

Bunge Limited

Fourth Quarter 2021 Earnings Call

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**CORPORATE PARTICIPANTS**

**Greg Heckman** - *Chief Executive Officer*

**John Neppi** - *Chief Financial Officer*

**Ruth Ann Wisener** - *Investor Relations*

## **PRESENTATION**

### **Operator**

Good day, and welcome to the Bunge Limited fourth-quarter 2021 earnings release and conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the \* key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I'd now like to turn the conference over to Ruth Ann Wisener. Please go ahead.

### **Ruth Ann Wisener**

Thank you, operator, and thank you for joining us this morning for our fourth-quarter earnings call. Before we get started, I want to let you know that we have slides to accompany our discussion. These can be found in the Investors section of our website at [bunge.com](https://bunge.com) under Events and Presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measure are posted on our website as well.

I'd like to direct you to slide 2 and remind you that today's presentation includes forward-looking statements that reflect Bunge's current view with respect to future events, financial performance, and industry conditions. These forward-looking statements are subject to various risks and uncertainties. Bunge has provided additional information in its reports on file with the SEC concerning factors that could cause actual results to differ materially from those contained in this presentation, and we encourage you to review these factors.

On the call this morning are Greg Heckman, Bunge's Chief Executive Officer, and John Neppl, Chief Financial Officer. I'll now turn the call over to Greg.

### **Greg Heckman**

Thank you, Ruth Ann, and good morning, everyone. Turning to the agenda on slide 3, I'll start with some highlights of 2021, and accomplishments in the last few years, and then share a look into 2022. Then I'll hand it over to John who will go into more detail on our performance. I'll then share some closing thoughts before opening the line for your questions.

Let's start with an overview of the year, turning to slide 4. I'm incredibly proud of our team and the outstanding results they achieved in 2021, allowing us to deliver adjusted EPS of \$12.93. Our team's performance in a dynamic market environment is evidence that the way we've transformed the business over the last three years is creating the collaborative global culture that we believed would maximize the value of the company.

When we began this transformation in 2019, one of our first changes was moving from a regional to a global operating model to improve visibility and speed to act. Creating end-to-end value chains enables our team to focus on serving our farmer and consuming customers, rather than competing with ourselves. This approach also encourages the sharing of information and best practices, which allows us to work more efficiently and use our resources more effectively.

Once we were all pulling in the same direction, the next steps became more clear. Bunge had an industry-leading portfolio with assets in some of the best locations around the globe. But we also had individual assets and businesses that did not fit the company's goal of growing our relevance with customers at both ends of the supply chain. And after a number of divestitures, we now have a footprint that's stronger than ever and a solid base on which to grow.

One example is the successful plant-based lipids platform we are building through the combination of Loders Croklaan and the legacy Bunge oils business. The Loders tropical oils portfolio and innovation capabilities, supported by Bunge's strength in supply chains and seed oils, is a proposition that resonates with customers. While the entire Oils segment delivered a record year, 2021 was also the best year for the former Loders business.

We used the same methodical approach in evaluating how we could improve financial discipline in the organization. We have rewired our systems so we have better visibility to our data, and we use that information in a structured way to make better commercial, risk management, and capital decisions.

The team also embraced the spirit of continuous improvement throughout our operations. In the past year alone, the team set records in total crush volume, refining performance, and port volumes. We had over 100 capex projects greater than \$1 million each in 2021, and we delivered them safely, with 95% of them on budget and on time. And the team accomplished all of this while doing it the right way, taking care of each other, and that's especially during COVID.

We are also continuing to focus on fighting climate change with carbon-focused decision-making across our organization. In 2021, we announced Science Based Targets to achieve absolute reduction in carbon emissions for our own operations and in our supply chains. Our industry-leading commitment to have deforestation-free supply chains in 2025 is a big part of our path to our Scope 3 targets.

We also closed on the refinancing of a credit facility tied to sustainability targets. And we are actively engaging with other stakeholders to promote change at scale across the entire supply chain.

While we certainly made tremendous progress, we know our work is not done. We will focus on continuous improvement, finding ways to make Bunge stronger, and grow the business as we move forward.

Now let's turn to slide 5. The team delivered an outstanding Q4 and full-year performance across all of Bunge's operations. Results in Agribusiness were driven by strong execution throughout the value chains, with Refined and Specialty Oils posting record Q4 and full-year results. Thanks to their efforts, Bunge delivered a positive earnings trend for a ninth consecutive quarter.

Before handing the call over to John, I want to spend a moment on our outlook for 2022. We expect favorable market conditions to continue in 2022. Based on what we see in the forward curves, we expect to deliver adjusted EPS of at least \$9.50 for the full year, which would be the second-highest earnings result in Bunge's history.

With that, I'll hand the call over to John now to walk through the financial results in detail, and will then close with some additional thoughts on the year ahead. John?

**John Neppi**

Thanks, Greg, and good morning, everyone.

Let's turn to the earnings highlights on slide 6. Our reported fourth-quarter earnings per share was \$1.52 compared to \$3.74 in the fourth quarter of 2020. Our reported results included a negative mark-to-market timing difference of \$0.90 per share and \$1.07 per share of impairment charges, primarily related to our Mexico wheat milling business which is now classified as held-for-sale.

Adjusted EPS was \$3.49 in the fourth quarter versus \$3.05 in the prior year. Full-year 2021 earnings per share was \$13.64 versus \$7.71 in 2020. Adjusted full-year EPS was \$12.93 versus \$8.30 in the prior year.

Adjusted core segment earnings before interest and taxes, or EBIT, was \$766 million in the fourth quarter versus \$636 million last year, reflecting higher results in Agribusiness and Refined and Specialty Oils.

Agribusiness completed an outstanding year with another strong quarter. In processing, results were higher in all value chains, with notable strength in North American soy and European soft seed crushing, both of which benefitted from large crops, strong oil, and meal demand.

Merchandising had a strong quarter, driven by our global vegetable oil and grain value chains, as well as good execution in ocean freight. However, results were slightly lower than a strong prior year.

Refined and Specialty Oils finished off a record year with strong fourth-quarter results of \$154 million, up \$42 million compared to last year. Results were primarily driven by improved margins in North America and Europe, which benefited from strong food and fuel demand. Results in South America and Asia were down due to lower margins and volumes.

In Milling, lower results in the quarter were driven by Brazil, where higher volume was more than offset by lower margins. Results in North America were higher than last year, driven by improved margins.

The increase in corporate expenses during the quarter was primarily driven by performance-based compensation accruals. Other was comparable to last year.

Lower results in our non-core sugar and bioenergy joint venture were primarily driven by lower ethanol volume, which more than offset higher sugar and ethanol prices.

For the quarter ended December 31, 2021, GAAP basis income tax expense was \$64 million compared to \$97 million for the prior year. The decrease in income tax expense was due to lower GAAP pre-tax earnings. Adjusted for notable items, the effective tax rate for the full year was 16.5%, which was in line with the prior year. Net interest expense of \$45 million in the quarter was below last year, primarily due to lower average debt levels.

Let's turn to slide 7 where you can see our positive EPS and EBIT trends adjusted for notable items and timing differences over the past five years. This is an outstanding performance by our team, especially when considering numerous company initiatives and the challenge of navigating through the global pandemic over the past two years.

Slide 8 compares our full-year SG&A to the prior year. We achieved underlying addressable SG&A savings of \$32 million, of which approximately 65% was related to non-employee costs. Like other companies, we too are experiencing inflation, particularly related to energy and employee costs. We are working to mitigate the impact of inflation where we can. In 2022, we expect higher addressable SG&A versus 2021, reflecting increased travel, investment in our people, processes and technology, and in growth initiatives to strengthen our capabilities to drive future value.

Slide 9 details our capital allocation of approximately \$2 billion of adjusted funds from operations that we generated in 2021. As we highlighted before, our first priority is managing our balance sheet leverage ratios and rating metrics. We enter 2022 with a very strong financial position as a result of our recent credit rating upgrades and our strong full-year 2021 performance.

Our second priority is sustaining capex, where we allocated \$226 million toward maintenance, environmental, health and safety. These investments will typically run around \$275 million per year.

Next, we allocated \$34 million to preferred dividends, which left us with approximately \$1.7 billion of discretionary cash flow available to allocate toward growth and productivity investments and returns to shareholders, which we view on a relatively balanced basis.

Of the \$1.7 billion, we invested \$173 million in growth and productivity capex, paid \$289 million in common dividends, and repurchased \$100 million of common shares, for a total return to common shareholders of nearly \$400 million, leaving approximately \$1.1 billion of retained cash flow.

With the increased flexibility and borrowing capacity that our balance sheet now provides, we are in a position to comfortably deploy excess cash toward areas that will provide longer term growth benefits, such as greenfield investments, and toward areas which will have a more immediate impact, such as M&A opportunities and returning capital to shareholders.

Slide 10 highlights our 2022 capex forecast, along with the listing of some key projects. A primary focus is on debottlenecking capacity in both Agribusiness and Refined and Specialty Oils, as well as greenfield investments in both segments to enhance our efficiency through more sustainable, modern and flexible capabilities.

Our capex spend in both 2020 and 2021 was below our previous \$450 million baseline level, primarily due to Covid-related resource and supply chain constraints. We expect our spend over the next 3 years to be well above our prior baseline levels as a result of these project delays, as well as execution on a robust pipeline of growth and productivity investments.

Over time, as returns from our growth investments are realized, we will periodically update our earnings baseline model to reflect the increased earnings capability.

Leading up to our May shareholders' meeting, we will again review our common dividend, giving strong consideration for our higher baseline, the success in strengthening our balance sheet, and our earnings outlook.

We also have the entirety of our recently replenished \$500 million share repurchase program remaining. This will continue to be a tool for returning capital to shareholders. As we have communicated previously, we will maintain a prudent and stable dividend along with a balanced and disciplined approach to capital allocation through the cycle.

As you can see on slide 11, at year-end, readily marketable inventories or RMI exceeded our net debt by approximately \$1.7 billion, a significant change from a year ago. This reflects our use of retained cash flow and proceeds from portfolio actions to fund working capital while reducing debt, strengthening our balance sheet, and improving our credit metrics.

Please turn to slide 12. For the trailing twelve months, adjusted ROIC was 19.9%, 13.3 percentage points over our RMI-adjusted weighted average cost of capital of 6.6%. ROIC was 13.9% or 7.9 percentage points over our weighted average cost of capital of 6%. The spread between these metrics reflects how we use RMI in our operations as a tool to generate incremental profit.

Moving to slide 13. For the trailing twelve months, we produced discretionary cash flow of approximately \$1.7 billion and a cash flow yield of 21.4%. The decline in cash flow yield from 2020 reflects a growth in discretionary cash flow which was more than offset by the increase in book equity of the company. The moderate year-over-year growth in discretionary cash flow versus EPS growth reflects the impacts of significantly higher undistributed earnings from JVs, as well as deferred taxes related to mark-to-market.

Please turn to slide 14 and our 2022 outlook. As Greg mentioned in his remarks, taking into account the current margin environment and forward curves, we expect full-year 2022 adjusted EPS of at least \$9.50 per share.

In Agribusiness, full-year results are forecasted to be down from a record 2021, primarily due to lower results in merchandising and soft seed crushing, which had an exceptionally strong year. While we are not forecasting the same magnitude of margin-enhancing opportunities that we captured in the past year, we do see potential upside to our outlook if strong demand and tight commodity supplies continue.

In Refined and Specialty Oils, full-year results are expected to be up from last year, delivering another record year, driven by strong demand from food and fuel customers in our North American and European businesses.

In Milling, full-year results are expected to be up from last year, primarily driven by improved market conditions in Brazil. In Corporate and Other, results are expected to be comparable to last year.

Additionally, the Company expects the following for 2022: an adjusted annual effective tax rate of 19% to 21%, net interest expense in the range of \$210 to \$230 million, capital expenditures in the range of \$650 to \$750 million; and depreciation and amortization of approximately \$420 million.

In Non-Core, full-year results in the sugar and bioenergy joint venture are expected to be in line with last year.

With that, I'll turn things back over to Greg for some closing comments.

**Greg Heckman**

Thanks, John. Before opening the call to Q&A, I want to offer a few closing thoughts. First, I went to thank our team. Not only have they continued to execute well and deliver for our customers, but they've done so against a volatile backdrop, including the continued impact of the COVID-19 pandemic and a highly dynamic market. The changes we began making three years ago have resulted in tangible improvements to our business and our earnings potential. We are excited about the additional opportunities we see to continue to grow the company, while we do our part to lower carbon emission and encourage best practices across the entire supply chain.

Beyond our continued work to capture the upside we see in our core oilseeds processing and origination business, we have also increased our capabilities and focus on three additional areas of growth: capitalizing on the increasing demand for renewable feedstocks, for plant-based lipids or specialty fats and oils, and plant-based food proteins.

With our global platform, our culture of innovation and oilseeds leadership, I believe we are especially well-positioned to benefit from the long-term secular growth we are seeing in these areas. We're confident the investments we're making today will set us up for continued growth in the years ahead.

And with that, we will open the call for your questions.

**QUESTION AND ANSWER**

**Operator**

We will now begin the question-and-answer session. To ask a question, you may press \*, then 1 on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press \* then 2.

Our first question comes from Ben Bienvenu from Stephens. Please go ahead.

**Ben Bienvenu**

Hey, thanks. Good morning, everybody.

**Greg Heckman**

Good morning, Ben.

**Ben Bienvenu**

So I want to ask a two-part question about guidance, first as it relates to the earnings guidance and then second as it relates to the capex commentary you provided. So on the \$9.50 in earnings, or at least \$9.50 of earnings for this year, I know your inclination is to be conservative historically. I'm asking the question from the context of looking at, as you said, the curves from here, and impressed what they looked like during the fourth quarter; it seems like the first

quarter or even the first half should be pretty strong for 2022. And so the inference is that maybe the outlook for the back half of next year is a bit more draconian.

Is that conservatism? Is there anything that underpins that beyond the commentary that you provided? Because it seems a little bit antithetical to just a sustained, strong environment and kind of the tight S&D that exists in the value chain.

### **Greg Heckman**

Yeah, let me start here, John. John can follow on if I miss something here. So yeah, I think it's a little bit like, you know, when we sat here a year ago. We're definitely telling you what we can see going forward. You know, you're right, we're carrying some good momentum in from Q4. You know, the team did a fantastic job of executing there and carrying that momentum into Q1. While we don't see Q1 being quite as strong as last year, which was really extraordinary, we are off to a very good start.

And as far as the calendarization -- I think, Ben, it's kind of funny, when we look at it it's generally a stronger second half for our business when you look at it historically. And when we roll the forecast to what we can see now and looking at the forward curves, you know, in our outlook the balance is roughly the same as it was this same time last year. So I guess the one thing that you can count on is that, you know, I think we've got the right global network and we've absolutely got the team that can execute. And if the opportunity is here, we'll deliver more, and we give you that view a quarter at a time as it rolls out.

### **Ben Bienvenu**

Yeah, okay, fair enough and understood. The second part to the guidance question is related to capex. So you're spending substantially more growth capex over the next several years. You know, you outlaid some of the projects that you intend to put long-lived capital in the ground for. I'm just thinking about kind of two things. One, the actual ability to deploy all of that capital beyond the projects you've stated over the next several years, just because it seems like you all will have so much discretionary cash flow that you'll generate.

And then two, if I go back to your \$7 of baseline earnings. You know, if you guys deploy all of this discretionary growth capital into the business, your targeted returns versus your WACC, it seems like that number should continue to grind up pretty meaningfully. So I'm wondering how we should think about the evolution of that baseline earnings number as we go through the next several years? And that's all I have. Thanks so much.

### **John Neppi**

You bet. So, Ben, as we look forward -- and I think we can expect capex of, as we said, \$650 to \$750 million this year, and I think we'll see a higher number in 2023 and 2024. But a lot of that is long-term greenfield projects. So we probably aren't going to see the big impact, the big impact on our numbers, until probably 2025 and beyond, given the pipeline that we have today and the major projects that we are investing in.

We are excited about those projects. We also recognize that there's going to be potential opportunity to deploy capital in the near term as well, and that's important. You know, we want to balance between long-term growth opportunity that will certainly impact our baseline over time, and near-term opportunities, you know. And so we'll look at shorter-term projects, whether it's bolt-ons or debottlenecking projects that we have underway, things like that, as well as looking at if we don't have good returning immediate projects or things on the M&A front, you know, we'll look at returning capital to shareholders in the near term as well. Because we



recognize that it's important to balance between a long-term and near-term opportunities and returns.

But over time certainly, we'll be updating the baseline as it makes sense. And, you know, we believe that three or four years down the road if we do our job, it should be very positive to the baseline.

**Operator**

The next question comes from Thomas Palmer from JPMorgan. Please go ahead.

**Thomas Palmer**

Good morning, thanks for the question. Maybe I could follow up first off on Ben's question on capex. Is the elevated run rate over the next three years, is that mainly that these projects you've highlighted that are greenfield are going to be multiyear projects and that's why their benefits are deferred to 2025? Or is kind of the list you outlined in the presentation mainly the list for kind of 2021 maybe into '23, and then there's a second layer of greenfield projects to come?

**John Neppi**

Yeah, those are really projects that are either already underway or are in the final stages of approval. But you can think about it that this next year here in 2022, probably about 30% of our capex spend will be on those large multiyear projects, but that will go to about 50 to 60% of our spend in '23 and '24, but it's the same projects. These are, you know, three-year builds. And so there's three to four major projects that make up a bulk of that spend.

**Thomas Palmer**

Okay, thank you for that. And then I just wanted to ask on the Refined and Specialty Oils outlook. In North America cash markets, we have seen a narrower price spread between refined and crude oils, down from mid-2021 highs. Just hoping for some clarity on what would drive segment profit higher year-over-year. Were cash markets just not a good indicator of your margin capture last year? Are you expecting refined crude oil to widen, given the supply demand environment? Just hoping for some clarity on the key driver there. Thank you.

**Greg Heckman**

Yeah, it's the timing of customer bookings. So when we came into last year, we had a lot of the book already on with our food customers for the majority of the year, and we didn't start to see the benefit of those higher refining premiums until later in the year and as we saw some of the refined -- or some of the renewable diesel demand start to come on.

Now as we're coming into this year, of course, the majority of that business has all been done at the higher refining overages. And so that's -- we had that visibility and that's why we have the confidence in that call for this year.

**Thomas Palmer**

All right, thank you.

**John Neppi**

Thanks, Tom.

**Operator**

The next question comes from Steve Byrne from Bank of America. Please go ahead.

**Steve Byrne**

Yeah, thank you. I'm interested to hear your view on the likelihood that the U.S. develops 5 billion gallons of renewable diesel capacity in the next few years. And if so, where do you think the feedstock comes from, and will that be a benefit to you or is there a potential detriment to you if that leads to less exports?

**Greg Heckman**

Yeah, definitely a benefit, and it's a number of ways. So one, we like the fact that we're basic and all the oils and that we've got a global platform. So as we see this shift, and I think it's going to take kind of everything to supply that industry and the demand that is coming from that industry. So everything from, you know, we'll see the U.S. go from being an exporter to an importer of vegetable oils. We'll see expansion in capacity. We'll probably see technology around the percent of oil in the seed. You'll see cover crops be developed that will add to another supply of oil and even higher capacity utilization of the crushing footprint. And you'll probably, you know, continue to see a mix on what's applied on soy versus soft oils.

So, you know, the one thing -- the market is sending the signals and the market will do its work here with innovation and with investment. So we think we're right in the bull's-eye of that. We've got -- you know, our portfolio is focused on oilseed crushing and the origination and marketing of the products to support that. So we think we are in a great position for that, and it's also one of the reasons that we're in the process of the JV with Chevron, is to have a great partner with visibility now from the farmer to the end fuel consumer. So where we make those investments and how we develop, we think we are as well positioned as anyone.

**Steve Byrne**

And you've made a comment just now about seeds with higher oil content. Would you be interested in investing in that technology, essentially going upstream into crop genetics, so that you could have some ownership over that technology? It could be higher oil content. It could be also the plant-based proteins and the specialty lipids you talked about. The question really is, would you want to invest upstream to have more ownership there?

**Greg Heckman**

Yeah, look, we continue to work with our partners in the supply chain, and that can take on a number of different relationships, from providing our expertise in partnering, to joint venturing, to us making direct investment. So that'll be what we believe the return profile looks like versus our other alternatives on a risk-adjusted basis.

**Steve Byrne**

Thank you.

**Greg Heckman**

Thank you.

**Operator**

The next question comes from Adam Samuelson from Goldman Sachs. please go ahead.

**Adam Samuelson**

Yes, thank you. Good morning, everyone.

**Greg Heckman**

Morning.

**John Neppl**

Hey, Adam.

**Adam Samuelson**

So I guess first as we think about how you're looking at 2022, could we maybe think -- just to get a little more color around the oilseed crushing environment and what -- how you see soy and soft seed crush playing out in your key regions, certainly in the first half where I imagine you've got a little more visibility. And I guess specifically, how some of the weather issues in South America right now are playing into that outlook, both positively or negatively.

**Greg Heckman**

Sure. We -- definitely very, very good environment right now. We saw the -- if you look from an overall, we'll expect year-over-year structural margins to be better in soy. We had a real strong Q4 in the U.S. and, of course, we are carrying that into 2022. We've seen the weather make the South American crops a little bit smaller. And, you know, the U.S. had a big crop and we'll need another big crop. But with strong oil and meal demand, the curves of course are telling us that they're strong now, they'll get a little softer before the new crop, and then new crop get stronger again. So the U.S. looks very constructive.

You know, China continues to be volatile, but we'll see lower wheat feeding this year versus last year. Margins are okay on the front end, and the customers over there are generally pretty spot, so that's pretty normal. We're enjoying very good margins in Brazil right now. And the question will be about the second half and how the farmer responds, you know, to smaller crops. And then, of course, we're in an election year which always -- if we get some FX volatility, we'll be watching that closely and how the farmer performs.

And then Argentina, again, the weather impacted the crop a little bit. And then Argentina, of course, is affected by the fact that Paraguay, the crop's down about 50%, which feeds in there. And that'll keep, you know, farmer retention probably pretty high in Argentina. But you remember, that generally is pretty good for our global system with that scenario.

And then the EU is kind of -- kind of feeds off the U.S. You know, you've got strong oil and then reduced amount of Argentine soybean meal going in there. And so you've got higher energy costs in Europe, is one of the things, but that's priced in or is being reflected as we flex the rest of our global system. But overall, we'll see better year-over-year structural margins and see how it plays out. But our core -- you know, the fundamentals are good and our current outlook is what we can see forward.

**Adam Samuelson**

Okay, that's all very helpful. And then I guess a follow-up on capital allocation. Obviously, there's been a lot of good work done on the balance sheet over the last couple years. You're stepping up growth investments on the capex side. You alluded to reevaluating kind of the dividend payout ahead of the annual meeting in May.

Can you help us think about kind of how you think what your balance sheet capacity -- obviously, the net leverage now on a net debt to EBITDA basis at least would seem to be pretty low for your business. How do you think about your balance sheet capacity today to deploy

opportunistically into M&A versus cash return? Just trying to think about how much cash we could really be thinking about deployment here.

### **John Neppi**

Yeah, I think -- you know, we look at our balance sheet at the end of the year, we probably have \$1.5 billion or so of additional debt capacity available today, just given -- given kind of where we see 2022 progressing, and our credit metrics. I think we feel pretty good to stay within -- you know, to stay well within kind of our target metrics. On top of that, of course, you know, we expect to generate strong cash flow again in 2022. So I think we feel very confident that the capex forecast that we have in still leaves us, you know, some dry powder for opportunities, whether that ends up something on the M&A front or we allocate more to returning to shareholders or additional debottlenecking and nearer-term returning projects.

I think everything is on the table, and I think we feel like we're in a very good position to deploy capital. You know, we don't plan to just sit there and pile up cash, but we're going to be prudent about where we spend it and make sure that we hold ourselves to the same standard we have over the last few years in terms of where we allocate it.

### **Greg Heckman**

You know, I might add on -- I might add on one quick comment. You know, I think the thing -- it is one of the things we're proudest of with the changes we've made here. I think before we had to kind of talk about, you know, whether we were going to do this or this. And I think what feels good is that with the earnings profile that we've got and what we've done with the balance sheet, that really it's more of an "and" situation now for us. And we feel we can pull all levers and we are thoughtful about the tenor of those different things and the impact that they can have on earnings.

So whether it's the stock repurchases or increasing the dividend or more near-term. Of course, the capex we're spending on debottlenecking and productivity can come in quicker. You know, bolt-on M&A that doesn't have any regulatory complications can be quicker. And then, of course, more transformational M&A has a little longer tail as it has to go through regulatory. And then somewhere in between there, there's brownfields and then the longest, of course, are the greenfields that John was talking about.

But I think what's exciting is being in a position to be able to do kind of all of those and pull all the levers, and being thoughtful about the returns on those and which ones have the greatest long-term earnings impact in our growth.

### **Adam Samuelson**

Okay, can I ask just a very quick follow-up then? Given that balance sheet capacity, and this is again a high-quality problem, just to make sure we're clear, just no share repurchases in the fourth quarter; just how we think about kind of the timing and phasing of that, just given how much dry powder you seem to have?

### **John Neppi**

Yeah, we don't -- we're not going to predict when we'll do share repurchases, but I would say the key is we'll have the ability to do it. And I think even with a lot of the growth projects that we have in the pipeline and the other things we're assessing that aren't even in -- what I'd call in the pipeline yet, it's still going to be an option for us. And I think we will continue to do like we always do, is look at it very hard every quarter. I don't necessarily look at it from, oh, we've got

to do something this quarter from a calendar standpoint. It's when we think it makes sense. But it will continue to be, as Greg pointed out, an important part of our allocation here going forward.

**Adam Samuelson**

Okay, I appreciate all that color. I'll pass it on, thank you.

**Operator**

The next question comes from Vincent Andrews for Morgan Stanley. Please go ahead.

**Steve Haynes**

Hey, this is Steve Haynes for Vincent. Thanks for taking my question. I just wanted to ask a question around --

**John Neppi**

Morning.

**Greg Heckman**

Morning.

**Steve Haynes**

SG&A -- thank you. Yeah, I just wanted to ask a question around SG&A. I think there was a comment about it being up year-on-year. Can you just kind of remind us what level of cost savings I guess were baked into the baseline kind of cadence for this year, and if that has kind of changed at all as it relates to the \$9.50 of EPS?

**John Neppi**

Yeah, we don't expect a substantial increase in SG&A next year. You know, we've been around the \$1.2 billion level in total the last couple years after, you know, a number of years of cutting costs. I think we're looking at somewhere, you know, less than \$100 million of total increase across the business, and probably half that.

And it's going to be primarily in inflation and things like that, but all of it's been baked into the \$9.50 forecast. So, you know, we will of course manage it as best we can, but in some areas of the world inflation's a real thing and we are not immune to it, unfortunately. But I think we feel pretty good that we can absorb that inside our \$9.50 -- at least \$9.50 call.

**Steve Haynes**

Okay, thank you.

**Operator**

The next question comes from Ben Kallo from Baird. Please go ahead.

**Ben Kallo**

Hi, thanks for taking my questions and thanks for all the detail. Just going back to M&A, could you just talk about what you're seeing in current valuations and if that has you kind of backing away from some deals or not. And then you talked about -- you called out plant-based food proteins. It's a question we get quite a bit. Just talk about the investment being made there. Thank you.

**Greg Heckman**

Sure. You know, valuation always matters. As John says, we don't have any hot money. We'll be thoughtful and we'll do the deals that make sense for Bunge for the long term. On the proteins side, you know, that continues to be what we see as an organic build. Any of the M&A that's been done on the plant proteins side is very, very high multiples, and we think where we create the most value there is working with our customers who we are already working with on the plant lipids side, and the specialty fats and oils is part of those products, and working with them and organically building our portfolio on the plant proteins side. That's how we'll create the most value. We'll be thoughtful and methodical about it.

### **John Neppi**

I would just add, Greg, that as you look at the pipeline of projects, on the plant lipids and proteins side, we've got projects identified in that pipeline of about \$850 million over the next three years. So we definitely find that an important area, and we will be investing meaningful dollars into that space.

### **Ben Kallo**

Great, thank you.

### **Operator**

The next question comes from Robert Moskow from Credit Suisse. Please go ahead.

### **Robert Moskow**

Hi, a couple questions. I might've missed it, Greg, but when you went down the list of how things are going in the crush environment regionally and by seed, I didn't quite get where the weakness is or the tough comps are on soft seeds. So can you be a little more specific as to what region you're referring to in your guidance for being -- for having a tough comp?

And then just a follow-up on the capex guide. I mean, is it possible to just take this incremental capex in our numbers and say, hey, I'll put a midteens return on that spend and then assume that it's highly incremental so that in 2025, that adds to the earnings base? Is that -- you know, that's just basic math, but is that how you do your planning as well? Thanks.

### **Greg Heckman**

Yeah, thanks, Rob. Yeah, you caught me there. I only talked to soy; I didn't talk to soft seed, so let me talk to that real quick. Of course, in North America with the canola crop 35% lower this year, that'll be a tough comp until we get the new crop in. So that'll be challenged, which will make globally -- you know, I think soft seeds will be a little bit challenged on the canola side.

We do continue to have strong oil demand, which is helpful, but we'll need that new crop in the second half of the year. And then in Europe, we've had record sun crops. We continue to monitor the Ukrainian situation. But, you know, the farm economics are definitely good for everyone and that should mean, you know, big crops. I think we'll see acres planted and net-net that should be positive. But year-over-year, soft will be down.

### **John Neppi**

And Rob, yeah, and as I mentioned on the capex side, the big jump we do see is in 2025. But, you know, as those projects come online, and most of them are going to come online in early 2025 or in that range; you know, you usually have about a year of commissioning and working the bugs out. So the real benefits, you know, of run rate will be closer to beginning in 2026.

But you are right how to think about it. I mean, the kind of midteens return overall in the portfolio between the big growth projects and I'll call the smaller debottlenecking and productivity projects, in total that's probably a fair assessment. With a little bit of lag in just from the standpoint of the first year or so, it takes time to get those things up and running as efficiently as they will in the long run.

**Robert Moskow**

Okay, great. And then just a follow-up. Your merchandising results were really, really strong in 2021, and you're citing a tough comp in '22. Can you point to like decisions that you made in '21 that drove the outperformance; you know, more evidence that your new global management team is working? And then -- and maybe explain like why you wouldn't say, hey, that's repeatable in 2022? You know, what makes it unique?

**Greg Heckman**

Yeah. You know, I think, one, you're right. The system that we've got is definitely more resilient than it's been in the past. Those are the hardest margins I think to forecast, and they'll depend on the environment. And we are definitely starting it at higher flat prices this year than a year ago, so just kind of a slightly different environment.

Even if you look from the freight markets, you had a disruption last year with the hurricane in North America that created some challenges and opportunities. And there's just some of those things that in those kind of full-chain margins through the distribution and merchandising business that are just more difficult to forecast. But really like the way the team executed last year, and I feel with the opportunities there, we'll get them.

**John Neppi**

And yeah, I'd just say, Rob, the comment we made regarding if we see some tightness in supply and disruption, it should give us some upside. That really is going to show itself on the merchandising side of the business.

**Robert Moskow**

Got it, thank you.

**Greg Heckman**

Thank you.

**Operator**

The next question comes from Ken Zaslow from Bank of Montreal. Please go ahead.

**Ken Zaslow**

Hey, good morning, guys.

**Greg Heckman**

Morning, Ken.

**Ken Zaslow**

A couple questions. One is we haven't had, you know, many years in which the South American margins actually have been this strong, particularly in Brazil. So when you are thinking about the year, are you incorporating that type of strength? Are you waiting for it to kind of really -- kind of elongate to making sure that it's the real thing? And are you in a position to be able to capitalize

it with the -- by securing the soybeans? Just how are you thinking about that, because it's somewhat of a new phenomenon I don't remember seeing for quite some years?

**Greg Heckman**

Yeah. I think we say the fundamentals are good overall. That's definitely what we're looking at here with the start that we are getting. Now, the curves are reflecting some of the fact that the weather has taken the top off the crop a little bit, of course, in -- you know, hurt it in Paraguay, took the top off a little bit in Brazil. And then we'll continue to watch Argentina develops. It was hurt a little bit, but it looks like that stabilized. So we've got to see how that plays out and how the farmer responds.

And I think we talked about in Brazil, of course, you add in the fact that you've got an election and that may create -- you know, may create a situation with some FX volatility and the farmer may be a little more reluctant to sell. But we'll see how that plays out, but we do like how the fundamentals look overall. We like the optionality that exists in this big a global network and that we've seen we are able to take care of the opportunities when there is dislocation and as things develop.

**Ken Zaslow**

All right, but it's not fully included just because you're kind of more on a wait-and-see? Have you secured soybeans on it for it?

**Greg Heckman**

Yeah, you would be correct. We are more on a wait-and-see, and that's -- you know, that's consistent with where we stood a year ago at this time and kind of how we talk to you each quarter. It's what we can see in those.

**Ken Zaslow**

So it would be another opportunity for upside to the numbers. You mentioned a couple of things throughout the call that there was reasons for upside if things develop the way they are. And I know you take a wisely, you know, thoughtful approach rather than just going all in, but is that a fair way of thinking about it? And then I have a second question.

**Greg Heckman**

Absolutely, very fair, and probably the last nine quarters might prove that out.

**Ken Zaslow**

And then just -- I hate to ask a short-term question. It's just -- everybody's asked such good questions, but the quarter-over-quarter in the first quarter, it looks like things are setting up a little bit stronger year-over-year. Is that a fair way of looking at it? And then I'll leave it there, and I really appreciate your time.

**Greg Heckman**

You bet. Thanks, Ken. But no, Q1 was really extraordinary last year and why we are off to a very good start here in January and carried momentum out of Q4. We currently don't see Q1 being as strong as last year.

**Ken Zaslow**

Okay, thank you guys very much.

**John Neppl**



You bet. Thanks, Ken.

**Operator**

This concludes our question-and-answer session. I'd like to turn the conference back over to Bunge for any closing remarks.

**Greg Heckman**

Thank you very much. I'd like to thank everyone for their interest, and I'd just overall like to wrap up. I couldn't be more proud of the team for the execution, and it really feels good to be in this position focused on growth and having the capacity to really pull all the levers. And so look forward to talking to you in the future. Thank you very much.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.