



Jabil Inc. (JBL)

Updated July 26th, 2022 by Quinn Mohammed

Key Metrics

Current Price:	\$54	5 Year CAGR Estimate:	12.3%	Market Cap:	\$7.6 B
Fair Value Price:	\$75	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	08/12/2022
% Fair Value:	73%	5 Year Valuation Multiple Estimate:	6.6%	Dividend Payment Date²:	09/05/2022
Dividend Yield:	0.6%	5 Year Price Target	\$95	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Buy

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 \$7.6 billion. In 2021, JBL generated \$29.3 billion in net revenue.

Jabil reported third quarter results on June 16th. The corporation generated \$8.3 billion of net revenues, a 15.4% increase over \$7.2 billion in the same prior year period. The DMS segment revenue 7% year-over-year, while the larger EMS segment grew at 23%. Core diluted earnings per share grew from \$1.30 to \$1.72.

Leadership has provided a fourth quarter outlook and upgraded their fiscal 2022 outlook. Management expects net revenue between \$8.1 billion to \$8.7 billion in the fourth quarter. Core EPS should be roughly \$2.12 in Q4. For the full 2022 year, leadership anticipates revenue of about \$32.8 billion and core EPS of roughly \$7.45.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.02	\$1.93	\$0.49	\$1.75	\$1.55	\$2.11	\$2.62	\$2.98	\$2.90	\$5.61	\$7.45	\$9.51
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	206.0	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	143.0	135.0

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 12.0% has sped up and the company's five year average growth rate is stellar at 29.3%. We believe JBL can continue growing earnings at roughly 5.0% in the near term. To note, the corporation has reduced its share count by 3.3% 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% to around 4.2% in 2021.

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	10.5	10.2	40.1	12.3	13.3	12.4	10.8	9.1	11.7	9.6	7.3	10.0
Avg. Yld.	1.5%	1.6%	1.6%	1.5%	1.6%	1.2%	1.1%	1.2%	0.9%	0.6%	0.6%	0.3%

Jabil's price-to-earnings multiple is undervalued based on phenomenal forecasted 2022 earnings. Given the company's current macro headwinds and risks, we believe the company's fair value today could be about 10.0 times earnings. The company has a 5-year average PE of 10.7 and a 10-year average PE of 14.0 (excluding outlier in 2014, average 10-year PE is 11.1). 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

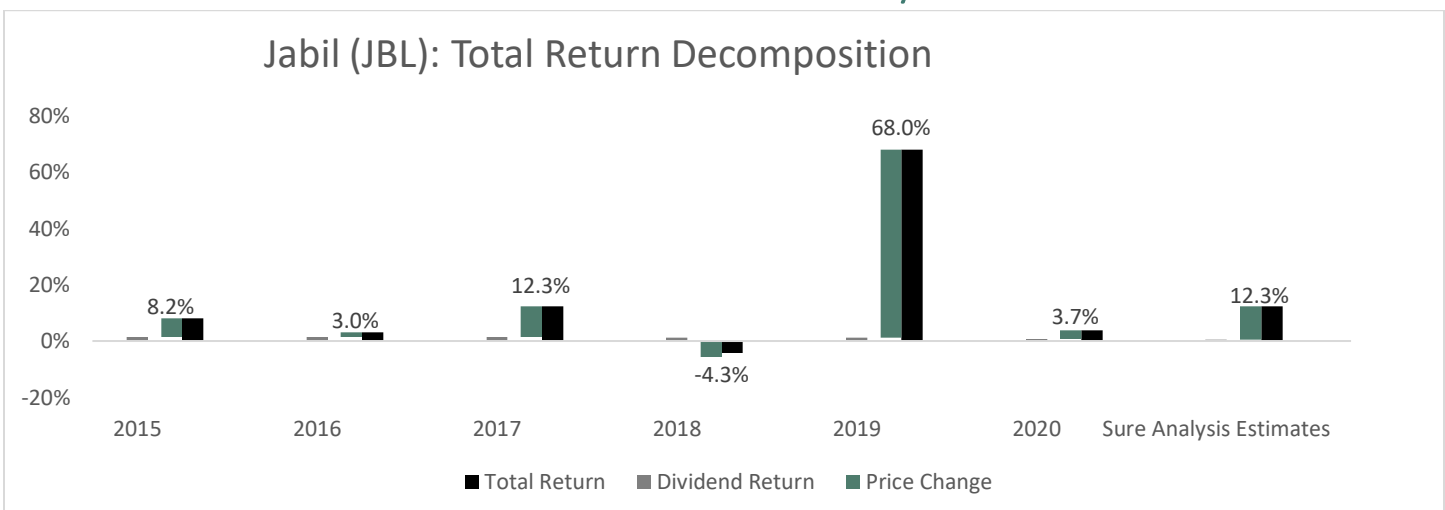
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	16%	17%	65%	18%	21%	15%	12%	11%	11%	6%	4%	3%

We don't see any threat to the dividend as the payout ratio was only 6% in 2021 and is trending to be in the single digits for 2022 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 throughout 2021 and so far in 2022. The payout ratio is near an all-time low at 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 73% of fair value, and has 12.3% in total estimated returns, thus we rate JBL as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	16,141	17,249	15,762	17,899	18,353	19,063	22,095	25,282	27,266	29,285
Gross Profit	1,161	1,212	1,026	1,503	1,528	1,546	1,707	1,913	1,931	2,359
Gross Margin	7.2%	7.0%	6.5%	8.4%	8.3%	8.1%	7.7%	7.6%	7.1%	8.1%
SG&A Exp.	573	614	676	863	924	908	1,051	1,111	1,175	1,213
D&A Exp.	353	418	487	529	697	760	774	772	795	876
Operating Profit	550	559	297	588	534	573	579	727	656	1,065
Operating Margin	3.4%	3.2%	1.9%	3.3%	2.9%	3.0%	2.6%	2.9%	2.4%	3.6%
Net Profit	395	371	241	284	254	129	86	287	54	696
Net Margin	2.4%	2.2%	1.5%	1.6%	1.4%	0.7%	0.4%	1.1%	0.2%	2.4%
Free Cash Flow	137	477	-124	277	-8	-2181	-2142	188	274	274
Income Tax	103	8	74	137	132	129	286	161	204	246

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	7,803	9,154	8,480	9,592	10,323	11,096	12,046	12,970	14,397	16,654
Cash & Equivalents	1,217	1,011	1,000	914	912	1,190	1,258	1,163	1,394	1,567
Accounts Receivable	1,125	1,169	1,209	1,467	1,360	1,397	1,693	2,745	2,848	3,141
Inventories	2,269	2,119	2,008	2,507	2,457	2,942	3,458	3,023	3,132	4,414
Goodwill & Int. Ass.	214	609	628	746	892	893	907	879	907	897
Total Liabilities	5,696	6,798	6,219	7,257	7,865	8,728	10,082	11,070	12,572	14,517
Accounts Payable	2,993	3,191	3,061	3,663	3,593	4,258	4,943	5,167	5,687	6,841
Long-Term Debt	1,676	1,906	1,683	1,659	2,120	2,050	2,519	2,496	2,728	2,878
Shareholder's Equity	2,105	2,335	2,242	2,315	2,438	2,354	1,950	1,887	1,811	2,136
D/E Ratio	0.80	0.82	0.75	0.72	0.87	0.87	1.29	1.32	1.51	1.35

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	5.3%	4.4%	2.7%	3.1%	2.6%	1.2%	0.7%	2.3%	0.4%	4.5%
Return on Equity	19.9%	16.7%	10.5%	12.5%	10.7%	5.4%	4.0%	15.0%	2.9%	35.3%
ROIC	11.5%	9.2%	5.9%	7.2%	5.9%	2.9%	1.9%	6.5%	1.2%	14.5%
Shares Out.	206.0	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0
Revenue/Share	76.43	83.00	77.84	91.32	95.22	102.58	126.23	159.36	175.60	192.60
FCF/Share	0.65	2.30	-0.61	1.42	-0.04	-11.73	-12.24	1.18	1.77	1.80

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

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