



Jabil Inc. (JBL)

Updated March 19th, 2023 by Quinn Mohammed

Key Metrics

Current Price:	\$79	5 Year CAGR Estimate:	8.1%	Market Cap:	\$10.5 B
Fair Value Price:	\$84	5 Year Growth Estimate:	6.5%	Ex-Dividend Date¹:	05/14/2023
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date²:	06/02/2023
Dividend Yield:	0.4%	5 Year Price Target	\$115	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Jabil is a manufacturing solutions and services provider. The company offers comprehensive services including manufacturing circuit board assemblies and systems, from circuit and production design, component selection and automated assembly, and obtaining components from a broad group of suppliers. Their clients are manufacturers in the personal computer, computer peripherals, communications, and automotive industries. Jabil reports in two segments, Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS). EMS focuses on leveraging IT, supply chain design and engineering, centered around electronics. DMS provides engineering solutions around material sciences, technologies, and healthcare. Jabil trades on the NYSE under the ticker symbol JBL and has a market capitalization of \$10.5 billion. In fiscal year 2022, JBL generated \$33.5 billion in net revenue.

Jabil reported second quarter fiscal 2023 results on March 16th, 2023, for the quarter ended February 28th, 2023. The corporation generated \$8.1 billion of net revenues in the second quarter, a 7.7% increase over \$8.1 billion in the same prior year period. The DMS segment revenue grew 8% year-over-year, while the larger EMS segment grew by 7%. Core diluted earnings per share grew from \$1.68 to \$1.88.

Leadership has provided a third quarter of fiscal year 2023 outlook. Management expects net revenue between \$7.9 billion to \$8.5 billion in the third quarter. Core EPS is expected to be \$1.90 at the midpoint for Q3.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.93	\$0.49	\$1.75	\$1.55	\$2.11	\$2.62	\$2.98	\$2.90	\$5.61	\$7.65	\$8.38	\$11.48
DPS	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32
Shares³	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	144.4	138.0	130.0

Jabil's earnings per share have at times appeared choppy year-to-year, but over the long-term, there has been proven growth in EPS. The nine year average growth rate of 16.5% has sped up and the company's five year average growth rate is stellar at 29.4%. We believe Jabil can continue growing earnings at roughly 6.5% in the intermediate term. To note, the corporation has reduced its share count by 3.5% on average over the past five years, which acts as an additional tailwind to EPS. We see continued revenue growth in Mobility, Cloud, Connected Devices and Semi-Cap. Additionally, core operating margins should improve over time, as it grew from 3.2% in 2020 to 4.2% in 2021, and then again to 5.0% in 2022.

The dividend has never been cut in its history since inception in 2006, however it has not grown very much. The corporation has paid the same dividend since 2012 after a 14% dividend increase. Growing earnings have shrunk the payout ratio and we expect the company is due for another bump in the dividend, however, there is no evidence that they are interested in increasing it.

¹ Estimate

² Estimate

³ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	10.2	40.1	12.3	13.3	12.4	10.8	9.1	11.7	9.6	11.0	9.4	10.0
Avg. Yld.	1.6%	1.6%	1.5%	1.6%	1.2%	1.1%	1.2%	0.9%	0.6%	0.6%	0.4%	0.3%

Jabil's price-to-earnings multiple is undervalued based on phenomenal forecasted 2023 earnings. Given the company's current macro headwinds and risks, but strong execution, we peg fair value for Jabil at about 10.0 times earnings. The company has a 5-year average PE of 10.4 and a 10-year average PE of 14.1 (excluding outlier in 2014, average 10-year PE is 11.2). We don't forecast much change in the company's miniscule yield, as they appear to have little to no interest in increasing the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

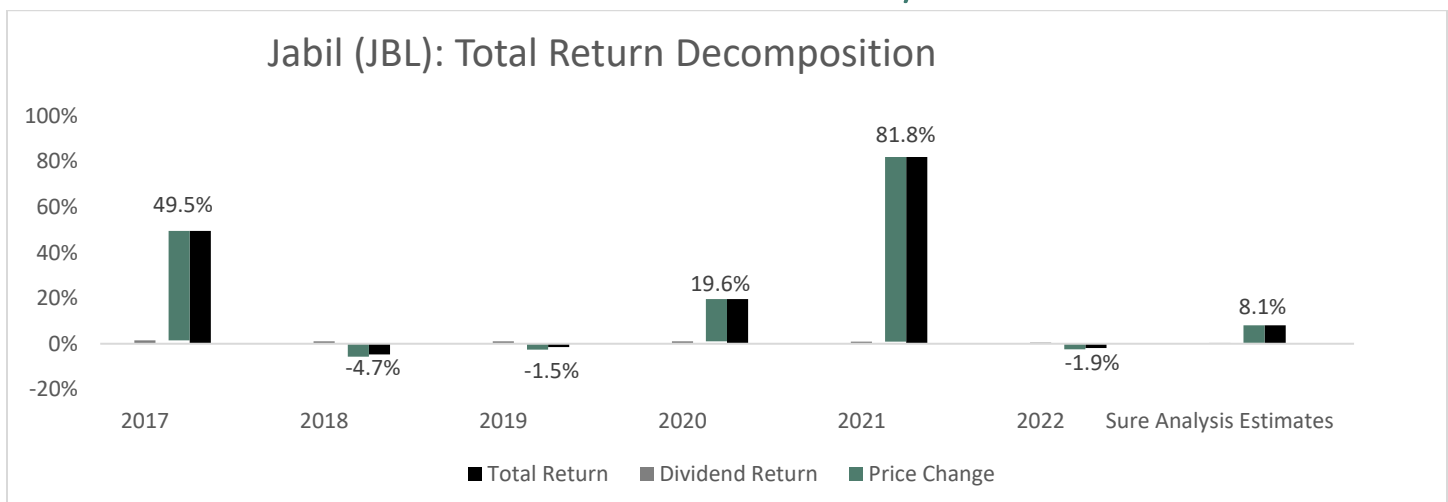
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	17%	65%	18%	21%	15%	12%	11%	11%	6%	4%	4%	3%

We don't see any threat to the dividend as the payout ratio was only 4% in 2022 and is trending to be in the single digits for 2023 as well. The company has a lot of room to grow the dividend but opts to reinvest the cash into the company, and also repurchase shares for cancellation. The company was negatively affected by the great financial crisis, and from peak to trough, earnings fell from \$1.19 to \$0.40. However, throughout this period the dividend was entirely covered by earnings and there was no dividend cut. Prudent financial management avoided a complete disaster, but we wouldn't say the company has a high recession resiliency. JBL believes that obtaining a significant level of protected proprietary technology may give them a competitive advantage, and they also believe they are extremely competitive on cost, accelerated production time-to-market, high efficiencies, global locations, rapid scale production, advanced technologies, quality, and improved pricing of components.

Final Thoughts & Recommendation

Jabil has massive revenue and has grown earnings significantly in recent years and we don't foresee it stopping in 2023. The payout ratio is at an all-time low and in the single digits, proving the company has plenty of room to grow this. The company is also active in repurchasing shares. We forecast that JBL trades at 84% of fair value, and has 9.0% in total estimated returns. Following the recent run-up in the share price, we are downgrading JBL from a buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	17,249	15,762	17,899	18,353	19,063	22,095	25,282	27,266	29,285	33,478
Gross Profit	1,212	1,026	1,503	1,528	1,546	1,707	1,913	1,931	2,359	2,632
Gross Margin	7.0%	6.5%	8.4%	8.3%	8.1%	7.7%	7.6%	7.1%	8.1%	7.9%
SG&A Exp.	614	676	863	924	908	1,051	1,111	1,175	1,213	1,154
D&A Exp.	418	487	529	697	760	774	772	795	876	925
Operating Profit	559	297	588	534	573	579	727	656	1,065	1,411
Operating Margin	3.2%	1.9%	3.3%	2.9%	3.0%	2.6%	2.9%	2.4%	3.6%	4.2%
Net Profit	371	241	284	254	129	86	287	54	696	996
Net Margin	2.2%	1.5%	1.6%	1.4%	0.7%	0.4%	1.1%	0.2%	2.4%	3.0%
Free Cash Flow	477	-124	277	-8	-2181	-2142	188	274	274	266
Income Tax	8	74	137	132	129	286	161	204	246	235

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	9,154	8,480	9,592	10,323	11,096	12,046	12,970	14,397	16,654	19,717
Cash & Equivalents	1,011	1,000	914	912	1,190	1,258	1,163	1,394	1,567	1,478
Accounts Receivable	1,169	1,209	1,467	1,360	1,397	1,693	2,745	2,848	3,141	3,995
Inventories	2,119	2,008	2,507	2,457	2,942	3,458	3,023	3,132	4,414	6,128
Goodwill & Int. Ass.	609	628	746	892	893	907	879	907	897	862
Total Liabilities	6,798	6,219	7,257	7,865	8,728	10,082	11,070	12,572	14,517	17,265
Accounts Payable	3,191	3,061	3,663	3,593	4,258	4,943	5,167	5,687	6,841	8,006
Long-Term Debt	1,906	1,683	1,659	2,120	2,050	2,519	2,496	2,728	2,878	2,875
Shareholder's Equity	2,335	2,242	2,315	2,438	2,354	1,950	1,887	1,811	2,136	2,451
D/E Ratio	0.82	0.75	0.72	0.87	0.87	1.29	1.32	1.51	1.35	1.17

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.4%	2.7%	3.1%	2.6%	1.2%	0.7%	2.3%	0.4%	4.5%	5.5%
Return on Equity	16.7%	10.5%	12.5%	10.7%	5.4%	4.0%	15.0%	2.9%	35.3%	43.4%
ROIC	9.2%	5.9%	7.2%	5.9%	2.9%	1.9%	6.5%	1.2%	14.5%	19.3%
Shares Out.	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	143.0
Revenue/Share	83.00	77.84	91.32	95.22	102.58	126.23	159.36	175.60	192.60	231.84
FCF/Share	2.30	-0.61	1.42	-0.04	-11.73	-12.24	1.18	1.77	1.80	1.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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