John Bean Technologies (JBT)

$94.44 (As of 07/30/20)

Price Target (6-12 Months): **$100.00**

Long Term: 6-12 Months	**Zacks Recommendation:**	**Neutral**
	(Since: 07/30/20)	
	Prior Recommendation: Outperform	
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: C	Momentum: A

Summary

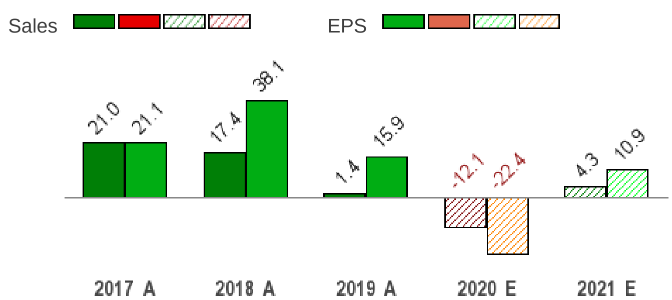
John Bean's second-quarter 2020 adjusted earnings and revenues both declined from the prior-year quarter but beat the respective Zacks Consensus Estimate. The company will benefit from strong demand for packaged food, meat and staples in retail on account of the pandemic. However, demand in few of its end markets have been impacted. The company anticipates a sequential decline in revenue and operating profit in third-quarter 2020. In light of the uncertain market conditions, the company has been focusing on lowering costs. Further, its ongoing restructuring plan will help improve effectiveness and productivity in all business units. Going forward, its Elevate plan per which the company is focusing on accelerating development of innovative products, and strategic acquisition program will drive growth.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$119.78 - $56.17
20 Day Average Volume (sh)	162,871
Market Cap	$3.0 B
YTD Price Change	-16.2%
Beta	1.37
Dividend / Div Yld	$0.40 / 0.4%
Industry	Manufacturing - Thermal Products
Zacks Industry Rank	Top 25% (64 out of 253)
Last EPS Surprise	49.3%
Last Sales Surprise	3.3%
EPS F1 Est- 4 week change	6.5%
Expected Report Date	10/26/2020
Earnings ESP	2.1%
P/E TTM	19.4
P/E F1	24.5
PEG F1	3.4
P/S TTM	1.6

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	448 E	452 E	421 E	481 E	1,785 E
2020	458 A	412 A	392 E	453 E	1,711 E
2019	418 A	493 A	489 A	546 A	1,946 A

EPS Estimates

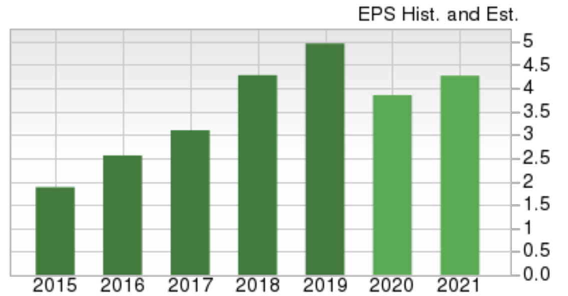
	Q1	Q2	Q3	Q4	Annual*
2021	$0.94 E	$1.25 E	$0.99 E	$1.27 E	$4.27 E
2020	$1.01 A	$1.09 A	$0.73 E	$1.05 E	$3.85 E
2019	$0.77 A	$1.42 A	$1.28 A	$1.50 A	$4.96 A

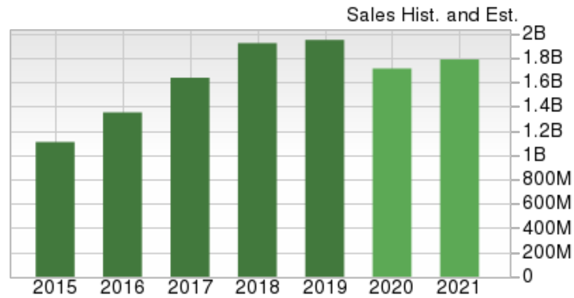
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/30/2020. The reports text is as of 07/31/2020.

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.

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

- ▲ John Bean is focusing on its cost structure in light of the uncertain market conditions amid the coronavirus pandemic. This includes a hiring freeze, halting pay raises, curtailing incentives, temporary leaves and layoffs where necessary. The company is also cutting down discretionary spending. These actions yielded year-over-year savings of $9.9 million in the first half of 2020. Strong demand for packaged food, meat and staples in retail on account of the pandemic bodes well for the company. Further, the company's ongoing restructuring plan will help improve effectiveness and productivity in all business units. The company is on track to achieve its total program savings target of $55 million.

- ▲ John Bean's 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 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 plans to continue developing advanced military product offerings and customer support capabilities to service global military customers.

- ▲ John Bean 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's 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. During second-quarter 2020, the company acquired certain assets and liabilities of MARS Food Processing Solutions, LLC. Mars' proprietary solutions for monitoring and managing the efficiency of poultry processing plants complements John Bean's existing equipment and solutions and advances its participation in primary poultry processing.

- ▲ The company had total debt of $648 million as of Jun 30, 2020, down from $699 million as of Dec 31, 2019. Available liquidity as of Jun 30, 2020 stood at $414 million consisting of cash and borrowing under its revolving credit facility. The company's total debt to total capital ratio stood at 0.52 as of the second quarter end, down from 0.55 as of Dec 31, 2019. The company is taking actions to maintain liquidity and reduce debt by reducing pension contributions, capital expenditures and operating expenses, and foregoing share repurchases. Additionally, it is pursuing opportunities to increase liquidity by availing benefits under the CARES Act including both deferred tax payments and tax credits related to COVID-19. Further, the company's times interest earned ratio came in at 10.2 at end of the second quarte, The cash flows generated by its operations through the year and the revolving credit facility are likely to suffice for working capital needs, new product development, restructuring expense, capital expenditures, dividend payments and other financing requirements.

- ▲ Going forward, John Bean is poised to perform well, 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.

Reasons To Sell:

- The company has witnessed steep declines in demand from restaurants in the FoodTech end segment due to the coronavirus pandemic. Orders in the second quarter 2020 orders slumped 26% year over year with declines of 15% and 49% at FoodTech and AeroTech segments, respectively. 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 is likely to act as a headwind.

Impact of the coronavirus pandemic on demand for both the FoodTech and AeroTech segments is likely to continue weighing on John Bean's results until the situation stabilizes.

- Some AeroTech end markets have been severely impacted by a decline in global passenger air travel. Backlog in the FoodTech segment declined 14% year over year to $360 million. The AeroTech segment's backlog came in at $283 million in the reported quarter, down 19% from the prior-year quarter.

- The company anticipates a sequential decline in revenue and operating profit in third-quarter 2020. While the company expects orders to improve on a sequential basis in both the FoodTech and AeroTech segments in third-quarter 2020, this increase in levels of customer engagement is expected to result in higher costs in the quarter. For third-quarter 2020, John Bean projects a sequential decline of 10-12% in FoodTech segment's revenues. The AeroTech segment's revenue is expected to improve 6-8% in the third quarter owing to typical seasonality. FoodTech operating margins might remain flat sequentially while margins of the AeroTech segment is anticipated to improve 75-100 basis points sequentially. Further, in third-quarter 2020, John Bean expects to incur restructuring and other charges of $8-$9 million related to manufacturing capacity rationalizations at both of the segments. It expects to incur a $1.5 million discrete tax charge in connection with new U.K. tax laws. The company has withdrawn full-year 2020 guidance on account of the COVID-19 uncertainties.

- 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 Q2 Earnings and Revenues Beat Estimates

Quarter Ending	06/2020
Report Date	**Jul 27, 2020**
Sales Surprise	**3.25%**
EPS Surprise	**49.32%**
Quarterly EPS	**1.09**
Annual EPS (TTM)	**4.88**

John Bean Technologies Corporation (JBT) reported adjusted earnings of $1.09 per share in second-quarter 2020, surpassing the Zacks Consensus Estimate of 73 cents by a margin of 49%. However, the bottom line declined 23% from the prior-year quarter.

On a reported basis, the company's earnings per share was $1.01 compared with the prior-year quarter's $1.06.

Revenues of $412 million in the reported quarter beat the Zacks Consensus Estimate of $399 million. Further, the top line declined 17% from the prior-year quarter figure of $493 million. A 5% contribution from acquisitions was offset by a decline of 20% in organic sales and an unfavorable impact of foreign exchange of 2%.

In the reported quarter, the company's total orders went down 26% to $344.6 million from the prior-year quarter. Orders in the JBT FoodTech segment totaled $262.7 million, reflecting a year-over-year decline of 15%. In the JBT AeroTech segment, orders declined to $81.9 million from $159.3 million reported in the prior-year quarter.

Backlog in the FoodTech segment declined 14% year over year to $360 million. The AeroTech segment's backlog came in at $283 million in the reported quarter, down 19% from the prior-year quarter. Total backlog of $643.1 million as of the second quarter end was down 16% year over year.

Cost and Margins

Cost of sales decreased 17% year over year to $281 million in the second quarter. Gross profit declined 16% year over year to $130 million. Gross margin came in at 31.6% compared with the year-earlier quarter's 31.4%.

Selling, general and administrative expenses were down 22% year over year to $81 million. Adjusted operating profit declined 18% year over year to $50.7 million. Adjusted operating margin was 12.3% compared with prior-year quarter's 12.6%. In the reported quarter, adjusted EBITDA came in at $68.4 million, down 12% year over year.

Segment Performance

JBT FoodTech: Net sales fell 12% year over year to $303 million. Adjusted operating profit amounted to $49 million, down 12% from the prior-year quarter.

JBT AeroTech: Net sales were $109, reflecting a decline of 28% from the prior-year quarter. The segment's adjusted operating profit slumped 44% year over year to $10.3 million.

Financial Performance

John Bean reported cash and cash equivalents of $58 million at the end of second-quarter 2020, up from $39.5 million at the end of fiscal 2019. The company generated around $101 million of cash from operating activities during the first half of 2020 compared with the $13 million reported in the prior-year comparable period. At the end of second-quarter 2020, long-term debt was $648 million, down from $698 million as of Dec 31, 2019.

Guidance

Despite the ongoing uncertainty related to the coronavirus pandemic, the company expects orders to improve on a sequential basis in both the FoodTech and AeroTech segments in third-quarter 2020. However, this increase in levels of customer engagement is expected to result in higher costs in the quarter. John Bean anticipates a sequential decline in revenues and operating profit in third-quarter 2020.

For third-quarter 2020, John Bean anticipates a sequential decline of 10-12% in revenues for the FoodTech segment. Margins are expected to be flat compared with first-quarter 2020.

The AeroTech segment's revenue is expected to increase 6-8% in the third quarter owing to typical seasonality. Margins are expected to improve 75-100 basis points sequentially.

Further, in third-quarter 2020, John Bean expects to incur restructuring and other charges of $8-$9 million related to manufacturing capacity rationalizations at both of the segments. This action is expected to generate permanent run rate benefits of $6-$7 million by the end of 2021. It expects to incur a $1.5 million discrete tax charge in connection with new U.K. tax laws.

Valuation

John Bean's shares are down 16.2% in the year-to-date period and 15.5% over the trailing 12-month period. Stocks in the Zacks Manufacturing – Thermal Products industry are down 0.4% and 6.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 18.2% and 4.2%, respectively.

The S&P 500 index is up 1% in the year-to-date period and up 10.4% in the past year.

The stock is currently trading at 23.83X forward 12-month earnings, which compares with 21.17X for the Zacks sub-industry, 22.02X for the Zacks sector and 22.69X 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 23.70X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $100 price target reflects 25.23X Forward 12-month earnings.

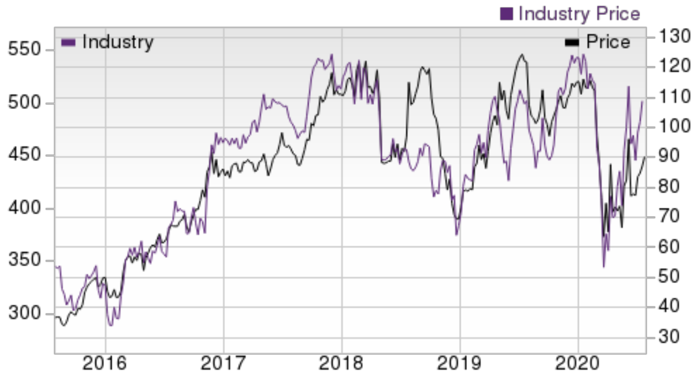
The table below shows summary valuation data for JBT:

Valuation Multiples - JBT

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.83	21.17	22.02	22.69
	5-Year High	36.18	21.17	22.02	22.69
	5-Year Low	11.56	11.11	12.55	15.25
	5-Year Median	23.7	16.33	16.82	17.52
P/S F12M	Current	1.69	3.61	2.81	3.54
	5-Year High	2.19	3.61	2.81	3.54
	5-Year Low	0.85	1.13	1.52	2.53
	5-Year Median	1.6	2.41	2.01	3.02
EV/EBITDA TTM	Current	11.93	20.62	16.86	11.95
	5-Year High	23.62	21.5	17.46	12.85
	5-Year Low	8.66	10.04	10.77	8.25
	5-Year Median	15.66	13.71	14.92	10.88

As of 07/30/2020

Industry Analysis **Zacks Industry Rank:** Top 25% (64 out of 253)



Top Peers

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

Industry Comparison Industry: Manufacturing - Thermal Products

	JBT	X Industry	S&P 500	DOV	HON	MIDD
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	C	-	-	A	B	C
Market Cap	3.00 B	3.00 B	22.57 B	15.05 B	104.69 B	4.74 B
# of Analysts	5	6	14	8	10	3
Dividend Yield	0.42%	0.00%	1.83%	1.87%	2.41%	0.00%
Value Score	C	-	-	B	B	C
Cash/Price	0.03	0.02	0.07	0.04	0.14	0.08
EV/EBITDA	14.20	14.84	12.96	14.02	11.90	10.08
PEG Ratio	3.21	4.20	3.04	1.75	2.80	NA
Price/Book (P/B)	5.02	3.64	3.13	4.87	5.70	2.49
Price/Cash Flow (P/CF)	13.31	14.83	12.61	13.27	15.08	9.69
P/E (F1)	23.47	23.18	22.06	20.13	21.54	21.25
Price/Sales (P/S)	1.57	2.43	2.42	2.23	3.03	1.61
Earnings Yield	4.08%	4.30%	4.31%	4.96%	4.64%	4.71%
Debt/Equity	1.09	0.56	0.75	0.97	0.96	1.15
Cash Flow ($/share)	7.10	2.88	6.94	7.88	9.89	8.81
Growth Score	C	-	-	B	C	B
Hist. EPS Growth (3-5 yrs)	28.53%	28.39%	10.85%	16.20%	7.45%	14.24%
Proj. EPS Growth (F1/F0)	-22.34%	-20.93%	-7.75%	-12.44%	-15.15%	-42.78%
Curr. Cash Flow Growth	14.88%	4.67%	5.39%	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	1.55	1.44	1.31	1.32	1.63	2.48
Debt/Capital	52.05%	35.95%	44.32%	49.27%	48.93%	53.47%
Net Margin	7.20%	9.31%	10.44%	9.99%	16.94%	12.10%
Return on Equity	27.66%	23.96%	14.73%	27.33%	29.93%	20.40%
Sales/Assets	1.01	0.81	0.52	0.76	0.58	0.59
Proj. Sales Growth (F1/F0)	-11.31%	-6.79%	-1.95%	-9.13%	-12.89%	-22.47%
Momentum Score	A	-	-	A	D	F
Daily Price Chg	-1.57%	-1.31%	-0.92%	-2.19%	-3.51%	-2.37%
1 Week Price Chg	3.49%	-1.14%	0.37%	1.86%	-3.59%	2.33%
4 Week Price Chg	13.35%	7.81%	4.14%	7.31%	2.85%	13.84%
12 Week Price Chg	34.40%	20.00%	12.21%	14.79%	12.33%	44.12%
52 Week Price Chg	-15.46%	-7.09%	-1.73%	10.75%	-12.03%	-35.17%
20 Day Average Volume	162,871	162,871	1,887,986	737,250	3,012,675	660,805
(F1) EPS Est 1 week change	6.35%	0.77%	0.00%	0.44%	0.03%	0.00%
(F1) EPS Est 4 week change	6.47%	3.23%	0.38%	9.78%	-0.04%	0.42%
(F1) EPS Est 12 week change	7.18%	-4.81%	-0.07%	9.78%	-8.68%	-15.75%
(Q1) EPS Est Mthly Chg	0.34%	4.02%	0.16%	2.79%	-7.15%	3.97%

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	A
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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