

Ticker:

**CBRE**

**Company Snapshot**



EAGLE FUND

**CBRE GROUP INC - A (New York: CBRE, Currency: USD)** Purchased on **7/13/22** at **\$75.17**  
 Bloomberg Rating: IG3 Sector: Real Estate Industry: Real Estate Management & Devl Sub-Industry: Real Estate Services FY End: December 2021 EPS Due: 10

**Description**  
 CBRE Group, Inc. provides real estate services. The Company offers property management, valuation, real estate investment, and advisory services. CBRE Group operates offices, data centers, multi-family, hotels, gaming, and retail sectors. CBRE Group serves customers globally.

Key Statistics	
52-Week Range	67.68 - 111
Avg Daily Vol (3 Mo)	2,088,413
Market Value	26,901.3
Current Enterprise Value	30,748.47
Shares Outstanding (B)	321.17 M
Dividend Yield	-
Floa %	96.0%
Institutional %	105.4%
Analyst Coverage	9 Analysts
Target Price	101.38
LT Growth Rate	-
Consensus Rating	4.56
Return on Equity	25.4%

Actual and Estimate Data			
	LTM	12/2022	12/2023
Revenue	30,452.76	32,146.89	34,556.89
% change y/y		15.9%	7.5%
EBITDA	2,491.89	3,097.57	3,312.11
% Margin		0.8%	6.9%
EPS	6.886017	5.987	6.479
% change y/y		3.2%	8.2%
EV/Sales	0.9x	0.8x	0.8x
EV/EBITDA	11.1x	9.5x	8.9x
P/Sales	0.9x	0.8x	0.8x
P/Earnings	12.2x	14.0x	12.9x
P/Book	3.3x	3.1x	2.7x

Relative Comps	Mkt Cap	PE (NTM)
CBRE Group Inc	26.90 B	14.1x
Jones Lang LaSalle Inc	8.50 B	9.1x
Cushman & Wakefield PLC	3.60 B	6.5x

Business Segments (FY: Dec-21)	Revenue
Global Workplace Solutions	17,098.92
Advisory Services	9,575.76
Real Estate Investments	1,091.72
Corporate, Other and Eliminations	(20.36)

**Recommendation**  
 We recommend purchase of CBRE Group shares based upon its strong near term operational results, resilient long term business model, and an extremely compelling valuation opportunity. Our 12 month price target of \$125 represents 65% upside from our recent purchase price of \$75.

**Fundamentals / Catalysts**  
 We see CBRE's revenues advancing at a mid-single-digit pace over the next couple of years, driven by continued growth in property transactions, leasing activity, property management, and investment advisory services. EPS should grow at a somewhat faster pace (10%+) due to continued profit margin expansion and ongoing share repurchases. Assuming the U.S. economy can avoid recession in 2022 and 2023, we believe CBRE will be able to increase its EPS by closer to its historical CAGR of 20%, given the current solid momentum in the company's operations and its large business pipeline and backlog. The likely return to office (or at least partial) of work from home employees could provide an additional catalyst over the near term. Regardless of the economic backdrop, CBRE management is "highly confident" in its ability to "weather the storm" and successfully execute its business plan under various conditions due to its diverse operations and high fee-based revenue sources.

Measure:	Revenues			
	2020	2021	2022	2023
Q1 Mar	5889.17	5938.88	7332.93	7758.00
Q2 Jun	5381.38	6458.61	7771.28	8414.00
Q3 Sep	5645.14	6798.33	7847.63	8530.83
Q4 Dec	6910.50	8550.22	8981.75	9849.17
Year	23826.20	27746.04	32146.89	34556.89
Cal Yr	23826.20	27746.04	32146.89	34556.89
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 09/22	-1.2%	-2.1%	-2.5%	3.4%
Qtr End 12/22	-1.7%	-2.8%	-4.2%	3.8%
FY End 12/22	-0.7%	4.3%	-1.5%	4.5%
FY End 12/23	-0.2%	-0.5%	-1.4%	5.1%



Prices/Volume	
YTD Change	-22.81%
6 Month Change	-15.91%
3 Month Change	-9.7%
1 Year Change	8.4%
Daily Volume	1,138,638
Average Volume 30 Day	1,707,138
Average Volume 3 Month	2,088,413
Average Volume 6 Month	2,020,074
Dividend Yld	0.0%
52 Week Beta	0.83

Measure:	EPS			
	2020	2021	2022	2023
Q1 Mar	0.51	0.78	1.16	1.26
Q2 Jun	0.24	1.30	1.48	1.44
Q3 Sep	0.55	1.28	1.34	1.58
Q4 Dec	0.93	2.04	1.75	2.01
Year	2.22	5.41	5.67	6.28
Cal Yr	2.22	5.41	5.67	6.28
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 09/22	-1.5%	-2.7%	-3.9%	-
Qtr End 12/22	-2.9%	-5.4%	-6.9%	-
FY End 12/22	-0.3%	-2.0%	-2.2%	-
FY End 12/23	0.2%	-1.0%	-2.5%	-

Performance	2013	2014	2015	2016	2017	2018	2019	2020	2021	5 Yr Avg
Price Change	32.2%	30.2%	1.0%	-8.9%	37.5%	-7.6%	53.1%	2.3%	73.0%	31.7%
S&P 500 INDEX	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	26.9%	17.0%
Industry (INDU Index)	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	18.7%	13.6%
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financials	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	12/21 Y	5 Yr CAGR
Sales	7,184.8	9,049.9	10,855.8	13,071.6	18,628.8	21,340.1	23,894.1	23,826.2	27,746.0	16.2%
EBITDA	807.4	1,057.4	1,150.0	1,182.4	1,484.8	1,540.0	1,884.5	1,673.3	2,357.8	14.8%
EBIT	616.1	792.3	835.9	815.5	1,078.7	1,088.0	1,259.9	969.8	1,637.5	15.0%
Net Income	316.5	484.5	547.1	572.0	697.1	1,063.2	1,282.4	752.0	1,836.6	26.3%
EPS (Diluted)	0.95	1.45	1.63	1.69	2.05	3.10	3.77	2.22	5.41	26.2%
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Shares for Fully Diluted	331.8	334.2	336.4	338.4	340.8	343.1	340.5	338.4	339.7	0.1%
Book Value per Share	5.71	6.79	8.12	8.94	12.12	14.66	18.62	21.09	25.62	23.4%
Cash & Near Cash	491.9	740.9	540.4	762.6	751.8	777.2	971.8	1,896.2	2,431.0	26.1%
Total Assets	6,998.4	7,568.0	11,017.9	10,779.6	11,718.4	13,456.8	16,197.2	18,039.1	22,073.5	15.4%
Working Cap	274.1	443.0	311.1	597.0	917.6	950.8	1,098.0	1,701.6	1,663.5	22.7%
LT Debt	1,866.9	1,808.6	2,645.1	2,548.1	1,999.6	1,767.3	2,879.0	2,575.9	2,727.9	1.4%
Cash Flow-Oper Activiti	745.1	661.8	651.9	450.3	894.4	1,131.2	1,223.4	1,830.8	2,364.2	39.3%
Capital Expenditures	156.4	171.2	139.5	191.2	178.0	227.8	293.5	266.6	209.9	1.9%
Free Cash Flow	588.8	490.5	512.4	259.1	716.4	903.4	929.9	1,564.2	2,154.3	52.7%
Ratios	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	12/21 Y	5 Yr Avg
Gross Margin	41.7%	38.0%	34.8%	30.2%	23.2%	22.9%	21.8%	20.1%	22.2%	22.0%
EBITDA Margin	11.2%	11.7%	10.6%	9.0%	8.0%	7.2%	7.9%	7.0%	8.5%	7.7%
EBIT Margin	8.6%	8.8%	7.7%	6.2%	5.8%	5.1%	5.3%	4.1%	5.9%	5.2%
Profit Margin	4.4%	5.4%	5.0%	4.4%	3.7%	5.0%	5.4%	3.2%	6.6%	4.8%
Return on Assets	4.3	6.7	5.9	5.2	6.2	8.4	8.6	4.4	9.2	7.4
Return on Com Eqty	18.4	23.3	22.0	20.0	19.6	23.5	23.0	11.3	23.5	20.2
Asset Turnover	1.0	1.2	1.2	1.2	1.7	1.7	1.6	1.4	1.4	1.5
Assets/Equity	3.6	3.3	4.0	3.5	2.8	2.7	2.6	2.4	2.4	2.6
Net Inc per 1000 Employ	7.2	9.3	7.8	7.6	8.7	11.8	12.8	7.5	17.5	11.7
Days Sales Out (DSO)	69.8	65.0	70.7	71.1	56.0	58.0	62.1	68.1	62.8	61.4
Acc Pay Turn Days (DPO)	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Ratio	1.1	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Quick Ratio	0.8	0.8	0.6	0.7	0.8	0.8	0.8	0.9	0.9	0.8
Total Debts/Total CapIt	56.2	50.6	61.6	55.4	41.1	38.2	39.3	36.0	31.5	37.2
Total Debt/Total Equity	128.5	102.4	160.6	124.4	69.7	61.9	64.8	56.2	46.0	59.7

**Balance Sheet / Cash Flow**  
 CBRE has a solid balance sheet with net debt to capital of just 17% and extremely strong interest coverage ratios. CBRE has generated consistently strong and growing Free Cash Flow (FCF) over the past several years. Unlike many in the real estate industry, CBRE has never paid dividends; instead, Free Cash Flow has been prioritized toward bolt-on acquisitions. In November of 2021, CBRE authorized a \$2b share repurchase program to be completed over the next couple of years.

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	16.5%	9.1%	16.2%	16.7%
EBIT	68.9%	14.6%	15.0%	13.5%
EBITDA	40.9%	15.3%	14.8%	15.1%
Net Income	144.2%	20.0%	26.3%	22.6%
EPS (Diluted)	143.7%	20.4%	26.2%	22.0%
Dividends	-	-	-	-
BVPS	21.5%	20.5%	23.4%	22.0%
Free Cash Flow	37.7%	34.1%	52.8%	25.4%
Valuation Summary				
Current	5 Year			
	12/31/2021	High	Low	Avg
P/E (LTM)	20.3x	21.7x	15.6x	18.5x
P/E (NTM)	13.3x	19.3x	11.8x	15.6x
PEG (NTM)	1.9x	2.3x	1.0x	1.5x
P/Bk	4.2x	4.2x	2.7x	3.3x
P/CF	15.4x	16.8x	11.5x	14.0x
P/Sales	1.3x	1.3x	0.6x	0.9x
EV/EBITDA	16.5x	16.5x	10.3x	13.0x
EV/Sales	1.4x	1.4x	0.7x	1.0x
Div Yield	0.0%	0.0%	0.0%	0.0%

**Valuation**  
 Currently priced at \$75 per share, CBRE Group Inc. (CBRE) shares present a compelling valuation opportunity. Based on our 3-stage discounted cash flow (DCF) model, we derive an intrinsic value estimate of \$125 per share using conservative inputs. CBRE trades at 12x next year's estimated earnings, representing a 30% discount to the overall market (S&P 17x) and the lower end of the company's 10-year P/E range (8-20x). CBRE is also attractive on additional measures of valuation, including EV/Sales (1.0x), EV/Ebitda (9.0), and Free Cash Flow Yield (7.1%).

**Risks**  
 Key risks for CBRE's include a potential recession in 2022 or 2023, resulting in lower real estate transactions and declining leasing activity. The Federal Reserves current restrictive monetary policy, which has already led to higher interest rates has the potential to lower property values for current owners (higher CAP rates) and restrict credit availability for prospective buyers. The covid driven change in company's work from home policies may be permanent in nature, lowering the long term growth potential and value of commercial office space.