

Jabil Inc.

End markets weaker than expected; lowers full year guidance

Reiterate Rating: BUY | PO: 150.00 USD | Price: 123.15 USD

Navigating a challenging macro, further weakness

The renewable energy and 5G markets are weak and may not recover meaningfully in C24. In India, Jabil Inc. (JBL) was impacted by Reliance stopping its 5G rollout. Inventory correction in renewable energy continues. JBL lowered F24 rev guide by \$2.1bn to \$28.5bn. We see these as n-t headwinds. L-t opportunity in EVs, Cloud/AI, and healthcare remains. Reiterate Buy on large scale, capital returns, improving margins and strong cash flow.

We are conservative on F25 revenue growth

F24 rev guidance (\$28.5bn), ex Mobility (\$1.7bn), is \$26.8bn. JBL guided F25 revs to be similar to F23 levels, ex the Mobility divestiture (\$34.7bn minus \$4.0bn, or about \$30.5bn). This implies a y/y rev growth of \$3.7bn (from \$26.8bn base), of which \$2.0bn comes from AI, automotive and healthcare. Management estimates F24 AI revs at \$4.5-5.0bn, growing to about \$6.0bn in F25 (20%-25% y/y). While some of the F24 AI revs could be in automotive and healthcare; conservatively, we assume these three end markets together contribute \$15.5bn (\$5.0bn+\$4.8bn+\$5.7bn) in F24. If this is true, then the remaining incremental \$1.7bn of y/y rev growth would come off a base of \$11.3bn (\$26.8bn minus \$15.5bn). This implies 15% y/y growth on that \$11.3bn base. We model F25 revs at \$29.4bn. This implies incremental y/y rev of \$2.6bn, of which \$0.6bn would be off the \$11.3bn base, implying 5% y/y growth. Where we could be wrong is if part of the AI revs are included in automotive and healthcare. Either way, \$29.4bn for F25 revs implies 10% y/y growth from a base of \$26.8bn, which we would view as a good result in a weaker macro. If JBL reports higher revs then there could be upside to our EPS.

Levers for margin improvement

JBL raised F24 OM guidance to 5.6% (from 5.4% mid-point) and F25 OM guide to 5.7%+ (from 5.6%+). Levers for margin improvement: 1) higher mix (including higher revs from higher margin AI), 2) pushing out costs related to renewable program ramps that are delayed, and 3) fixed-cost recoveries from 5G and renewable energy customers.

Lowering estimates; PO moves to \$150 (from \$160)

Our F24 rev/EPS move to \$28.4bn/\$8.23, from \$30.4bn/\$9.02. Our F25 rev/EPS move to \$29.4bn/\$10.39. Our PO moves to \$150 from \$160 on 14x (prior 15x) F25 EPS of \$10.39. We use a lower multiple on near-term weaker end markets and slower growth.

Estimates (Aug) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.65	8.63	8.23	10.39	11.58
GAAP EPS	6.90	6.02	12.15	9.06	10.22
EPS Change (YoY)	36.4%	12.8%	-4.6%	26.2%	11.5%
Consensus EPS (Bloomberg)			8.79	10.65	12.05
DPS	0.32	0.32	0.32	0.32	0.32
Valuation (Aug)					
P/E	16.1x	14.3x	15.0x	11.9x	10.6x
GAAP P/E	17.8x	20.5x	10.1x	13.6x	12.0x
Dividend Yield	0.3%	0.3%	0.3%	0.3%	0.3%
EV / EBITDA*	6.8x	6.5x	7.4x	6.6x	6.3x
Free Cash Flow Yield*	5.2%	6.5%	6.1%	6.8%	7.2%

* For full definitions of *IQmethod*SM measures, see page 5.

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 18 March 2024 07:59AM EDT

18 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	160.00	150.00
2024E Rev (m)	30,419.6	28,422.1
2025E Rev (m)	32,501.6	29,443.1
2026E Rev (m)	34,524.5	31,551.8
2024E EPS	9.02	8.23
2025E EPS	10.80	10.39
2026E EPS	12.01	11.58

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Stock Data

Price	123.15 USD
Price Objective	150.00 USD
Date Established	18-Mar-2024
Investment Opinion	B-1-7
52-Week Range	75.48 USD - 156.94 USD
Mkt Val (mn) / Shares Out (mn)	15,707 USD / 127.5
Free Float	96.2%
Average Daily Value (mn)	166.05 USD
BofA Ticker / Exchange	JBL / NYS
Bloomberg / Reuters	JBL US / JBLN
ROE (2024E)	44.2%
Net Dbt to Eqty (Aug-2023A)	37.4%

AI: Artificial Intelligence

l-t: long-term, n-t: near-term

EMS: Electronics Manufacturing Services

iQprofileSM Jabil Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	20.3%	21.5%	20.5%	25.5%	26.8%
Return on Equity	48.2%	44.1%	44.2%	73.4%	66.0%
Operating Margin	4.6%	5.0%	5.5%	5.9%	5.9%
Free Cash Flow	810	1,026	958	1,062	1,133

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.5x	1.6x	1.5x	1.4x
Asset Replacement Ratio	0.8x	0.8x	0.9x	0.7x	0.8x
Tax Rate	19.2%	19.0%	20.0%	21.0%	22.0%
Net Debt-to-Equity Ratio	57.0%	37.4%	46.4%	86.9%	4.2%
Interest Cover	8.8x	6.1x	5.5x	6.9x	7.8x

Income Statement Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	33,478	34,702	28,422	29,443	31,552
% Change	14.3%	3.7%	-18.1%	3.6%	7.2%
Gross Profit	2,632	2,867	2,715	2,744	2,959
% Change	11.6%	8.9%	-5.3%	1.1%	7.8%
EBITDA	2,545	2,657	2,344	2,620	2,758
% Change	20.2%	4.4%	-11.8%	11.8%	5.2%
Net Interest & Other Income	(175)	(286)	(287)	(250)	(240)
Net Income (Adjusted)	1,105	1,172	1,030	1,168	1,273
% Change	29.6%	6.1%	-12.2%	13.5%	8.9%

Free Cash Flow Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	996	818	1,520	1,018	1,123
Depreciation & Amortization	1,002	924	770	891	886
Change in Working Capital	(347)	(8)	330	(201)	(171)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	0	0	(944)	0	0
Capital Expenditure	(841)	(708)	(717)	(646)	(705)
Free Cash Flow	810	1,026	958	1,062	1,133
% Change	26.6%	26.7%	-6.6%	10.8%	6.7%
Share / Issue Repurchase	(695)	(472)	(2,601)	(1,395)	0
Cost of Dividends Paid	(48)	(45)	(41)	(36)	(35)
Change in Debt	(123)	(157)	(69)	0	(498)

Balance Sheet Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,478	1,804	2,042	1,673	2,273
Trade Receivables	3,995	3,647	3,504	3,711	3,976
Other Current Assets	8,435	9,279	6,867	7,038	7,408
Property, Plant & Equipment	3,954	3,137	2,903	2,658	2,477
Other Non-Current Assets	1,855	1,557	1,608	1,608	1,608
Total Assets	19,717	19,424	16,924	16,688	17,741
Short-Term Debt	300	0	0	0	0
Other Current Liabilities	13,397	12,695	11,355	11,531	11,995
Long-Term Debt	2,575	2,875	2,876	2,876	2,378
Other Non-Current Liabilities	993	987	896	896	896
Total Liabilities	17,265	16,557	15,127	15,303	15,269
Total Equity	2,452	2,867	1,798	1,385	2,473
Total Equity & Liabilities	19,717	19,424	16,925	16,688	17,742

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Electronics Manufacturing Services

Company Description

Jabil is one of the world's largest electronic manufacturing services providers, producing PCB assemblies and full system assemblies using a highly automated manufacturing process. JBL also provides design, test, repair and warranty services, as well as direct order fulfillment capabilities for OEMs.

Investment Rationale

Our Buy rating is based on investment positives, including tailwind from secular growth in Automotive (EV), healthcare, industrial (renewables), recovery in semiconductor capital equipment, and growing Cloud business, which outweigh risks from continuing uncertain macro, component shortages and supply-chain challenges, and unfavorable mix that can offset margin improvement.

Stock Data

Average Daily Volume 1,348,343

Quarterly Earnings Estimates

	2023	2024
Q1	2.31A	2.60A
Q2	1.88A	1.68A
Q3	1.99A	1.83E
Q4	2.45A	2.10E

Model

Figure 1: JBL Income Statement

We model F24 rev/EPS of \$28.4bn/\$8.23

JBL (\$ in millions except per share data)	F2023A					F2024E			F2022	F2023	F2024E	F2025E	F2026E
	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24E	4Q24E					
Sales	9,635	8,134	8,475	8,458	8,387	6,767	6,503	6,765	33,478	34,702	28,422	29,443	31,552
Cost of Sales	8,892	7,473	7,778	7,692	7,612	6,137	5,867	6,091	30,846	31,835	25,708	26,699	28,592
Gross Profit	743	661	697	766	775	630	636	674	2,632	2,867	2,715	2,744	2,959
SG&A	273	262	285	280	266	282	271	282	1,056	1,100	1,101	972	1,041
R&D	9	8	8	9	10	10	10	10	33	34	40	44	47
Core Operating Earnings	461	391	404	477	499	338	355	382	1,543	1,733	1,574	1,729	1,872
Interest Income/(Expense) & Other	(67)	(75)	(73)	(71)	(70)	(72)	(75)	(70)	(175)	(286)	(287)	(250)	(240)
Pretax Income	394	316	331	406	429	266	280	312	1,368	1,447	1,287	1,479	1,632
Taxes	75	60	62	78	86	53	56	62	263	275	257	311	359
Tax Rate	19%	19%	19%	19%	20%	20%	20%	20%	19%	19%	20%	21%	22%
Minority Interest Income/(Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income before FAS 123R	319	256	269	328	343	213	224	249	1,105	1,172	1,030	1,168	1,273
Non GAAP EPS	\$2.31	\$1.88	\$1.99	\$2.45	\$2.60	\$1.68	\$1.83	\$2.10	\$7.65	\$8.63	\$8.23	\$10.39	\$11.58
Net income including FAS 123R	277	236	251	313	297	190	197	221	1,024	1,077	904	1,054	1,159
EPS including FAS 123R	\$2.01	\$1.73	\$1.86	\$2.33	\$2.25	\$1.50	\$1.61	\$1.85	\$7.09	\$7.93	\$7.23	\$9.38	\$10.54
Avg. Diluted Shares Outstanding (MM) - Non GAAP	138	136	135	134	132	127	122	119	144	136	125	112	110
GAAP Net Income	223	207	233	155	194	927	188	212	996	818	1,520	1,018	1,123
GAAP EPS	\$1.62	\$1.52	\$1.72	\$1.16	\$1.47	\$7.30	\$1.53	\$1.78	\$6.90	\$6.02	\$12.15	\$9.06	\$10.22
Dividend per share	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32
As % of Revenue													
Cost of Sales	92.3%	91.9%	91.8%	90.9%	90.8%	90.7%	90.2%	90.0%	92.1%	91.7%	90.4%	90.7%	90.6%
Gross Profit	7.7%	8.1%	8.2%	9.1%	9.2%	9.3%	9.8%	10.0%	7.9%	8.3%	9.6%	9.3%	9.4%
SG&A	2.8%	3.2%	3.4%	3.3%	3.2%	4.2%	4.2%	4.2%	3.2%	3.2%	3.9%	3.3%	3.3%
R&D	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Goodwill/Intangible Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Core Operating Earnings	4.8%	4.8%	4.8%	5.6%	5.9%	5.0%	5.5%	5.6%	4.6%	5.0%	5.5%	5.9%	5.9%
Interest Income/(Expense)	-0.7%	-0.9%	-0.9%	-0.8%	-0.8%	-1.1%	-1.2%	-1.0%	-0.5%	-0.8%	-1.0%	-0.8%	-0.8%
Pretax Income	4.1%	3.9%	3.9%	4.8%	5.1%	3.9%	4.3%	4.6%	4.1%	4.2%	4.5%	5.0%	5.2%
Taxes	10.1%	9.1%	8.9%	10.2%	11.1%	8.4%	8.8%	9.3%	10.0%	9.6%	9.5%	11.3%	12.1%
Minority Interest Income/(Expense)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	3.3%	3.1%	3.2%	3.9%	4.1%	3.1%	3.4%	3.7%	3.3%	3.4%	3.6%	4.0%	4.0%
Year-Over-Year Growth													
Sales	12%	8%	2%	-6%	-13%	-17%	-23%	-20%	14%	4%	-18%	4%	7%
Cost of Sales	13%	8%	1%	-7%	-14%	-18%	-25%	-21%	15%	3%	-19%	4%	7%
Gross Profit	10%	9%	13%	5%	4%	-5%	-9%	-12%	12%	9%	-5%	1%	8%
SG&A	3%	2%	10%	2%	-3%	8%	-5%	1%	-3%	4%	0%	-12%	7%
R&D	0%	0%	0%	13%	11%	25%	20%	11%	-3%	3%	16%	10%	7%
Core Operating Earnings	15%	14%	15%	7%	8%	-14%	-12%	-20%	24%	12%	-9%	10%	8%
Interest Income/(Expense)	68%	108%	59%	34%	4%	-4%	3%	-1%	24%	63%	0%	-13%	-4%
Pretax Income	9%	3%	8%	3%	9%	-16%	-15%	-23%	24%	6%	-11%	15%	10%
Taxes	-1%	-3%	3%	20%	15%	-12%	-10%	-20%	6%	5%	-6%	21%	16%
Minority Interest Income/(Expense)	NM	NM	NM	NM	NM	NM	NM	NM	-100%	NM	NM	NM	NM
Net Income	12%	4%	9%	0%	8%	-17%	-17%	-24%	30%	6%	-12%	13%	9%
Diluted EPS	20%	12%	16%	4%	12%	-11%	-8%	-14%	36%	13%	-5%	26%	11%
Avg. Diluted Shares Outstanding (MM)	-7%	-7%	-6%	-4%	-4%	-7%	-9%	-11%	-5%	-6%	-8%	-10%	-2%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Jabil Inc. (JBL)

Our \$150 price objective for the shares of JBL is based on the stock trading 14x our FY25E EPS of \$10.39. This multiple compares to the last five year range of 6x-14x and median of 9x. JBL is a cyclical company, and in our opinion, this multiple is justified. We use a higher multiple as we see earnings growing over the next few years as Jabil shifts its portfolio mix to higher growth, higher margin end markets. We think that this multiple balances short-term concerns surrounding a weaker macro and component shortages against the medium to long-term growth opportunity.

Downside risks to our PO are weaker-than-expected end markets, weaker-than-anticipated end demand in Communications or Semicap or slowing outsourcing trends leading to slower revenue growth, unfavorable mix that can offset margin improvement, higher-than-expected DMS segment investments and longer-than-expected product ramp-ups, deceleration at any of the large (or close to 10%) customers, and lower-than-expected growth in medical.

Upside risks are higher-than-expected growth from new ramps in healthcare, 5G and Cloud, higher than expected revenue from components that go into Apple products, and unexpected share gains.

Analyst Certification

I, Ruplu Bhattacharya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
NEUTRAL				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
UNDERPERFORM				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya

iQ^{method}™ Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQ^{method}™ is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of **iQ^{method}™** are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

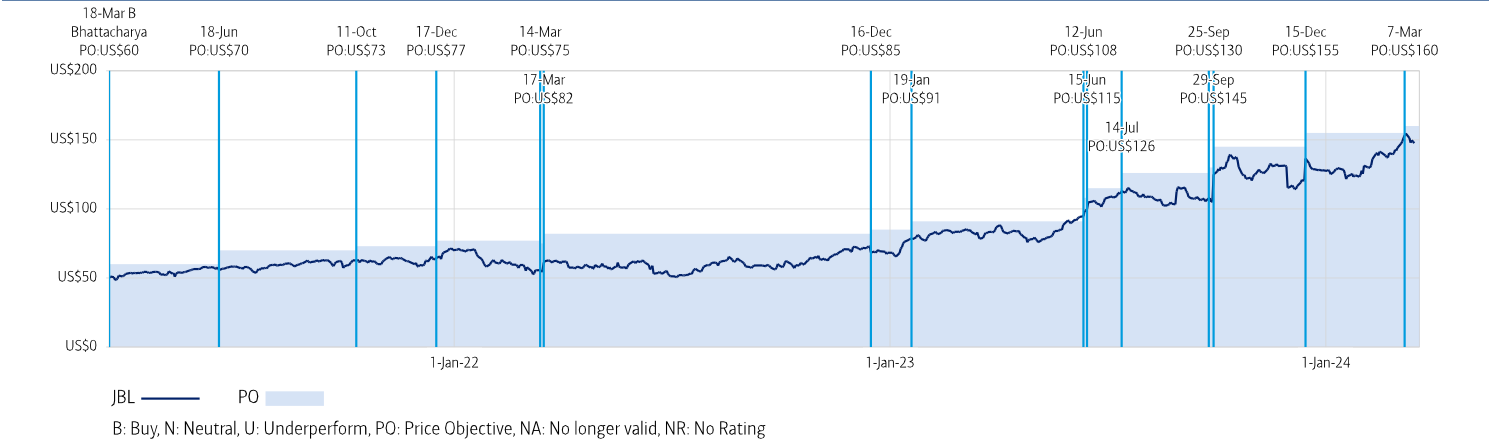
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Disclosures

Important Disclosures

Jabil Inc. (JBL) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	32	54.24%	Buy	13	40.63%
Hold	11	18.64%	Hold	3	27.27%
Sell	16	27.12%	Sell	4	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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