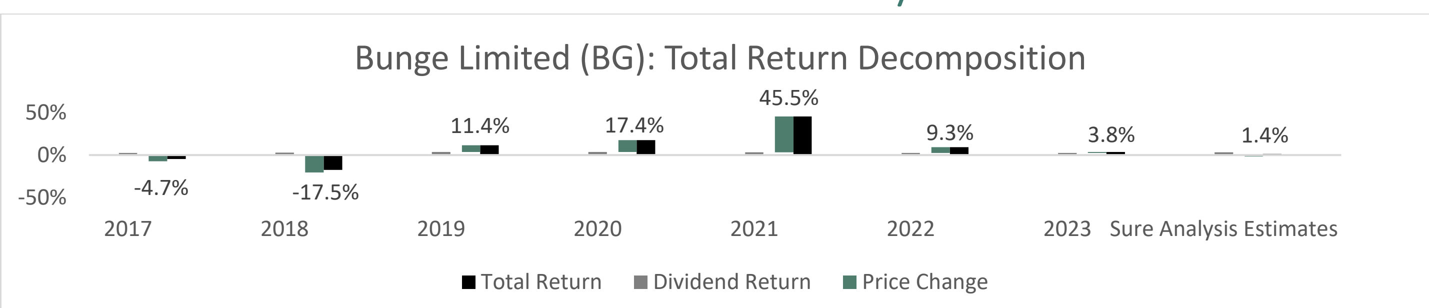
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	43%	30%	32%	117%	122%	114%	26%	15%	22%	18%	***29%***	***40%***

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 company's earnings power 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 2023 with $2.6 billion in cash and equivalents, more than double compared to 2022. 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.

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. That said, we now view shares of the company as a sell, premised upon the 1.4% annualized total return expectation derived from the forecasted earnings-per-share decline of 1.0%, the 2.8% dividend yield, and a valuation headwind.

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.