Bunge Limited

Fourth Quarter 2019 Earnings Release and Conference Call

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CORPORATE PARTICIPANTS

Ruth Ann Wisener, Vice President of Investor Relations

Greg Heckman, Chief Executive Officer

John Neppl, Chief Financial Officer

PRESENTATION

Operator
Good morning, and welcome to the Bunge Limited Fourth Quarter 2019 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 star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one, on your telephone keypad. To withdraw your question, please press star, then two. Please note, this event is being recorded. I would now like to turn the conference over to Ruth Ann Wisener, Vice President of Investor Relations. 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 Investor section of our website at bunge.com under Investor 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 two, 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 condition.

These forward-looking statements are subject to various risks and uncertainty. 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. We're happy to be joining the call from our new headquarters in St. Louis this morning. Let's get started. On slide three, you can see the agenda for today's call. I'll start with some thoughts on our 2019 accomplishments, through the lens of our key priorities. And then I'll provide an overview of the fourth quarter, before handing it over to John, who'll go into more depth on our performance. I'll conclude with our outlook for 2020, and then we'll open up the line for your questions. With that, let's turn to slide four.

In 2019, the team did an excellent job executing in the face of great complexity, and many moving parts, both internally and externally. We effectively managed the things under our control, and made substantial progress against our key priorities. We drove improved operational performance, we took actions to optimize the portfolio, and we increased our financial discipline and rigor, especially around capital allocation.

On operational performance, our total oilseed crush volume and capacity utilization rates were the highest in the past five years. Our soy and sun seed crushing operations achieved the lowest industrial unit costs in that same timeframe. These improvements helped us weather the difficult markets in 2019 and allowed us to capture more margin when we had the opportunity. We moved from a regional structure to a global operating model, simplifying how we operate and aligning incentives to the whole, rather than the parts. With that, we reduced the number of bonus pools dramatically to incentivize teams to work together toward the common goals of Bunge. We’ve received positive internal feedback about our headquarters move, with clear

evidence of improved efficiency, collaboration, and shared insights as a result. We'll be fully moved into St. Louis by the end of Q2.

Our new operating model allows us to focus on what's most important; our business relationships on both ends of the value chain with farmers and customers, while facing fewer internal distractions. In short, we're working as one team, better able to focus on driving results and operating the business with better visibility and more accountability.

Moving to slide five. While we've made substantial improvements to our portfolio, we continue to execute against other identified opportunities, with the goal to be substantially finished by the end of the second quarter. We completed our sugar and bioenergy 50/50 joint venture with BP, and announced an agreement to also sell our margarine and mayonnaise assets in Brazil. Recently, SIRE, a US ethanol producer, repurchased our stake in that business. We also completed several smaller transactions, selling several idled grain facilities in Eastern Europe and two idled wheat milling sites in Brazil, while also optimizing our South American grain footprint to improve capacity utilization by closing seven other grain facilities.

Turning to slide six. We've increased our financial discipline and rigor, continuing our work to identify and capture cost savings opportunities. In 2019, we achieved approximately 50 million in savings from our previously established Global Competitiveness Program, and are driving additional savings opportunities from our more recent efforts. Combined with the operational and portfolio actions we took in 2019, Bunge is getting more streamlined with line of site to additional improvement opportunities.

We also changed our approach to risk management, with a focus on taking risk appropriate for the earnings power of Bunge and the environment we're operating within. This approach allows us to better capture the earnings power available in the physical and financial flows provided by our global asset base. This is especially true when market conditions change, as they did during the fourth quarter. We're committed to pursuing a disciplined capital allocation strategy. Capital deployment decisions will be the result of a deliberate process anchored by high-quality analysis and stress testing on the front-end, as well as performing post-project reviews. Moving to the next slide. Because we are managing risk better while running our assets harder, when margins in certain markets improved in Q4, we delivered better earnings than we had earlier anticipated.

Looking ahead to 2020, we feel good about our transformation and our ability to adapt to what we expect to remain a challenging and volatile environment. We have a lot of momentum coming out of Q4 that will help us we move ahead. And taking into account the current margin environment, and lack of visibility into the back half of the year, we expect 2020 EPS to be broadly in line with what we earned in 2019, when excluding notable items, our gain on Beyond Meat and the depreciation benefit in the Sugar & Bioenergy segment. With that, I'll hand it over to John to walk us through our financial results and the 2020 outlook in greater detail.

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earnings highlights on slide eight. Our reported fourth quarter earnings per share from continuing operations was a loss of $0.48 compared to a loss of $0.51 in the fourth quarter of 2018. Adjusted EPS was $1.27 in the fourth quarter vs. $0.08 in the prior year. Our reported results included $239 million in net charges, of which approximately 102 million related to various portfolio initiatives and 76 million to the partial impairment of goodwill recorded on the acquisition of Loders Croklaan. We have achieved the vast majority of our targeted and integration synergies associated with this acquisition, and although we are making progress on revenue synergies, we are achieving them at a slower

pace than we had forecast when we completed the deal. Importantly, the goodwill write-down was the result of our annual impairment test, and not triggered by a specific event. Loders is a unique asset, and this charge does not change our positive view of this business or its long-term potential.

Total segment earnings before interest and taxes, or EBIT, was $44 million in the quarter versus 70 million in the prior year. On an adjusted basis, total segment EBIT was $283 million in the quarter versus 107 million in the prior year. Agribusiness adjusted EBIT was $177 million, compared to 55 million last year. Higher segment results in the quarter reflected improved execution, particularly in managing risk throughout our grain and oilseeds value chains. In oilseed, lower soy processing results in the U.S. and Europe reflected particularly strong margins a year ago. Soft seed results improved when compared to last year due to strong oil demand and seed supplies.

As expected, oilseeds' results were negatively impacted by approximately $95 million of mark-to-market reversals on soy crushing contracts, which favorably impacted our third quarter results. An increase in soy crush margins during the fourth quarter resulted in new mark-to-market losses on forward contracts. However, these losses were largely offset by mark-to-market gains on forward hedges related to our soft seed and palm oil supply chains that serve our downstream edible oils customers. As a result, we enter 2020 with only a small net mark-to-market balance. Improved results in oilseed trading and distribution were primarily due to better positioning.

In grains, higher results were primarily driven by origination in South America. Brazilian farmer selling increased as local prices improved. And, in Argentina, farmers accelerated sales in anticipation of a change in export taxes. Ocean freight results benefited from good fleet positioning and management. Food & Ingredients adjusted EBIT was $84 million compared to 73 million in Q4 of 2018. Edible oils adjusted results of 67 million were up 11 million from last year, driven by better results in North America and Asia, which more than offset lower results in South America. Results in Europe were comparable to last year. Excluding approximately $13 million of favorable timing differences on hedges, that will reverse in 2020, segment results were lower than in prior year. Milling adjusted EBIT of $17 million for the quarter was similar to the prior year as higher results in Mexico were offset by lower results in the U.S. and Brazil.

In Sugar and Bioenergy, fourth quarter 2019 results reflect Bunge's ownership through November. Adjusted EBIT of $52 million in the quarter was 100 million higher than the prior year. The increase was mainly due to improved agricultural yields and operational execution that drove lower unit costs, as well as higher Brazilian ethanol pricing and higher sugar pricing and volume. Results also benefited from approximately $38 million of lower depreciation when compared to last year, due primarily to the business being classified as held for sale. Fertilizer adjusted EBIT of $26 million was in line with the prior year. Adjusting for all notable items, the effective tax rate for the year was approximately 16%. The lower than expected tax rate was primarily due to earnings mix, as we reported stronger fourth quarter results in regions with favorable tax rates.

Let's turn to slide 9 and SG&A. When the company announced its Global Competitiveness Program in July 2017, the goal was to achieve a reduction in SG&A costs of $250 million by the end of 2020, as compared to its 2017 addressable SG&A baseline of $1.35 billion. With hard work and the commitment of our employees, Bunge achieved this savings target one year ahead of plan. This slide bridges the savings to what we report in our SG&A expense line, reflecting unaddressable costs, changes in our business portfolio, such as the Loders Croklaan

acquisition, and other factors that impact our SG&A, such as inflation, foreign exchange, GCP program costs, and variable compensation. The $252 million of cost reductions is roughly equally split between indirect spending and employee cost. The company incurred approximately $150 million of one-time execution costs over the life of this program.

Moving to slide 10; cash flow highlights. For 2019, we generated approximately $1.1 billion of adjusted funds from operations, a similar level to prior year. The cash flow generation enabled us to comfortably fund our capex and dividend, and to reduce our debt. As you can see on slide 11, our debt largely finances our inventories, with approximately 80% of our net debt being used to finance readily marketable inventory at the end of 2019. Working capital ended the year a bit higher than we were targeting, primarily due to elevated commercial activity in Q4, especially in South America, resulting in increases in farmer advances, accounts receivable balances, and unrealized gains on derivatives used to hedge commercial commitments.

Turning to slide 12. We have committed credit facilities of approximately $4.3 billion, all of which was available at the end of the quarter. And, we had a cash balance of $320 million. Total committed credit facilities dropped from five billion last quarter to 4.3 billion, as a result of a $700-million revolving credit facility being converted into a term loan, and then transferred on a non-recourse basis to the Sugar and Bioenergy joint venture. Proceeds received from the $700-million debt transfer, and a further $75 million received from BP, were largely used to pay down balances outstanding under the company's commercial paper program and credit facilities.

Moving to slide 13 and our full-year summary of capital allocation. We generated adjusted funds from operations of approximately $1.1 billion. From this total, capex spending was 524 million, which was about 25 million below our original guidance for the year. This included $118 million of capex for Sugar and Bioenergy, which will not be incurred by Bunge going forward. We paid $317 million in dividends to shareholders. This left us with approximately $215 million of retained cash flow that we allocated toward debt reduction and working capital.

Please turn to slide 14 and our return on invested capital. Our trailing four-quarter average adjusted return on invested capital was 7.9% overall, well above the 5% in the prior year. Excluding our Sugar and Bioenergy segment, ROIC was 7.7% versus 6.5% last year. We are currently reviewing our stated weighted average of cost of capital of 7%. Based on our preliminary review, we believe the 7% we have been referring to may be higher than our actual WACC. If we determine there is a more appropriate rate to use going forward, we will communicate that in a future quarter. Whether or not we make a change, our targeted ROIC of 9% will remain unchanged.

Moving to slide 15 and our outlook for 2020. As Greg mentioned in his remarks, we expect 2020 EPS to be largely in line with what we earned in 2019, when excluding notable items, our gain on Beyond Meat, and the depreciation benefit in the Sugar and Bioenergy segment. In Agribusiness, we expect full-year results to be down from 2019, based upon the current forward market structure. However, actual origination, processing, and distribution margins will evolve, based upon the fulfillment of U.S.-China trade agreements, crop sizes, and farmer commercialization. In Food & Ingredients, we expect full-year results in edible oils and milling to be similar to 2019, excluding approximately $13 million of favorable Q4 2019 timing differences, which are expected to be negative to 2020.

In Fertilizer, we expect full-year results to be down versus a particularly strong 2019, and for results to be similar to 2018. In Sugar and Bioenergy, market fundamentals have improved

versus 2019, driven by sustained Brazilian ethanol market prospects, and better year-over-year sugar prices. For 2020, we expect an effective tax rate in the range of 19% to 23%, net interest expense of approximately $230 million, capex in the range of $400 and $450 million, and depreciation and amortization of approximately $465 million. With that, I'll turn things back over to Greg for some closing comments.

Greg Heckman
Thanks, John. As John noted, we're still faced with uncertainty in 2020. We expect markets to remain volatile as long as U.S. and China trade tensions and ASF continue to create uncertainty. It's too early to tell what, if any, impact the coronavirus situation will have on our markets, or how developments in Argentina may affect the industry this year. So, you can see why it's important that our team remains nimble. We'll continue to focus on improving industrial operations, honing our approach to risk management, being disciplined about capital deployment, and working in ways that allow us to quickly adjust to changing market dynamics, to maximize the earnings potential of our global platform.

I want to reiterate how impressed and appreciative I am by the team's ability to navigate a challenging external environment this year, while also implementing significant internal change. We've got a tremendous foundation of processing and distribution assets, and a great team who's improving our execution with them. We're already seeing the benefits of those changes, and we expect them to continue. I look forward to sharing more with you as we continue our work. We'll also provide more detail on our strategy and earnings power at our Investor Day, which we're planning to hold in late second quarter; more detail to come on that. And with that, I'll open the call to questions.

Operator
We will now begin the question and answer session. To ask a question, you may press star, then one, on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster. The first question comes from Adam Samuelson of Goldman Sachs. Please go ahead.

Adam Samuelson
Yes, thanks. Good morning, everyone.

Greg Heckman
Morning, Adam.

Adam Samuelson
Greg, John, I was hoping maybe to start, clarify and provide a little bit more color on the guidance. First, at the EPS level, adjusted EPS in 2019 was 458, Beyond Meat and the sugar benefit, I believe, were about 90 cents. Is that--you're saying roughly 370 of EPS? Just want to clarify that, just on the onset. And then--

John Neppl
--Yep. That's very close, yeah. The combination of sugar and Beyond was about 86 cents, so you're really close.

Adam Samuelson
Okay. That's super helpful. So then digging into the operating guidance, maybe within that, just quantify, I mean, there should be, I imagine, some year-on-year benefits from the SG&A

reductions that you've been implementing, the headquarter rationalization, some of the asset moves that you've taken over the course of 2019. I just--can you quantify some of those internal tailwinds that I would think are embedded in the numbers? And then, within the Agribusiness unit, maybe frame a little bit, kind of some of the puts and takes between the grain side and oil seeds, and kind of how you're thinking about the two sides of the market there? Thanks.

John Neppl
Yeah. Hey, Adam, I'm sorry, can you repeat your question around the cost side? I didn't--I'm not sure I--

Adam Samuelson
--Yeah. So just, in terms of the SG&A cuts that you've been implementing over the course of the last year, and as you've continued the Global Competitiveness Program, I would imagine that there would be some carry-over benefit 2020 versus '19 embedded in your EBIT forecast. Could you quantify those, and just benefits from internal initiatives that you're including in the EBIT forecast that you've laid out?

John Neppl
Yeah. First, I think, it's probably important to know, I think the first half of the year, we still get some, I'll say, redundant costs associated with our transfer of employees, you know, to St. Louis, and some of the execution we're doing around a rewiring. We will continue to have some higher costs, probably, the first half of the year, as those programs run out. We do expect, you know, a measurable reduction next year in SG&A, particularly at the corporate level.

You know, at this point, from just a pure overhead standpoint, if you think about a run-rate basis, we saved about 50 million, this last year from the beginning of the year to the end of the year, of additional costs. And I think heading into 2020, we should have, hopefully, a comparable number going throughout the year next year, maybe. a little bit less in that, because we cut deeper and deeper into the organization, it gets a little bit tougher. But we are expecting somewhere probably in the neighborhood of 25 to 50 million of additional cost savings next year.

Greg Heckman
Yep. The other thing probably worth mentioning--John mentioned all the rewire work that continues to go on in the first half, but also the resources around all the portfolio work we're doing here, in the first half. Some of it has been announced but hasn't closed yet, and some of the ongoing work. And our target of getting the majority of that wrapped up, or in a position to at least be able to speak to what we're doing, by the end of the second quarter, which'll then get us into position, as John said, to make the balance of those changes and kind of come out of '20 with the run rates that we're looking to go forward. And of course, that's the thing of thing we'll also drill into more detail during Investor Day.

John Neppl
Yeah, I don't think we'll be on our revised run rate until late, you know, back half of the year. And I think once we get out of 2020--at the end of the year, we should start with a much cleaner cost base at the end of 2020 heading into 2021.

Adam Samuelson
Okay. And then just broadly, just the Agribusiness unit specifically, just lay out kind of the different assumptions on crushing and the grain side?

John Neppl
Yes. As we look at 2020, as we talked, we've got pretty good momentum coming out of Q4 here, and we've got pretty good visibility into the first half. And we'd even say that the first half looks positive. I think the challenge is, really no--very, very little visibility into the second half, and then you've got the big flags around China trade, the Argentina economic situation, coronavirus, it's possible, effect on demand. You've got the margin curves in crush outside of the U.S., are heavily inverted, and the second half replacement margin's definitely not attractive.

And then, of course, U.S., the soy crush margins are significantly below last year, what we've seen. I think that's really the drivers inside of the Agribusiness, which is the big piece. And then of course around the distribution is the timing of the phase one, and we're lacking the details, really, about timing and products, and then already some talk about maybe a delay due to coronavirus. So, that's kind of the key drivers that we put this together with.

Adam Samuelson
Okay, I appreciate all that color. I'll pass it on. Thanks.

Greg Heckman
Thank you.

Operator
The next question comes from Tom Simonitsch of J.P. Morgan. Please go ahead.

Tom Simonitsch
Good morning, everyone.

Greg Heckman
Good morning, Tom.

John Neppl
Tommy.

Tom Simonitsch
So, on the Loders goodwill impairment, you noted synergies are coming further than you expected. Can you just remind us on those synergy targets, and how they've changed?

Greg Heckman
Yeah, let me frame that up. The one thing that I want to be really clear about is we definitely believe in the value of that platform. That was a--you know, wonderful opportunity. This is the kind of asset that only trades once, and we were glad to get that opportunity. We've continued to deliver on all of our cost targets. We fully integrated the team, we're going to market as one company, and able to continue to benefit from the combined legacy Bunge business and legacy Loders business.

The gap we have had has been on the timing of delivering the top line synergies, and those are not coming as fast as we had planned. We do love the – the business, because the fats and oils, is definitely on-trend, it's right on our wheelhouse. It's an adjacent space, that allows us to value up our fats and oils platform. And we definitely are at the table with customers, having conversations, and working on projects that--I was just with the senior sales team last week, and they said we wouldn't have been in this position a couple years ago. And it's a global

presence, it's the end-to-end product and technical capabilities, and frankly, it's the record on sustainability, which Bunge's done a really fantastic job.

And while we're on Loders, you know, we've got some important product launches this year. In our infant nutrition, we've extended our award-winning Betapol with new high-concentration formulas. In the confection space, we're launching a reduced sugar fat system, and we did that work with one of our venture companies, and this allows us to put less sugar to be used for the same sweetness. We're really excited about where that can go.

And then in the plant-based area, which has garnered so much activity, so much investment. We've got a line of fats to replace animal fats, in a range of products from veggie burgers to beverages, and we're working with over a handful of global customers and getting some traction there. So, while we were slow in delivering the top line, this is a great property, and this is going to create a lot of value for shareholders long-term.

John Neppl
And I think it's maybe worth mentioning, Greg, the driver of the impairment was really just a shortfall to our overall model that we had built when we bought the business. But we still did achieve pretty good growth, year-over-year, inside that business. So, very positive growth, just not quite at the level of what we had expected when we priced the business, so that drove the impairment. But again, as I mentioned in my remarks, that was just driven by our annual review goodwill. It wasn't any single event that created--caused us to have to take a separate look at it.

Tom Simonitsch
Understood, thank you. And then, just on capital allocation, you paid down some debt with proceeds from the JV this last quarter, but what needs to happen if you just start buying back shares?

John Neppl
Well, it's something we've talked about. We haven't bought back shares for a few years now, I think. And you know as Greg and I have come in, we're taking a hard look at everything that hasn't been a priority on capital allocation after this point. Certainly, it's a bucket we look at and talk about, and we will do so in 2020. I think the question is, really when we look at opportunities, it's up to us to find a good way to create value for the shareholder, by reinvesting capital, and if we can't find a better alternative, then share buyback is certainly on the table.

We haven't finished, sort of, our plan for 2020 exactly how we want to allocate all the capital. We do have a fair amount of money earmarked, as I mentioned, 450 million for capex. And you know, we always hold a little bit back, and determine whether or not the right thing's going to be debt reduction, if we have some sort of an acquisition opportunity, or share repurchase, but it's certainly on the table. But I would say at this point, we don't have any hard decisions one way or the other.

Tom Simonitsch
I'll pass it on. Thank you very much.

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

Vincent Andrews
Thank you, and good morning, everyone. If you could just maybe--

John Neppl
--Good morning, Vincent--.

Vincent Andrews
--Clarify for me on the share repurchases, and the alternative uses of capital. I mean, I guess the way I think I would be thinking about it is that, you know, you're going to have an Analyst Day in June, presumably you're going to tell us that your earnings power is higher than what you're run rating at, and your stock's undervalued. So, why wouldn't your shares today be the best alternative use of capital, because you'd presumably be being buying them at a discount of what you think you're worth, versus going out and paying a premium for somebody else's business?

John Neppl
Yeah, it's always a trade-off, I agree. And you know, I'd like to think between now and--our plan would be, between now and June, to provide you better clarity on what our capital allocation plan will be. You know, we hear from shareholders and investors, some that like share buyback and some that don't. And for us, we really have to just look at it and say, as we kind of hit the reset here with the company, and develop a go-forward strategy, I would say it'll get equal airtime discussion with anything else we have to do with capital. I just can't sit here today and commit to you that we're going to purchase shares, or how many we're going to purchase. Certainly, if it becomes clear that's the best alternative for our capital, then we'd be foolish not to take that into consideration and make it part of our allocation.

Greg Heckman
Look, our first order of business--

Vincent Andrews
--Okay--.

Greg Heckman
--Is to continue to execute, to get the cash in the house, and that's continue to execute operationally, and continue the balance of our portfolio work, and then to be able to have that strong debate in the boardroom.

Vincent Andrews
Okay, that's fair enough. And if I could just ask John a follow-up on working capital, obviously it built towards the end of the year, and obviously was part of why the earnings were better. Should we expect some type of reversal next year, holding commodity price is constant, just because farmer selling was advanced, and so forth, or how should we be thinking about cash flow in 2020, relative to a roughly flat underlying EPS event?

John Neppl
Yeah, I think our bias right now, based on what we look at today, we would expect it to revert a bit. And so, we would expect the change in working capital next year to be a net positive for cash flow, at this point. To your point, though, you know, all else being equal, commodity prices, etcetera; I would agree with your comment.

Vincent Andrews
Okay. Thanks very much, guys, and congratulations on the quarter.

John Neppl
Thank you.

Greg Heckman
Thank you very much.

Operator
The next question comes from Ben Bienvenu of Stephens, Inc. Please go ahead.

Ben Bienvenu
Yeah, thanks. Good morning, guys.

John Neppl
Good morning, Ben.

Greg Heckman
Good morning, Ben.

Ben Bienvenu
I want to ask about--you talked about the ROIC target, you talked about WACC, I want to ask about the ROIC as it relates to the components of that target. Would you expect a greater proportion of the move towards 9% comes from, you know, your earnings, so the numerator, or your reduced invested capital, the denominator? How are y'all thinking about the contribution as you move forward?

John Neppl
Yeah, that's a great question. So, yeah, there's a couple things. One is, through the portfolio actions we've been taking throughout the year. If you look at the gap, where we finish the year at 7.9 to get to nine; that's 1.1. If you think about that purely on an earnings perspective, that's less than $4.00 a ton on our crush margin, based on our volume for this year. It puts into perspective, it could be achievable through the revenue side, but we're not going to rely on that, necessarily, to try to get us there.

Obviously, driving earnings is an important piece of it. But as we look at the portfolio actions we've taken this year, you know, half that gap--over half that gap could be made up just by reduction in invested capital, based on the actions we've taken. Some of those have been announced but haven't been executed yet. So, I think we would view--our goal to get to 9%, at this point, to be half driven by portfolio action and half driven by driving earnings. That's probably a good baseline.

Ben Bienvenu
Great, that's helpful. And then I want to ask, about the edible oils business, but kind of just the veg oil market more broadly, obviously, had a great back half of the year in palm oil, soybean oil. The market's been volatile here, year-to-date, with coronavirus. And I'm just curious, if you could just give us your view, to the extent you have visibility on the vegetable oil market, and palm oil and soybean oil in particular in the near-ish term?

Greg Heckman
Sure. I think one of the keys, as the last time we were all together, crush margins were pretty touch. Crush had slowed in some regions, that had tightened up oil a bit. And then with the lower palm production, we saw the palm market rally at the same time--rally on price at the

same time that oil supplies tightened, into the end of the year. And some of those dynamics is also what helped us deliver Q4.

You know, we believe that could tighten further, coming here into 2020. Soft seed margins continue to be good, outside the EU, and then we've got biodiesel creating a lot of demand for refining capacity, and that's a net positive for the oil outlook as well. And you look at the mandates, the U.S. going from 2.1 billion gallons to 2.43 here in 2020. So, there are a lot of things driving. I think the big overlay is global demand, but that's yet to be seen.

Ben Bienvenu
Okay, fair enough. Thanks. Good luck.

John Neppl
Thank you.

Operator
The next question comes from Rob Moskow of Credit Suisse. Please go ahead.

Rob Moskow
Hi, thanks. Greg and John, if I think about the potential for a rebound for your business through China, I would imagine it would be a resumption of normal trade flows, but then also rebuilding of the pig herd in China, following the African Swine Fever impact. I image you've been conservative on both of those factors. Does it make sense to think of them both as incremental to your business, or is one bigger than the other, or is there any way to quantify it?

Greg Heckman
I'm not sure there's a way to quantify it. You know, I think, in China, on ASF, we do think that about 40% of the herd was liquidated. It looks like, we think that's done as long as we don't get ASF to come back, a resurgence of it. And some of the demand has improved, as some of the small people have been able to switch over to poultry, to chicken, quickly. And then we've seen sows rebound 2%. So, hope that the worst is in there. As far as the U.S.-China trade, no doubt, we're always a big fan of markets that are economic, and clear and concise, and open, fair, and free trade. But regardless of that, I'm glad we've got a global platform, and this great team running it. And we'll continue to stay in position for a number of outcomes, and not try to over guess what's going to happen.

And if you really kind of tried to frame up the drivers, as you look at 2020, we took our outlook, right, and we based that visibility on the curves, and we didn't give any adjustments, plus or minus, versus what you can look through today around trade, ASF, or the coronavirus. If you looked at the challenges, things you don't want to see happen, you wouldn't want to see ASF return to China or spread, you wouldn't want to see coronavirus continue to grow, which would be tough on oil and meal demand. And you wouldn't want to see these trade disruptions continue in a way that's bad for margins on crushing as well as distribution. And then you wouldn't want to see animal numbers decline overall, and you also probably don't want to see Argentinian crush run up, and run at high volumes uneconomically.

On the flip side, what you do want to root for, would be seeing oil demand continue to tighten, as we just talked about, as it has been. We'd see the animal numbers grow, which means no spread of ASF. Argentina would remain slow, as it is now. We'd see wheat continue to remain tight, and the outlook right now is there'll be less wheat fed, and of course that means it's not

competing with soybean meal; it's better for soybean meal demand. And then the coronavirus ends up being a flash, and goes away so that we're not even talking about it next quarter.

We see a little bit of improvement in the Brazilian economy, after the pension reform last year. That was definitely positive, and so we'd like to see that Brazilian economy continue to improve, and that would be good for really all of our businesses. And then see U.S. meat exports improve, which would be constructive to prices, and that would continue to keep the animal numbers high in the U.S. and be good for demand. So, there's a list of things to root for, if you need me to email them to you I'd be happy to do that.

Rob Moskow
I think I'll just rely on the transcript, thanks. But if I can ask you one little element of that, I think you said you would root for oil demand to continue to tighten, is that what you said? Because I would think that you would want demand to be stronger on oil, or did I get that wrong?

John Neppl
Sorry. By demand growing, the S&D picture tighten. Sorry, not to be clear about--

Rob Moskow
--Okay. Got it. Okay, thank you.

Greg Heckman
Thank you.

Operator
The next question comes from Heather Jones of Heather Jones Research. Please go ahead.

Heather Jones
Good morning, and congratulations on the quarter.

Greg Heckman
Thank you very much.

Heather Jones
Yeah, I wanted to clarify something you said earlier, Greg. Did you say the first half outlook for Agribusiness is positive, and that you are lacking--the visibility isn't good in the back half?

Greg Heckman
That's correct. You heard me.

Heather Jones
Okay. So, thinking about the cadence of the quarters right now, and given there's a little bit of visibility in the back half, is it fair to assume--I know you didn't quantify how much you are anticipating agribusiness being down – but when we're thinking about how the year's going to play out, are you expecting at this point that first half Agribusiness would be up year-on-year, and then the back half potentially down? How should we be thinking about that?

Greg Heckman
There are so many moving pieces. And in this business, the one thing we've seen--with it being seasonal and cyclical, and the fact that we do operate across the value chain, the one thing we know, right, is that margin can move from one area of our business to another, and it can move

from one quarter to another. I'm really hesitant to try to put the specificity really around the quarters, that's what we kind of like to talk to the full-year and where we're trending. As we talked about momentum out of Q4, we feel that momentum and what we've been able to do to protect margins in the first half, and kind of the outlook of as we look through, we feel good about the momentum coming in. If you look at the first half of the year, year-over-year, Q2 was pretty big, prior year.

Heather Jones
Okay. Okay. But Q1, an easier comp. And then moving on to edible oil, so your comments were all bullish and--which, I share that view. So, given that, I was sort of surprised about the outlook language. I mean, you guys had mentioned that--Q3 of '19, that it was probably not good to run rate that, because pretty much everything went right. But, you know, you talked about fundamentals being good, and now, you're talking about similar year-on-year, excluding the timing effect. And so, I was just wondering, because your qualitative commentary sounds really bullish, but then the quantitative commentary doesn't sound as much, and I was just wondering if you could help me reconcile the two?

Greg Heckman
Well, the flip side would maybe be some of the things in Brazil. What we've seen, while it's been helpful for the agribusiness it's probably been a little bit challenging for food and ingredients. There are a number of puts and takes across the portfolio. I think we are concerned, from a demand--overall, just as we talked about, the number of unknowns in the marketplace between ASF, the coronavirus, Argentinian situation. And I don't know if I have a better--a more specific look than that.

Heather Jones
There's some conservatism built into that commentary related to potential demand impact from coronavirus?

Greg Heckman
Well, I think what we've tried to do is look through and tell you what we can see, and not what we hope is going to happen.

Heather Jones
Okay, okay. Perfect. Thank you so much.

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

Ken Zaslow
Hey, good morning, everybody.

Greg Heckman
Hey, good morning, Ken.

Ken Zaslow
Hey, just a couple questions. One is, when you think about the portfolio change that you've done, can you quantify if that was not done, how much your profits would have been down, relative to where you were? Or kind of said differently, based on what you've done, how much have you improved off of base level, or some sort of quantitative view on that?

John Neppl
Yeah, I think the--if you think about the actions that we've actually taken, or that have been announced--so I'll go that way, because we've got a couple small things that we're going to close here shortly, and one of those, of course, on margarine and mayo business that we sold and announced in South America. We would--just on the things that we've announced or have executed, we would expect EBIT to accrete 10 to $15 million. But probably more importantly, should be an accretion on the share price, around 25 cents, driven by both EBIT accretion and lower interest costs going forward, from proceeds. So that would, of course, include sugar, and that's assuming our sugar, maybe, performs at what we expect it to, on the earnings side. So, we do expect some reasonable amount of accretion here, based on what we've done already. And then of course we're continuing to look at other opportunities.

Ken Zaslow
And what about the utilization rate? I thought you said, also, that there was a greater--I think the first comment that was said was, the utilization rate was an all-time high, and the cost was all-time low, or something like that, or a five-year low? I think that was interesting, so I'm just trying to figure out how that all played out, because that doesn't seem to always be included in the hard numbers.

Greg Heckman
Yeah, some of that is really the operating model and how the commercial teams and the industrial teams are really working hand-in-glove about getting the assets, one, in shape to run when the margins are there. And then, getting us positioned to get--to capture the earnings at risk that exist in that asset base, so that we can run out assets harder, and not have any unscheduled downtime, whether it's for maintenance or whether it's for commercial things.

So, I think the team has been much more nimble, and especially in this environment, being able to flex our global system, and keep our assets full when the margins are there. So, that's been a result of some footprint, but a lot operating model and the team. And then, as John talked about, some of the portfolio changes that we've made as those things close, and we unwire them from the organization, then work to get the stranded costs out. You know, those are things that are in fly, they're not an overnight flip the switch.

Ken Zaslow
Yeah, I agree with you, it just seems like there's more--I guess what I was trying to figure out is, out of all these building blocks, it sounds like there's at least $50 to $75 million of incremental profit that has been built up through corporate actions. And I don't know for sure, but that's what it seems like. I just didn't know if there was a way to quantify utilization rates, costs, and portfolio management into three buckets, of how to actually think of the incremental earnings on some internal actions.

Greg Heckman
What we're going to try to do is prove it by delivering it a quarter at a time, and then being real transparent about how we deliver it.

Ken Zaslow
My follow-up question is, when you think about your portfolio management by the end of second quarter, is that really the end of it? Because it seems like there is still a fair bit of assets under the Bunge umbrella, that may be earning return on invested capital that might be dilutive to your 9%. How much has to be done after that, and what is the progression in terms of how we are going to expect to see that? And then I'll leave it at that--.

Greg Heckman
--Yeah, how we've been talking about it internally, we had the initial portfolio review and put our target list together, and the things that you've seen done, and the things that we have teams working against today, that are underway. Those, we're pushing to be able, as we said, to have finished or in a position to announce our intentions by the end of the second quarter, when we do the Investor Day. Because what our goal is, is to be clear about what asset base we continue to run going forward, and be able to talk about the earnings power of that and our growth plans.

That doesn't mean, and as we've told the team, running a great business is constantly challenging, and the things that aren't making the return hurdles that they either have a plan to get there on a very short timeline, or they have exit plans. And that never stops, that's continuous improvement. That's like, GCP is a muscle memory, and now we are challenging and chasing our best metrics across our global platform, to continue to drive costs out in a continuous improvement. Just like risk management; we're never going to be perfect; it's always trying to get better, it's continuous improvement. This just becomes the culture of how we're running the company so that it's not an event, it's an everyday event.

Ken Zaslow
Great. I appreciate it. Thank you very much.

John Neppl
Thanks, Ken.

Greg Heckman
Thank you.

Operator
This concludes our question and answer session. I would like to turn the conference back over to Ruth Ann Wisener for any closing remarks.

Ruth Ann Wisener
Thanks for your interest in Bunge, and if you have any further questions, please follow-up with me. Have a good day.

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