Apr 15, 2020

Jones Lang LaSalle (JLL)

$109.80 (As of 04/14/20)

Price Target (6-12 Months): **$93.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/13/20) Prior Recommendation: Neutral	**Underperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**5-Strong Sell**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: B | Momentum: C	

Summary

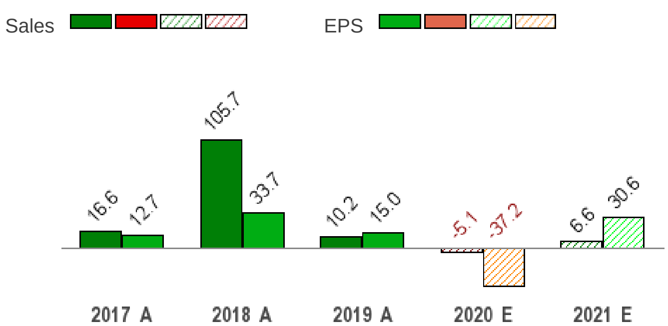
Jones Lang LaSalle — popularly known as JLL – has a diversified range of product & services, which have helped the company register balanced revenue growth across its markets. Strategic investments to capitalize on market consolidations are anticipated to boost long-term profitability. However, the COVID-19 pandemic has resulted in the recent macroeconomic uncertainty. There are certain areas which are likely to be affected though the ultimate outcome of this outbreak on the commercial real estate activity is not yet known. Capital markets and leasing activity are likely to bear the brunt in the near term and investment volumes are expected to remain soft, given investors' cautious stance. Therefore, JLL's growth tempo is likely to be adversely affected. Shares of JLL have underperformed the industry over the past year.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$178.55 - $78.29
20 Day Average Volume (sh)	638,090
Market Cap	$5.7 B
YTD Price Change	-36.9%
Beta	1.91
Dividend / Div Yld	$0.86 / 0.8%
Industry	Real Estate - Operations
Zacks Industry Rank	Bottom 25% (190 out of 253)
Last EPS Surprise	10.8%
Last Sales Surprise	1.3%
EPS F1 Est- 4 week change	-33.7%
Expected Report Date	05/05/2020
Earnings ESP	-2.9%
P/E TTM	8.0
P/E F1	12.4
PEG F1	1.4
P/S TTM	0.3

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	4,111 E	4,507 E	4,618 E	5,562 E	18,193 E
2020	3,875 E	4,001 E	4,135 E	5,056 E	17,067 E
2019	3,821 A	4,267 A	4,496 A	5,401 A	17,983 A

EPS Estimates

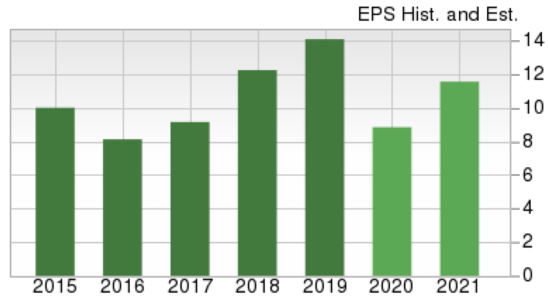
	Q1	Q2	Q3	Q4	Annual*
2021	$1.05 E	$3.09 E	$3.85 E	$6.94 E	$11.56 E
2020	$0.80 E	$1.98 E	$2.75 E	$5.38 E	$8.85 E
2019	$0.89 A	$2.94 A	$3.52 A	$6.35 A	$14.09 A

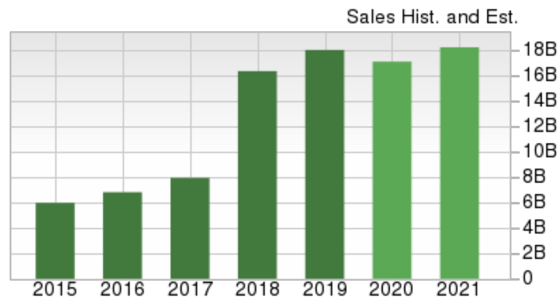
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/14/2020. The reports text is as of 04/15/2020.

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 93,000 as of Dec 31, 2019. 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:

- Post the financial crisis, the industry has been making a steady run, as commercial real estate markets witnessed elevated demand, rising absorptions, high occupancy and escalating rents. This came amid recovering economy, job-market gains, low-cost credit availability, as well as rising institutional capital inflows toward commercial real estate. However, the COVID-19 pandemic resulted in the recent macroeconomic uncertainty. There are certain areas which are likely to be affected though the ultimate outcome of this outbreak on this commercial real estate activity is not yet known. Capital markets and leasing activity are likely to bear the brunt in the near-term and investment volumes are expected to remain soft, given investors' cautious stance.

> Commercial real estate industry seems to be entering the late stages of its growth cycle. Investment volumes and leasing activity are likely to be low amid uncertain macroeconomic environment.

- 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.

- JLL significantly depends on long-term client relationships and on revenues received for services under various service agreements. However, several of these deals can be terminated by the clients for any reason with as little as 30 to 60 days' notice. 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 27.8% over the past 12 months whereas its industry moved south by 19%. 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 33.7% over the past week. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

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 bolsters full-service Capital Markets business. HFF revenue and margin performance in the first six months since its acquisition has been strong. Its integration is progressing well with the realization of $10 million in synergies in 2019. Also, it is projected to deliver significant run-rate synergies, estimated at around $60 million, over two to three years, with $28 million in the first 12 months. 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. Such concerted efforts are likely to aid the company gain strength to capitalize on an improving market environment.

- 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 strengthen JLL's performance in the upcoming period.

- JLL's robust balance sheet helps manage debt-level efficiently. The company enjoys credit facility of $2.75 billion that will mature in 2023. This will likely enhance its financial flexibility. In addition, the company's net debt totaled $860.9 million as of Dec 31, 2019, denoting decreases of $618.8 million from Sep 30, 2019. Moreover, the company enjoys investment grade ratings — Moody's: Baa1 and S&P: BBB+ — which reflects financial and balance-sheet strength. Hence, with a solid balance sheet and sufficient financial flexibility, JLL remains well poised to continue with its growth momentum.

- JLL has been consistently raising dividend since 2011 and aiming at enhancing shareholders' value. Concurrent with its first-quarter 2019 earnings, the company increased dividends by 5% to 43 cents and subsequently retained the same payout. Earlier, in first-quarter 2018 and third-quarter 2017, the company had hiked dividends by 11% to 41 cents and 5.7% to 37 cents, respectively. Given its financial strength and lower-payout ratio, this dividend payment is expected to be sustainable.

Last Earnings Report

Jones Lang LaSalle Q4 Earnings & Revenues Top Estimates

Quarter Ending	12/2019
Report Date	Feb 11, 2020
Sales Surprise	1.33%
EPS Surprise	10.82%
Quarterly EPS	6.35
Annual EPS (TTM)	13.70

JLL delivered fourth-quarter 2019 adjusted earnings of $6.35 per share, surpassing the Zacks Consensus Estimate of $5.73. The bottom-line figure also compares favorably with the year-ago adjusted earnings of $5.99 per share.

Revenues for the fourth quarter came in at around $5.4 billion, outpacing the Zacks Consensus Estimate of $5.3 billion by 1.3%. The reported figure improved 10.4%, year over year. Moreover, fee revenues were up 12% year over year to $2.37 billion.

Results highlight robust Real Estate Services revenue growth. The company witnessed solid performance of the Americas. Moreover, continued progress on HFF Inc. integration resulted in solid Capital Markets performance.

However, with respect to the real estate market outlook, it needs to be noted that the global environment remains cautious and investment volumes in 2020 are likely to moderate from the 2019 levels. Also, leasing in the current year is anticipated to be lower from the previous year.

For full-year 2019, JLL reported adjusted earnings of $14.09, denoting an increase of 15% from the prior-year tally of $12.25. This surge was backed by 10.2% year-over-year growth in revenues to $17.98 billion.

Behind the Headline Numbers

During the December-end quarter, JLL's Real Estate Services revenues climbed 10% year over year to $5.2 billion. Result reflected solid Capital Markets performance, largely due to the Jul 1, 2019, acquisition of HFF Inc., along with a robust quarter in Asia Pacific.

In the Americas, revenues and fee revenues came in at $3.18 billion and $1.28 billion, respectively, indicating 15.7% and 22.1% year-over-year growth. Growth was strong and broad-based across all service lines. This was backed by Capital Markets. HFF reaped $203.2 million of incremental revenues, reflecting strong contributions from debt placement. Further, Project & Development Services fee revenues climbed year on year, mirroring large project wins in the United States.

Revenues and fee revenues of the EMEA segment came in at $1.07 billion and $559.8 million, up 0.7% but down 2.5%, respectively, from the year-ago period. Solid performance in Project & Development Services, particularly projects in MENA, as well as the valuations business was more than offset by declines in Capital Markets and Leasing, mainly due to decreases in the U.K., France and Germany.

For the Asia-Pacific segment, revenues and fee revenues came in at $969.8 million and $353.8 million, respectively, marking year-over-year jump of 3.8% and 0.6%. The segment experienced significant revenue and fee revenue growth in Capital Markets during the quarter, mainly driven by large deals in Singapore and Japan. However, the decline in leasing revenues reflects choppy market conditions in Hong Kong and China amid geopolitical tensions. Moreover, the drop in Property & Facility Management fee revenues was mainly due to client turnover and timing.

Revenues in the LaSalle segment increased 24.2% year over year to $186.7 million. Growth in annuity revenues for the quarter was mainly due to continued strong private equity capital raising during the year and fees from incremental assets under management from recent buyouts.

At the end of fourth-quarter 2019, assets under management were $67.6 billion, down marginally from the $67.8 billion recorded at the end of the last quarter.

Liquidity

JLL exited the fourth quarter with cash and cash equivalents of $451.9 million, down from $480.9 million as of Dec 31, 2018.

In addition, the company's net debt totaled $860.9 million as of Dec 31, 2019, denoting decreases of $618.8 million from Sep 30, 2019. However, the figure marked an increase of $633.9 million from Dec 31, 2018, reflecting around $840 million of net cash outflow to acquire HFF, offset by strong cash generation in fourth-quarter 2019.

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.

Valuation

JLL's shares have been down 27.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 19% and 20.2% in the past year.

The S&P 500 Index has been down 5.5% both in the trailing 12-month period.

The stock is currently trading at 8.02X forward 12-month earnings, which compares to 15.44X for the Zacks sub-industry, 13.07X for the Zacks sector and 18.03X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.56X and as low as 5.99X, with a 5-year median of 13.08X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our $93 price target reflects 6.79X 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	8.02	15.44	13.07	18.03
	5-Year High	18.56	19.1	16.19	19.34
	5-Year Low	5.99	11.52	11.23	15.19
	5-Year Median	13.08	16.4	13.95	17.45
P/S F12M	Current	0.31	2.95	4.93	3.04
	5-Year High	1.45	4.71	6.65	3.44
	5-Year Low	0.23	2.62	4.93	2.54
	5-Year Median	0.68	3.18	6.03	3.01
P/B TTM	Current	1.09	0.37	2.08	3.65
	5-Year High	3.32	0.98	2.89	4.55
	5-Year Low	0.81	0.26	1.69	2.84
	5-Year Median	1.85	0.66	2.51	3.64

As of 04/14/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (190 out of 253)

Top Peers

CBRE Group, Inc. **(CBRE)**	Neutral
Colliers International Group Inc. **(CIGI)**	Neutral
Cushman & Wakefield PLC **(CWK)**	Neutral
Marcus & Millichap, Inc. **(MMI)**	Neutral
Newmark Group, Inc. **(NMRK)**	Neutral
The RMR Group Inc. **(RMR)**	Neutral
Walker & Dunlop, Inc. **(WD)**	Neutral
FirstService Corporation **(FSV)**	Underperform

Industry Comparison Industry: Real Estate - Operations

Industry Peers

	JLL Underperform	X Industry	S&P 500	CBRE Neutral	CIGI Neutral	CWK Neutral
VGM Score	A	-	-	A	A	A
Market Cap	5.66 B	426.12 M	19.79 B	14.75 B	2.15 B	2.59 B
# of Analysts	4	2	14	4	2	3
Dividend Yield	0.78%	0.00%	2.16%	0.00%	0.19%	0.00%
Value Score	B	-	-	B	C	B
Cash/Price	0.08	0.18	0.06	0.07	0.05	0.30
EV/EBITDA	6.93	7.93	11.74	8.30	8.40	7.93
PEG Ratio	1.38	1.37	2.15	1.37	NA	1.03
Price/Book (P/B)	1.09	0.99	2.65	2.34	4.15	1.98
Price/Cash Flow (P/CF)	5.83	8.05	10.40	8.15	10.88	6.16
P/E (F1)	12.41	11.75	17.72	15.07	11.91	10.33
Price/Sales (P/S)	0.31	2.07	2.06	0.62	0.71	0.30
Earnings Yield	8.06%	8.06%	5.46%	6.63%	8.40%	9.68%
Debt/Equity	0.37	0.37	0.70	0.45	1.17	2.36
Cash Flow ($/share)	18.82	1.20	7.01	5.38	4.96	1.91
Growth Score	B	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	8.08%	16.17%	10.92%	17.43%	7.17%	NA
Proj. EPS Growth (F1/F0)	-37.21%	-12.50%	-2.65%	-21.56%	-3.00%	-30.49%
Curr. Cash Flow Growth	25.02%	11.89%	5.93%	11.78%	12.01%	259.21%
Hist. Cash Flow Growth (3-5 yrs)	13.41%	9.67%	8.55%	16.49%	7.34%	NA
Current Ratio	1.64	1.33	1.24	1.17	0.78	1.23
Debt/Capital	27.12%	31.49%	42.36%	31.00%	65.13%	70.28%
Net Margin	2.98%	4.75%	11.64%	5.37%	3.38%	0.00%
Return on Equity	15.64%	3.83%	16.74%	22.53%	22.77%	0.02%
Sales/Assets	1.50	0.23	0.54	1.58	1.17	1.28
Proj. Sales Growth (F1/F0)	-5.09%	0.00%	0.00%	-1.61%	1.25%	-6.15%
Momentum Score	C	-	-	F	A	F
Daily Price Chg	1.69%	0.09%	2.56%	0.92%	-0.90%	1.03%
1 Week Price Chg	33.45%	7.53%	16.01%	28.48%	29.00%	30.45%
4 Week Price Chg	3.98%	0.00%	11.39%	20.89%	13.80%	-0.42%
12 Week Price Chg	-35.56%	-26.96%	-19.33%	-28.22%	-33.95%	-39.90%
52 Week Price Chg	-27.80%	-26.29%	-11.64%	-13.44%	-21.76%	-35.73%
20 Day Average Volume	638,090	13,337	3,452,738	2,899,173	131,182	1,029,881
(F1) EPS Est 1 week change	-33.65%	0.00%	0.00%	-26.24%	0.00%	-78.57%
(F1) EPS Est 4 week change	-33.65%	-9.06%	-6.42%	-26.24%	-23.38%	-78.57%
(F1) EPS Est 12 week change	-35.29%	-15.20%	-8.69%	-29.41%	-27.43%	-81.14%
(Q1) EPS Est Mthly Chg	-27.30%	-13.16%	-11.08%	-28.51%	0.00%	-137.04%

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	B
Growth Score	B
Momentum Score	C
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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