Bunge Limited

First Quarter 2022 Earnings

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CORPORATE PARTICIPANTS

Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the Bunge Limited first quarter 2022 earnings release and conference call. All participants will be in listen-only mode. So, if you need assistance, please signal the conference call assistance 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 and then one on your telephone key pad. To withdraw your question, please press star then two. Please note this call is being recorded. I would now like to turn the call over to Ruth Ann Wisener. Please go ahead.

Ruth Ann Wisener
Thank you, operator. And thank you for joining us this morning for our first 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 Events and Presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP's initial measures are posted on our web site, 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 conditions.

These forward-looking statements are subject to various risks and uncertainties. Bunge has provided additional information in its reports on file with SCC 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. I want to start by thanking our team for the continued dedication and strong execution as we navigate volatile commodity markets that have

been further disrupted by the war in Ukraine. The team has gone a great job remaining focused on our highest priory, the safety of our employees. We are actively supporting our colleagues and their families to provide what resources we can to help them through this terrible crisis. Last year this time, we were talking about a different shock to the markets. The impact of COVID. And here we are a year later, and the lingering effects of COVID are still with us.

And now we face the inter-related head winds of continuing supply chain issues, challenging weather patterns that have reduced the production of palm, canola, and soy, and government policy reactions. All now further complicated by the war in Ukraine. These market disruptions are re-routing many traditional trade flows and contributing to crop price inflation. Our team continues to manage through these challenges with great agility and a shared sense of purpose. To connect farmers to consumers, delivering essential commodities and food to communities around the world in a safe and sustainable way.

Our ability to improve our day-to-day execution, while also delivering on significant growth projects is a credit to the hard work of the team to transform Bunge into a more global, integrated company. Working together with a collaborative approach has improved our ability to use our extensive global platform and collective expertise to help customers on both ends of the supply chain effectively respond to the additional market pressures that have increased their operating risk. During the first quarter numbers, we continue to build on our positive momentum, delivering year-over-year earnings growth for the 10th consecutive quarter, with all segments of the business contributing to this strong performance.

While we incurred losses in our Black Sea operations, our team effectively responded to the situation when industry margins spiked globally, due to the combination of continued strong demand and an even tighter supply outlook. In Refined and Specialty Oils, strong results were largely driven by North America refining. Our team used the optionality of our complete portfolio of oils, our global network, and our technical expertise to help customers solve their supply challenges. Results in Milling were also higher, with our team having effectively managed the supply chain and input cost volatility.

Furthering our strategy, this quarter we made an important step in our effort to identify opportunities to reduce carbon in our value chains through on recently announced commercial partnership with CoverCress. Expanding the support for this new, winter, oil-seed crop is an ideal way to produce a lower-carbon intensity feed stock that can help meet the growing demand for renewable fuels. We believe rotational cover crops can play a key role in our joint venture with Chevron to supply inputs to the renewable fuels industry.

Along those same lines, we continue to make progress in simultaneously advancing our commercial and sustainability approach in South America. We've expanded our soy origination network through minority investments in re-sellers that purchase from smaller farms. This business strategy has also allowed Bunge to accelerate traceability efforts to support our progress toward our commitment to be de-forestation free in 2025.

Before handing the call over to John, I want to spend a moment on our outlook for 2022. Back in January, we said we expected to deliver adjusted EPS of at least $9.50 for the full year. Based on what we can see today, we're not expecting to deliver adjusted EPS of at least $11.50 for the full year 2022. As usual, this outlook is based upon our current visibility and the forward curves for the balance of the year. I'll hand the call over to John now to walk through our financial results in detail and then we'll close with some additional thoughts on 2022. John?

John Neppl
Thanks, Greg, and good morning, everyone. Before I get started, a few additional comments about the situation in Ukraine. We have over 1,000 employees there and are thankful that, as of this date, there have been no reported casualties or injuries among our team. Within the country, we have two oil-seed processing facilities, a port, several grain elevators, and an administrative office in Kiev. As has been previously reported, our port facility sustained damage. However, based on initial visual inspections, the damage does not appear to be significant. Beginning late March, we re-started certain commercial and operational activities, primarily exporting grain via rail and truck. However, these activities have been extremely limited. While the region is an important part of our global footprint, the total value of the assets is about 2% of Bunge's consolidated asset base.

Now, let's turn to the earnings highlights on slide 5. Our reported first-quarter earnings per share was $4.48, compared to $5.52 in the first quarter of 2021. Our reported results included a positive market to market timing difference of $0.40 per share and a negative impact of $0.18 per share related to one-time items. Adjusted EPS was $4.26 in the first quarter versus $3.13 in the prior year. Adjusted core segment earnings before interest and taxes, or EBIT, was $858 million in the quarter versus $737 million last year, reflecting higher results in all segments. Agri-business started the year off strong. In processing, the U.S., Europe, and Brazil reported higher soy crush results, benefiting from improved margins due to strong demand. Those results were partially offset by lower results in soft-seed crush in Europe and China, which were negatively impacted by tight seed supplies and higher costs.

Merchandising had a good quarter; however, results were down compared to a very strong prior year, reflecting lower results in our global grains and financial services operations. In Refined and Specialty Oils, higher results in the quarter were largely driven by improved margins and volumes in North America, which benefited from strong food and fuel demand and results in the other regions were slightly lower compared to the prior year. In Milling, higher results in the quarter were driven by South America, which benefited from higher milling in upstream origination margins, partially offset by increased industrial costs.

Higher margins and volumes in the U.S. also contributed to the improved performance. The decrease in corporate expenses during the quarter was primarily related to the timing of performance-based compensation accruals. The loss in other was related to our Bunge ventures investment in Benson Hill. Results in our non-core sugar and bioenergy and joint venture were primarily driven by higher ethanol prices. For the quarter, income tax expense was $108 million, compared to $192 million for the prior year. The decrease in income tax expense was primarily due to lower, adjusted, pre-tax income, releases of valuation allowances in Europe and Asia, and tax benefits associated with equity compensation payments.

Excluding a $47 million, one-time expense related to the make whole on the early extinguishment of our 2024 bonds, interest expense was $64 million, down from last year, which primarily due to lower average debt levels. Let's turn to slide 6, where you can see our positive EPS and EBIT trends, adjusted for notable items and timing differences over the past five years. This validates the resilience of our global platform, but also demonstrates continuing strong performance by our team that has successfully managed numerous transformation initiatives and different market environments over the past three years.

As shown in slide 7, addressable SG&A was relatively flat, year over year. However, similar to other companies, we, too are experiencing inflation and we are working to mitigate it where we

can. After two years of COVID-related impact, we do expect higher addressable SG&A in 2022, reflecting increased travel, investments in our people process and technology, and in growth initiatives to strength our capability to drive future value. While our investments in technology should bring productivity gains over time, we do expect net incremental spending in the near term. Slide 8 details our capital allocation of the nearly $700 million of adjusted funds from operations that we generated in the first quarter.

After allocating $49 million to sustaining cap ex, which includes maintenance environmental health and safety, and $8 million to preferred dividends, we had approximately $639 million of discretionary cash flow available. Of this amount, we paid $74 million in common dividends, invested $56 million in growth and productivity cap ex, leaving approximately $510 million of retained cash flow, which was invested in additional working capital. In March, due to the strong performance of our share price, our 4 7/8% perpetual preferred shares converted to common shares. This conversation simplified and strengthened our capital structure.

Leading up to our May shareholder's meeting, we will again review our common dividend, giving strong consideration for our higher baseline, the success and strengthening our balance sheet, and our improved earnings outlook. With our strong balance sheet and cash flow generation, our credit metrics stand at our target levels of BBB with Fitch and S&P and BAA at Moody's, putting us in a position to allocate capital to the best opportunities. And as we have demonstrated in the past, we will continue to maintain a disciplined and balanced approach.

As you can see on slide 9, at the quarter end, readily marketable inventories, or RMI, exceeded our net debt by approximately $2.8 billion, a significant change from a year ago. This reflects the positive trend of our underlying cash flow and has allowed us to invest significantly in inventory, with only a small increase in debt. Slide 10 highlights our liquidity position, which remains strong. At quarter end, we had approximately $5 billion of our committed credit facilities unused and available. This provides us ample flexibility to manage our ongoing working capital needs in this volatile commodity-price environment.

As shown on slide 11, our trailing, 12-month adjusted ROIC was 21%, 14.4 percentage points over our RMI adjusted, weighted average cost of capital of 6.6%. ROIC was 14.4%, or 8.5 percentage points over our weighted average cost of capital of 6%. The spread between these return metrics reflects how we use RMI in our operations as a tool to generate incremental profit. Slide 12- for the trailing 12 months, we produced discretionary cash flow of approximately $1.9 billion and a cash flow yield of 20.2%.

Please turn to slide 13 in our 2022 outlook. As Greg mentioned in his remarks, taking into account the current margin environment and forward curves, we've increased our full-year, 2022 adjustment EPS outlook to at least $11.50 per share, a $2 increase. In agri-business, full-year results are expected to be higher than our previous outlook, but still forecasted to be down from last year, due to lower results in Merchandising, which had a particularly strong prior year. While we are not forecasting the same magnitude of margin-enhancing opportunities that we captured in the past year, we do see a 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 our previous look and higher than last year, driven by strong demand from food and fuel in our North American and European businesses. In Milling, full-year results are expected to be up from our previous outlook and significantly higher than last year, primarily due to our better than expected first quarter results. In Corporate and other, results are expected to be favorable compared to last year.

Additionally, we now expect the following for 2022. An adjusted annual effective tax rate of 16% to 18%, net interest expense in the range of $250 to $270 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 bio-energy joint venture are expected to be in line with the last year. With that, I'll turn things back over to Greg for some closing comments.

Greg Heckman
Thanks, John. So, before turning to the Q&A, I just want to offer a few thoughts. I know I've said this many times, but I want to reiterate again how incredibly proud I am of our team. We often say that markets are dynamic, but the past three years have been unlike anything I've experienced in my career. Our team has shown great resilience, discipline, and a strong commitment to helping solve problems for our customers at both ends of the supply chain.

As we look ahead, we know that markets will continue to be volatile, as questions around the war in Ukraine, eventual crop-production levels, supply chain challenges, government policy reactions, and COVID all have yet to be answered. Regardless, I'm confident that our Bunge team is prepared to execute in the face of these and the other challenges that lie ahead. So now, let's open the line for questions.

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. To ask a question, you may press star and then one on your telephone keypad. If you're using the speaker phone, please pick the 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. Our first question will come from Adam Samuelson with Goldman Sachs. You may now go ahead.

Adam Samuelson
Yes. Thank you. Good morning, everyone. So, Greg, John, I ask -- my first question, just thinking about the performance in the first quarter and really the last two years, and I know you only introduced this last year, but the $7 baseline, it seems like we're operating pretty dramatically above that level right now. It seemed like the market environment would suggest that can continue for quite some time and I'm just would -- hoping that you would reflect about some of the things that, maybe, aren't in that? The capital allocation -- are related to, maybe how the soy crush environment might have some structural tailwinds to it that just -- how your thinking about $7 baseline today, given the demonstrated performance, balance-sheet optionality and -- and the cyclical environment.

Greg Heckman
Sure, thanks, Adam. Yeah, let's remember, first of all, that the $7 baseline was creating and earnings framework and as we spoke about the last time, the environment, currently globally, we believe we're going to be well in excess of that for the next couple years. And I think what we've seen with the tightened -- tightening supply situation around the world, continued strong demand and now what's developing in Ukraine, in the Black Sea, with that being an important supply area, that's really an elongation of that trend.

We continue to have well above what was in that earnings framework in crush margins for our soy operations, for our soft operations. We have seen, of course, refining in premiums -- refining premiums improve in, first in North America, on the back of renewable diesel demand, but we also have not seen a drop-off, here post-COVID where we're seeing food demand at five-year

levels, as well. So, we saw that improve in North America and that gave us the confidence, as we talked about, we expect that to continue to at least a couple years here. And now, with higher energy prices, which is also supportive for biofuels, globally, and with what has happened with the war in Ukraine, we're seeing now refining premiums improve in Europe, and really globally. So, we're really seeing good participation everywhere and then, of course the Merchandising segment, where we talked about is the hardest to predict, but really seeing benefit across the full chain, as we're helping manage this volatility and helping solve problems. I might let John put a finer point on some of the things that aren't in the model around capital.

John Neppl
Yeah, thanks, Greg. You know, Adam, as we've mentioned before, the $7 baseline didn't include any growth capex, and so obviously, we've got a pretty robust pipeline of opportunities today, you know, in the range of $2 billion of projects that are in the pipeline. You know, maybe not all those will get done. We'll see. But we may identify other opportunities as well. But, you know, we're very confident that with prudent capital allocation over the next couple years, you know, if and when the environment wanes a bit, we will have improved the baseline of this company by investing capital in good projects, so we certainly feel like, at some point here, we'll need to address the $7 baseline and give a better update on what we think it -- what it should be.

Adam Samuelson
Okay. That's all really helpful. And if I could just follow-up on the balance sheet and how would you think about, in the context of your committed credit capacity, your credit ratings, your, kind of, dry-powder today, just, it seemed like a really -- it seemed like opportunities would be presenting themselves on the M&A front that might not have been there a couple years ago, yet you're in a position to capitalize on that others might struggle with, given liquidity constraints, such as any context and just where do you think your capacity is in dry power is today.

Greg Heckman
Yeah, I think we'd be pretty comfortable to say that, you know, we've got north of $2 billion of capacity today, and certainly for the right opportunity, you know, we'd be willing to stretch that in the near term, in the short term. We do feel like we're in a very strong position today, with all of our metrics and our, you know, our leverage ratio is low, as low as it's been in a very, very long time, and I think we've -- probably as importantly, I think we've got the people and the processes in place to manage, you know, some pretty significant opportunities.

Adam Samuelson
Okay, great. That's all really helpful color. Thank you.

Operator
Our next question will come from Ben Bienvenu, with Stephens. You may now go ahead.

Ben Bienvenue
Hey, thanks. Good morning everybody. Thanks for taking my questions. So, I want to ask a little bit about the outlook. I know you guys have historically guided with what you can see. The curves, not necessarily a sustaining of what we're currently experiencing, but I guess if I think about the environment as we move through the year, what is there on the outlook, just thinking conceptionally through things, that you think could potentially either further tighten or loosen the back drop from where we are now, and you know, if you could rank order those, both in terms of likelihood and magnitude, that would be helpful for us to think about.

Greg Heckman
All right. Sure, let me start. Yes, you're correct. We also look at the forward curves and what they're telling us in our outlook rather than try to predict where they'll end up and as we get visibility, that, you know, we've rolled it forward with you. You know, let's talk about the supply side and weather. Of course, that's going to be real key, as tight as the marketplace is, we need to get this crop in, in the U.S., you know, here in North America planted and we need to see good weather. We do need a large crop, so that'll be a key indicator of how tight things stay. We'll need to continue to -- with there, also, watch the Canadian crop develop. If you remember, Canadian canola was -- and wheat, but primarily canola, was impaired by weather last year and so, we're going to be tight there until we get to new crop.

And then, of course, the supply chain disruptions caused by the war and the reactions to that, as we're kind of re-drawing origin/destination pairings in the world to be able to continue to serve people. And then, on the other key on the supply side, of course, is, you know, Brazil. The farmers in a -- with the crop being trimmed back a little bit by weather on the sale of soybeans, it'll continue to see how that develops late in the year, from a selling pattern. Of course, FX is always a concern for the farmers. And then, we're in a political year, election cycle, and that also tends to keep them a little closer to home.

And then Argentina, of course, we're a little tighter because, again, Paraguay and the Argentine crop trimmed back slightly so we expect the farmer to continue to be fairly tight there. So that -- those are kind of big drivers on the supply side with the U.S. being the -- probably the biggest magnitude on its own.

And then, on the demand side, you know, things are extremely tight on oil meal and wheat. You -- definitely less so for corn. So, anything that affects that, and so, if we would get a big price spike due to weather would be any demand destruction.

Now, we're not seeing any demand destruction of any magnitude, to date, but that's one we continue to watch closely and that would be, you know, I think the biggest one on the demand side and then continue to watch the consumers' reaction, overall. And then, of course, COVID is the last big wild card and what that could do to demand and, you know, China is always a huge driver and, of course, that's in the spotlight right now. So, I don't know if John has anything to --

John Neppl
No, you covered it pretty well.

Ben Bienvenue
Yeah. Very helpful. Thank you, Greg. My second question is re-visiting your comment on the U.S. crop. I know it's very early and, you know, I can think back to years where, even in having bad weather, yields were largely unimpacted -- 2019 comes to mind. As you look at, kind of, the key milestones as we move through this summer, what are dates in your mind for moments of visibility. So, kind of a plant-by date. I know prevent plant dates are important. And then, kind of monitoring weather once the crop is harvested, thinking about what the ultimate impact to yield is. Just of kind help us think through a critical path through the summer.

Greg Heckman
Yeah, I think you're correct, right, that over time, as the technology and the seed's gotten better, as farming practices have gotten better in, you know, practice around nutrients have all gotten better, it seems like, you know, it doesn't mute the yields, you know, there's not the same volatility

of yields we saw in the past. And that's a good thing. Right? But, you know, the first one is watching, you know, the weather. And while there's concern, we're not concerned yet, but everyone's watching the weather patterns closely, because we've gotta get it, you know, get it in the ground and then make sure that, you know, how the mix of what gets planted, between corn/soy is kind of as predicted or if that changes and the weather can switch that a little, but not a lot.

So, we'll watch the planted acres, the dates that it gets in the ground and the crop mix. And then, based on when it gets in the ground, then you start looking at the pollination. And the weather cycles for that time of year and watching the pollination in both crops and kind of a key developmental stages that affect yield. And then, from there, we'll start watching harvest. Right? And again, depending on when it got planted, when it matured, then where the harvesting is and what we believe the weather cycles are and what that does the percent of harvest acres as well as the quality of the crop that we're bringing in. So, those are kind of the drama that we live every year in each region around the world and I don't think it'll be a lot different this year.

Ben Bienvenue
Yeah, okay, great. We'll stay tuned. Thanks so much.

Operator
Our next questions will come from Steve Byrne with Bank of America. You may now go ahead.

Steve Byrne
Yes, thank you. I have a couple questions about the forward strip and soybean oil, and it looks to moderate a little bit over this next year, but then stay kind of near $0.70 over the next couple of years. Two questions on that. One being, would you say there is more risk that that strip moves up or down from here? And then secondly, if it's up, or even it stays where it's at, do you have any concern about, basically, the cost compatibility of competitiveness of using soybean oil as feedstock for renewable diesel. Is that a concern, you know, for all that capacity under construction in your view?

Greg Heckman
Yeah, the first I'd say is kind howI'd say what the market, you know, can -- the two biggest factor is the market continues to watch and the drivers out there, right, are going to be palm, which has been disappointing on production for the last couple of years, and I think the market believes that now we'll start to see a little bit of a rebound on palm production. I think the market's reflecting that. If that doesn't happen, that would probably be friendly. And right now, there's a number of different scenarios I think that people are looking at, for when you see the Black Sea come back online, or not, on the sun oil and what percent of that sun oil production, which is really important to the global S&D on oils.

And I think that's the other big flag to watch closely and, you know, the market's reflecting what people believe today and, you know, that's changing daily. I think as far as competitiveness, I think if you listen to the energy companies and as we continue to watch them put, you know, their money where their mouth is with capital, and this being a key part of the green transition, of the decarbonization, is that we can do this at scale to help part of that transition, you know, to a lower-carbon future. We don't see any change in the commitment of that, so I believe that we'll continue to be an important part of that transition, vegetable oil, and as a renewable feedstock.

As well as developing cover crops and some of the other technology and some of the other changes that will come. And that's, you know, why we've got great partner like Chevron and we're

working end to end to try to innovate with them and really understand what changes we'll make in the areas where we're expert in the ag part, what areas -- changes they'll make in the areas where they're expert, on the energy part, as it continues to move forward. And I'd say the other is, as we said, higher energy costs.

I mean, they don't only, kind of, work through everything, including food and that, but higher energy prices look like they are here for the foreseeable future for the next few years and that also is supportive, of course, to what price the renewable feedstock of the vegetable oils can be, so, we're pretty constructive on the set-up right now for the next few years and, you know, that's some of the confidence that we've got and feel good about where we've got the company positioned.

Steve Byrne
And regarding your agreement with CoverCress, have you estimated, you know, the benefits to the economics of producing RD from CoverCress derived oil presumably the lower CI score would generate more credits and for your own participation in that, do you intend to, maybe, get directly involved in directly funding for contract growers to start producing this cover crops starting this fall, after the corn harvest?

Greg Heckman
Yeah, we're really excited about the partnership with CoverCress and with Chevron and with how that pulls together. You know, as we get closer to our plans in the future, we'll begin to roll those out. But, yeah, I mean, you've hit on the right things. This is a great extra source of revenue for producers, when we're able to activate it, and, you know, goes as planned, so it'll be a very low CI score and a great, you know, another great source of feedstock.

So, one of the things we're excited, why we're invested, is more work to be done, but, you know, it's just one of the exciting things I think is going on in this space and I think we're going to see a lot of change, going forward, and I really like where we're positioned as Bunge to participate in these things and be able to maneuver and react to the changes.

Steve Byrne
Thank you.

Operator
Our next question will come from Vincent Andrews with Morgan Stanley. You may now go ahead.

Vince Andrews
Thanks, and good morning everyone. Greg could you just talk a little bit about, you know, I know that your guidance assumes what we see in the future's curves. But maybe you could talk about how far out you're able to book with those curves and how far out you've chosen to book with those curves, at this point.

Greg Heckman
Yeah, as usual, the first 90 days is where, you know, the majority of the liquidity is. And then, it begins to, you know, to get, you know, less liquid in the second and third quarter, as we look out. So, we continue to, you know, be prudent about locking in those margins where we believe they need be and where we believe that, you know, that they've got some space to run. You know, those would be the parts that we'll, you know, we'll wait to hedge.

So, I think, overall, if you look at, you know, continued strong oil demand and continued strong meal demand, and what we see going forward, even where the curves aren't reflecting it, and some of that as we talked about, because uncertainty about when those seeds, you know, or beans are going to come to market, we believe that the market's going to do its work and it's going to call for that crush to operate and it's going to have to do that with higher margins. And we're not sure how much or when, so, you know, we're looking at the curves and say we're not smarter than market, but as we get there, you know, we believe this team will capture, you know, every dollar that's possible and as we get visibility into that, we'll sure share it.

Vince Andrews
Okay. And I just had a follow-up on comments before about the excess liquidity and I think Greg, you said, kind of $2 billion you'd be willing to allocate. I just wanted to connect that with, you know, what you thought your GAAP cash flow would be, based on the existing, you know, just take the low end of the full-year guidance. You know, are we done with the working capital build, assuming commodity prices stay where they are, and what amount of cash would you expect to generate? And then, when you think about putting an incremental $2 billion to work, what metric are you thinking about, in terms of ratios that gives you comfort that $2 billion is the right number and how would you frame it?

John Neppl
Yeah, Vince, this is John. I can take that. You know, look we, you know, in terms of working capital levels, it's obviously going to be driven primarily by price level, and I would say typically for us, seasonally, Q1 and Q2 are usually the peak, depending on which quarter, but, quite often, Q2 ends of being our highest quarter and that's driven by volume, but price certainly will have an impact on that. You know, and so we'll watch pricing. I think, you know, working capital levels today are high, historically at a high level, but what we've always find is that in times of high volatility, high prices and high volume, it's when we have the opportunity to make the most money.

And so, we've certainly positioned ourselves, from a balance sheet perspective, to be able to manage through this current environment, so we feel very good about that no matter what happens through -- over the next several quarters. From a cash flow perspective, you know, we've generated nearly $3 billion of EBITA last year and, you know, just depending on the forecast, you know, this year, obviously at $11.50, it's a little below that, but still expected to generate a good, strong amount of cash. And, as we look forward on capital allocation and we talk about $2 billion pipeline, but we've also got -- we're going to be generating cash as we go, as well. So, we defiantly feel like driving this dry powder number today is driven by, you know, what we're comfortable with, in terms of our leverage ratio.

You know, we're low -- we're just between low end of -- between 1 and 1.5 on leverage ratio perspective. And, really, to maintain a comfort of our rating, you know, we'd go as high as 2.5, and plus, on top of that, the cash flow that we're generating. So, you know, we feel pretty good about where we are, from a cash flow. We've been lucky to be able to invest that in working capital and not have to increase debt by a material amount, but certainly as working capital goes down -- we're timing it well. Things are cyclical. Prices will come down at some point and working capital will go down. You'll see a lot more cash generated back onto the balance sheet.

Vince Andrews
Okay. Thanks very much.

Greg Heckman

Yeah, I might put a little finer point on that. I'd just say, you know, overall, one of the things that we are excited about is we've got the best pipeline of organic projects and the best pipeline of acquisitive targets that we've had -- put together since we were at the company. So, you know, what we want to do. We're going to be disciplined about it and be, you know, very careful how we execute. But, excited to be in this position.

Vince Andrews
Okay. Sounds great. Thanks very much.

Operator
Our next question will come from Thomas Palmer with JP Morgan. You may now go ahead.

Thomas Palmer
Good morning and thanks for the questions. Maybe just to kind of circle back on the guidance, but I know there have been a couple questions about this. I just want to make sure I understand what the $2 boost to outlook was really for. I mean, is the implication you came in as it played out strong in the first quarter, the second quarter is off to a strong start and that's largely what's reflect in the boost at this point, and you're kind of leaving the back-half unchanged, even though you outlined reasons why it could better than you had assumed previously? Is that right or are you also looking at, in the guidance itself, a strong back-half as well?

Greg Heckman
No, you've got it right. We're putting, you know, we're definitely reflecting what we've seen from performance here in Q1, what we could see in Q2 and then the curves for the back half. You know, things like, if you look at our Refined and Specialty Oils business. Remember we talked earlier, we thought that'd be about 600 for the year. And, you know, plus or minutes, you know 150 a quarter and that came in around 180 here in the first quarter. And then, when we look out forward, you know, we've got the highest bookings on for the balance of the year so that gives us some visibility and confidence into that.

And, you know, what's interesting, as I said earlier, the food volumes aren't down, although the fuel customers actually have a higher percentage booked for the balance of the year. The food customers have a higher percentage booked than normal, but they're lagging a little bit. So, we expect that business to come in what we can. So, some of that visibility gives us confidence there. And then, you know, what we're seeing around the tightness on the S&Ds and kind of the momentum, not only in the crushing side of the business, but in the distribution side.

I'd say one thing as we, you know, manage through, you know, the conflict and the challenges and we had to, you know, to re-draw the supply lines, you know, as we ran this business as global company, you know the one thing that we haven't lost is our great regional foot prints. The amount of capillarity and granularity we have with our origination systems, with our distribution system, with our knowledge of the S&Ds and our ability to execute and I think that's, you know, a great testament to, even with the losses in the Black Sea area here in Q1 and all the changes that we had to make, the performance in Q1 of the Bunge machine and the outlook that we've given.

John Neppl
I would just add to that, Greg that, you know, that, from a crush perspective, you know, the first half, there we've seen probably better than expected, you know, crush margins in North America versus our prior forecast and then they've come down a bit in Asia and South America, especially out in the curve. But that's where most of the opportunity will lie, as we go forward here and so when we say at least $11.50, I think our upside, you know, if there is some there, will be, you

know, in the forward curves as we progress through the year and also in our Merchandising business, where, you know, we have a pretty modest forecast in for the year because that one's always a little bit difficult to predict, but certainly when the opportunity is there, the team does a great job with it.

Thomas Palmer
Thanks for that detail. I appreciate that you're not, at this point, ready to go into, maybe, financial details on CoverCress, but maybe just, is this a business that you can use your existing crush infrastructure to process or are there investment needed. And then, just any type of timeline? I think, this year is kind of its first commercial roll-out if I had seen that correctly. So, what's kind of the even rough timeline? Are we still a few years out for meaningful contribution?

Greg Heckman
Yeah, it's out into the future before any meaningful contribution. But yeah, we'd be involved of commercializing it. There would need to be some investment in the plants, but it's incremental.

John Neppl
Yeah, I would just add that we've got planned projects in place today that are -- that have been approved and underway to be able to accommodate processing CoverCress at our selected facilities, especially those related to the Chevon JV, so, it does take time for firmer adoption, obviously, and we've been very active in working with cover cress on that and feel very comfortable with where we're headed and very optimistic that this is, long term's going to be a great addition to the portfolio.

Greg Heckman
But anything new takes time for adoption and get to scale.

Thomas Palmer
Understood. Thanks guys.

Operator
Our next question will come from Ben Theurer with Barclays. You may now go ahead.

Ben Theurer
Perfect. Thank you very much. And congrats on the results. Just two questions. One is quick one on your increased guidance on the finance cost I was just a reflection of that $39 million redemption fee, correct? It's not that you have higher capital needs for the working capital that's been discussed? It's just that fee, correct?

John Neppl
In terms of the higher interest cost?

Ben Theurer
Yes.

John Neppl
I -- yeah -- no, I -- well, I think, you know, we're exp -- we've looked at what expect for working capital levels, you know, for the year, and taking out that cost. You know, it'll be driven by working capital being higher and so that's a little bit why we called it up.

Ben Theurer

Okay. Perfect. Thanks for clarifying. And then, my second question, it almost gets by the minute, less relevant, but I still want to ask it. I mean, we saw over the last couple of weeks, the relatively strong BRL, and obviously farmers in Brazil are -- tend to be more reluctant selling with the stronger currency. How have you seen, over the last couple of weeks, some of the impact here on BRL strengths. I mean, obviously, just the last two days it depreciated, and might turn around quicker than potentially expected a week ago. But still, how do you feel about the Brazilian farmer selling it to the -- which it seems to -- a little behind the curve what they're usually doing, so to understand how we should think about the supply out of Brazil and that sort of plans a role within that global supply demand tightness you've been talking about.

Greg Heckman
Sure. Not sure how much weight to put on the real itself, but definitely, you know, the curve reflects, you know, the margins aren't as good in the second half with the curves there in Brazil. And that is -- it's a, you know, direct, you know, concern about the farmer and, you know, and their rate of selling, you know, the rate of marketing, the balance of the crop. And, you know, as we said, it's kind of the FX volatility, and it's the concern about the election and, you know, their beliefs whether that will be, you know, better for them.

And, of course, a little bit smaller crop. And then, they're watching the U.S. crop. Right? They always want to see how the U.S. crop develops. You know, we'll probably try to, you know, it'll be too cold, we'll try to drown it, and then it'll be too dry, all before we ever get it planted. So, you know, that could lead to some market volatility and that I think they've been pretty smart marketers about being patient in this time of the year and it looks like they've got a lot of reasons to do that, including the FX volatility.

John Neppl
I would add to that, Greg, maybe, you know, we spent, our team in South America has spent a lot of time and effort over the last few years building out -- continuing to build out origination footprint in South America. And, in particular, in Brazil. So, we're going to get our fair share. You know, when the farmers, you know, are ready to sell, we'll be there and even when they're not ready to sell, we'll be there trying to get them to sell. So, you know, we feel very good about our position down there and that we're going to get, you know, equal to or more than our fair share down there.

Ben Theurer
Okay. Perfect Thank you very much. I'm going back to the end.

Operator
Our next question will come from Rob Moskow with Credit Suisse. You may now go ahead.

Rob Moskow
Hi. Thanks. Two quick ones. I just want to make sure I understand that the comment that you made, and also your competitor made about how crush margins need to move higher in order to encourage processors. Can I assume that margins are already high enough in the U.S. in the back half to justify crushing that really your comments are related to South America and Asia? And then, the second question is, can you just remind us the hurdle rate on the $2 billion of projects that you have in the pipeline, organically and, you know, 10%, 15%, like, if we wanted to try to put an EPS number on it.

Greg Heckman

Yeah, on the curves, yeah, you're correct. We're speaking to, you know, the curves in South America and Asia. If you look at that, it says, you know, we're probably going to have to see some improvement if demand stays where it is for oil and meal, which, you know, we believe it will. And that's where, you know, we think the market will have to do its work and call for that volume and it's just not clear exactly, you know, when and where. But you're correct on those comments and I'll let John take the second one.

John Neppl
Yeah, Rob, with respect to hurdle rate, you know, really we look at -- on large, strategic projects, we'll look at something. It's gotta be 10% return and then above that, you know, as they get, maybe into you know, I'll say, areas of the world where's a little more difficult to do business or they're a little bit further outside the core business itself, we'll raise that hurdle rate higher, depending. But I think if you use, you know, 10% maybe plus a bit, a small amount, it's probably a good rule out of thumb. I think the one thing, though I would caution is, you know, a lot of these projects are 2-3 year builds. And so, as we look at projects, there's not going to be return as we, you know, the first couple years as we are building these facilities, for example. And so, you're really looking at, you know, 2025 before we see meaningful contribution from some of these projects.

Rob Moskow
And, just a follow-up John, is there any way to kind of tease out what percentage of that $2 billion is related to alternative proteins? And is there already capital in the ground for that?

John Neppl
We've done some. You know, we've invested in a few opportunities. We talked about Merit earlier. You know, I think some time last year, when we announced that, and we've got a few other investments in JV positions in some existing facilities. But, the real big capital projects we have on the slate, you know, are still in development. But we talked about somewhere between $500 million and $1 billion over the next years if all those get approved. Now, I'm not suggesting all of them are going to get approved. They all have to stand on their own as we take them through the process, but it could be a substantial amount of investment if the opportunities continue to look good.

Rob Moskow
I'm sorry, the $500 million to $1 billion, that's within alternative proteins or is that in something else?

John Neppl
That would be within alternative protein.

Rob Moskow
Alternative protein. Okay, great. Thank you.

Operator
Our next question will come from Ken Zaslow with Bank of Montreal. You may now go ahead.

Ken Zaslow
Hey, good morning guys. My first question is, look, if I think about the Ukraine/Russia issue and obviously devastating and something that you don't want to capitalize on, but how long do you think this will create a void in the global supply and what is the process for which that we would

recover? And the follow on to that is if it extends that long, or longer than, you know, the year or so, is there extra cash or opportunities where you can actually deploy quicker than you may have anticipated, given the unfortunate, but true windfall of extra money?

Greg Heckman
Yeah, it's a horrible situation and our thoughts and prayers continue to go with all the people in the region and we hope to get a quick resolution. Of course, we have no insight into the outcome. I'll say, you know, as far as that outcomes, I think even if something, you know, whatever timeline you want to pick that there could be a resolution and whatever scenario you have in your resolution, there will be a long tail on this. Because there is infrastructure that has been damaged There are, you know, sea-born logistics that have to be untangled. There are, you know, waters that need to be demined, and all of that has a long tail on it and, you know, will be a long period of time before you get back to exactly where that was, from a production, and not only production but being able to move that production into the markets of demand that need it. So, you know, based on that, we are thoughtful about that on the money we're putting to work and how quickly we're putting it to work in our system. Right? We're always doing scenario analysis and building contingency plans. And so, you know, no doubt, you know, our strong, you know, global platform, and especially South America's gotta continue to play a bigger role in helping meet the need, you know, to help manage food security globally and love the connection, you know, of our South American network to our global network and we'll continue to, you know, make those investments to drive things forward.

Ken Zaslow
In that vein, do you think that, you know, the last quarter and the last quarter before that, you said, look, we are going to do well above our algorithm or our mid-cycle numbers for a couple of years -- more years. Does this either extend the duration to which you'll be able to be above that number and/or does it actually increase the magnitude to which you will be above that or both? And then, I'll leave it there. Thank you.

Greg Heckman
Yes. Both. So, we it -- yes, to both. It increases the duration, you know, how long, and we believe it increase the magnitude.

Ken Zaslow
Great. I appreciate it guys.

Operator
This concludes our question-and-answer session. I would like to turn the call back over to the management team for any closing remarks.

Greg Heckman
Thank you everyone for your interest and we look forward to speaking with you in the future