

Jones Lang LaSalle (JLL)

\$169.31 (As of 01/22/20)

Price Target (6-12 Months): **\$180.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/21/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: C

Summary

Shares of Jones Lang LaSalle, popularly known as JLL, have outperformed its industry in the past three months. Moreover, the trend in earnings estimate revisions for 2019 indicates an impressive outlook for the company. Notably, it has a diversified range of product & services. This helps JLL register balanced revenue growth across its operating markets. Further, strategic investments, in a bid to capitalize on market consolidations, are anticipated to boost long-term profitability. The company has also been consistently raising dividends. Given a solid balance sheet and decent financial flexibility, this dividend payout is expected to be sustainable. However, investment volumes are likely to remain soft as investors have adopted a cautious stance. Trade tension and political uncertainties are anticipated to affect transaction levels.

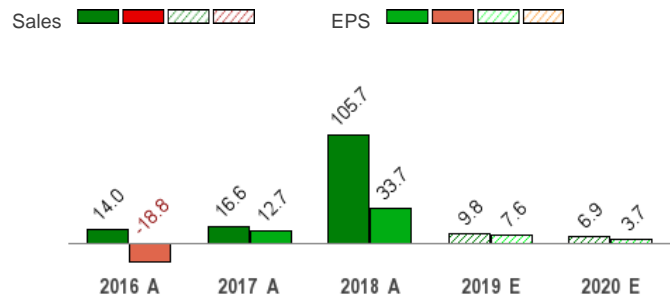
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$175.99 - \$124.01
20 Day Average Volume (sh)	196,519
Market Cap	\$8.7 B
YTD Price Change	-2.8%
Beta	1.78
Dividend / Div Yld	\$0.86 / 0.5%
Industry	Real Estate - Operations
Zacks Industry Rank	Bottom 26% (188 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	28.9%
Last Sales Surprise	3.3%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/11/2020
Earnings ESP	0.0%
P/E TTM	12.7
P/E F1	12.4
PEG F1	1.4
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	4,214 E	4,623 E	4,714 E	5,795 E	19,167 E
2019	3,821 A	4,267 A	4,496 A	5,340 E	17,922 E
2018	3,555 A	3,904 A	3,970 A	4,890 A	16,318 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.97 E	\$3.01 E	\$3.65 E	\$5.96 E	\$13.67 E
2019	\$0.89 A	\$2.94 A	\$3.52 A	\$5.73 E	\$13.18 E
2018	\$0.97 A	\$2.26 A	\$3.02 A	\$5.99 A	\$12.25 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 01/22/2020. The reports text is as of 01/23/2020.

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).

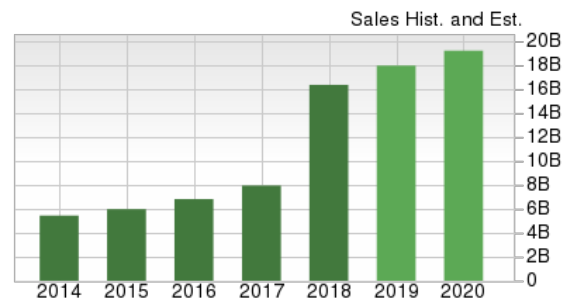
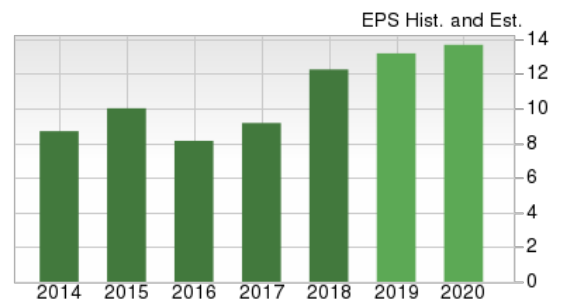
The RES segment is subdivided into three geographic regions – the Americas, EMEA (Europe, the Middle East, Africa) and the Asia Pacific. The company offers leasing, capital markets and hotels, property and facility management, project and development services and advisory, consulting and other services, 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 \$16.3 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 Sep 30, 2019. The company is an industry leader in property and corporate facility management services.

Moreover, on Jul 1, 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 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. The move came as part of JLL's effort to substantially boost its Capital Markets business. 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. Moreover, the company completed two new strategic acquisitions — Latitude Real Estate Investors and Corporate Concierge Services — in the first quarter. 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 revolving credit facility of \$2.75 billion that will mature in 2023. This will likely enhance its financial flexibility. Although the company's net debt increased in the third quarter, reflecting around \$840 million of net cash outflow to acquire HFF, which a strategic move for long-term growth. 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. 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.
- ▲ Shares of JLL have outperformed the industry it belongs to in the past three months. During this period, shares of the company have gained 17.1% compared with the industry growth of 11.9%. Moreover, the trend in earnings estimate revisions for 2019 indicates an impressive outlook for JLL. In fact, the Zacks Consensus Estimate for 2019 earnings per share has been revised marginally upward in the past two months. Therefore, given its progress on fundamentals and positive estimate revisions, the stock has decent upside potential.

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.

Reasons To Sell:

- ▼ Commercial real estate industry seems to be entering the late stages of its growth cycle. In fact, after years of witnessing decent growth, property sales have decelerated in the past couple of years. Also, investment volumes are expected to remain soft following a record 2018 as investors adopt a cautious approach. Furthermore, trade tensions, political uncertainties and volatile equity markets are anticipated to add to the woes, affecting transaction levels. Furthermore, though leasing demand is expected to have remained robust in 2019, it is likely to be lightly down from the year-ago levels.
- ▼ 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.

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Last Earnings Report

Jones Lang LaSalle Q3 Earnings and Revenues Beat Estimates

JLL delivered third-quarter adjusted earnings of \$3.52 per share, surpassing the Zacks Consensus Estimate of \$2.73. The bottom-line figure also compares favorably with the year-ago adjusted earnings of \$3.02 per share.

Revenues for the third quarter came in at around \$4.5 billion, outpacing the Zacks Consensus Estimate of \$4.35 billion by 3.3%. The reported figure improved 13.2%, year over year. Moreover, fee revenues were up 14.1% year over year to \$1.8 billion.

Results highlight robust Real Estate Services revenue growth. The company witnessed solid Americas' leasing and Capital Markets performance, while Corporate Solutions growth boosted annuity base. The company gained from the HFF Inc. acquisition and progressed well with its integration in the quarter.

Behind the Headline Numbers

During the September-end quarter, JLL's Real Estate Services revenues climbed 15.5% year over year to \$4.4 billion.

In the Americas, revenues and fee revenues came in at \$2.7 billion and \$1 billion, respectively, indicating 22.1% and 34.8% year-over-year growth. Growth was strong and broad-based across all service lines. This was backed by Capital Markets, mainly reflecting revenue gain from the HFF acquisition. Also, the company witnessed robust leasing performance across a number of U.S. markets and all major asset classes. Further, new project wins and expanded assignments with Corporate Solutions clients drove revenues from Project & Development Services. Segment fee revenue growth, excluding contributions from HFF, was strong at 12%.

Revenues and fee revenues of the EMEA segment came in at \$862.6 million and \$401.0 million, up 7.1% and 1.1%, respectively, from the year-ago period. Results suggest solid annuity growth in Project & Development Services and Property & Facility Management. However, softness in U.K. Leasing and decline in regional capital markets volumes partly offset these positives.

For the Asia-Pacific segment, revenues and fee revenues came in at \$833.8 million and \$264.9 million, respectively, marking year-over-year uptick of 5.5% and 5%. Results reflect gains in Capital Markets, steered by large deals in Greater China and growth in Japan. Also, Project & Development Services reported growth, mainly aided by Corporate Solutions project wins across a number of geographical markets. Nevertheless, decline in leasing segment results partly marred the positives.

Revenues from the LaSalle segment plunged 35.3% year over year to \$111.6 million. Growth in annuity revenues was more than offset by lower incentive fees.

At the end of third-quarter 2019, assets under management were \$67.8 billion, down nearly 1% from the \$68.4 billion recorded at the end of the last quarter.

Liquidity

JLL exited the third quarter with cash and cash equivalents of \$402.2 million, down from \$480.9 million as of Dec 31, 2018.

In addition, the company's net debt totaled \$1.5 billion as of Sep 30, 2019, denoting increases of \$589.4 million and \$784.0 million from Jun 30, 2019 and Sep 30, 2018, respectively. This hike reflects around \$840 million of net cash outflow for the acquisition of HFF.

Dividend Update

JLL announced a common stock dividend of 43 cents per share. This dividend will be paid on Dec 13, to shareholders of record on Nov 15, 2019.

Share Repurchase Program

A new share-repurchase program authorizing buyback of up to \$200 million of JLL common stock in the open market and privately-negotiated transactions was approved by the company's board on Oct 31. The latest program cancels and replaces the existing share-repurchase program. Notably, as of Nov 5, 2019, the company has repurchased any shares in 2019 under both the new or prior programs.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	3.29%
EPS Surprise	28.94%
Quarterly EPS	3.52
Annual EPS (TTM)	13.34

Recent News

JLL to Boost Leasing Business With Peloton Commercial Buyout – Sep 19, 2019

In an effort to substantially boost its Agency Leasing and Property Management business, JLL has announced that it will buy Peloton Commercial Real Estate. The terms of the deal, however, remain undisclosed.

Slated to close within the next few weeks, the acquisition of this Texas-based leasing and property management firm, will add Dallas and Houston offices, and bring on board Peloton's experienced professionals.

Notably, founded by Joel Pustmueller and T.D. Briggs in 2002, Peloton is currently into managing or leasing more than 25 million square feet for clients. The company has earned a reputation for providing client-focused real estate solutions.

With the acquisition, more than 130 Peloton professionals will join JLL. Particularly, Briggs and Pustmueller will team up with JLL's Jeff Eckert in steering the teams' incorporation as well as propelling growth across the region. Dallas — Ft Worth and Houston will be under Pustmueller and Briggs' focus, while Eckert will concentrate on Austin and San Antonio in addition to Dallas—Ft Worth. Moreover, John Myers, Peloton's Property Management Partner will undertake regional leadership of Property Management for Dallas — Ft Worth.

JLL Closes Acquisition of HFF, Boosts Capital Market Business – Jul 1, 2019

JLL announced about its completion of HFF Inc.'s acquisition. 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. Also, the combined entity is projected to deliver significant run-rate synergies, estimated at around \$60 million, over two to three years.

Former CEO of HFF — Mark Gibson — has joined JLL as CEO, Capital Markets, Americas, as well as the co-chair of its Global Capital Markets Board.

JLL financed the cash part of the purchase price consideration with a mixture of cash reserves and its existing syndicated credit facility.

Dividend Update

On May 7, JLL announced a common stock dividend of 43 cents per share, denoting a sequential increase of 5%. The dividend was paid on Jun 14, to shareholders of record on May 17, 2019.

Valuation

JLL's shares have been up 20% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have gained 33.8% and 11.8% in the past year.

The S&P 500 Index has been up 24.9% both in the trailing 12-month period.

The stock is currently trading at 12.32X forward 12-month earnings, which compares to 17.52X for the Zacks sub-industry, 14.63X for the Zacks sector and 19.13X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.65X and as low as 8.89X, with a 5-year median of 13.56X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$180 price target reflects 13.10X earnings.

The table below shows summary valuation data for JLL.

Valuation Multiples - JLL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.32	17.52	14.63	19.13
	5-Year High	18.65	23.11	16.21	19.34
	5-Year Low	8.89	14.03	12.01	15.17
	5-Year Median	13.56	19.51	13.98	17.44
P/S F12M	Current	0.45	2.65	6.53	3.56
	5-Year High	1.45	3.86	6.61	3.56
	5-Year Low	0.32	2.25	5.2	2.54
	5-Year Median	0.7	2.84	6.04	3
P/B TTM	Current	1.8	0.59	2.84	4.54
	5-Year High	3.32	0.88	2.89	4.55
	5-Year Low	1.38	0.44	1.83	2.85
	5-Year Median	1.87	0.6	2.51	3.61

As of 01/22/2020

Industry Analysis Zacks Industry Rank: Bottom 26% (188 out of 255)



Top Peers

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

Industry Comparison Industry: Real Estate - Operations				Industry Peers		
	JLL Neutral	X Industry	S&P 500	CBRE Neutral	CIGI Neutral	CWK Neutral
VGM Score	B	-	-	B	A	C
Market Cap	8.73 B	687.72 M	24.65 B	20.39 B	3.15 B	4.32 B
# of Analysts	4	3	13	4	2	3
Dividend Yield	0.51%	0.00%	1.77%	0.00%	0.12%	0.00%
Value Score	B	-	-	B	C	C
Cash/Price	0.05	0.11	0.04	0.03	0.03	0.09
EV/EBITDA	11.03	11.11	13.98	11.39	13.79	21.88
PEG Ratio	1.38	1.74	2.05	1.34	NA	1.11
Price/Book (P/B)	1.80	1.41	3.38	3.67	7.11	3.47
Price/Cash Flow (P/CF)	9.94	10.70	13.60	12.89	17.58	35.20
P/E (F1)	12.41	16.38	19.07	14.77	16.45	11.14
Price/Sales (P/S)	0.50	3.11	2.69	0.88	1.05	0.51
Earnings Yield	8.07%	5.81%	5.24%	6.76%	6.07%	8.98%
Debt/Equity	0.49	0.38	0.72	0.50	1.81	2.51
Cash Flow (\$/share)	17.03	1.11	6.94	4.73	4.66	0.56
Growth Score	B	-	-	B	A	B
Hist. EPS Growth (3-5 yrs)	6.81%	10.76%	10.60%	17.61%	5.78%	NA
Proj. EPS Growth (F1/F0)	3.74%	12.47%	7.53%	10.15%	9.58%	9.26%
Curr. Cash Flow Growth	26.95%	10.42%	13.90%	20.09%	2.84%	77.36%
Hist. Cash Flow Growth (3-5 yrs)	14.62%	8.43%	9.00%	14.97%	12.83%	NA
Current Ratio	2.05	1.80	1.22	1.17	0.84	1.18
Debt/Capital	32.88%	32.88%	42.99%	33.40%	71.61%	71.48%
Net Margin	2.64%	6.13%	11.21%	4.50%	3.58%	-0.24%
Return on Equity	15.64%	4.17%	17.16%	23.24%	25.57%	-1.60%
Sales/Assets	1.58	0.19	0.55	1.59	1.22	1.28
Proj. Sales Growth (F1/F0)	6.95%	5.05%	4.08%	8.80%	7.78%	4.81%
Momentum Score	C	-	-	D	A	D
Daily Price Chg	-0.64%	0.00%	-0.04%	-0.31%	0.21%	0.56%
1 Week Price Chg	0.82%	1.48%	2.29%	1.31%	5.04%	2.07%
4 Week Price Chg	-1.37%	0.00%	2.05%	0.53%	4.39%	-4.64%
12 Week Price Chg	13.90%	3.02%	6.92%	13.19%	23.96%	3.03%
52 Week Price Chg	23.31%	12.88%	21.50%	40.83%	36.97%	23.19%
20 Day Average Volume	196,519	6,829	1,518,423	955,632	44,743	431,328
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	4.48%	0.14%	-0.23%	3.32%	9.72%	-3.85%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	NA	NA

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	B
Growth Score	B
Momentum Score	C
VGM Score	B

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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