

Jones Lang LaSalle (JLL)

\$114.47 (As of 06/03/20)

Price Target (6-12 Months): **\$97.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 04/13/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: D

Summary

Shares of Jones Lang LaSalle, popularly known as JLL, have underperformed the industry over the past year. In first-quarter 2020, non-cash charges associated with the coronavirus pandemic affected its performance, but JLL made solid progress on HFF integration. Concurrent with the first-quarter earnings, the company announced that its board has decided not to announce a semi-annual dividend, generally paid in June. Moreover, JLL has suspended its share-repurchase activity. The moves come in light of the pandemic and the choppy operating environment. The macroeconomic uncertainty continues and there has been an unfavorable impact on commercial real estate transactions. Particularly, the adverse impact of the outbreak on transactional-based service lines and potential delays in payments from clients remain key concerns for the near term.

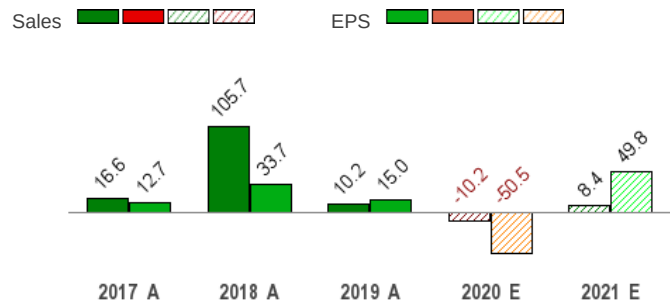
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$178.55 - \$78.29
20 Day Average Volume (sh)	433,215
Market Cap	\$5.9 B
YTD Price Change	-34.3%
Beta	1.67
Dividend / Div Yld	\$0.86 / 0.8%
Industry	Real Estate - Operations
Zacks Industry Rank	Bottom 49% (128 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-35.5%
Last Sales Surprise	6.0%
EPS F1 Est- 4 week change	-18.2%
Expected Report Date	08/04/2020
Earnings ESP	21.9%
P/E TTM	8.6
P/E F1	16.4
PEG F1	1.8
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,897 E	4,046 E	4,364 E	5,437 E	17,491 E
2020	4,096 A	3,621 E	3,864 E	4,875 E	16,142 E
2019	3,821 A	4,267 A	4,496 A	5,401 A	17,983 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.53 E	\$2.03 E	\$3.07 E	\$6.16 E	\$10.44 E
2020	\$0.49 A	\$0.90 E	\$2.08 E	\$4.72 E	\$6.97 E
2019	\$0.89 A	\$2.94 A	\$3.52 A	\$6.35 A	\$14.09 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 06/03/2020. The reports text is as of 06/04/2020.

Overview

Chicago-based Jones Lang LaSalle Incorporated is a leading full-service real estate firm that provides corporate, financial and investment management services to corporations and other real estate owners, users, and investors worldwide. The company divides its business into two primary segments: Real Estate Services (RES) and Investment Management (IM).

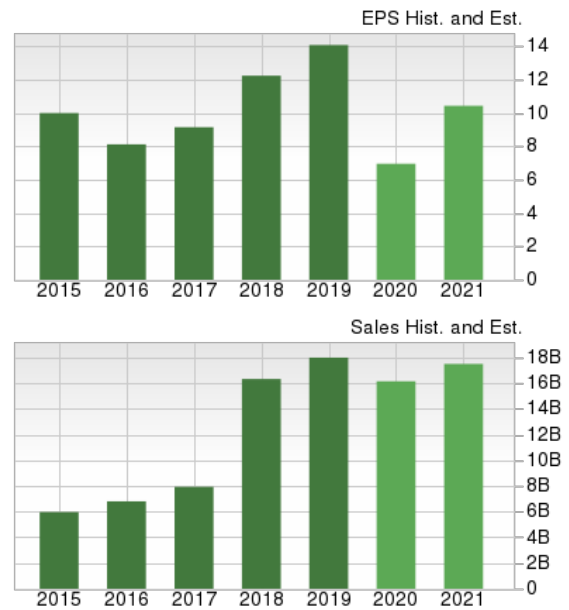
The RES segment is subdivided into three geographic regions – the Americas, EMEA (Europe, the Middle East, Africa) and the Asia Pacific. The company offers leasing, capital markets and hotels, property and facility management, project and development services and advisory, consulting and other services, both locally and globally under its Real Estate Services segment.

The IM division is referred to as LaSalle Investment Management and provides real estate investment-management services to institutional and retail investors, including high-net-worth individuals.

With annual revenues of \$18 billion, JLL is a Fortune 500 company, having operations in more than 80 countries, as well as global workforce of more than 94,000 as of Mar 31, 2020. The company is an industry leader in property and corporate facility management services.

Moreover, on Jul 1, 2019, JLL announced the completion of its acquisition of HFF Inc. This cash-and-stock transaction, valued at about \$1.8 billion and first announced in March 2019, comes as part of JLL's effort to substantially boost its Capital Markets business.

Notably, HFF offered clients a fully-integrated capital market platform, including debt placement, investment advisory, equity placement, funds marketing, M&A and corporate advisory, loan sales and commercial loan servicing. The company has closed more than \$800 billion in excess of 27,000 transactions since 1998 and generated revenues of more than \$650 million in 2018. Therefore, following the acquisition, with a global team of more than 3,700 capital market professionals across 47 countries, JLL now has a superior ability to offer capital-market services and expertise to its clients.



Reasons To Sell:

- ▼ The pandemic has resulted in uncertainty, interruption of business activities and substantial impact on global markets as well as on consumer and business sentiment. In the second quarter, there is likely to be business contraction. Investment in global commercial real estate declined 5% in the first quarter, while global leasing volumes fell 22%, with deals on hold and in flux. Depending on recovery, volumes for the rest of the year will likely be affected. Amid the macroeconomic impact of the pandemic, the company witnessed certain non-cash charges in the first quarter, including a \$30.6-million increase to loan loss credit reserves in Americas and \$40.3 million of equity losses from fair value declines in LaSalle. The persistent impact of the outbreak on transactional-based service lines, possible additional non-cash charges, and potential delays in payments from clients remain key concerns.
- ▼ JLL has been focused on consistently raising dividend since 2011 and aimed at enhancing shareholders' value. However, concurrent with the first-quarter 2020 earnings, the company noted that its board will not announce a semi-annual dividend, usually paid in June. Though the suspension of dividend helps save cash for reinvestment in business to drive long-term growth, the move leads to negative perceptions of investors. In first-quarter 2020, the company repurchased nearly 188 thousand shares for \$25 million under its \$200-million plan approved in October 2019. However, in light of the coronavirus pandemic and associated economic uncertainties worldwide, the company has suspended its share-repurchase activity.
- ▼ Intense competition from international, regional and local players in the market is a concern. In addition, given its international presence, JLL often faces unfavorable foreign currency movements, impacting its top-line growth. Moreover, the Real Estate Services business segment is also cyclical in nature and experiences fluctuations in revenues and operating margins. This, in turn, could negatively affect the long-term earnings expectations of the company.
- ▼ Shares of JLL have declined 10.8% over the past 12 months whereas its industry moved south by 9.6%. Moreover, the recent trend in earnings estimates revisions for the current year does not indicate a favorable outlook for JLL. In fact, the Zacks Consensus Estimate for the 2020 earnings per share moved down 18.1% over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock is unlikely to perform well in the near-term.

Macroeconomic uncertainty due to the pandemic and adverse impact on commercial real estate transactions are key concerns. There is stiff competition from regional and local players as well.

Risks

- JLL has a broad range of real estate product and services as well as an extensive knowledge of domestic and international real estate markets, thus enabling it to operate as a single-source provider of real estate solutions. The company is focused on balanced revenue growth across profitable markets. Also, its superior client services and strategic investment in technology and innovation are expected to help grow market share and win relationships.
 - JLL continues to invest strategically so as to capitalize on market consolidations. The company's superior operating platform and market share expansion have helped it achieve strong growth as well as a decent cash level. In fact, over the past years, the company completed several strategic acquisitions as part of its global growth strategy, thereby expanding its capabilities in certain service offerings. In July 2019, JLL announced about its completion of HFF Inc.'s acquisition. This transformative acquisition bolstered full-service Capital Markets business. The company also made decent progress on realizing cost synergies for the first nine months since close. Earlier, the company completed two new strategic acquisitions — Latitude Real Estate Investors and Corporate Concierge Services. These acquisition efforts helped in expansion of the company's capabilities and increasing its presence in key regional markets.
 - JLL's Corporate Solutions business, which is the company's multi-service outsourcing business, and includes integrated Facility Management and Corporate Solutions-related services from Leasing, Project & Development, as well as Advisory & Consulting, is well poised to capitalize on the favorable trends. In fact, amid rising trend of outsourcing of real estate needs by companies, new contract awards and expansion of services with existing clients are likely to aid JLL's performance in the upcoming period.
 - JLL is focused on maintaining balance-sheet strength and adequate liquidity to enjoy operational flexibility. The company enjoys credit facility of \$2.75 billion that will mature in 2023. Net debt-to-trailing 12 months adjusted EBITDA was 1.4x and the company has no debt maturities until 2022. Although there was an uptick in leverage in the first quarter, it reflects seasonal liquidity needs and particularly, annual incentive compensation payments. Moreover, the company enjoys investment grade ratings — Moody's: Baa1 and S&P: BBB+ — which reflects the financial and balance-sheet strength. Hence, with a solid balance sheet and sufficient financial flexibility, JLL remains well poised to sail through the challenging times and capitalize on solid opportunities.
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Last Earnings Report

Jones Lang LaSalle Q1 Earnings Miss, Revenues Beat Estimates

JLL reported first-quarter 2020 adjusted earnings of 49 cents per share, missing the Zacks Consensus Estimate of 76 cents. The bottom-line figure also compared unfavorably with the year-ago adjusted earnings of 89 cents per share.

Notably, non-cash charges associated with COVID-19 affected the otherwise healthy margin development.

The macroeconomic impact of the pandemic led to certain non-cash charges this quarter, including a \$30.6-million increase to loan loss credit reserves in Americas and \$40.3 million of equity losses from fair value declines in LaSalle.

However, revenues for the first quarter came in at \$4.1 billion, outpacing the Zacks Consensus Estimate of \$3.8 billion. The reported figure improved 7%, year over year. Also, fee revenues were up 14% year over year to \$1.5 billion.

Though the company witnessed decent trend of quarterly growth in Americas leasing, and reported organic Real Estate Services fee revenue growth of 5% despite the coronavirus crisis. Moreover, continued progress on the HFF Inc. integration resulted in solid Capital Markets performance while double-digit increase in facilities management aided Corporate Solutions.

Concurrent with the first-quarter 2020 earnings, the company has announced suspension of its dividend payment to shareholders. Though in first-quarter 2020, the company repurchased nearly 188 thousand shares for \$25 million under its \$200-million plan approved in October 2019, in light of the coronavirus pandemic and associated economic uncertainties worldwide, JLL has suspended its share-repurchase activity.

Behind the Headline Numbers

During the March-end quarter, JLL's Real Estate Services revenues climbed 7% year over year to \$3.9 billion. Result reflected solid Capital Markets performance, largely due to the Jul 1, 2019, acquisition of HFF Inc.

In the Americas, revenues and fee revenues came in at \$2.52 billion and \$918.4 million, respectively, reflecting 12% and 29% year-over-year growth. Growth was strong and broad-based across all service lines. Results were backed by Capital Markets with \$140.9 million of incremental revenue contributions from HFF. Leasing too performed well in the U.S. while Corporate Solutions reported double-digit fee revenue growth with net new wins and existing client expansions, as reflected in Property & Facility Management and Project & Development Services.

Revenues and fee revenues of the EMEA segment came in at \$755.9 billion and \$310.5 million, up 4% but down 2%, respectively, from the year-ago period. Results highlighted decent performance in Capital Markets and Project & Development Services. However, the company experienced decline in Property & Facility Management fee revenues which reflects the sale of certain property management businesses in continental Europe in late 2019.

For the Asia-Pacific segment, revenues and fee revenues came in at \$712.1 million and \$177.7 million, respectively, marking a year-over-year fall of 5% and 10%, largely due to Greater China and to a lesser extent Japan, mainly in transactions-based service lines. Corporate Solutions was principally flat year over year with growth in integrated facilities management and advisory services being mostly offset by the impact of temporary work stoppages on Project & Development Services mandates.

Revenues in the LaSalle segment increased 7% year over year to \$104.9 million. Growth in advisory fee revenues mainly resulted from decent private equity capital raising during the trailing 12-month period.

At the end of first-quarter 2020, assets under management were \$69.5 billion, up 2.8% from the \$67.6 billion recorded at the end of the last quarter.

Liquidity

JLL exited the first quarter with cash and cash equivalents of \$720.7 million, up from \$451.9 million as of Dec 31, 2019.

The company's net debt totaled \$1.5 billion as of Mar 31, 2020, marking an increase of about \$650 million from Dec 31, 2019, reflecting around \$650 million of incentive compensation payments made in the first quarter.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	6.01%
EPS Surprise	-35.53%
Quarterly EPS	0.49
Annual EPS (TTM)	13.30

Recent News

Dividend Update

On Nov 5, 2019, JLL announced a common stock dividend of 43 cents per share. The dividend was paid on Dec 13, to shareholders of record on Nov 15, 2019. Notably, total 2019 dividends of 86 cents per share increased 5% from 2018. However, concurrent with the first-quarter 2020 earnings, the company stated that its board will not announce a semi-annual dividend, historically paid in June.

Valuation

JLL's shares have been down 10.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 9.6% and 12.9% in the past year.

The S&P 500 Index has been up 9.1% both in the trailing 12-month period.

The stock is currently trading at 13.56X forward 12-month earnings, which compares to 19.72X for the Zacks sub-industry, 16.54X for the Zacks sector and 22.29X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.39X and as low as 5.99X, with a 5-year median of 12.89X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$97 price target reflects 11.49X earnings.

The table below shows summary valuation data for JLL.

Valuation Multiples - JLL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	13.56	19.72	16.54	22.29
	5-Year High	18.39	19.72	16.54	22.29
	5-Year Low	5.99	11.8	11.57	15.23
	5-Year Median	12.89	16.41	13.96	17.49
P/S F 12M	Current	0.35	2.2	5.8	3.47
	5-Year High	1.45	4.71	6.69	3.47
	5-Year Low	0.23	2.2	4.98	2.53
	5-Year Median	0.67	3.16	6.06	3.02
P/B TTM	Current	1.18	0.4	2.31	4.21
	5-Year High	3.32	0.94	2.9	4.56
	5-Year Low	0.81	0.26	1.71	2.83
	5-Year Median	1.84	0.66	2.53	3.66

As of 06/03/2020

Industry Analysis Zacks Industry Rank: Bottom 49% (128 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
CushmanWakefield PLC (CWK)	Neutral	4
FirstService Corporation (FSV)	Neutral	3
Newmark Group, Inc. (NMRK)	Neutral	3
The RMR Group Inc. (RMR)	Neutral	3
WalkerDunlop, Inc. (WD)	Neutral	4
CBRE Group, Inc. (CBRE)	Underperform	5
Colliers International Group Inc. (CIGI)	Underperform	4
MarcusMillichap, Inc. (MMI)	Underperform	5

Industry Comparison Industry: Real Estate - Operations				Industry Peers		
	JLL	X Industry	S&P 500	CBRE	CIGI	CWK
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	5	4	4
VGM Score	D	-	-	D	F	F
Market Cap	5.91 B	414.85 M	22.50 B	16.59 B	2.45 B	2.74 B
# of Analysts	4	1.5	14	4	2	3
Dividend Yield	0.75%	0.00%	1.88%	0.00%	0.16%	0.00%
Value Score	D	-	-	D	D	F
Cash/Price	0.14	0.16	0.06	0.05	0.05	0.17
EV/EBITDA	7.78	9.25	12.98	9.40	9.81	8.83
PEG Ratio	1.86	1.77	3.05	1.77	NA	1.49
Price/Book (P/B)	1.18	1.04	3.11	2.69	4.94	2.52
Price/Cash Flow (P/CF)	6.08	7.81	12.18	9.20	12.40	6.49
P/E (F1)	16.74	17.99	22.19	19.51	18.86	14.89
Price/Sales (P/S)	0.32	2.37	2.40	0.67	0.81	0.31
Earnings Yield	6.09%	4.74%	4.31%	5.13%	5.30%	6.69%
Debt/Equity	0.56	0.43	0.76	0.45	1.49	2.82
Cash Flow (\$/share)	18.82	1.20	7.01	5.38	4.96	1.91
Growth Score	D	-	-	C	D	F
Hist. EPS Growth (3-5 yrs)	9.30%	16.28%	10.87%	16.93%	8.90%	NA
Proj. EPS Growth (F1/F0)	-50.57%	-26.32%	-10.74%	-31.60%	-30.19%	-49.19%
Curr. Cash Flow Growth	25.02%	8.75%	5.48%	11.78%	12.01%	259.21%
Hist. Cash Flow Growth (3-5 yrs)	13.41%	10.90%	8.55%	16.49%	7.34%	NA
Current Ratio	2.36	1.64	1.29	1.20	0.91	1.12
Debt/Capital	36.08%	31.59%	44.75%	31.22%	68.65%	73.80%
Net Margin	2.84%	5.11%	10.59%	5.23%	3.49%	-0.39%
Return on Equity	14.30%	3.53%	16.29%	21.37%	22.33%	-2.77%
Sales/Assets	1.43	0.20	0.55	1.60	1.15	1.29
Proj. Sales Growth (F1/F0)	-10.24%	0.00%	-2.65%	-2.15%	-18.64%	-6.15%
Momentum Score	D	-	-	C	C	F
Daily Price Chg	8.41%	1.28%	2.42%	7.63%	12.66%	12.92%
1 Week Price Chg	9.44%	0.94%	4.60%	9.13%	6.26%	7.22%
4 Week Price Chg	18.65%	13.16%	13.40%	29.75%	24.17%	14.80%
12 Week Price Chg	-17.88%	-8.77%	12.78%	-0.38%	-14.90%	-15.41%
52 Week Price Chg	-10.84%	-16.74%	0.89%	3.66%	-6.16%	-28.72%
20 Day Average Volume	433,215	15,653	2,528,787	2,493,485	301,848	1,221,108
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-18.16%	0.00%	-0.14%	-9.70%	0.00%	-266.67%
(F1) EPS Est 12 week change	-49.99%	-27.55%	-16.00%	-38.52%	-65.04%	-126.96%
(Q1) EPS Est Mthly Chg	-49.63%	0.00%	-0.02%	-31.21%	0.00%	-300.00%

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	D
Growth Score	D
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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