

Mossberg's Investor Digest

Best Idea Profile

CB Richard Ellis Group, Inc. (NYSE:CBG)

DESCRIPTION:

Headquartered in Los Angeles, CB Richard Ellis Group, is the world's largest commercial real estate services firm and has operations in major metropolitan areas throughout the world. CBG offers a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate (RE). CBG has more than 300 offices worldwide with 29,000 employees and provides commercial RE services under the "CB Richard Ellis" brand name and development services under the "Trammell Crow" brand name. CBG's business lines include a broad and diversified mix of commercial property and corporate facilities activities including property management, tenant representation, property/agency leasing, property sales, valuation, RE investment management, commercial mortgage origination and servicing and capital markets (equity & debt) solutions.

KEY INVESTMENT CONSIDERATIONS:

Worldwide Leading Franchise – A turnkey, full service company with worldwide operations, CBG is positioned as a leader in the commercial real estate market. CBG has a client base that includes nearly 80 of the *Fortune 100* companies. Many of the CBG's clients are consolidating their commercial RE-related needs with fewer providers and awarding business to companies that have a strong presence in important markets, and the ability to provide a complete range of services worldwide. CB Richard Ellis is strategically positioned to benefit from this trend. For FY09, CBG led the commercial RE market in investment sales, US non-bank loan originations and global transactions by value.

Turnkey Provider and Diversification – The key business drivers for top tier providers of commercial real estate services include the trends of outsourcing, consolidation, and the growth in the institutional ownership. In addition to a successful track record in mergers and acquisitions, CBG has a unique depth of service offerings. Only the largest and most diversified providers such as CB Richard Ellis and Jones Lang LaSalle Inc. (NYSE:JLL) will effectively compete in the institutional real estate business on a long-term basis. CB Richard Ellis is the largest competitor in its market.

Global Platform – CBG has a large and integrated platform which can now be expanded through the acquisition of regional and specialty-niche firms that are product leaders in their local markets. These "in-fill" acquisitions have worked well to date and remain an integral part of the company's long-term strategy. CBG has been and remains a key consolidator in its market.

Trammell Crow Acquisition – During FY06, CBG completed the acquisition of Trammell Crow Company, its largest to date. This transaction added depth to its outsourcing services and offerings for corporate and institutional clients, especially in project and facilities management. The acquisition also strengthened the CBG's ability to provide integrated account management and solutions across geographies and provided resources and expertise to offer real estate development services throughout the U.S.

Turnaround: The commercial RE market has been as challenging as anyone can remember. Yet CBG has weathered the storm well and is seeing signs of a turnaround. Much of the company's business, such as facilities management and leasing contains recurring revenues, which are stable during a downturn. 1Q10 revenue increased 15% y-o-y with investment sales, leasing, and appraisal showing double digit increases. Management stated that it appears the market has entered the early stages of a recovery. With leadership positions in a number of business lines, CBG is poised to exploit any strength in the market.

VALUATION:

CBG is very well positioned to grow and become a more dominant player in the commercial real estate market as the sector recovers. At the peak of the last cycle CBG consistently produced a ROE of more than 30% with EPS in the \$1.30 to \$1.70 range. A valuation based on peak earnings would result in a stock price that is 2x that of current levels.

(NYSE: CBG)

Investment Data (as of 5/19/10)

Recent Price	\$15.12
52-Week Range	6.49 - 17.98
Fiscal Year End	Dec
Shares Outstanding	322 MM
Average Trading Volume (3 mos)	4.2 MM
Market Capitalization	4.9 B
Cash	680 MM
Long Term Debt	2.9B
Enterprise Value (EV)	7.1B
BV/ Share	\$1.90
TTM Revenue	\$4.3B
P/ Revenue	1.1x
TTM EPS	\$0.22
P/ EPS	nmf
TTM EBITDA	410 MM
EV/ EBITDA	17x

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