

Jacobs Solutions Inc. (J)

Rating: Buy

Price \$123.62 **Yield** 1.0% **Market Cap.** \$15.4B **52-Week Range** \$150.41 – \$111.17

Data as of 03/25/2025

Sector	Industrials
Subsector	Capital Goods
Investment Category	Small & Mid-Cap
Price Movement	Average

Company Overview

Jacobs Solutions, formerly Jacobs Engineering Group, is an engineering and construction company which provides technical, professional and construction services to industrial, commercial and governmental customers worldwide. End-markets served include power generation, infrastructure, chemicals, and pharmaceuticals. The company was founded in 1947 and is based in Dallas, Texas. Jacobs' competitors include Fluor, KBR, and AECOM.

Revenues International	43%
Standard & Poor's/Moody's	NR/NR
MSCI ESG Rating	AA/Leader

Dividend Outlook (1-Year): Rising

Annualized Payment	\$1.28
Last Change	10% (Jan 30, 2025)
Consec. Yrs Increased	7
Paid Since	2017
5-Yr. Trailing Growth	11%
Long-Term Growth Est.	11%
Payout Ratio ('25)	21%
Dividends Paid	Mar, Jun, Sep, Nov

Commentary: The current payout equates to just 22% of our 2025 earnings per share estimate, leaving Jacobs plenty of room to allocate its healthy cash flow toward growing the business, repurchasing shares, and increasing the dividend.

Valuation & Earnings

	'23A	'24A	'25E
Earnings Per Share	6.01	5.28	6.15
P/E	20.6x	23.4x	20.1x
PEGY	1.7x	1.9x	1.7x
LT EPS Growth Est.			11%
Est. Earnings Date	May 08, 2025		

Annualized Total Returns	1yr	3yr	5yr
Jacobs Solutions Inc.	0%	3%	16%
S&P Industrials Index	10%	11%	20%
S&P 500 Index	12%	10%	20%

Data as of 3/25/25. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

Investment Summary

We rate shares of Jacobs Solutions (Jacobs) a Buy. Jacobs is a leader in engineering and construction with broad engineering capabilities, and it has a strong financial position with low debt. We believe Jacobs should benefit from a rise in infrastructure stimulus, including the recently signed U.S. infrastructure bill. In addition, management is prioritizing growth in more attractive end-markets that offer faster growth and higher profitability.

Outlook

Evolving Business Mix to Drive Improved Performance - Jacobs has exited its energy, chemical and resource business, which tended to be more cyclical and less profitable. We believe Jacobs' increased focus on infrastructure, transportation, advanced manufacturing, and technical building projects bodes well for the future growth and profitability of the company.

Infrastructure Has Long-term Growth Potential

- Increasing populations and a rising middle class is a global trend, especially in emerging markets such as China and India. Growing economies promote the expansion of roads, new buildings and reliable energy. We believe the build-out provides long-term growth opportunities for Jacobs.

Valuation and Recent Performance

- Currently, the stock is trading at about 20.1 times our fiscal 2025 earnings estimate, which is above the five-year average of 19. We believe the market is undervaluing Jacobs' growth opportunities in light of a positive change in the business mix of the company. Jacobs' shares have underperformed the industrial sector over the past three years, as the market rotated to more cyclical industrial peers.

Risks - The primary downside risk to our Buy rating is that the business is tied to customer capital expenditures. These expenditures tend to be related to the health of the economy. If the global economy deteriorates more than expected, Jacobs' business would likely be negatively impacted. Another risk is the regulations and requirements associated with governmental business, which is a significant business for Jacobs.

Key Developments

2/4/25: Jacobs Solutions reported fiscal first-quarter adjusted earnings per share of \$1.33, above the average analyst estimate of \$1.26, and representing an 8% decline from the same quarter a year ago. Revenues grew 4.4% excluding foreign-currency impacts, and modestly exceeded estimates. Jacobs announced a \$1.5 billion share-repurchase program. The company also slightly increased its fiscal 2025 earnings-per-share outlook from \$5.80-\$6.20 to \$5.85-\$6.20 to reflect its lower share-count expectation.

We think Jacobs delivered a solid first quarter, with revenue and earnings per share exceeding expectations. Profitability improved from year-over-year, driven by strong performance in both its Infrastructure & Advanced Facilities and PA Consulting segments. The company's order backlog also exceeded our expectations, up an impressive 18.9% year-over-year to \$21.8 billion, reflecting the continued strength of demand for Jacobs' consulting services. We see healthy momentum across key areas of Jacobs business, including life sciences, water, and data centers, which should drive further growth. The company remains well positioned to benefit from increasing infrastructure investments in both the U.S. and international markets. This should especially bode well for results in the Infrastructure & Advanced Facilities segment, which accounts for roughly 80% of Jacob's adjusted operating profits and is expected to drive continued growth and stable profitability.

1/30/25: Jacobs Solutions announced a 10% increase in the quarterly dividend to \$0.32 per share from \$0.29 previously. The new \$1.28 annual payout equates to a 0.9% dividend yield. The payable date for the first dividend at the new rate is March 21, 2025.

Analyst: Faisal Hersi, CFA

Please see important disclosures and analyst certification on page 2 of the report.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Faisal Hersi, CFA

Required Research Disclosures

3-Year Rating and Price History for: Jacobs Solutions Inc. (J.N) as of 03/25/2025



Source: Reuters

March 26, 2025	BUY	HOLD	SELL
Stocks	54%	45%	0%
Investment Banking Services	4%	5%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies where the firm has acted in furtherance of a public offering of the issuer within the past 12 months.

- Initiated Coverage (BUY) 07/16/09.....(B) 07/16/09-
- Analysts receive compensation that is derived from revenues of Edward Jones as a whole which include, but are not limited to, investment banking services revenue.

Opinion Rating Definitions: Buy (B) - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** - Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

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- Price Movement: Above Average (AA) - This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) - This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) - This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
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