

April 21<sup>st</sup>, 2017

## John Bean Technologies: JBT

Edward Stumm

Sector: Industrial Goods

Industry: Diversified Machinery

Current Price: \$88.25

Target Price: \$105.24

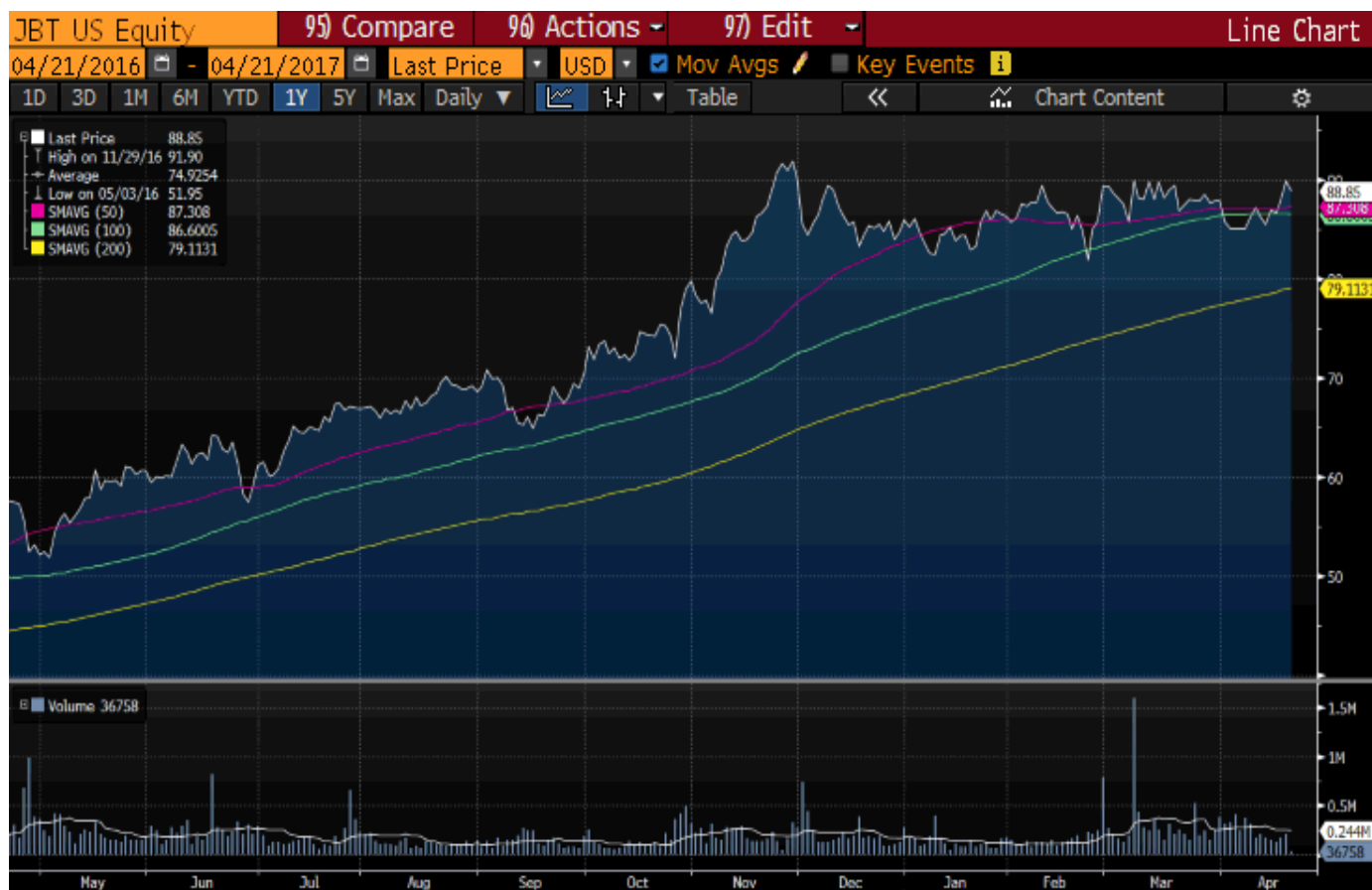
**Company Description:** John Bean Technologies Corporation was founded in 2008 and operates on the New York Stock Exchange as JBT. Their business is to design, manufacture, test, install, and service products and systems for the food and beverage, and air transportation industries. John Bean Technologies is headquartered in Chicago, Illinois.

### BUY

Current Price:	\$88.25
Target Price:	\$105.24
Market Cap:	2.79B
Beta:	1.38
Total Debt/Equity:	277.4%
ROE:	49.35%
52 week range:	51.20-93.55
Average volume:	236,112
Dividend Yield:	0.46%

**Catalysts:** Forward looking projections that call for positive/negative outlook that will strengthen your thesis. Example:

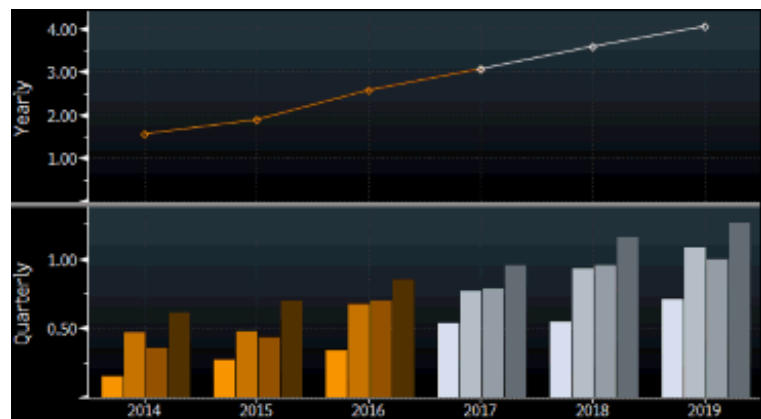
- Q1 Earnings:
- Development of the Elevate Plan:
- Product Development Acquisitions:



**Thesis:** John Bean Technologies established a global presence through rapid expansion. New market development will help John Bean Technologies grow and succeed, as seen with the 13% revenue growth in Asia alone, they plan to prepare for the future. A strong middle class will create market opportunities by increasing demand for value added food. John Bean Technologies is prepared to release their Q1 Earnings which can drive the stock up and prepare investors for the future guidance of the company. After repeatedly beating earnings, we can be optimistic with the future of this company. The Elevate Plan is projected to drive John Bean Technologies to a \$1.7 to \$1.8 billion company by 2019 with EBIT margins north of 10%. With a forward P/E ratio of 24.72, John Bean Technologies is fairly priced among the industry. Driven by the catalysts and global growth, John Bean Technologies is a buy.

## Earnings Performance:

John Bean Technologies finished 2016 with a strong performance outperforming their estimated earnings per share of \$0.67 with an actual report of \$0.85. Revenues increased 22% due to organic growth in the acquisition program. Earnings per share for the year outperformed 2015 by \$0.40. The FoodTech revenue grew by 28% in the year 2016, and the Aerotech segment grew 10% in 2016. The SG&A expenses were leveraged over a higher revenue base, which resulted in higher margins in both the Aerotech and FoodTech segment. For 2016, John Bean Technologies was able to debt leverage ratio under three times with the help of acquisitions outperforming their expectations.



## Industry Outlook:

The Diversified Machinery industry focuses on companies that produce and sell completed machinery to other companies, with major players including General Electric, 3M, Honeywell International Inc. and Schlumberger. The Diversified Machinery industry has mixed results since January 1<sup>st</sup>. Honeywell International has seen their stock rise 9.5% since the New Year, with adjusted earnings per share of \$1.66 on revenue of \$9.49 billion. General Electric has not done as well, only posting earnings per share of 21 cents on revenue of \$27.66 billion, with their stock falling 6% since January. Schlumberger, the largest oilfield services provider, also fared similarly to General Electric, as they have faced challenges with ideal equipment, causing revenue to fall to \$6.89 billion, almost one hundred million short of projections. Overall, the diversified machinery is a mature industry which won't experience any new entrants, but at this point there is room to expand before the market is completely saturated.

## Business Model:

John Bean Technologies operates in two different business segments through the world. There is the FoodTech Segment, which accounts for 69% of the revenue, and there is the Aerotech Segment, which accounts for 31% of the revenue. Without even realizing it we probably are tied in to John Bean Technologies one way or another in our everyday life. Their business is to provide solutions for food processing through the creation of machinery. With the current growth through acquisition strategy, John Bean Technologies has the opportunity to explore new market segments, for example, the new protein and liquid foods area. The Aerotech segment operates a similar business where they create and provide solutions like baggage handling systems, ground support equipment, and boarding bridges to help airports become more efficient. Primarily, John Bean Technology does business



in the United States, Europe, Latin America, and Africa. John Bean Technologies has expanded their operations to new countries, including their most recent expansion into Asia, which provided positive results with the new developing market. The rise in demand for products as the middle class continues to grow will help drive sales for John Bean Technologies.

## Competitors:

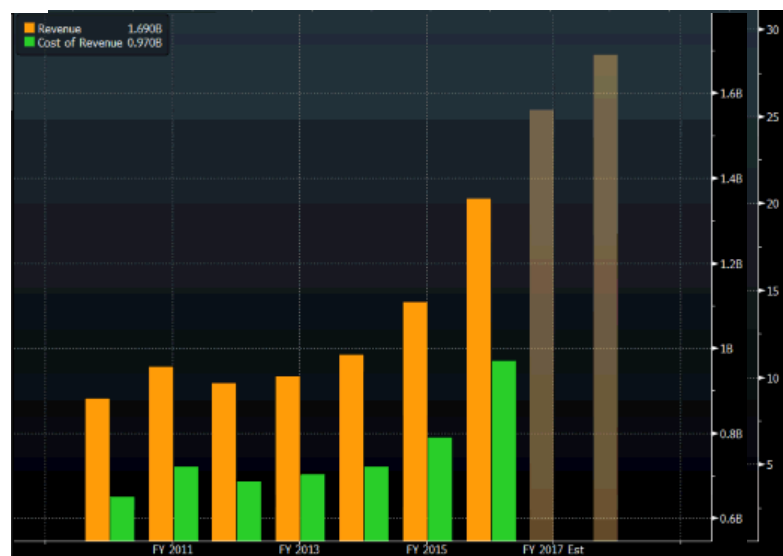
In the diversified industry there are many competitors, big and small. The main competitors who operate in the

Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth	Net Profit Margin	Capex/Sales (%)	Return on Invested	Return on Assets	Return on Equity
Median	-0.74%	-0.79%	14.57%	10.71%	-7.97%	6.00%	2.38%	11.82%	6.41%	15.61%
100) JOHN BEAN TECHNOLOG	21.96%	30.02%	11.42%	8.57%	36.43%	5.66%	2.75%	15.65%	7.40%	49.35%
101) WELBILT INC	--	--	17.88%	14.55%	--	6.00%	1.10%	11.82%	4.96%	--
102) MIDDLEBY CORP	24.16%	30.12%	22.71%	20.14%	34.11%	12.83%	1.09%	15.61%	10.25%	23.93%
103) STANDEX INTERNATIONAL	-4.79%	-6.39%	13.22%	10.71%	-7.97%	7.82%	2.38%	12.01%	8.26%	15.21%
104) HILLENBRAND INC	-0.27%	-0.66%	17.56%	13.71%	4.19%	8.39%	1.38%	12.37%	6.96%	21.20%
105) REGAL BELOIT CORP	-8.13%	-13.25%	14.57%	9.75%	-16.67%	6.20%	2.02%	6.78%	4.47%	10.06%
106) REXNORD CORP	-2.18%	-1.50%	16.53%	10.85%	-13.10%	4.98%	2.71%	6.98%	2.80%	11.84%
107) MTS SYSTEMS CORP	26.18%	-0.92%	11.52%	7.64%	-29.73%	4.45%	3.20%	6.64%	3.81%	9.68%
108) FEDERAL SIGNAL CORP	-10.86%	-27.63%	11.84%	9.14%	-36.17%	5.93%	0.86%	10.06%	6.41%	10.49%

industry as previously mentioned are 3M, General Electric, Honeywell International, and Schlumberger. The competitors I will focus on are Welbilt Inc., and Middleby Group. John Bean Technologies has an EBITDA Margin of 11.42% which is below the industry average of 14.57%, but if we focus on the EBITDA growth we can see that John Bean Technologies is moving in the right direction to becoming one of the leaders in the industry. They experienced sales growth of 21.96% in an industry that witnessed negative sales growth over the past year. They reported a return on invested capital of 15.65% while having a WACC of 9.8%. This means that John Bean Technologies has been able to generate value over the past year, which is a step in the right direction to become a leader. Finally, John Bean Technologies reported a return on equity of 49.35% which indicates that they are leveraged, and currently have a substantial amount of debt. Welbilt Inc. reported an EBITDA margin of 17.88% but haven't been open to how sales grew over the previous year. Welbilt also reported a lower return on invested capital. Middleby Corp has reported sales growth of 24.16% which is well above the average, and reported EBITDA margins of 22.71%, above the 14.57% average. Middleby Corp is a close competitor operating in building machines for cooking, like the turbo oven used in many fast food chains.

## Financials:

In 2016, revenues were 1.35 billion with cost of goods sold of 969.8 million. John Bean Technologies is projected to have a steady rise in revenues with a similar rise in cost of goods sold. The breakdown of revenues is 68.7% FoodTech and 31.3% Aerotech. Over time, John Bean Technologies has focused more of their attention towards the FoodTech segment, which increased 4% over 4 years. Currently, John Bean Technologies has total debt to equity of 277%, which means that they are highly leveraged and could explain the return on equity of 49.35%. Some concern may arise that they won't be able to pay back their obligations over time if they remain as



leveraged as they currently are. However, their current ratio of 1.23 indicates that John Bean Technologies has the ability to pay off any of their short term obligations if need be. If we take their inventory out of the question and just focus on their current assets, John Bean Technologies is still relatively stable with a quick ratio of 0.75.

Now shifting to sustainability, another concern in a mature industry is if a company can sustain sales and growth. In the past three years, John Bean Technologies has seen a rise in EBITDA margins, gross profit margin, operating margin, and net income margin. In the most recent year, these margins slightly dropped which can be because of the recent acquisitions and increased R&D spending of 30%. Their margins still look attractive compared to the industry, and will return to rising in no time with the current development plan.

## Ownership:

The ownership for John Bean Technologies has remained relatively flat year over year. The biggest portion of the shares belong to investment advisors at 89.9% which increased from the previous year by 0.46%. The second largest is hedge fund managers at 3.23% of shares which decreased from the previous year. The

Compare Current Stats Against 04/16/16				
Ownership Type	04/10/16	Curr↑	Change	
11) Investment Advisor	89.35	89.81	+0.46	<input checked="" type="checkbox"/>
12) Hedge Fund Manager	3.50	3.23	-0.27	<input type="checkbox"/>
13) Pension Fund	2.72	2.13	-0.59	<input type="checkbox"/>
14) Individual	2.31	2.09	-0.22	<input type="checkbox"/>
15) Insurance Company	0.79	0.85	+0.06	<input type="checkbox"/>
16) Bank	0.13	0.67	+0.54	<input type="checkbox"/>
17) Sovereign Wealth Fund		0.62		<input type="checkbox"/>
18) Government	1.04	0.29	-0.75	<input type="checkbox"/>
19) Brokerage		0.19		<input type="checkbox"/>
20) Endowment	0.08	0.07	-0.01	<input type="checkbox"/>
21) Other		0.03		<input type="checkbox"/>

individual ownership is only 2.09% which decreased from 2.31% the year before. This indicates that investors are optimistic in the growth of this company over time with such a high percentage belonging to investment advisors, and with the decrease in hedge fund ownership. John Bean Technologies has an experienced management team who all have 15 year or more experience in the industry. All executives have joined the company within the past 4 years. Thomas Giacomini is fairly new to the CEO position at John Bean Technologies. Recently, he served as CEO at Dover Engineered Systems Inc.

## Acquisitions:

In the recent year, John Bean Technologies has acquired Tipper Tie Inc., Novus X-ray, and Cooling and Applied Technologies. Novus X-Ray specializes in the manufacturing of X-ray systems which will allow John Bean Technologies to enter the growing market for automated food inspection equipment. Cooling and Applied Technologies added chillers and weighing systems to their portfolio of equipment. Tipper Tie Inc. will help John Bean Technologies enter the protein segment and liquid food segment. John Bean Technologies plans to expand their business through transactions around the world. This will help them become more diverse in the



products and solutions they offer, as long as they can maintain the amount of debt they are experiencing, they should be able to grow.

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## **Conclusion:**

John Bean Technologies is an up and coming business who will continue to grow through acquisitions and the development of new markets. With the current middle class growing, there will be an increase for value added food, and John Bean Technologies will be right there to supply the solutions. Through the elevate plan, John Bean Technologies should be around \$1.8 billion in sales by 2019. I believe this company is a buy because of the strategic moves they have made to plan for the future, and with the upcoming earnings call we will gain insight to the future of this company.

# John Bean Technologies Corporation (JBT)

Analysis by Edward Stumm  
4/23/2017

## CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

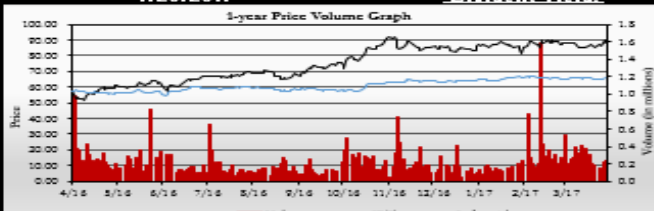
Current Price:  
Dividend Yield:

\$88.25  
0.5%

Intrinsic Value  
Target Price:

\$100.36  
\$113.24

Target 1 year Return: 28.85%  
Probability of Price Increase: 98%



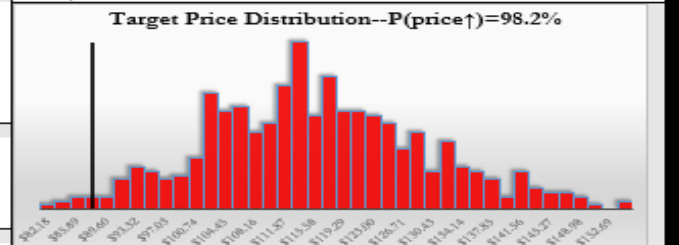
**Description**  
John Bean Technologies Corporation designs, manufactures, tests, installs, and services products and systems for the food and beverage, and air transportation industries.

**General Information**  
Sector: Industrial  
Industry: Machinery  
Last Guidance: November 3, 2015  
Next earnings date: April 25, 2017  
Estimated Country Risk Premium: 5.60%  
Effective Tax rate: 34%  
Effective Operating Tax rate: 36%

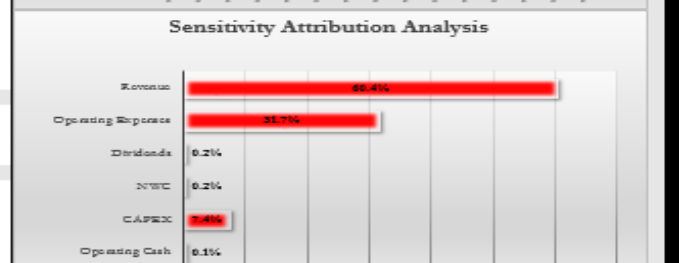
Market Data	
Market Capitalization	\$2,790.74
Daily volume (mil)	0.24
Shares outstanding (mil)	31.62
Diluted shares outstanding (mil)	29.80
% shares held by institutions	74%
% shares held by investment managers	92%
% shares held by hedge funds	1%
% shares held by insiders	2.06%
Short interest	3.34%
Days to cover short interest	4.47
52-week high	\$93.55
52-week low	\$51.20
Levered Beta	1.35
Volatility	27.22%

Quarter ending	Revenue	EBITDA
12/31/2015	3.93%	10.56%
3/31/2016	-3.15%	15.77%
6/30/2016	3.14%	8.42%
9/30/2016	6.85%	11.14%
12/31/2016	2.26%	21.16%
Mean	2.80%	13.41%
Standard error	1.6%	2.3%

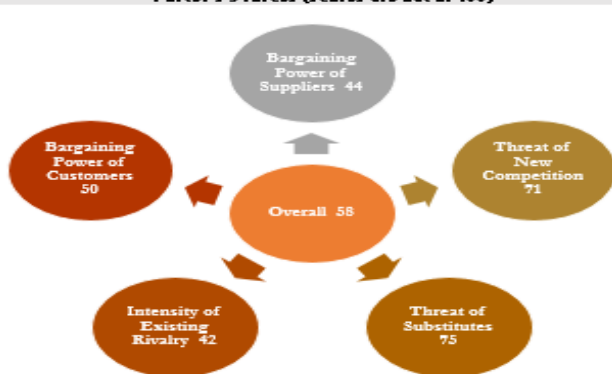
Peer	Peer
SPX Corporation	
The Middleby Corporation	
Welbilt, Inc.	
Actuant Corporation	
SPX FLOW, Inc.	
Nordson Corporation	
Illinois Tool Works Inc.	
IDEX Corporation	



Management	Parities	Total compensation grant	Total return to shareholders
Giacomini, Thomas	Chairman of the Board, Chief	-3.94% per annum over 3y	22.61% per annum over 3y
Dock, Brian	Chief Financial Officer and	-6.03% per annum over 2y	62.75% per annum over 2y
Marvin, James	Executive Vice President, Ge	NM	NM
Smith, Steven	Executive Vice President and	1.22% per annum over 3y	22.61% per annum over 3y
Burstein, David	Executive Vice President and	3.74% per annum over 2y	62.75% per annum over 2y
Sonqueto, Deborah	Executive Vice President of	NM	NM
Profitability	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
ROIC	38.1%	34.9%	10.13%
NOPAT Margin	8%	7.39%	9.4%
Revenue/Invested Capital	4.77	4.73	1.08
ROE	-696.8%	130.35%	12.51%
Adjusted net margin	7%	6.70%	7.8%
Revenue/Adjusted Book Value	-94.32	19.45	1.60
Invested Funds	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
Total Cash/Total Capital	3.9%	9.6%	12%
Estimated Operating Cash/Total Capital	3.9%	7.1%	N/A
Non-cash working Capital/Total Capital	7.8%	13.4%	17%
Invested Capital/Total Capital	49.0%	59.2%	87%
Capital Structure	JBT (LTM)	JBT (5 yearz historical over	Industry (LTM)
Total Debt/Common Equity (LTM)	0.21	0.23	0.31
Cost of Existing Debt	3.86%	6.87%	3.65%
Estimated Cost of new Borrowing	5.36%	11.49%	3.65%
WACC	10.09%	9.44%	8.99%



### Porter's 5 forces (scores are out of 100)



Period	Revenue growth
Base Year	22.0%
12/31/2017	14.9%
12/31/2018	6.4%
12/31/2019	5.1%
12/31/2020	4.9%
12/31/2021	4.8%
12/31/2022	4.7%
12/31/2023	4.6%
12/31/2024	4.4%
12/31/2025	4.3%
12/31/2026	4.2%
Continuing Period	4.1%
Period	Invested Capital
Base Year	\$163.32
12/31/2017	\$200.64
12/31/2018	\$278.73
12/31/2019	\$234.20
12/31/2020	\$293.29
12/31/2021	\$416.56
12/31/2022	\$509.31
12/31/2023	\$585.37
12/31/2024	\$647.83
12/31/2025	\$710.61
12/31/2026	\$771.72
Continuing Period	

Valuation	ROIC/WACC
NOPAT margin	3.78
	3.93
	3.55
	3.53
	3.44
	3.38
	3.36
	3.36
	3.36
	3.38
	3.42
	3.46
Max Claim	Price per share
\$520.74	\$97.40
\$417.06	\$109.38
\$282.32	\$122.09
\$115.08	\$125.40
-\$63.75	\$149.31
-\$256.72	\$163.83
-\$465.89	\$179.03
-\$691.85	\$194.91
-\$935.45	\$211.46
-\$1,197.59	\$228.70
-\$1,479.38	\$246.63