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Jones Lang LaSalle, Inc. (JLL)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Ian, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q3 2023 JLL Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the Speakers' remarks, there will be a question-and-answer session. [Operator Instructions] . Thank you.

I will now turn the call over to Scott Einberger, Head of Investor Relations. You may begin your conference.

Scott Einberger

Investor Relations Officer, Jones Lang LaSalle, Inc.

Thank you, and good morning. Welcome to the third quarter 2023 earnings conference call for Jones Lang LaSalle Incorporated. Earlier this morning, we issued our earnings release along with a slide presentation, an Excel file intended to supplement our prepared remarks. These materials are available on the Investor Relations section of our website. Please visit ir.jll.com. During the call and in our slide presentation in an accompanying Excel file, we 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 slide presentation.

As a reminder, today's call is being webcast live and recorded. A transcript and recording of this conference call will be posted to 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 our Annual Report on Form 10-K for the fiscal year, December 31, 2022, 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

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

Thank you, Scott. Hello, and thank you all for joining our third quarter 2023 earnings call. Before I begin today's call, I would like to take a moment to express how deeply saddened we are by the brutal Hamas attacks on Israel, the subsequent war, and the loss of civilian lives. We remain focused on supporting our clients and fellow team members in the area.

Turning to the global real estate markets, conditions have softened since we last spoke in early August, and the near 100 basis point increase in the 10-year US Treasury Bonds yield reflects a higher for longer sentiment. Interest rate volatility, tighter lending standards, and elevated price uncertainty continue to put downward pressure on transaction volumes. To put this into perspective, global commercial real estate investments totaled \$131 billion in the third quarter, reflecting a year-over-year decline of 48% and a sequential quarter decline of 14%, according to JLL Research. The 14% sequential quarterly decline in investment activity compares to a historical increase of 7% between the second and the third quarters.

Overall, investment activity in the third quarter remain subdued across asset classes, though there were notable differences across sectors, with office down the most, while residential, hotels, and retail have fared comparatively better. The average deal size declined in the quarter, underscoring the challenges of closing large deals. Long-term fundamentals in the residential sector remained solid due to the ability to regularly reset rents and an undersupply in the global housing market. Rebound in international travel has also boosted hotel demand globally.

On the leasing side, occupiers continue to have a cautious outlook on the macroeconomic environment, which is delaying decision making and limiting large transactions. In the global office market, volume was down 6% year-over-year in the third quarter according to JLL Research. Asia Pacific leasing demand remains resilient as strong return to office momentum continues, while volumes declined in both Europe and the US. Global office vacancy rates ticked up to 15.9% in the third quarter, compared to 14.5% last year. Demand continues to be focused on premium quality space, with many occupiers looking to downsize in exchange for higher quality space that meet sustainability requirements, offers more amenities and improves the employee experience.

Turning to the industrial sector, leasing activity declined further in the US and Europe as deals took longer to finalize and available space remained limited. Asia Pacific was more resilient, supported by a wave of new supply and ongoing demand from e-commerce. All three regions maintained positive rental rate growth, albeit at a slower pace. Long-term fundamentals in the industrial sector are strong, supported by nearshoring requirements and demand for automated warehouse space. Retail sector saw solid leasing activity in the third quarter across most markets, benefiting from low unemployment and healthy consumer spending. Net absorption in the US was positive during the third quarter, with smaller retail spaces in particular demand.

JLL third quarter financial results reflect the points I just discussed with the slowdown in Capital Markets and leasing activity occurring during the quarter. Despite industry-wide headwinds, our resilient business lines collectively delivered mid single-digit fee revenue growth in the quarter, demonstrating the diversification strength of our platform. As we continue to onboard new client wins in our Work Dynamics business, we expect the growth rate for our resilient business line to remain strong. In our JLL technology (sic) [JLL Technologies] (00:06:59) business, we are focused on increasing margins as we move towards making the segment of our business profitable on a standalone basis, excluding equity earnings.

Lastly, LaSalle's incentives and transaction fees were also impacted by muted transaction volumes in the quarter. However, LaSalle continues to benefit from the annuity like nature of its advisory fee revenue stream, which provides stability when transaction [ph] volume is low (00:07:26).

With that, I will now turn the call over to Karen, who will provide more detail on our results for the quarter.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. Before I begin, a reminder that variances are against the prior year period and local currency unless otherwise noted. With continued softness in the transactional market, our operating results reflect improvements in working capital efficiency and progress on our multi-year journey of reducing fixed cost. Although the duration of a challenging market environment is difficult to predict with much certainty, we remain focused on positioning our business to capitalize on near-term and long-term opportunities to drive growth, profitability, and cash flow, ensuring we are well positioned for an eventual recovery in the transactional markets.

Our third quarter results reflect the diversity of our revenue base and the resiliency of our platform. At a consolidated level, third quarter fee revenue was \$1.8 billion, a 13% decline from a year earlier. Adjusted EBITDA totaled \$205 million, down 23%, and reflected a margin of 12.0%, compared with 13.5% a year ago. Lower investment sales, debt, and equity advisory, and leasing fee revenue, as well as an \$11 million adverse change in equity earnings net of carried interest were the predominant drivers of the margin decline. Our ongoing cost reduction actions, as well as lower variable compensation expense, were partially offset. In addition to the adjusted EBITDA drivers, adjusted diluted EPS of \$2.01 also reflected higher interest expense.

Moving now to a detailed review of our operating performance by segment. Beginning with Markets Advisory, the 17% decline in segment fee revenue was mainly due to 22% lower leasing activity, which was most notable in the Americas and EMEA. All asset classes saw meaningful fee revenue declines, with industrial and retail down 13% and 9% respectively. Notably better than a 26% drop in office. For context, we outperformed the 41% increase in global industrial market activity, but lag the 6% decline in global office leasing volume, according to JLL Research.

Our performance against the broader market reflects our strong historical market share of large scale transactions against the backdrop of a decline in average deal sizes across most asset classes, particularly in the US office sector. In addition, transaction volumes were lower across asset types, especially in office. As Christian described, we continue to see more sustained leasing demand for high quality assets, which is favorable for our business mix. Our global growth leasing pipeline continues to hold up. However, the moderating economic growth outlook has delayed leasing decision making, particularly for large scale transactions. The contractual nature of leases and building pipeline from delayed decisions provides optimism for long-term growth, though the timing and pace of acceleration and leasing activity is uncertain.

Also within Markets Advisory, property management fee revenue grew 12% with the drivers consistent with the past couple of quarters, including portfolio expansions in the Americas and incremental fees from interest rate sensitive contracts in the UK. The decline in the advisory, consulting, and other fee revenue was primarily due to the absence of revenues associated with the exit of a business that we previously announced in the fourth quarter of last year. The Markets Advisory third quarter adjusted EBITDA margin contraction was primarily due to lower leasing fee revenue, partially offset by cost actions.

Shifting to our Capital Market (sic) [Capital Markets] (00:11:38) segment, the market conditions Christian described were a key factor and a 27% decline in segment fee revenue. Our global investment sales fee revenue, which accounted for nearly 40% of segment fee revenue, fell 38% and compares favorably with a 48% decline in

the global sales volume Christian referenced. Nearly all regions and asset classes were down, though our EMEA investments outperformed notably better than the regions market activity. Growth in value and risk advisory fee revenue in EMEA was more than offset by declines in the Americas and Asia Pacific, leading to a 4% reduction overall. Our loan servicing fee revenue fell 6% on approximately \$4 million of lower prepayment fees, which masked about 4% growth of recurring servicing fees. The rise in interest rates has nearly eliminated early refinancing activity, which generates prepayment fees. The underlying increase in the servicing fees was driven by the continued growth in our Fannie Mae portfolio.

The Capital Markets adjusted EBITDA margin contraction was predominantly driven by lower fee revenue. The decremental margin within Capital Markets was in line with our expectations, considering the differences in geographic compensation structures and discrete items. The investments we've made in our Capital Markets' talent and platform over the past several years, position us to capitalize on a rebound in transaction volumes when market conditions improve. Looking ahead, the global Capital Markets' investment sales, debt and equity advisory pipeline is down mid-teens percentage compared with this time last year as deal proliferation has remained needed. The amount and pace of revenue growth through the remainder of the year will be heavily influenced by the factors impacting the [indiscernible] (00:13:36) timing and closing rates that Christian described.

Moving next to Work Dynamics. Fee revenue growth of 9% was led by continued strength in project management. The 8% increase in project management fee revenue growth is a result of ongoing demand in the UK, MENA, Italy, and Southeast Asia. Even as the growth comparisons from a year ago became more challenging, workplace management fee revenue growth accelerated to 5% in the current quarter from 2% in the second quarter. As the contribution from the new global client wins we secured earlier this year began to ramp up. Portfolio services 21% fee revenue growth was largely attributable to one meaningful transaction from a long-standing client. Excluding the transaction, portfolio services continues to be adversely impacted by the slowdown in leasing activity, particularly in the Americas. The improvement in Work Dynamics' adjusted EBITDA margin was primarily attributable to the revenue growth, particularly within portfolio services along with ongoing cost management. We remain upbeat on the segment's growth and margin trajectory over the coming years as the demand for professional management of corporate real estate increases.

Broadly, we continue to see solid new sales trends and strong contract renewal and expansion rates. Revenue from the new workplace management contracts from Fortune 100 companies we secured earlier this year will continue to ramp through the remainder of the year and support solid momentum into 2024. So, the moderating economic backdrop may dampen near-term momentum in project management. We remain focused on securing additional mandates.

Turning to JLL Technologies, existing enterprise client demand drove 5% fee revenue growth, which was on top of a 28% year-over-year organic growth rate in the third quarter 2022. The heightened economic uncertainty has led to slower growth and new client activity and existing client expansion. We continue to see strong retention rates of JLL Technologies' largely recurring revenue base. While we see significant growth opportunity for our technology solutions and services, segment profitability remains a top focus, and we are regularly adjusting our go-to-market approach to strike the desired balance between top line growth and profitability. JLL Technologies' fee-based operating expenses, excluding carried interest were lower than a year earlier and included an approximate \$5 million reduction in performance based incentive compensation. The combination of the fee revenue growth and incremental operating efficiency gains drove an improvement in JLL Technologies' adjusted EBITDA margin that was partially offset by a \$3 million adverse change in equity losses net of carried interest.

Now to LaSalle, advisory fee revenue declined 2%, primarily on the impact of recent valuation declines of our assets under management. Absent foreign currency exchange movements, valuation reductions accounted for

nearly all of the 3% decline in assets under management compared with a year earlier. New capital deployment continues to be subdued given the evolving market environment, which also moderates transaction revenues. No incentive fees were generated in the quarter compared to \$12 million a year ago. Incentive fees are a function of disposition, timing and asset performance. Moderating asset valuations drove an \$8 million increase in equity losses from the prior year. The reduction in LaSalle adjusted EBITDA margin was largely due to the higher equity losses and the lack of incentive fees, partially offset by the absence of prior year severance expense.

Shifting to free cash flow. Net inflow in the quarter was \$276 million, approximately \$188 million higher than a year earlier. Incremental cash inflow from trade receivables, lower commission payments and cash taxes paid brought an improvement in net working capital, which more than offset lower cash from earnings. The lower cash from earnings was largely attributable to the decline in Capital Markets and Markets Advisory business performance. Cash flow conversion is a high priority and we remain focused on our working capital efficiency.

Turning to our balance sheet and capital allocation. Our liquidity position remains solid totaling \$2.1 billion at the end of the third quarter including \$1.7 billion of undrawn credit facility capacity. As of September 30, reported net leverage was 2.2 times, up from 1.1 times a year earlier primarily due to lower free cash flow and the adverse impact of non-cash equity losses over the trailing 12 months. The equity losses had a 0.3 times adverse impact on our third quarter reported net leverage ratio. We are prioritizing deleveraging our balance sheet in the near-term, while also selectively deploying capital towards growth initiatives and repurchasing shares.

As at the end of the third quarter, fixed rate borrowings represented just under 20% of our debt outstanding. We are focused on realigning our debt mix, de-risking existing maturities, and diversifying our sources of capital in the near-term. During the third quarter, we repurchased \$20 million of shares and are on track to repurchase enough shares to offset stock compensation dilution this year. As long as our net leverage ratio remains around the high end of our target range of 0 to 2 times, share repurchases are likely to be modest.

Looking further out, the amount of share repurchases will be dependent on the performance of our business particularly cash generation and the macroeconomic outlook. Approximately \$1.1 billion remained on our share repurchase authorization as of September 30, 2023. Regarding our 2023 full year financial outlook, the factors Christian mentioned have [ph] suppressed (00:19:57) the leasing and Capital Markets activity longer than we previously anticipated, considering the more muted growth in the leasing and investment sales, debt and equity advisory businesses, we now expect a full year 2023 adjusted EBITDA margin excluding equity earnings of around 12%. Inclusive of equity losses, the margin will be lower. While the timing and pace of the market recovery has proven difficult to predict, we continue to strengthen our platform to both capture future opportunities and drive operating leverage, giving us confidence in the value creation prospects of our business. Christian, back to you.

Christian Ulbrich

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

Thank you, Karen. Looking ahead, real estate market conditions remain challenged as interest rate volatility and wider than normal bid-ask spreads continue to create uncertainty. The recent increases in interest rates are not yet reflected in real estate values and it will take further declines before transaction volumes will notably pick up. We expect a strong trend of companies upgrading and leasing higher quality office space to continue furthering the bifurcation of the office stock that we have been discussing for the last several quarters. Return to office plans are steadily progressing and an estimated 3 million employees being called back to the office in the US over the past several quarters. With most Fortune 500 companies settling in a three to four days in the office, peak occupancy rates are already at or near capacity and high quality buildings for many of our clients.

Before we open the call for Q&A, I would like to provide some additional perspective on our financial targets. It's not our typical practice to update mid-term targets during the fiscal year, but we believe additional color is needed given the prolonged softness in transaction activity our industry is experiencing. If you recall, when we confirmed our mid-term targets for 2025, our baseline assumption was for recovery to begin in the second half of 2023. Based on what we know today, we do not expect the recovery in transaction activity to take place in 2023 or early 2024. As a result of the industry-wide softness in transaction activity, we are extending the timeline to achieve all of our mid-term targets beyond 2025. We have built a more diversified and resilient platform and expect to reach our mid-term adjusted EBITDA margin target of 16% to 19% before we achieve the fee revenue target of \$10 billion to \$11 billion.

We continue to evolve our operating model to remove cost and improve efficiencies. Considering the costs we have already taken out from our business and future efficiency opportunities, we are positioned to expand margins in the medium-term. In addition, the investments we have made over the past several years to diversify our business mix are paying dividends as our more resilient business lines continue to provide a stable earnings base during the current slowdown in transaction activity.

Finally, I would like to once again thank our colleagues for their hard work, resilience, and dedication to serving our clients around the globe, helping them navigate uncertainty during a challenging market environment for our industry. Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Anthony Paolone with JPMorgan. Please go ahead.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Great. Thank you. Maybe first one for Karen. I know you have actioned a number of cost savings initiatives. Can you maybe help us with some brackets on what that might mean for 2024 to see the full year impact of that versus what you know flows through for this year?

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Sure. Good morning. So, just to recap, we previously announced this total of \$210 million on a run rate basis and that was \$170 million in the year. So, if you're bridging from 2023 to 2024 it's an additional \$40 million.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Great. And then I think you mentioned the backlog in Capital Markets being down I think mid-teens year-over-year. And it just strikes me as actually being pretty good. So, I mean do you think about that as being a positive and suggests like pent up demand? Or how should we think about that? Or what would you think needs to happen to see some of that start to come back and clear?

Christian Ulbrich

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

Well, indeed the backlog is still relatively good, but investors are still hesitant to transact on it. So, the conversion timing is much higher than what we have seen in previous times. And when you look at the interest rate development over the last couple of weeks, this has been another significant spike and the price adjustment has to follow. And so, we first need to see prices to adjust to that current interest rate environment. And once that is done we will probably see more transactions shipping in again and some of that backlog converting into actual revenues.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. And then just last one on was [ph] Sal (00:26:07). You didn't have any incentive fees this quarter and I understand that you're selling things and also value of assets impacts that. But as we think about the next couple of years, if there's been some diminution in property values, do we have to wait a few years to see that come back like we need to see another vintage of investments make its way through? Or do you think there's still potential for incentives if you just see some things getting sold like there's embedded promotes that still exist?

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Yeah. So, in the current marketing conditions and based on our – the forecasts, we really are expecting incentive fees to remain at the lower end of our historical range for the next couple of years. And just a reminder that our historical range was the low end of \$40 million to the high end of \$210 million. But then subsequent to that as you point out right, this will be – we'll be investing in an attractive vintage period. And so, we'll expect a stronger uptick following that once those funds had a chance to be invested and we have some realization.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Thank you.

Operator: Your next question comes from the line of Stephen Sheldon with William Blair. Please go ahead.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Hey thanks. It's great to see the step up in Work Dynamics revenue and profit sequentially. So, as we think about the fourth quarter, I think you've mentioned that those large contract wins are still continuing to ramp. So, should we expect another sequential step up in revenue and profit as we think about the fourth quarter? And then generally, how are you thinking about 2024 in that segment, given that there is usually more visibility and stability there?

Christian Ulbrich

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

Listen, we have been pretty consistent that we are very pleased with the long-term outlook for our Work Dynamics business. Indeed, the win rate in the first half of this year was unusually high and we are starting to mobilize those contracts. The mobilization pace has just about started and it will continue the fourth quarter and move into the first quarter of next year. So, the outlook for that business for next year is equally positive. And so, we expect it to see that that top line growth, as we have stated before, in the high end of single-digit, maybe even moving into low double-digit in some quarters.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Okay. That's helpful. And then just on the leasing side, can you just give some more detail about the main overhangs that delay in decision making for larger deals and maybe how those have changed over the last six to nine months? Are any of the main factors becoming a heavier or lighter headwind over that period? And just for example, it sounds like you're talking about return to office activity is picking up incrementally, so maybe that's becoming less of the headwind or area of uncertainty. Just – what are some of the bigger overhangs that is pushing that activity?

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. It's really around the uncertainty in the macro environment and geopolitical events that is causing some of these larger decisions to be put on hold. And then counter to that, as you rightly point out is continued momentum and return to office where we're reaching new highs in the US. And as a reminder, the US has been lagging the rest of the world. So, you have those two factors at play. And we did you know, we pointed out there was negative net absorption in the quarter, but we are seeing an uptick in new space requirements. And so, people are looking for more. And it's just a matter of the timing of when those will hit in this current environment.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

All right. Thank you.

Operator: Your next question comes from the line of Stephen Sheldon – I'm sorry, with Michael Griffin with Citi. Your line is open.

Michael A. Griffin

Analyst, Citigroup

Q

Great. Thanks. Maybe just turning to kind of Capital Markets activity. For assets that are trading, can you give us a sense of kind of what the buyer pool is for that and maybe where bid-ask spreads have gotten, do have they narrowed, have they widened out? Anything there would be helpful.

Christian Ulbrich

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

A

Sure. The one thing which has been quite clear over the last couple of quarters, the most active buyers have been private buyers, high net worth individuals who are coming into the market, who see this as a great opportunity to get hold of exceptional assets. The question around the spreads has been quite volatile. Whenever we have a bit of calmness on the interest rate front, then spreads are starting to narrow. I mean, there is again, some noise coming from that end or more geopolitical tension as we have seen over the last four weeks. Then spreads are widening immediately again. So, this hasn't been consistent over the last couple of quarters. And so, now with the Fed for the second time not making a move, hopefully, we see in the next couple of weeks to the end of the year, which is very important for us in the Capital Markets business spreads narrowing again.

Michael A. Griffin

Analyst, Citigroup

Q

Thanks. That's helpful. And then just on kind of external growth M&A opportunities that you're seeing in today's environment, how are you weighing those in the context of growing the enterprise versus potential share repurchases that you could look at as well to kind of shrink the share base?

Christian Ulbrich

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

A

Yes. I have to almost repeat myself what I said over the last couple of calls. We are reviewing potential M&A transactions on a regular basis. But first and foremost, we continue to believe that valuations in the private market are still too high and we have to review that pricing of those opportunities against our strategic objective and our alternative use of cash. And as you say, including share repurchases, you see where our share price is. And so far, we haven't been very active on the M&A front. And it's not a big concern for us because we don't have any major gaps or white spaces in our existing services. And therefore, we are very relaxed about that situation.

Michael A. Griffin

Analyst, Citigroup

Q

Great. Thank you.

Operator: [Operator Instructions] Our next question comes from the line of Jade Rahmani with KBW.

Jade Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much. I wanted to ask about the 2025 or the mid-term targets, the fee revenue target. Does that include M&A? And could you perhaps quantify a percentage or dollar amount of contribution?

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

So, it doesn't include any significant M&A. Just would assume some minor tuck-ins.

Jade Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. Honing in on the margin targets of 16% to 19%. Your largest peer is at around 13%. And when I look at business mix, broadly speaking, Capital Markets, I believe is around 20% to 25% HFS with CLO acquired was above that. Leasing should be mid to high teens. Property management below 10%. Occupier outsourcing. I know the nomenclature is different, but that's, you know, maybe 10% to 12%. And then there's LaSalle, clearly a high margin business. So, to get to the 16% to 19%, when I weighted average, the calculations I get lower than that is the missing piece, really LaSalle most likely as well as equity income from valuation. I'm sorry JLL Technologies.

Christian Ulbrich

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

A

No, not really. I don't think that it is as simple as you just did it. We have been consistently over the last couple of years favoring margin over top line growth and that obviously was not immediately visible due to the overall market environment we are in. But the underlying profitability of our platform has been growing and I think that's also demonstrated in this quarter. So, we have been getting out of underperforming markets and closing down underperforming businesses. That's one aspect. The other aspect is that Work Dynamics business has been increasing their margin as we forecast it.

Now, year-over-year very consistently and that is continue to happen. So what used to be quite a strong drag to our overall profitability is becoming a much lesser track compared to the high margin transactional businesses. And so, the recurring revenue streams are becoming more profitable as they were in the past. And then once the transactional businesses will get a little bit more tailwind, that will allow us to get back to that margin target, which we had indicated.

Jade Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. I'll have to look more closely at that. And then finally for 2024, are there any broad brush parameters you could provide? Do you expect fee revenue growth to be positive? Do you expect earnings and adjusted EBITDA to be positive next year?

Christian Ulbrich

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

A

Listen, if we could see what the world will do in 2024, that would be really helpful. We certainly haven't foreseen the turmoils of the last couple of months, but we stay very optimistic. We are prepared for every uptick. As we have stated, we haven't top any people, which we will need to rehire if the market is recovering. So, JLL is ready for any improvement in the market environment, and so I guess we will see some growth, but I will not predict the size of that growth.

Jade Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much.

Operator: There are no further questions at this time. I will turn the call back over to Christian Ulbrich for some closing remarks.

Christian Ulbrich

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

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 today. Karen and I look forward to speaking with you again following the fourth quarter.

Operator: Thank you. This concludes today's conference call. You may now disconnect.

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