Bunge Limited (BG)

Updated June 17th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$103	**5 Year CAGR Estimate:**	-0.3%	**Market Cap:**	$15.6 B
Fair Value Price:	$90	**5 Year Growth Estimate:**	-1.0%	**Ex-Dividend Date:**	08/17/2024
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.7%	**Dividend Payment Date:**	09/02/2024
Dividend Yield:	2.6%	**5 Year Price Target**	$86	**Years Of Dividend Growth:**	5
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 April 24th, 2024, the company announced Q1 2024 results, reporting GAAP EPS of $3.04, beating the markets' estimates by $0.51. Bunge reported revenues of $13.42 billion, which were down 12.5% year-over-year.

Bunge reported mixed results for the first quarter of 2024. The agribusiness segment saw higher processing results, offset by weaker merchandising. Refined and Specialty Oils were down compared to a strong performance in Q1 2023. Despite the mixed performance, Bunge remains upbeat about the full year, maintaining its adjusted EPS outlook of $9.00. The company is encouraged by progress on the Viterra integration and continued share buybacks. CEO Greg Heckman highlighted the team's execution and focus on growth initiatives. He acknowledged limited visibility in the latter half of the year, but expressed confidence in Bunge's ability to navigate the market and deliver on its mission.

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	***$2.72***	***$3.47***
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 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 maintain our EPS estimate at $9.00, which is in-line with management's estimate. However, we continue to expect an EPS normalization in the coming years with a negative 1.0% annual growth 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 $3.47 in 2029.

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[1] Shares in millions.

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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	***11.4***	***10.0***
Avg. Yld.	1.7%	1.7%	1.9%	2.4%	2.8%	3.0%	2.9%	2.8%	3.2%	4.4%	***2.6%***	***4.1%***

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 21.5 and 12.8, respectively. As a result, we believe that 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 dividend yield of 4.1% by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

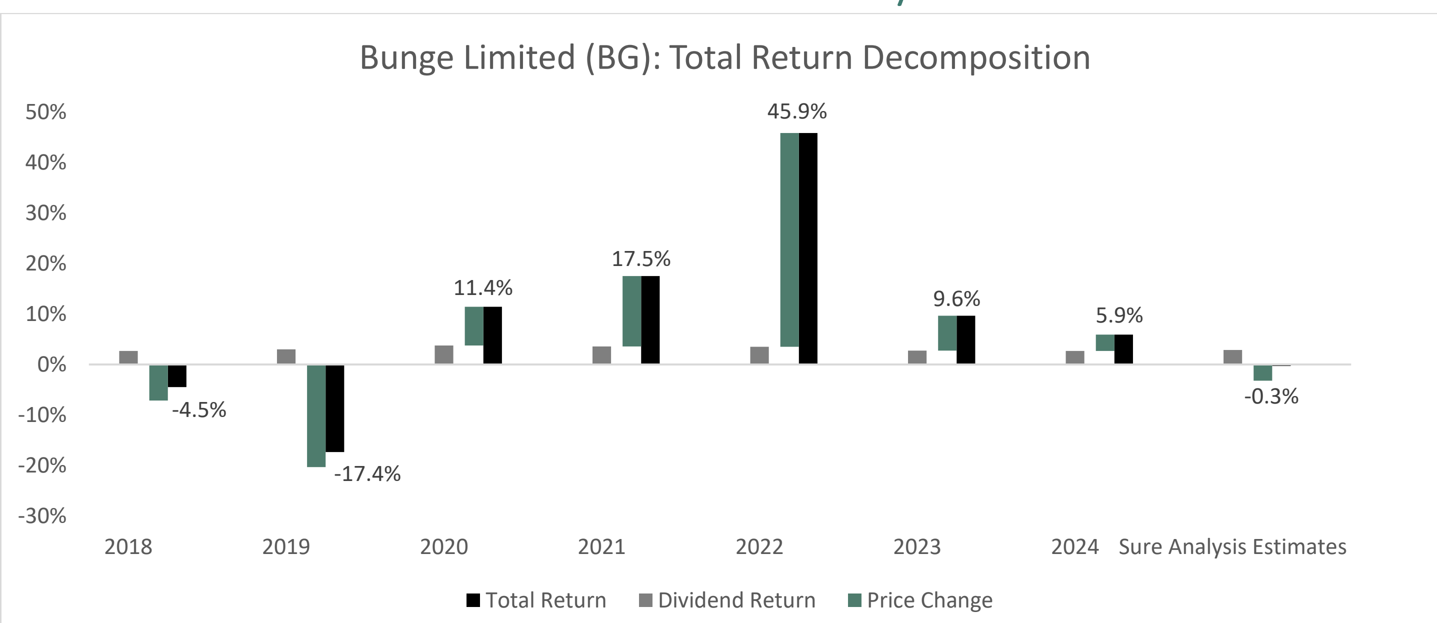
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	43%	30%	32%	117%	122%	114%	26%	15%	22%	18%	***30%***	***41%***

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 $400 million of its common shares in the last quarter.

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 maintain our sell rating for BG, premised upon the -0.3% annualized total return expectation derived from the forecasted earnings-per-share decline of 1.0%, the 2.6% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	57,161	43,455	42,679	45,794	45,743	41,140	41,404	59,152	67,230	59,540
Gross Profit	2,621	2,693	2,410	1,765	2,266	542	2,785	3,363	3,682	4,845
Gross Margin	4.6%	6.2%	5.6%	3.9%	5.0%	1.3%	6.7%	5.7%	5.5%	8.1%
SG&A Exp.	1,691	1,435	1,284	1,437	1,423	1,351	1,358	1,234	1,369	1,715
Operating Profit	930	1,258	1,126	328	843	-809-	1,427	2,129	2,313	3,130
Op. Margin	1.6%	2.9%	2.6%	0.7%	1.8%	-2.0%	3.4%	3.6%	3.4%	5.3%
Net Profit	515	791	745	160	267	-1,280	1,145	2,078	1,610	2,243
Net Margin	0.9%	1.8%	1.7%	0.3%	0.6%	-3.1%	2.8%	3.5%	2.4%	3.8%
Free Cash Flow	560	-39	-338	-2,637	-1,757	-1,332	-3,901	-3,293	-6,104	2,186
Income Tax	249	296	220	56	179	86	248	398	388	714

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	21,432	17,914	19,188	18,871	19,425	18,317	23,655	23,819	24,580	25,370
Cash & Equivalents	362	411	934	601	389	320	352	902	1,104	2,602
Acc. Receivable	1,840	1,607	1,676	1,501	1,637	1,705	1,717	2,112	2,829	2,592
Inventories	5,554	4,466	4,773	5,074	5,871	5,038	7,172	8,431	8,408	7,105
Goodwill & Int.	605	744	709	838	1,424	1,194	1,115	915	830	887
Total Liabilities	12,742	11,262	11,845	11,514	13,047	12,287	17,450	15,994	14,620	13,560
Accounts Payable	3,248	2,675	3,485	3,395	3,501	2,842	2,636	4,250	4,386	3,664
Long-Term Debt	5,200	4,768	4,792	4,794	5,372	4,994	7,288	5,964	4,651	4,882
Total Equity	7,756	5,751	6,454	6,458	5,483	5,223	5,379	6,979	9,224	10,850
LTD/E Ratio	0.62	0.74	0.67	0.67	0.87	0.84	1.20	0.78	0.50	0.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.1%	4.0%	4.0%	0.8%	1.4%	-6.8%	5.5%	8.8%	6.7%	9.0%
Return on Equity	6.1%	11.7%	12.2%	2.5%	4.5%	-23.9%	21.6%	33.6%	19.9%	20.6%
ROIC	3.1%	6.3%	6.3%	1.3%	2.2%	-11.2%	9.3%	15.2%	11.2%	14.3%
Shares Out.	145.7	142.5	139.5	140.7	141.1	141.8	139.8	141.1	153.1	150.8
Revenue/Share	388.24	285.44	287.93	324.17	322.81	290.76	276.60	388.22	439.04	394.86
FCF/Share	3.80	-0.26	-2.28	-18.67	-12.40	-9.41	-26.06	-21.61	-39.86	14.50

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