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Jones Lang LaSalle, Inc. (JLL)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for standing by. My name is Carly, and I will be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter 2025 Earnings Conference Call for Jones Lang LaSalle, Incorporated. 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'll now turn the call over to Sean Coghlan, Head of Investor Relations. Please go ahead.

Sean Coghlan

Head-Investor Relations, Jones Lang LaSalle, Inc.

Thank you, and good morning. Welcome to the fourth quarter 2025 earnings conference call for Jones Lang LaSalle, Incorporated. Earlier this morning, we issued our earnings release along with the slide presentation and 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 as well as in our slide presentation and supplemental 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. We also reference Resilient and Transactional revenues, which we define in the footnotes of our earnings release.

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 and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements. Finally, a reminder that percentage variances are against the prior year period and local currency, unless otherwise noted.

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, Sean. Hello, and welcome to our fourth quarter 2025 earnings call. This morning, I am pleased to share our strong performance for the fourth quarter and full year of 2025. We reported our seventh consecutive quarter of double-digit revenue gains, ninth consecutive quarter of double-digit EPS growth. We have executed our strategy with discipline, building a resilient foundation for future growth. In 2025, JLL achieved new highs across key top and bottom line consolidated financial metrics, notably revenue, adjusted EBITDA and adjusted EPS, as well as free cash flow. In the full year, revenue increased 11% and adjusted EBITDA was \$1.45 billion, growing 22% and reaching the top end of our financial target for the year.

We have consistently delivered disciplined operating rigor and strong margin expansion, largely through organic revenue growth and our focus on enhancing platform efficiency in part due to tech-enabled productivity gains. We are proud to have achieved our mid-term margin target in 2025 in line with expectations established at our last investor briefing in 2022 and despite the volatile macro environment since that time. Our fourth quarter revenue was up 10%, driven by accelerated Transactional revenue and the continued growth of our Resilient business lines. Our deep global expertise across capital solutions drove broad-based growth in investment sales, debt and equity advisory, up 26% during the quarter.

The investment markets demonstrated sustained momentum through the end of 2025. Investor confidence is rising. More investors are deploying capital and real estate debt markets remained robust, which we expect will lead to further growth in 2026. Momentum is similarly building in our Leasing business, as office demand reached its highest level since 2019, and industrial demand is improving and diversifying across more industries. Fourth quarter Leasing revenue increased 17%, led by significant growth in the US, as well as notable contributions from India and the UK. Looking ahead to 2026, we expect ongoing growth in our Leasing business based on an overall improved sentiment and a robust global economy, which supports increased leasing demand across asset classes and geographies.

We remain focused on continuing our recent track record of revenue growth and margin expansion across our Resilient business line. Revenue in Real Estate Management Services increased 9% in the quarter and 11% in the full year, and we are encouraged by strong pipeline for continued momentum, especially in the second half of 2026. We maintain high conviction in the long-term growth trajectory of these Resilient businesses. Before turning the call over to Kelly, I'd like to address the market volatility, which has impacted the real estate services industry over the past week. We have been acutely focused on both the opportunities and disruption risk associated with technology, including AI, for nearly a decade.

We have senior leaders with backgrounds in technology, data and AI. Through JLL Spark we have gained a deep understanding of the technology ecosystem in real estate across all stages of maturity, and have directly invested into disruptive companies, including in AI. And we have been successfully embedding technology and building proprietary datasets across our core services throughout this time. Relative to our industry at large, we have a uniquely informed perspective on this topic. When we assess the past 30-plus years and look across industries, a

consistent theme has been true, the services businesses will scale proprietary data, unified platforms and the best people outperform and win. We strongly believe this will continue to be true.

For JLL, we see significant runway for profitable growth and minimal risk of disintermediation. The complexity of the commercial real estate asset class, the criticality of real-time local market expertise, and the fiduciary responsibilities involved, create structural barriers that favor scaled service providers with a proprietary data and technology acumen to drive client outcomes and results.

With that, I will now turn the call over to Kelly Howe, our Chief Financial Officer, who will provide more details on our results for the quarter.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. Our strong top line and bottom line performance for the quarter and the year reflects the continuation of our momentum in driving client success through the strength of JLL's people in differentiated platform. The revenue growth, along with our ongoing focus on operating efficiency, produced meaningful margin expansion and earnings growth in the quarter and full year. The combination of our earnings growth and ongoing initiatives to improve working capital efficiency helped drive robust cash flow performance and cash flow conversion. We see significant opportunity to gain client mindshare and further penetrate the expansive and growing addressable market, while also enhancing our operating leverage.

Now, a review of our operating performance by segment. Beginning with Real Estate Management Services, growth was led by Workplace Management and Project Management for the quarter and full year. Within Workplace Management, a reasonably balanced mix of new client wins and mandate expansions drove strong revenue growth, reflective of both the value we bring to clients and the significant market opportunity. In the quarter, an approximate \$11 million impact from higher US healthcare actuarial costs associated with a significant uptick in claims led to an increase in pass-through costs and consequently lower management fees. New and extended contracts globally drove double-digit Project Management revenue growth, inclusive of high single-digit management fee growth.

Property Management revenue growth continues to be tempered by the anticipated elevated contract turnover we mentioned last quarter. The overall segment revenue growth drove the increase in adjusted EBITDA and margin in the quarter and for the full year. The higher US healthcare costs were a headwind to profitability in the quarter, though this was largely offset by discrete cost management actions. Looking ahead, we remain confident in the trajectory of the Workplace Management business. Our contract renewal rates are stable and our pipeline is strong, albeit second half weighted. Considering this and the time to onboard new business wins, revenue growth is likely to be modest in the near term and build in the second half.

Within Project Management, client activity remains healthy, particularly in the US, positioning us for continued momentum. In Property Management, we anticipate the elevated contract turnover we are actioning to pressure revenue growth through midyear before gradually rebounding. For the segment overall, we continue to balance investing to drive long-term growth and profitability with near-term business performance. We remain focused on driving healthy annual margin expansion, inclusive of the transition of our direct revenue generating technology businesses and higher healthcare costs. Moving next to Leasing Advisory, revenue growth in the quarter and for the full year was led by continued momentum in Leasing, notably in office.

Globally, both office and industrial leasing revenue growth accelerated with office up 26% and industrial up 11% in the quarter. The office revenue growth meaningfully outpaced the 1% increase in market volume, according to

JLL Research. On a two-year stacked basis, Leasing revenue growth accelerated to 31%. The increase in Leasing Advisory adjusted EBITDA for the quarter and full year was primarily driven by Leasing revenue growth as well as incremental platform leverage. The timing of incentive compensation accruals was a benefit to the fourth quarter, offsetting the correlating third quarter headwind. Absent this phasing impact, the fourth quarter incremental margin would have been much closer to our historical norm. The full year incremental margin was 35%.

Looking ahead, our Leasing pipeline remains healthy as client demand for high quality assets continues. In the face of a dynamic macro backdrop, the GDP growth outlook remains constructive, and business confidence, as measured by the OECD, has been resilient, providing optimism for continued growth in the near term. We continue to invest in enhancing our talent and platform capabilities to drive long-term profitable growth. Shifting to our Capital Markets Services segment, the improvement in bidder dynamics and strength of the debt markets continued in the fourth quarter, driving an acceleration in investment sales growth to 27% and a 20% increase in debt advisory revenue.

On a two-year stacked basis, growth meaningfully accelerated from the prior quarter with investment sales up 63% and debt advisory revenue increasing 90%. Investment sales revenue notably outpaced the global market volume in the quarter and full year, a direct reflection of our differentiated, data-driven global platform. The Transactional revenue growth and improved platform leverage drove the increase in the adjusted EBITDA and margin expansion in the quarter and full year. Incremental margin for the quarter was impacted by business mix and higher commission tiers being met. Looking ahead, our global investment sales, debt and equity advisory pipeline remained strong, and we are encouraged by the highly liquid capital markets, fundraising activity and bidder momentum globally. We see meaningful runway for continued growth.

Turning to Investment Management, the expected decline in incentive fees drove the lower revenue for the quarter and full year, with higher transaction fees from a pickup in acquisition activity providing a slight offset. Advisory fees were largely unchanged for the quarter and on a full year basis as growth from US core open-end funds was offset by declines in Asia Pacific. We raised \$4 billion of private equity capital in 2025, compared with \$2.7 billion in the prior year, reflecting continued strong demand for credit and core strategies. As it takes several quarters to deploy new capital and as valuations have seemingly bottomed, we expect a gradual recovery in advisory fee growth in 2026.

Moving to Software and Technology Solutions, double-digit growth in software revenue within both the quarter and full year more than outpaced reduced discretionary technology solutions spend from certain large existing clients. The segment achieved profitability in the quarter in line with our expectations, and despite slower than anticipated top line growth. With the transition of our direct revenue generating technology businesses into the Real Estate Management Services segment effective at the start of the year, we remain focused on driving closer alignment as well as top and bottom line synergies between our technology products and core businesses.

Shifting to free cash flow, balance sheet and capital allocation, the higher free cash flow in the quarter was largely due to earnings growth and an increase in accrued commissions, partly offset by growth-related working capital headwinds. Full year free cash flow marked an all-time high and our cash conversion ratio was meaningfully above our long-term average, reflective of earnings growth, ongoing efforts to drive working capital efficiency and discrete benefits like lower cash taxes paid in the year. Our cash generation contributed to a reduction in net debt, which, along with higher adjusted EBITDA over the trailing 12 months, led to the improvement in reported net leverage to 0.2 times at year-end. Our full year average leverage ratio was 0.9 times, generally where we anticipate managing the business over time.

Capital deployment priorities remain focused first on driving organic growth and productivity across business lines. Organically, we are continuously and diligently enhancing our platform and service differentiation, as well as investing in our people strategy. Our acquisition pursuits remain focused on augmenting organic initiatives that enrich our capabilities, as well as deepen our client relationships across multiple business lines and provides synergistic scale, particularly within our Resilient businesses. Returning capital to shareholders remains a top priority. In the quarter, share repurchases totaled \$80 million, bringing the year-to-date total to \$212 million, notably above stock compensation dilution and full year 2024 repurchases of \$80 million.

We look to further increase share repurchases from fourth quarter levels with the total annual amount depending on the broader operating environment, our leverage outlook and valuation, as well as relative returns to other investment opportunities, inclusive of M&A. Regarding our 2026 full year financial outlook, the market backdrop overall remains constructive. Given our strong pipelines and underlying business trends, we are targeting an adjusted EBITDA range of \$1.575 billion to \$1.675 billion, reflecting 12% growth at the midpoint. We continue to target healthy margin expansion, balancing investment in long-term profitable growth initiatives, alongside further enhancing our operating rigor.

Christian, back to you.

Christian Ulbrich

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

Thank you, Kelly. Over the past year, our global executive board and leaders from across JLL have engaged in a focused, rigorous process to define the next evolution of our strategy. Since globalizing the business lines in 2022, we have made significant progress in developing the strategic foundation to drive continued top and bottom line growth. Reflecting on the volatile macro environment of the past few years, our results demonstrate our resilience, and we see significant runway ahead. In 2026, we are confident we have the people, platform, capabilities and financial profile to drive our strategy forward with a strong balance sheet and a disciplined approach to capital allocation.

As a result of our scale, exceptional people, differentiated offerings, and most importantly, the trust we have developed with our clients over more than 240 years, many of the world's leading, most sophisticated investors and occupiers choose to work with JLL. We are continuing to evolve our strategy to be the most intelligent, efficient, data-led service provider for our clients. We expect these strategic moves will directly benefit JLL's performance as AI and future innovations integrate in our business and industry, allowing us to gain market share and scale in underpenetrated markets in the years to come.

We will be introducing our new strategy and longer term financial targets at our upcoming Investor Briefing on March 12, and we hope you will join us in person or by livestream. As we look ahead to the coming quarters, we are optimistic, clients are motivated to make decisions, because excellent market growth is broadening across more industries, asset classes and markets, and pipelines indicate runway for growth and further share gains for JLL across both our Transactional and Resilient business lines. I would like to once again thank all of our JLL colleagues around the world for our achievements in 2025. We are excited by the opportunities ahead of us and look forward to building on our success in the years to come.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Anthony Paolone with JPMorgan.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Thank you. First question, maybe Kelly, can you give us a little bit more detail on revenue growth expectations for 2026 for areas like Capital Markets, Leasing, REMS?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. Hi, Tony. Just as a reminder, we don't generally provide top line guidance, but to give you a bit of a flavor of how we are thinking about our top line as we look into 2026, we expect continued growth from our REMS business, as I noted, in facility of Workplace Management and Property Management, a little bit more back half weighted than first half weighted, but with continued really strong growth in our Project Management business, which has been boosted by market dynamics. And then in our Transactional businesses, we are seeing continued momentum in both Capital Markets and in Leasing. Pipelines look strong. The economic indicators are all very positive and strong. And we're building on momentum coming out of the fourth quarter. One thing I will note is that, we are starting to see some tougher comps in those Transactional businesses, which will probably mute growth rates themselves a little bit. But overall, we see continued momentum.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. And then my second question, you talked about the buyback a bit. How should we think about just free cash flow in 2026, and just the baseline assumption on what you do with your cash because your net debt is pretty low at this point? It seems like even if you just bought back stock to match stock comp, there's not a lot of cash left over. So what are the priorities there?

Christian Ulbrich

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

A

Well, I'll take that one. First of all, as we spoke about over the previous years, we were focused on bringing down our debt levels to where we are now. We are very comfortable with those debt levels and they are exactly in line with our range that the midpoint is around 1. And so going forward, we will therefore have much more capital at hand to invest to the benefit of our shareholders. And even before the more recent decline in our stock price, we think that our own repurchases are a very attractive way of bringing back capital to our shareholders. So you can expect us to increase that over the course of 2026.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Your next question comes from Stephen Sheldon with William Blair.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Hey. Thanks. Maybe Christian, appreciate your thoughts on AI in the prepared remarks. And from my perspective, it seems like JLL has been very front-footed on AI and data investments in recent years, even arguably more than peers, which I think some continue to underappreciate. So just at a high level, I guess, as you think about the business, what are some of the factors could you think give JLL a competitive moat versus some of the AI-focused start-ups in the space? How are you thinking about that competitive moat over time?

Christian Ulbrich

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

A

Well, overall, I think we are in a very good position around the whole topic of AI. As you alluded to, we started very early to invest heavily into our data platform, and then also learned a lot about what is going on in the start-up world. And we are trying to bring the best of those both worlds together. And we have a lot of data, which is very hard for other people to gather, which we call our proprietary data. And with that proprietary data, we can build tools which just enable our people to drive better outcomes for clients, which then leads to higher revenues per head for our Transactional people, but also for the other areas of our business. And therefore, I mean, I don't want to come across kind of naive about the threats which AI may offer, but for the time being we don't see any competitive pressure from outside of our industry coming to our industry. And within our industry, I think, we are extremely well-positioned to take benefit of AI.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Got it. That's helpful. And maybe as a follow up, on the office leasing side, can you maybe unpack just a little bit more what you're seeing under the hood there? Specifically, what are some of the factors driving the higher average deal size? Do you think about square footage, type of property being leased with, I think, continued shift to higher quality? And also what you're seeing in terms of average lease duration?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Hi. I can take that one. So as you've noted from our numbers, we had a very good quarter in Leasing, and a good 2025 in Leasing as well. There are, as you know, a couple of things driving that. Office leasing has been very strong in the US, but also in other parts of the world as well. We've definitely seen a recovery in large deals. In fact, when we look at deals of 100,000 square feet and up in the US, those are up 15% year-over-year. That definitely plays to our strength. And we're seeing strength in core gateway markets, as well New York, San Francisco, et cetera. And so that also really plays to our strength.

As we kind of look forward, we see that momentum continuing. We're seeing continued flight to quality. We're seeing continued office mandates, return to work mandates. I think, the average now for the private sector is at four days a week in office. Rents are up in the fourth quarter, 4% according to our data. And lease durations are at eight years, which is then continuously increasing since kind of COVID. So again, as we go into 2026, we're seeing continued momentum, particularly in the office space. And also couple that we're feeling good about our pipeline.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

That's great to hear. Congrats on the strong end of 2026 or 2025.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you.

A

Operator: Your next question comes from Jade Rahmani with KBW.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. You highlighted proprietary data as one of the key defenders against AI potential disruption. I would also add the heterogeneous and complex nature of commercial real estate. That said, would you agree that there is more disruption risk at the low to middle market part of the landscape because those assets would be simpler, less complex, more homogeneous in nature? And if so, can you give any breakdown of how much of JLL's business is truly institutional, maybe \$40 million in size and up, or however you define it, versus at the low to middle market?

Q

Christian Ulbrich

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

Well, that's an interesting way of putting the question. I would start off with, the more scaled you are in a business, the better protected you are because you have data. And your point about whether less sophisticated deals or size of transactions are more at risk to be disintermediated, potentially, at the end of the day, somebody has to execute the deal. And so there will always be human interaction for pretty much everything you see within our space. Whether at some point you can completely cut out human interaction, I think, we are very away from that.

So with regards to JLL, I mean, we looked at it, we looked at it again after last week's stock price decline, whether we are missing a trick here. And honestly, we cannot see anything at the horizon which will disrupt parts of our business in the next couple of years. And we cannot look further out there. The momentum is very fast on AI. But just at the end of the day, there will be human interaction, and then that human interaction will be executed by people who have the right data at hand and have the knowledge to deliver that service. And so I don't know who should disintermediate us.

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Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you. And on a positive front, can you talk to the areas in which JLL is utilizing AI today, deploying it across the platform, which businesses you believe most clearly benefits? And if you could quantify, as one of your peers has the percentage of, say, revenue or earnings currently coming from data center, management services and such businesses?

Q

Christian Ulbrich

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

Okay. These are two very different parts, but I will kick it off. On the AI front, we have obviously two major areas. We have those areas where AI is driving efficiency into our organization, and that goes across all business lines, but it also goes very much into the functions. And we see that momentum as being very strong, and it's part of the very strong margin performance we were able to deliver that we are becoming just more productive and more efficient through the use of AI. Specific to the business lines, we have tools in place across all service lines now. We have spoken about them before. We identify potential opportunities for our brokers, which they then work on. And we help our Project Management business with tools to be really on the spot for what the current pricing for

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certain works and how to do that in an optimal way for our client. So it goes across the board and it's very much also in our Workplace Management business.

So that was the first part of your question. The second part of your question was around data centers, which we had a very strong fourth quarter around data centers. This is an asset class which touches pretty much all our business lines. On the Workplace Management side, as you know, we manage those data centers, and that has doubled year-over-year the amount of work we do there. But more specifically, in the fourth quarter, we saw a lot of Transactional business across Leasing and Capital Markets in the data center business. So I want to stay away from – I know that our competitor is always giving a revenue number, where I don't know what part of that revenue number includes developments and what doesn't include developments. But I want to stay away from giving this precise revenue number. I can only say, overall, it doubled year-over-year over the last 12 months.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much.

Q

Operator: Your next question comes from Seth Bergey with Citigroup.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Hi. Thanks for taking my question. I was just kind of wondering if you could comment on how do you think AI will kind of impact office demand. And appreciate that you don't want to put specific numbers around how much of the data center is a piece of the business. But in your comments on kind of how you think about the longer term impact on office demand, could you also kind of maybe quantify in some way kind of how much office comprises the overall business?

Q

Christian Ulbrich

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

I'll start off with the demand and then the team will look during the time I'm speaking about the proportion of offices to our overall revenues. Listen, the demand side was very much impacted by COVID and people staying at home. Now, we are on a trajectory that people are coming back to the office, and we have seen now the second largest take-up since 2019. So the office markets are actually very strong. And then within the office markets, as you know, you have that movement around that, a lot of companies are trying to secure the best buildings with the best spaces for their people. So we have a shortage on the top end of the market. And from there, it moves down. So if we were to see a significant decline in office work because of AI, what would happen is that, you would see the worst buildings, back office spaces, and those type of buildings suffering first.

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And any kind of reduction in Grade A buildings would be probably picked up relatively quickly by people who are currently sitting in a C or in a B building, and then they move up the ladder. So overall, frankly, first of all, there is no sign. It's the opposite. When you look at markets like San Francisco, the market is boosted very much by AI-driven demand, and we also see that in New York. So for the time being, it's growing. But if it would go the other way through AI, I don't think there will be a significant impact on the business we are focused on. As you know, we are very focused on the best buildings and the large transactions, and in the main gateway cities in every country. So there's absolutely nothing on the horizon that we see that shrinking over the next couple of years. Guys, can you provide the number, how much our exposure to office is at the moment?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. I can follow up on that. So if you look at our Leasing business, about 60% of our Leasing business globally is in the office space. For Capital Markets, it's closer to mid-teens. Our Project Management business, about half is office. And so when you look at our consolidated portfolio, it's about 40% is exposed to office.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you. And then maybe just to follow up, you kind of mentioned that the way you're currently using AI is creating efficiencies in your processes. How do you think about just that impacting the business from a head count perspective? And do you think that any of those efficiencies kind of put pressures on top line fees at all?

Christian Ulbrich

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

A

Can you repeat that again, top line, what?

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Just, does AI kind of put – does some of the efficiencies that you're able to achieve with AI put pressure on advisory fees or any changes with the way you think about head count needs for the business?

Christian Ulbrich

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

A

Well, what you have seen, we have shown pretty robust top line growth in 2024 and 2025 without adding much head count to the organization other than those people who are working client side and are [indiscernible] (00:36:01) by our clients. But if you put that to the side, we were able to drive that revenue growth without adding any more head count to the company. And that is a clear kind of outcome from us deploying AI in a successful way. I see that as a trend going forward. We will be able to drive more revenues to the company without adding significant amount of head count. To your second question, the arrangement of fees with our clients are impacted by many aspects. Most of it is the competitive environment. So far, we haven't seen any pressures which we could kind of bring down to AI coming into our industry.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

And if I was maybe just to add one more point on that, that's on the kind of Workplace Management side. On the Transactional side, we absolutely see continued productivity improvements around our producer productivity. And so we think that, with a lot of the investments that we're making around data, AI, et cetera, that we'll actually be able to drive more productive top line growth on the Transactional side. So that's just another view on the portfolio.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Thanks.

Q

Operator: Your next question comes from Brendan Lynch with Barclays.

Brendan James Lynch

Analyst, Barclays Capital, Inc.

Great. Thanks for taking my question. Investment sales was up 24% in 2025. You kind of alluded to this, the market kind of overcoming the wide bid-ask spreads. What are some of the lingering impediments to recapturing the pace of transaction the industry was on in prior cycles?

Q

Christian Ulbrich

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

We believe that this will be an ongoing upward trend, but not a hockey stick. So what we have seen, we have seen a recovery chipping in into 2024. That has continued in 2025, and we expect that to continue in 2026, but nothing which will blow you completely away from a transaction volume globally. The US is doing pretty good already. We will see more recovery coming into Europe in 2026. Europe is still, especially on the continent, is still at very, very low transaction levels. So there is significant room to grow that again. But as I said, don't expect that to be a hockey stick uptick in that transaction volumes.

A

Brendan James Lynch

Analyst, Barclays Capital, Inc.

Okay. Thank you. That's helpful. And then, maybe one on Workplace Management. You had a nice mix of expansion with existing clients and new client wins. Can you provide any details on the new wins component of that as it relates either customer vertical or themes that they're trying to address?

Q

Christian Ulbrich

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

What we see there is kind of almost a continuation what we have seen in the past. We have within each industry, companies who are doing extremely well and they are growing much stronger than other parts of the industries, and that brings a lot of revenue growth for us going forward. And we have a very high market share in the technology sector, in the financial sector, and those two sectors which continue to do well. From a geographic lens, as you know, the outsourcing has been around for a long time and in a very sophisticated way in North America. And it's lagging quite significantly behind in Continental Europe for many reasons. We see that now accelerating. So a lot of new business wins are coming from a geographic lens now out of Europe. And we also see that moving stronger into the Middle East. And into Asia, you may have seen that we have entered a joint venture in Saudi because the market is developing there at high speed.

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Brendan James Lynch

Analyst, Barclays Capital, Inc.

Great. Thank you, Christian.

Q

Operator: Your next question comes from Julien Blouin with Goldman Sachs.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Thank you for taking my question, and congratulations on the strong quarter. Christian, I was wondering how you feel about tech and AI investments going forward. You have historically been one of the most front-footed in making those investments, but those investments have often been criticized for the difficulty of parsing out the returns and the occasional write-downs that have been associated with them. I wonder if these fears of disintermediation maybe make you even more aggressive in sort of making those investments going forward to sort of protect and strengthen the moats around your business.

Christian Ulbrich

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

A

Well, the irony is that, I was much more fearful about disintermediation 10 years, 15 years ago. And after investing now for so long into that area of broad tech start-ups, at least my personal fear is about disintermediation have significantly shrunk over time. It is not that easy to overcome the benefits of the incumbents. And most notably, I want to go back to the amount of data which we are collecting. So we spent a tremendous amount of money to get our data in order, which is not trivial in an organization which was built country by country over such a long period of time.

But we jump the corner on that one, and that is really helping us in a meaningful way to provide our clients with insights, which are not easy to get by, by people who don't have that data. And therefore, yes, we will continue to invest into our own platform very much so, and we are investing heavily into developing new internal tools, which we are providing to our colleagues so that they can be even better in servicing our clients. But we have, for the time being, no intention to increase our investments into third-party [indiscernible] (00:42:34) start-ups. We will continue on that journey which we have been doing over the more recent history, but not more than you have seen already.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. Now, that's very helpful. And Kelly, I wanted to ask about how we should be thinking about cash flow conversion in 2026. Do you think you could reach sort of that long-term 80% conversion level? And then sort of related to that, I appreciate the comments around looking to sort of increase share repurchases in 2026. But I was wondering if you are considering maybe a more aggressive stance on share repurchases as a signal of your conviction around the limited risk that AI poses to your business.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. I can take the first part of that question, and then, Christian, I'll turn it over to you on the repurchases. We had an extraordinary cash conversion year in 2025, as you all have seen. Truly extraordinary. As we look to 2026, we don't generally provide specific guidance on what we expect cash flow conversion to be. I will say, our long-term history has been about 80%, a little bit higher than that. And we certainly, after this strong year, expect to return to something that looks more in line with our long-term average. Christian, maybe I turn it over to you for the repurchase question.

Christian Ulbrich

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

A

Yeah. I mean, it depends how you define aggressive. So maybe I use too much of a muted language, but we have our debt levels where we want it to be. The current share price after last week is at a level which makes it

very, very hard for any M&A opportunity to be more attractive to our shareholders than buying back our own shares. So you will see us to allocate a significant amount of our free cash flow to share repurchases in 2026.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Okay. Great. Thank you very much.

Q

Operator: [Operator Instructions] Your next question comes from Mitch Germain with Citizens.

Mitch Germain

Analyst, Citizens JMP Securities LLC

Thank you, and congrats on the year. Some of the noise that the disruption that you're experiencing within the Property Management segment, I mean, obviously I think you're exiting certain contracts you've talked about being kind of low margin. Is that offsetting growth from other contracts? I'm just kind of curious about how this segment is performing on a more normalized basis.

Q

Christian Ulbrich

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

Well, we were quite transparent around it. We globalized that business line. That's the last business line, which we globalized. And we identified some contracts, especially in our China business, which didn't meet our thresholds on margins. And we are now in line with the interest of our clients there exiting some of those contracts and move them over to other providers, if clients are not willing to pay us significant higher fees, which would meet our margin expectations. And so yes, that has clearly an impact on the overall growth rate of that sub-segment. If we weren't doing that, you would see that sub-segment growing pretty much in line what you see in our Workplace Management business, so higher single-digit. But for the time being, we are still exiting more contracts, and we expect to get back onto a growth trajectory in the second half of 2026. And from then on, we will see normalized growth rates in that business again.

A

Mitch Germain

Analyst, Citizens JMP Securities LLC

Great. That's helpful. And are you seeing an increase in global capital flows? I know that that was one of the themes that was impacting the capital markets industry. Are you seeing that global capital becoming a more meaningful aspect of the growth on a go-forward basis?

Q

Christian Ulbrich

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

Well, global capital flows have been very, very strong until kind of the more recent crisis, and then it became a bit more muted. And now global capital is becoming more active again. And so that is a driver of transaction volumes growing. But as I said earlier, it will not kind of jump up to the levels where it was, immediately. It's a more gradual increase in transaction volumes and you'll see that also from global capital. And then one aspect, which we shouldn't underestimate, global capital is very reactive to kind of any issues in the world which impact confidence levels. And so whenever there is a lot of noise in the world and global capital gets more capital, where domestic capital will continue to invest. So the longer the period is where we don't have a lot of exciting things happening in the world of geopolitics, you will see more global capital being active in the US and Europe and elsewhere. And if we have a lot of noise coming, then it will be more driven by domestic capital in those countries.

A

Operator: Your next question is from Anthony Paolone with JPMorgan.

Anthony Paolone

Analyst, JPMorgan Securities LLC

[indiscernible] (00:48:22-00:48:28) and healthcare costs in the quarter then, it sounds like those were offset by these discrete cost saves. The healthcare costs sound more one time, but are the cost saves, do those continue or just any color there?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

The first part of your question, Tony, cut off, but I think you're asking about the healthcare deficit that we noted that hit our fourth quarter. Yeah. So we saw an uptick in claims in the fourth quarter. We did face a healthcare headwind in our fourth quarter. We did manage to offset most of that headwind with very discrete cost actions that we don't expect to repeat. And we are on a go-forward basis, as we look into 2026, managing, of course, our broader healthcare costs accordingly, and have it worked into our plan with a broader set of actions that we are taking holistically around our cost structure to make sure that we're managing for that.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Got it. And then, just second one, back on Capital Markets. I think the GSEs up their caps pretty substantially for 2026. And just does that help give you visibility and growth in debt originations or just, in general, can you talk about just the visibility on the debt origination side going into 2026 and growth there?

Christian Ulbrich

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

Well, the debt business has been very, very strong in 2025, and we expect it to continue to be very strong in 2026. And that aspect, which you just mentioned, is one driver of our expected growth, but it's not the only one. The sources of debt have widened significantly. And it was a trend in the US, which has now moved over to Europe very strong. And we see a really significant uptick in our services, in our debt services in Europe, and now also starting to be active in Asia. And so we have a very optimistic outlook for our debt business going forward. And not only for 2026, that will be an ongoing trend for multiple years.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Thank you.

Operator: Your next question is from Jade Rahmani with KBW.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. On the AI disruption risk, I wanted to ask if you see another buffer being network effects. If you're a large money manager looking to deploy into real estate, you want to be part of, say, the JLL ecosystem of transaction deal flow, and that also adds benefits on Leasing as well as management services. Do you see that as a meaningful part of the business?

Christian Ulbrich

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

A

Listen, clients do reduce the numbers of service providers they use. This has been an ongoing trend now for multiple years. I always bring it down to the fact that the world has significantly increased in complexity, and so people are trying to reduce the complexity they have to deal with. And one way of reducing it is, they are choosing their service providers, which they really trust and where they get superior outcomes, and provide more assignments to them. And that is something where we and other very large players in our industry are benefiting from.

And yes, that will also help to protect us against potential disruption. But again, one major aspect why it helps us is, we are collecting more and more data. As we grow, we do more transactions, we manage more buildings. And every single building, every single transaction provides us with data. And that data we turn around and we provide insights to our clients, which other people who don't have that data cannot provide. So it's a bit of a self-fulfilling story here. But it is kind of something which is not only unique to us, it is unique to all large players in our industry if they have that data in order.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you.

Operator: Your next question comes from Patrick O'Shaughnessy with Raymond James.

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning. So by my calculations, your Workplace Management revenue net of the gross contract cost, the growth decelerated to flat year-over-year in the fourth quarter versus 6% in the third quarter. Can you speak to the cause of that deceleration?

Christian Ulbrich

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

A

Yeah. As Kelly alluded to, we had to kind of take the healthcare cost and deduct it. That's the way the accounting works. If you kind of take that out, the revenue gross, net of gross contract cost would have been roughly 4%. We had 5% in local currency in the third quarter, so somehow in line with the third quarter. As a general comment there, our strategy is to be very focused on margin, and we do not accept any contracts which are margin dilutive to us. And it is always between six to nine months, you have to go back when you win those type of work before it turns into revenue. And so there will have been some potential assignments out in the market six months, nine months before the fourth quarter, which didn't meet our margin requirements, and we don't pick them up. And you see that in our constant widening of our margin in that business. But as we said earlier, are very confident that the average growth of that business over time is always in the high single-digit and we don't expect anything else for 2026.

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

Q

Got it. That's helpful. Thank you very much. And then secondly, what's your outlook for Industrial Leasing in 2026? It looks like it started to improve, but still off of relatively depressed levels.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. When we look at Industrial Leasing, and if you look at our performance on a two-year stack basis, it's also been quite strong relative to the market. We believe that that Industrial Leasing business has bottomed out and looks like it's building momentum again. As we look into 2026, we expect continued acceleration around that particular segment. And our pipelines look strong, look good for industrial leasing as we head into 2026.

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

Q

Right. Perfect. Thank you.

Operator: There are no further questions at this time. I'll now turn the call back over to Christian Ulbrich for any closing remarks.

Christian Ulbrich

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

Well, thank you, operator. With no further questions, we will close today's call, and I hope to see you all at our Investor Meeting on March 12.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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