Bunge Limited

Second Quarter 2023 Earnings Release

August 2, 2023, 8:00

CORPORATE PARTICIPANTS

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PRESENTATION

Operator
Good day, and welcome to the Bunge limited second quarter 2023 earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the “*” key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press “*” then “1” on your telephone keypad. To withdraw your question, please press “*” then “2.” Please note today's event is being recorded. I would now like to turn the conference over to Ruth Ann Wisener. Please go ahead.

Ruth Ann Wisener
Thank you, Rocco. And thank you for joining us this morning for our second 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 financial measure or 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 risks and uncertainties.

Bunge has provided additional information in its reports on file with the SEC concerning factors that could cause actual results to differ materially from those contained in this presentation, and we encourage you to review these factors. On the call this morning or 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. Good morning, everyone. I want to start by thanking the team for their dedication and focus throughout the quarter. Our performance proves that we can execute on big strategic moves, like integrate into our business combination agreement with Viterra while continuing to keep our eye on the ball operationally. We clearly had a lot going on over the past several quarters and this team stayed sharp in our day-to-day business, delivering outstanding results and continuing to serve our customers at both ends of the value chain.

At the same time, we capitalized on this unique opportunity to enhance the Bunge franchise for the future. John and I, along with the entire leadership team, are extremely proud of this work. We continue to make progress on our combination with Viterra and filed our preliminary proxy statement in connection with the proposed transaction last week. We're excited to bring our teams and assets together to create a premier agribusiness solutions company built to address some of the most pressing needs of the 21st century across food, feed, and fuel.

Turning to the second quarter, it was a dynamic environment, and our team showed agility. They did a great job of managing against the downside and being smart with the opportunities that were available. In particular, we were able to use our footprint and value chain connectivity to optimize margins as market conditions changed later in the quarter. While volatility can provide opportunities, it's difficult to predict the timing and where within the value chain those opportunities for upside will appear. However, our ability to execute in rapidly changing environments gives us confidence that we can create value over the long term.

We also saw benefits from our investments in maintenance and productivity with improved reliability and reduce the amount of unplanned downtime across our platform. Looking ahead to the remainder of the year and based on the forward curves today and on the market environment, which from a macro and geopolitical--which is one that from a macro environment and is as geopolitically complex as we've ever seen, we're increasing our full year adjusted EPS Outlook to at least $11.75 per share. I'll hand the call over to John now to walk through our financial results and outlook in more detail. And we'll then close with some additional thoughts. John?

John Neppl

Thanks, Greg. And good morning, everyone. Let's turn to the earnings highlights on slide five. Our reported second quarter earnings per share was $4.09 compared to $1.34 in the second quarter of 2022. Our reported results included a positive mark to market timing difference of $0.59 per share and a negative impact $0.22 per share related to one-time items.

Adjusted EPS was $3.72 in the quarter versus $2.97 In the prior year. Adjusted core segment earnings before interest in taxes, or EBIT, was $893 million in the quarter versus 709 million last year. Agribusiness adjusted results of 674 million were up compared to last year. In processing, higher results in the quarter reflected better year over year performance across all value chains driven in part by strong Brazil soybean origination, which contributed to higher crush results in Brazil, and our destination crush operations in Europe and Asia.

In the US, results were also higher as we entered the quarter with a significant portion of our capacity locked in at higher margins. In merchandising, higher results, and global oils and grains were more than offset by law results in our financial services and ocean freight operations, which had difficult comparisons to particularly strong prior year.

Refined and Specialty Oils continued its trend of strong performance, though results were slightly lower than last year. High results in North America driven by foodservice and fueled demand were offset by slightly lower results across Europe, South America, and Asia.

In Milling, lower results in the quarter were primarily driven by our South American operations, which were negatively impacted by the small Argentine wheat crop. Segment results in the prior year benefited from effective risk management of our supply chains during a period of high market volatility. The increase in corporate expenses in the quarter primarily reflected planned investments in growth and productivity related initiatives that will pay off in future periods. Lower other results related to our captive insurance program and Bunge ventures.

Results under non-core sugar and bioenergy joint venture included the $39 million benefit from the reversal of a valuation allowance. In addition, improved results reflected higher sugar prices that more than offset lower ethanol prices.

Adjusting for notable items, net interest expense of $78 million in the quarter was down slightly compared to last year as higher average variable rates were offset by higher interest income.

For the six months of the year, income tax expense was $381 million compared to $144 million in the prior year. The increase was primarily due to higher pretax income in 2023 as well as the change in geographic earnings mix.

Let's turn to slide six where you can see our adjusted EPS and EBIT trends over the past four years along with the trailing 12 months. Our team continues to deliver excellent performance, especially when considering the rapidly changing market conditions we have faced while also executing on a variety of internal initiatives to improve our capabilities.

Slide seven details are capital allocation of the approximately $1.4 billion of adjusted funds from operations that we have generated year to date. After allocating $181 million to sustaining capex, which includes maintenance, environmental health and safety, we had approximately $1.2 billion of discretionary cash flow available. Of this amount, we paid $180 million in common dividends and invested $360 million in growth and productivity related capex leaving approximately $630 million of retained cash flow.

We have not purchased any shares this year as a result of our discussions to combine with Viterra. However, we recently announced that our board has expanded our existing share repurchase program to $2 billion dollars. We want to be in the market as soon as possible, and we expect that a meaningful portion of these repurchases will be executed prior to the close of the Viterra transaction with the remainder to be completed within 18 months of that date.

As shown on slide eight, at quarter end readily marketable inventories, or RMI, exceeded our net debt by approximately $3.6 billion. This reflects our use of retained cash flow to fund working capital while reducing debt.

Slide nine highlights our liquidity position. At quarter end, all $5.7 billion of our committed credit facilities was unused and available, providing us ample liquidity to manage our ongoing capital needs. In working with our key banking partners, we also recently secured $8 billion in the form of term loan commitments to fund our combination with Viterra.

Please turn to slide 10. For the trailing 12 months, adjusted ROIC was 20.3% well above our RMI adjusted weighted average cost of capital is 7.7%. ROIC was 15.1%, also well above our weighted average cost of capital 7%.

Moving to slide 11, for the trailing 12 months we produce discretion cashflow of approximately $2.1 billion in a cash flow yield of 19.2%.

Please turn to slide 12 and our 2023 outlook. As Greg mentioned in his remarks, taking into account the first half of the year results and the current margin environment and forward curves, we have increased our full year 2023 adjusted EPS Outlook to at least $11.75 per share. In agribusiness, full year results are forecasted to be down from last year, though slightly better than our prior outlook as higher results in processing are more than offset by low results in merchandising. However, depending on how market conditions evolve over the remainder of the year, there could be upside to our segment outlook. In Refined and Specialty Oils, full year results are expected to be up from our prior outlook and in line with last year's record performance.

In Milling, full year results are expected to be lower than our prior outlook and significantly down from a strong prior year.

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

Additionally, the company expects the following for 2023; an adjusted annual effective tax rate in the range of 20 to 24%, net interest expense in the range of 350 to $370 million, which is down from our prior outlook of $360 to $390 million, capital expenditures in the range of $1 billion to

$1.2 billion, which is up $200 million from our prior outlook, reflecting the purchase of the US oil refinery during the second quarter, 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. Looking ahead, we remain focused on executing our top strategic priorities so we can better serve the needs of customers, both farmers and in consumers, regardless of the market environment. Over the last several years, we've seen more volatility in the market and we're all managing through challenges including food security, market access, and the increasing demand for sustainable food, feed, and fuel production.

As the world's population continues to grow, it will take a collective effort in the industry to more efficiently address these challenges, and Bunge has an important role to play. Together with Viterra, we will be able to utilize our combined platforms and capabilities to more broadly and rapidly expand our work to support sustainable and transparent value chains. This includes promoting sustainable practices such as low carbon product streams, the acceleration of regenerative agriculture to reduce GHG emissions, and importantly, full end to end traceability across major crops.

During the quarter, we announced the creation of a regenerative agricultural program in Brazil in partnership with Origeo to support Brazilian farmers in the transition to low carbon agriculture, offering technical support, tools, products, and services. The program has already enrolled large scale farmers covering more than 250,000 hectares. We also launched the strategic alliance and commercial agreement with Nutrient Ag Solutions to support U.S. farmers in the implementation of sustainable farming practices that will help increase the development of lower carbon products. This alliance will further strengthen Bunge’s connection with farmers in the US and create value for participants across all our value chains.

We continue to evaluate and execute on our pipeline of bolt on M&A opportunities, as we work through the process of combining with Viterra. And overall, we're well positioned to deliver on our purpose of connecting farmers to consumers to deliver essential and sustainable food, feed, and fuel to the world while always looking for ways to improve. And with that, we'll turn to Q&A.

QUESTION AND ANSWER

Operator
Thank you. If you would like to ask a question, please press “*” then “1” on your telephone keypad. If you're using the speakerphone, we ask that you please pick up your handset before pressing the keys. To withdraw your question, please press “*” then “2.” Today's first question comes from Ben Theurer with Barclays. Please go ahead.

Ben Theurer
Yeah, good morning, Greg, John. Congrats on very strong results, first of all.

Greg Heckman
Thank you.

Ben Theurer
So it's like a kind of a two-sided question. Obviously, thanks for the clarity on the guidance increase in what you're implying into it, but in the commentary and in the release, you talk about

like the potential upside depending on market conditions. And I really like to understand and maybe ask you to flex a little bit on the upside, what are factors that could drive that earnings higher? And what's the potential here also in light of like to the general market conditions? You've talked about the geopolitical stress, we talked about weather, there's El Nino coming in. So how does this all kind of combine and play a role to potentially help you boost earnings above? What is that at least at least $11.75 target? Thank you.

Greg Heckman
Sure, let me start here. And John can add in if I miss anything here. Look, I think we feel good about the “at least” $11.75. And, you know, we're also trying to evaluate the landscape on what's the size of the plus as we go forward. But if you look, the meal and oil demand drivers continue to be intact. You look globally, in between pork and poultry, the numbers are stable, it looks like wheat is not going to be as competitive as it's a little tighter. So that should help meal as far as inclusion in the rations.

And just generally, food and fuel demand for oil, both remain solid. So when you think about the upside, right, merchandising is always the one that's tough to forecast, you know, not only the timing of it, but where within the value chain and within those opportunities are going to happen. But look, I think what we've seen the last four years and the challenges, and again here in this last quarter, that this team does a heck of a job when the opportunity is there on bringing it home and executing it. And so we'll continue to focus on that.

You know, China, I think there's still the opportunity for improved demand there with the recovery. So that's one we're watching. And then, we're now seeing the dislocation from the small crop in Argentina start to play out here in the second half, and we're having to call on capacity in the rest of the world. So with that dislocation, really, how will crush margins play out. So that'll be a key to watch with a little bit possible upside there.

And then lastly, I think we saw it just starting the last time we all talked was the RD capacity is starting to run better, seeing a little stronger demand for oil here in the US, and that's continued. So we'll be watching closely how they run in the second half. So I think those are some of the key flags. And of course, weather is always out there. We've got to make this crop in North America. That's important.

And then of course, the humanitarian corridor now closed again, making it more difficult to get those supplies out of Ukraine and creating more volatility and dislocation. Of course, you know, the market will do its job and try to bring what it can out over land. But that situation could change pretty rapidly. So that's another one we continue to watch.

John Neppl
Yeah, Ben, I'd also add that, you know, coming into Q3, we were fairly covered in terms of crush. So upside, if there's upside and crush, it's more likely to come in Q4 where we're a lot more open in terms of our capacity. And you know, margins are pretty weak in Brazil right now. And so we'll keep an eye on that as well. You know, any improvement there obviously, is going to be helpful.

Ben Theurer
Okay, and then just one quick follow up. You talked about the renewable diesel capacity. I mean, obviously, we got the final decision from EPA. How do you feel about like the final decision, no major change to what came out back in November, December, but just like the market itself, and how that's going to play a role for the demand go forward for the feedstock you're providing?

John Neppl
Yeah, I think when you--Ben, this is John. When you look when you look forward, and one of the things we've done is modelled kind of the look based on RVO thresholds, it's still - things are pretty tight going forward based on what's been announced in terms of crush capacity and what's going to be needed in terms of feedstock. What I would consider fairly modest capacity utilization numbers in the RD industry. Things are still going to be very tight.

So we feel pretty good about where it's headed. You know, we obviously do a lot of business in the energy space and feel good about the volume increase that we're seeing and the commitment to that and so we're still bullish.

Ben Theurer
Perfect, thanks. I'll pass it on.

Operator
Thank you. And our next question today comes from Salvator Tiano with Bank of America. Please go ahead.

Salvator Tiano
Yeah, thank you very much. So firstly, I just--good morning. I wanted to ask about the processing business performed extremely well. If you can tell us a little bit versus your expectations, was this--did this--outperformance come more from a higher crush margins or was it the better trading environment in Brazil for oil seeds that helps you there?

Greg Heckman
Yeah, a little a little bit of both. If you look, when we came into the quarter, the team had done a pretty good job of getting us the capacity hedged out during some of the crush margins. So when things got weaker there for a period of time during the quarter, we didn't have to participate. And then the team, I think, did a very good job on what capacity we did have open on being very patient and what we saw in the numbers and as Argentina crush was slowing down that we felt things had to recover. So they also did a great job with the capacity we did have open to being very patient and hedging that out late in the quarter as things recovered.

We also saw the tail end of the soybean harvest there in South America, and our origination footprint down there, as you know, is very good. The team did a great job. So we not only got the benefit in the origination in our crushing in Brazil, but of course that feeds our destination crush in Europe and in Asia and China and Vietnam. So we got the benefit as well in crushing there.

And then of course, as we got into the corn harvest, then in Brazil, right on the back of the big bean harvest. You know, we had talked about things we thought were going to be pretty stressed from a logistics storage and handling, you know, and our footprint is set up to handle that domestic demand as well as that export demand and the team did a very good job managing that, not only the bean origination, but then on the exports on the corn side in the corn value chain executed very well. So just real good execution across the opportunities.

Salvator Tiano
Perfect. Thank you. And I also wanted to ask a little bit about the refining specialty oils business. Also fuel demand was good. Especially in North America, can you let us know a little bit how does your--how do your end-markets look today versus a few years ago when we think about the food versus fuel demand?

Greg Heckman
Sure. Look, the RSO and the specialty oils, specialty fats and oils team continue to do a great job serving our customers there. Over 80% of our oil still is going into the food channels, even though the fuel is growing and very important to us. And I think we're benefiting from what we saw in the back of the pandemic and the supply chain challenges. We were there for our customers. And so we've grown with those key customers, and we continue to help innovate and supply them as we're seeing some of these value chains switch around with the growth in the fuel demand.

I think you'll remember, we have our new refinery that we bought from Fuji down in Louisiana, that's been a great addition here in North America, continuing to serve our food customers and the team has done a great job of kind of getting that folded into our network, and providing different seed and tropical oils to those customers as we bring all those food customers on and get them approved. So we've been excited about that.

And just overall, the environment in North America has remained strong. We've seen some channel switching, right we've seen a little bit of switch from packaged foods into the Q--or from packaged foods from the brands maybe into private label. And we've seen some switching on the foodservice side more into QSR. But that's not necessarily negative total overall volume for us in oil demand. But the consumer is doing a little bit of switching, but overall demand continues to be there.

Salvator Tiano
Perfect. And if I may just ask a little bit also for more clarity on as we think about your oil volumes that do go into renewable diesel in terms of neutral fuels, how would you compare the volumes that are sold as crude oil versus the volume value yourself as refined? And is there a shift in the past few quarters towards selling more refined oil towards fuel versus crude oil?

Greg Heckman
I think as the as the industry has come up, right. there's hasn't been as much pretreatment built in the beginning. So we haven't seen any big changes in the mix of refined versus crude. I think we've all talked about that going forward in the coming years, we expect me to see some of that switch move from refined and move back to see the amount of crude grow.

That doesn't mean refined will go down, but you may see the crude demand grow as pretreatment comes in but the demand for oil overall increase. But I think that's--we're looking out ‘24 and beyond. Don't really see any big switch here in ‘23, I don't think, in our book.

Salvator Tiano
Perfect. Thank you very much.

Operator
Thank you then our next question today comes from Ben Bienvenu with Stephens. Please go ahead.

Ben Bienvenu
Hey, thanks. Good morning and congrats on the exceptional quarter.

John Neppl
Thanks, Ben.

Ben Bienvenu
I want to ask a little bit about kind of another follow up question on the processing business, just because 2Q was so exceptional. When you look to the back half of the year, the curves are quite constructive. It looks as though, as you said, the supply demand factors for meal and oil are positive. Can you tease out a little more as you look to the back half, what in the second quarter was kind of unique to the second quarter that's maybe inherently difficult to predict, recurring in the back half versus just uncertainty, broadly, for the segment?

Greg Heckman
Yeah, well, I think, you know, the second quarter, of course, we had the last of the Brazilian harvest, right, and they had the origination there. And I think the focus really here in the second half comes the Argentina where you had to crop that was 44 million tons in ’22 and here in ‘23 is probably in the in the low 20s.

And so we're going to really feel that crush missing in Argentina, that export of meal and oil. So that will be the key how that plays out here for the balance of Q3 and Q4 and then continuing to make the crop in North America and seeing the bean crop come in for Q4 to support the crush margins there in the US.

And the other is it looks like you know some of the global demand and primarily demand to China being filled by South America that keeps the beans home in the US, which is probably constructive to crush there. So those are some of the key things to watch as well.

Ben Bienvenu
Okay, fair enough. My second question is a little bit longer term oriented. You guys filed your proxy statement late last week. There are a number of interesting things in there. The long-term forecasts that you presented, I'm curious if you could give us some context around kind of the confidence level in those forecasts, recognizing it's hard to forecast the business over a long time period. But presumably, those were presented to the board as justification for the value of the Viterra deal.

Can you talk a little bit about the assumptions that went into those forecasts, as they look pretty constructive? And then second, in the proxy, there were some incremental synergies that you called out as well and kind of, to the extent that you can shed light on how you arrived at those synergies above and beyond the $250 million would be of interest as well.

John Neppl
Sure, Ben, I can take that. Yeah, when we, in terms of the long-range forecast, our forecasts, in there's principally what we rolled out a year ago and our strategic financial model in terms of getting to $12 a share by 2026, the $11 to $12, the $11 plus the upside, probably into ‘26, and ‘27. So very much the basis of our forecasts was driven off of that same outlook and we still feel like that's largely intact.

And so, you know, we didn't have to do a lot of recreation to develop this forward numbers. We already had them. And they've obviously tweaked those a little bit here and there, but largely right on track. With respect to Viterra, they didn't have a forward forecast. They don't do one. So we did put something together that we felt was a pretty good indication of baseline for them over the next several years. And obviously, our goal would be to outperform that as we move forward.

In terms of the synergies, we had disclosed $250 million at the time we made the announcement. That was focused solely on cost. In the proxy, we also included about $80 million of what we would call kind of operating synergies, so things around logistics and in procurement and things that weren't purely cost related, but where we saw some opportunity from an operational standpoint.

But none of that includes what we consider commercial synergies, the way we're going to operate going forward and the opportunity that the combined company is going to have from a commercial standpoint, transaction standpoint. So still a bigger number than what we used in our modeling and what we used in the announcement and what we use in our original accretion calculation, but still not including the upside that we see in the commercial side, going forward.

Ben Bienvenu
That's great. Thanks so much, Greg. John. Appreciate you taking my questions.

Greg Heckman
You bet. Thanks, Ben.

Operator
Thank you. And our next question comes from Manav Gupta with UBS. Please go ahead.

Manav Gupta
So thanks. My question relates to an announcement you made about a month ago where you are acquiring some businesses in Argentina with your partner, Chevron. So help us understand the thought process behind this acquisition. And the broader question is, Chevron obviously wants to go much bigger in sustainable aviation fuel. They will need a lot of feedstock. So do you see your partnership with Chevron extending beyond where it is right now?

Greg Heckman
Yeah, we love our partnership with Chevron. We're just at the beginning of that relationship, but we're very like-minded about each leveraging our strengths individually, as well as collectively. And I think that's an example of an opportunity that we identified to invest in another novel seed that could create a low-CI feedstock for, as you say, not only renewable diesel, but maybe long-term sustainable aviation fuel.

And so you'll see us continue to look for those opportunities, not just in North America, but globally, as shown by the Argentine investment, to do things that meet the needs of the marketplace. Because we can serve both food and fuel, the market will work, there will continue to be innovation. And we're just really pleased to have a partner like Chevron to look at a number of these opportunities with.

John Neppl
Yeah, I would say, too, Manav, I'd add on top of that, that SAF absolutely is a long-term focus. And I think a lot of what we're doing today with Chevron on the renewable diesel side will very much support a transition to SAF over time as they look to do that. We'll be right here providing the necessary feedstock, both soybean oil and more and more of low-CI feedstocks as well.

Manav Gupta
Agreed. It looks like a great partnership. My quick follow up is we have seen a very strong rebound in the soy crush spread in the US. The other regions are responding but at a slower pace. So help us understand a little bit better, why has the US crush spread rebounded so much faster than other places?

Greg Heckman
Well, I think some of it, how the farmer marketing responded, we saw some weather concerns. You saw the markets rally on those weather concerns, and that created an opportunity for the producer to market some more of their crops. So that made the beans available here, even though we're in the in the old crop.

And then of course, the meal and oil demand has hung in there. You know, as we talked about, animal numbers are still there, animal profitability has improved a little bit. And then, on the oil side, the food demand, why we're seeing channel switching, the food demand has hung in there and the energy demand is growing. So just a good demand environment.

Manav Gupta
Thank you for the detailed responses.

John Neppl
Thank you.

Greg Heckman
Thank you.

Operator
Thank you. And our next question comes from Adam Samuelson with Goldman Sachs, please go ahead.

Adam Samuelson
Yes, thank you. Good morning, everyone.

John Neppl
Morning.

Greg Heckman
Good morning, Adam.

Adam Samuelson
Maybe, just following up on the Manav's last question, and you alluded to this in the prepared remarks about Brazil crush margins maybe still being not in the forward curves being a little bit less robust. What do you think is holding back Brazil at this juncture from seeing the margin--the crush margin strength you're seeing in North America? Argentina, export competition won't be there. New oil demand seem to be healthy, so what what's holding back Brazil in particular? That does seem to be an important source of upside and to--or the plus in the second half guidance.

Greg Heckman
Yeah, Brazil has been pretty good until recently. So I think we're encouraged as we see less pressure from Argentina here in the second half. Now, look, we've got an election coming up and a devaluation is possible, but we really are starting to feel the shortage of beans there in Argentina, and we're not going to feel it just in Brazil, but overall. So I think we're encouraged for Q4.

But the global system, it'll be more than just Brazil's got to step up. You know, we got lower energy costs in Europe. And there'll be less pressure from bringing in oil exports out of Argentina in Europe as well. So we think it's an encouraging setup.

John Neppl
Yeah, I think on top of that, Adam, we had really good, strong farmer origination in Q2 and since then, that has slowed down a bit. And we'll see how it transpires as we go through the balance of the year whether liquidity will be there or not in Q4. And Greg's point earlier, soybean oil is a little heavy in Brazil right now, but demand of B12, we'll see how that plays out the balance of the year, but certainly an area where if things line up, there could be some upside.

Adam Samuelson
All right, that's very helpful. And if I could just ask a follow up on the origination side for Brazil on corn, and certainly that was, or it appeared to be a nice contributor in the second quarter. Just can you be clearer a little bit there on what is actually assumed from a corn origination perspective in in the second half of the year? It would seem that with a large safrinha crop and still some of the logistics pressures that that should be a pretty healthy contributor, both absolute and year over year, in second half that didn't quite have last year.

Greg Heckman
Yeah, it was definitely helped contribute there in Q2. And then of course, we saw that some of the demand shifts to Brazil from the US as that corn crop was harvested and the markets adjusted. That of course, is in our forecast for the book that we've got on and what we expect from execution is in our forecast for the second half. Although, as always, with merchandising, we're forecasting what we can see. And as things shift around, there could be some continued upside that the team will take advantage of as we get other dislocations and as things play out in the Ukraine as well and as we get the final development of what's the size of that US crop going to be.

Adam Samuelson
Okay, that's all very helpful. I'll pass it on. Thanks.

Greg Heckman
Thanks, Adam.

John Neppl
Thanks.

Operator
Thank you. And our next question comes from Steven Haynes with Morgan Stanley, please go ahead.

Steven Haynes
Hey, thanks for taking my question. I wanted to ask a question on your JV on the west coast with plans to triple soy meal capacity in the coming years. And given that it's on the West Coast, probably eliminate some destinations. But where are you kind of expecting that soy meal to end up and, more specifically, is that kind of targeting China or kind of any thoughts generally on where you see some excess soy meal production from the US finding its way overseas?

Greg Heckman
Yeah, it's definitely the Asian demand in general. And as a reminder, one of the great things about our team, we've got a lot of capillarity and granularity in our meal distribution, and merchandising.

Today, we market more meal than we produce. We actually have to buy market in from, from the market to serve our customers. So we're excited about that investment out of Longview to add meal handling capacity.

So we'll not only be able to handle more, it also make us more efficient, which will help serve those end customers and also provide a market as some of the additional crush comes on here in the US. And you know, we're already we talked about at Destrehan where we'll be expanding with our Chevron JV, our crush there will have swing too soft, but where if you remember, right, we're right there in New Orleans. So again, able to export that meal. And so this is kind of a parallel investment if you think about it in the PNW to get that meal that naturally flows off the west into those Asian demand markets.

Steven Haynes
Okay. Thank you.

John Neppl
Thank you.

Greg Heckman
Thanks, Steven.

Operator
Thanks. And our next question today comes from Thomas Palmer with JP Morgan. Please go ahead.

Thomas Palmer
Good morning, and thanks for the question. Your tone has been quite positive, I think, today with a few call outs about what could drive upside of guidance. So I don't think there are any major concerns maybe in the second half. But at the same time, you just beat by over $1 on the EPS side. Low end of your guidance was boosted by $0.75, so I thought it at least ask, relative to your expectations, are there emerging risks that we should be monitoring as we look towards the second half of the year?

Greg Heckman
I think where we're always managing the volatility and dislocation. The things that went into our thought were one - there was probably some of that earnings that fell in Q2 that might have been a little bit of timing from Q3. So that's maybe why 100% of that didn't transfer into the year. And then, look, you can have too extreme of volatility, right? This humanitarian corridor, getting that supply out of Ukraine efficiently, you know, not only the volume, but what it costs and the effect that has on the other origins in the world market to feed demand.

You still got the weather situation playing out in North America. What will that supply be on the corn and the bean side? And then, of course, just the overall, how's the China demand continued to develop? And then you've got Argentina with the election cycle with a possible devaluation. So when I say that, if you look at it from a macroeconomic as well as a geopolitical standpoint, I don't think we've probably ever seen quite as complex environment.

And then you can go ahead and throw interest rates and the effect on FX and what how that can affect exports, as well. It's a pretty interesting dynamic environment. We're real glad that we've got this great global footprint to operate from and the great team that's running it. And I think that's what we've shown that whatever the challenge, the team has been doing a great job of a great job of delivering. But there's definitely a few uncertainties here in the second half.

John Neppl
Yeah, and I think, Tom, given how we came into the quarter coming into Q3 with quite a bit of our crush locked in Q3 probably won't get the upside, maybe if the market tightens and crush margins move up. Of course, Q4 is fairly open, but that's been where there's been the least amount of liquidity and Brazil still not super strong there. But again, areas where we take the curves and then, if things improve, it's going to provide us some upside.

Thomas Palmer
Okay, thanks for that. And maybe, just maybe follow up on the flow through of earnings and these moving pieces as we think about just the cadence of the second half of the year, if we think about the lower end of your guidance, is there a favorability? I mean, it seems like if things go better, right, it would be weighted to that fourth quarter. But if it's just kind of more of that that baseline guidance, how balanced would it be between the two quarters?

John Neppl
Yeah, we're weighted a little more toward fourth quarter today. So just the way we've put the forecast in today, it's already weighted a bit to Q4, just given what we've what we know about Q3 and what we see, it's probably close to 40/60. Maybe, low 40s, high 50s between Q3 and Q4 is kind of how we think about it.

Thomas Palmer
Okay, thanks for that.

John Neppl
You bet.

Operator
Thank you. And our next question today comes from Andrew Strelzik with BMO. Please go ahead.

Andrew Strelzik
Hey, good morning. Thanks for taking the question. And you just touched on some of this, but I guess, your first half earnings is typically over the last decade or so, 30, or 40%, of what you would generate on an annual basis. Last year was around 50% and the guidance this year at the $11.75 would be more like 60%. So at the risk of being redundant, I guess, does it make sense that this year would be so much more first half weighted, absent kind of a particularly poor U.S. crop understanding, you just called that maybe a little bit of timing shift between 2Q and 3Q, but more broadly than that?

John Neppl
Yeah, Andrew, I can start and Greg can pop in here. Look, I think, yeah, last year, we were a little closer to 50/50. We were weighted still a little bit more toward the first half of the year. But you know, every year is different. I think the dynamics are, you know, we feel really good about the first half that we had and it's really probably more an indication of uncertainty in the second half than it is any sort of an unusual trend of earnings between first half second half.

I think, just looking at, as Greg alluded to, the geopolitical uncertainty, crops playing out, weaker forward curves in some parts of the world that we're hoping firm up, that's just kind of how things look today. But I think I wouldn't point to or I don't know that we can point to any shift sort of in the global market that cause us to earn more on the first half, other than, to Greg's point, we pulled a little bit probably forward, just given the strong origination results in Brazil and how that impacted our crush in Europe and China. But we'll see. I think that we hope to have some upside and we'll keep watching things.

Andrew Strelzik
Okay, that's helpful. Thank you. And then my other question, you reference still looking at both on M&A and obviously you've been spending a lot of growth capital that you've expected to come on, really in 2025. So I guess number one, you know, with maybe a better operating environment, how is the M&A market right now? How do those opportunities look? And number two, given the strong environment, does it change the timeline for returns on those capital projects? Does it pull them forward? Are you still thinking that 2025 is really kind of the timeline to which you would start to realize that? Thanks.

John Neppl
Yeah, I would say--I'll start and Greg can hop in here. But I'd say our capital, our CapEx pipeline, or growth capital is still pretty much on track in terms of timing. It is going to be, you know, 2025, 2026, as we start to realize those projects. A lot of them are big, multi-year builds, but we still feel very good about those. We're constantly challenging our assumptions and our view of those projects, and I still feel very good about that -- what we have in the pipeline.

In terms of the M&A side, you know, obviously, our number one priority is Viterra. Getting ready for Viterra on the integration planning side and thinking about how the organizations are going to run together. We're doing some pre-planning on our side, getting ready for that. That's our number one priority.

But at the same time, we're still finding a good pipeline of smaller bolt on M&A things. And as we said before, that hasn't changed our view of the capex and growth pipeline on the smaller bolt on M&A. Viterra is going to be additive to that. So we continue to be active there. There's a lot of things going on, maybe not all of them actionable, but certainly, we continue to be pretty busy on that front as well.

Greg Heckman
Yeah, I think John pretty much covered it. I guess, the one thing, I guess from environment, we're definitely--the complexity that we've spoken to is definitely for everyone, as well as you've got the highest interest rate environment than anyone has seen for a long time. And so that is creating some opportunities on the bolt on M&A and things to look at. But as John said, Viterra is absolutely our number one priority, and we won't let anything get in the way that.

Andrew Strelzik
Great, thank you very much.

John Neppl
Thanks, Andrew.

Operator
Thank you. And our next question today comes from Sam Margolin with Wolfe Research. Please go ahead.

Sam Margolin
Thanks. Hi, everybody. Kind of follow up on US crush, and maybe I'll phrase it in a little bit of a different way. But you've referred a number of times on the call to some crop uncertainty in the US, and the effect of this soybean supply uncertainty seems to be accruing to oil because, as you say, that's where the demand is. And so, I don't know, that seems like it might be a paradigm shift or something to flag whereas, normally, you would expect a low soybean crop to compress the crush because you don't have enough input. Do you see it that way, or is this something that you've seen before with light crops or crop uncertainty? Or is there maybe nothing to see here?

Greg Heckman
Yeah, I think the demand, you know, historically, right, oil has kind of been the laggard and meal in North America, and meal has been the driver for a long time. And with this switch in additional demand from energy now, biofuels in general, but renewable diesel specifically, we're now seeing oil carry a higher share. And we kind of think that's there to stay. But the market is going to do its work as that crop comes on. And the global market, we're already seeing it probably be more fed that demand from South American beans where more of the U.S. beans will probably stay at home, and that'll help balance the crush and the demand for the meal and the oil.

Sam Margolin
Okay, that's helpful. And then just a follow up, you manage the volatility in crush really well. You talked about how you had a high degree of your exposure locked in and the back end of the year is a little more open. But the curve is, like you say, it's pretty strong. Would you say, and maybe you don't want to give this away for competitive reasons, but is this kind of $1.40 to $1.60 level in the forward crush sort of a smash hedge and you're only limited by liquidity, or would you play for an upside?

Greg Heckman
Yeah, look, I'm really proud of the team being very thoughtful, right, to focus on the earnings at risk and the assets. And that's not only the crushing but the Milling as well as our export assets. And when those margins are there, and we're constantly evaluating this, not only the public information, but our proprietary information and looking at the S&Ds, and you're right there is more liquidity close in than there is farther out.

But when those margins are there, we'll hedge them out. And I feel like the team is very focused on managing our risk, and we continue to stay focused. It depends on our earnings power, and it also depends on the environment that we're operating in. And we always push everything through those two lenses. So, you know, real proud of the team staying, you know, absolutely focused on manage the risk in these assets.

John Neppl
Sam, I’d just add that, you know, we talked about the coverage in general terms, but obviously, it's by geography, or by value chain is how we see the opportunity. So it can vary between value chain. So US versus South America versus Europe or destination crush in China. Coverage can vary depending on how we see the market going forward or how we see the forward curve.

But all in all to Greg's point, I think, you know, we've been team's done a great job of taking the opportunities when they're there. Liquidity sometimes can be a constraint, but generally speaking, I think the discipline that we practice and the organization has shown to be very successful.

Sam Margolin
Understood, thank you.

John Neppl
Thank you.

Operator
Thank you. And our next question comes from Robert Moscow with TD Cowen. Please go ahead.

Robert Moscow
Hi there.

Greg Heckman
Hi, Rob.

Robert Moscow
Hi. Maybe just a couple of follow ups. You mentioned the demand outlook in China is still kind of up in the air. I want to know, do you have any more color on what you see in demand in China currently, restaurant versus just packaged food demand or livestock? And then a quick follow up.

Greg Heckman
Yeah, the animal numbers have continued to hold up, despite there being some margin compression there. The customers have been very spot. And I think one of our team talked about the margins of it being like an accordion. They're kind of up and down. But the way we're set up over there and in support that business, the team is very agile and so we've been able to lock those margins when they are there.

From a demand standpoint, we think there continues to be some additional growth, I think our kind of anecdotal, what our team on the ground sees is the domestic demand is kind of back. What we're really lacking are the places that we serve that are more tourist or business travelers and the traffic there still we're seeing as down, although the domestic traffic is up. So that's where the upside would have to come from.

Robert Moscow
Got it. And I don't know if I've heard you talk about this recently. But in a higher interest rate environment, I would imagine your balance sheet is a real competitive advantage. And I was wondering if you could talk a little bit about how you've used it in your procurement practices in Brazil, how it's helped you maybe even in second quarter. And also how does it impact the growers? How are their balance sheets impacted by rising debt costs? And does it make them more willing sellers?

Greg Heckman
Yeah, I'll mainly talk to it macro, and maybe John will drill in a little bit. But I think you're exactly right, it is a competitive advantage for us. We are a non-bank lender. That relationship that we have with our origination customers as well as our consuming customers, right? Their facilities don't move. Our facilities don't move. These are long term relationships, and we want to help them be successful.

The other thing is if you look the last few years with some of the commodity finance things that have happened in the market, the banks have backed off on some of the commodity financing and then with higher interest rates and tighter credit, from a competitive standpoint, there aren't as many alternatives for people. So we do play that role as put one of the services, whether it's with some of our minority investments with our resellers, if it's with our long-term origination, you know, farmer partners, or even our end users.

So our balance sheet, and John and team do a great job of protecting that and ensuring that we've got the liquidity to operate because, in this business, it's very different than industrial business. The working capital is--it's like electricity. It is a bit the blood in the veins of this business and it's an important thing and that's why we focus on AROIC and the team is constantly focused on making sure they do get a return on that working capital.

John Neppl
Yeah, I would just add, Rob, that as we've strengthened our credit profile over the last couple of years, the industry--it's helped us from an advantage standpoint, because the industry and the market structure is ultimately going to be on average interest rates. And to the extent that we can borrow money cheaper than others, that should and does give us somewhat of an advantage in terms of being able to fund the RMI that Greg talked about, and as well, provide the financing to the producers with the appropriate spread on it.

And, you know, ultimately, we feel like through the Viterra acquisition, obviously, that's been--that's also viewed as very credit positive for us. So again, should extend that advantage that we have in the market to borrow money cheaper and maintain that liquidity that we need.

Robert Moscow
And the farmers themselves has this influence their willingness to sell at all, or is it not like that?

John Neppl
Well, they're ultimately economic animals and in the cost of carry, certainly is important to them. In the market structure, we'll have that cost to carry in it, but certainly, I think what it's done for us is tightened our relationship with the farmers. I don’t know, Greg, you want to add anything else there?

Greg Heckman
Yeah. No, we're always not only originating for our in-country demand, but for those markets that--those destination markets right out of Brazil where we're serving Europe and our Asian markets in China and Vietnam. So our ability to provide that liquidity and even, like ‘24, we haven't seen much marketing of the farmers yet, but when they're there, we have the capacity to be there when they want to go to market and when they want to hedge their risk.

So we want to say focused on helping our customers, not only the end consumers, but our customer, the farmer be successful, manage their risk in this environment, and help them accomplish their profitability goals and their growth.

Robert Moscow
That's great. Thank you.

Greg Heckman
Thank you.

Operator
Thank you. And our next question today comes from Brian Wright at Roth MKM. Please go ahead.

Brian Wright
Thanks. Good morning. Can you provide an update on the Viterra regulatory approval process and maybe some color on your term milestones and pathways for this process?

Greg Heckman
So yeah, we're early on. I think we talked about we just filed the proxy, and we are doing the regulatory filings. So early on in the process, but we continue to engage and the asset bases of very highly complementary, so we look forward to engaging on the facts.

Brian Wright
Thank you.

Greg Heckman
Thank you.

CONCLUSION

Operator
Thank you. And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Greg Heckman for any closing remarks.

Greg Heckman
Thank you, everyone, for your interest in Bunge. We're really excited about where we're at in the stage of the company and the path of growth that we're on and we look forward to speaking with you next time. Have a great week.

Operator
Thank you, sir. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.