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Jones Lang LaSalle, Inc. (JLL)

Investor Meeting

CORPORATE PARTICIPANTS

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

Mihir Shah
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

Laura Adams
Chief Human Resources Officer, Jones Lang LaSalle, Inc.

Yishai Lerner
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

OTHER PARTICIPANTS

Jade Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.

Chandni Luthra
Analyst, Goldman Sachs & Co. LLC

David Sochol
Analyst, Levin Capital Strategies LP

David Farnum
Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Scott Einberger

Investor Relations Officer, Jones Lang LaSalle, Inc.

Good morning, everyone. Thank you for joining us. Welcome to JLL's 2022 Investor Briefing. I have a few housekeeping notes to go over first. So, just so everybody in the room is aware, there's restrooms just back here to the right behind me and there is two fire exits which are both on the sides here. We have a great agenda for today, but before I get to that, I have a couple legal items that we need to cover, so I'm going to do that. Just bear with me for a moment here, I know it's a lot of text here.

So today's presentation and commentary includes forward-looking statements with respect to JLL's future financial and business performance, strategies or expectations. The forward-looking statements in this presentation may involve known or unknown risks, uncertainties and other factors which may cause JLL's actual results, performance, achievements, plans and objectives to be materially different from our current expectations. Please refer to JLL's Form 10-K and other reports with the Securities and Exchange Commission for a more thorough description of these factors.

Also during this presentation, we will discuss several non-GAAP financial measures. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures, please refer to the tables at the end of our presentation.

All right, with that out of the way, welcome. We have an agenda here that is designed really around the feedback that we've heard from the investment community. So, today, you'll hear from JLL's executive management team about why we believe JLL is a compelling investment idea. We'll also talk about details around our overall technology strategy and a road map for our future technology platform. We'll discuss our growth drivers and margin expansion opportunities over the next three years, and then we'll wrap up with our 2025 financial targets.

We have two opportunities for audience Q&A today. One will be as part of the panel discussion you see as the agenda, and then again at the very end we'll have some audience Q&A. If you are attending on the webcast, you can ask questions through the Q&A box within Zoom and we will try to get to as many of those as we can during the Q&A sessions. For those of you joining us in person, there is a little gift on your chair. It is a solar lantern, so that ties into JLL's commitment to sustainability. We also hope it will help you see a brighter way.

And at the end of today's event, we have lunch and we welcome all of you to join us, you'll have a chance to interact with the JLL executive management team. We're going to play a short video and then Christian Ulbrich, JLL's CEO, is going to join us on stage. So, I hope you all enjoy today's event and find it informative.

[Video Presentation] (00:03:01-00:04:05)

Christian Ulbrich

President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

...everybody. Christian Ulbrich, it's great to have you here, thanks for coming. And also welcome to everybody on the webcast. I will stay on this side of the screen so that we have on the webcast the slides behind me, so don't be offended if I don't come to your side.

We indeed believe that we have really a compelling growth story at JLL, delivering on our purpose, shaping the future of real estate for a better world, so an exciting story for all of our stakeholders. JLL is an incredibly strong platform with an impressive history dating back to 1760, so that's a long time ago. And irrespective of the current economic climate, we like to share with you our vision for long-term growth. And we will respond to a couple of questions some of you have posed to us over the last couple of quarters already.

Now the JLL team who's coming up during the course of the day will cover five key messages. We will talk about the strong track record of performance and the tailwinds our industry is enjoying. We'll also go deep on our technology road map right after my presentation, and we will talk about the differentiation we believe we have against competitors, what is driving our growth and margin expansion, and we will obviously provide that mid-term financial outlook for 2025.

My own presentation, I will kick off with the JLL platform and how this platform, combined with our industry tailwinds, will drive growth and expand margins; how we are differentiated as JLL through our superior product and service offering; and why we are so confident for the future. At our last investor meeting, I don't know who of you joined us in December 2017 here in New York, we presented four macroeconomic drivers which are really relevant for us, was around the corporate outsourcing, the capital flowing into real estate, urbanization, and then obviously tech and data, the Fourth Industrial Revolution. A year later, we added a fifth one which is around sustainability. And these five themes are still in place, they're very, very relevant for us today and will shape the future of JLL, but they will also shape the future of our overall industry. So I will talk more about each of them in a few minutes.

When we built our Beyond strategy back at the beginning of 2017, we were looking at those trends and we identified that we can serve those clients best who go beyond different markets, ideally countries or even regions, and who are buying more than just one service. Those are the type of clients we are mostly suited for, and we looked at our own organizational structure and we realized that we have to transform our organization. JLL was built market-by-market, country-by-country, region-by-region, bottom-up.

But to serve those clients, you need to deliver consistency as one important driver, so we changed our structure and moved to a really closely-knitted, agile org structure around global business lines and global functions. We implemented a globally consistent HR and finance software platform which has created now amazing transparency to run our business, which Karen and I came to enjoy very much. We sharpened our focus on delivering a consistent brand experience and, as I said, be very consistent in our service delivery. And this all enabled us to work with our capital allocation completely in line with our strategic priorities.

And most importantly, we invested heavily in client-facing technology and industry-leading data structure, and added a strong product focus next to our existing services. As a result of that transformation and as a result of that impressive hard work from all the 103,000 JLL colleagues around the globe, we are on track to either meet or exceed all the financial targets that we laid out in 2017, that we presented at the investor meeting in 2017 in December, and we have demonstrated that we have a strong track record of growing bottom line profitability faster than fee revenues and that we can expand margins over a multiyear period.

I can leave that on for you to really enjoy it. I enjoy it when I look at it. Now this is the past, we have to look forward to be clear what will actually drive our growth in the future. So let's go back to those macro trends again because what we have learned is that as a result of these industry trends, our business is even more resilient and ingrained for the long-term growth than we imagined five years ago when we identified them. Let's see why.

The pandemic and work from anywhere trend has elevated the workplace – workspace question prominently to the C-suite. Every CEO I talk to is asking immediately, Christian, help us, what can we do to bring our people back into the office? How can we make them collaborate? How can we make them innovate in an environment where so many people are trying to work from somewhere else? This macro trend will actually continue to force corporates to outsource their corporate real estate needs. Makes it more relevant because again they want to provide an environment which is the same wherever their employees may reside. And in order to do so, you need a consistent service delivery. Now we are now in a very unique position that there are only two full-service providers covering the globe with that consistent level of integrated, high-quality services, and this will be a very important growth driver for us going forward.

The second trend around capital, our near-term macroeconomic environment is temporarily impacting capital flows into real estate, but I can assure you there's still a lot of capital waiting at the sideline, waiting until the market is settling, and the long-term trend of additional capital to real estate remains intact. Investors will get used to living with much higher interest rates than over the last decade. They were used to that before all the years prior to the GFC.

For transaction volumes, the level of interest rates is far less relevant than the predictability and the speed of change. What we have seen over the last couple of months was just way too fast for the market to adapt, but we will see over the coming months a new equilibrium between refinancing cost and property yields, and then transaction volumes will go up again. Again, this will be an important growth driver for JLL.

Urbanization, population migration into major urban areas continues to be a sustainable trend and it's an important driver for our business. This ongoing migration into metropolitan areas centers our clients. It creates for us a larger, more concentrated market, allowing us to drive margins, big component for the margin appreciation which we will see over the coming years.

Technology and data are the key ingredients to many question mankind has to answer. Most countries are facing a demographic trend which is putting their wealth at risk. Their workforces are shrinking very rapidly and that will make the fight for the best talent an ongoing challenge. And we can see it right now, we're moving into a recessionary environment, the labor markets are still very, very strong. Equipping our people with the best technology and data, enabling them to provide best insights for our clients so that we can be significantly more productive than any of our competitors, more productive by identifying the right products for the clients and more productive in the execution of their work.

Let's look very quickly to that illustration here. 78% of corporate clients will use CRE tech up to 2025, and 99% need a technology partner to manage their built environment. Our strategy to be a clear leader in driving technology and data into our industry will be the biggest driver of growth and margin expansion for JLL. It's – technology and data is the biggest driver of growth and margin expansion.

And then sustainability, a lot of noise around that topic especially here in the US, but if we just stick to the facts, close to 40% of carbon emissions are coming from the built environment. So I ask you all, why would we want to build a building and operate buildings which are producing massive amounts of carbon if we can build equally good or even better buildings with a much lower carbon footprint or being even carbon-positive? The industry transformation will require a leading insight and advice that JLL is uniquely positioned to provide.

And again, let's look at some more facts around that. The growth opportunity for us is massive. Very roughly speaking, over the next 25 years, 90% of the built environment has to be touched. It will need to be upgraded to become greener, to reduce less – to provide less carbon and reduce energy consumption. But if that is not enough, there are also compelling financial reasons to do so. Just look at our recent research which we did in the second quarter of this year amongst – across a couple of Asian cities.

There are notable increases in rents for those type of buildings, and no [ph] doubtly (00:16:49), those buildings will also trade at lower yields so will create higher returns for the owners of those properties. And it's also great for the occupiers because they will spend less money on the energy of their space. So if you take all these macro trends together, all of them are driving growth and/or margin expansion for our business going forward. I think it will be hard to find any other industry which has such compelling data supporting long-term growth.

Now, I laid out why JLL will continue to grow and expand margins. Let's spend a few minutes on how JLL is differentiated. In short, we are continuing the most trusted, most recognized real estate services brand in the world. We were focused on technology and data before all our peers, have – and we have created a superior platform around that. The unique JLL culture is attracting the most talented people with the best values, which allows us to deliver seamlessly as One JLL across the whole globe.

So let me repeat that. Most trusted, most recognized real estate services brand around the world. We are focused on technology and data, have created that superior platform, and the unique JLL culture is creating that One JLL approach around the globe. This is our clear differentiation. And that's the bigger picture, so let's take a deeper dive into what differentiation in our sector really means.

So I tried to make it very simple. We have two different client sets. One client set is large corporate occupiers outsourcing their real estate needs and large investor clients awarding preferred supplier agreements. In this market of that one client set, we are only competing on a global scale against one or two other big firms. However, our biggest opportunity isn't against those one or two other big firms, our biggest opportunity is the rest of the market. Convincing clients to outsource or assign all their work to just one provider versus having their business into geographic pieces or into service pieces, that is the biggest opportunity.

So our differentiation has to focus on the advantage of buying all their services from one provider, getting those consistent service delivery, getting that consistent reporting, and getting it in a much more efficient way. The second group of clients are investor and occupiers who are still buying all their services on a transactional, one-off basis. Our biggest competitor for that group is self-performance, all the self-performance which is executed by owners of buildings or by occupiers of buildings.

And only the second biggest [ph] competitor (00:20:32) for that client group are all these small and medium-sized service providers, service providers who are offering a load of different services in only one or two or three markets or service providers who are monoliners who are providing those services across a large set of markets or even globally but only in one area. Our main differentiation for those is technology, data, and overall knowledge.

If you want to sell a building at the moment, you are better absolutely clear on what's going on in the leasing markets. If you want to talk about green buildings, you need to understand how that translates into the valuation of buildings. Now I can give you another very simple example which you will all remember. When COVID was coming up in Wuhan, China almost three years ago, within weeks, our property management team in China, in Wuhan had created guidelines how you can operate a building in an environment like that, how you make a building safe. Those guidelines were moving across the JLL world, and by the end of January 2020, we had them all across the US way before most people in the US who were owning or operating a building were realizing that this could become a real issue for them.

So I always say it is important to differentiate against those big, global films, but it's much more important for us to differentiate against all these smaller and medium-sized companies, and it is much more important to differentiate against self-performance. Best practice is the enemy of self-performance. Now, we are also very proud to be differentiating against those large competitors. We believe we have a superior tech and data platform. We have that deeply embedded across all our services and we also have a clear strategy to drive that forward. We are becoming a completely tech-enabled provider with a fast-growing SaaS business, and that will tie our clients even deeper into JLL. It allows us to sell more products, more services to the same clients and it makes them really, really sticky.

Now, let me touch on M&A. We received a lot of questions on M&A over the last couple of years. Just to put that clear, we have done exactly two major acquisitions over the last 6.5 years. When we go back to 2017 and we built our strategy, we realized that our US Capital Markets business has significant room for improvement. We started to do that organically but it was clear that that would be a very long, expensive, cumbersome journey. So we scanned the market, identified a target, and in the middle of 2019, we executed a highly-strategic acquisition that will continue to drive significant value to our shareholders.

And then just a year ago, we acquired Building Engines, a leading backbone software platform for property management for our recurring revenue streams. And it's still early days but when you look at our third quarter result this year, you saw a very strong performance in our JLLT revenue pillar, and a very important contribution to that is Building Engines and there's more to come from them. So JLL has a very strong platform. We can continue to grow all our services organically and, therefore, any potential M&A has to meet really a high threshold to be considered.

We are constantly analyzing opportunities. Most cases, we say no, but to be clear, we are prepared to say yes. We are prepared to say yes to those opportunities if they allow us to grow faster, if they add an adjacent capability at a more advantageous – in a more advantageous way than if we were to grow it organically. Now we are indeed very confident for the future of JLL, so let's discuss how we will achieve our 2025 financial targets.

If we bring that all together, what I presented to you, we have tremendous growth potential. We will continue to invest into technology and data, we will accelerate the leverage of our global shared services platform and we will sell more products and services to our existing clients, and yes, we will continue to win additional market share, especially from those smaller and medium-sized competitors and from all those [ph] self-performers (00:26:25) out there.

So, to conclude my opening remarks, I hope none of you will be surprised that we are very excited about the future of JLL. We believe that JLL is extremely well-positioned and superbly equipped to drive long-term profitable growth way beyond 2025. For 2025, our targets of $10 billion to $11 billion of fee revenue and 16% to 19% of adjusted EBITDA margin have to consider a pretty subdued environment in 2023 and they are based on a nice recovery in 2024. Karen will obviously talk much more about those targets and will provide additional information.

So, for now, I'd like to thank you for listening to me and I'm handing over to Mihir Shah, Co-CEO of our JLLT business, to go deeper on technology. Thank you.

Mihir Shah

Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

Thank you, Christian. Good morning, everyone. So I'm going to cover three topics today. First, I'm going to highlight the tremendous proptech opportunity and how it's transforming commercial real estate. Second, for the first time publicly, I'm going to take you through JLL's unique technology strategy to take advantage of that opportunity, both for the benefit of our clients and to create material differentiation for JLL by tech-enabling JLL and growing our technology business. And third, I'm going to talk about and give you examples and metrics on that strategy and how we're succeeding in getting early momentum on the execution of it.

So about five years ago, Yishai, my Co-CEO of JLL Technologies, and I came here and the company had already started to make a bet that technology was going to transform commercial real estate. Now, we came from a very different world. We spent a few decades in Silicon Valley as entrepreneurs, as executives at high-growth tech companies and as technology investors, but we came to JLL with that same conviction. We felt like it was a once in a generation opportunity to help transform a company that had been around since 1760, but also to potentially transform an industry and the built world.

Fast forward five years and that transformation is absolutely underway. It's underway it you look at the size of the CRE market and the fact that we expect it to continue to grow off a large base in the next five years. You can see it when you look at plethora of proptech firms that have arrived into the scene over the last five years, and we're starting to see these firms scale now. For example, we've worked with some of these firms at a seed stage three years ago. In just a few years, they've gotten to $30 million-plus ARR. You've got unicorns on this list, you've got exits, there has been just a tremendous amount of growth proptech.

You can see it in venture capital that has flowed in the sector, the dramatic increase in the amount of capital we see that is now fueling the growth of future proptech firms. You can see it, as Christian mentioned, from our clients. They're all telling us, both investors and occupiers, that technology is in the forefront of their strategies in the next five years and, interestingly, they're looking for a technology partner. And as we have conversations with them, they're looking for us to be that partner.

And finally, there are two material tailwinds that are driving this transformation, that are catalyzing this transformation. One is hybrid work that you're all obviously quite familiar with, it's top of mind for most of our clients, and we believe that technology will play a key part in how people formulate the hybrid work strategy. And the second is sustainability, right? Whether you're a occupier and you've made a carbon neutral pledge or an investor and you're trying to de-risk your portfolio, you're all looking for sustainability strategy and it's very clear to us that technology is going to play a key role in the formulation and the execution of that sustainability strategy.

So as you can see, there are material tailwinds and a lot of momentum with proptech. So given that, JLL has devised a unique technology strategy to empower our clients, to create material differentiation for our company and really help transform the industry. So next, what I'm going to do is really take you through the three unique aspects of our technology strategy. First, we're curating a best-of-breed technology portfolio so our clients don't have to. If you think about that proptech landscape, it is a difficult task to figure out what is truly best-of-breed, right? And we're the only ones in the industry that are taking on this task, both on behalf of our clients and also the tech-enabled JLL.

The second unique aspect of our strategy is we are executing on a build, buy, invest and partner strategy at scale because we believe the only way to curate this portfolio is to do all four. For example, if we just focused on build, it would be too expensive to curate this portfolio, but by taking a multipronged strategy, it's actually capital-efficient and we kind of foolproof ourselves from actually executing on this best-of-breed portfolio that our clients are expecting of us.

And finally, you can't do this without talent, okay. We have in the last few years hired people from marquee names in the technology industry to come to JLL to help us execute on that strategy. And this is unprecedented. No firm in an industry such as this has tried to bring in talent from Silicon Valley and really marry that talent with all the great real estate talent we had and really integrate the two together to create this One JLL approach that Christian was alluding to. And we're doing that now at scale.

So those are the three unique elements of our technology strategy and nobody else in the industry has really attempted to execute on this. So the question, of course, on your minds is, that's great, how does that create long-term shareholder value? And the way we think about that is we take this portfolio that we're curating with the buy, build, partner, invest strategy. We bring that portfolio to tech-enable JLL and to our clients.

And we create long-term shareholder value on four metrics. One is as we tech-enable JLL, we improve market share of our core business, services. The second is as we bring more technology into our services delivery, we improve the margins of our core business. The third is the technology business that Christian talked about, and this is the JLLT segment that we have disclosed to you publicly starting last year. And the fourth is as we invest in these proptech companies through our Spark venture fund, we create more value for these companies, which increases the value for investment of these companies. So, what I'm going to do now is walk you through each of these metrics and give you examples of the success we've seen to-date.

So, first, let's talk about tech-enabling JLL's core Real Estate Services. And I'm going to spend a little bit more time on this today because this is something that we have not talked about publicly much in the past. So, as you can recall, it's all about market share and margin of these businesses that's why we're doing this.

So, first, let's start with our Markets business. As you know, one of the largest segments in our markets business is Leasing. So, in Leasing, what we wanted to achieve with technology is better pitches, improved productivity for our leasing brokers, and to give clients more visibility into the leasing process. So, here, the approach we took is we bought a couple of small companies that were focused on this. We combined them with our data and our technology. And we've released a number of point-of-sale leasing products for our leasing brokers.

And what we've seen is massive increase in adoption in the last few months of these products. We started to measure Net Promoter Score of how our brokers feel about our technology, and we've seen a massive increase in Net Promoter Score. And, interestingly, if you look at those that leverage this technology portfolio versus those that haven't gotten there yet, they're 1.6x more productive in terms of revenue per broker. So, this is just the beginning of a technology platform that we think is going to fundamentally differentiate our Leasing business.

Now, let's take an example in Capital Markets. In Capital Markets, we wanted to do something similar to Leasing in terms of the value of technology. But we also wanted to see if we could use technology to deliver leads and have interesting transaction ideas that our advisors could take the clients. So here, again, thinking about that buy, build, invest framework, we started out with invest. Skyline was actually a venture capital, Spark venture capital investment portfolio company for us. We got close to the company that we ended up acquiring it. And we combined that with some of our machine-learning capabilities in-house and our data. And just six months ago, we launched a new data and technology platform in our Capital Markets business.

We wrote some fairly aggressive underwriting goals when we acquired Skyline for 2025. And we're already 60% of the way to those goals, which, frankly, has surprised us. We're seeing that same dramatic increase in NPS amongst our Capital Markets advisors. And to give you a specific example, recently we won a $500 million piece of transaction business with a client that we typically never work for, that work with one of our competitors. And one of the reasons we won the business is they had to execute on buy-side transactions rather quickly. And we showed through our technology platform that we could identify those targets at the speed that they needed. So, once again, we're on our way to creating material differentiation and productivity gains in our Capital Markets business.

And one thing I want to highlight is as I'm showing you some of these metrics, some of you may be wondering, well, you were telling me about these metrics of market share and margin, right? The way we look at it is those are the output metrics. Those are the long-term shareholder value metrics. These metrics that I'm showing you today are the ones that we call the input metrics that we're focused on today, that we think will lead to those metrics in the long term as we get greater utilization of our technology, [ph] as we get (00:39:00) wins across clients from our technology.

So, finally, to give you an example, in our Work Dynamics business where we're really trying to use technology to better deliver services such as portfolio or facilities management for better client outcomes and also to improve cost efficiency. So, here, on the sustainability side, we decided to build because we didn't really see a product out there that we thought was filling the market need. But then on the facilities management side, we acquired a technology company called Corrigo, which is now being used by 75% of our Work Dynamics clients. We also acquired a company, Envio, a Berlin-based company whose hardware and software takes the data that buildings generate and uses that to build building efficiency, building management efficiency.

Another example here from the invest bucket is Infogrid was a venture capital company, a company that our venture capital unit invested in. We took their sensor technology, combined it with the service and launched Dynamic Cleaning, which we believe is the future of cleaning services as part of our facilities management business, because it helps people figure out when you should clean and generates a 15% operating efficiency in that business, right?

So, with these three examples, you can see how that goal of tech-enabling our core business in Capital Markets and Work Dynamics is now starting to pay dividends.

So, now I'm going to talk about the technology business. This is the JLLT segment that you've all seen that we've reported. And let me give you a little bit more color on what's part of this business. And as you know, that is the third part of the shareholder long-term shareholder value that we're trying to create. So, the first question you might have is why is JLL in the technology business, right?

First, it's a big market, as I mentioned at the beginning. The second is we've got the distribution. Most of the people buying this technology are already our clients for Real Estate Services. So, we believe that we have the right to play in this business and the right to win. And therefore, we're on a journey to create a high-growth, high-margin technology business.

So, the way we think about this business is we very selectively and intentionally picked products out of that best-of-breed technology portfolio to be principals in both on the investor and the occupier side. On the investor side, we've built this on Building Engines, which is the platform that we acquired last year as a core building operations platform. And we're building technology through partnerships and investments to build an entire investor technology stack. On the occupier side, we've built this technology business on Corrigo, which I mentioned is a facilities management platform. And then around it, we have space management solutions, sustainability solutions. And underpinning all of this is our technology services business, which is critical because in order for these products to drive ROI for clients, you need the services to make sure that they're implemented and executed correctly.

So, to give you a little bit more color on the investor tech business, this is really driven or what we're trying to drive with is is NOI for our clients, which is really what they care about, net operating income, right? And Building Engines is absolutely at scale already here, 4 billion-plus square foot on the platform. And another example here is HqO. This comes from our invest category, which is a tenant experience product. And what we do is we resell this product and actually now are starting to bundle it with Building Engines to sell and bring that entire investor tech stack to market to our clients. And HqO is a company that's also at scale, 7,500-plus companies.

On the occupier side, I already mentioned Corrigo and how a lot of our Work Dynamics clients are using Corrigo. But we also have a number of other clients that are using Corrigo outside of Work Dynamics. It's at scale, 15 million-plus work orders going through Corrigo annually. Another example from our investment side is VergeSense, which is a company we invested in early seed stage. It's a sensor that helps you detect occupancy. And so, it's key today in a hybrid work environment to help with occupancy planning. And this is a company that we now resell its technology. And it's also had scale, 600 million-plus square feet.

And finally, as I mentioned, we're recognized as a leader in technology services, in addition to those SaaS products that I talked about. And recently, in the last six months, we have expanded our business and technology services with some marquee names in the technology industry.

So, where is this all going, right? We've posted healthy year-to-date growth over last year in our technology business. But our goal, over the next five years, is to take this business with a 20%-plus CAGR to $500 million-plus as a business, make it a material business for JLL that diversifies, continue to diversify us beyond our core real estate business. And we plan to do that while also achieving profitability within that time line. And the way we're going to achieve that profitability is economies of scale on this business. And we think that the net new revenue from this business, 20% of that is going to drop to the bottom line. And then where we're going to achieve the growth, in organic growth is what we're talking about here really, is both the CRE tailwinds that I already mentioned, but also truly leveraging that JLL distribution, which we're starting to get better and better at over time.

So, the final piece of long-term shareholder value is the Spark investments, right? And this is where we have the venture capital investments, where we help these companies, right, we distribute them to our clients, and we use them ourselves. That increases their value, which increases our value in them. And we're investing and we always have. We started Spark in 2018 in market-leading companies. And we've now set up a platform of investment that spans all stages of these start-ups.

So, we have Spark X, which is an incubator run by a five-time serial entrepreneur in Silicon Valley for very early stage ideas. We invest in other proptech funds both to create global coverage, but also to get deal flow. And then we have our flagship JLL Spark Fund from which we've invested in over 40 companies. And then we're also setup as some of these companies graduate to become bigger, to make growth investment. So, that HqO example, on the occupier side, is the company we invested in a very early stage from Spark. And then as they grew and we help them grow, we made a growth investment then along with a commercial deal to resell their software.

We're seeing terrific results from Spark both in terms of the value we're adding to companies. So, 75 NPS on the founders of these companies, which we measure. And then, on the other hand, we're bringing the Spark technology to our clients. 60% of our top clients use at least one Spark product, right?

And I think one of the questions we've gotten is, why are you a principal once again in this investment business? Why don't you just invest in third party-funds? Well, I think what you've seen here is when you actually invest to yourself, you get closer to these start-ups, you're able to really work with them on their road maps, and that's when you end up with an investment through an acquisition of Skyline, which forms the core of our Capital Markets platform, for example. Our investment, HqO, that ends up with a strategic relationship, right? And that's why you want to be a principal.

And finally, in terms of long-term shareholder value, Spark is also creating returns. We have a 37% IRR with the money we've invested so far. And if you look at the first hundred million invested, where those companies have had a chance to scale, it's actually 50% IRR. And we expect, as I mentioned, proptech to continue to grow in adoption.

So now, to bring it all together, as you can see, our technology strategy is starting to gain momentum. We're starting to show clear metrics of success across all parts of shareholder value creation. I've given you examples of tech-enabling the core business and how we're starting to see wins in terms of market share, how we're driving cost efficiency and operating efficiency for margins. I've talked to you about the technology business that we believe is going to be material and profitable over time, and of course Spark investment value.

But I want to highlight that we believe we're still in the early stages of that long term, the true – recognizing the true potential of that long-term shareholder value. But we've taken probably the hardest steps. It takes a lot of courage for a company in a mature industry like this to make the kind of bet we made five years ago on technology. It's takes a lot of courage to hire the kinds of people we've hired from Silicon Valley and really, truly integrate them and retain them with the core business.

So, in some ways, those are the hardest elements of what we need to do here. Now, I think it's all about putting our heads down and executing to continue to grow all the success metrics that I shared with you to achieve true long-term shareholder value.

So, to summarize, the proptech opportunity is here and now and it's absolutely urgent. We have we believe a completely unique and differentiated strategy in the industry, and we're well on our way on that strategy whether it's the curation of the best-of-breed portfolio or the buy, build, partner, invest, execution, and scale, or the talent we've brought in. And then, finally, we're starting to see the value of that strategy at work in both tech-enabling the core business for creating material differentiation. And, interestingly, we don't just look at that as a way for better client outcomes, which is obviously critical, or market share or just market share.

The way we look at that is there will come a time when, if you are a leasing broker or you're a capital markets advisor, you will not want to work anywhere else in the industry because our technology platform and our data and our ability to visualize that data for our clients will get to a point where you'll be so much more productive here and you will be able to deliver so much more value to your clients, and it will be the only place to be. And finally, we will also create long-term shareholder value with this technology business that I've talked about as it becomes material and profitable.

Thanks. With that, I'm going to turn it over to Neil who leads our Work Dynamics business.

Neil Murray

Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

Good morning, everybody. Great job, Mihir. You're sort of difficult to follow, I got to be honest with you. Very excellent presentation, Mihir.

About 15 minutes of your time this morning to talk you through our Work Dynamics business, which I have the privilege of leading on behalf of JLL. We'll talk a little bit about – can we do anything about the format here and make the slides bigger in front of me? We can't see what's on there. Yeah, we're talking about the market opportunity, why we're so excited about it and why, as investors, we think there's such incredible potential in this business. And we'll talk about the key growth drivers and how we've evolved our strategy to adapt to those drivers and to make the most of the opportunities we see ahead of us.

The first point is that the business is diverse and resilient. You can see the numbers there, almost $2 billion in fee revenue. On the bottom left-hand corner you'll see it's also $10 billion of contracted managed spend of our clients to give you a feel for the scale of the business. In addition to that $10 billion, there's a further $30-plus billion of spend that we manage through our Project Management business, agency spend that we manage, again, give you a feel for the scale.

It's ostensibly an accounts business, so large recurring revenue dimension to our business with greater than 500 accounts globally, none of which account for more than 5% of our revenue. So, it is large and diverse. In terms of the portfolios we run, again, diverse by asset type and, indeed, industry vertical. So, we work across multiple verticals, multiple asset types. And to try to explain what we do, and I know it's been a little bit of an opaque business to-date.

What we do is we run our clients, our corporate occupier clients' real estate portfolios end to end. So, you'll see there in the center. Portfolio, so we run their portfolio, meaning their locations, where their buildings are or parts of what cities they should be in. It includes running their occupancy management, the utilization of space, managing thousands of leases, and Karen will touch on later on, and with project management. These buildings require workplaces to be designed. And so, we have design capability, project management capability at scale around the globe.

And the third element is workplace management, also known as facilities management, the running of a curated experience for our client's employees. Now, Christian talked about this earlier. There are many companies that we compete with in individual services in local markets, and, indeed, quite a large number of companies that can provide these services globally, a single service globally. But there are very, very small number of companies that can do that, do it end-to-end at scale globally.

Why does that matter? Well, the center of the circle, you'll see three of the most important drivers for our clients in the space, attraction and retention of talent is one of the primary purposes of the real estate portfolio. So, it's not just about where the talent is in terms of portfolio allocation strategy. It's about how do you curate an experience for that person of talent? How you design space that they want to work at? So, it's all connected. Similarly with sustainability. 96% of our occupier clients have made stretching sustainability commitments, public commitments. That's not just about the embedded carbon in the as-built environment. It's about the capital upgrades you can do to improve it, and it's about the ongoing running of the building. So, again, these things need to be connected.

And, similarly, with cost, I mean, cost has renewed focus in the current economic climate. But that's always a focus of our occupier clients, given that real estate in general is a typically a top three spend item on the P&L of our clients. In order to focus on the cost of running a real estate portfolio, it is all of these things combined. Industry is littered with examples, for example, of capital projects being invested in buildings where the lease is about to expire. So, bringing all these things together is really important. And, as I said, there aren't many companies who can do this.

[ph] It's also nice (00:56:00) to have sort of discretionary services that we provide. These are critical to the performance of our clients taking how we supported Moderna and Pfizer, for example, in their massive ramp-up to meet the needs of the pandemic and the capacity increases they needed, or the rapid expansion of some of the greatest or biggest e-commerce companies in the world that we're not allowed to speak about publicly, or indeed when they have an adjustment to their growth trajectory and wish to downsize, all of that requires expert advice. EV and charging stations, we currently advise many cities in the US on their EV infrastructure. Federal

government, we advise on their flexible accommodation strategy. So, all these things are critical services that we provide.

But the world has changed. And what does that mean for our business? Geopolitical uncertainty, economic uncertainty, changes in the way people work. It's been a question I get from the analyst community regularly. What does it mean for your business? Decarbonization, in general, the notion of purpose and human centricity, our clients being much more intentional and articulate about their purpose, and, of course, operational and physical resilience associated with that geopolitical uncertainty.

All those things mean increased demand for our business. It means increased complexity and risk. These clients turn to companies who can provide answers to these questions. And our suite of services is perfectly designed to meet the needs of this changing world.

The common thread in bringing all these solutions together is data and technology. Mihir mentioned it. A presentation on our product, Azara, would be a presentation in itself, you'd probably lose the will to [ph] leave (00:58:14). So, I'll just give you a feel for the sort of thing. This is about ingesting enormous volumes of real-time information, some of it captives, some of it publicly available, turning that data, and some of it unstructured, into knowledge and moving knowledge into actionable insight. And all of that real-time and live allowing our clients to make better decisions. So, everything from mark-to-market lease values, occupancy data, utilization data, energy consumption, maintenance cost, all of the variables associated with running a building or a portfolio of buildings onto a dashboard with a single version of the truth with actionable insight.

We believe it to be the best product in the market. We believe because we look at what everybody else is doing and we hear from our clients. And these things are real-game changers for the decision-making ability of our clients.

Work Dynamics is an exciting business [ph] in of itself (00:59:23), but it's also an extremely important part of the broader JLL. Mihir just talked about technology and what we're doing. We have a large portfolio of the most progressive clients in the world who want the very best technology. So, it's a platform for us to be able to deploy highest quality, leading-edge technology solutions.

The interaction with our Markets Advisory business that Greg runs, you'll hear from Greg later, that's often about transactions, but our business often starts with transactions. Moderna is an example with a single transaction, leasing the first immense space in the local market, it grew rapidly. We were able to scale our advice to them, the service provided, take them globally, and support the dramatic growth of that business. It also sort of works the other way around in the sense that some of the products that we developed for the largest occupiers of space in the world, we can have scaled down versions of those deployable to local market clients.

And Capital Markets, what do investors want to know? They want to know what the largest occupiers of space in the world are thinking. And we walk the corridors of those clients every single day in our Work

Dynamics business to be able to provide a different level of insight. And this is all – our occupier clients are totally comfortable with this. They want us to share their strategies, their needs with our investor clients because they want the built environment to evolve to meet their changing needs.

The business is differentiated. It's different. It's, I believe, superior. It has the scale to deliver for our clients wherever they are in the world, all services, period. There is complete integration of what we do. And a lot of these businesses, as Christian mentioned how businesses evolve sort of bottom up market by market, our business evolve that way, too, account by account, procured in a slightly different way client by client. Our job, as a leadership team, has been to productize what we do, to standardize what we do, to codify innovation, and to bring the very best of what we did on specific accounts to our complete client base. That's what we've worked hard on.

Mihir touched on dynamic delivery. We celebrated after 2020. Difficult as it was, the Work Dynamics business revenues held up. Couple of years later, you think actually there needs to be a variability in what our clients are spending on the running of real estate. If nobody is there on a Friday, why are they paying the same amount to the janitorial company, to the foodservice provider, to the security team, etcetera, etcetera. All of that we manage. We don't self-deliver that stuff, but we manage it.

And, again, it's not just about deploying technology. That's not the answer. Because with the technology, you need to change the commercial arrangements with the supply chain and you need to enact profound and sustainable change across the business.

How are we doing? We're gaining share. The business is notoriously hard, the market, to size. So, we rely on our friends at Frost & Sullivan, our research folk to give us a feel [ph] of all these (01:03:17). Client spend is sort of proprietary, non-published data. But it's big. It's $200 billion-plus of fee revenue, which means the top five firms in this space only account for less than 5% of that market size.

To Christian's point, sure, we want to beat our biggest competitors every day. But the real opportunity is in a compelling reason for clients to outsource everything to us at scale. And, as I said, in a complex environment, those reasons naturally become more and more compelling. I think the market is growing at about 4% or has been, and we've been growing at twice that. And we expect to continue that trajectory of taking share.

What are key growth drivers? Well, we've touched on these on some of the other presentations. Increased business complexity leads to increased outsourcing to global trusted brands. Decarbonization is a massive tailwind for us. And while there are many professional services companies out there who can advise on decarbonization, there are very few that can advise and execute on behalf of our clients in the real estate space. So, we've been leading the way on that. We were the first to make our net zero commitments in the industry. We're pursuing it with great vigor, and we're supporting our clients in reducing their carbon footprint every single day. Just this week, I was in Cincinnati receiving an award from Procter & Gamble, from the CEO of P&G, for what we've done to dramatically reduce their carbon footprint, one of the six companies in their supply chain of 50,000 companies.

Cost management is an ever present, but right now it's more focused now than ever. It's a market tailwind for the service we provide. And the new ways of working. We embrace new ways of working. The notion of hybrid, the notion of people working in different ways is exciting for us because we get to deploy industry-leading superior solutions to make those things seamless.

How are we going to expand margins? I've talked to you about growth, which I feel really comfortable about. But the margin opportunity is great as well, all connected to the value we create for our clients. We standardize the core. I mentioned that it has been built bottom up, and so therefore there isn't a level of consistency that there should be in that business. In the industry, it's large but not yet scaled. So, we're being disciplined and rigorous about scaling our products in a way that's codified and sustainable.

Then specializing on differentiation, superiority, making sure what we offer to the market is better than everyone else's. Many of our clients work with many providers, as I've said, so we know what others are doing. We measure ourselves against the best of what's out there every day, and we are winning. And all of that data and knowledge and understanding of what's going on in the market allows us to underwrite our clients' outcomes and move to outcome-based pricing. For too long this industry and this business, its pricing has been a function of cost. We were separating those two things, price and cost, and focusing on the outcomes we provide to our clients.

That was a fairly quick [ph] counter (01:07:00) through the business in 16 minutes I think. I hope you've a better understanding. I'll be on the panel later to take any questions you have.

But, in summary, the business is strong and scaled and we can provide services anywhere in the world to a very high level. We're winning. With the strategy in place and a product set in place to continue to win. And increased complexity of the world around us leads our clients to need trusted experts at scale around the world. So, we're very confident in the future of this business.

Thank you for your attention, Karen I think is coming to the stage with Mark and Greg and Richard to talk about some of the business. Thanks for your attention.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Good morning, everyone. I'm Karen Brennan, JLL's CFO, and I'm here today with three of my colleagues across – that lead other business lines. We have Greg O'Brien on the end here, who is CEO of our Markets Advisory business. Markets Advisory includes leasing, property management, and advisory and consulting business. Next, we have Richard Bloxam, CEO of our Capital Markets business, where we have our investment sales, debt and equity advisory business, our loan servicing business, and our valuations advisory business. And finally, Mark Gabbay, CEO of LaSalle Investment Management, our investment management platform with core and higher return strategies, $80 billion of assets under management in debt and equity investment teams.

So, what we're going to do today in terms of format is I'm going to ask four questions of these gentlemen and then open it up to you to ask more questions. And this is an opportunity to go deeper into some of the topics on your mind. I'm going to start with some things that I have heard questions about and that we are very focused on, but then again open to all of you. So, let's get started. Let's start with the macro environment.

Over the last 60 days in particular, we've seen a market increase and volatility in our Capital Markets business, a decline in transaction volumes. And there's concerns around what's going to happen out there, right, as we're navigating potential recession. So, want to ask each of you: what gives you the confidence that your business segment is going to grow coming out of this slowdown and how are you going to navigate it? Why don't we start with you, Richard, since you're most directly impacted?

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Okay. [ph] In the innings (01:09:41). Well, thanks, Karen. Yeah, I think there's three things I'd point to. One is that what are the economic environment. You need to have the best people in the business, so attracting, retaining talent. And I think we've continued to build on that through the course of the year, so I feel very good about the team that we have in place. I think, secondly, since the last time we had an Investor Day presentation, we've really diversified the revenue mix in Capital Markets. We're close to now – something in the region of 50% of our revenue comes from investment sales and advisory. Now, that was closer to three-quarters of our revenue back in 2016, with the remainder being debt advisory and equity advisory being 31%, and the remainder, valuation and loan servicing. So, it's a very strongly diverse revenue stream.

But that in itself is helpful for getting through more challenging environments, but more importantly, it's attracting a range of talent that provides much more of a capital solutions advisory business. And right now, our teams are super busy with our clients, helping them navigate through that. And lastly, I think we have an operationally efficient platform. [ph] So, conversation (01:10:53) structures [ph] that flex (00:10:54) with market performance and production, and we're increasingly leveraging our centers of excellence to take onboard some of those more repetitive tasks. So, I think that's how we're set.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Okay. Thanks. Greg, do you want to go next?

Greg O'Brien

Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

Yeah, Richard has defined the playbook for our leasing business as well. Great people, highly diversified in things we're doing. The focus right now as it is at any time in a cycle where there appear to be headwinds is to run to our clients. And we did this during COVID. We did this in the GFC. This isn't our first challenging economic environment, but these challenges exist for our clients, so we're running to them. I think if you look at the four, five quarters immediately coming out of COVID, we outperformed the marketplace. And we did that because we got much closer to clients and started solving broader problems for them.

Also, our move to our segment structure where we get a view globally across our lines – we have very deep expertise – is allowing us to look at and align our cost structures around that and really prioritize where we're going to move our people and other things to be able to get the right leverage as we [ph] come out (01:12:10) today and then in the future.

Our industry's focus is the last point I'll make. Our clients are increasingly not looking for leasing or Capital Markets' help. They're looking for help around those transactional elements, but very deep into their areas of expertise, and we're deeply deployed in life sciences and in law firms and in industrial supply chain and logistics, and that's true across our two businesses. So, we're going to market together. We talked about One JLL the team did before; going to market together, trying to broaden the solutions that we have with very deep expertise in those areas.

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

I absolutely agree. I think there's no doubt that when we're showing up to clients, particularly for the investors, it's not just a capital solutions discussion. They want to understand how the occupiers are thinking. And I echo Neil's comments on the stage. You really want to know what our teams feel that a walk in the corridors of our clients occupy buildings.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Okay. Mark?

Mark Nadav Gabbay

Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

So, yeah, let me pick up on that. The transaction part of that because that's what we have sort of talked about.

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Yeah.

Mark Nadav Gabbay

Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

I mean, there's no question that real estate cycle is at an inflection point. And I think, well, Christian said that, at some point, it reaches equilibrium. It's true. But until you get to that point, you have tremendous amount of volatility. So, from the investment private equity side, obviously, we see that as a huge opportunity in terms of entering the market and investing. And from that perspective, we enter this cycle probably the best position we've ever been from an equity perspective or dollars available to invest. We have about $14 billion of capital available to invest, and that comes off a very strong 2021 and 2022 capital raising. So, the buy side looking forward for us, I would say, looks very positive.

The flip side of that is you have to look at the construction of your portfolio and how you're entering this this particular cycle. And from that perspective, the $82 billion that we manage, 75% of that are in core or low-risk strategies, meaning they tend to be long-term hold with very low leverage, roughly in the 20% range. So, even with the volatility in interest rates, there's not a tremendous amount of pressure on those vehicles holding the asset.

What that means is, when you look at that relative to our revenue side in our business, 83% of our revenues are management fees or contractual coming off that existing base going into the cycle. About 60% of that 83% or roughly half of our total revenue are really in long-dated open-ended structures. Now, we don't really call them perpetual, but you can think of them as extremely long-dated and very, very sticky capital. So, this macro environment, we've seen these cycles before, as both of you have, and we feel our positioning going into this one is quite strong.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Great. Thank you. So, switching gears a little bit. One of the other questions we get is around our HFF acquisition, and that was a key strategic priority for us, as Christian outlined. But it's all about execution at the end of the day. So, Richard, can you talk a bit about that in more detail?

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Sure. I think one of the things Christian alluded to already was that we saw a strategic gap in our service offering in the US. HFF was a great merger for solving that. But the reason for doing it were also to drive integration across our Capital Markets business globally and between Capital Markets and our other two large service divisions. And I think the results on that have been tremendous. I think year-to-date, we've already got 300 deals that have happened as a result of that integration between Markets Advisory and Capital Markets. And it goes back to the point earlier. Look, our clients want us have a holistic view of what's going on in the market. You can't do that with just a view on the capital. You have to have – you're on the occupier market as well. I don't know if you have anything, Greg.

Greg O'Brien

Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

We totally saw that we were – we had some high-quality Capital Markets people, but we didn't nearly have what we have now with HFF. And when you get the best of breed on the field, best leasing teams, best Capital Markets teams, property management, you could start to solve far broader problems. So, our largest investors and even our largest occupiers want to hear all of those views together. We're shaping better answers for them, which is allowing us to move up even further into the C-suite as we help people develop strategies across different areas.

There's a parallel. For those who were around 14 years ago when I was the CEO at Staubach when we merged into JLL, and we were monoline, and we thought we had everything really in tenant rep really focused down. Once you start to see the other services – and this is the discovery our HFF partners are deep into now – you start to see how you can impact your clients in a different way. And then it starts to blossom out and puts you in different rooms, both for the core things you've done before, for your debt/equity investment advisory, but also to think about repositioning entire portfolios with our PDS team and others. So, we've been through this a couple times. I think the base we've built in leasing is going to be very similar to the base we've built in Capital Markets here in the Americas, but also globally.

Mark Nadav Gabbay

Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

Yeah. I'd add, too, I think the addition of that debt capability for even for us at LaSalle has been very beneficial. And we have about 5% of our assets in a debt product, and we do see that as a good opportunity going forward, obviously, where rates are. And so, being able to work with the former HFF, now JLL, colleagues around that, we've seen really good impact in that European business. So, I think that early move was a benefit for us as well.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

So, Greg, let's start with you on this next one. It's really about our leasing business. So, leasing is our largest business line, and just over half the revenue within leasing is from office. So, given the macro headwinds out there, concerns around future of office and hybrid work and what that means for office space, how are you thinking about that and how concerned are you about the future?

Greg O'Brien

Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

Return to office is a discussion we're having from the large integrated outsourced clients that Neil's team takes care of but that we execute the leasing on the ground for to our middle-market clients and to one-offs. So, very active dialogue. The experiences we have across is helping everyone. What it does is cause a need for our clients to have more high-end advice in that same broader range of services. So, it's drawing clients to us into a really important discussion.

If you look at JLL overall, you go back to just 2016, we were 80% office. That was very deep. That was where we were. That was where we really made our money. Today, with our growth that was very intentional in supply chain logistics, industrial, lab and other facilities, healthcare, by the end of this year, we'll be about 55%. As you said, just over 50% office. So, significant asset class diversification, a need for clients as they're trying to figure it out to come to folks like us, and that's really helping us on the advisory side to bring people in. We have more work going on. Our people are busier than they've ever been, maybe a pause in transactions in some way.

But I'll remind everybody that hybrid's been around since we invented the laptop that almost everybody has in front of them today. And we started splitting time between our house and other things at Starbucks and whatever. It's still going to be around. But the office is at the center of innovation and collaboration, and that's what our clients are talking to us about. So, it's how do we balance those things at the end of the day. And there'll also be a significant flight to quality. We've already seen it from our clients as they look to figure: how can I attract and retain people in this new – how do I make my facilities commute-worthy for people as they come back. All of those things create pressure. Our clients send them to us. We think we're building up a backlog now of things. As soon as market turns a little bit, we'll be back quickly.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Got it. And, Richard, from a future-of-office perspective, how is this impacting Capital Markets?

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Well, I think Christian put the slide up around 90% of the buildings requiring some degree of retrofit. I think, in 2050, 80% of the buildings that will exist in 2050 exist today, and that's going to require lots of shifts in ownership, capital structures. So, I think it's a really positive headwind for us. I'd say also that from the Capital Markets business line overall, it's around 20% of our revenue is related to offices. So, I feel very good about the opportunity that a shift in use creates for the business at the same time, and no doubt there is a real run to [indiscernible] (01:21:02) high-quality office buildings. There's still strong demand for capital to fund [indiscernible] (01:21:08).

Mark Nadav Gabbay

Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

Yeah. And, look, I think from the investment side, office is still a major investment category. I mean, sure, it has a lot of question marks around value and use, but I think in terms of the investable universe, you're always going to have an allocation to office. And as we've seen, it varies dramatically the level of volatility by region and what the patterns are that you're seeing from work from home. So, we think, going forward, it's not – it's a space we're going to continue to look at. We think that could be very good investment opportunity depending on where pricing settles and whether there's a retrofit story there. So, we do believe in that retrofit story. We think there's a lot of option value there. And when you think about this, it's not just the building, right? The land, depending on where you are in the world, can be 30% to 80% of value. So, the building's just a derivative of the location at the end of the day.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

So, my last question, and now we're going to open it up to all of you for your questions. We've heard today in the first three presentations about the importance of technology and how we deliver to our clients and how it's a productivity enabler. So, let's start with you, Mark, on how you're using technology and what your plans for the future.

Mark Nadav Gabbay

Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

Yeah, look, we clearly believe, as Mihir laid out, the technology is going to change behavior in our space. And I think where we're seeing it early on is consistent in the experience with a lot of the clients that JLL have, is on the operations side of the actual building. So, whether you're trying to reduce energy, occupancy, management, etcetera, and so for us, we get the advantage of being very early adopters or access to that kind of information that's coming from the JLLT side.

So, I think that's going to continue although it's still very early on. When you talk about the operations of our business, there's a very specific example. Here, we had Spark X up there. We are using Spark X. I mean, the simple part of it is it's on a client onboarding type structure or software, and right now, we have over 500 clients who are investors globally who are also looking to move into the retail side of the business. We're going to have thousands of thousands of thousands. And so, this software capability that Spark X is putting together with us we believe will be scalable and allow us to onboard clients seamlessly, which takes a pain point out of our process.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Who wants to go next?

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

Yeah, happy to. I think, well, the future of the industry, but I think also kind of the market specifically is that combination of great people with access to extraordinary data and empowered by good technology. And I think there isn't a strategy in Capital Markets that doesn't involve a fully integrated technology strategy. So, we're working very much hand-in-glove with Mihir and Yishai and the team to create that. One of the huge lifts is normally how do you get your teams to leverage that technology. And that all comes down to also seeing some material benefit coming back.

And I think what Mihir discussed around the Skyline acquisition and combining that together with our existing machine learning and AI capability is really providing a level of support for our producers, our Markets' advisers, Capital Markets' advisers that enables them to really feel confident about technology as a leverage. So, number one, you got to get people working on systems that are providing real value and, secondly, once you got that data in place, you could do some really extraordinarily things with AI, machine learning that helps us provide more value to clients and us to capture some of that value on that journey.

Greg O'Brien

Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

Yeah, if we go right to the client, the complexity of the decisions they're trying to make is far greater than it's ever been. Neil talked about talent, sustainability, maybe infrastructure that they need to help them visualize and tighten the cycle time for them to really think about what my best options are. You have to bring data and help them visualize it. And one of the things that the JLLT team has done for us and we – last year we did 42,000 individual lease transactions. So, some of our largest clients, smaller ones, but helping them when we're in the pitch stage to visualize their problems in a different way by bringing up not only available data but proprietary data and then other data sets.

I can't tell you how many times I sit in presentations our teams do that the next meeting gets cancelled because we're in with the CEO helping him [indiscernible] (01:25:51) on a strategy which really isn't about acquiring more real estate. It's really about acquiring talent and running his business or businesses. So, tremendous opportunities at the win stage for us. In the execution stage, the big opportunities, as Richard started to allude to, will be in finding these clients as there's data out there that will start to indicate where they can be, whether it's new fundraising or others. We're starting to automate that and feed that back to our professionals so we can make sure we're getting to those right intersections. But data technology is helping us across all phases of our business.

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

[indiscernible] (01:26:26) it's critical, but it doesn't work with also having a group of talented people to exercise it. That is that combination which makes it really, really unrivaled I think.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Good. So, those are my questions. We're now going to open it up for Q&A. And just as a reminder, this Q&A session is meant to focus on Markets Advisory, Capital Markets, and LaSalle as the topics because we're going to have another broader Q&A session at the very end of the sessions this morning, where we'll have the entire executive leadership team up on stage, and we'll take a broader range of questions. And so, I encourage people who are also listening virtually. You can use the Q&A feature and enter your questions there. And then we'll have some people with mics to walk around the room and [indiscernible] (01:27:13) questions from here.

QUESTION AND ANSWER SECTION

Scott Einberger

Investor Relations Officer, Jones Lang LaSalle, Inc.

A

Yeah. Thank you, Karen. We'll have a couple of mics floating around the room here, so just raise your hand if you have a question, and I just ask if you can state your name and the firm you're with. That would be helpful for us. Thanks.

Jade Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much. Jade Rahmani from KBW. Karen, in your opening, you mentioned the last 60 days. I was wondering if you could provide any comment on what the tone in the market is of late in the fourth quarter? And also, I just looked at the [ph] 10-year (01:27:44), it's down sharply at around 3.7%. Is there any immediate, tangible benefit in Capital Markets that the modest rally or the sharp rally in rates that we've seen in the last two weeks is providing to investors?

Richard Bloxam

Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

I'm happy to go first on that. I think that what the Capital Markets require is a degree of constant stability. And I think while stock market movements of the scale that we saw on Thursday, Friday last week on the back of positive shifts in the inflation, it's – I think it'll take a little while for that stability to come through that where investors are making decisions with confidence around the market. I don't know. You might want to add to that.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah. Look, I think capital flows for us have slowed down in the last 60 days. That's where the immediate reaction. But as I said, that's coming off of two years of extremely strong capital flows. And I do think our investor base, which is primarily institutional investors, global, they're already at the end of the year. So, to some degree, they're quite – they're finished with their allocations. So, we're not that concerned about whether they're going to allocate to real estate. And then we do agree with the macro trend that real estate, broadly speaking, in the private and public space for pension clients is still an under-allocated part of their portfolio, especially when you talk about, let's say, Asia, for instance. So, we do think the long trend is there of capital coming back, but in terms of a 60-day reaction, definitely a pause I'd say whether...

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Yeah.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

...the 30 years moving up or down, it's not – there's not enough clarity to sort of put the switch back on.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Yeah. I think we'd still go with the statement Christian made on the Q3 earnings that we anticipate that market building up again in the second half of 2023. The more positive signals that emerge from inflation being under control will give investors confidence earlier than that. But for the time being, it feels like there's still a period of stability required. I think if you're in the market with an appropriately priced asset, there is investment. There is – Mark said about the dry powder that LaSalle have that's echoed across the industry. There's still very heightened levels of dry powder in the closed-end fund industry, over $400 billion, that's near record levels. So, there's not a lack of capital that's looking to deploy. It's just trying to find the moment to do that. And right now, that's – there's still a bit of uncertainty.

Chandni Luthra
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. This is Chandni Luthra from Goldman Sachs. Thank you for taking my question. As we think about the level of debt maturing in the office asset class over the next 18 to 24 months, how do you think about the potential distress emerging there? Obviously, it's already been in a lot of difficulty just with the pandemic. But as we go further in in a recessionary environment and that debt coming due, how do you think about the opportunity for each of your businesses from it? And one further follow-up to it, what sort of conversion opportunities can really emerge given that conversion is a very long process, requires sometimes regulatory interventions as well? So, how do you think about all of that?

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

I think – well, I'll try and unpack a little bit of that. I think the office market as a whole is incredibly diverse. You have a lot of differentiation between different office types in there. And I think the way that we looked at retail in the post-global financial crisis, you have retail that kind of moved to a convenient and a destination market, and that's where capital and occupier demand ultimately gravitated to. And I think offices is going through its own new evolution of bifurcation there. So, I think it would be wrong to suggest that all offices have a challenge with some kind of refinancing.

I would also add that this particular cycle has generally been a much lower levered cycle on assets. So, loan to values have typically been much, much lower than they were in the global financial crisis. And I expect that that'll be a much more measured approach. I don't think many of the banks enjoyed receiving all the assets in the global financial crisis. So, I think there'll be a much more collaborative engagement between lenders and borrowers.

At the same time, no doubt there is going to be some level of distress. And distress will emerge soonest in areas where really Greg's team is seeing live where occupier demand is going. So, where you've got strong occupational demand, you've got low leverage in an office building. I don't think you're going to see that distress emerge. But there will undoubtedly be some areas in offices sector where there'll be capitulation, and people will have to do things for sure.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

A

It also creates some opportunities on the occupier side where that's kind of information that's pretty transparent, available to our teams. And often, working with the landlords and our tenants allows you to do some things off-cycle. People might be trying to in core core areas; might be a little more willing to extend.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Yeah.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

A

It puts you in a better position maybe to get the debt that you need to at the time. But that's maybe a good example of the broader sets of data you really need to have to answer some of these complex problems in your site.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah. I think your point about the leverage is exactly the question. I think the challenge for all of us is the data in terms of how levered an office owner really is is not consistent around the world. So, it's a very anecdotal kind of experience, right? In some cases, it'll make sense to pay down the leverage, or you'll be able to afford the interest rate costs, and you'll maintain that ownership of the building. In other cases, to your point, Richard, it won't make sense, and you'll default on that. But to make a macro statement like is the whole entire office market falling apart, I think is – it's a stretch to say that because of the bifurcation that we're alluding to.

But will there be some? I do agree there will be some. And as we look at it, as investors, especially looking for relative value, I wouldn't be surprised at some point in this cycle that office does provide relative value. Again, if you think about it, we do a lot from a land value perspective or a conversion perspective. I mean, there's still intrinsic value there.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Your point around what does that do for our business, I think that clearly when any owner of a building or any lender to a building is trying to think through what their options are, that's when we get the call.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.
A

And then please call us. Please.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.
A

And so, I think it's generally when you see clients that require some advice, some support, that's a good thing for us, and we will be helping them, whether it's a refinancing, whether it's finding additional equity to help solve an in-place financing position, or whether it's recapitalizing either the asset or the whole entity. So, I think, generally speaking, we still require some level of stability going back to the first question in the market, and that allow us to give confident solutions to our clients.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.
A

We have one question from the webcast if we could take that one now. So, given the current macro environment and near-term headwinds, how, [ph] Richard (01:35:45), are you thinking about managing costs on your business?

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.
A

Yeah. I mean, in our business, the way we look at managing cost is really actually looking at our kind of our org chart and how hierarchical we are and wherever we can kind of flatten that to some degree, we're doing that right now. We've been doing that for the last couple years. So, that gives us an ability to change our – the pyramid of our cost structure. And then in places where we know our business is transforming, we are sort of tightening in that area. But we wouldn't say these are – they're major changes. They're more part of the ongoing transformation of our businesses. Our product mix kind of changes from separate accounts to open-ended funds or scalable products. But there's definitely a look at that bottom line and what can we do to optimize it.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.
A

A large part of our business is variable. So, variable compensation. So, you'll see a natural shift in compensation. But our move to a broader segment view and think about leasing globally or our property management business globally really puts us in a position to look at prioritization and where we are. As Mark says, we're all on a journey to flatten our organization wherever we can and focus all of our resources on people and capital that we're spending on the areas that are going to have the biggest impact. That's a big shift towards more of our time and effort around technology and data.

It's also a shift in looking at our clients in the fastest growth areas. So, our move to much more of an industry and sector focus is a big part of that. So, naturally, you'll see our cost structure change a little bit in a downturn like this. But then you'll see us positioning ourselves for inevitably what will be a bounce back and that, in turn, is going to give you a view of how we've come out of downturns in the past. And we're preparing for that as well.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Nothing much more to add. I completely concur with my two colleagues. I guess one additional thing that we're all looking at is getting operational leverage. So, finding ways where more repetitive tasks are done in more efficient ways. And I'd say that we are on that path already. So, that's not something that's specific about the current economic environment, but there's no doubt that we've heightened our focus on that and ensuring that we're delivering that. So, if you think about it, specific tasks that happen as part of a process that are more repetitive, finding a more efficient way of doing that, and that leaves up production and market-facing individuals to spend more time with clients, solving the capital structure solutions in our business and the leasing business.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

I have another – unless there's another one out there. There's one that I get asked a lot, but I might jump in here with as well. And, Mark, this one's for you. I get a fair number of questions about forecasting our incentive fees. People will tell me, they're bit a noisy. You can't predict them. How should I think about them going forward? So, over to you to comment on that.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah. Thank you, Karen. That's a good question. So, when you look at our revenue structure, as I mentioned, about 80% of it is really recurring revenue. 20% of it, you can think of is more volatile revenue, right? That's usually made up of transaction fees or acquisition fees and the carried interest in performance fees that you're talking about. If you look back historically on our numbers of the last 10 years, there's a wide range of what that contribute to revenue. It could be from $50 million all the way to $200 million in a year. And the reason for that is there's tremendous variability on what the value of carried interest could be that comes out of our higher return strategies, right, that have a promote component to it, which is basically a participation in the profits above a certain hurdle rate.

When you also look at that backwards data, and I say it's backwards because it's really coming out of a point in the cycle that was post the GFC, so our entry point, a lot of our higher return strategies came in at a really good point, and then you sort of recover, and you're able to participate in that carried interest. And if you think about that component of our revenue, it's sort of a 10-year earnings window, right, but maybe with a five-year average life, like it will take five or six years from when you invest $1 to actually see what the realization is and what your participation value is in there. So, we don't get paid until that final asset is sold in a portfolio.

When you look at it at $1 of equity that we have to invest in those type of structures, historically, that's generated $0.08 to $0.09, if you will, or 8% to 9% on that $1 in revenue. I think, going forward, we would probably moderate that number a little bit, given that we don't think the severity of the repricing is as significant as what we saw coming out of the crisis. But I still think we have good earnings potential from carried interest; maybe more in the 6% to 7% range. So, the easy way to think about it: for every $100 million of equity that we have in higher return strategies to invest should be worth $6 million to $7 million at some point in the future.

And to give you a little bit more context on that, on average, we probably raise around $1.5 billion to maybe $2 billion of equity per year that has the capacity to earn those revenues in the future. So, it's a long-term window. It's very, very valuable, and it's very, very variable at the same time. But like I said, we're entering this part of the cycle with quite a bit of capital that could earn those fees in the future. I do think it'll be a little bit muted in the front end of the curve right now, given the macro conditions, but we will see those gains down the route. So, it's complicated but it's actually quite simple that it's an option value. If you think about it, it's – we refer to it as kind of like an equity kicker. So, you have a pretty good equity kicker in our business on top of the stabilized revenues that we have.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

Thanks, Mark. We probably have time for one more question, if anybody in the room has one.

David Sochol
Analyst, Levin Capital Strategies LP

Q

Hi. Dave Sochol, Levin Capital Strategies. I guess, this is more for Greg and Richard. It would be helpful to me to better understand the power of the franchise. I certainly understand providing world-class service, doing it at scale, doing it globally. The only way I can really measure it ultimately is revenue growth, EBITDA margin expansion and EPS growth, if I – and so, I think it comes down to, as one of the presenters talked about, you will make more money at JLL than you will anywhere else, whether you are whatever type of real estate professional you are, in brokerage, capital markets. And so, what is happening? Why isn't 2023 going to be a better year? I understand all the macro headwinds, but you'll keep more brokers, you'll attract more brokers. The same on the capital markets side given everything that you're doing, given the technology, given the shared service and places of excellence. And so, there is just sort of a disconnect for me and it's a question that keeps me up at night because I have a really boring life. So, I really look forward to any color on that. Thank you.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

A

Yeah. We are and we have been for a long period of time an aggregator of talent, if you think of us globally [ph] in the Leasing (01:43:42) business and Capital Markets as well, and now accelerated with HFF. So, talent comes here and they grow. When we bring people in laterally in our Leasing business in the US as an example, I often have the staff typically bump up their productivity about 30% by the third year. And that's because they have a broader platform, they have more that they can get to.

Our attrition and people – my competitors don't publish it, but our attrition is lower than what we see in the marketplace. We're not immune to losing people in a complex talent environment. When you put great talent together and they stay for a longer period of time, they get deeper with clients. You can find yourself in rooms where you couldn't be otherwise with those same clients, whether it's across lines or other areas. So, the largest investors, the largest occupiers are also those middle market players who really want to see the same view. We're in that room. If you're deciding you're going to outsource or take on something complex, if we haven't got in to you, you're calling us.

So, we have an opportunity. It's a competitive world out there, but we find ourselves in the discussions and our teams find ourselves there, and that's where they want to be at the intersection of complex client need and their ability to deliver the service. So, our revenue per professional, with the exception of COVID and maybe other cycles and we may see one in 2023, it goes up and down. But the long-term trend is the revenue per producer is going up and revenue per employee overall, our job is to figure out how we continue to create that leverage and drive margin, but also continue to drive that top line growth. You need great advisors because there is a big people component to the business. But that differentiated platform, as Mihir said, will get us to the point where it gets harder and harder. I think culture is a big part of that, too.

David Sochol
Analyst, Levin Capital Strategies LP

Q

Yeah.

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

A

Right. The culture of collaboration and teamwork which it may not be like every other part of the industry, but that's the culture that we're really cultivating here at JLL. So, we have a lot of people who've been here a long time and have thrived and continue to thrive. We have a lot of growing young stars who are taking to the platform and the opportunity to do it. So, we feel pretty good about where we are, and I think you'll see us continue to be an aggregator.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Yeah. I think that's it the what's keeping you up at night is that we're getting – we're on the beginning of that journey. I think the culture the teamwork, the ethics, excellence in everything we do is something that's been around for a while. But then, if you layer on that data and technology platform and Mihir said we've got the early signals that we're doing something that's a bit different, it's going to add real value to our producers. And I think that you'll see that come through in 2023 and beyond. We're very confident of that. But it's [indiscernible] (01:46:33) the slide with a big first step and then one, two. I think that's where all of our teams in Markets and Capital Markets and Work Dynamics, they feel like they're on next step, too, as well. So, we've made the big first leap and I think you'll really see us scale and escalate now using all those tools, the centers of excellence, the technology, the data capability, but always in the hands of really, really talented people. And we'll continue to hire those...

David Sochol
Analyst, Levin Capital Strategies LP

Q

Yeah.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

...and I'm doing so still now in this environment.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

I think actually the story is a lot simpler. Everyone has an interest or is involved in real estate, right? It's one of those asset classes is just vast. And so, we do see a continued interest in real estate or the built environment. I think when you wrap it around with technology, sustainability, some of the other parts that we're doing is just it's creating that kind of momentum in that whole space. But again, real estate, everyone owns real estate, right? Does anyone in this room own some real estate? So, everyone, everyone has interest in that space. And so, I think that's what's attracting the next generation. I think the long-term play, that's a long-term play. We're going to get better talent into the business that's going to think about the built environment differently than we did, and that's going to create all the economics story behind it. But it's going to take time but you see, the beginnings of it is my sense. So, it's still real estate but it might not be location, location, location.

Scott Einberger

Investor Relations Officer, Jones Lang LaSalle, Inc.

Thank you all. We're going to take a 10-minute break and we'll resume just shortly after 11:00 AM Eastern.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Hey. Good morning again, everyone. And hello, I'm back. In case you forgot, I am Karen Brennan, JLL's CFO, and looking forward to covering our final session today before we open up for a broader Q&A session with our entire leadership team.

So, you've heard a lot today about what we're doing and how we're doing it. I'm here to talk to you about how we're measuring outcomes because, ultimately, that will be the final judgment of what we're doing and how we're delivering on behalf of all of our stakeholders, particularly in this room today. I'm going to cover, looking backwards, our performance highlights and really show you how we've managed to, through intentional action across all of our business lines, really drive adjusted EBITDA margin expansion, adjusted diluted EPS share growth and really outpace our fee revenue growth over the time horizons I'm going to show you. I'm going to talk about how our revenue is resilient through downturns and how we can flex our expense structure. I'm going to talk about how we generate significant free cash flow and have clear capital allocation priorities. And finally, I'm going to outline our 2025 financial targets for you in some more detail.

So, let's start with this slide. You heard a couple of references so far to 1760. I'm not going to go back to our origins. But over the last 20 years, I do want to highlight that we've grown our fee revenue by 12.5% compounded annual growth rate. Importantly, our adjusted EBITDA growth has outpaced that, and we've had rapid rebounds from macro downturns where we had a nearly 15% CAGR. I want to highlight the absolute dollar numbers on each end of this slide, $107 million of adjusted EBITDA in 2002 to $1.5 billion of adjusted EBITDA in 2021.

Let's zoom in a bit and just look at the last full five calendar years where we've had nearly a 10% compounded annual growth rate over that period of time, including the pandemic period. And we've generated a 17% compounded annual growth in our adjusted EBITDA and delivered over 500 basis points of margin expansion. There are few more bubbles and boxes on this slide than in the previous slides. I do want to call out how equity earnings has influenced our performance over the last couple of years. On average, our equity earnings are approximately 5% of our adjusted EBITDA. They were outsized in 2021, so we wanted to call that out and then look at our performance excluding equity earnings as well for a different comparison. But still, excluding equity earnings, nearly a 15% compounded annual growth rate for our adjusted EBITDA and over 300 basis points of margin expansion. Finally, I mentioned adjusted diluted EPS growth, which has outpaced both adjusted EBITDA and our fee revenue growth as well at an 18%-plus CAGR, including equity earnings or nearly 16% excluding equity earnings.

So, that was looking backward. We are now standing on the edge of something that is certainly more uncertain. There is more movement and volatility out there. We have seen some impacts to our Capital Markets business, getting a lot of questions around we're not sure what this means, how will your business perform? What should we think about how you're going to behave during a downturn from a financial perspective? So, let's talk a little bit about that.

And I've also had people say to me, you just really need a good downturn. We really – we can see what you can do and how your platform has changed. And I said, well, we didn't just have COVID; but if you want to go back even further [indiscernible] (01:51:15) what about something more, something worse like a global financial crisis?

My response there is we're a very different firm than we were during the global financial crisis, and we came out of that stronger. But some key points on the page here, fee revenue, 3 times growth factor; adjusted EBITDA, 6 times; adjusted EPS, 11 times, and so forth. So, the point is, really, we're entering whatever this might be as we entered COVID in a very strong position with a much larger business that is more resilient and more diversified around the world. And so, feeling that we are in a position of strength to actually come out of this in a strong, strong way.

So, how do we about a downturn? What are the three key components? So, first thing I want to talk to you about is, really, our resilient fee revenue and the importance of that to our overall business model. Next is our variable cost base, which naturally flexes in this environment. And then finally, fixed cost actions that we have taken and will be taking going forward that allow us to emerge from these downturns in a very strong position.

Let's talk a bit first about resilient fee revenue. We have a track record of growing faster, greater than 3 times global GDP. So, this brown bar in the center is the IMF global GDP growth of just over 3%. JLL's fee growth – fee revenue growth has averaged nearly 10% over that same time horizon. I'll point out, as you can see, that our blue bar does decline more than the global GDP growth dips that you see during periods of macroeconomic shocks to the environment. But then, we rebound quite strongly out the other side. And you've heard some of the reasons for that today from the leaders that you've heard from so far.

Let's go next to our variable cost base and our expense base overall. I'm showing more detail here than we've disclosed previously. This is an important point to understand and one we get a lot of questions around is how should we think about your cost structure? How you think about your cost structure? What happens when your fee revenue declines and there's more uncertainty in a market? So, this is a snapshot of our 2021 fee-based operating expenses. I do want to note, that excludes our gross contract costs. We think that's the right way to look at that because those are effectively pass-through costs to our clients. So, we have key takeaway here is that we have just over half of our overall expense structure is variable. You'll see that 30% of our overall structure is from commissions, and those are dollars directly tied to the amount of fee revenue we generate, primarily in two business lines which are investment sales, debt and equity advisory in our Capital Markets business; and then also, our leasing business in our Markets Advisory business. Then, you have the all other variable which then has some natural areas of flex and things we can take more aggressive action on in downturns.

And then finally, the fixed side. So, I want to talk a bit more about the fixed side because one of the things you've heard today is that starting with Christian's opening remarks around how we've been taking intentional steps to really evolve our operating platform and model from how it's been built up over generations into something different today that really harnesses the power of what we're doing globally and a more operationally efficient way. And we're taking steps to address our fixed cost base through the changes that we have been making. And we have a lot more runway ahead on that.

This next slide has a lot of boxes on it. I was told this is a little bit busy, maybe we keep it simple. My point is exactly this, that there are many levers that we can pull as we look at our fixed cost base. There's not just one thing; these are really transformational things that are underlying how we run our business. So, the first category in blue certainly our workforce management and how we're organizing our people. You've heard people touch on that today. Next category is process improvement. I'm going to go through and give you a couple of specific examples just so you can visualize a bit more what we're talking about here, but we have lots of opportunities. And finally, in controllable expenses, I want to just emphasize there that it's not about just reducing the amount of controllable expenses, but about concentrating a power of our spend in a way that generates better economic terms for us and for our clients overall.

So, let's go into example number one, centralizing our lease administration. So, Neil touched on this very briefly earlier today that one of the services we provide our clients is administration of their leases. And so, just take one example of a client who will say to us, I have 5,000 locations around the world, can you please catalog abstract, help me understand, make decisions around what do I do with my real estate footprint today based on the strategy I've outlined and discussed with you; and where do I go from here. And so, think about what might have been built over a number of years around individual teams, people reading leases, putting them into databases. We've been moving to centralize that activity and have made good progress. We've been employing artificial intelligence to read and abstract those leases and bring that data together. And so, we're approximately 60% of the way there within our Work Dynamics business. And I want to just remind you, think about all the other business lines where we touch leases and then – and the opportunity that will come from that, and think about all the other information and data and insights that we will have as we continue to harness that information more centrally and use that to advise our clients on how to make better decisions.

Example, number two, one within the finance team that I oversee, around invoice processing and payments. Here, think about Neil referenced $10 billion of spend that is flowing through our business and making sure we're managing this. This is something where you're looking at moving manual paper checks into digital systems where you can also employ AI, reduce the number of people required to process invoices, get approvals, et cetera, set up direct lines with banks and so forth, and really just leverage automation investments and technology. CIO Magazine actually recently recognized our efforts in this area in kind of leading where this activity is going. Here again, I'll say the last statistic I saw around the number of invoices we're processing through this way is around 57%. So, again, a room to go and move on this. My team is very excited about what they're hearing and what they've been able to accomplish across different locations around the world.

So, again, recapping just on cost and revenue resiliency in a downturn, we feel good. There's actions we need to take, right? There's things that we're not going to say are there's nothing going on there. We'll find this will naturally happen. We're very focused on this. We're focused on our variable cost base and how we can flex that. We're focused on making sure our revenue is resilient and that we're staying in front of our clients and advising them so that we can come out the other side when everyone's ready to transact in a way that's very powerful and ensures flawless execution. And then, we're taking actions as it relates to fixed costs. We've been taking them so far this year already. We're continuing to do that and we're going to accelerate actions going forward.

So, moving now to cash conversion. So, what does all this mean? We're generating strong adjusted EBITDA growth and margin expansion. But then, let's take it down further. Our adjusted EBITDA growth translates into strong adjusted net income growth with average mid-teens adjusted net income growth since 2016. Our average free cash flow conversion since 2016 has been 90% and that's due to two things: one, the high quality of our earnings that allows that to happen; and two, our improved focus on working capital. You will note that, from quarter-to-quarter from a particular calendar year to another one, there will be and is volatility in our working capital. That comes from things that happen naturally as a result of our business seasonality. It happens as a result of macroeconomic conditions shifting and kind of entering and exiting periods of more growth expansion versus contraction. And it also has to do with intentional actions that we're taking as a company to focus management of our working capital.

So, what are we doing with the cash that we're generating? We have three clear capital allocation priorities outlined on this slide, which I'll speak to each of them in detail, all underpinned by our investment-grade balance sheet. Before I go into them in detail, let me talk a little bit about the amount of cash flow we've generated and where it's gone in each of those buckets on a percentage basis. So, over the last three years, we've invested a little over $2 billion of the almost $2 billion that we've generated in free cash flow, starting with the LaSalle co-investments in JLL Technologies' corporate venture capital investments that's been just under 20% of our free cash flow or capital invested. Shareholder returns in the middle. We repurchase shares totaling approximately 50% of our free cash flow over the last three years. And from an M&A perspective, we've invested a little over a third.

So, first, priority one, investing for the future. Before I go into detail on these balance sheet investments, I do want to highlight that the primary way we're investing in our business for future growth and from an organic perspective is really through our operating expenses, through investment in people, hiring talent. And so, that comes through in a different spot in our financial statements, but it's worth noting and something we talk about a lot as it relates to how we're managing our margin to make sure we're delivering margin expansion and positioned for growth at the same time.

So, let's talk a little bit about the two components and buckets within our organic activities. So, the first is the corporate venture capital investments, JLL Spark, that you heard me here speak about. This is one of the four pillars around their overall strategy for innovation, developing that pipeline to leverage our business. The second bucket is LaSalle co-investments where this is where we're actually investing alongside our clients with their balance sheet and employees in those businesses also invest alongside the clients for alignment purposes as required in the industry, and something that has been powerful in terms of the cash distributions and revenues been generating for us over time.

Call out this one important point here are the cash distributions from LaSalle co-investments have exceeded the contributions by $130 million since 2016. So, this is – we have a financial return not just from value appreciation when the investment is liquidated, but also from distributions from operating cash flows over the life of the real estate asset investment. The second point is that these investments immediately generate incremental revenue. So, a very high ROIC on the capital dollars that we put at work within the LaSalle co-investment portfolio.

Priority number two, I hope you see from this chart that we are committed to returning capital to shareholders. We've reduced our share count by 8% over the last three years, and we've shifted from a payment of a modest dividend to share repurchases that we've been implementing since the pandemic. We have $1.2 billion remaining on our share repurchase authorization and we intend to be active. We have the ability to put in place both programmatic and opportunistic share repurchases and, again, emphasize that while the timing of some of these may fluctuate based on other opportunities for use of our capital in macro cycles, we definitely intend to continue to make this a priority for our firm.

Third, disciplined approach we have to M&A opportunities. You've heard it from Christian earlier about how we're approaching M&A over the last several years. I want to speak for a moment around the financial side and the review process, alongside our strategic and cultural fit review, which is highly important. We were looking at each opportunity in our pipeline around the cost of capital and what else we might do with this capital. We set financial hurdles and risk-adjusted returns for each investment and then a time horizon to achieve that based on the nature of the proposed investment, our assessment of the risk around that investment, and timeline to execute on the synergies from both the revenue and expense side. We also, for the some of the smaller acquisitions, look at our build versus buy analysis. And then, you've heard today, we've talked a bit about our tracking performance of the M&A once they come through, the performance on Skyline. And also, I want to call out that in HFF, we've reported during our earnings calls that we've delivered on the synergies there at the front-end of the time horizon that we had set out in despite the pandemic.

Finally, underpinning us all is our investment-grade balance sheet. And so, you'll see fluctuation between our peak and year-end leverage that is related to the seasonality of our business and different activities. Our target maximum net leverage range for our net debt to a trailing 12-month adjusted EBITDA is zero to 2 times. So, we're well within that range. Our net leverage ratio is currently 1.1 times as of the end of the third quarter. I do also want to call out that, again, going back to the HFF acquisition where we borrowed approximately $840 million on our revolving credit facility, that we paid that off ahead of schedule based on what we anticipated and despite the pandemic.

So, finally, let's wrap up here in terms of the 2025 financial targets. I want to talk a bit and just recap what you heard today around what is driving our fee revenue growth and what is driving our adjusted EBITDA growth. Fee revenue growth, you'll see on the left the industry tailwinds, Christian went through these in detail. These are powerful and they're accelerating and they're things that we're very focused on as it relates to where and how we're investing in our business, and we're measuring success around how we're delivering on those. Next, on market share gains, you've heard from a lot of the leadership team around the importance of our global scale and centralizing our operations, around the importance of gaining share and the opportunity from the smaller players. And then, finally, how technology pulls us all together. And third, on our expanded product offering the power of cross-selling, which came out in our – on the panel that I moderated a little while ago, how we're going to sectors that are growth industries and how we're making sure we're providing services for different property types that our clients want and need and being ahead of that.

And then, pulling that through to profit and margin expansion, revenue growth is key for sure. We have attractive incremental margins across our business lines, so that is important to generating future growth in our adjusted EBITDA. You've heard about technology, it's both producer productivity as well as driving operating efficiencies. And then, the operational efficiency process improvement itself is key to what we're doing here. So, those are broadly the growth drivers. On the bottom, I've noted just a couple of things from a near-term perspective. We're thinking about these things from a long-term perspective and now to 2025. But again, taking actions in accelerating or decelerating on certain activities, depending on which business line it's in and what's going on in the world.

I'm almost there to the numbers. But before I get there, I wanted to put this out here. As we are running our sensitivity analysis and putting our scenarios together, these are a few key things that we thought were important to make sure that you had access to as you think about your own modeling for future performance. Not going to read them all, but please refer back as you're revisiting the assumptions here.

So, Christian spoke around the overall consolidated fee revenue growth target of $10 billion to $11 billion in 2025. Here, I show a breakout in more detail across the different business segments. If you look at our forecast performance across the different business segments, please bear in mind that this does include a anticipated slowdown in market activity, which we've already started to see in the fourth quarter for 2023. So, that is factored into our analysis. And as we look again at GDP forecast globally, we've considered that and that comes through in the forecast to our business lines. And on the right-hand side, you'll see the adjusted EBITDA margin of 16% to 19%, which I'll talk a bit more about in a minute as well.

First, I want to go here. So, how do you get from where we are today to 2025? What does the slope of that curve look like? I can't tell you exactly what that will look like. We have run different scenarios. Our current assumption is that we will have a recessionary environment in the first half of 2023 and that things will start to accelerate again after that. So, that is baked into our assumptions. And overall, we're generating for our top-end and bottom-end of our of our target range here of a CAGR of about 6% to 8%. So, the slope might be a little bit different, but you saw from our earlier slide that we do have confidence in coming out of downturn environments in a very strong way, and we've proven that we can do that in the past.

The other thing to just talk about is really the adjusted EBITDA target margin range of 16% to 19%. That was the target margin range we had announced for 2021 and 2022. I recently said that we are likely to fall below that range for 2022 as a result of what's happening in the Capital Markets business that began in September, very late in our calendar year and ahead of our most profitable quarter. And it is not that we are waiting until 2025 to get back to 16% to 19%. We want to get back to 16% to 19% as soon as possible, and we'll be monitoring both what's going on the macro environment and our cost actions to bring those together in the best way, keeping an eye towards long-term growth to make sure we deliver as strongly as we can and get back to that range.

So, wrapping up, four key things I'd like you to take away from what I've said today. If we go back to the beginning, we have a proven record of growing our adjusted EBITDA and adjusted diluted EPS faster than our fee revenue. We have a resilient business that grows at 3 times the GDP over the cycle. We have generated strong free cash flow and we have demonstrated that we have a disciplined capital allocation strategy and we're increasing our return to shareholders. And finally, we have just explained we have a road map and targets for our fee revenue and adjusted EBITDA growth. I hope you've also taken away that, as we think about what we've done in the past versus what we're doing in the future, we see opportunities to do things differently and better than we've done historically. And so, we're aiming high to continue to drive excellent performance from the financial side of things.

So, please – now, we're going to move to questions. And I'd like to call up all of my other colleagues who you've seen before and then a couple of others that you've not. So, two new people who'll be joining us onstage will be Yishai Lerner, who is the Co-CEO of JLL Technologies with me here, as well as Laura Adams, our Chief Human Resources Officer. Come on up.

QUESTION AND ANSWER SECTION

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

Thank you, all. So, we'll take some questions from the audience here. And then, just a reminder for everybody on the webcast, if you have a question, you can put it in the Q&A box and we will read those live here in the room. So, if anybody has a question, if you want to raise your hand, we have a couple of mics we can pass around.

Jade Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much. Jade Rahmani from KBW. In the 2025 targets, can you discuss how much of your assumptions relate to market recovery, how much M&A is included in there or if the growth is organic, and what the low-hanging fruit or the biggest drivers of from where we are today to the 2025 outlook are?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So, great question, Jade. Thanks. So, first, one important call that you raised is that our 2025 targets assume primarily organic growth. They do assume some level of tuck-in M&A, but nothing significant in that number. So, that's one key point.

In terms of the other drivers of margin expansion for our business and what the different levers will be, certainly, recovery in Capital Markets is a key one for that and as it relates to kind of our a moment in time today in driving that. We also have significant opportunity as it relates to flexing the expenses temporarily, but really want to make sure we're focused more on what we're doing structurally longer-term. As we go through the list of those different levers I put out there, some of those do require investment to actually execute on them. And so, what we're doing is really going through and prioritizing the different business cases that are being proposed, looking at what investments required, what the payoff period is for each of those, and then what the amount of actual savings over time that we'll be sticking will be. And so, I put up there a couple of the ones that we already have [ph] in slide (02:14:00), and we're looking at do they continue to accelerate those or start some other new ones as well alongside them? And we've been doing that, so I think it's a combination of factors as we go forward.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

So, can I just a quick follow-up, because we had a question on the webcast about the 2025 targets. Just to be crystal clear, our 2025 targets do not include material M&A, correct?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Correct.

Q

Hi. If one were to bridge from EBITDA to potential EPS, what would be the right parameters to use for capital allocation towards buybacks? Like a good guidepost, if we might, Karen, would – historical trends that you showed us on the screen would be the right way to go about it?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So, we've shown details around a couple different things to help people bridge from adjusted EBITDA to adjusted EPS. We've shown our overall approach to our debt structure. We've shown our assumed tax rate and then we've shown our track record as it relates to our capital allocation buckets over the last three years. And so, the next three years won't look exactly like that, but we'll make – and we'll make decisions based on what is the best opportunity based on the macro environment and opportunities available. But wanted to put that out there broadly as a example of how we've evolved our approach over the last several years to the more recent period of time.

Q

If I may, one more? Free cash flow conversion, once again, 90%, obviously, historically is a very high watermark. But how to think about going forward as we kind of look to 2025? Thank you. That'll be all.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. Well, I don't like to move backwards. And so, certainly, that can happen from quarter-to-quarter or year-to-year, but really driving for that is a key priority. It's one of the things that I hear from potential investors in our company that where they're attracted to that – a high level of free cash flow and want to know more about it. And it's something that provides us flexibility. And frankly, as it stands out, our industry stands out in that regard.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

I'll just take one here from the webcast. So, there's been a lot of news out of China recently for the zero COVID policy potentially changing and then some questions around the new plan that's been rolled out. So just curious if anybody has some insights into how that may impact JLL's business.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Well, as you know, we have a very large business in China, close to 20,000 people [ph] putting (02:16:51) all across our service bench in more than 15 offices. So any loosening up of their zero COVID policy will help our folks there to continue their growth journey, which they have been on for many, many years. And so that would be a positive for our business. I would be cautious to make any assumptions on that. And so let's see what is actually happening.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah. I can add from the LaSalle portfolio, I mean, our current exposure in China is probably about 6% or 7% of our AUM. It's primarily in the logistics or distribution space. There's no question, the zero COVID policy slowed down many factors of that particular portfolio, especially construction, delivery time payables. I mean, everything you would expect. But our kind of medium to long-term view is still quite optimistic, I'd say, about the China market overall and that in simplistic terms, I think the main driver for that is that they still have a tremendous amount of fiscal and monetary policy that they can unleash in their economy to kind of support the market.

So although onshore rates have started to go down over there, [ph] their still (02:18:12) nominal rates are in the 4.5% to 5%. But if you ever imagine China could be in a low interest rate environment, which it could be if things continue to deteriorate, we think that's going to be a significant boost for real estate and real estate activity across the board, but very difficult to tell when that comes into play. But very easy to politicize that country and that market. So, our view is to take a much longer-term view and follow sort of government direction there, and that's proven to be a good investment strategy.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

Thank you both. I have several questions from the webcast, so I'll keep going here. But if you have a question in the room, just raise your hand and we'll mix those in also. So, Karen, the next one is for you. It's around, what would drive us to the high-end of the margin range in 2025 and then what could potentially put us at the low end of that range?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So I'd say first and foremost, it will depend on this feed with which things start to stabilize and we come out the other side in a strong momentum because the growth will build from there. So that's one key point. I would say also, it will relate to our ability to move quickly and accelerate on a number of these cost actions that we're looking at in terms of transforming our business, because those will, I think of those in a couple of different stops, right, you have moving from where you are today to what's next. And then it allows you to add clients more quickly and efficiently than kind of building out platforms and then taking them on. And then also, it will depend as a reference rate, equity earnings do add some level of movement in the overall margin range. And so, if you look back to

2021, right, it was 18.7%, including equity earnings and then 16.1% without. And so there could be depending on the size of equity earnings, an impact there as well.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.
A

Okay. Thank you. Christian, this one's – maybe you can start with this one and then the rest of the team can jump in if they'd like. If you had to break our strategy down into two buckets, either empowering other businesses or generating profits, how would you characterize our overall strategy?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.
A

It's always a balance. When you run a company, which goes back to 1760, you're certainly not thinking about quarters or just a year. You are thinking more to the longer term. What is driving value to our shareholders over the longer term? The investments we have taken around technology and data, we wouldn't have done if you just think about a couple of quarters or one or two years. These are long-term investments.

And so when we are convinced that something will really drive value to our industry, then we are all-in, and we are willing to take the short-term pain as we have been doing to get to that step one, our technology and data strategy, and we will continue to do so. We're already gaining profits from it and the pieces which are supporting our existing services and products, and we will get to profitability also in the pieces you see in the JLLT revenue pillar. But we're obviously not alone on this world. So we understand that everything has to be measured.

And so, we are also reacting on the environment we are in. And the current environment is much more muted environment than we would have liked to be at the beginning of 2022, and we'll continue to be going forward. And so, we have to kind of bend some of our investment ideas we have and we are accelerating some of our cost activities, which we would have done anywhere, but we are doing them now much faster than we would have anticipated a couple of months ago. And so, I think that is about the balance, you are taking, you operate such a large organization. I don't know, maybe Laura may want to chip in on the people side, what sometimes people do underestimate. We are a people's business, 103,000 people. So Laura's responsibility is much, much bigger than you would put her credit for. So, Laura, can I pass over to you?

Laura Adams
Chief Human Resources Officer, Jones Lang LaSalle, Inc.
A

Sure. I think you've heard us talk today quite significantly about the business transformation and the journey that we've been on. And as far as that relates to our people, it has provided us an opportunity to look at ways in which we can operate more efficiently. Unfortunately, that may have some impact on a small percentage of our people, of which we'll treat with the utmost of care and respect. But largely, we think about the resources that we need to deliver for our clients. And so, investing in technology talent, sustainability talent, investment banking as we grow into the Capital Markets business. So that will always be key for us and surrounding that with the right culture to make sure that those people can thrive and grow.

David Sochol
Analyst, Levin Capital Strategies LP
Q

Hi. David Sochol again, Levin Capital. I had a question for – on the workplace dynamics and then for the proptech investments. Micro and macro in the workplace, because of your work with Procter & Gamble, could you not do work, say, with a Colgate-Palmolive, or a Unilever? And then more broadly, like what is, I mean, given your well-known success with Procter & Gamble and other, like why haven't more companies embraced that? And what is the pushback you received? And then on the proptech, I was just curious if you had looked at raising third-party funds to manage, given your successful track record. [ph] Any obvious (02:23:55) insights and benefits you have now given your position as JLL? Thanks.

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

A

Yeah, I'll take the first one. We've actually started to organize ourselves by market vertical, and our clients don't feel they compete in this space, right. So we, for example, the banks, many of the biggest banks are our clients. Your example of the fast moving consumer goods industry, same thing, multiple clients. And so, we don't see that as being an issue. Sometimes you have to separate account teams and so on in this governance, [ph] Chinese rules (02:24:33) around how we do things. But it's a – there are no barriers to growth. Vertical by vertical, the people who you're working for. And remind me of the second.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

The second part was around proptech, right?

David Sochol
Analyst, Levin Capital Strategies LP

Q

[indiscernible] (02:24:48) Why hasn't everybody [indiscernible] (02:24:52).

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

A

Why hasn't everybody done it? I mean, that's the thing that keeps me up at night, I think it's an industry we haven't told a compelling story. And I tried to show you why I think the time is now. Companies themselves have been very decentralized and decentralized real estate decision-making to local business leaders, right. And I don't know if you – you may have seen this in your own organizations, where a city leader for a bank often gets to make a call or used to at least on space, on design, on layout. And those things have changed. The realization that space is now no longer just a factor of production, but a manifestation of your brand and culture and strategy has meant that those decisions come into the center. I mean, for the first time in my career, every chief executive in the world has a view on real estate now. A couple of years ago, that was not the case. And we were dealing with somebody much further down the chain that often distributed decisions. So, I believe the time is now for more central, more intentional decision-making.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

The second part of your question, I would like to hand over to Yishai, the co-CEO of JLLT. So third-party money into our venture capital.

Yishai Lerner
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

A

Yeah. We have definitely had those conversations. But right now, the way we think about our venture, our proptech portfolio, is it's really strategically aligned and it's important for us to have enough ownership where our incentives are aligned with the portfolio company, where us driving value to them is also driving the right value to us. And so with the equity [ph] of holdership (02:26:35) that we're looking for, it's been proven to be very focused on our ownership. But long-term, we'll still play it by ear.

Q

Thank you very much. Christian, I was wondering if you could comment on infrastructure as a sector maybe adjacent, but very similar and complementary, perhaps less cyclical than real estate. Do you see that as an additional addressable opportunity? Would you address it within existing capabilities and in terms of your priority list, could you give a sense for stack ranking where it sits? Thank you.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Yeah. I'll kick it off and then I will hand it over to Richard. I have a deep belief that you have to be leading in what you are doing, and we still have tremendous opportunity to grow in our core competencies. And you're right that parts of infrastructure are pretty adjacent to what we are doing and we are touching those areas, especially on the advisory consulting side. But going deep into investing into infrastructure is something which may come to us at a point where we believe that our growth opportunities in our core services are becoming too small for us. But I like to hand it over to Richard.

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.

A

Yeah. Not too much more to add, I think. But I think we tend to touch infrastructure in – when it's real estate relevant. So we are involved in airports and ports and all the distribution hubs that go around there. So, there's a kind of immediate real estate relevancy there. I think also the advent of onsite renewable energy is inextricably linked to the built environment. And both in Neal's Work Dynamics business and Greg's property management business, there's an awful lot of discussions around how we leverage that capability. So, we have renewable energy experts, renewable energy capital market specialists in the organization. But I go back to Christian's point. The real estate world is $300 trillion and, we have a lot of room to grow. You saw the pie chart that Christian produced the pie chart that Neil produced. I think majoring in our specialization is going to be much more accretive to long-term shareholder growth and then us maybe playing a bit part in the infrastructure industry.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah. I should add from the LaSalle side. If there is an adjacency I do agree to net renewable or if you think of decarbonization broadly as an infrastructure strategy, that's an area where we think there's tremendous opportunity to raise funds that are specifically targeted around that strategy. And that ties into everything we've been talking about today in terms of transforming a building. So, it's not a pure play infrastructure, but I do think it's – pick a sector that you believe you could be there first and you might be able to scale and it gets into all kinds of adjacencies like carbon credits and things of that nature that could be interesting in our space.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

Shifting gears for a moment, Karen, is there a 2023 cost take out target that you have and how do you think that would impact margins?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah, we're actually working through our 2023 planning right now and looking at a couple of different scenarios. We want to see how we finished the last six weeks of the year and the power position to head into it and given it's a fluid environment, we're looking at those scenarios and framing different margin targets in the context of that. So it's a bit too soon to say. We can share more on how we're thinking about 2023 when we cover the fourth quarter and full year results.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Any other questions in the room. I have a few more from the webcast but...

A

[indiscernible] (02:30:43)

Q

[indiscernible] (02:30:50) from ING. So Mark, you kind of eluded to that at the end. So I'm curious, based on the different business segments of JLL, with regards to ESG and climate risks, over the last couple years, how has the way you advise or guide your clients changed with those considerations around? And more importantly, how do you think that will change going forward? How you deal with your clients, but also with your suppliers, focusing on ESG climate-related challenges that they face.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.

A

Yeah.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

That's – I'll kick it off. And then, I think that touches pretty much all...

[indiscernible] (02:31:34)

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

...for – in the next hour. We have a different development across the world on how serious people [ph] that whole ESG topic take and you or (02:31:48) at least your company is residing in a country where it's been taken very, very seriously, very early on. And Neil touched on it early in his presentation. 96% of our large corporate clients have given themselves a very ambitious target with regards to their environmental footprint. And so, it is all over Neil's area of business. But it's obviously also all over Richard's areas of business because if you invest into a building where the upscaling of that building to make it a green sustainable building is financially not viable, and that is not a great idea. And so...

A

Yeah.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.
A

...ideally, you don't invest in it right from the start and if you invested already in it, you have to very quickly find a way how you can make that building a sustainable investment.

And so we have to touch that service all across everything we do, and for example, and maybe, Richard, you want to go into that area, valuing those buildings, our valuation services, it is a very critical component that we look through that, how will that impact values going forward? You may have heard our industry talking about green premiums and brown discounts. That's a very nice colorful way to describe something which can have a massive impact on the performance of investment managers. But Richard, do you want to pick that up?

Richard Bloxam
Chief Executive Officer-Capital Markets, Jones Lang LaSalle, Inc.
A

Yeah, I think in Capital Markets, how it's manifesting itself is everybody, all of our colleagues, partners in capital markets worldwide have had ESG training. So they understand the language, the impact, and clearly that's playing out ultimately in a market. Now, I'd say that we're still early innings in how the green premium is valued in a market. And I'd say that what you're seeing is generally the number, and particularly in Europe, you're seeing the number of lenders prepared to lend or the number of investors prepared to buy that balance is shifting right now and that will manifest itself in price.

So our valuation teams are getting ready for that world where clients are looking to forward look on what the potential implications to value are. But this is on every single investor discussion we have now, whether that's LPs thinking about funds in which they invest, whether it's GPs, general partners, who are managing those funds, figuring out how they're going to make sure that portfolio is ready for that. And of course, Christian did say that this different – it resonates slightly differently in different pockets of the world so far, but there's no doubt there's momentum there, and what we need to do is ensure that our teams, our people are as prepared for those discussions to provide advice as they can be, and I think we're certainly at the vanguard of that.

Mark Nadav Gabbay
Global Chief Executive Officer, LaSalle Investment Management Hong Kong Ltd.
A

So to the question, from the private equity side, those changes started a few years ago, I would say. But it does feel that we've reached a tipping point around the interest in the alignment for those changes. So then I think the question becomes to companies like ourselves or our investment strategies of, can we rationalize that? Can it make sense? Can you generate reasonable returns on what the market is signaling to you that it's looking for? And where that plays out in private equity is when you think of long-term hold generational assets, those that have a sustainability foundation to them, to the point about green premium, we need to see more approving of that. There is some anecdotal – there's some hard data starting to come through. But to accelerate that adoption relative to the climate timing, everyone needs to move faster in terms of bringing those case studies to life.

So, we do think there's actually a very specific strategy there that plays to our strengths on delivering that to the market. And I think you will see a lot of capital come into that supporting it because it wants to see the adoption go global. It's not just a country or a regional challenge. And one more point on climate risk, which is a kind of different transitional risk, we are incorporating that on each one of our underwriting on an asset by asset basis.

And we sort of have a concept of [ph] a VAR (02:36:39) concept to it in terms of what a loss could be for climate risk. But I will say, it's still early in the datasets that are out there to be able to really translate that to an individual property, and what the long-term potential value at risk is. But the data is getting better and I think as the data gets better, different private equity money manager will have a different view about where they will invest and where they may not invest. But I don't think there's enough data there. But it is part of our conversation on a daily basis. So this is significant change from two, three years ago.

Mihir Shah
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.
A

The technology side, I'd add, as I say, we've built the product to really help our clients visualize where they stand on sustainability, which is really the first step. And then we've invested in companies that are then trying to create a better outcome such as energy savings in building. We've also acquired a small tuck-in acquisition called Hank that is trying to improve, help clients improve the energy consumption by building.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.
A

We take that topic super serious. We see it as a massive growth opportunity, but we also see it as a responsibility towards our clients that we are really knowledgeable about it and help them to take the right decisions. You may have seen we hosted I think two days ago that we are joined by a new board member, the CEO of the reinsurance business of Swiss Re, probably the most pronounced company in the world assessing climate risk. And that was a key criteria for us to choose Moses to join our board because we wanted also our board to get to a new skill level on that topic because it becomes so instrumental for our growth journey to go forward.

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.
A

If I may I know we're doing a lot on ESG, but I think it's such a big topic that I need to also emphasize from. We took a leadership position on this, we were the first in the industry to announce a net zero target to have our science-based targets certified. I think we're the sixth company in the world to have our science-based targets certified by the Science Based Target Institute. And in that commitment, those of you are familiar with this space, our Scope 3 emissions that we've committed to cutting are actually the real estate emissions of our clients. So, when I speak to a corporate client every day, we're explaining to them the symbiosis, our absolute need, the imperative of the real estate provider to reduce their consumption. And we think that's a real differentiator in the market. And as Christian said, the right thing to do.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.
A

Thank you, all. I'll interject one from the webcast here. So this one is for Mihir and Yishai. How do you think about JLL's technology platform being differentiated versus not just CRE peers, but broader technology companies who might want to play in this space also.

Yishai Lerner
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.
A

Sure. I think one of the things, first of all, Mihir covered earlier why we think our strategies are completely differentiated from our competition. Let's talk about that second piece, which is [ph] of content (02:39:58) versus the rest of technology industry. I think one of the things that drew us to JLL specifically was the access we have to clients. We're not just doing this because we think there's an opportunity. The clients are asking us they have technology needs that we know we can solve. We brought in a best breed technology team that is not just trying to deploy technology. They're trying to solve this client's need with that technology. And that's something that's unique in the industry. No one has that technology depth, plus the access to the clients.

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

A

I think it's a very important point. The, the marriage of technology expertise and deep technology expertise with the real estate domain expertise is an advantage we have over the rest of the tech industry. Technology in of itself, particularly in buildings, is a cost until you find a way to change how you do things and change your cost base as a result of the tech itself. So yeah, we think we're pretty uniquely positioned.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

I would add one very practical point. Believe it or not, the real estate industry is an extremely conservative industry. I used to be a banker and I thought it cannot get worse, but it can get worse. And so to change the behavior of real estate people on client side but also on provider side, it's pretty difficult and it is a massive advantage when you speak their language. So, it's pretty hard for a [ph] plain (02:41:27) technology company to do that same exercise. It's already hard for us to educate our clients and to educate our people, but we speak their language. We know exactly what they're trying to solve for, and we bring the right technology to them. And that is a massive differentiator.

Mihir Shah
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

A

And also, I'll add, having spent a lifetime in the technology industry, I mean, distribution is the hardest thing, right. And as I said, that's what we have. We have the connection to these clients. And then we combined our services, as Neil was saying, with the technology, which then becomes more of an outcome for clients, that makes it even more powerful in terms of what we bring to market.

David Farnum
Analyst, Raymond James & Associates, Inc.

Q

Hey, it's David Farnum from Raymond James. I was wondering if you could talk to the extent that you've thought about monetizing the technology and data asset that you've built beyond the JLL platform. Could you envision a world long-term where you're potentially selling some of these data or technology solutions on a third party basis and maybe why or why not?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

You want to give it a start?

Yishai Lerner
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

A

Sure. Actually, I think this much of our technology is actually deployed outside of JLL on both [ph] Perrigo (02:42:47) and building engines, which you highlighted earlier are both the majority of those clients are outside of JLL, even those – some of our competitors are clients to those. And I think that is the big opportunity is to go to the occupiers and investor clients out there directly as well as through the integrated service, which I think is actually in the end a more compelling offering. But not everyone is there yet in the kind of servicing process that Neil highlighted.

Mihir Shah
Co-Chief Executive Officer-JLL Technologies, Jones Lang LaSalle, Inc.

A

Yeah. And I think if you extend that, I mean, we're going to see we are seeing new logos for JLL. They're coming for the technology and then we follow up with our Real Estate Services and vice versa. And that's really the synergy we're trying to build on.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

One of the biggest successes of pure play technology companies is that they created their technology as software, and that became very, very sticky to the user so that users generally don't walk away from that anymore. This is the same what you will see within JLL. We are becoming very, very sticky to our clients and that's a good thing for them. But frankly, it's also a good thing for us.

Scott Einberger
Investor Relations Officer, Jones Lang LaSalle, Inc.

A

I think we probably have time for one more question. Anybody in the room has one. All right. I have one from the webcast. So, there's several questions here around the resiliency of our business. So, maybe just an opportunity to chat a little bit about some of the more resilient business lines we have. And Greg, maybe we can start with you. And Neil, we had a question specifically about Work Dynamics and how that would perform in a downturn?

Greg O'Brien
Chief Executive Officer-Markets, Jones Lang LaSalle, Inc.

A

If you think of the economy industry by industry, there are still areas where there's a lot of investment going on. We've just cited four large investors, the first two large life sciences clusters in the UK as an example, and that all came from the strength of our life sciences platform, which works across all of our businesses here. There's a lot of opportunity like that. Our efforts in healthcare here in the US. We all know our healthcare system is one of the more inefficient areas in our economy. The opportunity to apply the discipline including technology opportunities across that are very great and we're learning from across the globe.

So, the marketplace is not a monolith. There are different things by different industries, and we're finding faster growth areas and then areas where clients are looking to retrench, a lot of our banking clients are looking now to more quickly get to efficiency. All of that creates opportunity for us. So transitions in different industries are happening, especially at a time like this. And as an intermediary, there's a real opportunity for us transactionally in the capital deployment side and then also in the operating side.

Neil Murray
Chief Executive Officer-Work Dynamics, Jones Lang LaSalle, Inc.

A

Yeah. I mean, the Work Dynamics business, I try lay out for you in a very short space of time. This business operates really well in a downturn. I've been through a couple in my career, and every time this business and these businesses thrive, it's not to say it's immune, some of the more transactional elements of what we do. Project Management, for example, in a more capital constrained environment, can slow, but it's around the edges. The fundamentals of moves, odds and changes, and things that happen in buildings every day remain, workplace management remains. And so, as I said the complexity and downturn environment, I think presents us with enormous opportunities. With that in mind, it's got a different and complementary profile to some of the businesses we have.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

I would like to bring a slightly different angle to that question. Resiliency of a company has not only something to do the services or products a company provides. It also has to do with the culture of the company, with the people working in a company. And so, I think I can bring in Laura here once again, because when you look at the COVID situation, we all have to face, I mean, thinking about bringing 100,000 people into their home office within four to six weeks and still operate and that not have a lot of glass breaking down on the floor, you see all the payments we have to do, which all had to be executed from home offices in India where our shared services centers are. That is demonstrating the resiliency of an organization, I think, which is doing a fantastic work here. So maybe you want to comment a little bit on that topic?

Laura Adams

Chief Human Resources Officer, Jones Lang LaSalle, Inc.

A

Yeah. I thought you gave a great example of the resiliency and what's true to our culture, which is really around collaboration, teamwork or ethics and excellence. And you gave the example of when COVID started and how as an organization we started to share that. So across the world, all of us could benefit from the learnings of one region into another, and I think that's core to who we are. I think we were able to respond during COVID and historically I've been with the company for 18 years when there has been situations where our employees impacted with an utmost of care and concern for our employees. And I think that brings the stickiness of the employee base, and there's a true commitment that we feel in our organization around our culture and for our people to deliver – and deliver on behalf of what's right for our clients.

Christian Ulbrich

President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

So I would say it in simple words, if the going gets tough, you want to be within JLL.

Scott Einberger

Investor Relations Officer, Jones Lang LaSalle, Inc.

That sounds like a great spot to end. So before we do that, I'd just like to thank Bloomberg for allowing us to host this event here today. It was very gracious of them. And to that, Joe, our executive management team, for being here and handling all the questions today. So everybody who's here in person, just reminder, we have lunch and a chance to interact with the team here and everybody on the webcast. Thank you for joining us. We look forward to talking to you next time.