

Ticker: J  
Sector: Business & Professional Service  
Industry: Heavy Engineering & Construction

Intrinsic Value: \$169  
Current Price: \$139  
Stop Loss: \$120  
TTM P/E: 27.45x  
Forward P/E: 22.95x

Market Cap: \$17.15Bn  
Dividend Yield: 0.83%  
52 Week Range: \$100.79-\$141.26  
Beta: 0.71

## Jacobs Solutions Inc.

**Business Summary:** Jacobs is a global professional services firm specializing in engineering, architecture, construction management, and consulting. They operate under 4 business segments: People & Places Solutions, Critical Mission Solutions, Divergent Solutions, and PA Advisory.

**Industry Trends:** Within the heavy engineering and construction industry most of the revenue is from public funding. Additionally, most companies are cyclical based on the cost of borrowing. Environmental policies will be the drivers for this industry.

**Investment Thesis:** Jacobs recently restructured, with their spin-off of their Critical Mission Solutions business line, will help Jacob's focus on their higher margin and growing business lines. Additionally, they continue to invest in technology and data companies to stay ahead of their competitors.

**Competitive Analysis:** Jacobs has strong management willing to adapt, ability to generate higher margins than competitors, and a strong global presence.

**Pros:** Technological and sustainable trends will drive Jacobs' growth and is something they are capitalizing on. They have shifted their business to create stronger revenues and margins, showing their dedication to growth. They continue to be an industry leader for advancements.

**Risk Factors:** Cyclical, potential issues with restructuring, and irregular revenue streams due to contract work.

### Stock Performance & DCF:

(in \$MM)	Historical Period										Current FY	Projection Period									
Jacobs Solutions Inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Free Cash Flow	\$ 589.62	\$ 396.17	\$ 612.47	\$ 456.78	\$ 386.25	\$ (502.40)	\$ 688.55	\$ 633.48	\$ 347.11	\$ 837.26	\$ 955.50	\$ 266.35	\$ 511.78	\$ 736.35	\$ 874.39	\$ 1,126.72	\$ 1,233.31	\$ 1,272.32	\$ 1,221.92	\$ 1,240.97	\$ 1,248.21
Period												1	2	3	4	5	6	7	8	9	10
Discount Factor												0.930146	0.8651716	0.804736	0.748522	0.6962347	0.6476	0.6023626	0.56028514	0.521147	0.4847428
PV of FCF												\$ 247.74	\$ 442.78	\$ 592.57	\$ 654.50	\$ 784.46	\$ 798.69	\$ 766.40	\$ 684.62	\$ 646.73	\$ 605.06
EBITDA	\$ 765.28	\$ 747.57	\$ 468.57	\$ 469.77	\$ 837.46	\$ 931.14	\$ 763.72	\$ 1,348.90	\$ 1,337.66	\$ 1,473.47	\$ 1,476.30	\$ 1,614.04	\$ 1,860.89	\$ 2,122.54	\$ 2,299.89	\$ 2,593.88	\$ 2,675.08	\$ 2,749.62	\$ 2,716.54	\$ 2,774.77	\$ 2,823.15

Perpetuity Growth Method		EBITDA Multiple Method	
Free Cash Flow at Year 10	\$ 1,248.21	Terminal EBITDA at Year 10	\$ 2,823.15
WACC	7.51%	WACC	7.51%
Perpetuity Growth Rate	4.00%	Exit Enterprise Value / EBITDA	15
Perpetuity Value at End of Year 10	\$ 36,984.11	Terminal Value at End of Year 5	\$ 42,347.31
Present Value of Perpetuity	\$ 17,927.78	Present Value of Terminal Value	\$ 20,527.55
(+) Present Value of Free Cash Flows	\$ 6,223.55	(+) Present Value of Free Cash Flows	\$ 6,223.55
<b>(=) Current Enterprise Value</b>	<b>\$ 24,151.34</b>	<b>(=) Current Enterprise Value</b>	<b>\$ 26,751.11</b>
Short Term Debt	\$ 825.17	Short Term Debt	\$ 825.17
(+) Long Term Debt	\$ 2,091.46	(+) Long Term Debt	\$ 2,091.46
(-) Cash and Marketable Securities	\$ 604.33	(-) Cash & Marketable Securities	\$ 604.33
(-) Current Net Debt	\$ 2,312.29	(-) Current Net Debt	\$ 2,312.29
(-) Current Preferred & Minority Interest	\$ 794.10	(-) Current Preferred & Minority Interest	\$ 794.10
<b>(=) Equity Value</b>	<b>\$ 21,044.94</b>	<b>(=) Equity Value</b>	<b>\$ 23,644.71</b>
Shares Outstanding	124.25	Shares Outstanding	124.25
<b>Estimated Value per Share</b>	<b>\$ 169.38</b>	<b>Estimated Value per Share</b>	<b>\$ 190.30</b>
Current Price	\$ 138.00	Current Price	\$ 138.00
<b>Estimated Upside</b>	<b>23%</b>	<b>Estimated Upside</b>	<b>38%</b>



### Comparative Analysis:

Multiples	Gross Margin	Operating Margin	FCF Margin	A/R Turnover	A/P Turnover	ROA	ROE	ROIC	Net Debt/EBITDA	P/E	Altman Z-Score	Market Cap.
Jacobs Solutions Inc.	21.24	6.58	5.1	11.45	12.2	4.55	14.76	7.71	1.41	27.17	5.79	17.15Bn
AECOM	6.58	5.51	4.8	5.91	6.37	0.49	NA	11.19	0.97	38.82	2.8	14.11Bn
Quanta Services Inc.	14.07	5.23	7.5	5.17	10.82	5.01	16.51	8.42	1.7	58.13	5.05	45.31Bn
Fluor Corporation	3.08	1.64	1.4	13.78	13.44	2.01	8.84	2	-4.16	21.9	3.67	8.7Bn
KBR, Inc.	14.05	6.97	3.6	7.23	9.72	-4.76	-21.35	NA	2.65	46.77	4.65	9.08Bn
Booz Allen Hamilton Holding Corporation	53.51	4.83	5.7	18.21	7.57	4.32	13.36	8.03	3.93	34.69	5.29	20.84Bn