Bunge Limited

Fourth Quarter 2022 Earnings Review

Wednesday, February 08, 2023, 8:00 AM Eastern

CORPORATE PARTICIPANTS

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Greg Heckman - *Chief Executive Officer*

John Neppl - *Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to the Bunge Fourth Quarter 2022 Earnings Release and Conference Call. All participants will be listen-only mode. Should you need assistance, please signal a conference specialist by pressing star then zero on your telephone keypad.

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 call over to Ruth Ann Wisener, Vice President of Investor Relations. Please go ahead.

Ruth Ann Wisener
Thank you, Drew, and thank you for joining us this morning for our fourth quarter earnings call. Before we get started, I want to let you know that we have slides to accompany our discussion. These can be found in the investors section of our website at Bunge.com under Events and Presentations. Reconciliations of non-GAAP measures to the most directly comparable GAAP financial measure are posted on our website as well.

I'd like to direct you to slide 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 risk 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 capped off another exceptional year for Bunge with a solid fourth quarter performance. Our continued strong results speak to the flexibility of our platform and team which, as I've said before, are built to adjust and even excel in volatile times.

In this year that had more than its share of ups and downs, our team proved their ability to help our customers, both farmers and end-users globally, manage risks and navigate food security issues against the backdrop of regional conflict, weather impacts, and many other factors. I want to thank the team for their continued dedication to strong execution, which allowed us to build on our positive momentum and deliver our fourth consecutive year of earnings growth. We're focused on our mission, and it shows in our financial results.

Looking at the fourth quarter numbers, adjusted core segment EBIT came in above last year's results, largely driven by strong performance across all regions in Refined & Specialty Oils. John will go into our results in more detail, but I want to note our performance reflects our rigorous and disciplined approach to the business, including our focus on operating costs and the returns on capital we're investing.

Looking ahead to 2023, we expect the market environment to be similar to 2022, with many of the same drivers still in place. That includes a globally tight crop supply, strong demand for our core protein meal and vegetable oil products, and the continued impact to global trade of commodity price volatility and supply chain disruptions. We also expect to see global demand for feedstocks and related services for an renewable fuels continue to grow. Based on what we see in the market and the forward curves today, we expect full year adjusted EPS of at least $11.00 per share for 2023.

And with that, I'll hand the call over to John to walk through the results and the outlook in more detail.

John Neppl
Thanks, Greg, and good morning, everyone. Let's turn to the earnings highlights on slide five. Our reported fourth quarter earnings per share was $2.21 compared to $1.52 in the fourth quarter of 2021. Our reported results included a negative mark-to-market timing difference of $0.56 per share and a negative impact of $0.47 per share related to one-time items.

Adjusted EPS was $3.24 in the fourth quarter versus $3.49 in the prior year. Full year results for 2022 were $10.51 versus $13.64 in 2021. Adjusted full year EPS was $13.91 versus $12.93 in the prior year, an increase of nearly $1.00 per share. Adjusted core segment earnings before interest and taxes, or EBIT, was $804 million in the quarter versus $766 million last year.

Agribusiness finished with an outstanding year, with another strong quarter that was in line with last year. In processing, results were primarily driven by North America, which benefited from the combination of large soy and canola crops and strong meal and oil demand.

Partially offsetting this strong performance were lower results in Europe and South America. Europe was negatively impacted by higher energy costs and lower volume that included increased planned downtime and the idling of our operations in Ukraine. In South America, tight bean supplies reduced margins.

In merchandising, higher results in global grains were more than offset by lower results in global oils marketing, which had a particularly strong prior year. Refined & Specialty Oils finished another record year, with strong fourth quarter results of $222 million, up $68 million compared to last year. All regions performed well in the fourth quarter, benefiting from strong food and renewable fuel demand, with notable year-over-year improvements in Europe, Asia, and South America.

In Milling, the loss in the quarter was primarily driven by a low origination volume and high supply chain costs, reflecting the small Argentine wheat crop that negatively impacted our merchandising operations. Results in the prior year benefited from contributions from our Mexico wheat mills, which we sold in the third quarter of 2022.

Corporate and other was in line with last year. A decrease in corporate expenses, primarily related to the timing of performance-based compensation accruals, was offset by results in our captive insurance program and lower results in Bunge Ventures.

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

For the quarter, reported income tax expense was $131 million compared to $64 million for the prior year. The increase was due to higher pre-tax income and a year-to-date adjustment in actual geographic earnings mix. Adjusting for notable items and mark-to-market timing, the effective tax rate for the full year was 17% compared to approximately 16% for the prior year.

Net interest expense of $76 million in the quarter was up compared to last year due to higher interest rates, partially offset by lower average debt levels. Also impacting the quarter were foreign currency borrowings in certain countries where interest rates were high. However, the incrementally higher borrowing costs were fully offset with currency hedges reported in gross margin.

Let's turn to slide six, where you can see our positive EPS and EBIT trends adjusted for notable items and timing differences over the past five years. This not only demonstrates the power of our global asset network and capabilities, but also the continued outstanding performance by our team. Each of these years brought a different set of rapidly changing circumstances, and the team successfully navigated through them while also executing on numerous company initiatives.

As shown on slide seven, our full year addressable SG&A increased modestly year-over-year, reflecting a resumption of more normal business activities as well as increasing investments to strengthen our capabilities and to drive growth, particularly in technology. We expect higher SG&A in 2023 related to these initiatives, which we have considered in our outlook.

Slide eight details our capital allocation of the approximately $2.4 billion of adjusted funds from operations that we generated in 2022. After allocating $306 million to sustaining CapEx, which includes maintenance environmental health and safety, and $8 million to preferred dividends on shares now converted to common equity, we had approximately $2 billion in discretionary cash flow available.

Of this amount, we paid $341 million in common dividends, invested $249 million in growth and productivity CapEx, and repurchased $200 million of common shares. The approximately $1.3 billion of retained cash flow was invested in additional working capital and toward reducing debt.

As we laid out in our earnings growth framework in the second quarter of last year, we expect to repurchase about $250 million of stock each year, but actual amounts could vary. During 2023, we expect to deplete the remaining $300 million of our existing $500 million program, which was announced in October 2021, and to approve an additional share repurchase program.

Moving to slide nine, we finished 2022 with a total CapEx spend of $555 million, which was about $50 million lower than we expected in our Q3 forecast. The primary drivers of the reduction were supply chain delays on long leadtime equipment, as well as additional project planning time as we look more closely for opportunities to offset inflationary pressures.

We expect continued delays in 2023, which are reflected in our current outlook. Leadtimes for simpler equipment and parts are showing signs of normalizing. However, due to increased project costs, we are reassessing the scope and timing of certain discretionary investments.

As shown on slide 10, at year-end, readily marketable inventories, or RMI, exceeded our net debt by approximately $3.2 billion. This reflects our use of retained cash flow and proceeds from portfolio actions to fund working capital while reducing debt.

Slide 11 highlights our liquidity position. At year-end, all $6.7 billion of our committed credit facilities was unused and available. This provides us ample liquidity to manage our ongoing capital needs.

Please turn to slide 12. For the trailing 12 months, adjusted ROIC was 21.6%, well above our RMI adjusted weighted average cost of capital of 6.6%. ROIC was 15%, also well above our weighted average cost of capital of 6%. The spread between ROIC and adjusted ROIC reflects how we use RMI in our operations as a tool to generate incremental profit.

Moving to slide 13, for the year, we produced discretionary cash flow of approximately $2.1 billion and a cash flow yield of 20%.

Please turn to slide 14 and our 2023 outlook. As Greg mentioned in his remarks, taking into account the current margin environment and forward curves, we expect full year 2023 adjusted EPS of at least $11.00 per share. In Agribusiness, full year results are forecasted to be down from last year, as slightly higher results in processing are more than offset by lower results in merchandising, which had a very 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 potential upside to our outlook if strong demand and tight commodity supplies continue throughout the year.

In Refined & Specialty Oils, we expect the favorable environment to continue in 2023. However, we expect segment results to be modestly down from 2022's record year, which reflect very strong results in all regions.

In Milling, full year results are expected to be down from last year but in line with historical performance.

In corporate and other, results are expected to be in alignment last year. In non-core, full year results in our sugar and bioenergy joint venture are expected to be in line with last year.

Additionally, the company expects the following for 2023: An adjusted annual effective tax rate in the range of 20% to 24%, however note that this will ultimately be driven by geographic earnings mix of the company; net interest expense in the range of $380 million to $410 million; capital expenditures in the range of $800 million to $1 billion, down slightly from our earlier expectation of just over $1 billion due to the reasons discussed earlier; and depreciation and amortization of approximately $415 million.

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

Greg Heckman
Thanks, John. Before turning to Q&A, I want to offer a few closing thoughts. This past year demonstrated the critical role we play in global food security and maintaining flows of crops from farmers to consumers. To ensure we can continue to deliver, we further strengthened our core business and build relationships with partners whose capabilities complement Bunge's.

For example, our Origeo joint venture with UPL began operating in the fourth quarter, providing end to end solutions to farmers in Brazil. We also announced a partnership with BZ Group in France to strengthen our global platform by connecting with BZ's network of independent farmers to bring more opportunities and flexible solutions to them and end users globally.

During 2022, we made great progress on our commitment to finding innovative, sustainable solutions in the renewable space, including our JV with Chevron, our partnership with CoverCress, and our JV with Olleco. We continued innovating and investing in plant-based lipids and proteins. At our R&D and innovation facilities, our team is working alongside customers as they create unique solutions with plant-based ingredients.

We continued investing in data science and technology to better connect farmers and consumers by making our operations even more efficient and delivering real-time insights to help us manage our business.

And science and technology are also key as we continue to make great strides in our sustainability efforts. Thanks to expanding satellite monitoring, we were able to announce this week that, through the Bunge Sustainable Partnership, we have now achieved traceability and monitoring for 80% of our indirect supply chain in the Brazilian Cerrado. This is in addition to our ability to trace 100% of direct purchases in the priority regions of South America. Improving traceability through our indirect sources of product is a critical step in meeting our industry-leading goal of achieving deforestation-free supply chains in 2025.

While we're proud of the progress we've made, a more sustainable tomorrow requires everyone across the value chain to work together. Bunge's approach will continue to be grounded in solid science, proven technologies, and credible methodologies. With our critical place in the global food supply chain, we look forward to continuing to engage with other companies and organizations in the food and agricultural sectors to find new solutions and, importantly, connect with tens of thousands of farmers around the world on these critical issues.

And with that, we'll turn to Q&A.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like 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 with Goldman Sachs. Please go ahead.

Adam Samuelson
Yes, thanks. Good morning, everyone.

Greg Heckman
Morning.

John Neppl
Morning, Adam.

Adam Samuelson
Morning. So, Greg, John, I guess the first question is really on capital allocation. And I just--the company didn't buy back any stock in the quarter. The net debt is half your readily marketable

inventories, or nearly half your readily marketable inventories. CapEx is actually taking longer to ramp. And so, I just would love to get your thoughts on kind of where the dry powder--why the dry powder is just sitting there in the context of where you see risk adjusted returns that could be higher than buying back your own stock at kind of the levels of where it's been trading at for the last few months.

John Neppl
Yeah. I think, Adam, as we look forward, and kind of back to my comments, we do expect to--we didn't get all of the $250 million bought last year that we kind of laid out in our strategic plan, but we absolutely expect to be caught up on that this year and seek authorization for an additional plan.

We are committed to share buyback. As I said, we obviously didn't get it done last year at the $250 level, but that is going to continue to be an important part of our allocation. And we do expect to make up some ground here in 2023.

Adam Samuelson
Okay. All right. I think that's helpful. I guess I would still just push back or maybe get your further thoughts on how you think about your balance sheet capacity at this juncture. It would seem like--has there been acquisition opportunities that may or may not have--would not have come through as you might have hoped for at some point in 2022? I'm just trying to get a sense of, with the balance sheet where it is, it kind of seemed like the cash is there.

John Neppl
Yeah. Well, we're always looking at opportunities, and have been for a number of years. And I think as we were in fourth quarter looking at a lot of opportunities, we just thought it was prudent not to step into the market at that point. But again, going forward, I agree with you. We think our balance sheet is extremely strong, and we're well-positioned to get more aggressive on the buyback side.

Adam Samuelson
Okay.

Greg Heckman
Yeah. And I'd just add, we're looking at a bigger portfolio of opportunities that we've seen in a long time. And yes, some of them are going to happen and some of them aren't, but we're going to stay disciplined. I think that's the point I wanted to make.

Adam Samuelson
Okay. Maybe just on the outlook for 2023, I know you talked about potential sources of upside in Agribusiness if commodity markets kind of remain tight. Can you just give some framework on certainly the processing side and kind of where you see crush margins around the world as we sit here today, and kind of particular geographies that you think are areas that are more likely sources of upside at this juncture?

Greg Heckman
Sure. Yeah, let me start here. Yeah, if you look at the outlook of at least $11.00, that's up $1.50 from the call we made the same time last year. And so, I think if you frame that up, the favorable environment that we saw in '22 is carrying in with continued strong demand for both meal and oil. We continue to see tight S&Ds, and we expect the volatility to continue here this year.

So, the other thing is we've continued to get more reps in our operating model, right? We continue to improve the data transparency. And what we've got with the tight Argentine crop, with the dryness there, that crop's probably going to be in the mid 30s versus 44 last year. And that tightness will continue all year, and the curves are reflecting that.

And so, you know in the outlook we're always looking at the curves, and so they've given us more visibility this year because of the Argentine situation. And then we've got more done in our RSO book in both food and fuel than we did a year ago. So, I think that's the visibility versus a year ago that gave us the confidence to call the at least $11.00 at this point.

Adam Samuelson
That's all helpful color. I'll pass it on. Thanks.

Greg Heckman
Thank you.

John Neppl
Thanks, Adam.

Operator
The next question comes from Ben Theurer with Barclays. Please go ahead.

Ben Theurer
Perfect. Thank you very much. Good morning, Greg, John.

Greg Heckman
Morning.

John Neppl
Morning, Ben.

Ben Theurer
So, actually just following up on that, on the guidance, obviously impressive on RPO, what you were able to deliver in '22, and the outlook is definitely encouraging for '23, fair to assume better than '21. But help us understand what has changed so much in RPO versus your baseline guidance from just a few months ago, where you basically looked into a significantly lower level, and we're basically at double here. So, what is it in the market that's been driving it so much higher? And how do you actually think of this environment going forward also in light of what you published back in July and August when it came to the baseline update?

Greg Heckman
Yeah. The RS&O segment continues to be very strong. And what we saw was really driven by all regions globally. Now, North America, of course, has been the big driver with what we're seeing in the renewable green diesel, but really biofuels globally continue to grow. And I think that's why we saw improvement from all regions.

So, the food demand has stayed strong. And that is even without China coming out of COVID. We're starting to see a little bit of improvement in oil demand there that could improve throughout the year from global S&D.

But, no, the team's continued to do a very nice job. And even on the food side where there's been some inflation, you think about our tech services people working with customers as they reformulate to try to work with inflation. So, there's just a lot going on there both with the food and the fuel demand.

John Neppl
But I would add, Ben, that our call down next year right now is principally outside the U.S. I think we feel very good about the S&Ds in the U.S. We had an exceptional year in 2022 globally, and we're not calling maybe the same level outside the U.S. as what we saw this year.

And then relative back to our strategic financial plan, we knew RSO, the whole rRefined & Specialty Oils business, was going to over perform, or perform very well here in the near-term. But over time, we modeled in in our baseline that refining premiums would decline eventually. Now, what we're seeing is projects taking longer to happen and possibly a longer runway on these strong margins that we've built in ultimately. So, we feel pretty good about where we are now, and we'll just watch long-term what happens with refining capacity.

Ben Theurer
Okay, perfect. Very clear. Thank you very much. And then the second question's really just about the general flex, obviously, that we're going to have within the guidance. And one of that is if you could elaborate maybe a little more detail on the tax rate, which obviously is a relatively wide range, but also significantly higher than in the last two years. Is that all geographic mix, or what's behind that higher call it midpoint, 5% to 6% higher tax rate, that you're seeing for this year versus the last two years?

John Neppl
Yeah. The biggest single driver is our assumption around geographic mix. We do expect in Brazil, for example, taxable income to be much higher in 2023, and that's one of our highest rated jurisdictions in terms of tax rate. We also had--over the last couple of years, as we've cleared off some historical audits, we've had some one-time valuation releases that impacted our effective tax rate.

But it is a wide range at this point. Because of the mix in geography, it's sometimes a little difficult early in the year to predict. But we'll fine tune that as we move through the year.

Ben Theurer
Okay, perfect. Well, thank you very much and congrats on a very strong 2022.

Greg Heckman
Thank you.

John Neppl
Thank you.

Operator
The next question comes from Manav Gupta with UBS. Please go ahead.

Manav Gupta
So, I just have one quick question. On December 15th, you made an announcement that you are looking to invest in a new protein concentrate facility. I think $550 million was the CapEx.

Help us understand why this investment, why is it a good strategic fit, and then what kind of earnings uplift can you expect from this investment. And I'll turn it over after that. Thank you.

Greg Heckman
Yeah, I'll start on the strategy and I'll let John talk to the numbers. But look, we continue to see growth in the plant protein space. We're already serving customers with the lipids, which are these specialty fats and oils that give the taste and the mouthfeel and the bite to a lot of those products. And we are a--on the plant protein side, we are a commodity supplier today of many of those products.

So, this is a natural adjacency. This is a natural valuing up of our commodity streams, similar to what we're doing in lecithin and some other areas. So, we're a natural. We have a right to win. We can be in a cost competitive position. And frankly, we've got our customers asking for us to be there as a supplier, and they want to work with us.

And that's why we already did last year a multimillion-dollar improvement in our innovation and R&D facility. And we're already working with customers putting our lipids with plant proteins and developing new and different products. So, we're excited about this.

We've also seen--as that space continues to develop, don't think of--it's not just alt meats. It's all plant protein opportunities, whether it's nondairy, whether it's plant butters. And that trend is in place, and it's up to the right. And the other thing I think we've seen shake out in the last two years is that soy's going to be the winner. And soy's going to be the winner from a cost basis, from a taste, from a functionality. And frankly, that's a good outcome for Bunge.

John Neppl
Yeah. And in terms of the returns, any projects like this, we look for a minimum of 12% to 15% return, so you can kind of model that in. But this project won't be completed until roughly sometime in 2025. So, it's going to take a bit of time from a development standpoint, getting that all wrapped up and then getting the construction actually completed.

Manav Gupt-
Thank you so much and congrats on a great quarter.

John Neppl
Thank you.

Greg Heckman
Thank you very much.

Operator
The next question comes from Thomas Palmer with J.P. Morgan. Please go ahead.

Thomas Palmer
Thanks and good morning.

John Neppl
Morning.

Thomas Palmer
I wanted to ask on just the expected cadence of earnings in '23. Does the outlook you kind of layout assume stronger earnings, for instance, in the first half of the year and then some erosion in the back half? Are there segments where earnings might be more lumpy than in others?

John Neppl
Yeah. I would say the way we're looking at it right now, Tom, is when we look at the at least $11.00, I'd say our bias is a little bit skewed toward the first half of the year, and then within the first half a little bit within the first quarter. So, that's kind of how I'd think about it if I was laying it out.

But obviously, where we think the biggest opportunity is going to be is in merchandising. And that's always difficult to predict, the timing and the magnitude, but that could very well be realized a little lumpier or it could be over the year kind of evenly. It's just going to depend on opportunities.

But at this time, I'd bias it a little toward the first half and a little bit toward first quarter inside the first half. But our first quarter will be lower than last year. We had an extremely strong last year first quarter, I think north of $4.00 a share.

Thomas Palmer
Okay. Thank you for framing that. And then I just wanted to maybe ask on the CapEx piece. So, the presentation and then your comments, you noted the reassessment of scope and timing of some projects due to a recent spike in costs. A couple quarters ago, you laid out this longer-term CapEx--I guess it's combined CapEx and M&A, ultimately, $3.3 billion. Is that number is still intact? Does that need to have moving pieces where the M&A component maybe is less? I'm just trying to understand if that longer term investment is also adjusted, given that referenced spike in costs.

John Neppl
Yeah. We have not yet canceled any project that we had on that list. We're assessing timing. We're also assessing the design of some of those projects given the inflationary pressures, looking for value engineering, ways to make it more efficient. But ultimately, that plan is still pretty much intact.

I think we still feel pretty good about the timing on commissioning down the road, so we haven't yet adjusted our long-term view on those. So, at this point, we're still holding to what we had, but we'll see as we go forward.

Greg Heckman
And I think the other thing you want to keep in mind, I don't think it's specific to Bunge or even specific to this industry, right, it's more expensive to build things, whether it's the labor, the interest, or the interest cost, and it's taking longer to build things. But what that has done for our installed asset base, right, it's keeping margins higher and it's keeping the environment stronger for a longer period of time.

So, I think that allows us to have the discipline, do these projects the right way, and still build them. So, it's probably pushed out the amount of time that we're able to kind of over earn versus the model because of the environment, and then the projects will just come in a little bit later.

John Neppl
Yeah. And maybe one other thing to add, Tom, would be that we've been able to keep largely on track with our maintenance type projects. And when you're in a margin environment like we are right now globally, it's important to keep your assets running smoothly. So, we're pretty pleased at least that we've been able to stay on track and on time with all of our key maintenance projects.

Thomas Palmer
Okay, great. Thanks for the details.

John Neppl
You bet.

Operator
The next question comes from Salvator Tiano with Bank of America. Please go ahead.

Salvator Tiano
Yes. Thank you very much, Greg and John. So, my first question is on the Argentinean drought, and you didn't mention the impact on crush margins. So, I'm just wondering a little bit if you can provide some more details on this impact both in Latin America crush margins, but also how it's impacting globally margins and meal and oil prices. And also, if you can, comment a little bit on what you're seeing on trade flows there, because we've been reading that recently Argentina is having to actually import soybeans from Brazil to start making use of its spare crushing capacity. Thank you very much.

Greg Heckman
Sure. No, you're exactly right. You've got to look at the entire global set up. And I think that's one of the things that's allowed us to perform in a variety of different situations the last few years is the great diversification, and it's the best risk management, is the geographical footprint of Bunge.

So, as we look at Argentina, you're right. The curves are going to be much lower. It's going to be very stressed from crush margins, and volumes are going to be lower because of the weather, right? That crop is small all year.

To your comment you're hearing some beans moving into Argentina, we've heard those rumors as well, that--some people getting positioned when it's close, that they're securing supplies for safety. So, I think that says how tight people think the S&Ds are going to be. What that means for the rest of the world is that we see soy margins in total are going to be about the same and '23 as in '22. We think the U.S. could be down slightly. The curve's currently down, right, versus last year, but that'll continue to play out.

China was very tough last year with the COVID zero policy. And as it's started to come out of COVID, you've seen a little better oil demand. We've seen the curve start to improve as well as the spot margins. So, we'll watch that. That'll be a key one to watch, how that demand accelerates here for the balance of the year as they come out of COVID, but it definitely looks better than last year.

Brazil is up versus last year, right? Very big bean crop coming in there. And then in the EU, the curve looks better than last year. Part of that is less soybean meal imports, of course, coming

out of South America. And the other is we had a warm winter, luckily, and we've got lower energy prices. And that'll not only benefit soy, but that lower energy cost will benefit soft as well.

And if you look at soft while we're thinking about it, on a year-over-year, those margins will be up versus '22 in both North America and Europe on seed supply and then on a better energy outlook in Europe. So, a pretty good set up, really, for the Bunge portfolio here as we look at '23.

Salvator Tiano
Perfect. Thank you. And just as a second question, you spoke about the CapEx. I'm just wondering on the sustaining side. I think your guidance implies a 20% to 30% increase, actually more a 20% to 40%, 50% increase in sustaining CapEx. And I'm wondering why is that? Is it just inflation or anything else that has changed this year?

John Neppl
Yeah. Certainly, inflation's playing into just about everything on the CapEx side, but it's also because of the timing of some of these bigger projects and our decision to reassess some of those. It's given us an opportunity to maybe accelerate some of the maintenance work that we would have maybe pushed off for another year or two.

Salvator Tiano
Perfect. Thank you very much.

Operator
The next question comes from Steven Haynes with Morgan Stanley. Please go ahead.

Steven Haynes
Hi, and thanks for taking my question. Just wanted to ask, kind of going back to some of the delays on the CapEx side of things, if you have any color on whether some of the potential RD customers are also seeing some delays in some of the projects that they're planning to ramp up in the near future as well.

John Neppl
Yeah, we haven't heard--our conversations with industry participants is we haven't heard of anything around delaying projects specifically. Certainly, there have been in the past year some slowdowns in terms of build, primarily driven more by the margins on the oil and gas side. But as far as we can see from our side, everybody's still committed with moving forward as they've discussed before.

Steven Haynes
Okay. And then maybe just a quick second question, if I can, on maybe any updated thoughts on how you're thinking about the sugar JV and plans to take strategic action there.

John Neppl
Yeah. Look, we're pleased with the way it's been operating. But as we've said before, we still expect to hold that long-term, and we continue look at our options there. And hopefully at some point down the road here, we have something to announce. But again, in the meantime, we're focused on running it.

Steven Haynes
Thank you.

Operator
Thank you. The next question comes from Robert Moskow with Credit Suisse. Please go ahead.

Robert Moskow
Hi. Good morning.

Greg Heckman
Morning, Rob.

John Neppl
Morning.

Robert Moskow
I think everything's been really asked, but maybe just one modeling question on the interest expense. It's obviously a lot higher in '23. Can I assume that that will also in '23 be offset by your FX hedges on the gross margin side, similar to Q4, or are they just not--or are they not related to each other?

John Neppl
And you're talking about overall interest expense increase? I didn't catch the first part. But, yeah, some of it will be. Not all of it. I mean, some of that's just indicative of, when we went into 2022, three month LIBOR was less than a half a percent and now it's hovering around 4% or so.

So, we're starting the year on much higher rates, and so that'll have an impact. There will be some higher rates in countries where we're borrowing where we're hedging against that. So, part of that will be offset in margin, but not all of it. Some of it will just be a symptom of starting out with higher rates this year.

Robert Moskow
Okay. Maybe a follow up on refined oil. You said that international results in refined oil will probably be down year-over-year. Is there any specific reason for that? Obviously, the U.S. is doing well. Is there any more color you can provide?

John Neppl
I think, look, it's a reasonably modest decline off of what was a really strong record year. And I think--I wouldn't say we don't believe that's a way we could get back there. I think we're not forecasting it at this point. We have a little bit better visibility into the U.S. S&Ds, and we feel stronger about that remaining strong. The rest of it, we'll see. I mean, we'll certainly take the opportunity if it's there, but it's just hard to forecast that at this point.

Greg Heckman
Yeah, we've definitely got less visibility into the markets outside of North America. We've got a bigger book on there with food and fuel both in North America.

Robert Moskow
Got it. Thank you.

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

Ben Kallo
Hey, thanks for taking my question and all the detail here. Just a question on the JV with Chevron. Could you just talk a little bit about any kind of requirements for capacity offtakes there? I think you've probably already said this before, but just any kind of firm agreements on the offtake. And then has anything changed in your plans with the JV based on the IRA and with the renewable diesel incentives there, or SAF incentives there? Thank you.

John Neppl
You bet. Yeah, Ben, when we started this JV, it was principally focused initially around the two assets, Cairo and Destrehan, that went into the joint venture. And those are performing pretty well. But that was really a first step in looking at a number of opportunities with Chevron that we continue to look at.

It takes time from a development standpoint to expand beyond that, but we're very actively engaged with them. I'd say it's been a great partnership, and I think we see a lot of opportunity down the road to continue to build on that.

Greg Heckman
And we do supply them in the commercial relationship from our entire system, not just those two assets. We were supplying them even before the JV. And so, it's a very holistic relationship.

Ben Kallo
And maybe just to lop on, just on the IRA and any kind of benefits to you or the JV, or how we should think about that impacting you guys.

Greg Heckman
Well, I think in total, you've got a new industry that's developing, right? And net-net, it's more demand. It's positive, the renewable green diesel. We don't think it's going to be a straight line.

And I think some of things around the IRA, everyone's trying to understand where there's leverage there for a number of things, and not just around renewable green diesel but around lower carbon opportunities. Because ultimately, all of our customer in feed, food, and fuel are looking for lower carbon intensity products, and we've got to find that value and drive that back to the farm gate, to the producer, to the farmer, the one who's ultimately going to have to make that happen with those farmer grown crops.

John Neppl
Yeah. I would just add on, I think two things we're looking at as well we expect to develop in the relationship with Chevron and others, is low CI feedstocks is going to be something that we think there's some opportunity down the road. And then, of course long-term, SAF is going to be an important component of that relationship.

Ben Kallo
Thank you, guys.

Greg Heckman
You bet.

John Neppl
Thank you.

Operator
The next question comes from Ben Bienvenu with Stephens. Please go ahead.

Ben Bienvenu
Hey, thanks. Good morning, everybody.

John Neppl
Morning, Ben.

Greg Heckman
Good morning, Ben.

Ben Bienvenu
I want to revisit kind of the architecture of the guidance for this year. You make a comment on your Agribusiness segment that there could be potential upside if current S&D holds throughout the year. Is it that right now you have visibility into the first half of this year because of kind of what's going on in South America and Argentina and perhaps as we get to a trendline yield in the back half of this year you might see loosening in S&D, or is it just, hey, this is how we've typically done things the last few years, we guide as far out as we can see on the curves, and then we'll just reassess as we get to midyear? I kind of want to understand what's explicitly in the guide versus maybe less explicitly.

Greg Heckman
Yeah. Let me start by, yeah, we're forecasting the same way we have been, right? It's what we can see. It's what the curves show. And as we talk about calling it $1.50 higher than we did a year ago is because we do have more visibility with what's booked on the RSO side for feed and fuel as well as, with the tight Argentine crop, the curves are reflecting that. And so, that's given us the confidence to feel really good about the at least $11.00.

And I think the question really is going to be around what's the size of the plus, and there are a number of moving pieces. But, look, meal and oil demand, those drivers continue to be intact, right? You've got good global poultry and pork numbers, and there's good food and fuel demand for oil. So, that's in place.

The sources of upside, of course, are the merchandising, right, which is always the toughest one to call. It's the one we have the least visibility to, and I think that one is most driven by dislocations, tight S&Ds globally, and volatility. And so, that's the one where we talked there is opportunity and upside for that. And that's kind of always the case in the merch, even if you remember how we talk about it in the model and how we've talked about it in the outlooks in the past.

And then you've got China, right, the improved demand coming from China. We're starting to see just a little bit of that on the oil demand side. But that'll be key to watch, and I think there's a lot of belief that that could come back maybe faster and stronger than some thought.

And then the dislocations not only matter to the merch business, but they matter to the crush margins, right, as we have to turn crush on to meet the customer demand in different parts of the world. And it looks right now like our crush is going to run really hard outside of everywhere except Argentina.

And then as John said, we're seeing the capital be deployed in the RD space, so it looks like that demand will be coming online in the second half of the year in North America. And then we've got a really large Brazil crop setting up on the bean crop as well as a good corn crop. And then you've got what we believe will be a gradual build back to B15 in Brazil, so that demand coming probably starting in April and building as they kind of try to match versus inflation.

So, we think the dollars are going to be there. Exactly which value chain they're going to fall in or exactly which quarter they're going to fall in, that's always different in this business. What I do have the confidence is, with our geographic platform and our team, is that we'll capture that, and that's what we've tried to continue to prove that we can do.

And as I said earlier, this is a good set up for Bunge globally. We like how it's set up. And we've got to watch the crops in North America to develop and watch things continue to play out.

Ben Bienvenu
Okay, very helpful. Thank you, Greg. My second question is going back to capital allocation, following up on Adam's question around the buyback. And I hate to beat you up on this, Greg and John, but it seems as though you could do both. You could pursue your capital allocation program that you have--or your capital expenditure program that you have and, with the leverage profile of the business, buy back the stock, because I think you would agree that the stock is a pretty good value here. Is the conservatism that you referenced, John, is that just, hey, that's in your DNA, or is it we've got so many other opportunities that haven't come to fruition that we need to stay conservative to remain opportunistic kind of more broadly than just the buyback? I just want to understand a little bit more specifically what that comment meant.

John Neppl
Yeah. I think, look, the answer is we're going to do both going forward. I think we have had a lot of opportunities that we've been assessing, including share buyback. But I think we're very committed to share buyback as part of the program, and I think we're highly confident we'll get the remaining $300 million done this year in our current program and get a new program in place. And as we move forward, we fully intend on doing a mix of both growth--well, a mix of all, growth, M&A, and share buyback.

Ben Bienvenu
Okay, very good. Good luck with the rest of the year.

John Neppl
You bet. Thanks, Ben.

Greg Heckman
Thanks, Ben.

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

CONCLUSION

Greg Heckman
Thank you. So, thanks again for joining us today and for your interest in Bunge. We're really proud of the team and the performance we've delivered in 2022 and our call for 2023, and we're

absolutely committed to continuously improving Bunge and serving our customers. So, we look forward to speaking with you again soon.

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