

John Bean Technologies

4Q23 ops beat, but orders down y/y; Marel timing in focus

Reiterate Rating: UNDERPERFORM | PO: 85.00 USD | Price: 97.24 USD

Ops beat but revenue below; orders down y/y

JBT reported 4Q EPS that came above our estimate and consensus; however revenue came slightly below our estimate and consensus. The operational beat reflected the company's supply chain initiatives and improvements from restructuring. '24 revenue guide brackets our expectations and the Street, while EPS guide came in above our expectations and the Street. Backlog grew 2% y/y but was down sequentially. Orders were down (3)% y/y. The equipment side of the business had slightly negative growth in '23, partially due to weakness in North American poultry and the normalization of the pet food business. '24 guide assumes 2H improvements in the North American poultry market. While FCF in the quarter was good, we remain concerned about whether the improved FCF generation is sustainable given the history of lackluster FCF generation. The stock decline today (-5.4%) vs SPX +0.13% was likely a reflection of subdued top line organic growth outlook and the pushout of a potential Marel deal. We reiterate our Underperform rating.

Marel merger in focus; tender offer expected for 2Q24

On 1/19 JBT announced its intention to launch a voluntary takeover of Marel and merge the two companies. JBT announced it intends to launch the tender offer in 2Q24. The delay in the tender offer is a result of the regulatory requirements for the US and Iceland, specifically with the SEC the workstreams require more time. This proposal is for all of the issued and outstanding shares in Marel at an offer price of EUR 3.60/share (35% cash/ 65% stock), representing an enterprise value of approximately €3.5 billion. This offer represents a 14x multiple on 2024E consensus. JBT's first proposal was on 11/24/23 for a non-binding takeover proposal at EUR 3.15/share at (25% cash / 75% stock). The first proposal was rejected on 11/28/23. On 12/13/23 JBT raised its bid to EUR 3.40/share with up to 50% cash/50% stock mix.

4Q adjusted EPS of \$1.40 beats our estimates of \$1.34

Adj. EPS of \$1.40 came above our estimate of \$1.34 and consensus of \$1.36. Operating profit was \$0.13/sh beat versus our estimate, driven 120bps better margins. Interest expense was a \$0.03 tailwind and higher tax rate was a \$0.11 headwind.

Raising 2024 Adj. EPS to \$5.12, in line with guide

We raise our 2024 adjusted EPS to \$5.12, in line with guidance of \$5.05 - \$5.45.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.79	4.10	5.12	5.31	5.80
GAAP EPS	4.10	4.25	4.86	5.07	5.59
EPS Change (YoY)	25.1%	-14.4%	24.9%	3.7%	9.2%
Consensus EPS (Bloomberg)			4.85	5.95	NA
DPS	0.41	0.40	0.40	0.40	0.40
Valuation (Dec)					
P/E	20.3x	23.7x	19.0x	18.3x	16.8x
GAAP P/E	23.7x	22.9x	20.0x	19.2x	17.4x
Dividend Yield	0.4%	0.4%	0.4%	0.4%	0.4%
EV / EBITDA*	11.4x	11.7x	10.6x	10.6x	9.9x
Free Cash Flow Yield*	1.8%	0.6%	5.2%	5.4%	5.9%

* For full definitions of *IQmethod*SM measures, see page 6.

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Timestamp: 21 February 2024 06:52PM EST

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	1,775.4	1,759.0
2025E Rev (m)	1,882.0	1,864.5
2026E Rev (m)	1,976.1	1,957.7
2024E EPS	4.63	5.12
2025E EPS	5.34	5.31
2026E EPS	5.82	5.80

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Stock Data

Price	97.24 USD
Price Objective	85.00 USD
Date Established	11-Oct-2022
Investment Opinion	B-3-7
52-Week Range	89.96 USD - 125.88 USD
Mrkt Val (mn) / Shares Out (mn)	3,096 USD / 31.8
Free Float	98.8%
Average Daily Value (mn)	19.32 USD
BofA Ticker / Exchange	JBT / NYS
Bloomberg / Reuters	JBT US / JBT.N
ROE (2024E)	10.5%
Net Dbt to Eqty (Dec-2023A)	11.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM John Bean Technologies

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.3%	6.7%	7.6%	7.8%	8.7%
Return on Equity	19.1%	11.2%	10.5%	9.9%	9.9%
Operating Margin	9.2%	10.9%	11.9%	11.4%	11.9%
Free Cash Flow	55	19	161	167	183

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	0.6x	1.3x	1.3x	1.3x
Asset Replacement Ratio	4.8x	0.6x	0.6x	0.6x	0.6x
Tax Rate	17.0%	22.8%	22.5%	22.5%	22.5%
Net Debt-to-Equity Ratio	104.9%	11.0%	0.9%	-7.7%	-15.6%
Interest Cover	14.0x	16.7x	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,166	1,664	1,759	1,865	1,958
% Change	15.9%	-23.2%	5.7%	6.0%	5.0%
Gross Profit	617	583	622	663	698
% Change	8.9%	-5.6%	6.7%	6.6%	5.3%
EBITDA	281	273	300	303	324
% Change	11.4%	-2.6%	9.9%	0.9%	7.0%
Net Interest & Other Income	(14)	(11)	4	10	11
Net Income (Adjusted)	154	132	165	171	188
% Change	25.1%	-14.4%	25.0%	4.2%	9.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	154	131	165	171	188
Depreciation & Amortization	18	91	91	91	91
Change in Working Capital	(73)	(145)	(42)	(43)	(44)
Deferred Taxation Charge	(26)	0	0	0	0
Other Adjustments, Net	69	(4)	4	6	7
Capital Expenditure	(88)	(55)	(56)	(58)	(59)
Free Cash Flow	55	19	161	167	183
% Change	-68.1%	-65.1%	745.4%	3.3%	10.0%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(13)	(13)	(13)	(13)	(13)
Change in Debt	293	(335)	(292)	0	(393)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	73	483	378	532	310
Trade Receivables	389	289	310	334	356
Other Current Assets	408	328	359	391	422
Property, Plant & Equipment	270	248	263	279	295
Other Non-Current Assets	1,445	1,362	1,312	1,263	1,215
Total Assets	2,584	2,710	2,623	2,800	2,598
Short-Term Debt	1	0	0	0	0
Other Current Liabilities	621	484	500	517	531
Long-Term Debt	977	646	393	393	0
Other Non-Current Liabilities	123	91	86	81	76
Total Liabilities	1,721	1,222	978	991	607
Total Equity	863	1,489	1,645	1,809	1,992
Total Equity & Liabilities	2,584	2,710	2,623	2,800	2,598

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Industrials/Multi-Industry

Company Description

John Bean Technologies Corporation (JBT) is a leading provider of food processing equipment with a focus on proteins, liquid foods and automated system solutions. JBT designs, produces and services its products and systems for multi-national and regional customers through its JBT FoodTech segment. JBT also sells equipment and services to domestic and international air transportation customers through its JBT AeroTech segment.

Investment Rationale

Although JBT has posted above-average revenue & EPS growth, the company has below-average margins relative to peers and trades at a premium. We believe that end market fundamentals and execution remain healthy, but JBT's multiple is likely peaking and we see better value elsewhere in our coverage.

Stock Data

Average Daily Volume 198,647

Quarterly Earnings Estimates

	2023	2024
Q1	0.61A	0.78E
Q2	0.97A	1.24E
Q3	1.11A	1.34E
Q4	1.40A	1.76E

Exhibit 1: 4Q23 earnings variance analysis

JBT 4Q23 adjusted EPS of \$1.40 came in above our \$1.34 estimate

	Actual	Reported		BofA Estimate		Variation Versus BofA Est.		
(in US\$ mn, except per share data)	4Q:22A	4Q:23A	YOY % Chg.	4Q:23E	YOY % Chg.	Dollar	Percentage	EPS
Segment Sales								
FoodTech	441	445	1%	446	1%	(1)	0%	
AeroTech	158	-	-100%	-	-100%	-	N/A	
Intercompany eliminations	(0)	-	NM	-	NM			
Total	599	445	-26%	446	-26%	(1)	0%	
Operating Profit								
FoodTech	67	59	-12%	54	-20%	5	10%	\$ 0.13
AeroTech	15	-	-100%	-	-100%	-	N/A	\$ -
Corporate	(19)	-	-100%	-	-100%	-	N/A	\$ -
Total	63	59	-6%	54	-14%	5	10%	\$ 0.13
Operating Margin								
FoodTech	15.3%	13.3%	(200 bp)	12.0%	(320 bp)	120 bp	-	
AeroTech	9.6%	N/A	N/A	N/A	N/A	N/A	-	
Total	10.5%	13.3%	280 bp	12.0%	160 bp	120 bp	-	
Net Sales								
	599	445	-26%	446	-26%	(1)	0%	
COGS	432	284	-34%	287	-34%	(3)	-1%	
Gross Profit	167	161	-4%	159	-5%	2	1%	\$ 0.05
SG&A	103	102	-1%	105	2%	(3)	-3%	\$ 0.08
Other expense	-	-	NM	-	NM	-	N/M	\$ -
Operating Income	64	59	-7%	54	-16%	5	10%	\$ 0.13
Pension expense, other than service cost	(0)	0	NM	0	NM	(0)		\$ 0.00
Interest Expense, net	6	(4)	NM	(3)	NM	(1)	44%	\$ 0.03
EBT	58	63	8%	56	-3%	7	12%	\$ 0.16
Taxes	10	18	77%	13	27%	5	39%	
Tax Rate	17.1%	28.0%	1090 bp	22.5%	540 bp	550 bp	-	\$ (0.11)
Net Income (Continuing Operations)	48	45	-6%	43	-10%	2	4%	\$ 0.05
FULLY DILUTED EPS	\$1.49	\$1.40	-6%	\$1.34	-10%	\$0.06	4%	-
Diluted Shares Outstanding	32	32	0%	32	1%	(0)	-1%	\$ 0.01
Margin Analysis								
	Actual 4Q:22A	Reported 4Q:23A		Reported 4Q:23A		Variation (b.p.)		
COGS	72.2%	63.8%		64.3%		(50 bp)		(830 bp)
Gross Margin	27.8%	36.2%		35.7%		50 bp		830 bp
SG&A	17.2%	22.9%		23.6%		(70 bp)		570 bp
Operating Margin	10.6%	13.3%		12.0%		120 bp		260 bp
EBT Margin	9.6%	14.1%		12.5%		150 bp		440 bp
Net Margin	7.6%	12.5%		12.1%		40 bp		480 bp
Incremental Margin	25.4%	3.0%		6.6%		(350 bp)		(2240 bp)

Source: BofA Global Research estimates, Company report

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Valuation

We base our \$85 price objective on an 9x EV/EBITDA multiple of our 2025 estimates. Our 9x target multiple is below the peer average trading at 16x on 2024 estimates. We argue a discounted valuation is warranted given JBT's below-peer EBITDA margins and below-peer cash conversion.

Exhibit 2: JBT comparable valuation analysis

We base our \$85 PO on 9x EV/EBITDA of 2025E

Company	Ticker	Stock Price 2/21/2024	P/E		EV/EBITDA		EBITDA margin		EPS Growth	
			2024E	2025E	2024E	2025E	2024E	2025E	2024E	2024E
Graco*	GGG	\$88.01	28.0 x	26.3 x	19.0 x	17.7 x	33.4%	33.9%	3.5%	6.8%
Idex*	IEX	\$230.35	27.5 x	25.6 x	19.1 x	17.2 x	27.7%	28.7%	2.5%	7.6%
Littelfuse*	LFUS	\$244.93	25.8 x	19.9 x	14.1 x	12.3 x	20.3%	22.5%	-19.1%	29.6%
Middleby*	MIDD	\$148.31	14.4 x	13.2 x	10.4 x	9.4 x	22.8%	23.4%	8.4%	9.4%
Nordson*	NDSN	\$264.11	25.8 x	23.9 x	18.6 x	18.5 x	31.1%	29.2%	12.1%	7.9%



Exhibit 2: JBT comparable valuation analysis
We base our \$85 PO on 9x EV/EBITDA of 2025E

		Stock Price	P/E		EV/EBITDA		EBITDA margin		EPS Growth	
AVERAGE			24.3 x	21.8 x	16.2 x	15.0 x	27.1%	27.5%	1.5%	12.2%
John Bean Technologies Corp	JBT	\$102.77	22.2 x	19.3 x	11.9 x	11.1 x	17.1%	16.2%	18.7%	15.4%
John Bean Technologies Corp at PO	JBT	\$85.00	18.4 x	15.9 x	9.9 x	9.2 x				

Source: BofA Global Research estimates, Bloomberg
*Bloomberg consensus estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

John Bean Technologies (JBT)

We base our \$85 price objective on an 9x EV/EBITDA multiple of our 2025 estimates. Our 9x target multiple is below the peer average trading at 16x on 2024 estimates. We argue a discounted valuation is warranted given JBT's below-peer EBITDA margins and below-peer cash conversion.

Upside risks to our PO are: 1) better than expected execution on restructuring/facility consolidation, 2) lower input cost inflation, and 3) faster pace of accretive M&A.

Downside risks to our PO are: 1) valuation already implies future M&A, 2) ability to source accretive acquisitions, 3) execution risk in restructuring/facility consolidation, 4) input cost inflation, 5) rising low-cost competition, and 6) failure for AeroTech sale to complete.

Analyst Certification

I, Andrew Obin, 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 - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA



iQmethodSM 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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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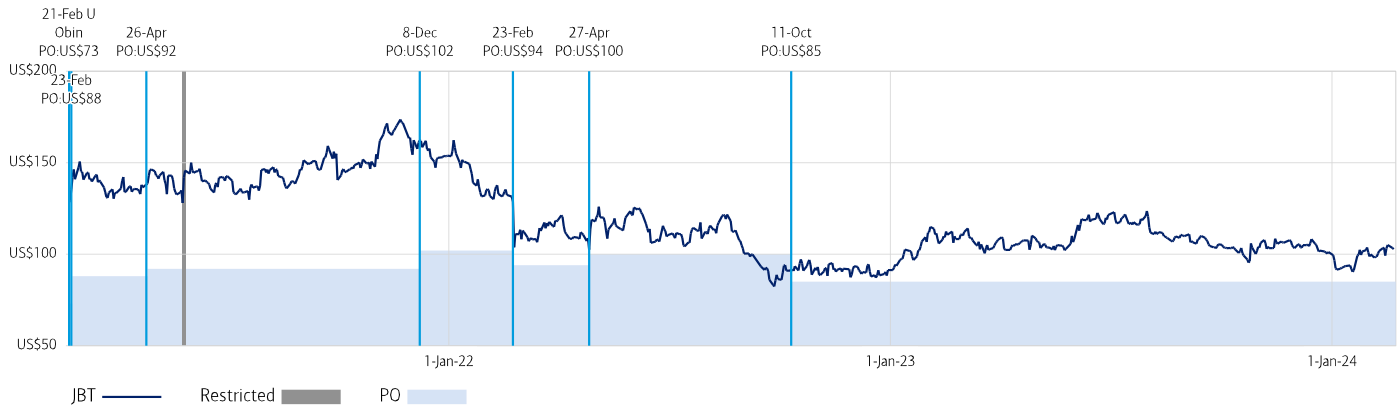
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John Bean Tech (JBT) Price Chart



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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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}
Buy	≥ 10%	≤ 70%
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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