



Johnson Controls Int'l PLC (JCI)

Updated February 12th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$89	5 Year CAGR Estimate:	6.4%	Market Cap:	\$59 B
Fair Value Price:	\$64	5 Year Growth Estimate:	12.0%	Ex-Dividend Date¹:	03/21/25
% Fair Value:	139%	5 Year Valuation Multiple Estimate:	-6.4%	Dividend Payment Date¹:	04/18/25
Dividend Yield:	1.7%	5 Year Price Target	\$113	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Johnson Controls, originally founded in 1885, is a \$59 billion industrial company that offers Building Solutions (cooling, heating, ventilation, and security) around the world, with more than half of its sales coming from North America. Johnson Controls is headquartered in Ireland after its merger with Tyco in 2016. In November of 2018 the company announced it was selling its Power Solutions business. The Power segment made up about a fourth of Johnson Control's business and the sale made the company a "pure play" buildings technologies and solutions provider. On April 30th, 2019, Johnson Controls completed the sale of its Power Business for \$11.6 billion in net proceeds.

On January 13th, 2023, Johnson Controls announced it acquired Hybrid Energy AS, a provider of high-temperature energy management solutions. With the acquisition, Johnson Controls will be able to supply high-temperature heat pumps in district heating and industrial markets, particularly in Europe.

On March 8th, 2023, Johnson Controls increased its quarterly dividend by one penny to \$0.37 per share.

On July 23rd, 2024, Johnson announced it reached an agreement to sell its Residential and Light Commercial HVAC business to the Bosch Group. The overall deal value is \$8.1 billion, with \$6.7 billion going to JCI and the remainder to Hitachi (who owns 40% of the global Residential JV). JCI expects to receive around \$5.0 billion in net cash proceeds, which will largely go towards debt repayment, with the remainder distributed to shareholders. The transaction is subject to regulatory approvals and is expected to close in Q4 FY 2025.

Joakim Weidemanis was appointed the CEO position effective March 12, 2025. He previously worked at Danaher Corporation for 13 years in various executive leadership roles. His career spans 30 years in companies such as Mettler Toledo and ABB.

On February 5th, 2025, Johnson Controls reported first quarter 2025 results for the period ending December 31st, 2024. For the quarter, sales increased 4% year-over-year to \$5.4 billion. The Building Solutions North America, Building Solutions Asia Pacific and Building Solutions EMEA/LA segments saw a 10%, 4%, and 3% increase in sales, respectively. Global Products sales declined 8%. Adjusted EPS equaled \$0.64 per share; a 39% increase compared to \$0.46 per share in Q1 2024. The company ended the quarter with a backlog of \$13.2 billion, up 11% year-over-year.

Johnson Controls raised its fiscal year 2025 guidance, now expecting \$3.50 to \$3.60 (from \$3.40 to \$3.50 previously) in adjusted earnings-per-share, implying a 4% year-over-year decline at the midpoint.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.42	\$3.98	\$2.60	\$1.59	\$1.96	\$2.24	\$2.65	\$3.00	\$3.50	\$3.71	\$3.55	\$6.26
DPS	\$1.04	\$1.16	\$1.00	\$1.04	\$1.04	\$1.04	\$1.07	\$1.39	\$1.45	\$1.48	\$1.48	\$1.98
Shares²	647	936	928	932	778	726	721	691	683	668	660	625

The Johnson Controls of today looks very different from the Johnson Controls of seven years ago due to the Tyco merger and automotive business spinoff, which is now publicly traded as Adient (ADNT). The 2016 merger with Tyco relocated

¹ Estimate

² In millions.

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Johnson Controls to Ireland for tax purposes. Yet tax legislation changes in the U.S. meant that the benefit of that move evaporated, and Johnson Controls was left with the integration costs of the merger.

Moreover, the complexity of looking back at historical figures continues to evolve with the sale of the Power Business. Earnings-per-share were temporarily depressed after the sale of the Power Business, but they have since rebounded due in large part to Johnson Controls retiring a significant amount of stock. We believe the Building Solutions segment ought to do well in the long term, but business results are likely to be increasingly volatile, as the company has become more and more concentrated. Additionally, Johnson will likely continue to grow through acquisitions, where it can purchase unique solutions and valuable patents. Furthermore, its business is still transforming, as it is divesting its R&LC HVAC and Air Distribution Technologies businesses in 2025, which account for ~20% of sales.

We are forecasting \$3.55 in EPS for fiscal 2025 – the current guidance - and 12% annual EPS growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.9	10.5	16.2	16.0	18.8	16.7	22.3	20.2	17.0	20.4	25.1	18.0
Avg. Yld.	2.2%	2.8%	2.4%	2.8%	2.8%	2.8%	1.8%	2.2%	2.8%	2.3%	1.7%	1.8%

Looking at the 2015 through 2024 period, shares of Johnson Controls have traded hands with an average P/E ratio of about 17.2 times earnings. We are using 18.0 times earnings as a starting fair value baseline, taking into account the ongoing growth avenues – both organically and via share repurchases. With shares trading at 25.1 times our 2025 EPS estimate, this implies a meaningful valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	30%	29%	38%	65%	53%	46%	40%	46%	41%	40%	42%	32%

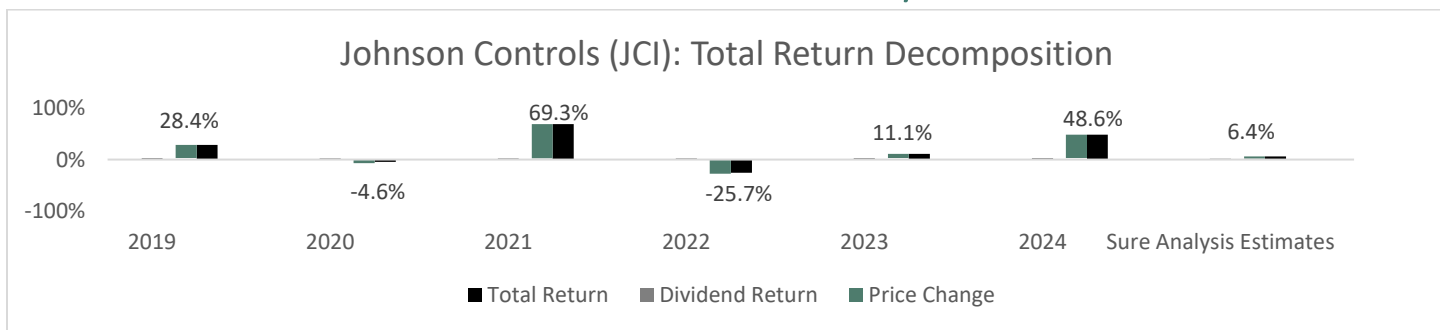
Johnson Controls is one of the key players in the building construction industry, where it provides products and services for heating, ventilation, cooling, and security systems. The company's sales network and expertise are hard to replicate for new entrants. Moreover, the sale of the Power business has led to financial flexibility, an increased focus on growth trends, lower capital intensity, and margin expansion.

As of Q1 2025, Johnson Controls held \$1.2 billion in cash, \$11.3 billion in current assets and \$42.1 billion in total assets against \$11.1 billion in current liabilities and \$25.0 billion in total liabilities. Long-term debt stood at \$8.6 billion.

Final Thoughts & Recommendation

Johnson Controls' business has become a "pure play" Buildings Solution company within the last decade. It should be noted that this transformation has added uncertainty in the way of a less diversified business, but results have been promising since 2018. We are forecasting 6.4% annual total return potential, driven by 12% EPS growth and a 1.7% starting dividend yield, partly offset by -6.4% P/E multiple contraction. JCI earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	17100	20837	30172	31400	23968	22320	23670	25299	26790	22950
Gross Profit	4531	5654	9339	9380	7693	7411	8059	8343	8971	8077
Gross Margin	26.5%	27.1%	31.0%	29.9%	32.1%	33.2%	34.0%	33.0%	33.5%	35.2%
SG&A Exp.	3191	4190	6158	6010	6244	5665	5258	5945	6181	5661
D&A Exp.	860	953	1188	1085	825	206	845	830	848	816
Operating Profit	1340	1464	3181	3370	1449	1746	2801	2398	2790	2416
Op. Margin	7.8%	7.0%	10.5%	10.7%	6.0%	7.8%	11.8%	9.5%	10.4%	10.5%
Net Profit	1563	-868	1611	2162	5674	206	1637	1532	1849	1705
Net Margin	9.1%	-4.2%	5.3%	6.9%	23.7%	0.9%	6.9%	6.1%	6.9%	7.4%
Free Cash Flow	465	659	-1312	1483	616	879	1935	1394	1682	1604
Income Tax	71	197	705	518	-233	108	868	-13	-323	111

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	29622	63179	51884	48797	42287	40820	41890	42158	42240	42700
Cash & Equivalents	597	579	321	200	2805	1951	1336	2031	835	606
Acc. Receivable	5751	6394	6666	7065	5770	5294	5613	5528	6006	6051
Inventories	2377	2888	3209	3224	1814	1773	2057	2510	2776	1774
Goodwill & Int.	8340	28564	26429	25821	23810	23290	23880	21969	22820	20860
Total Liabilities	19124	38089	30517	26339	21458	22280	23140	24756	24550	25330
Accounts Payable	5174	4000	4271	4644	3582	---	---	---	---	3389
Long-Term Debt	6610	12759	13572	10995	7219	7819	7740	8960	8848	9493
Total Equity	10335	24118	20447	21164	19766	17450	17560	16268	16540	16100
LTD/E Ratio	0.64	0.53	0.66	0.52	0.37	0.45	0.44	0.55	0.53	0.59

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.0%	-1.9%	2.8%	4.3%	12.5%	1.5%	4.0%	3.6%	4.4%	4.0%
Return on Equity	14.4%	-5.0%	7.2%	10.4%	27.7%	3.4%	9.4%	9.1%	11.3%	9.7%
ROIC	8.8%	-3.2%	4.4%	6.3%	18.5%	2.3%	6.2%	5.8%	7.0%	6.4%
Shares Out.	647	936	928	932	778	754	721	700	687	676
Revenue/Share	25.85	30.98	31.94	33.70	27.41	29.61	32.82	36.16	38.98	33.95
FCF/Share	0.70	0.98	-1.39	1.59	0.70	1.17	2.68	1.99	2.45	2.37

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

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