John Bean Technologies (JBT)

$77.16 (As of 04/27/20)

Price Target (6-12 Months): **$82.00**

Long Term: 6-12 Months	**Zacks Recommendation:**	**Neutral**
	(Since: 10/10/19)	
	Prior Recommendation: Outperform	
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:C
	Value: C Growth: C Momentum: C	

Summary

John Bean Technologies expects earnings per share for 2020 at $5.15-$5.35. The mid-point of the guidance reflects year-over-year growth of 6%. Lower order rates in the FoodTech segment, thanks to the current general economic and trade uncertainties on customers, is a headwind. Further, the impact of coronavirus outbreak on supply chain and customer demand, will affect results.With the airlines industry hit hard by the coronavirus crisis, AeroTech segment's results will be down this year. Input cost inflation and higher interest expenses are anticipated to limit near-term margins. Estimates for the current quarter and year have gone down recently. Going forward, the company will gain on strategic acquisitions, investing in innovative products and restructuring plan that will help improve effectiveness and productivity across the business.
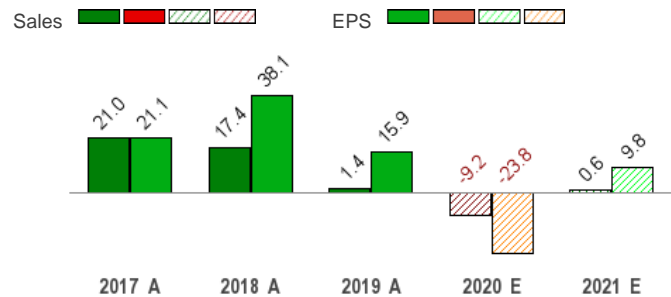
Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$127.97 - $56.54**
20 Day Average Volume (sh)	**241,398**
Market Cap	**$2.4 B**
YTD Price Change	**-31.5%**
Beta	**1.56**
Dividend / Div Yld	**$0.40 / 0.5%**
Industry	**Manufacturing - Thermal Products**
Zacks Industry Rank	**Bottom 7% (236 out of 253)**
Last EPS Surprise	**7.9%**
Last Sales Surprise	**2.9%**
EPS F1 Est- 4 week change	**-22.8%**
Expected Report Date	**04/29/2020**
Earnings ESP	**-1.8%**
P/E TTM	**15.5**
P/E F1	**20.4**
PEG F1	**2.8**
P/S TTM	**1.3**

Sales and EPS Growth Rates (Y/Y %)

Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	416 E	459 E	415 E	433 E	1,777 E
2020	424 E	434 E	420 E	488 E	1,767 E
2019	418 A	493 A	489 A	546 A	1,946 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.84 E	$1.26 E	$0.98 E	$1.07 E	$4.15 E
2020	$0.73 E	$0.92 E	$0.84 E	$1.38 E	$3.78 E
2019	$0.77 A	$1.42 A	$1.28 A	$1.50 A	$4.96 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/27/2020. The reports text is as of 04/28/2020.

Overview

John Bean Technologies Corporation is a technology solutions provider to high-value segments of the food and beverage industry globally with a focus on proteins, liquid foods and automated system solutions. The company also supplies customized solutions and services in the air transportation industry.

Its reportable segments are:

JBT FoodTech (68% of revenues in 2019) —The segment designs, manufactures and services technologically sophisticated food processing systems for the preparation of meat, seafood and poultry products, ready-to-eat meals, shelf stable packaged foods, bakery products, juice and dairy products, and fruit and vegetable products.

The segment's protein technology offerings include chilling, mixing/grinding, injecting, marinating, tumbling, portioning, packaging, coating, frying, freezing, weighing, X-ray food inspection, and packaging systems for poultry, beef, pork and seafood, ready-to-eat meals, fruits, vegetables, dairy, and bakery products.

The liquid foods portfolio comprises fruit and juice solutions that extract, concentrate and aseptically process citrus, tomato and other fruits, vegetables, and juices. It also includes in-container solutions for the filling, closing and preservation of fruits, vegetables, soups, sauces, dairy, pet food products and ready-to-eat meals.

EPS Hist. and Est.

Sales Hist. and Est.

The segment also provides robotic automated guided vehicle systems for material movement in manufacturing and warehouse facilities.

The company also provides aftermarket products, parts, and services for all of its integrated food processing systems and equipment.

JBT AeroTech (32% of revenues in 2018) designs, manufactures and services technologically sophisticated airport ground support and gate equipment. It also provides services for airport authorities; airlines, airfreight, and ground handling companies and defense contractors.

From 2018 to date, the company acquired five businesses — Proseal UK Limited, Columbus, OH-based Prime Equipment Group, Netherlands-based FTNON, Germany-based Schröder, and Oregon-based LEKTRO, Inc.
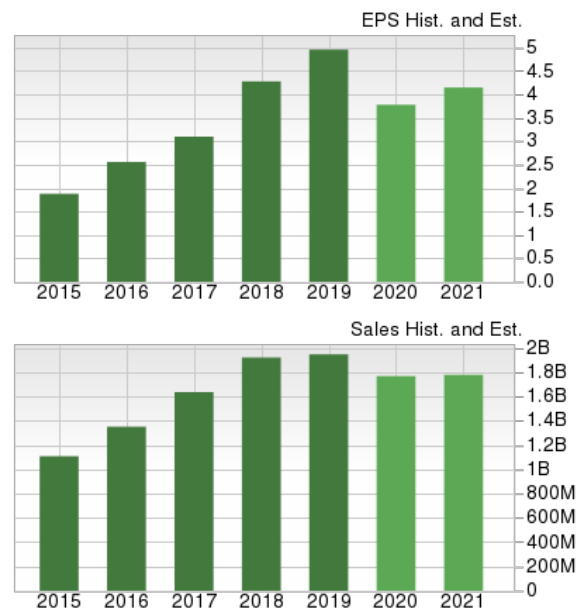
Reasons To Buy:

▲ John Bean Technologies anticipates revenue growth of 3-4% for the current year. It includes organic growth of 1% and acquisitions growth of 3%, with a foreign currency headwind of 0-1%. For the ongoing year, net income is projected at $159-$166 million. Adjusted EBITDA is expected between $315 million and $325 million. Adjusted EPS is anticipated between $5.15 and $5.35. The mid-point of the guided range indicates growth of 6% from the earnings per share of $4.96 in 2019.

▲ John Bean Technologies' Elevate plan is likely to drive persistent growth and margin expansion. Per the plan, the company is focusing on accelerating development of innovative products and services to provide customers with solutions, which will enhance their yield and productivity. The company is capitalizing on its extensive installed base to expand recurring revenue (which accounts for around 40% of its revenues) from aftermarket parts and services, equipment leases, consumables and airport services. This portion of the business has been seeing a CAGR of 9% over the past three years. In fact, it has further room for growth and will contribute to margins. John Bean Technologies is enhancing organic growth through initiatives that enable it to sell the entire FoodTech portfolio globally, including improving international sales and support infrastructure, localizing targeted products for emerging markets, and strategic cross selling of products. In AeroTech, John Bean Technologies plans to continue developing advanced military product offerings and customer support capabilities to service global military customers.

▲ John Bean Technologies has a strategic acquisition program focused on companies that add complementary products, which enable it to offer more comprehensive solutions to customers, and meet strict economic criteria for returns and synergies. In sync with this, it completed the acquisitions of Proseal UK Limited, a leading provider of tray sealing technology, and Prime Equipment Group, Inc., a manufacturer of turnkey primary and water re-use solutions to the poultry industry. In fact, tray sealing is in sync with the needs of several John Bean Technologies' FoodTech customers, particularly in the rapidly expanding market for convenience foods. The acquisition of Prime advances the company's goal of becoming the preferred provider of full-line solutions for poultry customers. The acquisitions together are expected to add revenues $140-150 million in 2020.

▲ The company's ongoing restructuring plan will help improve effectiveness and productivity in all business units. The restructuring plan has helped lift the company's adjusted EBITDA margins from 12% to 15%. In 2019, the company generated incremental savings of $28 million. The company anticipates generating savings worth $20 million in 2020 and is on track to achieve its total program savings target of $55 million.

▲ John Bean Technologies is poised to perform well in the long run courtesy of growing middle class, increasing protein and value-added food and beverage consumption globally. Rising global population and disposable incomes has led to a shift in dietary habits, primarily increased protein consumption. This is pronounced in emerging markets - Asia, the Middle East, Latin America, and Eastern Europe. This trend is likely to favor the company. Food consumption in Asia is expected to be the biggest contributor to growth. In developed markets, ready-to-eat and convenient food consumption will be a key catalyst. Additionally, consumers are moving away from traditional sodas and other beverages to fresh juice. AeroTech will continue to perform well due to heavy airport infrastructure spending. With air travel projected to double over the next 20 years, the company can capitalize on this demand. Also, labor constraints are leading to increased automation adoption among its customers. Food manufacturing, particularly, has 30% lower compensation rates and harsher work environment compared to traditional manufacturing. This in turn will boost the company's revenues.

John Bean Technologies is likely to benefit from strategic acquisition program as wel as its focus on developing innovative products and services. Growing the aftermarket business also bodes well.

Reasons To Sell:

▼ Over the 2016-2019 timeframe, John Bean's total debt has witnessed a CAGR of 12%. Its total debt has gone up to $699 million as of 2019 end compared with $388 million as of fiscal 2018 and $499 million at the end of 2016. The company's debt-to-capital was at 55.1% as of fiscal 2019 end, much higher than the industry's 37.6%. Moreover, the company has cash of $39.5 million and receivables of $363.3 million as of the end of fiscal 2019, which is much lower than its debt obligations. Further, the company's times interest earned ratio has been declining over the past four quarters and came in at 9.9 at end of 2019, lower than the industry's 11.2. These figures are a cause of concern as the company may not be able to generate enough cash to satisfy its debt obligations, if the situation worsens.

Input cost inflation and lower order rates thanks to current general economic and trade uncertainties remain primary concerns. Impact of the coronavirus outbreak will also weigh on near-term results.

▼ In 2019, order rates declined 2% from the prior-year in the FoodTech segment. Backlog at the end of the year was $401 million, down 1% year over year. At FoodTech segment, the general economic and trade uncertainties have impacted the decision-making process among customers. The potential impact of coronavirus outbreak on supply chain and general business disruptions could act as a headwind. With the airlines industry taking a hit from the coronavirus outbreak, it will impact AeroTech segment's results in the near term. Further, the company's results will be affected by the lockdown in Italy. Notably, Europe accounts for about 20% of John Bean Technologies' sales.

▼ The imposition of tariffs on imports from China has led to input cost inflation, which will continue to put pressure on the company's margins. Further, John Bean Technologies projects interest expense for 2020 in the range of $22-$23 million, up from $18.8 million in 2019. This reflects the impact of incremental acquisition related debt and will impact earnings.

▼ The citrus industries in Florida, Brazil, and other countries have been facing increased pressure on their harvest productivity and citrus bearing acreage owing to citrus canker and greening diseases. Reduced amounts of available fruit for the processed or fresh food markets could adversely affect the FoodTech segment's results.

Last Earnings Report

John Bean Technologies Q4 Earnings & Sales Top Estimates

John Bean Technologies reported adjusted earnings of $1.50 per share in fourth-quarter 2019, surpassing the Zacks Consensus Estimate of $1.39. The bottom-line figure, however, declined 10.2% from prior-year quarter figure of $1.67.

On a reported basis, the company's earnings per share came in at $1.31 compared with the prior-year quarter's $1.34.

Quarter Ending	12/2019
Report Date	**Feb 19, 2020**
Sales Surprise	**2.85%**
EPS Surprise	**7.91%**
Quarterly EPS	**1.50**
Annual EPS (TTM)	**4.97**

The company's revenues of $545.5 million in the reported quarter outpaced the Zacks Consensus Estimate of $530 million. Also, the top line improved 1% year over year. Acquisition growth of 9% helped offset a drop of 2% in organic sales, an unfavorable impact of foreign exchange of 1% and a 5% decline thanks to the absence of the ASC 606 transition benefit recorded in fourth-quarter 2018.

Orders in the JBT FoodTech segment increased 7.6%, year on year, to $372.1 million in the reported quarter. Orders in the JBT AeroTech segment summed $112.2 million, reflecting a year-over-year drop of 13.8%.

Backlog in the FoodTech segment edged down 1% year over year to $401.3 million. The AeroTech segment's backlog came in at $304.6 million in the reported quarter, flat compared with the prior year quarter.

Cost and Margins

Cost of sales slid 0.3% year over year to $377.6 million in the fourth quarter. Gross profit improved 5.9% year over year to $167.9 million. Gross margin came in at 30.8% compared with the year-earlier quarter's 29.5%.

Selling, general and administrative expenses flared up 21% year over year to $103.3 million. Adjusted operating profit fell 6.7% year over year to $69 million. Adjusted operating margin was 12.6% compared with prior-year quarter's 13.7%.

In the reported quarter, adjusted EBITDA came in at $87.2 million, down 1.7% year over year. In the December-end quarter, AeroTech's margins expanded year over year, while margins at FoodTech declined primarily due to higher incentive compensation expense.

Segment Performance

JBT FoodTech: Net sales were down 1.8% year over year to $357.2 million. Adjusted operating profit declined 10.2% from the prior-year quarter to $53 million.

JBT AeroTech: Net sales improved 8.4% year over year to $188 million. The segment reported adjusted operating profit of $28.7 million, up 18% year over year.

Financial Performance

John Bean Technologies reported cash and cash equivalents of $39.5 million in 2019, down from the year-earlier figure of $43 million. The company generated $110.6 million of cash from operating activities during the 12-month period ended Dec 31, 2019 compared with the $154.6 million reported in the prior-year period. At the end of 2019, long-term debt was $698 million, up from $387 million as of Dec 31, 2018.

2019 Results

John Bean Technologies reported adjusted earnings per share of $4.96 in 2019, up 13% from the prior year's $4.39. Earnings beat the Zacks Consensus Estimate of $4.86. On a reported basis, earnings per share came in at $4.03 compared with the $3.24 recorded in 2018.

Sales came in at $1.95 billion in 2019 compared with the previous year's $1.92 billion. The top-line figure also beat the Zacks Consensus Estimate of $1.93 billion.

Guidance

John Bean Technologies anticipates revenue growth of 3-4% for the current year. It includes organic growth of 1% and acquisitions growth of 3%, with a foreign currency headwind of 0-1%. For the ongoing year, net income is projected at $159-$166 million. Adjusted EBITDA is expected between $315 million and $325 million. Adjusted EPS is expected between $5.15 and $5.35.

For the ongoing quarter, the company anticipates revenues between $440 million and $445 million and adjusted EPS is expected in the range of 75 cents to 80 cents.

Valuation

John Bean Technologies' shares are down 24.2% in the trailing 12-month period. Stocks in the Zacks Manufacturing – Thermal Products industry and the Zacks Industrial Products sector are down 8.5% and 20.2% over the past year, respectively.

The S&P 500 index has declined 2.9% in the past year.

The stock is currently trading at 19.78X forward 12-month earnings, which compares with 18.06X for the Zacks sub-industry, 17.78X for the Zacks sector and 20.21X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.18X and as low as 11.56X, with a 5-year median of 23.64X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our $82 price target reflects 21.02X Forward 12-month earnings.

The table below shows summary valuation data for JBT:

Valuation Multiples - JBT		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.78	18.06	17.78	20.21
	5-Year High	36.18	18.17	19.93	20.21
	5-Year Low	11.56	11.11	12.55	15.19
	5-Year Median	23.64	16.31	16.65	17.45
P/S F12M	Current	1.38	3.03	2.38	3.23
	5-Year High	2.19	3.45	2.72	3.44
	5-Year Low	0.85	1.13	1.52	2.54
	5-Year Median	1.59	2.33	1.99	3.01
EV/EBITDA TTM	Current	10.94	17.15	13.79	10.52
	5-Year High	23.62	21.5	17.37	12.87
	5-Year Low	9.17	10.03	10.71	8.27
	5-Year Median	15.66	13.52	14.67	10.78

As of 04/27/2020

Industry Analysis Zacks Industry Rank: Bottom 7% (236 out of 253)
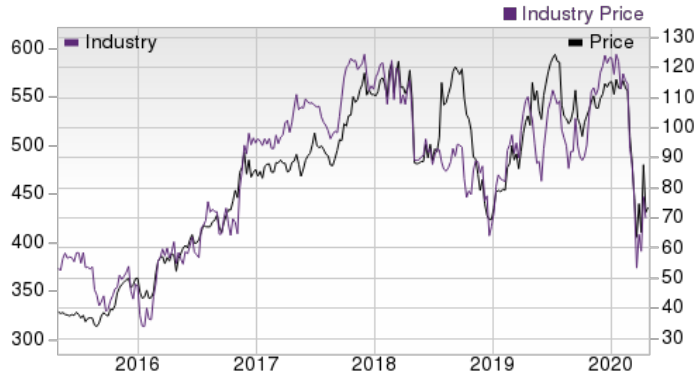
Top Peers

Company (Ticker)	Rec	Rank
Bunge Limited (BG)	Outperform	2
Dover Corporation (DOV)	Neutral	4
Honeywell International Inc. (HON)	Neutral	4
Illinois Tool Works Inc. (ITW)	Neutral	3
The Middleby Corporation (MIDD)	Neutral	3
Pentair plc (PNR)	Neutral	4
ThyssenKrupp AG Sponsored ADR (TKAMY)	Neutral	3
Textron Inc. (TXT)	Underperform	5

Industry Comparison Industry: Manufacturing - Thermal Products — Industry Peers

	JBT	X Industry	S&P 500	DOV	HON	MIDD
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	4	3
VGM Score	C	-	-	F	C	B
Market Cap	2.44 B	2.44 B	19.77 B	13.41 B	99.68 B	3.07 B
# of Analysts	5	6	14	7	10	5
Dividend Yield	0.52%	0.00%	2.13%	2.10%	2.57%	0.00%
Value Score	C	-	-	D	C	A
Cash/Price	0.02	0.02	0.06	0.04	0.11	0.03
EV/EBITDA	12.34	12.46	12.09	12.79	11.15	7.47
PEG Ratio	2.89	3.07	2.36	1.73	2.31	NA
Price/Book (P/B)	4.29	2.86	2.70	4.50	5.33	1.58
Price/Cash Flow (P/CF)	10.87	11.51	10.70	11.83	14.14	6.20
P/E (F1)	21.17	18.33	18.72	19.92	17.90	10.36
Price/Sales (P/S)	1.26	2.00	2.12	1.90	2.72	1.04
Earnings Yield	4.90%	5.52%	5.19%	5.02%	5.58%	9.65%
Debt/Equity	1.23	0.58	0.72	0.99	0.59	0.96
Cash Flow ($/share)	7.10	2.88	7.01	7.88	9.89	8.81
Growth Score	C	-	-	D	C	B
Hist. EPS Growth (3-5 yrs)	28.51%	28.31%	10.88%	14.55%	8.56%	14.76%
Proj. EPS Growth (F1/F0)	-23.75%	-18.99%	-5.87%	-21.13%	-4.25%	-24.87%
Curr. Cash Flow Growth	14.88%	4.67%	5.92%	10.20%	-1.43%	13.23%
Hist. Cash Flow Growth (3-5 yrs)	25.60%	23.62%	8.55%	1.28%	5.69%	16.08%
Current Ratio	1.49	1.46	1.23	1.29	1.34	2.04
Debt/Capital	55.08%	36.79%	43.90%	49.85%	37.28%	49.00%
Net Margin	6.63%	12.08%	11.32%	10.59%	16.73%	11.90%
Return on Equity	30.75%	26.18%	16.60%	29.80%	32.21%	20.64%
Sales/Assets	1.07	0.83	0.55	0.81	0.62	0.61
Proj. Sales Growth (F1/F0)	-9.19%	-7.87%	-1.15%	-10.52%	-5.88%	-11.58%
Momentum Score	C	-	-	F	B	F
Daily Price Chg	5.24%	4.77%	2.63%	2.44%	3.22%	6.10%
1 Week Price Chg	2.35%	0.74%	-1.74%	2.80%	-2.02%	-0.37%
4 Week Price Chg	-0.44%	11.63%	8.71%	8.82%	6.17%	-4.16%
12 Week Price Chg	-32.82%	-23.48%	-17.57%	-18.02%	-18.35%	-50.34%
52 Week Price Chg	-24.25%	-14.62%	-11.60%	-4.67%	-18.93%	-59.16%
20 Day Average Volume	241,398	241,398	2,734,148	1,157,646	3,456,174	1,444,889
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-6.15%	0.00%	0.00%
(F1) EPS Est 4 week change	-22.75%	-14.24%	-6.57%	-19.02%	-4.11%	-14.33%
(F1) EPS Est 12 week change	-27.47%	-25.25%	-12.64%	-24.88%	-11.22%	-27.87%
(Q1) EPS Est Mthly Chg	-32.16%	-31.29%	-10.33%	-40.43%	-9.65%	-26.29%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	C
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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