



Jabil Inc. (JBL)

Updated December 21st, 2022 by Quinn Mohammed

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|---|------------|
| Current Price: | \$71 | 5 Year CAGR Estimate: | 9.0% | Market Cap: | \$9.3 B |
| Fair Value Price: | \$84 | 5 Year Growth Estimate: | 5.0% | Ex-Dividend Date¹: | 02/14/2023 |
| % Fair Value: | 84% | 5 Year Valuation Multiple Estimate: | 3.5% | Dividend Payment Date²: | 03/02/2023 |
| Dividend Yield: | 0.5% | 5 Year Price Target | \$107 | 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 \$9.3 billion. In fiscal year 2022, JBL generated \$33.5 billion in net revenue.

Jabil reported first quarter fiscal 2023 results on December 15th, 2022 for the quarter ended November 30th, 2022. The corporation generated \$9.6 billion of net revenues in the first quarter, a 12.5% increase over \$8.6 billion in the same prior year period. The DMS segment revenue grew 8% year-over-year, while the larger EMS segment grew by 18%. Core diluted earnings per share grew from \$1.92 to \$2.31.

Leadership has provided a second quarter of fiscal year 2023 outlook. Management expects net revenue between \$7.8 billion to \$8.4 billion in the second quarter. Core EPS is expected to be \$1.84 at the midpoint for Q2.

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 | \$10.70 |
| 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 JBL can continue growing earnings at roughly 5.0% 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.



Jabil Inc. (JBL)

Updated December 21st, 2022 by Quinn Mohammed

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 | 8.4 | 10.0 |
| Avg. Yld. | 1.6% | 1.6% | 1.5% | 1.6% | 1.2% | 1.1% | 1.2% | 0.9% | 0.6% | 0.6% | 0.5% | 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

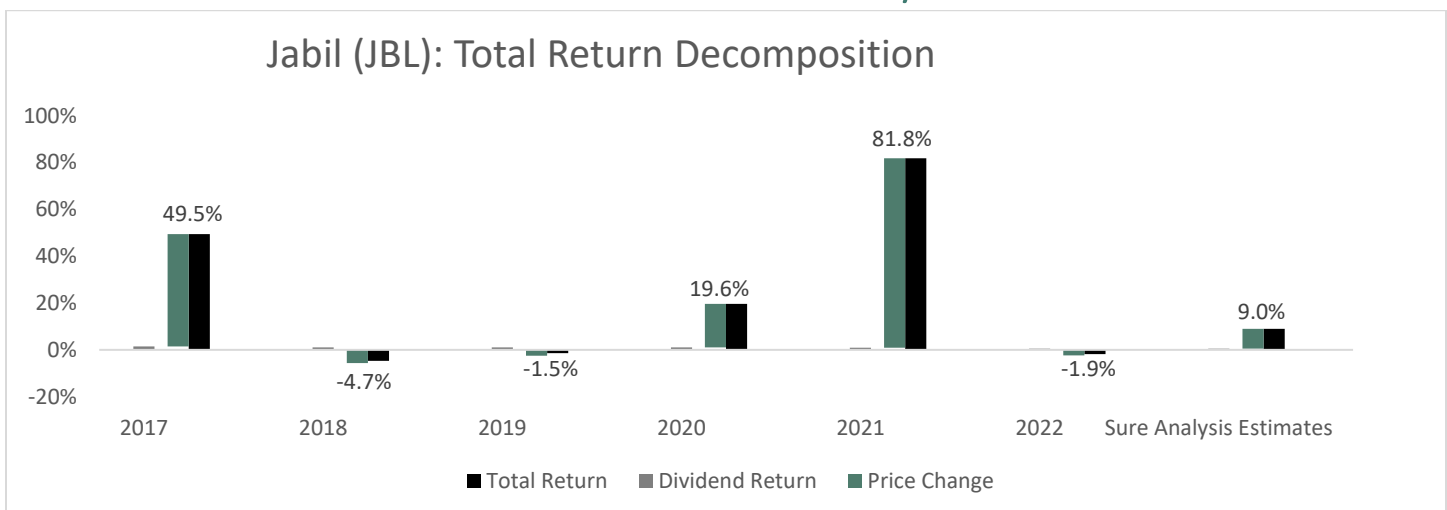
| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---------------|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
| Payout | 17% | 65% | 18% | 21% | 15% | 12% | 11% | 11% | 6% | 4% | 4% | 3% |

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



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Jabil Inc. (JBL)

Updated December 21st, 2022 by Quinn Mohammed

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.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.