JANUS INTERNATIONAL GROUP – comprehensive Valuation

Ticker: JBI

Date of start: 25/07/24

Date of end: /07/24

Date format: day/month/year

Made by Roi Dayan

<u>disclaimer</u>

- I am not a professional (although no one really is).

- this is not a financial advice.

- the data is not 100% reliable, but it is reliable.

- I am aware that within 8 days the company releases the 2024 Q2 report, which means my analysis of the balance sheet would be outdated, with that being said, balance sheets does not tend to change much from quarter to quarter.

Second, although I believe my storyline is true and I think my estimates of this report would come as true, I can’t predict the future, maybe in that report PLP would report 100% growth rate, which would cause me to change my opinion and update my valuation.

The point is that the not going to update this valuation **unless the results in that report (2024 Q2) would surprise me to the point that I change my story for the company.**

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PART 1 – OPENING

What is that company?

From its last 10k (2023: "Janus International Group, Inc. ("we," "us," "Group," "Janus" or the "Company"), headquartered in Temple, Georgia with ten domestic and three international manufacturing facilities is a leading **global manufacturer, supplier, and provider of turn-key self-storage, commercial, and industrial building solutions.** The **Company provides facility and door automation and access control technologies, roll-up and swing doors, hallway systems, and relocatable storage "MASS"** (Moveable Additional Storage Structures) units (among other solutions). The Company is fundamental to its customer's success throughout every phase of a project by providing solutions spanning from facility planning and design, construction, technology, and the restoration, rebuilding, and replacement ("R3") of damaged or end-of-life products."

History

JANUS INTERNATIONAL GROUP or for short JBI was founded in 2002 originally to provide **door systems** for the **self-storage industry**. Over the last 20 years, the Company has consistently expanded its product offerings to **the self-storage industry** while also diversifying its product and solution offerings **into commercial industrial end markets**. The Company started operations in Temple, Georgia providing value-added **door systems** to self-storage clients, and in 2003 expanded to Surprise, Arizona to better serve clients in the Western U.S.

In 2004, JBI opened a facility in Houston, Texas to address demand in the Southwest and moved internationally in 2006 by establishing a joint venture in Peterlee, United Kingdom to provide solutions to the **European market**. Additionally, in 2009, we **acquired Epic Doors, Inc**. to strengthen the Company's domestic presence in the sector and in 2011 acquired U.S. **Door & Building Components**, LLC to significantly increase our market share. In 2014, we opened a facility in Butler, Indiana to further penetrate the **Midwestern and Canadian markets**, and **acquired Steel Storage Europe** to expand our offerings internationally. In 2017, the Company accelerated its plans in the commercial industrial door market through the acquisition of **Asta Industries, Inc.** ("ASTA"), and in 2018 we **acquired Nokē Inc**. ("NOKE") a **Utah based software and technology company**, which brought new access control products and solutions to our **suite of product offerings to both the self-storage and commercial industrial markets through the development of the Nokē Smart Entry Platform**. In December 2018, Janus completed the **acquisition of Active Supply & Design (CDM) Ltd**. (UK) ("AS&D"), a company based in the United Kingdom. **AS&D is a self-storage design, construction and installation company** whose operations were merged into Janus International Europe during 2021. In March 2019, we completed **the acquisition of BETCO, Inc**. ("BETCO"), a company based in North Carolina that is in the business of manufacturing and installing steel building structures for self-storage customers. In January 2020, Janus completed the **acquisition of Steel Storage Australia and Asia** (collectively, "Steel Storage"), a provider of **self-storage design and construction services in Australia, New Zealand, Singapore, and surrounding regions**. In March 2020, Janus completed the **acquisition of PTI Australasia Pty Ltd**, an Australian distributor of self-storage access control security and integrative technologies. In January 2021, the Company **acquired G & M Stor-More Pty Ltd**., which has over 23 years' experience in self-storage building, design, construction and consultation. In August of 2021, Janus completed **the acquisition of <u>DBCI, LLC</u>**, (f/k/a Dingo Newco, LLC) ("DBCI"), an entity engaged in the **business of manufacturing and installing door systems for the self-storage industry and the commercial industrial market**. In September 2021, Janus completed the **acquisition of <u>Access Control Technologies, LLC</u>**, ("ACT") a Company incorporated in North Carolina and certain assets and liabilities of Phoenix IronWorx, LLC ("Phoenix"). **ACT is a low-voltage/security systems integrator that specializes in the self-storage and multi-family industries**. With dedicated installation and service divisions, ACT has one of the largest addressable footprints in technology in the self-storage industry. Phoenix is a custom gate and fence fabricator primarily serving the self-storage industry.

Acquisitions Acquisitions Acquisitions

If you actually read the former history part of the company, you might have noticed that she makes an outstanding number of acquisitions, sometimes even twice or 3 times a year, this is very uncommon to see, and it would be a lie to say that I have ever stumbled upon a company that do more acquisitions then JBI.

So, what is the whole shtick with her acquisitions? Peter Lynch used to call acquisition in his famous book "one up on wall street" – "diworsification", so if he would see this enormous number of acquisitions, he would probably have a heart attack. With that being said, I am open-minded about this strategy, the company further explains this strategy in her 10k:

"Our Acquisition Strategy. Our management team has a proven track record of identifying, executing, and integrating acquisitions to support our strategic growth initiatives. In order to achieve this growth, we utilize a disciplined, highly accretive acquisition strategy that prioritizes portfolio diversification into logical adjacencies<u>, geographic expansion, and technological innovation</u>. We continue to actively review a number of acquisition opportunities that fit this framework."

Its well known that companies tend to do acquisitions to further penetrate markets and achieve higher growth rates, to the obvious question to ask would be, **does JBI's acquisition managed to convert those acquisitions to high growth rates?** We will further discuss this question in the **growth rate estimates** segment.

The bottom line to understand here is that JBI has a massive acquisitions-based strategy, and that in her last 2024 Q1 earnings call, she mentioned that her balance sheet is looking strong, their cash position is good, and they review and check for acquisition opportunities.

Products and industries

As I showed in the opening, the 2 industries JBI is operating in are the Commercial Door and Self-Storage industry.

The company defines and differs her revenue by three segment, and she explains it in her 10k:

"Furthermore, our business is comprised of three primary sales channels**: New Construction-Self-storage, R3-Self-storage (R3), and Commercial and Other.** The Commercial and Other category is primarily comprised of roll-up sheet and rolling steel door sales into the commercial marketplace. New construction consists of engineering and project management work pertaining to the design, building, and logistics of a greenfield new self-storage facility tailored to customer specifications while being compliant with ADA regulations. Any Nokē Smart Entry System revenue associated with a new construction project also rolls up into this sales channel. The concept of Janus R3 is to remodel self-storage facilities including storage unit doors, hallways, ceilings, offices, optimizing unit mix, utilizing vacant land for movable storage units (JBI MASS relocatable storage units), and adding a more robust security solutions to enable customers to (1) charge higher rental rates and (2) compete with modern self-storage facilities and large operators. In addition, the R3 sales channel also includes new self-storage capacity"

Self-storage industry

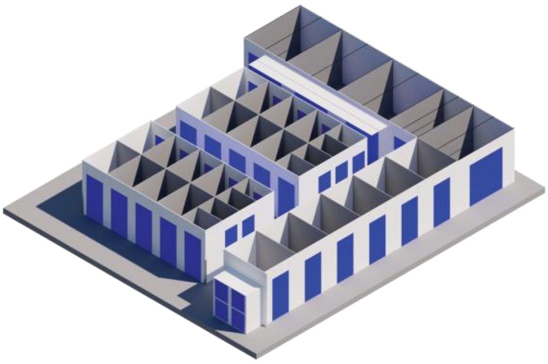
Approximately 68% of JBI's total revenues are attributable to the self-storage market. The self-storage industry refers to properties that offer do-it-yourself, storage space rental for personal or business use. Self-storage provides a convenient way for individuals and businesses to store their belongings, whether due to a life event or the need for extra storage.

The self-storage market is highly fragmented with REITs comprising approximately 35% of the overall self-storage market, having grown significantly over the past decade and at a higher rate than the non-institutional market. REITs often achieve growth via acquisition of existing self-storage facilities, which creates demand for remodeling solutions to conform branding to the acquirer's colors, logos, and aesthetic.

Growth in self-storage demand has been driven by favorable **long-term macroeconomic trends, including rising storable consumption per capita, population growth, and rising home ownership rates**

The available supply of self-storage is well below long-term levels, as exhibited by the key self-storage REITs operating **at over 90%** occupancy rates based upon publicly available information as of the third quarter of 2023. In addition to ongoing tight supply conditions, management estimates that approximately 60% of existing self-storage facilities are over 20 years old, which creates **the potential need for replacement and refurbishment of an aging installed base.** Given high existing occupancy rates and expected rising demand, investment in additional self-storage capacity may be required in the future. New self-storage capacity can be created in several ways, including greenfield construction, expansions of existing self-storage facilities, conversions of existing buildings into self-storage or via facility acquisitions and upgrades. Janus is the market leader in **building solutions** for the self-storage market.

Janus self-storage product examples:



Commercial Door industry

Approximately 32% of JBI's total revenues are attributable to the commercial industrial door market. Commercial doors are primarily composed of metal, plastic, and wood and used in industrial facilities, office, retail, and lodging establishments, institutional buildings, and other non-residential infrastructure. We compete within the metal commercial doors sub-sector with a focus on commercial roll-up sheet doors and rolling steel doors. Roll-up sheet doors are constructed of lighter gauge steel, are less durable, and less expensive than rolling steel doors. These doors are used in pre-engineered buildings and for applications where insulation is less important. Rolling steel doors are constructed of heavier gauge steel, are more durable and more expensive than roll-up sheet and sectional doors, and are primarily used in facilities such as warehouses, particularly in heavy industrial applications.

The metal commercial door market has experienced solid growth driven by: (1) an increase in construction spending, (2) aging infrastructure, and (3) efforts to improve security, appearance, and the energy efficiency of buildings.

Within the commercial industrial sector, JBI are a smaller participant within a larger addressable market, which provides the Company with significant opportunity for market share growth within a sector that is well positioned for future growth driven by the rising growth of e-commerce.

Janus Commercial door products example:

<u>Smart entry – potential product</u>

68% plus 32% equals 100%, so what more does JBI have to offer? As I mentioned in the History segment, JBI has acquired **NOKE inc.**

The company explains this acquisition in her latest 10k report: ”The Company and Nokē, Inc. (“NOKE”) (which we acquired in 2018) have been working for several years to develop **proprietary access control technologies, software, and solutions focused on the self-storage sector where limited technologies or products currently exist.** We are actively selling and developing a platform with multiple adjacencies including hardware (i.e., purpose-built locks), software (i.e., applications and a web portal) and back-end integration (i.e., APIs and a cloud platform) to provide ROI improvement opportunity for our client’s new facilities and R3 retrofits. Our proprietary hardware and smart locking systems have helped businesses manage physical security and have laid the ground work for Janus to integrate an enhanced wireless network within a self-storage facility, thereby creating a segment of our business with limited competition and high barriers to entry.”

A further explanation can be found in the company own website: “Our Nokē Smart Entry system is truly changing the self-storage access control game. Our Smart Entry is a Bluetooth electronic lock and total access control system that allows your customers to **easily access your self-storage facility and their unit from their smart device**. What does that mean exactly? You can say goodbye to the frustration and inefficient time suck of customers losing their keys or not being able to remember their gate codes.

With advanced technology included inside every unit controller and electronic locks and motion sensors INSIDE every door, this security solution is here to change the way you think about protecting your investment while also making your customers’ lives easier. Another game-changing element of the Nokē Smart Entry system **is digital key sharing, where tenants can go into the app on their phone and grant temporary unit access to a friend, family member, or anyone who needs to grab an item from the storage unit.** The digital key can be revoked at any time, and an activity log keeps track of exactly when the unit was accessed during the key sharing time frame.”

The bottom line is that JBI took a risk by acquiring a technology company to create and invent technology solutions for self-storage, specifically, a lock that is opened via the phone app, the best part in my opinion is that you can grant access to your storage to other people via the app.

I am a big fan of managements that take risks to achieve their goals, and I love that technological lock product. I think this is an integral development in the lock sector as a whole, in in the future, keys would be increasingly used less.

Please remember this segment as we reach the **growth rates estimate** segment.

An example of the lock product:

FUNDAMENTALS

BALANCE SHEET

The most updated balance sheet of JBI is from 2024 Q1 report:

Janus International Group, Inc.

Condensed Consolidated Balance Sheets

(dollar amounts in millions, except share and per share data - Unaudited)

	March 30, 2024	December 30, 2023
ASSETS		
Current Assets		
Cash	$ 178.4	$ 171.7
Accounts receivable, less allowance for credit losses of $4.1 and $3.6, at March 30, 2024 and December 30, 2023, respectively	192.0	174.1
Contract assets	35.4	49.7
Inventories	51.1	48.4
Prepaid expenses	9.7	8.4
Other current assets	6.5	10.8
Total current assets	**$ 473.1**	**$ 463.1**
Right-of-use assets, net	49.9	50.9
Property, plant and equipment, net	54.0	52.4
Intangible assets, net	367.7	375.3
Goodwill	368.4	368.6
Deferred tax asset, net	34.3	36.8
Other assets	2.6	2.9
Total assets	**$ 1,350.0**	**$ 1,350.0**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 61.1	$ 59.8
Contract liabilities	29.7	26.7
Current maturities of long-term debt	7.3	7.3
Accrued expenses and other current liabilities	62.1	80.3
Total current liabilities	**$ 160.2**	**$ 174.1**
Long-term debt, net	606.4	607.7
Deferred tax liability, net	1.7	1.7
Other long-term liabilities	46.3	46.9
Total liabilities	**$ 814.6**	**$ 830.4**
STOCKHOLDERS' EQUITY		
Common Stock, 825,000,000 shares authorized, $0.0001 par value, 147,059,095 and 146,861,489 shares issued at March 30, 2024 and December 30, 2023, respectively	$ —	$ —
Treasury stock, at cost, 1,111,882 and 34,297 shares as of March 30, 2024 and December 30, 2023, respectively	(16.6)	(0.4)
Additional paid-in capital	290.9	289.0
Accumulated other comprehensive loss	(3.5)	(2.9)
Retained earnings	264.6	233.9
Total stockholders' equity	**$ 535.4**	**$ 519.6**
Total liabilities and stockholders' equity	**$ 1,350.0**	**$ 1,350.0**

The cash to current liabilities ratio is **111.3%**, which approves the statement that her cash position is strong. The company can pay all her current liabilities with her cash, and still has 18.2 million dollars.

The cash to total liabilities ratio is **21.9%**, it's relatively fine, I don't expect most companies to be able to pay all her liabilities by her cash, beside special cases.

If we dive down further into the total liabilities, the current liabilities portion of the total liabilities is **19.6%**, which means most of her liabilities is debt, the total long term debt portion of the total liabilities is **74.4%**.

The change in total debt YOY is **0.21%**, not quite promising.

The total assets to total liabilities ratio is **165.7%**, a strong sign that the company is well positioned towards to far future, although most of her non-current assets are intangible and goodwill, with are assets that have been gained from her acquired companies.

This should raise some questionable things, because intangible assets and goodwill can be very misleading on the balance sheet.

The firm explains her way of valuing intangibles in her lates 10k: "The Company determined the fair value of customer relationships and software development acquired using the **excess earnings method** under the income approach. Under the excess earnings method, **an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining economic life.** The relief from royalty method was used to determine the fair value of tradenames and trademarks. The valuation models were based on estimates of future operating projections of the acquired business as well as judgments on the discount rates used and other variables. We determined the forecasts based on a number of factors, including our best estimate of near-term sales expectations and longterm projections, which include review of internal and independent market analyses. The discount rate used was representative of the weighted average cost of capital. The Company regularly evaluates the amortization period assigned to each intangible asset to ensure that there have not been any events or circumstances that warrant revised estimates of useful lives."

In other words, the intangible value is based on the **company's estimates** of the specific assets future cash flows, and I don't think I need to explain why is this a problem.

The company further explain in her notes, what assets consists of intangibles and goodwill:

(in millions)		December 30, 2023		
Intangible Assets	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	10-15 years	$ 409.0	$ 154.1	$ 254.9
Tradenames and trademarks	Indefinite	107.5	—	107.5
Software development	10-15 years	20.3	7.5	12.8
Noncompete agreements	3-8 years	0.3	0.2	0.1
Backlog	< 1 year	—	—	—
		$ 537.1	**$ 161.8**	**$ 375.3**

Customer relationship, which is a **very questionable asset**, makes up **76.14%** of the Intangibles, so I think it's now obvious why I'm quite skeptical about the true market value of her long-term assets.

To sum this segment up, JBI's balance sheet is strong, and she is well positioned in the near future and well positioned towards acquisitions opportunities. Discussing the long-term outlook, on paper she looks well positioned, but accounting rules about goodwill and intangible assets can differ and mislead the true value of the asset, so I do think there is some default risk in the far future, but I think it's a very slim chance, and as investors we should not feel much disturb about it, but it is something to look out for.

INCOME STATEMENT

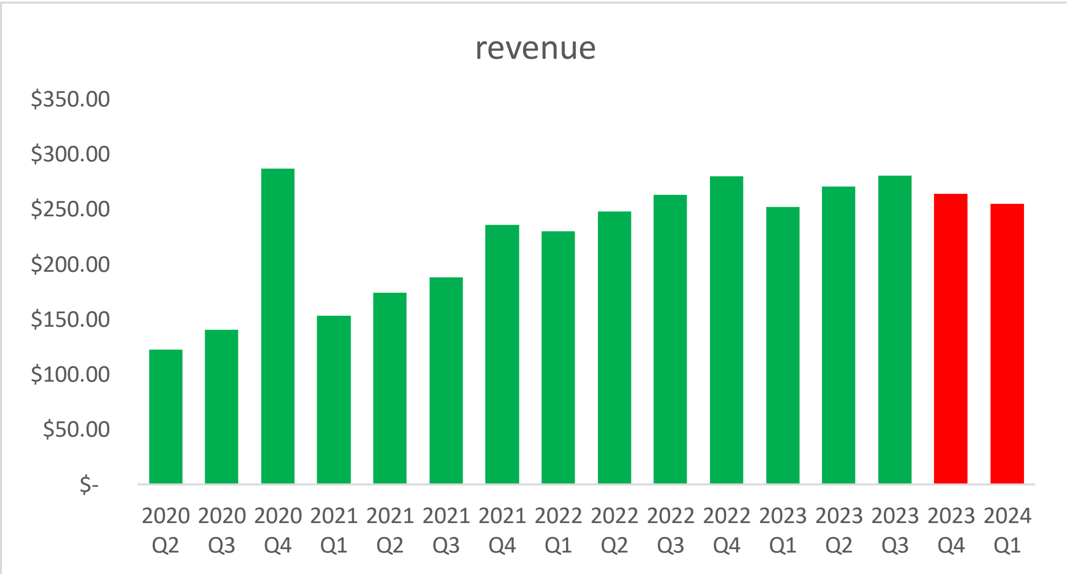
Janus International Group, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income

(dollar amounts in millions, except share and per share data - Unaudited)

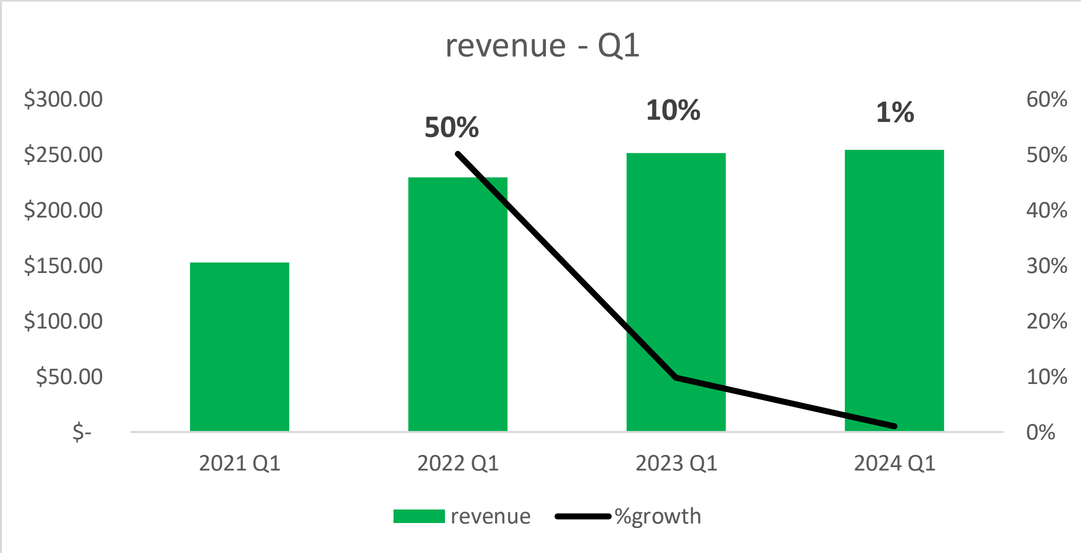
	Three Months Ended	
	March 30, 2024	**April 1, 2023**
REVENUES		
Product revenues	$ 215.1	$ 215.4
Service revenues	39.4	36.5
Total Revenues	**$ 254.5**	**$ 251.9**
Product cost of revenues	114.7	124.4
Service cost of revenues	29.4	27.6
Cost of Revenues	**$ 144.1**	**$ 152.0**
GROSS PROFIT	**$ 110.4**	**$ 99.9**
OPERATING EXPENSES		
Selling and marketing	17.6	14.8
General and administrative	37.3	34.1
Operating Expenses	**$ 54.9**	**$ 48.9**
INCOME FROM OPERATIONS	**$ 55.5**	**$ 51.0**
Interest expense	(14.4)	(16.0)
Other income, net	0.1	—
INCOME BEFORE TAXES	**$ 41.2**	**$ 35.0**
Provision for Income Taxes	10.5	9.0
NET INCOME	**$ 30.7**	**$ 26.0**
Other Comprehensive (Loss) Income	$ (0.6)	$ 0.7
COMPREHENSIVE INCOME	**$ 30.1**	**$ 26.7**
Weighted-average shares outstanding, basic and diluted (Note 13)		
Basic	146,604,142	146,703,894
Diluted	147,046,212	146,751,901
Net income per share, basic and diluted (Note 13)		
Basic	$ 0.21	$ 0.18
Diluted	$ 0.21	$ 0.18

The historical revenues by quarter are as follows:



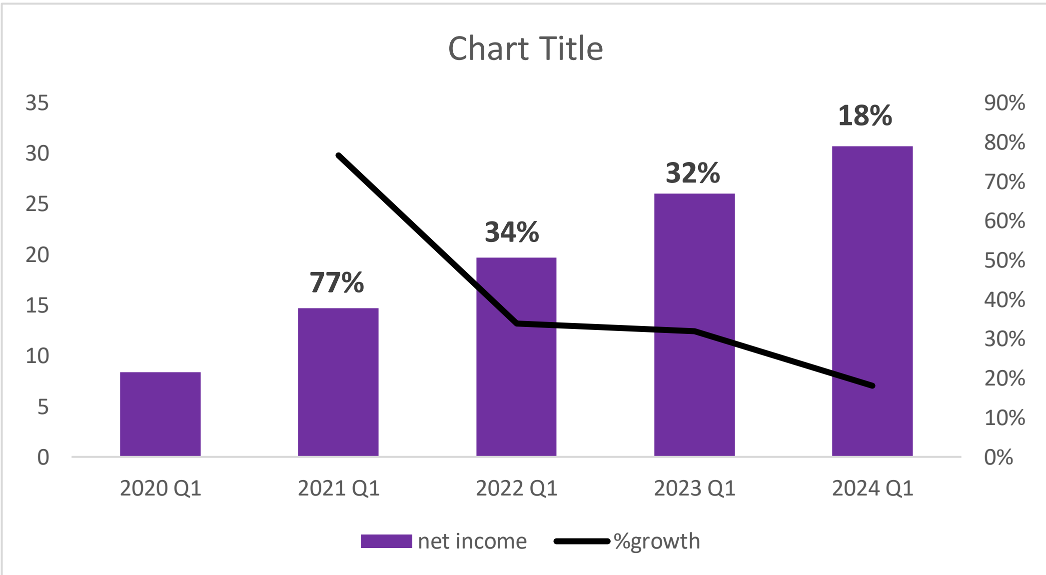
Until the third quarter of 2023, the company had performed stable growth, but for the last 2 quarters she experienced negative growth.

The YOY revenues of Q1 are as follows:

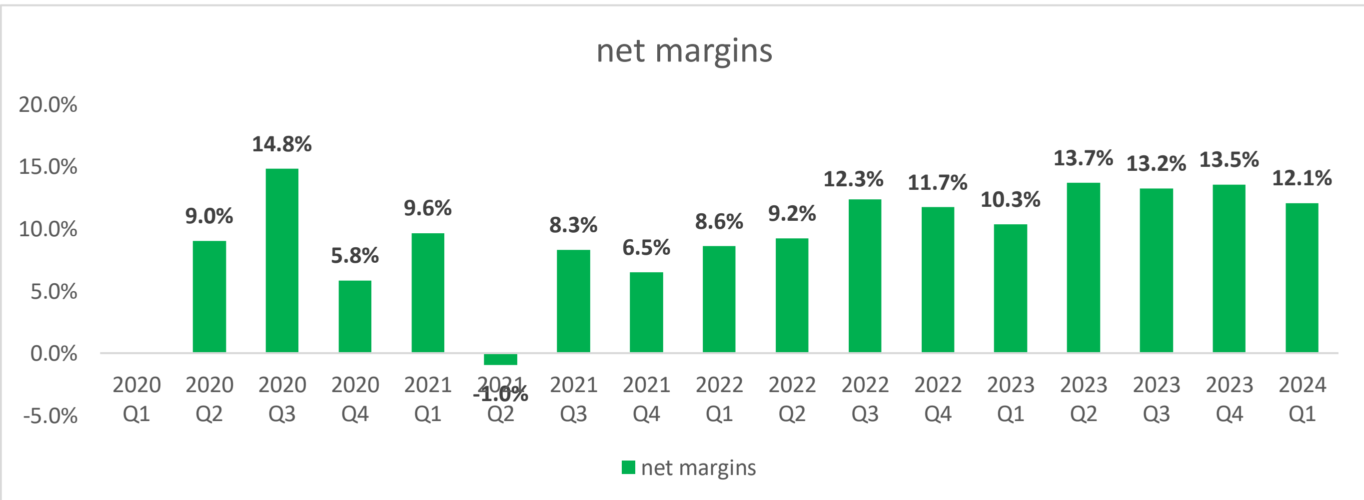


In the last quarter, the company preformed a YOY growth of only 1%, a very weak growth rate.

With that being said, the net income YOY growth is as follows:



While the revenues grew only 1% YOY, the net income grew 18%, and that's because the margins has increased:



I really admire and like the fact that the company is able to slowly but seady increase her margins over times. with that being said, a massive reason why her margins are high is because 90% of her revenue is from north america.

PART 2 – Discounted Cash Flow

The Story

To compute a fair value for JBI's stock, you need a storyline to circle and tie the valuation up.

To create a comprehensive valuation, I would like to try few stories:

By story 1, JBI is mostly operating in America, she has a hard time penetrating foreign markets, thus mostly staying in the us. This would make her able to maintain her current margins, because north America has generally higher margins. But on the other hand, her growth rate would be lower.

She would generally keep her acquisition strategy, doing acquisitions to bring more growth, but she would mostly stay in the self-storage market.

Her risk of acquiring NOKE and trying to penetrate the technology market would not yield much success.

This story is more pessimistic and conservative story.

By story 2, JBI manages to penetrate the technology market, with her acquisition of NOKE and future acquisitions, she would somewhat be able to penetrate foreign markets, with a spread of 70% north America and 30% international. All this while keeping business as usual at the self-storage market.

Weighted average cost of capital

Risk free rate

The risk-free rate is the rate of return of a theoretical **risk-free investment**.

In my opinion, the safest country in the world is the us, the safest investment in the world is in the form of bonds, thus, the safest investment in the world is us bonds.

The current rate of return on the 30Y us Treasury is 4.40%. I don't feel very comfortable trying to assess the future risk free rate, and it's also doesn't play a big role in the valuation, but in a nutshell, the rate of return can be traced back to the interest rates.

Inflation shows the first signs of cooling down, which will make interest rates fall. I think that the bond rate would get around the historical median of about 3%.

risk free rate Assumption

4.40% → 3.00%

Equity risk premium

The equity risk premium is the rate of return in which investors demand for investing in the us equity market, since investing in us equity bears within it more risk than risk free investments, there is some premium investors would demand for doing so.

For that reason, the formula of the ERP is;

ERP = rm-rf

Where:

Rm – return of the market

Rf- risk free investment

Furthermore, because the us is considered the safest market to invest in, there is a premium investors demand for investing in other countries, this premium comes from the risk that the country will default, thus, one way of calculating the equity risk premium for a country is;

ERP country x = ERP of the safest country to invest + country x default risk

= ERP of the us + country x default risk.

To calculate the equity risk premium for a firm, we first want to understand where the firm's risk comes from.

The company specifies her revenue spread in her notes:

Disaggregation of Revenue

The principal categories we use to disaggregate revenues are by timing and sales channel of revenue recognition. The following disaggregation of revenues depict the Company's reportable segment revenues by timing and sales channel of revenue recognition for the three month periods ended March 30, 2024 and April 1, 2023:

Revenue by Timing of Revenue Recognition

	Three Months Ended	
Reportable Segments by Timing of Revenue Recognition	**March 30, 2024**	**April 1, 2023**
Janus North America		
Product revenues transferred at a point in time(1)	$ 174.2	$ 169.6
Product revenues transferred over time(1)	32.7	32.9
Service revenues transferred over time(1)	33.6	28.0
	$ 240.5	$ 230.5
Janus International		
Product revenues transferred at a point in time	$ 8.9	$ 13.1
Service revenues transferred over time	5.8	8.5
	$ 14.7	$ 21.6
Eliminations	$ (0.7)	$ (0.2)
Total Revenue	**$ 254.5**	**$ 251.9**

(1) These numbers have been revised for the three month period ended April 1, 2023. See Note 2 to our Unaudited Condensed Consolidated Financial Statements for additional information.

Revenue by Sales Channel

	Three Months Ended	
Reportable Segments by Sales Channel Revenue Recognition	**March 30, 2024**	**April 1, 2023**
Janus North America		
Self Storage-New Construction	$ 104.2	$ 64.6
Self Storage-R3	68.3	82.4
Commercial and Others	68.0	83.5
	$ 240.5	$ 230.5
Janus International		
Self Storage-New Construction	$ 12.4	$ 18.6
Self Storage-R3	2.3	3.0
	$ 14.7	$ 21.6
Eliminations	$ (0.7)	$ (0.2)
Total Revenue	**$ 254.5**	**$ 251.9**

region	revenue	%
Janus International	14.7	**5.8%**
Janus north america	240.5	**94.2%**
total	255.2	

*excluding eliminations

The historical implied equity risk premium is as follows.

The current implied equity risk premium is 3.97%, the historical average is 4.12%.

The compute the equity risk premium for a firm, I would do a weighted average by region.

<u>current</u>

region	us erp	default risk	region erp	%	weight avg
Janus International	3.97%	2%	5.97%	**5.8%**	0.3439%
Janus north america	3.97%	1%	4.69%	**94.2%**	4.4198%
				total:	4.7637%

<u>terminal - I don't expect Janus to become very worldwide</u>

region	us erp	default risk	region erp	%	weight avg
Janus International	4.12%	2%	6.12%	**10.0%**	0.6120%
Janus north america	4.12%	1%	4.84%	**90.0%**	4.3560%
				total:	4.9680%

equity risk premium Assumption

4.76% → 4.97%

Relative risk measure – beta

To compute a relative risk measure, because of shortage in data, I'm going to use a simple historical regression against the s&p500.

Beta – 0.91

In theory, in the terminal, because the company grow as a going concern she is basically moving with the market, thus a beta of 1.

beta Assumption

0.91

1

Cost of equity

By the CAPM model: cost of equity = rf+(beta*equity risk premium)

	rf	erp	beta	coe
current	4.40%	4.76%	0.91	8.734%
terminal	3%	4.9680%	1	7.968%

cost of equity Assumption

8.734%

7.968%

Market value of equity

shares	145.98	mill
stock price	$ 14.56	
market value	$2,125.47	mill

Cost of debt

The cost of debt is the rate of return lenders demand for lending money for the firm, thus, riskier firms have higher cost of debt and safer firms have lower cost of debt.

Cost of debt = rf + country default risk*x + company default risk

Where:

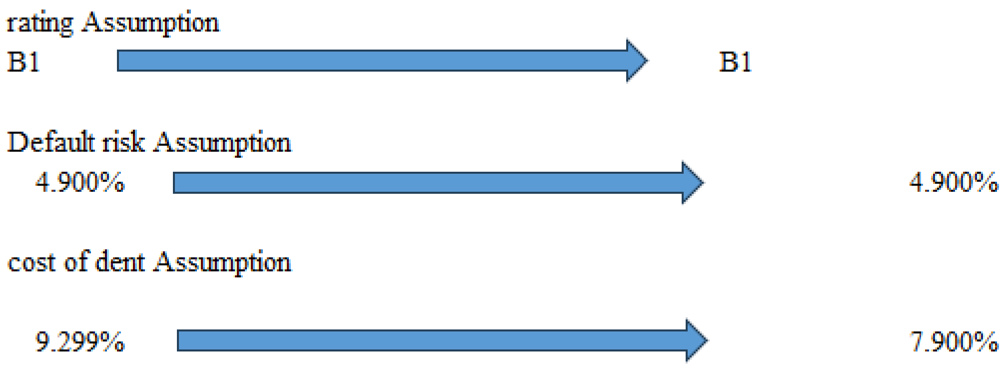
rf – risk free rate

country default risk – the default risk of the country the firm is operating in

x – the precent of exposure of the firm to the country

although the country default risk is equal to 0, because JBI is operating in the us.

JBI is rated by moody B1, which converts in a default risk of about 4.9%, in the terminal, the company is much bigger and safer, with much less default risk, generally speaking big grown companies tend to have A rating, with that being said, I would rather to take a conservative route and assume that this rating would stick with the company.



Market value of debt

To estimate the market value of the debt, we would treat the future debt as a **bond,** thus, the coupon rate will be the interest payment, and the discount rate will be the cost of debt.

To estimate how many years does this "bond" has before maturity, we would calculate a rough estimate of how many years are there to all interest-bearing debt is to be paid fully by the firm.

We can find the debt information in the companies notes:

2024	$	7.3
2025		7.3
2026		6.9
2027		6.7
2028		6.4
Thereafter		592.2
Total	**$**	**626.8**

Dividing the average interest expense by the “thereafter” expense would yield an approximate number of years until all debt is to be due.

year	years until	amount
2024	1	7.3
2025	2	7.3
2026	3	6.9
2027	4	6.7
2028	5	6.4
	average:	**6.92**

thereafter/average: 90.86705

Then I calculated the present value of all the interest payment for the next 90 years discounted by the cost of debt, which yields 86.49$ million dollars, adding this to the book value of debt of 606.4 million dollars equals the market value of debt of 692.89 million dollars.

total:	$ 86.49	
total debt:	$ 606.40	
market value	$ 692.89	mill

Calculation of the WACC

period	current	terminal
cost of equity	8.73%	7.97%
market value of equity	$ 2,125.47	$ 2,125.47
cost of debt	9.30%	7.90%
tax rate	25%	25%
after tax cost of debt	6.974%	5.925%
market value of debt	$ 692.89	$ 692.8919
debt porion of capital	24.6%	24.6%
equity portion of capital	75.4%	75.4%
cost of capital (WACC)	8.30%	7.47%

Weight Average Cost of Capital Assumption

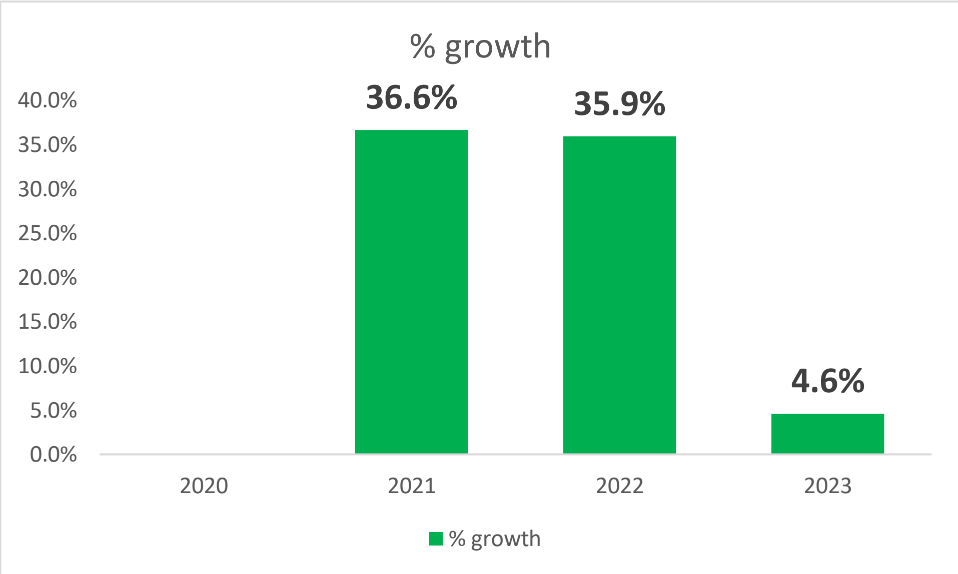
8.30% → 7.47%

year	current	1	2	3	4	5	6	7	8	9	terminal
	8.30%	8.22%	8.13%	8.05%	7.97%	7.88%	7.80%	7.72%	7.63%	7.55%	7.47%

Prediction and Estimation

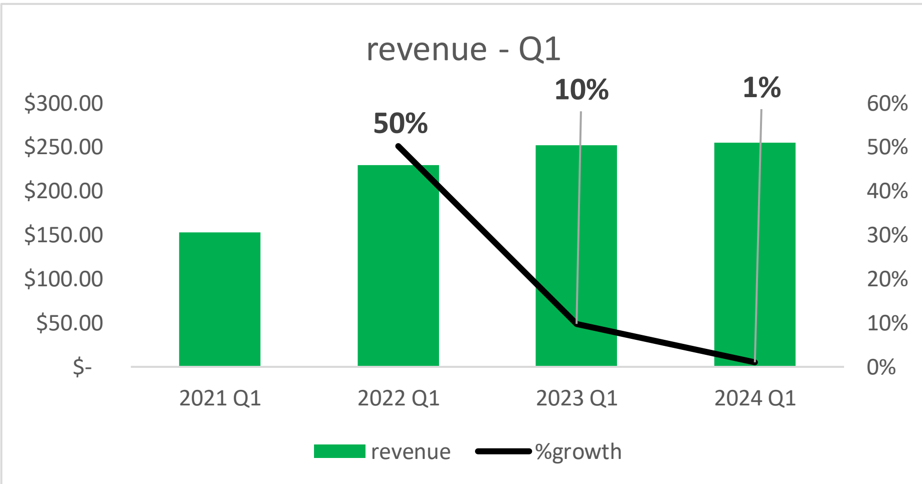
Growth rates

The historical growth rates of JBI are as follows:



If you have a sharp eye, you will see that 2023 was a weak year in terms of growth, and the company grew only 4.6%.

If we discuss YOY growth, it's as follows:



The company managed to "achieve" 1% growth rate YOY, which again, shows signs of severe weakness.

We already discussed and explained how the company is based acquisitions, in fact, between March 2020 and September 2021 the company acquired **4 different companies**, 1 in 2021 and 3 in 2022.

Which means that even with 3 acquired companies, JBI has not managed to convert this acquisition to growth.

The description of the acquired companies are as follows:

In March 2020, Janus completed the **acquisition of** **PTI Australasia Pty Ltd**, an Australian **distributor of self-storage access control security and integrative technologies**.

In January 2021, the Company **acquired** **G & M Stor-More Pty Ltd**., which has over 23 years' experience in **self-storage building, design, construction and consultation.**

In August of 2021, Janus completed **the acquisition of** **DBCI, LLC**, (f/k/a Dingo Newco, LLC) ("DBCI"), an entity engaged in the **business of** **manufacturing and installing door systems for the self-storage industry and the commercial industrial market**.

In September 2021, Janus completed the **acquisition of** **Access Control Technologies, LLC**, ("ACT). **ACT is a** **low voltage/security systems integrator that specializes in the self-storage and multi-family industries**.

If we assume that the acquisitions were successful, that means that in 2021 JBI potentially improved her self-storage product, her doors and her commercial. All this but still, 2023 was a weak year.

If we dive more down into the revenue note, we get a spread of revenue by segment, as a reminder, the segments of revenue are as follows: "Furthermore, our business is comprised of three primary sales channels**: New Construction-Self-storage, R3-Self-storage (R3), and Commercial and Other.** The Commercial and Other category is primarily comprised of roll-up sheet and rolling steel door sales into the commercial marketplace. New construction consists of engineering and project management work pertaining to the design, building, and logistics of a greenfield new self-storage facility tailored to customer specifications while being compliant with ADA regulations. Any Nokē Smart Entry System revenue associated with a new construction project also rolls up into this sales channel. The concept of Janus R3 is to remodel self-storage facilities including storage unit doors, hallways, ceilings, offices, optimizing unit mix, utilizing vacant land for movable storage units (JBI MASS relocatable storage units), and adding a more robust security solutions to enable customers to (1) charge higher rental rates and (2) compete with modern self-storage facilities and large operators. In addition, the R3 sales channel also includes new self-storage capacity"

Please note that Noke and JBI's technology still doesn't make notable or worth mentioning revenue amount, so basically new construction and R3 are just self-storage.

Revenue by Sales Channel

	Three Months Ended	
Reportable Segments by Sales Channel Revenue Recognition	**March 30, 2024**	**April 1, 2023**
Janus North America		
Self Storage-New Construction	$ 104.2	$ 64.6
Self Storage-R3	68.3	82.4
Commercial and Others	68.0	83.5
	$ 240.5	$ 230.5
Janus International		
Self Storage-New Construction	$ 12.4	$ 18.6
Self Storage-R3	2.3	3.0
	$ 14.7	$ 21.6
Eliminations	$ (0.7)	$ (0.2)
Total Revenue	**$ 254.5**	**$ 251.9**

Interpreting to more understandable numbers:

revenue type	Apr-23	Mar-24	YOY growth %	% from total revenue
new construction	$ 83.20	$ 116.60	40.14%	45.8%
R3	$ 85.40	$ 70.60	-17.33%	27.7%
commercial and others	$ 83.50	$ 68.00	-18.56%	26.7%
eliminations	$ -0.20	$ -0.70	250.00%	
total	$ 251.90	$ 254.50	1.03%	

	% rev
self storage	73.6%
commercials	26.7%

What I interpret from this, is that while the company keeps growing in self-storage revenue, she lacks and falls in commercial.

In her 2024 Q1 earnings webcast, the company reported that her main market internationally is experiencing an economic crisis, and 90% of her revenues are from the us, and that she stops future international projects for the time being. She also predicted that mid 2024 she will experience approximately 4% growth, which means for the fs 2024 about 8%, which pretty much lines up with the analyst estimations of 8.5%.

As JBI has already shown, she is capable of generating 20 and 30 precent growth rates, while at 2023 she fell short, I still feel optimistic about her growth because as we shown her acquisitions are still yet to show any significant growth, and she has a long history of successful acquisitions.

My growth rate estimates are as follows:

year	1	2	3	4	5	6	7	8	9	10
growth	3.7%	4.30%	30%	30%	30%	10%	10%	10%	10%	10%

The first 2 years are pretty lined up with the analyst estimates, then I think with JBI's acquisitions she would manage to perform like the past 2 years, then finally slowing down to industry median growth.

Operating margins

The historical operating margins are as follows:

The company manages slowly but surely to increase her efficiency and her operating margins, I do not know how well she would be able to maintain this increase in margins overtime, and she is already well over the average industry, so I am going to assume that she is going to maintain her current operating margins over the long run.

year	1	2	3	4	5	6	7	8	9	10
operating margins	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%

Reinvestment

The historical reinvestment rate of the company is extremely volatile:

Year	cap ex	depreciation	chg in NWC	net cap ex	reinvestment	operating income	tax rate	after tax oi	reinvestment rate
2020	10.767	5.985	-9.691	4.782	-4.909	$ 94.52	3.6%	$ 91.13	-5%
2021	189.889	6.45	30.409	183.439	213.848	$ 92.40	12.9%	$ 80.46	266%
2022	8.694	7.9	84.8	0.794	85.594	$ 187.50	25.9%	$ 138.98	62%
2023	19.9	9.3	-12.7	10.6	-2.1	$ 245.70	25.8%	$ 182.39	-1%
2024 Q1	4.6	2.8	19.6	1.8	21.4	55.4	25.5%	$ 41.28	52%

2021 was a year of acquisitions, so it is understandable why is the reinvestment rate is so high, on the other hand, on the last quarter, the reinvestment rate was about 50%, again I'm going to take the pessimistic route and stick with 40% reinvestment rate, while every 4 years there is a 200% reinvestment rate is JBI acquires other company.

The DCF:

DCF	fiscal 2024	1	2	3	4	5	6	7	8	9	terminal
Growth rate		*3.70%*	*4.30%*	*30.00%*	*30.00%*	*30.00%*	*10.00%*	*10.00%*	*10.00%*	*10.00%*	*10.00%*
Revenues	$ 1,066.40	$ 1,105.9	$ 1,153.4	$ 1,499.4	$ 1,949.3	$ 2,534.0	$ 2,787.4	$ 3,066.2	$ 3,372.8	$ 3,710.1	$ 4,081.1
Operating margins		23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
EBIT		$ 254.35	$ 265.28	$ 344.87	$ 448.33	$ 582.83	$ 641.11	$ 705.22	$ 775.75	$ 853.32	$ 938.65
Tax rate		25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT after tax		$ 190.76	$ 198.96	$ 258.65	$ 336.25	$ 437.12	$ 480.83	$ 528.92	$ 581.81	$ 639.99	$ 703.99
net cap ex											
chg in non cash wc as % of revenue											
reinvestment rate		40%	200%	40%	40%	40%	40%	200%	40%	40%	40%
chg in non cash wc (use of cash)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -

FCFF

	1	2	3	4	5	6	7	8	9	10
Unlevered FCFF	$ 114.46	$ -198.96	$ 155.19	$ 201.75	$ 262.27	$ 288.50	$ -528.92	$ 349.09	$ 383.99	$ 422.39
WACC	**8.218%**	**8.134%**	**8.051%**	**7.967%**	**7.884%**	**7.800%**	**7.716%**	**7.633%**	**7.549%**	**7.466%**
Present Value of FCFF	$ 105.76	$ -170.16	$ 123.02	$ 148.47	$ 179.46	$ 183.84	$ -314.35	$ 193.81	$ 199.46	$ 205.60
TOTAL =	$ 570.41									

stable growth rate =	3.00%
Terminal Value	$ 4,603.89
Present Value of Terminal Value	$ 2,240.91
Enterprise Value	**$ 2,811.32**
+ Cash	$ 178.400
- Debt	$ 606.400
Equity Value	**2,383**
Shares	145.98
Fair Share Price	**$ 16.33**
current price	**$ 13.00**
% gain (loss)	**25.59%**

BUY