Cousins Properties (CUZ)

$29.30 (As of 04/27/20)

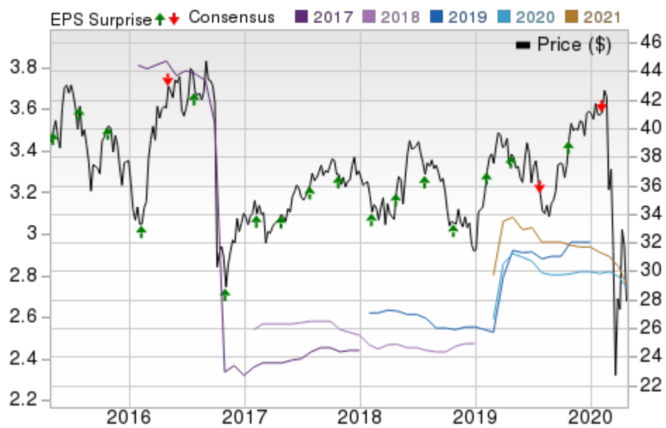
Price Target (6-12 Months): **$31.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/31/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: F | Growth: B | Momentum: B	

Summary

Cousins Properties announced completion of sale of two assets in Uptown Charlotte. With the conclusion of these two transactions and the one in Woodcrest, NJ, the company generated proceeds of about $533 million in first-quarter 2020. The company informed about its liquidity position stating it has more than $1.1 billion of available liquidity comprising $1 billion of undrawn credit facility and about $115 million in cash. Capitalizing on the migration trend to the Sun Belt region, Cousins Properties has enhanced its portfolio quality and a disciplined balance sheet supports growth efforts. However, stiff competition affects its pricing power, while the coronavirus pandemic and the resultant impact on the economy and real estate sector add to its woes. Also, its shares have underperformed the industry in the past year.

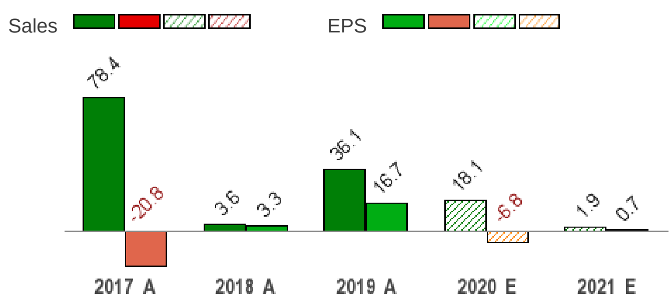
Price, Consensus & Surprise



Data Overview

52 Week High-Low	$42.99 - $21.15
20 Day Average Volume (sh)	1,056,671
Market Cap	$4.3 B
YTD Price Change	-28.9%
Beta	1.07
Dividend / Div Yld	$1.20 / 4.1%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Top 34% (85 out of 253)
Last EPS Surprise	-1.4%
Last Sales Surprise	3.0%
EPS F1 Est- 4 week change	-1.9%
Expected Report Date	04/30/2020
Earnings ESP	0.0%
P/E TTM	12.4
P/E F1	10.7
PEG F1	2.7
P/S TTM	6.5

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	185 E	185 E	185 E	185 E	757 E
2020	190 E	182 E	184 E	184 E	743 E
2019	123 A	135 A	181 A	189 A	629 A

EPS Estimates

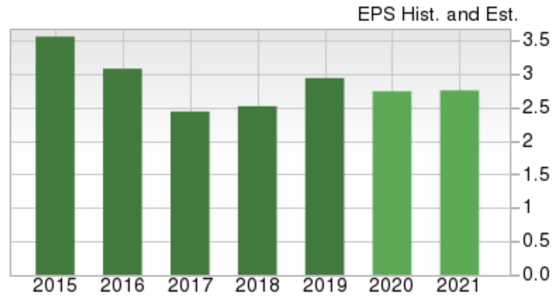
	Q1	Q2	Q3	Q4	Annual*
2021	$0.66 E	$0.68 E	$0.68 E	$0.68 E	$2.76 E
2020	$0.71 E	$0.68 E	$0.68 E	$0.68 E	$2.74 E
2019	$0.80 A	$0.71 A	$0.72 A	$0.73 A	$2.94 A

*Quarterly figures may not add up to annual.

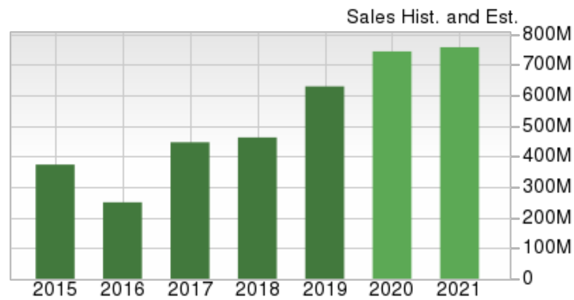
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/27/2020. The reports text is as of 04/28/2020.

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 Dec 31, 2019, the company's portfolio of real estate assets comprised interests in 38 operating properties, having 21.8 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. This June, 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, 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 is valued Terminus 100 and 200 (located in Atlanta) at $503 million. The company will consolidate TOH and record Terminus 100, Terminus 200, and the related notes payable at fair value in the ongoing quarter. Further, it will recognize a gain of around $94 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 expected to command higher rents compared with the broader market.

- With significant presence in the best urban submarkets in each city, Cousins Properties has enjoyed healthy demand for its properties. The company has a well-diversified, high-end tenant roster with less dependence on a single industry. This enables the company to enjoy steady revenues over different economic cycles. Additionally, the company has enjoyed 32 consecutive quarters of year-over-year growth in cash net operating income (NOI).

Cousins Properties' diversified portfolio, high-end tenant roster, opportunistic investments in best sub-markets and a conservative balance sheet keep the growth momentum going.

- 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 $565 million, and includes 1.5 million square feet of office space.

- Cousins Properties focuses on maintaining a fortress balance sheet, with ample liquidity to leverage on improving market fundamentals and raise operational efficiency, which aids in long-term growth. Moreover the company garnered total proceeds of about $533 million in the first quarter from asset sales. Also, the company currently enjoys $1.1 billion of liquidity.

Reasons To Sell:

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.

- 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. Also, the coronavirus pandemic and the resultant impact on the economy and real estate sector add to its woes.

- The company has a significant development pipeline, with an estimated project cost 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 Dec 31, 2019, Atlanta, Austin and Charlotte contributed 33.8%, 23.2% and 16.9%, respectively, to the company's NOI. Hence, any economic or political downturn in these markets will likely affect Cousins Properties' performance.

- Shares of Cousins Properties have underperformed the industry it belongs to in the past year. During this period, shares of the company have depreciated 20.6% compared with the industry's decline of 7%. Moreover, the trend in estimate revision for 2020 FFO per share does not indicate a favorable outlook for the company as it has witnessed a downward revision of 1.8% over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential in the near-term.

Last Earnings Report

Cousins Properties Misses Q4 FFO Estimates, Guides Up

Quarter Ending	12/2019
Report Date	**Feb 05, 2020**
Sales Surprise	**3.02%**
EPS Surprise	**-1.35%**
Quarterly EPS	**0.73**
Annual EPS (TTM)	**2.96**

Cousins Properties reported fourth-quarter 2019 FFO per share (before TIER transaction costs) of 73 cents, missing the Zacks Consensus Estimate of 74 cents by a whisker. However, the figure improved from the prior-year quarter's 67 cents.

Quarterly results reflect growth in rental property revenues, though increase in general and administrative expenses played spoilsport. The company expects strong fundamentals in its Sunbelt markets to keep driving internal and external growth, based on which it raised the 2020 FFO guidance.

Rental property revenues for the quarter came in at $189.1 million, compared with $119.6 million in the year-ago quarter. The figure also outpaced the Zacks Consensus Estimate of $183.6 million.

For 2019, FFO per share (before TIER transaction costs) was $2.94, higher than the prior-year tally of $2.51. Full-year rental property revenues came in at $628.7 million, up 35.7% year over year.

Quarter in Detail

Cousins Properties executed leases for 561,651 square feet of office space during the December quarter. Same-property NOI, on a cash basis, increased 6% from the year-ago quarter. Moreover, second-generation net rent per square foot (cash basis) increased 12.6%.
Weighted average occupancy for the company's same-property portfolio of 91.1% for the quarter ended Dec 31, 2019, expanded 20 basis points from the prior quarter.

Cousins Properties exited the fourth quarter with cash and cash equivalents of around $15.6 million compared with the $2.5 million recorded as of Dec 31, 2018.

2020 Outlook

Cousins Properties raised its 2020 FFO per share outlook to $2.72-$2.86 from $2.71-$2.85.

The company's updated earnings guidance takes into account 5% same property NOI growth along with a new development start in Phoenix.

Recent News

Cousins Properties Closes Sale of Assets in Uptown Charlotte – Mar 31, 2020

Cousins Properties announced that it has completed the sale of two of its assets in Uptown Charlotte, the central business district of Charlotte, North Carolina. Particularly, the company completed the sale of Hearst Tower, an office tower in Uptown Charlotte to Truist Financial Corporation, for a gross price of about $455.5 million. The property comprises 966,000-square-foot of space. The deal was announced on Dec 11, 2019 with no changes in the terms of transactions since then.

Moreover, Cousins Properties sold off its interest in another office property in Uptown Charlotte, Gateway Village, to its joint venture partner for about $52.2 million. The proceeds from the sale of its stake in this property, spanning an area of about one million square foot, resulted in 17% internal rate of return for Cousins Properties on its invested capital. The terms of the transaction remained unchanged from when it was earlier announced in early February this year.

With the conclusion of these two transactions and the one in Woodcrest, NJ, the company garnered proceeds of about $533 million in the first quarter of 2020. Moreover, the company informed about its liquidity position stating it has more than $1.1 billion of available liquidity comprising of $1 billion of undrawn credit facility and about $115 million in cash.

Cousins Properties Begins Development of 100 Mill in Association With Hines - Feb 5, 2020

Cousins Properties and Hines announced commencement of development of a 287,000 square foot, 18 story office tower — 100 Mill — in downtown Tempe, AZ. Positioned on the southwest corner of Mill Avenue and Rio Salado Parkway and neighboring Cousins' present 1.3 million square foot Tempe office portfolio, the latest development project is witnessing healthy demand. In fact, 100 Mill is currently 44% pre-leased, with two long-term lease commitments from a Fortune 100 company and a professional services firm. Notably, in the joint venture developing the project, Cousins has a 90% ownership stake, while Hines has the remaining 10%. Initial occupancy is anticipated in the first quarter of 2020 and the total development cost is estimated to be $153 million.

Dividend Update

On Mar 18, Cousins Properties announced a cash dividend of 30 cents per share for first-quarter 2020. The dividend was paid on Apr 15, to shareholders of record as of Apr 3, 2020.

Valuation

Cousins Properties' shares have decreased 20.6% in the trailing 12 months. Stocks in the Zacks sub-industry declined 7%, while the Zacks Finance sector plunged 21.4%, over the past year.

The S&P 500 Index has been down 2.9% over the trailing 12-month period.

The stock is currently trading at 10.67X forward 12-month FFO, which compares to 16.66X for the Zacks sub-industry, 14.38X for the Zacks sector and 20.21X 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 $31 price target reflects 11.29X FFO.

The table below shows summary valuation data for CUZ.

Valuation Multiples - CUZ

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	10.67	16.66	14.38	20.21
	5-Year High	15.57	18.1	16.17	20.21
	5-Year Low	8.04	14.32	11.19	15.19
	5-Year Median	13.31	16.08	13.93	17.45
P/S F12M	Current	5.76	7.28	4.96	3.23
	5-Year High	11.02	8.14	6.69	3.44
	5-Year Low	4.3	5.91	4.96	2.54
	5-Year Median	7.49	6.87	6.05	3.01
P/B TTM	Current	0.97	2.48	2.09	3.81
	5-Year High	1.5	3.01	2.9	4.55
	5-Year Low	0.75	1.8	1.71	2.84
	5-Year Median	1.32	2.51	2.52	3.64

As of 04/27/2020

Industry Analysis **Zacks Industry Rank:** Top 34% (85 out of 253)

Top Peers

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

Industry Comparison Industry: Reit And Equity Trust - Other

	CUZ	X Industry	S&P 500	ARE	BXP	SLG
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	C	C	D
Market Cap	4.30 B	1.93 B	19.77 B	19.03 B	14.60 B	3.69 B
# of Analysts	5	4	14	3	10	8
Dividend Yield	4.10%	5.22%	2.13%	2.73%	4.16%	7.45%
Value Score	F	-	-	F	D	C
Cash/Price	0.00	0.03	0.06	0.01	0.05	0.18
EV/EBITDA	19.04	12.89	12.09	23.29	14.86	13.98
PEG Ratio	2.76	3.62	2.36	6.34	3.94	2.65
Price/Book (P/B)	0.97	1.13	2.70	1.82	1.86	0.67
Price/Cash Flow (P/CF)	10.51	9.47	10.70	20.94	12.11	6.86
P/E (F1)	11.02	12.62	18.72	21.10	12.97	6.96
Price/Sales (P/S)	6.54	4.38	2.12	11.80	4.93	2.95
Earnings Yield	9.35%	7.91%	5.19%	4.74%	7.71%	14.36%
Debt/Equity	0.50	0.84	0.72	0.67	1.51	1.15
Cash Flow ($/share)	2.79	2.03	7.01	7.20	7.77	6.92
Growth Score	B	-	-	B	B	F
Hist. EPS Growth (3-5 yrs)	-7.00%	2.75%	10.88%	7.84%	5.43%	-0.46%
Proj. EPS Growth (F1/F0)	-6.73%	-0.68%	-5.87%	2.68%	3.51%	-2.50%
Curr. Cash Flow Growth	55.56%	3.36%	5.92%	4.79%	-2.18%	3.22%
Hist. Cash Flow Growth (3-5 yrs)	18.86%	12.74%	8.55%	23.85%	2.31%	-0.78%
Current Ratio	0.68	1.26	1.23	0.19	4.15	3.97
Debt/Capital	33.42%	45.73%	43.90%	40.07%	59.58%	51.45%
Net Margin	22.88%	15.04%	11.32%	15.68%	17.62%	27.34%
Return on Equity	3.77%	4.47%	16.60%	2.77%	6.64%	5.89%
Sales/Assets	0.11	0.13	0.55	0.09	0.14	0.09
Proj. Sales Growth (F1/F0)	18.27%	0.51%	-1.15%	0.00%	2.30%	-2.66%
Momentum Score	B	-	-	A	C	C
Daily Price Chg	5.09%	3.71%	2.63%	0.86%	4.18%	6.22%
1 Week Price Chg	-12.33%	-4.18%	-1.74%	-3.75%	-5.38%	-12.76%
4 Week Price Chg	1.63%	3.11%	8.71%	4.24%	1.27%	3.08%
12 Week Price Chg	-29.18%	-27.39%	-17.57%	-8.51%	-34.25%	-48.47%
52 Week Price Chg	-22.57%	-25.08%	-11.60%	7.02%	-30.46%	-45.50%
20 Day Average Volume	1,056,671	909,136	2,734,148	822,269	1,385,953	1,767,210
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.69%	-0.98%	-4.55%
(F1) EPS Est 4 week change	-1.86%	-1.83%	-6.57%	-1.83%	-2.66%	-7.42%
(F1) EPS Est 12 week change	-2.42%	-4.16%	-12.64%	-3.12%	-4.16%	-7.96%
(Q1) EPS Est Mthly Chg	-1.93%	-1.68%	-10.33%	-3.51%	-5.13%	-9.53%

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	F
Growth Score	B
Momentum Score	B
VGM Score	C

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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