



Jabil Inc. (JBL)

Updated March 21st, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$130	5 Year CAGR Estimate:	8.8%	Market Cap:	\$16 B
Fair Value Price:	\$122	5 Year Growth Estimate:	10.0%	Ex-Dividend Date¹:	05/10/2024
% Fair Value:	106%	5 Year Valuation Multiple Estimate:	-1.2%	Dividend Payment Date¹:	06/03/2024
Dividend Yield:	0.2%	5 Year Price Target	\$196	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. Its 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 \$16 billion. In fiscal year 2023, JBL generated \$34.7 billion in net revenue.

On September 26th, 2023, Jabil reported signing a definitive agreement to divest its Mobility business to BYD Electronic for \$2.2 billion cash. Jabil expects to utilize the proceeds for share buybacks, and investment in electric vehicles, renewable energy, healthcare, and AI cloud data centers. The deal is now expected to close in Q3 of Jabil's FY 2024.

Jabil reported second quarter fiscal 2024 results on March 15th, 2024, for the quarter ended February 29, 2024. The corporation generated \$6.8 billion of net revenues in the quarter, a 17% decrease over \$8.1 billion in the same prior year period. The DMS segment revenue decreased 16% year-over-year, while the larger EMS segment declined by 18%. Core diluted earnings per share fell from \$1.88 to \$1.68.

Leadership updated its fiscal year 2024 outlook. Management expects net revenue to be \$28.5 billion (compared to \$31 billion previously) and Core EPS is expected to be \$8.40 (down from \$9.00+).

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.49	\$1.75	\$1.55	\$2.11	\$2.62	\$2.98	\$2.90	\$5.61	\$7.65	\$8.63	\$8.40	\$13.53
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
Shares²	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	144.4	135.9	125.0	105.0

Jabil has exhibited mostly consistent and strong EPS growth over the last decade. The nine year average growth rate of 38% and the company's five year average growth rate of 27% are stellar. We expect Jabil to increase its EPS at a 10% rate in the intermediate term. To note, the corporation has reduced its share count by 4% on average over the past five years, which acts as an additional tailwind to EPS. The company's upcoming sale of its Mobility business will provide it with more than \$2 billion in cash which will likely go towards significant share buybacks in the coming year. We expect to see continued revenue growth in Jabil's auto & transportation, and healthcare & packaging end-markets. Additionally, core operating margins should improve over time, as it grew from 3.2% in 2020 to 4.2% in 2021, to 4.6% in 2022 and then to 5.0% in 2023. For FY2024 and FY2025, Jabil expects it can achieve an operating margin of 5.6% and 5.7%+, respectively. Share repurchases will also aid in growing EPS, and the company currently has a \$2.5 billion share repurchase authorization in place.

¹ Estimate

² In millions

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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.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	40.1	12.3	13.3	12.4	10.8	9.1	11.7	9.6	11.0	13.6	15.4	14.5
Avg. Yld.	1.6%	1.5%	1.6%	1.2%	1.1%	1.2%	0.9%	0.6%	0.6%	0.3%	0.2%	0.2%

Jabil's price-to-earnings multiple appears to be overvalued due to the phenomenal runup in the stock price in the last year as well as a reduced EPS estimate forecast for 2024. Given the company's current macro headwinds and risks, but strong execution, we peg fair value for Jabil at about 14.5 times earnings. The company has a 5-year average PE of 11.0 and a 10-year average PE of 14.4 (excluding outlier in 2014, average 10-year PE is 11.5). We don't forecast much change in the company's miniscule yield, as Jabil appears to have little to no interest in increasing the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

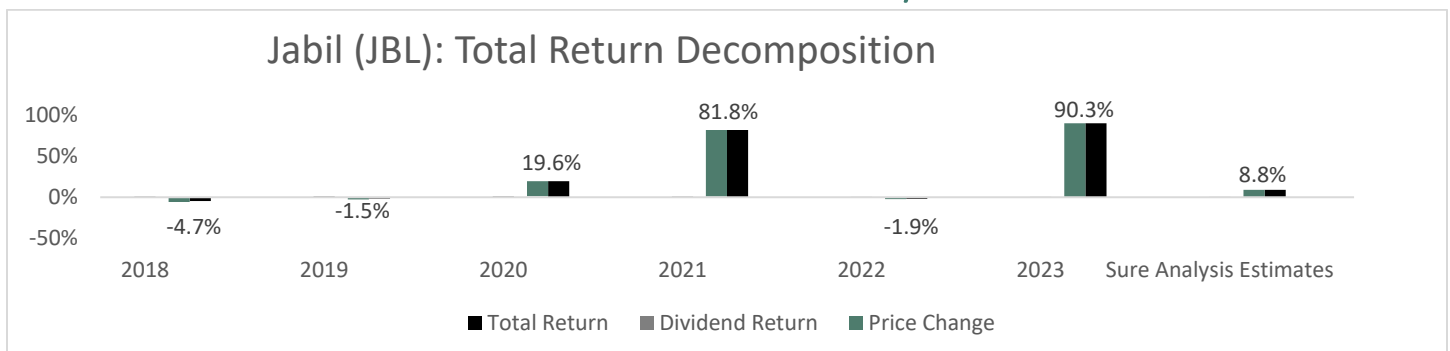
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	65%	18%	21%	15%	12%	11%	11%	6%	4%	4%	4%	2%

We don't see any threat to the dividend as the payout ratio was only 4% in 2023 and is expected to be in the single digits for 2024 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. 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 106% of fair value, and could produce 8.8% annualized total returns. We are downgrading JBL from buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	15,762	17,899	18,353	19,063	22,095	25,282	27,266	29,285	33,478	34,700
Gross Profit	1,026	1,503	1,528	1,546	1,707	1,913	1,931	2,359	2,632	2,867
Gross Margin	6.5%	8.4%	8.3%	8.1%	7.7%	7.6%	7.1%	8.1%	7.9%	8.3%
SG&A Exp.	676	863	924	908	1,051	1,111	1,175	1,213	1,154	1,206
D&A Exp.	487	529	697	760	774	772	795	876	925	924
Operating Profit	297	588	534	573	579	727	656	1,065	1,411	1,594
Operating Margin	1.9%	3.3%	2.9%	3.0%	2.6%	2.9%	2.4%	3.6%	4.2%	4.6%
Net Profit	241	284	254	129	86	287	54	696	996	818
Net Margin	1.5%	1.6%	1.4%	0.7%	0.4%	1.1%	0.2%	2.4%	3.0%	2.4%
Free Cash Flow	-124	277	-8	-2181	-2142	188	274	274	266	704
Income Tax	74	137	132	129	286	161	204	246	235	444

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	8,480	9,592	10,323	11,096	12,046	12,970	14,397	16,654	19,717	19,420
Cash & Equivalents	1,000	914	912	1,190	1,258	1,163	1,394	1,567	1,478	1,804
Accounts Receivable	1,209	1,467	1,360	1,397	1,693	2,745	2,848	3,141	3,995	3,647
Inventories	2,008	2,507	2,457	2,942	3,458	3,023	3,132	4,414	6,128	5,206
Goodwill & Int. Ass.	628	746	892	893	907	879	907	897	862	763
Total Liabilities	6,219	7,257	7,865	8,728	10,082	11,070	12,572	14,517	17,265	16,560
Accounts Payable	3,061	3,663	3,593	4,258	4,943	5,167	5,687	6,841	8,006	5,679
Long-Term Debt	1,683	1,659	2,120	2,050	2,519	2,496	2,728	2,878	2,875	2,875
Shareholder's Equity	2,242	2,315	2,438	2,354	1,950	1,887	1,811	2,136	2,451	2,866
D/E Ratio	0.75	0.72	0.87	0.87	1.29	1.32	1.51	1.35	1.17	1.00

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.7%	3.1%	2.6%	1.2%	0.7%	2.3%	0.4%	4.5%	5.5%	4.2%
Return on Equity	10.5%	12.5%	10.7%	5.4%	4.0%	15.0%	2.9%	35.3%	43.4%	30.8%
ROIC	5.9%	7.2%	5.9%	2.9%	1.9%	6.5%	1.2%	14.5%	19.3%	14.8%
Shares Out.	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	143.0	135.9
Revenue/Share	77.84	91.32	95.22	102.58	126.23	159.36	175.60	192.60	231.84	255.35
FCF/Share	-0.61	1.42	-0.04	-11.73	-12.24	1.18	1.77	1.80	1.84	5.18

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

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