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## ANALYST QUICK NOTES

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**Jabil Circuit Inc. (NYSE: JBL: BUY)**

**Target Price: \$26**

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### Thesis

- JBL sold down on non-fundamental weakness, despite strong fiscal 3Q15 results.
- Top customer Apple continues to grow its smartphone market share.
  - iPhone 6S & 6S Plus had very strong pre-orders
- Our positive outlook for JBL is based on:
  - Core strengths in DMS;
    - Continued upside in the Apple business;
    - Strength in the high-margined Nypro business (healthcare consumables and packaging);
  - Stabilization in Enterprise & Infrastructure.

### Fiscal 4Q15 Outlook

- JBL to report fiscal 4Q15 results on Thursday 9/24/15
- Street: revenue of \$4.56 billion, EPS of \$0.45
- Argus: revenue of \$4.57 billion, EPS of \$0.47
- Guidance: revenue \$4.45-\$4.65 billion, non-GAAP EPS of \$0.40-\$0.50
- Q/Q vs. 3Q15: revenue of \$4.39 billion, EPS of \$0.49
- Y/Y vs. 4Q14: revenue of \$4.06 billion, EPS of \$0.05
- Argus estimates:
  - Revenue growth of 13%
  - EPS growth 10-fold

### **Positives for Jabil**

- Jabil continues to diversify its revenue mix and strengthen margins in FY15, leading to substantial EPS recovery compared with fiscal 2014.
- Momentum positives include potential upside in the Apple business.
  - First-weekend “S” sales tracking at least as strong as “6” launch
  - Immediate sales into China (3-week lag last year) and other nations
  - Continued momentum in the Nypro and Greenpoint segments
  - Development of new revenue streams in High-Velocity Systems business

### **Fiscal 2016 Outlook**

- Jabil targeting revenue growth exceeding 5% for EMS and exceeding 15% for DMS, along with core earnings growth of at least 20%.
- Core earnings growth of at least 20% would be better than consensus expectations of 19%.
- Blended revenue growth of at least 9% is better than the 8% consensus call for FY16.

### **Valuation**

- Markets served by Jabil are US-consumer driven (iPhone, medical disposables and consumer packaging from Nypro) and should perform strongly in line with consumer economy leadership.
- Undervalued: trades at 9.1-times 2-yr forward P/E; 5-year P/E is 14.7-times.
- DFCF renders value in \$40s, given strong topline and EPS momentum.
- Blended value \$39-\$40.
- Risk-adjusted appreciation to 12-month target: +20%.

### **Conclusion**

- JBL is seemingly a good play on iPhone momentum w/o buying AAPL .
  - We would buy to \$26 target price .
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