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JLL.N - Q4 2021 Jones Lang LaSalle Inc Earnings Call

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OVERVIEW:

Co. reported 2021 consolidated revenue of $19.4b. 4Q21 consolidated revenue was $5.9b, adjusted net income was $447m and adjusted diluted EPS was $8.66.

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PRESENTATION

Operator

Good morning. At this time, I would like to welcome everybody to the Jones Lang LaSalle Incorporated fourth quarter earnings conference call. For your information, this conference call is being recorded. (Operator Instructions)

I would now like to turn the conference call 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 2021 conference call for Jones Lang LaSalle Incorporated. 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 presentation.

As a reminder, today's call is being webcast live and recorded. A transcript of this conference 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, 2020, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

I will now 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. Hello and thank you all for joining our fourth quarter earnings call. This morning, JLL reported impressive fourth quarter and full year financial results. The recovery we have seen over the past year continues to accelerate, led by strength in our Leasing and Capital Markets businesses. Our closely integrated One JLL philosophy and market-leading products and services are resonating with clients. I would like to express my gratitude to all JLL employees for the outstanding service they provided to our clients in 2021.

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This dedication to serve our clients has led us to transform JLL into a more efficient global enterprise. 3 years ago, we embarked upon an ambitious multiyear transformation to enhance the seamless global integration of our services and expertise. During this time, we made several organizational design changes, orientating around business lines instead of geographies. These realignments will enable JLL to reduce structural complexities and leverage best practices while accelerating growth.

Today, we are announcing the final phase of this transformation process, which will align our external reporting with how we internally manage our business. Effective with our first quarter 2022 earnings release, we will begin reporting under 5 key business line segments instead of our current geographic-based structure. This new reporting structure will make JLL easier for investors to understand and will provide enhanced transparency of our business line. Karen will discuss the reporting change in more detail shortly.

Turning to the current market environment. Conditions continue to improve, but still significantly vary by geography. In the global office leasing market, the emergence and rapid spread of the Omicron variant has brought additional uncertainty to the return to office time line. Despite this uncertainty, we have not noticed a discernible impact in our Leasing numbers as companies continue to take a longer-term view of the future office needs.

JLL's research indicates that in the fourth quarter, all 3 global regions registered positive net absorption in the office market for the first time since the onset of the pandemic, creating a solid foundation for the ongoing recovery. Asia Pacific office leasing volumes have already recovered to 2019 levels, while Europe and the U.S. remained slightly below 2019 levels, but continued to show improvement.

In the U.S. specifically, fourth quarter office leasing volumes were down 23% compared to prepandemic levels. As a reminder, U.S. office leasing volumes were down 44% just 2 quarters ago. Overall, we continue to believe office demand will recover to prepandemic levels and that the office will remain the center of the work ecosystem.

Shifting to other sectors. Activity in the industrial and multifamily markets remain robust in the fourth quarter. High demand and tight supply continued to define the industrial space, leading to rent increases and record low vacancy rates. The scarcity of land near ports and other key logistical areas is driving a supply-demand imbalance, and additional supply will be needed to meet growing demand in these industrial markets.

Global Capital Markets transactions volume reached an all-time high in 2021. Investment activities surged 54% to $1.3 trillion, supported by an improving global economy and high levels of liquidity. Cross-border capital flows, which were at a depressed level in 2020, accelerated throughout 2021 and closed the year at record-high levels. The combination of accelerating cross-border capital flows and significant levels of dry powder bode well for sustaining recent growth rates within Capital Markets.

Similar to the trends in Leasing, strong performance in the industrial logistics and multifamily sectors benefited Capital Markets volume in 2021. The office and retail sectors improved as the year went on, although their share of transaction volume remains below prepandemic levels.

Fundamentals in the multifamily market remained strong and show no signs of cooling off. Urban markets are recovering, while rent increases in suburban markets persist. Global investor interest in multifamily assets remained high in the fourth quarter. This is evidenced by 2 of the sector's largest-ever deals being completed in Germany during the quarter. Institutional investors remain active in Asia Pacific, particularly in Japan and Australia.

Let's now shift our attention to JLL's performance. As I mentioned at the beginning, fourth quarter and full year financial results were very strong and broad-based. Fourth quarter consolidated revenue rose 23% to $5.9 billion, and fee revenue increased 42% to $2.8 billion in local currency. Fee revenue benefited from strong performance in our Leasing and Capital Markets businesses, which recorded growth of 68% and 62%, respectively.

Adjusted EBITDA of $622 million represented an increase of 50% from the prior year, with adjusted EBITDA margin expanding from 21.3% to 22.4% in local currency. Adjusted net income totaled $447 million for the quarter, and adjusted diluted earnings per share was $8.66. Our adjusted EBITDA results in the fourth quarter benefited from $103 million of equity earnings, primarily a result of an increase in the market value of our strategic technology investments. Technology is a key differentiator for JLL, and our focus continues to be to bring the best technology to our clients and raise the productivity of our brokers and account managers.

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For the full year, consolidated revenue rose 15% to $19.4 billion, and fee revenue increased 31% to $8.1 billion in local currency. Adjusted EBITDA for the year rose 73% to $1.5 billion, reflecting a margin of 18.6%. Our full year adjusted EBITDA margin was towards the upper end of our 16% to 19% target range driven by the strong gains in our higher-margin transactional businesses, investment gains in JLLT and LaSalle and disciplined cost management.

We continue to repurchase shares in the fourth quarter, returning over $150 million to shareholders. This brings our full year return of capital to over $340 million, up significantly from $100 million in 2020 and $43 million in 2019. In addition, I am pleased to announce that the Board has authorized a new $1.5 billion share repurchase program. We remain committed to investing in the business to drive future growth while also returning capital to shareholders.

I will now turn the call over to Karen Brennan, who will provide further details on the results for the fourth quarter and fiscal year.

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Thank you, Christian. Fourth quarter results reflect a strong finish to a year that began with considerable uncertainty. Our investments in our people and global platform over the last several years allowed us to enhance our competitive position, capitalize on accelerating business momentum and deliver full year results that were well ahead of both our initial expectations and 2019 levels.

Over the course of 2021, we made significant progress on our strategic priorities, investing to meet the evolving needs of our clients while also accelerating our return of capital to shareholders. The robust business fundamentals, along with our continued efforts to improve our operating and capital efficiency, resulted in nearly $800 million of free cash flow in 2021, reflecting a cash conversion ratio of approximately 80%.

Moving to a detailed review of operating performance. I remind everyone that variances are against the prior year period in local currency, unless otherwise noted. Our fourth quarter consolidated Real Estate Services fee revenue increased 42% driven by strength in the Americas and transaction-based revenues globally. Compared to a strong fourth quarter 2019, Real Estate Services fee revenue grew by 19%. The Real Estate Services adjusted EBITDA margin of 21.8% compared with 21.0% a year earlier and 20.1% in the fourth quarter of 2019.

The growth of our transaction-based revenues and $83 million of equity earnings from JLL Technologies more than offset higher commissions and incentive compensation related to differences in business mix, the impact of COVID-related discrete items, the expected reduction of certain 2020 nonpermanent savings and incremental investments in our people and technology.

Turning to the Americas. Capital Markets and Leasing led broad-based fee revenue growth. Fee revenue increased by 56% compared to the fourth quarter of 2020 with growth across most service lines. Compared to the fourth quarter of 2019, fee revenue increased by approximately 31%, which is an acceleration from the third quarter increase of 25% relative to 2019.

Within Americas Capital Markets, unprecedented strength in industrial, multifamily and alternative along with improving activity in the retail, office and hotel sectors and the surge in cross-border capital flows led to a record transaction activity that drove 75% growth in fee revenue over the prior year quarter and a 62% increase compared with fourth quarter 2019.

Fee revenue from U.S. investment advisory sales more than doubled, and U.S. debt and equity advisory increased approximately 60% from the prior year quarter. Our multifamily debt origination and loan servicing businesses maintained strong momentum, highlighted by loan servicing fee revenue growth of approximately 34%. Our full year 2022 U.S. Capital Markets pipeline is up 47% compared with this time last year, supporting our optimism for healthy growth opportunity in the year ahead.

Americas Leasing fee revenue growth of 74% over the prior year quarter was led by a rebound in the office sector and continued strength in industrial. Compared with fourth quarter 2019, Americas Leasing fee revenue increased 22%, with strong industrial sector growth more than offsetting a not fully recovered office sector. We saw a significant increase in transaction size versus both a year ago and the comparative 2019 quarter with average deal size up 33% and 25%, respectively. Deal volume, as measured by the number of transactions, has also increased meaningfully versus last year, up 35%, and returned to the 2019 level.

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From a profitability standpoint, the Americas adjusted EBITDA margin increased to 27.5% from 25% in 2020 and 22.5% in 2019. Strong growth in transactional revenues and JLLT equity earnings more than offset the expense pressures impacting the consolidated Real Estate Services margin.

In EMEA, fee revenue grew 24% over fourth quarter 2020 and 1% versus the comparative 2019 quarter driven primarily by higher Leasing and Capital Markets volumes as economic activity and investor sentiment improved. Leasing fee revenue increased 55% versus fourth quarter 2020 and 22% over fourth quarter 2019 with growth across all asset classes, most notably the office and industrial sectors. For the quarter, EMEA Capital Markets grew 45% versus 2020 and 14% compared with 2019, driven by accelerated recovery in our key markets and a significant increase in the number of large deals.

The EMEA's fourth quarter profitability declined versus the prior year due to several factors, including the expected reduction of certain 2020 nonpermanent savings and discrete items, higher incentive compensation due to differences in business mix and incremental investments in our people and technology platform. We are encouraged by the growth within EMEA and remain focused on improving the margin profile for the region.

Within Asia Pacific, quarterly fee revenue grew across all service lines, except Property & Facility Management, which was flat compared to the prior year. Led by the office sector, Asia Pacific Leasing fee revenue was particularly strong as growth accelerated to 49% from 33% in the third quarter and was up 20% versus fourth quarter 2019. Higher commissions due to differences in business mix, expected reduction of certain 2020 nonpermanent cost savings and incremental investments in our people and technology platform drove a decline in Asia Pacific's profitability, partially offset by the growth in our higher-margin transaction-based revenue.

Built primarily by new client wins and contract extensions in the Americas and EMEA, our global Work Dynamics fee revenue grew 7% versus the prior year, with growth of its annuity-like business more than offsetting the absence of COVID-related project work in 2020. Work Dynamics fee revenue was up 3% compared with 2019. The global Real Estate Services outsourcing market opportunity remains compelling, and we believe JLL is well positioned for continued growth.

Turning to LaSalle. Valuation increases and continued robust capital raising drove an 11% increase in assets under management and translated to advisory fee revenue growth. In addition, strong investment performance across the platform led to $56 million of incentive fees in the quarter. Considering LaSalle's approximate $12 billion of dry powder at year-end and $8.2 billion of capital raised over the past year, including $1.8 billion in the fourth quarter, we expect a continuation of the recent LaSalle advisory fee growth trends in 2022. Equity earnings on LaSalle's approximate $350 million co-investment portfolio totaled $18 million in the quarter, about half of which was cash.

I'll expand briefly on our JLL Technologies investment as I discuss the strategic rationale of our early-stage proptech investment on prior earnings calls. At year-end, the fair value of our JLLT investments totaled approximately $350 million, up from nearly $100 million a year earlier, driven in part by approximately $140 million of valuation increases.

Beyond the investment returns, which were substantially a function of subsequent financing rounds at higher valuation, the investments in former strategic direction allow us to evaluate and test technology solutions for our clients and generate incremental revenue.

Shifting now to an update on our balance sheet and capital allocation. Along with the growth in our business and resiliency of our cash flows, our balance sheet remains solid, as indicated by our net leverage at 0.2x and liquidity of $3.2 billion at year-end.

This provides a strong foundation to execute on our strategic priorities, which are: first, to invest in our business and capabilities to better serve our clients and drive long-term profitable growth; and second, to return capital to shareholders. As Christian mentioned, we did both in 2021. We invested in our people and global platform, completed acquisitions totaling approximately $450 million and made strategic investments of over $100 million, net of distributions and our JLLT initiative and LaSalle co-investments.

In addition, we repurchased $343 million of shares, representing about 43% of free cash flow generated in 2021. Investment opportunities remain dynamic, and we intend to maintain flexibility to capitalize on organic investments and select M&A opportunities alongside continued share repurchases to drive long-term shareholder value.

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Looking ahead, our underlying business fundamentals and investments in growth initiatives, along with positive industry trends and the global economic outlook, provide an attractive backdrop for continued business momentum and fee revenue growth in 2022. We continue to expect to operate within our 16% to 19% adjusted EBITDA margin target for the full year 2022, effectively managing a return of certain expenses and inflation while also investing in growth initiatives.

Like 2021, business mix, the pace of economic growth and evolution of the pandemic and the amount of equity earnings, amongst other factors, will influence where we will land within our target margin range. We expect our 2022 full year effective tax rate to be similar to 2021 at approximately 22%, based on our assumptions that meaningful changes to tax code will not be implemented until later this year.

I also note that we are closely monitoring the escalation and geopolitical events in Ukraine, but it is too early to comment on a potential business implication. Our focus is the safety and well-being of our people, clients and suppliers.

Before closing, I'll briefly elaborate on the segment reporting change Christian announced in his remarks. Beginning with the first quarter 2022, we will transition our reporting to 5 business line segments, comprising: Markets Advisory, Capital Markets, Work Dynamics, JLL Technologies and LaSalle. Additional service line revenue detail will be provided within each segment. Profitability will continue to be reported at the segment level.

The new financial reporting structure better aligns with how we've evolved our management structure over the past several years and improved transparency, making it easier for investors to understand our performance and our key drivers. We will provide 8 quarters and 2 full years of restatements in advance of the first quarter earnings release.

In closing, I'd like to express deep gratitude to my JLL colleagues for their astounding collective efforts in 2021, embracing our One JLL philosophy to deliver exceptional service to our clients and generating a substantial long-term value for all stakeholders.

Christian, back to you.

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

Thank you, Karen. Improving global economic trends, increasing allocations of capital to the CRE industry and positive investor sentiment provide a favorable market backdrop as we enter 2022. Geopolitical turbulences continue to be the main limiting factor to an ongoing growth of our target markets.

The outlook for 2022 is less tied to the pandemic than the past 2 years. Labor markets are tight, and attracting and retaining top talent will be a key focus point for organizations in the coming years. Inflation is likely to remain high in 2022. Real interest rates will stay deeply negative despite all the expected rises of interest rates by relevant central banks.

In that environment, real estate continues to be a standout asset class. The tight labor markets, combined with the significant inflation, have resulted in rising compensation costs. We take every effort to make use of our global platform and our superior tech infrastructure to hire the talent wherever we can find it, streamline our processes and support the productivity of our producers to continue to raise the revenue per head.

In closing, our fully integrated suite of services and industry-leading technology platform makes JLL a preferred partner for clients around the globe. We remain well situated to capitalize on the continued macroeconomic recovery and favorable underlying trends altering the commercial real estate industry. I continue to be very optimistic in JLL's ability to achieve sustained growth and create meaningful shareholder value not only in 2022, but also for the years to come.

Operator, please explain the Q&A process.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Stephen Sheldon of William Blair.

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

Congrats on a strong end to the year. Curious how you're thinking about trends in market share, I guess, relative to the rest of the industry. It seems like market share gains for JLL and some of your big peers have maybe picked up some in 2021. So does it seem like that's the case? And if so, what are some of the factors driving that? And how are you thinking about the medium and longer-term potential to continue gaining share?

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

It's Christian. Listen, very large companies tend to win additional market share. This is a trend not only within our industry. This is a trend in many other industries as well. We have demonstrated that very nicely, especially on the leasing side over the full year of 2021, and we continue to do well in our Work Dynamics business as well as in our Capital Markets business. And I don't see any reason why that should change over the foreseeable future. We're investing heavily into technology and attracting the strongest talent in the industry, and that drives at the end of the day additional market share wins.

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

Great. And then I guess, on the technology side, I would love to get some more detail on the Building Engines acquisition and maybe what you envision doing with that asset over time. I know they have quite a few integrations with other solutions, including some, I think, in your own portfolio. I guess are you willing to invest in this and kind of build out its capabilities even more over time? And how could additional M&A maybe factoring to that?

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

Well, as you have seen over the last 10 years or so, a lot of technology has entered the building space, different types of application, which enable the building owners to operate their buildings and the building occupiers to have a better experience in the building. All of those applications need to find a home. Otherwise, it becomes a pretty cumbersome task to operate them. And we believe that Building Engines can be a type of home for all these applications.

Ourselves, we have invested into several of those companies within our Spark venture capital fund. And we are now embedding many of those products into our Building Engines software and are trying to bring that as fast as possible to our clients because we believe that it really adds value to them and make the building much more attractive and operationally more efficient.

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

Congrats again on the results.

Operator

Our next question comes from the line of Patrick O'Shaughnessy of Raymond James.

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Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Can you speak to your expectations around 2022 equity earnings in LaSalle incentive fees?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Sure. So first, just to take a step back on equity earnings and what happened in 2022, we had approximately $209 million on a full year basis with $63 million from LaSalle and $141 million from JLLT. Both of those are higher than anticipated for the full year basis. And as you think about what comprises those, first, going to LaSalle, we have both the distributions of cash flow from the underlying properties as well as changes in valuation, both realized and unrealized.

In the case of 2021, we had a little under 40% of the equity earnings that we realized were actually as a result of reversals of valuation declines that occurred at the onset of the COVID pandemic. And so that just points to the fact that they were higher than typical in 2021.

Going forward into 2022, again, we don't provide specific figures and guidance on those because they are related to changes in fair market value, which are outside our control. But typically, if you look at what the LaSalle equity earnings had been as a percentage of the co-investment portfolio, they were in the high single digits.

As it relates to the JLLT portfolio, those are -- this is the first year that we've really realized significant activity since we began investing in proptech and we -- those reflect strong valuation increases over the course of the year. Again, those are changes in fair market value. We're not forecasting what those will be in 2022, but we don't expect them to be at the same level as they were in 2021.

And was there -- is there a second part to your...

Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Oh, go ahead.

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes, sorry. The second part of your question, I think it was on incentive fees for LaSalle?

Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Correct.

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

So just on incentive fees, those are also revenue streams that are related to changes in fair market value and realized sales in many cases. And so again, something that we're not going to provide a specific expectation on. I will give you some context on that. Over the last 8 years, those averaged $110 million a year, but anywhere from a low of $40 million in a single year to a high of $215 million in the year. It's still very early in the year for us to say where we think we're going to end up in that range.

At this stage, we would say we expect to be at the lower end of the range, and you'll have seen that typically, our incentive fees are recognized more in the second half of the year than the first half of the year. But again, very early in the year, and we'll update you further as the year progresses.

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Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Got it. Maybe to follow up on JLL Technologies. Do you guys have an expected time frame in which you would look to monetize those investments or maybe buy a majority interest in some of those technologies that seem most promising?

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

Well, first of all, I think it's important to remind us that the reason why we are having that venture capital fund is to be very early in identifying future technology, which will help our clients to have a better performance in their buildings or better experience as occupiers. That's the main driver. And so we are trying to bring those products as early as possible to them and integrate them into our service offering.

With those products, which we believe have a potential to become mainstream, we will obviously look whether we can increase our share in those companies or potentially take them over completely. As you will have noted, that's what we did with Skyline. And with others, we will potentially exit them as any other venture capital fund after 6 to 8 years.

Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Got it. And then maybe one more for me, if I could. Free cash flow was down in 2021 versus 2020 despite, obviously, a much better year overall. Can you discuss some of the puts and the takes to your free cash flow generation in 2021? And then perhaps, more importantly, kind of what are your broad expectations in 2022?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. We were actually very pleased with the cash flow generated in 2021 relative to 2020. If you rewind back to 2020, it was a year where everyone was focused on pulling back on investment. And we were in that same boat as well. Going into 2021, we had primarily changes in working capital, which would have resulted in the reduction in the free cash flow generated as a percentage of the adjusted net income.

Operator

Your next question comes from the live -- the line of Anthony Paolone from JPMorgan.

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

My first question is, can you give some brackets around things like Capital Markets, Leasing, maybe facilities for 2022 fee revenue growth?

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

Anthony, it's Christian. Listen, if you had asked us that question a week ago, we would have said to you that we expect another pretty strong year going forward. We have started the year with very significant momentum. And there's still some catch-up post COVID to be expected in Asia Pacific and Europe, less so in the U.S. because the U.S. has recovered already very strongly. But with the events of the last couple of days, I think we should all just refrain from making any specific forecast and wait how the things are really playing out going forward.

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

Okay. You mentioned, I think -- maybe Karen, I think it was 40%, the Capital Markets pipeline currently versus this -- like up 40% versus this time last year. And so I guess maybe a twofold question on that. One, how far out is that pipeline? Does that give you a sense as to like the next month's

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revenue or the next 6 months? Like what is that right -- or how should we think about that precisely folding into your numbers? And then also, do you have a comparable type figure for leasing?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. So for the first question, that's on a full year basis. So it's everything in our pipeline, right, from early stage to more advanced. And so just to give an indication of the level of activity and interest of property owners and speaking about considering LaSalle in the year of 2022.

And as it relates to leasing pipeline, we also -- we certainly track that. I don't believe we quoted a specific number this time around, but we entered the year with healthy pipelines as well.

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

Okay. And then the share buyback, I guess, did you buy any shares in the fourth quarter? I may have missed that. I don't know if it was in the release, and I could have missed it. And just otherwise, how are you thinking about that for 2022?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes, we did repurchase shares in the fourth quarter, a little over $150 million. And we do intend to continue with share repurchases in 2022, in line with our capital allocation strategy.

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

Okay. And do you think that's a pretty good clip, the $150 million a quarter type level? Or do you think you'd have more capacity?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

So I think it's good to just take a step back and say, what are we looking to do with our balance sheet right now. We're in a really strong position at this moment as we were last year. And so we first prioritize investing in our business for organic growth; second, look to M&A opportunities; and third, to return cash to shareholders. And we have the flexibility to do all 3, and we intend to do that over the course of the year.

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

Okay. And then just last detailed one. I understand that you're going to change the disclosure around where you market revenue and such. Are you changing the definition of adjusted EBITDA or adjusted EPS? Or will those numbers roll up under the same definitions, just different buckets?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. Those will be the same definitions, just different buckets.

Operator

Our last question comes from Jade Rahmani of KBW.

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

Can you say as to whether there's any deals that are being retraded or pulled or put on hold at this point? I imagine that, yes, there would be.

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

Listen, the situation developed pretty much on Thursday only, and it is way too early to make any immediate calls on that. If you are a buyer of a building at this point in Europe, you may want to kind of take your time until you sign and see how the next couple of days play out. But I would strongly recommend that we refrain from making any -- taking any conclusions on the current situation and what implications that will have. As I said, it's way too early to do so.

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

And I do think it's smart on your part not to really provide much in the way of guidance at this point for 2022 other than the high-level expectations. I wanted to ask about the financial reporting changes. Are there any business implications that will slow down? Or is this just purely financial in nature?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. The changes really reflect the -- the changes to the financials reflect the changes in the business that have happened over the last few years.

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

Okay. So there's no new leadership or there's no changes in reporting responsibilities or where various business units report?

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

No, that stays all the same. No leadership changes. It's just a very strong emphasize on our One JLL approach that we are trying to sell our clients different types of products as one company, which, as you know, we have a lot of clients which go across countries and across regions. And we believe that in that new structure, that is emphasized even more so than in our previous more geographic structure.

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

And do you guys have an all-encompassing business line that you would think of internally as occupier outsourcing as some call it? I believe that, that would all fill within Work Dynamics. But do you have such a group corporate solutions or occupier outsourcing?

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

Well, as you rightly say, that's part of our Work Dynamics business. We obviously also serve occupiers on a transactional basis in our Markets Advisory business on the tenant rep side, but the moment clients are trying to get into a contractual longer-term relationship, whether it's outsourcing completely or in part, that would fall under our Work Dynamics business. So it's more around how clients are buying the products rather than whether it's specifically an occupier client or an investor client.

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

One of your peers made a large acquisition in the project management space, which has a decent-sized energy management footprint. And I see sustainability services called out in the presentation under Work Dynamics. Can you talk about infrastructure overall and if growing the infrastructure services JLL provides outside of traditional commercial real estate is a growing area of focus, is a big priority that you expect JLL to try to take advantage of going forward?

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

Well, infrastructure is one of those words, which are slightly dangerous because you can put a lot of things under that headline. We see tremendous growth opportunities in our core competency around real estate. And we are touching infrastructure only so far if it relates to our sustainability business. So financing wind farms, planning wind farms, biomass, those type of infrastructure falls under our sustainability capabilities. But beyond that, we want to continue to focus on the real estate as an asset class.

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

Okay. So outside of real estate, it would be only a small part of JLL's core services.

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

For the time being, that is the case. Once we have achieved market shares, which make it unlikely for us to further grow, we may refocus our activities a little bit. But this is still out there.

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

And then just looking at your adjusted EBITDA margins by geographic region. I would say on the APAC side, it seems that, that business is at scale and achieving what you might consider normalized EBITDA margins. You do believe that's the case? And then can you talk to what it will take to get EMEA to start to generate EBITDA margins perhaps in the mid-teen range? Maybe you would consider that an appropriate target for the EMEA business.

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

Well, I think it's very important to understand that our business is very much driven by scale. And as a service provider, all cost increases, which we have to take in, we offset by growth and by gaining additional scale, and you see that very nicely in the U.S., how that is driving margins. And so we have to look at individual markets. And in those individual markets where there is enough scale, we can drive very healthy margins. And in those markets which are very small but we still continue to serve in because it is important for some of our clients in the larger markets, predominantly, our U.S. corporate clients and investor clients, it is very hard to make meaningful returns. And EMEA has that disadvantage, that it is built up by a large number of very, very small markets.

Notwithstanding that point, we have taken very significant action to improve the margins in EMEA. And again, if you had asked me that question a week ago, I would have been very, very optimistic that we would see a very significant increase in the margin profile of our EMEA business in 2022 and going forward. With the latest development, which will hit Europe probably slightly more strongly than other parts of the world, I will be hesitant to make any predictions on that.

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

And just -- but long term, do you think that something in the low to mid-teens is a reasonable market expectation for EMEA? Or are there compensation related and other fixed cost-related expenses that just make that geography naturally lower margin? And I'm just saying adjusted for business mix.

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

Yes. I mean we are well aware of our cost of capital. And so we are trying to achieve returns in the businesses we are in, which are as a minimum, achieve our cost of capital. And so that will also be our ambition for EMEA. But once again, we are servicing in EMEA in countries which we only keep running because they are relevant for our clients where we do a very significant part of their business and higher-margin territories. And therefore, the overall mix of those clients is very attractive to us even at the expense if we have to serve them in a small European country where we cannot achieve the type of margins we would like to see.

So this is not something which we see as geographically, as you ask the question. It's more important for us that the overall client relationship is delivering the returns which we would like to see.

Operator

(Operator Instructions)

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

Okay. Thank you, operator. With no further questions, we will close today's call. On behalf of the entire JLL team, we thank you all for participating on the call this morning. Karen and I look forward to speaking with you again following the first quarter, hopefully, in a world more peaceful than today. Our thoughts are with the people in the Ukraine. Goodbye for now.

Operator

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

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