

Bunge Reports Second Quarter 2020 Results

Bunge Limited



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ST. LOUIS, July 29, 2020 /PRNewswire/ -- **Bunge Limited (NYSE: BG)** today reported second quarter 2020 results.

- **Q2 GAAP EPS of \$3.47 vs. \$1.43 in the prior year; \$3.88 vs. \$1.52 on an adjusted basis**
- **Core Agribusiness and Food & Ingredients businesses generated strong results**
- **Agribusiness earnings improved on excellent execution; results also benefited from ~\$380 million of timing differences related to expected Q1 reversals and new mark-to-market gains**
- **Edible Oils performed better than expected**
- **Increasing full-year earnings outlook to reflect better than expected Q2**
- **Overview**

Greg Heckman, Bunge's Chief Executive Officer, commented, "Bunge had an outstanding second quarter, with strong performance across all of our core businesses while maintaining a sharp focus on the safety of our team. Our execution against committed crush capacity and coordination of trade flows was exceptional. We realized the benefit from our risk management decisions in the first half of this year and earned new business with our focus on innovation and our collaborative approach with customers. We generated strong cash flow while being disciplined in our approach to capital allocation, and continued to execute on our key priorities. These results would be strong in any environment, let alone a pandemic, and we couldn't be more proud of the resilience and commitment of our team."

- **Financial Highlights**

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
US\$ in millions, except per share data	2020	2019	2020	2019
Net income attributable to Bunge	\$ 516	\$ 214	\$ 332	\$ 259
Net income per common share-diluted	\$ 3.47	\$ 1.43	\$ 2.14	\$ 1.71

Certain (gains) and charges (d)	\$ 0.44	\$ 0.09	\$ 0.46	\$ 0.19
Adjustment of redeemable noncontrolling interest (e)	\$ (0.03)	\$ —	\$ 0.07	\$ —
Adjusted Net income per common share-diluted (c)	\$ 3.88	\$ 1.52	\$ 2.67	\$ 1.90
Core Segment EBIT (a) (c)	\$ 943	\$ 283	\$ 885	\$ 507
Certain (gains) & charges (d)	—	4	—	13
Adjusted Core Segment EBIT (c)	\$ 943	\$ 287	\$ 885	\$ 520
Corporate and Other EBIT (c)	\$ (120)	\$ 76	\$ (182)	\$ 22
Certain (gains) & charges (d)	66	10	71	15
Adjusted Corporate and Other EBIT (c)	\$ (54)	\$ 86	\$ (111)	\$ 37
Non-core Segment EBIT (b) (c)	\$ (85)	\$ (5)	\$ (135)	\$ (24)
Certain (gains) & charges (d)	—	2	—	3
Adjusted Non-core Segment EBIT (c)	\$ (85)	\$ (3)	\$ (135)	\$ (21)
Total Segment EBIT (c)	\$ 738	\$ 354	\$ 568	\$ 505

Total Certain (gains) & charges (d)	66	\$ 16	\$ 71	\$ 31
Adjusted Total Segment EBIT (c)	\$ 804	\$ 370	\$ 639	\$ 536

(a) *Core Segment EBIT is comprised of the aggregate earnings before interest and tax ("EBIT") of Bunge's Agribusiness, Edible Oils Products, Milling Products and Fertilizer reportable segments*

(b) *Non-core Segment EBIT is comprised of Bunge's Sugar & Bioenergy reportable segment EBIT.*

(c) *Core Segment earnings before interest and tax ("Core Segment EBIT"); Adjusted Core Segment EBIT; Corporate and Other EBIT; Adjusted Corporate and Other EBIT; Non-core Segment EBIT; Adjusted Non-core Segment EBIT; Total Segment EBIT; Adjusted Total Segment EBIT, and Adjusted Net income per common share-diluted are non-GAAP financial measures. Reconciliations to the most directly comparable U.S. GAAP measures are included in the tables attached to this press release and the accompanying slide presentation posted on Bunge's website.*

(d) *Certain (gains) & charges included in Total Segment EBIT. See Additional Financial Information for detail.*

(e) *Retained earnings charge associated with an adjustment to the carrying amount of the redeemable noncontrolling interest recorded in respect of our 70% ownership interest in Loders. See Note 6 for details.*

- **Second Quarter Results**

Core Segments

Agribusiness

	Quarter Ended		Six Months Ended	
US\$ in millions, except per share	June 30,	June 30,	June 30,	June 30,

data	2020	2019	2020	2019
Volumes (in thousand metric tons)	38,035	34,009	71,335	68,438
Net Sales	\$ 6,810	\$ 7,068	\$ 13,139	\$ 13,987
Gross Profit	\$ 885	\$ 312	\$ 874	\$ 542
Selling, general and administrative expense	\$ (114)	\$ (125)	\$ (220)	\$ (238)
Foreign exchange gains (losses)	\$ 30	\$ (10)	\$ 17	\$ (19)
Income (loss) from affiliates	\$ 18	\$ 7	\$ 25	\$ 14
Segment EBIT	\$ 843	\$ 209	\$ 716	\$ 350
Certain (gains) & charges	—	2	—	10
Adjusted Segment EBIT	\$ 843	\$ 211	\$ 716	\$ 360
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ —	\$ 2	\$ —	\$ 10
Certain (gains) & charges, Earnings Per Share	\$ —	\$ 0.01	\$ —	\$ 0.06

Agribusiness Summary

Higher Agribusiness results in the quarter reflected strong execution throughout the value chains, particularly in managing risk, committed crush capacity and global trade flows.

Oilseeds (5)

US\$ in millions, except per share data	Quarter Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Oilseeds EBIT	\$ 544	\$ 173	\$ 392	\$ 280
Certain (gains) & charges	—	1	—	9
Adjusted Oilseed EBIT	\$ 544	\$ 174	\$ 392	\$ 289

In Oilseeds, higher soy processing results were driven by higher margins in South America, Europe and Asia, partially offset by lower margins in North America. Softseed processing results were higher in all regions. We carried into the second quarter a mark-to-market balance of approximately \$295 million of previously reported timing losses related to forward oilseed processing contracts and hedges against sales to our downstream Edible Oils customers. As anticipated, approximately \$155 million of these timing losses reversed in the second quarter upon executing a portion of these contracts. In addition, as a result of a decrease in global crush margins and the recovery in global vegetable oil prices during the quarter, we benefited from new mark-to-market gains of approximately \$145 million. This reduced our carryforward balance on open contracts to a net gain of less than \$10 million, which is expected to reverse in the coming quarters. Higher results in trading and distribution were driven by increased margins and favorable positioning.

Grains (5)

Quarter Ended	Six Months Ended
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US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Grains EBIT	\$ 299	\$ 36	\$ 324	\$ 70
Certain (gains) & charges	—	1	—	1
Adjusted Grains EBIT	\$ 299	\$ 37	\$ 324	\$ 71

Results in Grains improved in most areas of the business. Origination benefited from increased farmer selling in Brazil with the rise of local prices caused by the devaluation of the Brazilian *real*. North America origination also showed improvement. Higher results in trading and distribution were driven by improved margins and favorable positioning. Ocean Freight also had a strong quarter, driven by excellent execution, as well as approximately \$75 million of gains from the reversal of mark-to-market timing primarily related to bunker fuel hedges that negatively impacted the first quarter.

Edible Oil Products

	Quarter Ended		Six Months Ended	
US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Volumes (in thousand metric tons)	2,279	2,328	4,628	4,637
Net Sales	\$ 2,128	\$ 2,206	\$ 4,452	\$ 4,445
Gross Profit	\$ 146	\$ 141	\$ 274	\$ 290
Selling, general and administrative expense	\$ (88)	\$ (93)	\$ (182)	\$ (176)

Foreign exchange gains (losses)	\$ (4)	\$ (3)	\$ 3	\$ (1)
Income (loss) from affiliates	\$ —	\$ —	\$ —	\$ —
Segment EBIT	\$ 51	\$ 43	\$ 97	\$ 102
Certain (gains) & charges	—	—	—	1
Adjusted Segment EBIT	\$ 51	\$ 43	\$ 97	\$ 103
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ —	\$ —	\$ —	\$ 1
Certain (gains) & charges, Earnings Per Share	\$ —	\$ —	\$ —	\$ 0.01

Edible Oil Products Summary

Early in the quarter, we observed a steep drop in foodservice and biofuel demand due to COVID-19-related lockdowns and restrictions. As the quarter developed, refinery margins improved driven by increased demand from food processor and consumer retail channels along with a partial recovery in foodservice and biofuel demand. This margin improvement, combined with share growth with new customers and lower costs, resulted in higher earnings in all regions.

Milling Products

Quarter Ended

Six Months Ended

US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Volumes (in thousand metric tons)	1,127	1,113	2,275	2,218
Net Sales	\$ 381	\$ 430	\$ 797	\$ 856
Gross Profit	\$ 51	\$ 41	\$ 97	\$ 89
Selling, general and administrative expense	\$ (22)	\$ (25)	\$ (48)	\$ (51)
Foreign exchange gains (losses)	\$ 1	\$ 1	\$ —	\$ 3
Income (loss) from affiliates	\$ —	\$ —	\$ —	\$ —
Segment EBIT	\$ 30	\$ 25	\$ 48	\$ 47
Certain (gains) & charges	—	2	—	2
Adjusted Segment EBIT	\$ 30	\$ 27	\$ 48	\$ 49
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ —	\$ 1	\$ —	\$ 1
Certain (gains) & charges, Earnings Per	\$ —	\$ 0.01	\$ —	\$ 0.01

Share

Milling Products Summary

Higher results in Brazil, primarily driven by increased food processor and consumer retail demand, as well as decreased costs, more than offset lower results in North America, which was negatively impacted by business mix.

Fertilizer

	Quarter Ended		Six Months Ended	
US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Volumes (in thousand metric tons)	375	305	551	501
Net Sales	\$ 117	\$ 108	\$ 171	\$ 177
Gross Profit	\$ 22	\$ 11	\$ 31	\$ 16
Selling, general and administrative expense	\$ (3)	\$ (4)	\$ (7)	\$ (7)
Foreign exchange gains (losses)	\$ —	\$ —	\$ —	\$ —
Income (loss) from affiliates	\$ —	\$ —	\$ —	\$ —

Segment EBIT	\$ 19	\$ 6	\$ 24	\$ 8
Certain (gains) & charges	—	\$ —	\$ —	\$ —
Adjusted Segment EBIT	\$ 19	\$ 6	\$ 24	\$ 8
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ —	\$ —	\$ —	\$ —
Certain (gains) & charges, Earnings Per Share	\$ —	\$ —	\$ —	\$ —

Fertilizer Summary

Higher segment results reflected improved performance in our Argentine operation, which benefited from higher margins and volumes as farmers accelerated purchases in anticipation of higher local prices.

Corporate and Other

	Quarter Ended		Six Months Ended	
US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Gross Profit	\$ 1	\$ 3	\$ 1	\$ 11
Selling, general and administrative expense	\$ (119)	\$ (80)	\$ (183)	\$ (148)

Foreign exchange gains (losses)	\$ —	\$ —	\$ 1	\$ 1
Other income (expense) - net	\$ (2)	\$ 153	\$ (1)	\$ 158
Income (loss) from affiliates	\$ —	\$ —	\$ —	\$ —
Segment EBIT (a)	\$ (120)	\$ 76	\$ (182)	\$ 22
Certain (gains) & charges	66	10	71	15
Adjusted Segment EBIT	\$ (54)	\$ 86	\$ (111)	\$ 37
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ 66	\$ 9	\$ 69	\$ 12
Certain (gains) & charges, Earnings Per Share	\$ 0.44	\$ 0.06	\$ 0.46	\$ 0.09

(a) Corporate and Other Segment EBIT is comprised of:

- *Corporate: loss of \$(56) for the quarter ended June 30, 2020, and loss of \$(70), including \$10 of certain (gains) and charges, for the quarter ended June 30, 2019; loss of \$(126), including \$5 of certain (gains) and charges for the six months ended June 30, 2020 and loss of \$(140), including \$15 of certain (gains) and charges, for the six months ended June 30, 2019.*
- *Other: loss of \$(64), including \$66 of certain (gains) and charges, for the quarter ended June 30, 2020 and \$146 for the quarter ended June 30, 2019; loss of \$(56), including \$66 of certain (gains) and charges, for the six months ended June 30, 2020 and \$162 for the six months ended June 30, 2019.*

Corporate and Other Summary

Corporate items generally include salaries and overhead for corporate functions, and Other generally comprises the results of Bunge Ventures and the Company's securitization, captive insurance and other activities. Total adjusted Segment EBIT for Corporate and Other was comprised of \$(56) million from Corporate and \$2 million from Other for the quarter ended June 30, 2020. This compares to \$(60) million from Corporate and \$146 million from Other, which reflected our investment in Beyond Meat, for the prior year period.

Non-core Segments

Sugar & Bioenergy

	Quarter Ended		Six Months Ended	
US\$ in millions, except per share data	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Volumes (in thousand metric tons)	62	828	148	1,644
Net Sales	\$ 26	\$ 284	\$ 76	\$ 569
Gross Profit	\$ —	\$ 4	\$ 2	\$ 1
Selling, general and administrative expense	\$ —	\$ (8)	\$ (1)	\$ (20)
Foreign exchange gains (losses)	\$ —	\$ 1	\$ —	\$ (2)
Income (loss) from affiliates	\$ (85)	\$ (1)	\$ (136)	\$ (1)
Segment EBIT	\$ (85)	\$ (5)	\$ (135)	\$ (24)

Certain (gains) & charges	—	2	—	3
Adjusted Segment EBIT	\$ (85)	\$ (3)	\$ (135)	\$ (21)
Certain (gains) & charges, Net Income (Loss) Attributable to Bunge	\$ —	\$ 1	\$ —	\$ 3
Certain (gains) & charges, Earnings Per Share	\$ —	\$ 0.01	\$ —	\$ 0.02

Sugar & Bioenergy Summary

Segment results for this quarter, which are non-cash, reflect our share of the results of the 50/50 joint venture with BP. By contrast, second quarter 2019 reflected our 100 percent ownership of the Brazilian sugar and bioenergy operations that we contributed to the joint venture in December 2019. Additionally, results of the joint venture are reported on a one-month lag.

Lower results in the quarter were primarily driven by approximately \$70 million of foreign exchange translation losses on U.S. dollar denominated debt of the joint venture due to depreciation of the Brazilian *real*. Also contributing to the decline in earnings were lower Brazilian ethanol prices driven by the drop in global oil prices.

Cash Flow

	Six Months Ended	
	June 30, 2020	June 30, 2019
Cash used for operating activities	\$ (1,502)	\$ (1,083)
Proceeds from beneficial interest in securitized trade receivables	748	547

Cash used for operating activities, adjusted	\$ (754)	\$ (536)
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Cash used by operations in the six months ended June 30, 2020 was \$1,502 million compared to cash used of \$1,083 million in the same period last year. Adjusting for the proceeds from beneficial interest in securitized trade receivables, cash used by operating activities was \$754 million compared with cash used by operating activities of \$536 million in the prior year. This increase in cash used by operations was primarily driven by increased purchases of readily marketable inventory.

Income Taxes

For the six month period ended June 30, 2020, income tax expense was \$113 million. Adjusting for notable items, the effective tax rate was approximately 22%.

- **COVID-19 Update**

Bunge continues to take proactive steps to protect the health and safety of its employees, their families and the communities in which it operates. Through an internal task force, the Company closely monitors developments related to the pandemic and provides guidance to its facilities worldwide. Each of Bunge's facilities around the globe is taking steps to respond to COVID-19 based on the nature of its operations and the actions being taken by local governments. The Company has restricted travel, upgraded the cleaning practices at its facilities and offices, implemented remote work arrangements for teammates wherever possible, reduced staffing in its production facilities and instituted social distancing measures.

Numerous countries around the globe, including places where Bunge operates production facilities or maintains offices, have implemented shelter-in-place or stay-at-home orders. While many of these countries have subsequently eased these orders, some have re-instated shelter-in-place or stay-at-home orders, and other countries are expected to follow suit if the virus continues to spread. In locations where such orders are in place, Bunge has been deemed an essential or life-sustaining operation. To date, the Company has not seen a significant disruption in its supply chain, has been able to mitigate logistics and distribution issues that have arisen, and substantially all of its facilities around the world have continued to operate at or near normal levels. Bunge continues to monitor governmental actions that could limit or restrict the movement of agricultural commodities or products or otherwise disrupt physical product flows.

The Company's strong balance sheet and access to committed capital will continue to be important in allowing it to reliably serve customers and continue to operate its global platform while protecting the health and safety of its employees. At the end of the second quarter of 2020, Bunge had \$277 million in cash and short-term investments on hand and \$3.6 billion of its \$4.3 billion of committed credit lines were unused and available. It also continues to have access to the capital markets at a competitive cost of funds.

- **Outlook**

We are increasing our full-year 2020 EPS outlook to reflect our stronger than expected second quarter results.

In Agribusiness, based on first half results, the current market environment and forward curves, our full-year results will be higher than our previous guidance, as well as last year's results.

In Edible Oils we expect modest improvement compared to our previous outlook. Despite a stronger than expected second quarter, the business will likely continue to face headwinds from COVID-19. Expected results in Milling continue to be in line with last year.

The Company expects the following for 2020: an adjusted annual effective tax rate in the upper end of the range of 19% to 23%; net interest expense of approximately \$230 million; capital expenditures in the range of \$375 to \$400 million; and depreciation and amortization of approximately \$400 million.

The outlook of the sugar and bioenergy joint venture has declined from the previous forecast to reflect the impact of foreign exchange volatility in the first half of the year.