Jones Lang LaSalle (JLL)

$103.86 (As of 08/12/20)

Price Target (6-12 Months): **$110.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/06/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: A	Momentum: F

Summary

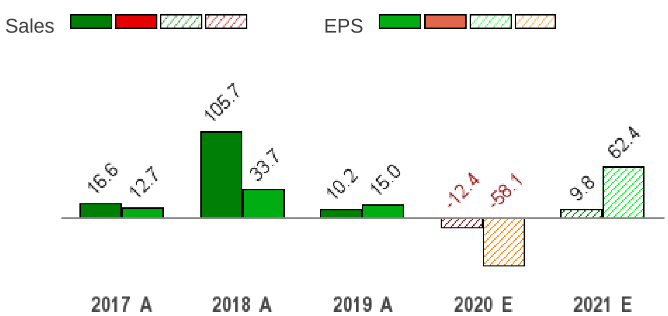
Jones Lang LaSalle, popularly known as JLL, delivered a lower-than-expected performance in the second quarter, reflecting the adverse impact of the pandemic on its top line, with transaction-based service lines being hit hard due to delays in leasing and capital market transactions, though property & facility management business, led by Corporate Solutions, provided support. JLL also achieved a reduction in net debt in the quarter. Strategic investments to gain from market consolidations are likely to boost long-term profitability, while rising trend of outsourcing of real estate needs will likely drive its multi-service outsourcing business. Yet, its shares have underperformed the industry in the past year and the pandemic's impact on transactional-based service lines and potential delays in payments from clients are near-term woes.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$178.55 - $78.29**
20 Day Average Volume (sh)	**419,350**
Market Cap	**$5.4 B**
YTD Price Change	**-40.3%**
Beta	**1.62**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Real Estate - Operations**
Zacks Industry Rank	**Bottom 27% (184 out of 253)**
Last EPS Surprise	**-9.1%**
Last Sales Surprise	**2.2%**
EPS F1 Est- 4 week change	**-19.8%**
Expected Report Date	**11/03/2020**
Earnings ESP	**0.0%**
P/E TTM	**9.4**
P/E F1	**17.6**
PEG F1	**2.0**
P/S TTM	**0.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	3,864 E	3,856 E	4,202 E	5,215 E	17,291 E
2020	4,096 A	3,670 A	3,739 E	4,671 E	15,748 E
2019	3,821 A	4,267 A	4,496 A	5,401 A	17,983 A

EPS Estimates

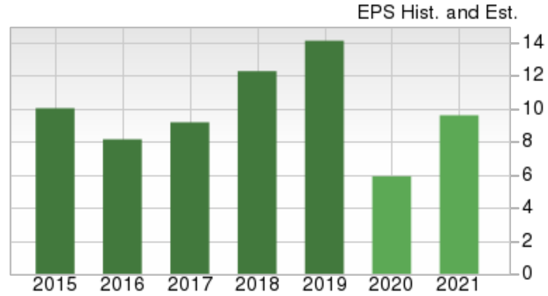
	Q1	Q2	Q3	Q4	Annual*
2021	$1.65 E	$1.49 E	$2.70 E	$5.69 E	$9.58 E
2020	$0.49 A	$0.70 A	$1.41 E	$3.99 E	$5.90 E
2019	$0.89 A	$2.94 A	$3.52 A	$6.35 A	$14.09 A

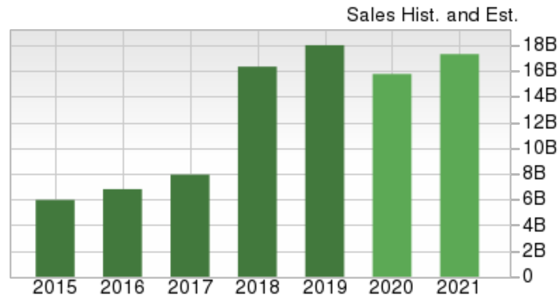
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/12/2020. The reports text is as of 08/13/2020.

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 roughly 93,000 as of Jun 30, 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 Buy:

> JLL's wide range of product & services and spate of strategic investment activities to capitalize on market consolidations augur well. Also, its robust balance sheet, with a manageable debt position, is impressive.

- 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 has successfully integrated the HFF organization and realized $28 million of synergies within thefirst 12 months, in-line with expectationsat announcement. Moreover, it is on track to achieve the announced $60 million run-ratesynergies over 2-3 years. Also, incorporating HFF into JLL's full-serviceglobal platform paves way for significant cross sell opportunities. 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 wins and expansion of services with existing clients are likely to aid JLL's performance in the upcoming period. Also, amid the pandemic, Corporate Solutions continued to show its resiliency as a scaled global platform and particularly, the facility management business reported a decent performance. Apart from delivering on the long-term contracts, the company is gaining attention of clients by offering newly-designed products to help clients alleviate the impacts from the pandemic on the usage of their real estate footprint.

- JLL is focused on maintaining balance-sheet strength and adequate liquidity to enjoy operational flexibility. The company's net debt amounted to $1.1 billion as of Jun 30, 2020, marking a decline of $450 million from March end and reflecting the operating cash-flow drivers. Further, as of June-end, leverage was 1.1x, down from 1.4x at March-end. Moreover, JLL exited the quarter with $2.5 billion of liquidity, including roughly $400 million of cash and 75% of capacity available on its $2.75 billion revolver, while its earliest debt maturities are not until November 2022. Also, pause on dividends and share repurchases have helped to maintain that flexibility. The company also 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.

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 fact, global economic growth for 2020 is expected to decline roughly 5%. Particularly, in second-quarter 2020, global commercial real estate investment volumes plunged 55% year over year to $107 billion, which equates to a 29% decline in the first half of the current year. JLL too has not been spared and the company's second quarter results reflect the adverse impact of the coronavirus pandemic on its top line, with transaction-based service lines being hit hard due to delays in leasing and capital market transactions. Currently, the length of lockdowns, mainly in major economies remains uncertain while the risk of a second wave looms. Therefore, the pandemic's impact on transactional-based service lines and potential delays in payments from clients are key concerns.

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.

- 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 lost 20.5% over the past 12 months compared with its industry's decline of 2.1%. Moreover, the recent trend in earnings estimates revisions for the current year does not indicate a favorable outlook for JLL, as estimates have been revised 13.5% downward over the past week. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock is unlikely to perform well in the near term.

Last Earnings Report

Jones Lang LaSalle Q2 Earnings Miss on Coronavirus Crisis

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	2.16%
EPS Surprise	-9.09%
Quarterly EPS	0.70
Annual EPS (TTM)	11.06

JLL's second-quarter 2020 adjusted earnings missed the Zacks Consensus Estimate of 77 cents. The bottom-line figure also compared unfavorably with the year-ago quarter adjusted earnings of $2.94 per share.

The quarterly results reflect the adverse impact of the coronavirus pandemic on the company's top line, with transaction-based service lines being hit hard due to delays in leasing and capital market transactions. However, the property & facility management business, led by Corporate Solutions, provided support.

Revenues for the second quarter came in at $3.67 billion, marking a 14% decline year over year. However, the reported figure surpassed the Zacks Consensus Estimate of $3.59 billion. Fee revenues were down 24% year over year to $1.2 billion.

Moreover, adjusted EBITDA margin, calculated on a fee-revenue basis, was 8.3% compared with the prior-year quarter's 13.9%. The contraction reflects decline in fee revenues, particularly within transaction-based service lines. This was, nonetheless, partly mitigated by the cost-reduction measures and government relief programs.

Behind the Headline Numbers

During the June-end quarter, JLL's Real Estate Services (RES) revenues slipped 14% year over year to $3.57 billion. Notably, RES revenues declined across all three geographic segments and in all service lines except Property & Facility Management that was supported by Corporate Solutions.

In the Americas, revenues and fee revenues came in at $2.2 billion and $683.1 million, respectively, reflecting 10% and 21% year-over-year decline. Notably, the Americas transaction-based service lines were affected by the pandemic. Also, soft investment sales and debt placement activity hurt Capital Markets revenues, though it included incremental revenue contributions from HFF. However, new client wins, Corporate Solutions client expansions and pandemic-response facility management projects helped Property & Facility Management register significant fee revenue growth.

Revenues and fee revenues of the EMEA segment came in at $626.2 million and $268.0 million, down 23% and 29%, respectively, from the year-ago period, with pandemic-related mandatory country lockdowns affecting performance. Transaction-based revenues were substantially lower, particularly in the U.K. and France.

For the Asia-Pacific segment, revenues and fee revenues came in at $715.3 million and $198.8 million, respectively, marking a year-over-year fall of 16% and 24%. Transaction-based revenues bore the brunt and in particular, office leasing revenues were substantially lower, most notably in India, Australia and Greater China. Pause on deal activity, especially large transactions, affected Capital Markets revenues. Nevertheless, new client wins and expansion of existing mandates for Corporate Solutions boosted Property & Facility Management fee revenues.

Revenues in the LaSalle segment decreased 23% year over year to $99.9 million. Solid advisory fees indicated strong private equity capital raising over the trailing 12 months, though it was offset by recent valuation declines in assets under management. However, an overall decline in revenues chiefly reflects lower incentive fees.

At the end of second-quarter 2020, assets under management were $65 billion, down 6% from the last quarter end.

Liquidity

JLL exited the second quarter with cash and cash equivalents of $413.5 million, down from $451.9 million as of Dec 31, 2019. Moreover, as of Jun 30, 2020, the company's net debt amounted to $1.1 billion, marking a decline of $450 million from March end and reflecting the operating cash flow drivers.

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 20.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 2.1% and 3.6% over the past year, respectively.

The S&P 500 Index has been up 19.1% over the trailing 12-month period.

The stock is currently trading at 12.08X forward 12-month earnings, which compares to 20.52X for the Zacks sub-industry, 16.88X for the Zacks sector and 22.92X 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 12.68X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $110 price target reflects 12.79X earnings.

The table below shows summary valuation data for JLL.

Valuation Multiples - JLL

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.08	20.52	16.88	22.92
	5-Year High	18.39	20.52	16.88	22.92
	5-Year Low	5.99	11.80	11.59	15.25
	5-Year Median	12.68	16.42	14.26	17.58
P/S F12M	Current	0.32	3.17	6.22	3.70
	5-Year High	1.43	4.71	6.66	3.70
	5-Year Low	0.23	2.20	4.96	2.53
	5-Year Median	0.65	3.14	6.06	3.05
P/B TTM	Current	1.05	0.49	2.49	4.71
	5-Year High	3.20	0.90	2.91	4.71
	5-Year Low	0.81	0.30	1.72	2.83
	5-Year Median	1.82	0.65	2.53	3.74

As of 08/12/2020

Industry Analysis **Zacks Industry Rank:** Bottom 27% (184 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
FirstService Corporation **(FSV)**	Outperform	1
CBRE Group, Inc. **(CBRE)**	Neutral	3
CushmanWakefield PLC **(CWK)**	Neutral	5
The RMR Group Inc. **(RMR)**	Neutral	5
WalkerDunlop, Inc. **(WD)**	Neutral	2
Colliers International Group Inc. **(CIGI)**	Underperform	5
MarcusMillichap, Inc. **(MMI)**	Underperform	5
Newmark Group, Inc. **(NMRK)**	Underperform	5

Industry Comparison Industry: Real Estate - Operations

	JLL	X Industry	S&P 500	Industry Peers CBRE	CIGI	CWK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	5
VGM Score	A	-	-	B	B	F
Market Cap	5.38 B	527.27 M	23.75 B	15.85 B	2.51 B	2.53 B
# of Analysts	4	1	14	4	2	3
Dividend Yield	0.00%	0.00%	1.68%	0.00%	0.15%	0.00%
Value Score	A	-	-	B	B	F
Cash/Price	0.08	0.16	0.07	0.09	0.07	0.16
EV/EBITDA	6.84	9.12	13.35	8.21	10.84	9.50
PEG Ratio	1.90	1.88	2.98	1.88	NA	1.41
Price/Book (P/B)	1.05	1.20	3.20	2.52	5.02	2.45
Price/Cash Flow (P/CF)	5.52	8.95	12.97	8.79	13.07	6.00
P/E (F1)	17.07	18.43	22.17	20.67	18.43	14.10
Price/Sales (P/S)	0.30	2.37	2.54	0.65	0.88	0.30
Earnings Yield	5.67%	4.84%	4.31%	4.84%	5.43%	7.06%
Debt/Equity	0.41	0.25	0.77	0.28	2.15	3.56
Cash Flow ($/share)	18.82	1.19	6.94	5.38	4.96	1.91
Growth Score	A	-	-	B	B	F
Hist. EPS Growth (3-5 yrs)	9.38%	14.24%	10.41%	15.27%	5.97%	NA
Proj. EPS Growth (F1/F0)	-58.16%	-29.21%	-6.32%	-38.34%	-24.73%	-50.41%
Curr. Cash Flow Growth	25.02%	9.05%	5.22%	11.78%	12.01%	259.21%
Hist. Cash Flow Growth (3-5 yrs)	13.41%	8.96%	8.55%	16.49%	7.34%	NA
Current Ratio	2.01	1.90	1.33	1.23	0.99	1.41
Debt/Capital	29.10%	21.91%	44.59%	21.91%	74.38%	78.07%
Net Margin	2.40%	3.87%	10.13%	4.72%	2.53%	-1.69%
Return on Equity	11.47%	4.19%	14.59%	17.96%	14.61%	-12.14%
Sales/Assets	1.32	0.23	0.51	1.55	1.05	1.22
Proj. Sales Growth (F1/F0)	-12.43%	0.00%	-1.40%	-4.76%	-11.26%	-9.96%
Momentum Score	F	-	-	F	D	F
Daily Price Chg	-1.46%	0.00%	0.67%	0.17%	0.15%	-0.09%
1 Week Price Chg	-4.23%	0.46%	2.30%	0.48%	12.16%	0.84%
4 Week Price Chg	-3.40%	2.43%	4.87%	4.56%	15.35%	-1.97%
12 Week Price Chg	7.40%	13.22%	13.54%	19.39%	36.66%	17.52%
52 Week Price Chg	-20.51%	-8.61%	6.06%	-5.17%	-4.34%	-31.60%
20 Day Average Volume	419,350	13,372	2,006,991	1,890,572	74,987	718,282
(F1) EPS Est 1 week change	-12.71%	0.00%	0.00%	0.00%	-6.90%	-439.13%
(F1) EPS Est 4 week change	-19.76%	0.00%	1.95%	-9.85%	-6.90%	-439.13%
(F1) EPS Est 12 week change	-19.76%	0.00%	2.72%	-14.75%	-8.47%	-439.13%
(Q1) EPS Est Mthly Chg	-32.20%	0.00%	0.84%	-24.15%	10.00%	-1,100.00%

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	A
Growth Score	A
Momentum Score	F
VGM Score	A

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.

Disclosures

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