

Bunge LTD
Form 10-Q
August 01, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-16625

BUNGE LIMITED

(Exact name of registrant as specified in its charter)

Bermuda 98-0231912
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

50 Main Street, White Plains, New York 10606
(Address of principal executive offices) (Zip Code)
(914) 684-2800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

	Non-accelerated filer <input type="checkbox"/>			
Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	(Do not check if a smaller reporting company) <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act of 1934). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of July 27, 2018 the number of shares issued of the registrant was:
Common shares, par value \$.01 per share: 141,070,472



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PART I— FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(U.S. dollars in millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net sales	\$12,147	\$11,645	\$22,788	\$22,766
Cost of goods sold	(11,605)	(11,290)	(21,862)	(21,951)
Gross profit	542	355	926	815
Selling, general and administrative expenses	(377)	(326)	(721)	(702)
Interest income	6	8	14	20
Interest expense	(94)	(62)	(164)	(127)
Foreign exchange gains (losses)	(96)	51	(96)	107
Other income (expense) – net	4	—	28	(5)
Income (loss) from continuing operations before income tax	(15)	26	(13)	108
Income tax (expense) benefit	(2)	55	(21)	27
Income (loss) from continuing operations	(17)	81	(34)	135
Income (loss) from discontinued operations, net of tax	7	6	5	—
Net income (loss)	(10)	87	(29)	135
Net (income) loss attributable to noncontrolling interests	(2)	(6)	(4)	(7)
Net income (loss) attributable to Bunge	(12)	81	(33)	128
Convertible preference share dividends	(9)	(9)	(17)	(17)
Net income (loss) available to Bunge common shareholders	\$(21)	\$72	\$(50)	\$111
Earnings per common share—basic (Note 18)				
Net income (loss) from continuing operations	\$(0.20)	\$0.48	\$(0.39)	\$0.79
Net income (loss) from discontinued operations	0.05	0.04	0.03	—
Net income (loss) attributable to Bunge common shareholders	\$(0.15)	\$0.52	\$(0.36)	\$0.79
Earnings per common share—diluted (Note 18)				
Net income (loss) from continuing operations	\$(0.20)	\$0.48	\$(0.39)	\$0.79
Net income (loss) from discontinued operations	0.05	0.03	0.03	—
Net income (loss) attributable to Bunge common shareholders	\$(0.15)	\$0.51	\$(0.36)	\$0.79
Dividends declared per common share	\$0.50	\$0.46	\$0.96	\$0.88

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$(10)	\$87	\$(29)	\$135
Other comprehensive income (loss):				
Foreign exchange translation adjustment (1)	(1,024)	(140)	(1,036)	126
Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of \$2 and \$2 in 2018 and nil and nil in 2017	161	(64)	164	(71)
Unrealized gains (losses) on investments, net of tax (expense) benefit of nil and nil in 2018 and \$1 and \$1 in 2017	—	1	—	1
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of nil and nil in 2018 and nil and nil in 2017	3	(17)	(1)	(19)
Pension adjustment, net of tax (expense) benefit of nil and nil in 2018 and nil and nil in 2017	2	—	1	—
Total other comprehensive income (loss)	(858)	(220)	(872)	37
Total comprehensive income (loss)	(868)	(133)	(901)	172
Less: comprehensive (income) loss attributable to noncontrolling interests	8	(11)	3	(17)
Total comprehensive income (loss) attributable to Bunge	\$(860)	\$(144)	\$(898)	\$155

(1) Includes the release of cumulative translation adjustments upon the disposition of the Company's foreign subsidiaries, which is recorded in Other income (expense) - net in the condensed consolidated statements of income.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(U.S. dollars in millions, except share data)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$221	\$ 601
Trade accounts receivable (less allowances of \$119 and \$107) (Note 13)	1,814	1,501
Inventories (Note 6)	7,062	5,074
Other current assets (Note 7)	4,421	3,227
Total current assets	13,518	10,403
Property, plant and equipment, net	5,274	5,310
Goodwill	728	515
Other intangible assets, net	738	323
Investments in affiliates	448	461
Deferred income taxes	510	516
Time deposits under trade structured finance program (Note 5)	—	315
Other non-current assets (Note 8)	908	1,028
Total assets	\$22,124	\$ 18,871
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$2,363	\$ 304
Current portion of long-term debt (Note 12)	625	15
Letter of credit obligations under trade structured finance program (Note 5)	—	315
Trade accounts payable (includes \$574 and \$583 carried at fair value)	3,138	3,395
Other current liabilities (Note 10)	2,917	2,186
Total current liabilities	9,043	6,215
Long-term debt (Note 12)	4,992	4,160
Deferred income taxes	355	223
Other non-current liabilities	950	916
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interest (Note 16)	441	—
Equity (Note 17):		
Convertible perpetual preference shares, par value \$.01; authorized – 21,000,000 shares, issued and outstanding: 2018 - 6,899,683 shares and 2017 - 6,899,700 shares (liquidation preference \$100 per share)	690	690
Common shares, par value \$.01; authorized – 400,000,000 shares; issued and outstanding: 2018 – 141,065,939 shares, 2017 – 140,646,829 shares	1	1
Additional paid-in capital	5,253	5,226
Retained earnings	7,917	8,081
Accumulated other comprehensive income (loss) (Note 17)	(6,795)	(5,930)
Treasury shares, at cost - 2018 and 2017 - 12,882,313 shares	(920)	(920)
Total Bunge shareholders' equity	6,146	7,148
Noncontrolling interests	197	209
Total equity	6,343	7,357
Total liabilities, redeemable noncontrolling interest and equity	\$22,124	\$ 18,871

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (U.S. dollars in millions)

	Six Months Ended June 30,	
	2018	2017
OPERATING ACTIVITIES		
Net income (loss)	\$(29)	\$135
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:		
Impairment charges	4	4
Foreign exchange (gain) loss on net debt	171	(33)
Bad debt expense	23	8
Depreciation, depletion and amortization	304	282
Share-based compensation expense	21	17
Deferred income tax (benefit)	(50)	(2)
Other, net	5	14
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(245)	(93)
Inventories	(2,202)	(532)
Secured advances to suppliers	(308)	125
Trade accounts payable and accrued liabilities	(48)	98
Advances on sales	(80)	(149)
Net unrealized gain (loss) on derivative contracts	262	(36)
Margin deposits	(217)	(45)
Marketable securities	(56)	(146)
Beneficial interest in securitized trade receivables	(863)	(841)
Other, net	(30)	(115)
Cash provided by (used for) operating activities	(3,338)	(1,309)
INVESTING ACTIVITIES		
Payments made for capital expenditures	(220)	(342)
Acquisitions of businesses (net of cash acquired)	(968)	(394)
Proceeds from investments	945	119
Payments for investments	(1,082)	(160)
Proceeds from beneficial interest in securitized trade receivables	853	832
Payments for investments in affiliates	—	(68)
Other, net	44	8
Cash provided by (used for) investing activities	(428)	(5)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	1,903	759
Proceeds from short-term debt with maturities greater than 90 days	231	380
Repayments of short-term debt with maturities greater than 90 days	(63)	(138)
Proceeds from long-term debt	5,926	3,872
Repayments of long-term debt	(4,430)	(3,853)
Proceeds from the exercise of options for common shares	11	57
Dividends paid	(147)	(135)
Other, net	(13)	(6)
Cash provided by (used for) financing activities	3,418	936

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Effect of exchange rate changes on cash and cash equivalents, and restricted cash	(32)	21
Net increase (decrease) in cash and cash equivalents, and restricted cash	(380)	(357)
Cash and cash equivalents, and restricted cash - beginning of period	605	938
Cash and cash equivalents, and restricted cash - end of period	\$225	\$581

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE
 NONCONTROLLING INTERESTS

(Unaudited)

(U.S. dollars in millions, except share data)

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity	
	Redeemable Non-Controlling Interests	Shares	Amount	Shares							Amount
Balance, January 1, 2018	\$ —	6,899,700	\$ 690	140,646,829	\$ 1	\$ 5,226	\$ 8,081	\$ (5,930)	\$ (920)	\$ 209	\$ 7,357
Net income (loss)	1	—	—	—	—	—	(33)	—	—	3	(30)
Other comprehensive income (loss)	(21)	—	—	—	—	—	—	(865)	—	(7)	(872)
Dividends on common shares	—	—	—	—	—	—	(135)	—	—	—	(135)
Dividends on preference shares	—	—	—	—	—	—	(17)	—	—	—	(17)
Dividends to noncontrolling interests on subsidiary common stock	—	—	—	—	—	—	—	—	—	(6)	(6)
Deconsolidation of a subsidiary	—	—	—	—	—	—	—	—	—	(2)	(2)
Acquisition of noncontrolling interest	461	—	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	21	—	—	—	—	21
Impact of adoption of new accounting standards ⁽¹⁾	—	—	—	—	—	—	21	—	—	—	21
Issuance of common shares	—	(17)	—	419,110	—	6	—	—	—	—	6
Balance, June 30, 2018	\$ 441	6,899,683	\$ 690	141,065,939	\$ 1	\$ 5,253	\$ 7,917	\$ (6,795)	\$ (920)	\$ 197	\$ 6,343

(1) See Note 2 for further details.

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity
	Redeemable Non-Controlling Interests	Shares	Amount	Shares						

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Balance, January 1, 2017	\$ -6,900,000	\$ 690	139,500,862	\$ 1	\$ 5,143	\$ 8,208	\$ (5,978)	\$ (920)	\$ 199	\$ 7,343
Net income (loss)	—	—	—	—	—	128	—	—	7	135
Other comprehensive income (loss)	—	—	—	—	—	—	27	—	10	37
Dividends on common shares	—	—	—	—	—	(124)	—	—	—	(124)
Dividends on preference shares	—	—	—	—	—	(17)	—	—	—	(17)
Dividends to noncontrolling interests on subsidiary common stock	—	—	—	—	—	—	—	—	(8)	(8)
Share-based compensation expense	—	—	—	—	17	—	—	—	—	17
Issuance of common shares	—	(300)	1,090,894	—	52	—	—	—	—	52
Balance, June 30, 2017	\$ -6,899,700	\$ 690	140,591,756	\$ 1	\$ 5,212	\$ 8,195	\$ (5,951)	\$		