

Cousins Properties (CUZ)

\$30.49 (As of 08/20/20)

Price Target (6-12 Months): **\$32.50**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/31/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

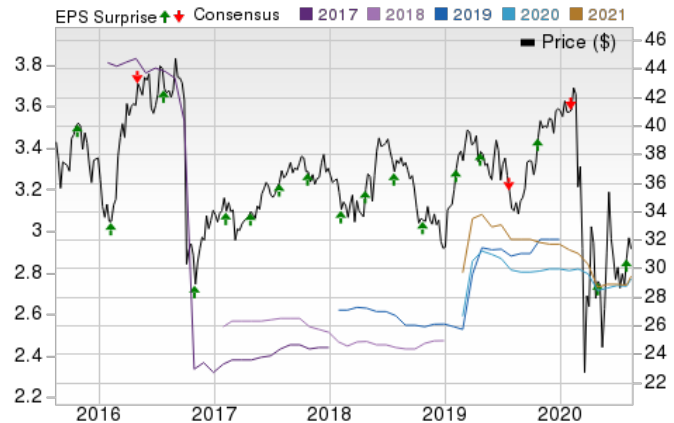
Growth: C

Momentum: D

Summary

Cousins Properties' portfolio of class A office assets concentrated in the high-growth Sun Belt markets is well-poised to benefit from the de-densification trends and renewal leasing that are likely to dominate near-term demand. Moreover, it is capitalizing on favorable migration trend and long-term prospects in its markets to strengthen portfolio by undertaking new developments and non-core asset sales. Excellent liquidity, with limited near-term capital needs amid the ongoing uncertainty, is also a positive. Shares of the company have outperformed the industry in the past three months. However, a competitive landscape and high supply in the office real estate market are expected to adversely impact Cousins Properties' pricing power. Further, the coronavirus pandemic and the related setbacks continue to hinder its leasing activities.

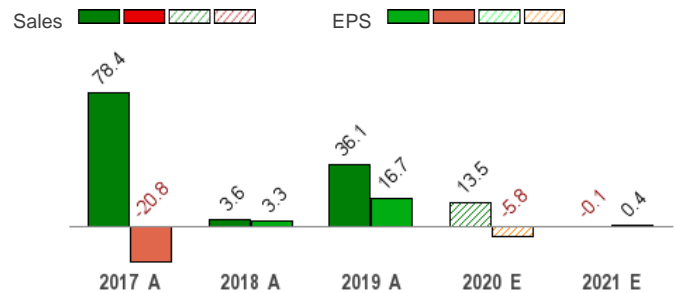
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$42.99 - \$21.15
20 Day Average Volume (sh)	732,316
Market Cap	\$4.5 B
YTD Price Change	-26.0%
Beta	0.98
Dividend / Div Yld	\$1.20 / 3.9%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 14% (216 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	1.3%
Expected Report Date	10/28/2020
Earnings ESP	0.8%
P/E TTM	10.6
P/E F1	11.0
PEG F1	2.8
P/S TTM	6.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					713 E
2020	189 A	175 A	174 E	178 E	714 E
2019	123 A	135 A	181 A	189 A	629 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.68 E	\$0.68 E	\$0.71 E	\$0.69 E	\$2.78 E
2020	\$0.76 A	\$0.66 A	\$0.67 E	\$0.69 E	\$2.77 E
2019	\$0.80 A	\$0.71 A	\$0.72 A	\$0.73 A	\$2.94 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 08/20/2020. The reports text is as of 08/21/2020.

Overview

Founded in 1958, Cousins Properties Incorporated is a real estate investment trust (REIT) based in Atlanta, GA. The company engages in the acquisition, ownership, development and management of class A office and mixed-use properties throughout the Sunbelt markets of the United States, with special focus on Arizona, Florida, Georgia, North Carolina, and Texas.

As of Jun 30, 2020, the company's portfolio of real estate assets comprised interests in 35 operating properties, having 19.4 million square feet of rentable space, and six projects (five office and one mixed-use) under active development.

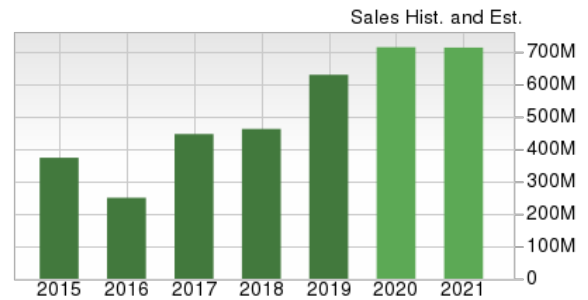
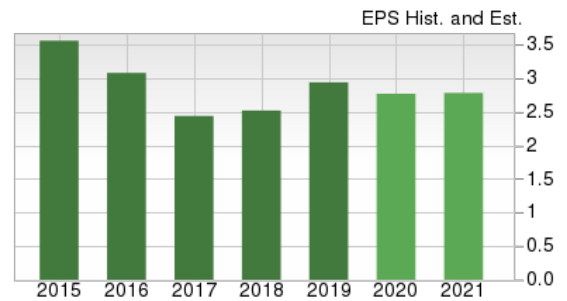
Cousins Properties is enhancing its scale on the back of strategic transactions. In June 2019, it completed the merger with TIER REIT in a 100% stock-for-stock deal. The move has helped create a Sun Belt-focused Class A office REIT, which will likely benefit from improved market scale, and realize operational and leasing synergies.

Moreover, following the merger on Jun 17, 2019, Cousins Properties announced that it has completed a one-for-four reverse stock split for outstanding shares of its common stock.

Earlier in October 2016, Cousins Properties closed the merger with Parkway Properties. The over \$2 billion stock-for-stock merger and the simultaneous spin-off of the Houston-based assets of both companies into a new publicly-traded REIT paved way for strengthening the company's portfolio with high-quality assets and exit the troubled Houston market simultaneously.

On Oct 1, 2019 Cousins Properties completed the previously-announced transaction to acquire its partner's 50% interest in Terminus Office Holdings LLC (TOH) for \$148 million. The transaction valued Terminus 100 and 200 (located in Atlanta) at \$503 million. The company consolidated TOH and recognized a gain of \$92.8 million in stages.

Note: All EPS numbers presented in this report represent FFO per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Cousins Properties has an unmatched portfolio of class A office assets concentrated in the high-growth Sun Belt markets. This region is experiencing a population influx. The demand for office space has been high amid favorable migration trends and pro-business environment. Assets in these markets are also expected to command higher rents compared with the broader market. In fact, the company's 19.4-million square-foot portfolio was 94.4% leased as of the second-quarter end.
- ▲ With significant presence in the best urban submarkets in each city, Cousins Properties has been able to enjoy healthy demand for its properties. The company has a well-diversified, high-end tenant roster with less dependence on a single industry. This enables it to enjoy steady revenues over different economic cycles. In fact, amid the coronavirus-led market mayhem, Cousins Properties collected 97% of its second-quarter rents and 98% of July rents. Additionally, as of the first-quarter end the company has enjoyed 33 consecutive quarters of year-over-year growth in same-property cash net operating income (NOI).
- ▲ Much of the leasing proportion has shifted from new to renewal-oriented deals due to the pandemic. Going forward, the next cycle of office-space demand will likely be driven by de-densification to allow higher square footage per office worker and the need for better-amenitized office properties to focus on health & wellness amid social-distancing requirements. Moreover, tenant downsizing is less likely and this will improve tenant retention. Hence, with a portfolio of class A properties in best amenitized submarkets across the Sun Belt region, Cousins Properties is well-positioned to benefit from the emerging trend. Additionally, 32% of Cousins Properties' second-quarter leasing activity was new and expansion leasing.
- ▲ Moreover, the company makes concerted efforts to build a stronger platform with trophy assets' acquisitions and opportunistic developments in high-barrier-to-entry submarkets in Atlanta, Austin, Charlotte, Phoenix and Tampa. Currently, the company's development pipeline aggregates \$566 million. The office pipeline is 82% pre-leased and is expected to add \$66 million of additional NOI by 2022 end.
- ▲ Cousins Properties focuses on maintaining a fortress balance sheet, with ample liquidity to leverage on improving market fundamentals. A low-leveraged balance sheet allows it to pursue compelling investments and leverage on strategic land opportunities for future office and mixed-use projects. Also, the company's \$1-billion liquidity is sufficient to fund the remaining \$160 million of development pipeline. Further, it has no debt maturities for the remainder of 2020.
- ▲ Shares of Cousins Properties have rallied 12.3% compared with its industry's growth of 8.3% over the past three months. Moreover, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company as estimates have been revised marginally upward over the past month. Hence, given the strong fundamentals and upward estimate revision, the stock has decent upside potential in the near term.

Cousins Properties' high-quality portfolio, impressive tenant roster, opportunistic investments, and developments in best sub-markets and strong balance sheet keep the growth momentum going.

Reasons To Sell:

- ▼ There is stiff competition from developers, owners and operators of office properties and other commercial real estate and this affects the company's ability to retain tenants at relatively higher rents and dents its pricing power. In addition, higher construction activity is expected to increase new supply of class A office space in the company's market. This too is intensifying competition for the company, leading to lesser scope for rent and occupancy growth.
- ▼ The coronavirus pandemic and the resultant impact on the economy and real estate sector add to its woes. In fact, the company anticipates muted leasing activity and parking demand in the near term. Further, cash same-property performance is anticipated to remain discouraging. Additionally, Cousins Properties has received rent relief requests primarily from its retail tenants and flexible office providers, and has deferred \$7.5 million of cash rent as of Jul 31. The company expects such deferral activity to continue until the pandemic subsides.
- ▼ The company has a significant development pipeline, with an estimated project cost (the company's share) of \$565.6 million. In addition, the company focuses to increase its land bank. Although such activities are accretive for value creation, it requires huge capital outlays. Furthermore, an extensive development pipeline increases the company's operational risks by exposing it to construction cost overruns, entitlement delays and lease-up risks.
- ▼ The company's assets are concentrated in Atlanta, Austin, Charlotte, Phoenix and Tampa. Particularly, as of Jun 30, 2020, Atlanta, Austin and Charlotte contributed 35.2%, 26.8% and 12.4%, respectively, to the company's NOI. Hence, any economic or political downturn in the markets will likely affect Cousins Properties' performance.

A competitive landscape and high supply in the office real estate market are expected to adversely impact Cousins Properties' pricing power. Also, it has significant concentration of assets.

Last Earnings Report

Cousins Properties Q2 FFO In Line, Revenues Up Y/Y

Cousins Properties reported second-quarter 2020 FFO per share of 66 cents, in line with the Zacks Consensus Estimate. Notably, the reported figure comes in lower than the prior-year quarter's 71 cents.

Rental property revenues for the quarter came in at \$175.1 million, marking a 30% jump, year on year. The figure also outpaced the Zacks Consensus Estimate of \$172.6 million.

Quarterly results reflect growth in rental property revenues and net rent per square foot. However, fall in same-property NOI was a concern. The company informed that its rent collection for the second quarter was 97%, including 98% from office tenants. In July, the company collected 98% of its rents, including 98% from office tenants.

It also updated the current-year outlook in light of the coronavirus pandemic.

Quarter in Detail

Cousins Properties executed leases for 302,877 square feet of office space during the June-end quarter. Same-property NOI, on a cash basis, edged down 1.6% from the year-ago quarter. As of Jun 30, 2020, 94.4% of its same-property portfolio was leased, declining 40 basis points (bps) from the first-quarter end.

Temporary rent deferral agreements and a decline in parking revenues affected same-property performance in the second quarter.

Nonetheless, second-generation net rent per square foot (cash basis) climbed 20.6%. Weighted average occupancy for the company's same-property portfolio of 91.5% for the quarter ended Jun 30, 2020, expanded 10 bps from the prior quarter.

Cousins Properties exited the second quarter with cash and cash equivalents of \$28.3 million compared with \$15.6 million recorded as of Dec 31, 2019. The company has in excess of \$1 billion of available liquidity.

2020 Outlook

The company has provided updates regarding its current year guidance.

On May 4, the company acquired a parking garage in Charlotte for a gross price of \$85 million. The property is expected to generate NOI of \$1.5-2 million during the company's ownership period this year and stabilized NOI of \$4.5-5 million. The company expects a fall in parking revenues to affect NOI by \$5.5-9.5 million compared to \$3.5-9.5 million earlier. Moreover, fee and other income is projected to reduce by \$2 million.

Nonetheless, in the current year, Cousins Properties expects general and administrative expenses (net of capitalized salaries) of \$27-29 million, 18% lower from \$33-35 million mentioned earlier. Additionally, the company expects a rise in property level NOI amounting to about \$0.3 million. This due to the prior disclosed Parsley Energy lease amendment at Colorado Tower which was accounted for as a lease modification rather than a termination.

Quarter Ending 06/2020

Report Date	Jul 30, 2020
Sales Surprise	1.48%
EPS Surprise	0.00%
Quarterly EPS	0.66
Annual EPS (TTM)	2.87

Recent News

Dividend Update

On Jun 18, Cousins Properties announced a cash dividend of 30 cents per share for second-quarter 2020. The dividend was paid out on Jul 17 to shareholders of record as of Jul 6, 2020.

Valuation

Cousins Properties' shares have lost 11.8% in the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance have declined 9.4% and 7.6% over the past year.

The S&P 500 Index has been up 15.7% over the trailing 12-month period.

The stock is currently trading at 10.98X forward 12-month FFO, which compares to 19.16X for the Zacks sub-industry, 16.43X for the Zacks sector and 22.83X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 15.57X and as low as 8.04X, with a 5-year median of 13.31X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$32.5 price target reflects 11.70X FFO.

The table below shows summary valuation data for CUZ.

Valuation Multiples - CUZ					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.98	19.16	16.43	22.83
	5-Year High	15.57	19.28	16.43	2.83
	5-Year Low	8.04	14.32	11.60	15.25
	5-Year Median	13.31	16.11	14.26	17.58
P/S F12M	Current	6.35	8.32	6.22	3.71
	5-Year High	11.02	8.37	6.67	3.71
	5-Year Low	4.30	5.97	4.97	2.53
	5-Year Median	7.49	7.00	6.06	3.05
P/B TTM	Current	1.00	2.44	2.45	4.55
	5-Year High	1.50	3.03	2.91	4.56
	5-Year Low	0.75	1.81	1.72	2.83
	5-Year Median	1.31	2.51	2.53	3.75

As of 08/20/2020

Industry Analysis Zacks Industry Rank: Bottom 14% (216 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Alexandria Real Estate Equities, Inc. (ARE)	Neutral	3
Douglas Emmett, Inc. (DEI)	Neutral	4
Highwoods Properties, Inc. (HIW)	Neutral	3
Kilroy Realty Corporation (KRC)	Neutral	3
Piedmont Office Realty Trust, Inc. (PDM)	Neutral	3
SL Green Realty Corporation (SLG)	Neutral	3
Boston Properties, Inc. (BXP)	Underperform	5
Hudson Pacific Properties, Inc. (HPP)	Underperform	5

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	CUZ	X Industry	S&P 500	ARE	BXP	SLG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	D	-	-	F	D	C
Market Cap	4.53 B	1.98 B	23.46 B	21.62 B	13.27 B	3.46 B
# of Analysts	4	4	14	3	9	8
Dividend Yield	3.94%	3.79%	1.65%	2.47%	4.60%	7.50%
Value Score	C	-	-	D	D	B
Cash/Price	0.01	0.06	0.07	0.01	0.15	0.32
EV/EBITDA	18.84	14.06	13.34	26.34	14.06	12.85
PEG Ratio	2.75	3.96	3.00	4.70	5.07	5.14
Price/Book (P/B)	1.00	1.34	3.12	1.96	1.59	0.68
Price/Cash Flow (P/CF)	10.94	10.87	12.60	23.82	10.97	6.82
P/E (F1)	10.97	15.29	21.61	23.45	12.43	6.89
Price/Sales (P/S)	5.99	4.83	2.44	12.91	4.56	2.91
Earnings Yield	9.08%	5.95%	4.43%	4.26%	8.05%	14.52%
Debt/Equity	0.43	0.92	0.76	0.68	1.56	1.17
Cash Flow (\$/share)	2.79	2.05	6.93	7.20	7.77	6.92
Growth Score	C	-	-	C	C	C
Hist. EPS Growth (3-5 yrs)	-5.63%	0.73%	10.44%	7.69%	5.50%	-0.94%
Proj. EPS Growth (F1/F0)	-5.78%	-2.49%	-5.53%	5.03%	-2.16%	-2.02%
Curr. Cash Flow Growth	55.56%	3.36%	5.20%	4.79%	-2.18%	3.22%
Hist. Cash Flow Growth (3-5 yrs)	18.86%	12.74%	8.52%	23.85%	2.31%	-0.78%
Current Ratio	1.01	1.62	1.33	0.19	7.67	6.70
Debt/Capital	29.93%	48.09%	44.50%	40.53%	60.42%	52.02%
Net Margin	44.35%	10.49%	10.13%	24.09%	35.18%	19.90%
Return on Equity	7.51%	3.32%	14.67%	3.94%	12.72%	4.21%
Sales/Assets	0.11	0.13	0.51	0.09	0.13	0.09
Proj. Sales Growth (F1/F0)	13.61%	0.00%	-1.54%	15.94%	-2.16%	-17.52%
Momentum Score	D	-	-	F	D	D
Daily Price Chg	0.89%	0.93%	-0.59%	0.02%	1.31%	2.88%
1 Week Price Chg	-2.40%	-0.94%	1.09%	-3.09%	-4.01%	-2.55%
4 Week Price Chg	2.66%	1.53%	1.91%	1.74%	-6.79%	-1.40%
12 Week Price Chg	-2.18%	1.29%	6.82%	10.51%	-2.84%	7.56%
52 Week Price Chg	-11.85%	-22.26%	1.47%	14.75%	-33.35%	-39.66%
20 Day Average Volume	732,316	614,474	1,873,576	610,857	1,329,472	1,159,702
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.28%	0.00%	1.79%	-0.09%	-3.64%	0.88%
(F1) EPS Est 12 week change	1.61%	-0.04%	3.35%	0.14%	-5.15%	1.05%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.42%	-0.09%	-3.76%	-1.11%

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	D
VGM Score	D

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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