



# Jabil Inc. (JBL)

Updated June 19<sup>th</sup>, 2023 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$105	<b>5 Year CAGR Estimate:</b>	5.7%	<b>Market Cap:</b>	\$14 B
<b>Fair Value Price:</b>	\$94	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	08/11/2023
<b>% Fair Value:</b>	113%	<b>5 Year Valuation Multiple Estimate:</b>	-2.4%	<b>Dividend Payment Date<sup>2</sup>:</b>	09/04/2023
<b>Dividend Yield:</b>	0.3%	<b>5 Year Price Target</b>	\$137	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	F	<b>Rating:</b>	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 \$14 billion. In fiscal year 2022, JBL generated \$33.5 billion in net revenue.

Jabil reported third quarter fiscal 2023 results on June 15<sup>th</sup>, 2023, for the quarter ended May 31<sup>st</sup>, 2023. The corporation generated \$8.5 billion of net revenues in the third quarter, a 1.8% increase over \$8.3 billion in the same prior year period. The DMS segment revenue grew 13% year-over-year, while the larger EMS segment declined by 8%. Core diluted earnings per share grew from \$1.72 to \$1.99.

Leadership has provided a fourth quarter of fiscal year 2023 outlook. Management expects net revenue between \$8.2 billion to \$8.8 billion in the third quarter. Core EPS is expected to be \$2.32 at the midpoint for Q4.

For the full fiscal year, leadership now expects \$8.50 in core EPS on \$34.7 billion in revenue.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$1.93	\$0.49	\$1.75	\$1.55	\$2.11	\$2.62	\$2.98	\$2.90	\$5.61	\$7.65	<b>\$8.50</b>	<b>\$12.49</b>
<b>DPS</b>	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	<b>\$0.32</b>	<b>\$0.32</b>
<b>Shares<sup>3</sup></b>	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	144.4	<b>135.0</b>	<b>130.0</b>

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 8.0% 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

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> In millions

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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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
<b>Avg. P/E</b>	10.2	40.1	12.3	13.3	12.4	10.8	9.1	11.7	9.6	11.0	<b>12.4</b>	<b>11.0</b>
<b>Avg. Yld.</b>	1.6%	1.6%	1.5%	1.6%	1.2%	1.1%	1.2%	0.9%	0.6%	0.6%	<b>0.3%</b>	<b>0.2%</b>

Jabil's price-to-earnings multiple appears to be overvalued based on the phenomenal runup in the stock price as of late. Given the company's current macro headwinds and risks, but strong execution, we peg fair value for Jabil at about 11.0 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

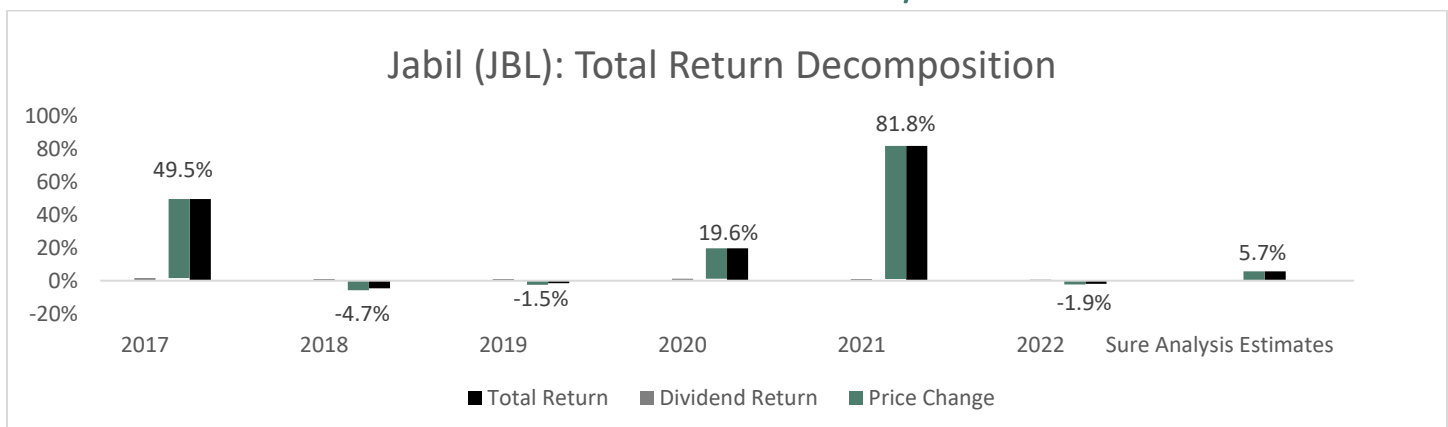
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>Payout</b>	17%	65%	18%	21%	15%	12%	11%	11%	6%	4%	<b>4%</b>	<b>3%</b>

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 this 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 113% of fair value, and could produce 5.7% annualized total returns. We continue to rate JBL as a hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

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

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	9,154	8,480	9,592	10,323	11,096	12,046	12,970	14,397	16,654	19,717
<b>Cash &amp; Equivalents</b>	1,011	1,000	914	912	1,190	1,258	1,163	1,394	1,567	1,478
<b>Accounts Receivable</b>	1,169	1,209	1,467	1,360	1,397	1,693	2,745	2,848	3,141	3,995
<b>Inventories</b>	2,119	2,008	2,507	2,457	2,942	3,458	3,023	3,132	4,414	6,128
<b>Goodwill &amp; Int. Ass.</b>	609	628	746	892	893	907	879	907	897	862
<b>Total Liabilities</b>	6,798	6,219	7,257	7,865	8,728	10,082	11,070	12,572	14,517	17,265
<b>Accounts Payable</b>	3,191	3,061	3,663	3,593	4,258	4,943	5,167	5,687	6,841	8,006
<b>Long-Term Debt</b>	1,906	1,683	1,659	2,120	2,050	2,519	2,496	2,728	2,878	2,875
<b>Shareholder's Equity</b>	2,335	2,242	2,315	2,438	2,354	1,950	1,887	1,811	2,136	2,451
<b>D/E Ratio</b>	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
<b>Return on Assets</b>	4.4%	2.7%	3.1%	2.6%	1.2%	0.7%	2.3%	0.4%	4.5%	5.5%
<b>Return on Equity</b>	16.7%	10.5%	12.5%	10.7%	5.4%	4.0%	15.0%	2.9%	35.3%	43.4%
<b>ROIC</b>	9.2%	5.9%	7.2%	5.9%	2.9%	1.9%	6.5%	1.2%	14.5%	19.3%
<b>Shares Out.</b>	203.2	194.1	192.1	187.0	177.7	164.6	153.5	150.3	152.0	143.0
<b>Revenue/Share</b>	83.00	77.84	91.32	95.22	102.58	126.23	159.36	175.60	192.60	231.84
<b>FCF/Share</b>	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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