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EDITED TRANSCRIPT

JLL - Q4 2019 Jones Lang LaSalle Inc Earnings Call

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PRESENTATION

Operator

Good morning. At this time, I would like to welcome everyone to the Jones Lang Lasalle, Inc. Fourth Quarter Earnings Conference Call. For your information, this conference is being recorded. (Operator Instructions) I would now like to turn the conference over to Chris Stent, Executive Managing Director of Investor Relations. Please go ahead.

Christopher D. Stent - *Jones Lang LaSalle Incorporated - Executive MD of IR & Corporate Finance*

Thank you, and good morning. Welcome to our fourth quarter 2019 conference call for Jones Lang Lasalle, Inc. Earlier this morning, we issued our earnings release, which is available on the Investor Relations section of our website along with the slide presentation intended to supplement our prepared remarks. Please visit ir.jll.com.

During the call, we will reference certain non-GAAP financial measures, which we believe, provide useful information for investors. We include reconciliations of non-GAAP financial measures to GAAP in our earnings release and supplemental slides.

As a reminder, today's call is being webcast live and recorded. A transcript of this call will also be posted on our website.

Any statements made about future results and performance, plans, expectations and objectives are forward-looking statements. Actual results and performance may differ from those forward-looking statements as a result of factors discussed in the annual report on Form 10-K of the fiscal year ended December 31, 2019, and in other reports to be filed with the SEC in the near future. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

And with that, I would like to turn the call over to Christian Ulbrich, our President and Chief Executive Officer, for opening remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Chris, and welcome, everyone, to this review of our results for the full year and fourth quarter 2019. Stephanie Plaines, our CFO, will share details of our financial performance following my introductory remarks. 2019 was a very exciting year for JLL, with significant achievements

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on our Beyond Strategy, capped off by strong financial performance. For the full year, we reached record adjusted EPS of $14.09, 16% growth over prior year in local currency.

We delivered adjusted EBITDA of over $1.1 billion, representing 18% growth over 2018 and outpacing fee revenue growth of 12%. In the fourth quarter 2019 adjusted earnings per share was $6.35, 7% higher in local currency than in Q4 2018.

Adjusted EBITDA was $494 million for the quarter, a 19% increase in local currency. These excellent results are a product of strong Americas performance, combined with robust contribution from LaSalle Investment Management.

To put our performance into context, real estate fundamentals remain strong amid a cautious global environment. GDP growth eased, landing at 2.6% for the year. Slide 2 in our supplemental slide show overall real estate market activity. Global investment volumes achieved a record year with a total of $800 billion, up 4% over 2018. Rising allocations to real estate, healthy supply and demand fundamentals and low interest rates continue to support a robust global real estate investment environment.

Leasing volumes remained healthy for the year, down 5% from a record of 2018, but still above historical averages. The global office vacancy rate of 10.7% remains near historic lows and leasing fundamentals remain favorable.

Reflecting on 2019, we continued to execute against our Beyond Strategy with notable achievements and, at the same time, delivered our financial targets we set for the year. We generated organic revenue growth of 6% in our real estate services business, adjusted EBITDA margin of 15.6% as reported and digital revenues of well over $100 million, all while, simultaneously executing and integrating our largest acquisition to date. This performance puts us solidly on the path to achieving our 2025 targets. The completion of the HFF acquisition marks a transformational action in delivering on our Beyond Strategy of doubling our capital markets revenue.

The strategic combination will continue to accelerate the growth and differentiation of our full-service capital markets offer globally, providing our clients with seamless expertise in all aspects of the investment process. The acquisition firmly established JLL as one of the top 2 commercial real estate firms by U.S. investment sales activity according to Real Capital Analytics and created a market-leading debt and equity origination platform.

We are overall very pleased with the integration progress and realization of synergies that Stephanie will discuss in more detail in just a couple of moments.

While broker attrition has been higher-than-anticipated, we underestimated the opportunity for cross-selling with other service lines. Therefore, we remain confident that those cross-selling opportunities will more than offset any short-term impact due to broker losses. Illustrating the power of the combined platform, we had several transactions in the first 6 months, where JLL was awarded the mandate for not only the sale and financing, but the leasing assignment as well.

Additionally, we announced the formation of JLL Technologies in 2019. JLL Technologies brings together all of JLL's technology products and services to help our clients tap into our digital expertise, rich data pool and vast resources to navigate key real estate needs. It's a clear differentiator that will enhance future market share gains and revenue growth, while driving margin expansion opportunities for JLL.

In summary, I'm very pleased with our performance this year, and I'm confident our team will continue to execute and deliver in 2020.

With that, I will turn the call over to Stephanie, who will discuss our results in more detail.

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Thank you, Christian, and welcome to everyone on our call. I'm pleased to report that JLL delivered record full year results across fee revenue, adjusted EBITDA and adjusted earnings per share, driven by solid real estate services organic growth, contributions from the acquired HFF business and exceptional results from LaSalle.

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Before I get into more specifics, a quick reminder that we report percentage changes in local currency, unless otherwise noted.

For the year, consolidated revenue totaled $18 billion, and consolidated fee revenue reached $7.1 billion, each representing 12% growth against 2018. As Christian noted, our full year 2019 adjusted EBITDA surpassed the $1 billion mark for the first time, coming in at $1.1 billion. This represents a tremendous accomplishment made possible by our 93,000 JLL employees around the world.

Real estate services fee revenue increased 13% for the year and was balanced between organic growth and contributions from recent acquisitions. Organic growth of 6% was broad-based, with the most notable increases in leasing and Project & Development Services. New client wins and expansion of mandates with Corporate Solutions clients generated 7% growth in our outsourcing business. Fourth quarter fee revenue growth of 13% was led by the Americas, which benefited from the HFF acquisition and strong results and growth, Project & Development Services and Advisory & Consulting across all geographic segments. Our LaSalle business had an exceptional quarter, achieving nearly 30% advisory fee growth, combined with significant incentive fees.

Our record top line results converted well to an impressive adjusted EBITDA margin of 20.8% in Q4 and 15.6% for the year, which was near the top of the 14% to 16% target range we provided to you last quarter.

For the year, the 90 basis point net expansion reflected contributions, primarily from organic RES growth and HFF, combined with investments in growth initiatives, including client-facing technology. Please refer to Slide 5 of our supplemental slides for further details.

Turning to our balance sheet. Net debt was $861 million, an increase from a year ago, reflecting cash outflows to acquire HFF, partially offset by fourth quarter debt repayment. Cash flow from operations totaled $735 million for the quarter, of which approximately 80% was utilized for debt repayment, consistent with our cash use priorities previously communicated.

We finished the year well positioned with net debt to adjusted EBITDA of 0.8x, a decline from 1.4x in the third quarter. We did not repurchase any shares during the fourth quarter.

As we move to 2020, we will continue to prioritize debt repayment and remain committed to maintaining an investment-grade balance sheet. For the year, cash flow from operations was $484 million, representing approximately 70% of adjusted net income. Compared to 2018, cash flow from operations declined by $120 million, primarily due to HFF integration and acquisition charges and higher tax payments from previous years.

Moving to our segment results. America's fee revenue increased 22% for both the fourth quarter and full year, with growth achieved across all our service lines. Excluding 2019 M&A contributions, fee revenue improved 3% for the quarter and 9% for the year.

For the quarter, growth was led by both Project & Development Services and Advisory & Consulting, which speaks to JLL's ability to offer diversified strategic services to our clients. Our Leasing business achieved strong full year growth across all major asset classes with increased average deal size. Leasing fee revenue was relatively flat this quarter, reflecting resilience against a double-digit decline in office market growth absorption and a steep prior year comparable of 35%. On a full year basis, Leasing led to 9% organic growth achieved in the Americas.

Capital Markets' fee revenue more than doubled in the fourth quarter, as a result of combining our legacy business with HFF. For the fourth quarter, HFF contributed fee revenue of $209 million, and since the July 1 acquisition, $395 million.

As Christian noted, the HFF integration is going well. We are encouraged by the strong first 6 months' performance. We made good progress identifying and realizing a portion of the synergies and are on track to achieve our stated target annual run rate EBITDA synergies of $28 million in the first 12 months and $60 million over 2 to 3 years.

For 2019, we met our goal of generating $10 million in synergies, primarily through cost reductions. Savings were generated through office combinations and by eliminating duplicative research, marketing and public company costs. Last month, we successfully completed the transition of HFF Financial and HR systems, resulting in unified platforms.

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Americas' adjusted EBITDA margin was an impressive 22.6% for the quarter and 18.4% for the year, an improvement versus the prior year of 330 basis points and 210 basis points, respectively. Margin expansion for the year was evenly balanced between positive organic gains and accretion related to the contribution from HFF.

It's worth highlighting that the Americas has more than doubled full year adjusted EBITDA since 2016.

Turning to EMEA, fee revenue results for both the quarter and the full year were largely in line with 2018. For the year, growth from Property & Facility Management, Project & Development Services and Advisory & Consultancy largely offset lower transactional activity, particularly in the U.K. and Germany. Noteworthy during the fourth quarter was the divestiture of our Property Management businesses in Continental Europe, which impacted our revenue results.

Leasing fee revenue declined 5% for both the quarter and the year. Capital Markets' fee revenue declined 7% for the quarter and 8% for the year. For the year, France and Spain showed the most significant growth.

Adjusted EBITDA margin was 13.7% for the quarter and 5.4% for the year, a decrease against 2018 of 450 basis points and 230 basis points, respectively.

The decrease was largely driven by a notable decline in higher-margin transactional fee revenue, particularly in Capital Markets.

Our EMEA leadership team remains very focused on cost management initiatives and driving profitability.

Moving to Asia Pacific, performance continues to be positive. Fee revenue increased 2% in Q4 and 6% for the year. Capital Markets' fee revenue increased 50% for the quarter and 24% for the year compared with 2018. For the quarter, growth was broad-based across all markets, and most notable in Japan and Singapore. Partially offsetting was a decline in leasing of 15% for the quarter, which reflected slowing market conditions amid geopolitical tensions and following a strong prior year quarter.

For the year, office market growth absorption was down 12%, driven by a combination of economic uncertainty and the impact of continued tight vacancy conditions.

Geographically, across all service lines, India, Japan and Australia led full year APAC revenue growth, with offsets from Greater China.

Adjusted EBITDA margin expanded to 21.7% for the quarter and 14.3% for the full year, an improvement against 2018 of 40 basis points and 110 basis points, respectively.

The expansion reflected positive service mix from organic growth and Capital Markets, as well as continued cost management initiatives.

Turning to our investment manage business. LaSalle fee revenue rose 23% for the quarter and was well balanced between incentive and annuity fee growth. Advisory fees, which serve as an annuity measure to the underlying health of our investment management business, grew an impressive 27% for the quarter and 21% for the year. Gains were driven by successful capital raising and deployment of LaSalle's margin-accretive, core open-end funds across the globe. LaSalle raised $2.7 billion for the quarter, bringing the full year to $8 billion of capital raised. Just under 50% of the new capital raise represented cross-border flows.

As noted in our remarks last quarter, we had a few sizable transactions in the pipeline, among them, a significant deal in Japan that successfully closed in December, driving incentive fees to $80 million for the quarter and $138 million for the year. Our equity earnings for the quarter totaled $3 million and $33 million for the year, largely attributable to fair value adjustments for a LaSalle-managed, publicly-traded Japanese REIT. LaSalle's adjusted EBITDA margin was 30% for the quarter and full year, a strong 490 basis point improvement in Q4 For the quarter, LaSalle benefited from record annuity margins, higher equity earnings and incentive fee growth, although, on a full year basis, incentive fees declined against a record 2018. The South assets under management totaled $67.6 billion, demonstrating continued, strong capital raising efforts and momentum in scalable, high-margin products.

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To summarize, our outstanding 2019 results reflected the strength of our geographically diversified presence, along with benefits from the transformational HFF acquisition. Our focus on growth investments, digital innovation and operational rigor, delivered through our leading integrated global platform, positions us well for strong future performance.

Consistent with our 2025 Beyond strategy, in 2020, we expect 6% to 8% organic fee revenue growth in our real estate service business and consolidated adjusted EBITDA margin in the 14% to 16% range. And now back to Christian for closing remarks. Christian?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Stephanie. Looking at the 2020 market outlook, economic and geopolitical uncertainty will continue to impact the global economy with GDP forecasted to moderate by 10 basis points to 2.5%. Most economists forecast the risk of recession to remain low. Any impact from the coronavirus needs to be seen.

JLL research outlook for commercial real estate global investment volumes remains elevated, driven by the long-term trend of rising asset allocation in the sector. However, research forecast reflects some moderation in those volumes from the record levels seen in 2019. Investors conviction and the performance of the real estate sector remains strong and is supported by robust supply and demand fundamentals in many global markets and healthy spreads to risk-free rates.

While leasing, office demand is forecasted to moderate, but remain at a healthy level. In some markets, activity will be constrained by a lack of available space. We remain convinced in our ability to grow our business in this environment and in 2020 to deliver results consistent with our 2025 long-term growth targets, as Stephanie previously mentioned.

We remain mindful of our growth within the broader context of corporate citizenship. We are very pleased to see that the responsibility of the Global Corporates and the role businesses have to play more generally, has gained tremendous momentum. This responsibility is a critical part of our Beyond Strategy, and we are very focused on delivering a sustainable future for all of our stakeholders.

On the back of our long-standing values, we have replaced and shortened JLL's purpose to reshape the future of real estate for a better world. This helps to explain not what we do, but why we do it, and serves as a guiding principle that unites our entire organization.

Mitigating climate change and limiting our carbon footprint, in line with the aims of the Paris Climate Agreement, is one element of it. We formed our global sustainability board in 2012 and started to run a major global sustainability campaign in 2015 under the headline of building a better tomorrow. Having achieved our current round of environmental targets well ahead of schedule, we are setting new science-based targets. In line with those efforts, we joined The World Economic Forum's Alliance of CEO Climate Leaders. I met recently with this group of fellow business leaders in Davos to discuss global efforts to reach net zero carbon emissions by 2050, and set initiatives in advance of the 2020 United Nations Climate Change COP26, that will be held in the U.K. in November.

Also at Davos, JLL was unveiled as 1 of the 5 founding partners in the launch of Bloomberg Green, a major multi-platform global initiative focused on climate change news, analysis and solutions. We believe it is essential for the business community to pool knowledge, resources and best practices to help address the management and mitigation of climate change damaging emissions. Our involvement in Bloomberg Green is an example of JLL working with other leading global businesses to address climate change. JLL will play a full and energetic part, consistent with our core commitment to shaping the future of real estate for a better world.

Finally, we are delighted that JLL has again been included on Fortune's annual list of the world's most admired companies, which was announced last month.

To close these prepared remarks, I would like to recognize and thank all of our people around the world for continuing to serve our clients and shareholders and JLL so well. In particular, I would like to recognize Trish Maxson, our Chief Administrative Officer and Global Executive Board member, for her incredible work at JLL. She recently announced her decision to retire at the end of March after an impressive and wide ranging carrier. She has played a key role at JLL and the development of the Beyond strategic vision, sustainability ambition and the execution of our

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transformation program as well as being a trusted adviser to the Board of Directors and to me personally. Thank you, Trish for your contribution to JLL over the past 8 years, and wishing you the very best on the next chapter.

Now let's take your questions. Operator, please explain the Q&A process.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Anthony Paolone from Jpmorgan.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

So I was wondering if we could start on Asia Pacific. How should we think about, say, at least the next couple of quarters, given the geopolitical disruption in Hong Kong and the virus, like how do we think about that in your broader growth forecast for 2020?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

It's Christian here. I think it's too early to really call on that. We are right at the start of a situation, which is very hard to read from the outside. When we look back to the SARS virus, the markets rebounded very, very quickly at the time. So it didn't really impacted the longer-term performance in that year, in the real estate markets, but we don't know whether we have a comparable situation to the SARS virus or whether it is different. And so for the time being, there's a bit of a pause in the market. Our people are working from home, as most companies keep their people at home, but we will come back to that topic after the first quarter.

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

I'd add a bit to Christian's remarks. So a reminder, our business in Asia Pacific is well diversified. So we -- more than 50% of the business is annuity based. So as we're probably seeing the largest impacts happen in the transactional side, short-term on the capital markets on the leasing, but we're pretty balanced there. And China represents a little less and less 5% of our total fee revenue across the globe.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. And on -- just another follow-up on Asia. I think you mentioned properties and facilities management and the annuity fee stream. I think that was impacted, I think, by some contract timing in the fourth quarter. Does that like self-correct in 1Q or 2Q? Or do you have some tough comps for a couple of quarters there?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes, that is a timing issue on that one. So you're exactly right, Tony. So that should self-correct in 2020 on that one.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. And then more broadly, you mentioned the 14% to 16% margins for real estate services component. I don't have all the data in front of me to make that comparison precisely with 2019. Can you maybe just talk about some of the puts and takes that we should expect in 2020?

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Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Sure. And just a clarification on that. The 14% to 16% is our total JLL and not just RES. So obviously, with the 15.6% that we had this year, the kind of puts and takes would be, obviously, we're really pleased with the LaSalle performance. That's influencing that number, it's our second highest on record performance. So we would not expect, obviously, that would be something that was easily repeated as we head into 2020. So that will represent, obviously, detraction from the margin expansion year-on-year. And I think, as you heard in our prepared remarks, the Leasing business, particularly in the U.S., we've been going double-digit consecutively growth for the past 5 quarters. So while we're very enthusiastic about 2020 on that, that's also something that is hard to repeat. And you see that also in our Q4 results in Leasing. So those are the things that are weighing in that mix, that would still keep us very comfortable on that 14% to 16%. Range, if you will, for 2020.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. You had, I think, it was 35 basis points of drag from just growth initiatives in 2019. Will there be more of those? Or does that flip the other way? Or how does that work?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Sure. So it doesn't fit the other way. I think what's notable in 2019, we've talked about on previous calls, is our investment in our platform ERP systems. We're cycling that now. So you're seeing a little less spend on the technology investments. That's just a function of not repeating those investments. So we would expect, going forward, to have about a 50%, 50% balance in tech and non-tech spend going forward, largely, will vary a little bit year-on-year. And then with the cash flows, I think you saw us report we're heavily investing, obviously, organically back into the business. So we will keep our foot on the gas with priority investments.

Operator

Your next question comes from Jade Rahmani from KBW.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Just wanted to confirm regarding your guidance, what the fee revenue baseline for real estate services is on which you're projecting 6% to 8% growth? Should we take the consolidated summary for real estate services of $6.636 billion, and just multiply that by 1 plus 6% and 8%, respectively, which would be a range of $7.0 billion to $7.2 billion for real estate services fee revenue? Or should we take the reported results for 2019 and subtract HFF and grow that by 6% to 8%?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes. So Jade, I would definitely use the former. So that 6% to 8% is organic constant currency. Just as a reminder, so we're 6.3%, so we're saying that, that is the base, and that we intend to stay within that range as our target operating for top line growth RES. So that's the way that I would approach it.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. So the first set of numbers I mentioned with what you're referring to?

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Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes, exactly, Jade.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. I was wondering, can you just give some commentary around deal pipelines and how they're shaping up. There's been a lot of news with respect to co-working there's also, I'm starting to hear the way VC fund investments are managing there their capital spend, their budgets, I feel like there's a pullback brewing, have also heard some anecdotes about sublease space in certain markets picking up. So I would like to get some sense of overall deal pipelines? And if there are any areas of concern with respect to either co-working or VC-funded tech companies?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, as you heard from our ambitions to grow in 2020 6% to 8% top line revenue, deal pipeline is continued to be seen very strong. The dry powder on the Capital Markets front is at a record high, and there's a lot of money waiting to get into that asset class. And so, despite the very strong comps of the last 2 years, we expect volumes to be about in line with the previous years on the Capital Markets side.

On the Leasing side, the picture is slightly more mixed. The U.S. and most markets will continue to be very strong, deal pipeline is very strong, and so we expect that we will see a very nice performance there, not disregarding Stephanie's earlier comments that we had very, very -- we have very, very tough comps, but still about on that level.

In EMEA, it is a bit more market-by-market. In some markets, it's actually the supply side, which is not available to the extent where we could fill it by demand. And so we expect volumes there to be slightly lower than in the previous year, but still very healthy demand. And so the only area of concern, for us, for the time being, is actually indeed, Greater China and the wider impact of the current situation there, especially in the first quarter. And as I said earlier, it's too early to make a call for the whole year, but overall, we are quite confident with regards to deal pipeline on the transactional side.

And then your specific question around co-working. We obviously saw a decline in that in the fourth quarter. It was about 4% of our leasing revenues for JLL. We expect that number to go slightly down, although the demand from occupiers for flex space has continued to grow. But obviously, the way we are doing revenues with Flex-based providers is as well as for the providers we work for them as well as we work for the occupiers. The occupier side will continue to grow. The flex-based providers themselves are slightly more muted in their growth pipeline at the moment.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

In terms of the leasing outlook, overall, in the first and second quarters of last year, you had a double-digit growth that, I think, was up close to 20% for the first quarter, nearly 13% in the second quarter. Should we be projecting positive growth in the Leasing business overall, and the comps are even tougher in Americas? Or is it reasonable to expect there'd be declines on a year-over-year basis?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, we always plan for growth. We are a growth company, and we have shown in the past that we are excellent in taking market share, and that is our expectation for 2020 as well. I think we won't see the same type of growth in the Americas what we have seen over the last couple of quarters, but I'm still very confident that we will see growth. We probably will see -- as the comparison is slightly easier for us, we probably see more growth in EMEA. And as I said, we are slightly more concerned around the outlook for Asia Pacific, not down to JLL, but down to the overall, at the moment, very uncertain market environment.

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Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. Turning to HFF, is retention of key producers tracking close to your expectations? And are there any early in the year, performance compensation payouts that we should be aware of, that could impact departures?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, first and foremost, we are incredibly pleased how that integration has been going so far. And as we said in our prepared remarks, we had a slightly higher broker attrition rate than we forecasted before we merged the 2 companies. But as we also said in our prepared remarks, what we underestimated is our opportunity to take benefit of cross-selling between the different service lines. And so, over a slightly longer period, we are absolutely convinced that the loss of revenues, which we will have from broker departure, will be more than offset by those cross-selling opportunities.

HFF, as our legacy business, has shown in the past an enormous resilience and the ability to grow in every market environment. So you will see a more than confident that we are looking forward to a great year from those 2 merged service lines.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

And in terms of the timing of compensation, are there any large payouts early in the year that take place?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

No, we are very relaxed with regard to the question whether there will be more broker attrition. Every kind of tough decision is behind us with regards to that merger. It is business as usual now. People are all fired up to demonstrate great services to our clients in 2020.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. Just the last one, I appreciate the comments you made about corporate governance and climate change with the initiatives the company is doing to address that. On the revenue side, is there -- are you thinking about developing? Or do you currently have advisory consulting services around building owners, initiatives to address sustainability and building resiliency? Is this a meaningful revenue opportunity for a company, an integrated full-service company like JLL?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, in a company which delivers $18 billion of revenues, meaningful is a big word, but it is a very important area for us. It's -- because it is the right thing to do. And for -- we already bought into a sustainability advisory business back in 2008 in the U.K., and that business has been growing very fast since then. For the last couple of years, we are trying to expand that to a global business, and we have hundreds of experts around that topic who're advising our clients. And yes, it will show very significant growth rates over the next couple of years, but before it will be meaningful within the benchmark of $18 billion, it will take some time.

Operator

Your next question comes from Stephen Sheldon from William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Wanted to see if you could provide a little more detail on the slight pickup in broker attrition. Was that more in the legacy JLL producer base or the HFF base? Any way to roughly quantify the impact as a percentage of producers, and then timing-wise, I guess, when did that start to pick up?

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Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

It was about twice as high on the JLL legacy side than on the HFF side, which is not surprising as the HFF business, which came in, is a very strong business with a very strong leadership, and that was the reason why we were so keen to get together with them. It took place kind of over the course of the third quarter, and I would say, in the first 90 to 120 days of coming together. It slowed down than in November, December, that's why we believe that this is pretty much behind us. And we are not talking about any super disturbing numbers. You see the performance of our Capital Markets business. It's still very strong. Though the attrition was slightly higher than we expected, I was still surprised about the revenue per producer because we would have thought that the revenue per producer would be slightly lower in the third and the fourth quarter, but we were positively surprised. And so despite that attrition rate, the numbers are still very strong.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Got it. That's helpful. And then second, just one of the standout items in the quarter was the Americas adjusted EBITDA margin. It sounds like roughly half of the margin expansion was driven by cost containment. So I wanted to ask, generally, where you are in terms of driving more efficiency in the Americas operations? Is there still quite a bit of margin expansion potential for standardizing around some of the platforms you've rolled out as we look out over the next few years?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, one element of driving growth into an organization like ours is really taking advantage of scale. And our investment into the ERP platforms has been very much driven by that approach that we want to become more cost-effective and increase the overall productivity of our organization. And we are on a journey there, and we have a couple of more years where we see opportunity to take costs out. So we are very optimistic with regards to becoming a more efficient organization going forward.

Operator

Your next question comes from Jason Weaver from Compass Point.

Jason Price Weaver - *Compass Point Research & Trading, LLC, Research Division - MD & Senior Research Analyst*

Stephanie, I was just going back to the EBITDA margins for a moment. Given the 2019 momentum, are you still expecting more mix shift, the way from the transactional business with that 14% to 16% outlook?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Jason. So no. I think we're -- except for the LaSalle mix shift, I think we're pretty comfortable with how the business should shape in 2020. Obviously, it's early in the year, so it's not something that we give precise guidance on, but we're still expecting the Leasing business to perform well. Capital Markets, we're coming off of, obviously, a record volume, but they're still expected to be strong. And as Christian noted, the combination of HFF in Americas' legacy business should propel us there.

I would say that our Corporate Solutions business is still continuing to really improve on their transformation. Christian referenced that. So we've brought in, obviously, a new leadership that organizes us as a vertical, and we're very focused on product development in that area. So we will continue to see margin expansion come from the Corporate Solutions side of the house.

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Jason Price Weaver - *Compass Point Research & Trading, LLC, Research Division - MD & Senior Research Analyst*

And just one further, given the incentive fees that you realized at LaSalle, would I take that to imply you're expecting a weaker pace of realizations coming into 2020.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes, Jason, it's always very hard to predict the incentive fees. I think it's very fair this year, just to remind everyone, we're down 36% versus the prior year, and this is our second record. So I think it's reasonable to assume that those will be coming down. It's early days, and I think we've committed last time to giving you all updates as soon as we get more precision into the year. But right now, I would assume that, that is not a level that we could repeat going into 2020.

Jason Price Weaver - *Compass Point Research & Trading, LLC, Research Division - MD & Senior Research Analyst*

Okay. And just one more. Finally, with your leverage down back below 1 turn, can you expand a bit on your capital return priorities, whether that's dividend or debt repayment or possible new acquisitions? And if so, in what areas?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes. So we're definitely very pleased with the cash flow results. We were able to pay down $600 million of about $850 million of the HFF debt, so -- within the first 6 months. So we'll continue to prioritize that debt repayment to extinguish that in the 2020 year. So that's a high priority for us, and then I think, investing it back into the business with organic opportunities. So we'll probably get down to a level that looks something like we did in 2018 once we normalize in 2020.

We did launch a share repurchase program. So we will evaluate that every quarter. We did not do any repurchases this quarter, but we'll continue also to keep that on the radar screen. And then we'll announce our plans for dividend later on in the course of the year.

Operator

Your next question comes from Michael Funk from Bank of America Securities.

Michael J. Funk - *BofA Merrill Lynch, Research Division - VP*

A couple, if I could. First, I mean, I know you mentioned that the EMEA growth had been hampered by supply not being there. I wonder if you could comment specifically on the U.K. market, and to kind of what degree, i mean on Brexit -- the Brexit uncertainty has maybe affected that market? And if you're seeing any change post vote or separation late last year? And I'll follow-on to one more there as well. Your guidance, I mean, I appreciate that. Just wondering what kind of market share gains are implied in your guidance for 2020?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, specifically to the U.K., after the vote in December, there was an immediate uptick in the business. So December came in significantly stronger than otherwise without that vote. For the time being, we expect the U.K. to have a stronger year than it had in 2019. But what waits to be seen is how the conversations between the U.K. and Europe will actually -- the EU actually will go over the course of the year. So we have to see how the third and the fourth quarter will play out.

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Overall, we expect, for JLL, specifically, a much better performance in 2020 in our EMEA business than in our EMEA business 2019, which is less down to the market, but more down to all the decisions and activities we have been taking in 2019 to prepare ourselves for 2020. And so this is slightly independent of the overall market performance.

Michael J. Funk - *BofA Merrill Lynch, Research Division - VP*

Okay. And one more, if I could, please. You also mentioned that leasing and in the U.S., expectations based, obviously, on a tight market. Any commentary about maybe that tightness loosening up in specific markets in 2020? Expectations for more supply, maybe helping the leasing activity?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, in the U.K., specifically, the London market is very tight on new quality space. It's pretty much leased out and developers have been very disciplined with coming with new developments to market. Now sure enough, with clarity on the political side, there will be more developments coming to market, but it takes a couple of years. So it's nothing which will be kind of solved overnight. And that situation with tight markets is pretty much true all across the mature economies in Europe. And so we expect rental levels to stay very high in Europe in comparison and a healthy market environment for landlords.

Michael J. Funk - *BofA Merrill Lynch, Research Division - VP*

So just taking your comments from the call and then to the question that I had there. I mean, it sounds like on a -- a multiyear outlook, i understand you're not giving that in guidance for the multiyear outlook, given relatively low cap rates, high occupancy, right, leading to tight markets, it feels as if maybe kind of flattish to marginally down is a good way to maybe think about the market in general. And then, you can kind of grow low- to mid-single digits top line through market share gains. But is that kind of the market layout that we have right now?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes. So it's a way of describing it. I mean, it's not only market share gains, it's -- we are coming with new products on our technology side, we mentioned earlier, sustainability, and then specifically down to JLL, we will drive cost down and become a more efficient platform, and that will help us to drive profit growth going forward.

Operator

Your next question comes from Jade Rahmani from KBW.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

This is Ryan Tomasello on for Jade. On I'm not sure if Mihir or Yishai are on the call, but was wondering if you could provide an update on adoption of the technologies in JLL's portfolio by JLL clients? And how those investments are performing overall? Would you say that those investments, in the JLL Spark portfolio, are performing in line with expectations?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes, we are incredibly pleased with the performance of JLL Technologies, which we have put together on the 1st of October, where we brought all our technology within JLL together, whether it's platform technology, client-facing technology or our investments into the proptech area. This

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is something where we see us as a real leader in our industry and a clear differentiator for our clients. And the revenue growth, which we are experiencing from those products, is very pleasing to us, and we have high ambitions going forward on that topic.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

And can you give us an update on, I'm sorry, go ahead, Stephanie.

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes, just to echo on Christian. So we have -- a reminder, we've ring-fenced the $100 million to invest in real estate technologies, so through our Spark funds. And so we're progressing with those investments very, very well, and they're already starting to, obviously, be commercialized and beta tested within our own company and starting to do that with clients. So we're pleased with those developments and the leadership that Mihir and Yishai are bringing to that.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

And can you give us an update on how much of that $100 million has been invested so far? And what areas of this proptech ecosystem you think are areas where you think are most attractive uses of that capital going forward?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

We have invested roughly 40% so far of that money, and the deal flow, the deal pipeline is very strong. And it's such a broad range of areas. I think that would kind of go beyond this call here if we were to go into too much detail here, but we are looking at every type of product, which is helping our clients to be more successful with their real estate portfolios or investments. That is kind of the key criteria is a technology which helps our clients to be more successful with their real estate ventures.

Operator

There are no further questions at this time. I will now turn the call back over to management for closing remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you. With no further questions coming in, we will close today's call. Thank you for participating, and Stephanie and I look forward to speaking with you again following the first quarter.

Operator

This concludes today's conference call. You may now disconnect.

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