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Jones Lang LaSalle, Inc. (JLL)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the Second Quarter 2026 Earnings Conference Call for Jones Lang LaSalle, Incorporated. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Sean Coghlan, Head of Investor Relations. Sean, please go ahead.

Sean Coghlan

Head-Investor Relations, Jones Lang LaSalle, Inc.

Thank you, and good morning. Welcome to the second quarter 2026 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 advisory 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 in 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 second quarter of 2026 earnings call. Q2 was a big quarter for JLL. We grew revenue by double digits and profit gains accelerated with adjusted EBITDA up 33% and adjusted earnings per share up 61%. At our Investor Briefing in March, we told you why we felt good about where JLL was headed and this quarter is a proof of that. We are now a few months into Accelerate 2030 and I'm pleased with how the strategy is taking hold across the organization.

I want to spend my time today on three parts of our business that give me continued conviction in our future. First, our resilient business lines, which represent nearly 80% of our revenue, are built for consistent growth and margin expansion. Multiyear client relationships, recurring revenue, and a business model amplified by scale. That was evident again this quarter with real-estate management services growing 8%, in line with the level of growth we have delivered over recent quarters by margin expansion also continued. These businesses sit at the center of long-term secular tailwinds in the global economy as occupiers and investors increasingly choose to outsource more parts of their real-estate operations rather than one themselves.

Within Workplace Management, most corporate real-estate globally is still managed in-house today, underscoring how much runway remains. Project Management sits at the intersection of our clients evolving needs from multi-sized Project Management to capital planning to new developments and our ability to execute that work end-to-end around the world. The longer we work with a client, the deeper we understand their current portfolio and strategic priorities and the more value we can create together through a One JLL approach. Our resilient businesses show what durable organic growth looks like in real-estate services, high-client retention, deeper enterprise relationships, and a platform that becomes more efficient and resilient as it stands. We firmly believe continued investment in data and AI will make these businesses even more scalable and valuable to our clients.

Second, across our advisory businesses, the US led a broad-based pick-up in activity across leasing, advisory and Capital Markets Services. Together, our advisory revenue growth accelerated to 21% this quarter and profit grew even faster. A reflection of the operating leverage building across our platform. Our performance in our advisory businesses reflects prime trust built over years in our people, data, and the ability to execute it at scale. That is why JLL has continued to take share over the past several years. Clients are choosing and expanding their relationship with JLL because we deliver intelligence and outcomes that are difficult to replicate.

Our brand signals to the world's most sophisticated investors and occupiers that we are the partner for the most complex work. The investments we are making in data AI and our core businesses under Accelerate 2030 are designed to deepen our value proposition. None of this happens in isolation. Clients want an integrated partner who can advise them across the full real-estate lifecycle, backed by the intelligence of our entire team. That is One JLL. It is the reason leading investors and occupiers are choosing to deepen their relationships with JLL.

First, when it comes to capital allocation, our deployment decisions are being made with rigor. Top-line growth is most valuable to us if it converts into profitability, cash generation and returns that justify the investment behind it. This quarter alone, we generated $438 million of free cash flow, up 52% from a year ago. That gives us flexibility and how we deploy capital and reflects healthy margin expansion, greater capital efficiency and improving returns on our investments across the company. We maintain a strong and agile balance sheet and are continuously assessing opportunities, including returning capital to shareholders. Our disciplined and [ph] through-cycle (00:07:25) approach to capital allocation is central to how we intend to keep building value for our clients, our people, and our shareholders over the long-term. Put together, these factors give me high confidence in the outlook for JLL.

At our Investor Briefing in March, we said we have the foundation platform and culture to compound value over the long term. While we are early days in our Accelerate 2030 strategy, the quarterly results and progress on our strategic initiatives reaffirm my conviction.

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

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. Our strong second quarter results demonstrate the progress we are making on our key operating initiatives and reflect continued business momentum. Revenue growth of 11% as reported in US dollar and 10% in local currency was almost entirely organic and was led by our advisory businesses, particularly in the US. We also continue to generate healthy margin expansion and robust profit growth. The combination of our financial strength and cash generation supported continued capital return to shareholders, which is already nearly double the full-year 2025 amount.

Looking ahead, we remain encouraged by the breadth of demand we see across our business lines and are well positioned to build on our momentum. Now, a review of our operating performance by segment. The following commentary is in local currency to best reflect underlying operating performance. Beginning with real-estate management services, revenue growth was broad-based across all business lines. The global service capabilities of our Workplace Management business continue to drive strong revenue growth, led by mandate expansions and complemented by new client wins. Our contract renewal rates and pipelines remain strong. Within Project Management, the increase in revenue was driven by mid-single-digit management fee growth, led by double-digit growth in the Americas, including momentum from data centers.

Given a shift in contract mix, higher management fees were moderated by lower growth in pass-through costs. Following the strong increase in the prior-year quarter, Project Management grew 25% on a two-year stack basis, inclusive of 3% growth in the current quarter. Client activity remains healthy, positioning us for continued momentum over the near term.

For Property Management, core business growth and new wins continue to be offset by the strategic contract exits, as mentioned in the past [ph] two (00:10:10) quarters. We expect this growth headwind to largely dissipate over the coming quarters. Considering the varied business line trends within the segment, we affirm our mid- to high-single-digit revenue growth target for the full year with our second half weighted to the fourth quarter. Additionally, we continue to focus on driving incremental platform leverage, which we anticipate outpacing continued investment for growth.

Moving next to Leasing Advisory, revenue growth was driven by accelerated momentum across office industrial and data centers. A meaningful increase in deal size was complemented by healthy volume growth globally, most notably the US. And in part due to resurgent demand from the technology sector, including from AI companies. Our global office leasing revenue growth of 20% materially outpaced the 2% increase in market volumes. On a two-year stack basis, global leasing advisory revenue growth was 28% inclusive and 24% in the current quarter, reflecting strong, ongoing and broadening demand. The increases in leasing advisory, adjusted EBITDA and margin were driven by revenue growth, net of higher commission expense for both higher tiers being met sooner compared to a year ago, business mix, and incremental platform leverage. We expect the commission tier headwind to moderate as the year progresses.

Looking ahead, occupier demand and market fundamentals continue to strengthen, supported by improving net absorption trends across major markets and near record low new supply. Given the constructive global GDP growth outlook, increasing business confidence and our strong leasing pipeline, we are targeting mid-to-high teens revenue growth for the full year as we start to lap higher growth comparables in the fourth quarter. We continue to execute our multi-year strategic investment plan to drive long-term growth with attractive returns.

Shifting to our Capital Markets Services segment, rising bid activity, and highly liquid credit markets fueled strong growth across sectors and most geographies. Led by the US, Japan, and Australia, which significantly outpaced softness from elongated investment sales timelines in parts of Europe. Debt advisory revenue led the growth up 44%, while investment sales revenue increased 20% and equity advisory revenue grew 53%. The continuation of robust underlying business momentum amidst the dynamic macro environment is reflected in the two-year stacked growth rates for debt advisory and investment sales of 71% and 30%, respectively. US investment sales revenue growth of 53% for the quarter was nearly double the broader market, reflecting our talent, platform and data advantages. Higher revenue net of increased commissions, lower loan related expenses versus prior year and continued platform leverage drove the adjusted EBITDA growth and margin expansion in the quarter.

Looking ahead, capital markets fundamentals remain healthy overall as global direct investment activity has accelerated and credit markets remain competitive and diverse. Our global investment sales, debt and equity advisory pipeline and conversion rates continue to be strong, most notably in the US. For the full year, we are targeting mid-teens revenue growth, mindful of the robust growth comparables in the second half of last year.

Turning to Investment Management, advisory fee growth associated with the ongoing deployment of the $3.7 billion of capital raised over the past year was mostly offset by anticipated declines, driven largely by dispositions in Asia-Pacific. We continue to target advisory fee growth in the low-single digits for the full year as the factors impacting the quarter results are expected to persist in the near term. Additionally, we anticipate incentive and transaction fees toward the lower end of our historical range and [indiscernible] (00:14:10) to the fourth quarter.

Shifting to free cash flow, balance sheet and capital allocation. Free cash flows totaled $438 million in the quarter, up 52% from a year ago. The improvement was primarily attributable to higher cash earnings. Considering the strength of our cash flow to-date, business mix and ongoing initiatives to improve capital efficiency, our free cash flow conversion ratio is trending comfortably above our long-term average of over 80% for the full year. Growth in our adjusted EBITDA plus lower borrowings resulted in an improvement in our reported net leverage to 0.7 times. Our investment grade balance sheet remains a source of strength, with $3.4 billion of corporate liquidity providing us with ample flexibility to invest in the business while continuing to return capital to shareholders. We repurchased $110 million of shares in the quarter, bringing first half repurchases to $410 million and reducing the share count by nearly 3% from a year earlier.

Looking ahead, we intend to remain active on the $2.6 billion remaining on our repurchase authorization with the total annual amount dependent on the broader operating environment, our leverage outlook, valuation, and relative returns to other investment opportunities inclusive of M&A. We are encouraged by the underlying business momentum in the first half of the year and the strength of our pipelines across the business, particularly in the US, albeit mindful of the strong growth rates in the back half of last year. With the segment revenue growth targets I outlined earlier as a basis, we are meaningfully increasing our full-year 2026 adjusted EPS target range to $24.60 to $25.90, reflecting 34% growth at the midpoint. We enter the second half of the year with momentum and confidence in our ability to deliver healthy growth, robust margin expansion and meaningful cash flow.

Christian, back to you.

Christian Ulbrich

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

Thank you, Kelly. Looking ahead to the second half of the year, our pipelines across the business and broader indicators are encouraging. We expect the US to keep leading as capital deployment builds, credit markets remain active, and demand for our core services grows. The broader environment globally will likely remain uneven. But the strengths of our people, platform and client relationships gives us conviction. We have built a very resilient business that can perform through evolving markets. With our Accelerate 2030 strategy execution underway, we intend to keep building on the momentum we have generated over the last several quarters.

The updated targets that Kelly just outlined, including higher revenue growth outlooks for our Leasing Advisory and Capital Markets Services segment, and a notable raised adjusted EPS range for the year reflect our confidence and the underlying momentum of our business as well as our strategy.

Before I close, I would like to thank our colleagues around the world for their commitment to our strategy and continued dedication to our clients. Your work is what makes results like this possible.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Your first question comes from the line of Tony Paolone from JPMorgan. Your line is open. Please go ahead.

Anthony Paolone Q

Analyst, JPMorgan Securities LLC

Great. Thank you. My first question is on the margin side. I mean that the significant growth in transactional revenue obviously drove a lot of that. But can you maybe help parse out what you think was more company specific to JLL and talk perhaps about the leverage you might continue to see that, that could help margins even further going forward, just less related to the market and more around JLL.

Kelly Howe A

Chief Financial Officer, Jones Lang LaSalle, Inc.

Sure. Thanks, Tony, for the question. So, yes, mix and kind of ongoing EBITDA growth and revenue growth clearly drove a set of the margin expansion. But I would say that in addition to that, we've, as you know from our investor presentation and briefings, have been very focused on investing against a platform that is providing pretty meaningful operating leverage. And so, we're seeing the benefits of that operating leverage come through as well. And so, we look at fixed cost as it relates to our fee revenue, we look at variable costs, including commissions and other variable costs. And we're very happy with the performance of our fixed cost base against our fee revenue as well and we're seeing a lot of improvement there. We have more runway as well, so we feel very confident we'll be able to continue to deliver on that margin expansion.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you. And then, my follow-up is just, I guess, related to capital markets, but also Investment Management. It seems like it's been a slow first half of the year for everybody and raising capital for commercial real-estate. Is there a risk that at some point that has implications back to capital markets and just, that the less robust fundraising just creates less transactional activity going forward? Or is there any way to think about that?

[Technical Difficulty] (00:20:20-00:20:42)

Sorry, did you have my question go through?

Operator: Please hold.

[Technical Difficulty] (00:20:48-00:21:00)

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Tony, can you repeat the question? I'll take it.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Yeah, sure. The question is basically capital raising for commercial real-estate just seems to be running at a slow pace so far this year for everybody. And so, wondering if we should think about that as having any implications back to just broader transaction activity going forward. If it just remains muted and there's not a lot of new capital perhaps coming in to just CRE broadly.

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah, thanks for the question. And you've seen our capital raised numbers for our Investment Management business, which are $2.3 billion year-to-date. We are continuing, of course, to focus on capital raise. We do see continued dry powder on the sidelines. There's a lot of pent-up demand and there is a lot of demand to reposition portfolios. And so, we do think that, that demand is going to kind of continue to build. You're right, the first part of the year has been a little bit slower, I think across the board, across the market. But we expect that demand to flow through. In the meantime, if you look at our capital markets business, our debt advisory business has been performing quite well because even as transactions are maybe a little bit slower for the first part of the year because of the capital raise, the debt portion of the business is doing very strong.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Your next question comes from the line of Jade Rahmani from KBW. Your line is open. Please go ahead.

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi, this is Jason Sabshon on for Jade. Thanks for taking the questions. To start, what impact do you think the shifting interest rate outlook will have on capital markets pipelines? Do you see any deals moving to the sidelines or potential for repricing in lower cap rate areas like multifamily? Thanks.

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

We have – when we look at the interest rate environments, one of the things that we pay most attention to is stability of rates. And so, we can withstand fluctuations up or down a bit without a huge amount of impact. So, as we look at the interest rate environment kind of through the rest of the year, we don't expected a meaningful impact to our transaction business for the remainder of the year.

The other thing that I would just say is that, like I said, there's a lot of pent-up demand on the sidelines and there's a lot of capital. The debt markets are very, very liquid at the moment. And so, we don't have huge concerns about kind of the interest rate environment going through the rest of the year.

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.

Q

[ph] And then Kelly (00:23:54), do you see any risk of unbundling of services within the outsourcing businesses as a result of it?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Unbundling of services in the outsourcing business?

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

You know, one of the things as we've articulated through our Accelerate 2030 strategy is a real focus on targeting and serving clients in a very holistic way, and we're seeing a huge amount of demand for that, honestly. And so, when we look at outsourcing, clients are actually coming to us because they don't want to manage individual tasks or individual pieces of the offering. They're looking for somebody that can provide a more integrated offer to them to help them with their outsourcing. And again, we continue to see tailwinds in that space. You can see the healthy growth that we're posting, particularly in our Work Dynamics or sorry, our facilities management business. And so, unbundling has not been a particular trend that we have been observing in the market.

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks.

Operator: Your next question comes from the line of Julien Blouin from Goldman Sachs. Your line is open. Please go ahead.

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Q

Yeah, thank you for the question and congrats on the strong quarter. Christian, I think you mentioned last quarter that you expected that the longer the conflict went on, the worse the impacts would get to the back half of the year. We've definitely seen the performance gap between the US and your other markets sort of widened. Wondering standing today – where we stand today, how are you feeling about the likely impacts of the Middle East on Asia and Europe in the back half?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

So Julien, Christian's having some trouble with his line, so we spent a lot of time talking about that from the side. I can address many of the conversations that we've had amongst our leadership team here, which is obviously we continue to monitor the conflict quite carefully. I think the biggest impact associated with the conflict is on the broader macro outlook, both GDP growth and inflation. We're not seeing immediate indirect impacts to our business in a material way today. I think you have touched on the fact that in Europe, I think there is maybe a bit more concern.

And so, we have seen, as we noted in our remarks, a bit of elongation around transactions on the capital markets side in Europe. Again, we're not seeing those fall out of the pipeline. We're just seeing some elongation of deal closing. I would say, in the US, in particular, we've seen continued strength. And so, while we monitor the conflict, we're not seeing impact in our business, nor do we anticipate if things don't get worse, that there will be meaningful impact through the rest of the year.

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Thank you, Kelly. And I guess focusing on US investment sales, it was pretty impressive. Just the amount of by which you outpaced the broader market this quarter, I was wondering if you could sort of dig into the drivers of that, whether it's specific markets that were particularly strong or property types?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. We're very happy with our investment sales performance for the quarter. And it has been relatively broad-based across asset classes. We've seen some uptick in office, which has been nice to see as I think those valuations start to work themselves out. We've seen strength in industrial and logistics. Those volumes grew quite significantly. Retail hotels have both been up. Multi-family continues to grow. It's been a little bit slower this year, but continues to grow. And I would say from a geographic perspective, the US has been a huge driver of the business, but we've also seen activity in parts of Asia as well. Like I mentioned, the capital markets, business and investment sales in particular in Europe, we've seen some allocation in timelines there.

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Thank you very much.

Operator: Your next question comes from the line of Mitch Germain from Citizens Bank. Your line is open. Please go ahead.

Mitch Germain
Analyst, Citizens Bank
Q

Kelly, I'm just curious about what you're seeing in the M&A side and what's the biggest hesitation on your part or your company's part with regards to possibly considering closing or doing some sort of transaction.

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

Hi. It's Christian. Now, they unmuted my line, so I'm allowed to say something. Sorry for that. Yeah. On the M&A...

Mitch Germain
Analyst, Citizens Bank
Q

Congrats on the quarter, Christian.

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

Thank you. Thank you. On the M&A side, nothing has really changed. We are very disciplined improving in our underwriting investment approach. And so, we are constantly looking at opportunities. And I'm certain that at some point, we will do a bit more M&A again. Obviously, in 2024, we did SKAE and Raise and in both of those acquisitions, we surpassed very, very significantly our own plans for those transactions. And so, we like to have more of those going forward. But on the other hand, we will not do something which is not driving value for our shareholders. So, it's not that we are unwilling, it's just that we keep the bar as high as we placed it now for many years, the last couple of years. And at some point, we will find and identify targets, which will have passed that bar.

Mitch Germain
Analyst, Citizens Bank
Q

I think you cited or maybe Kelly cited some really strong pipelines in capital markets, particularly in the US. When do we see Europe, Asia return to a more normalized level of activity rather than seeing just kind of volatile volatility across quarters?

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

Well, I couldn't respond to that earlier question around the Middle Eastern conflict. Obviously, when you are in Europe, you have the war in the Ukraine on one side and you have the Middle Eastern conflict. And that has very significant impact also, on the second logical point of view on investors in Europe. This is all very close and very immediate. And so, we saw some signs of kind of return before that war in the Middle East started [indiscernible] (00:30:57). And then, that was immediately coming down.

And then talking about Asia, I mean, actually, Asia had some very, very interesting transactions this year. So, some good momentum on actually large transactions. But Asia is not one region, really. You have a couple of relevant countries who are making up Asia's capital markets business. And when you look, for example, how significantly India is impacted by the war in the Middle East, there's no surprise that people are more cautious there. And so, I think this is very much correlating with those two conflicts. And if they were to disappear, then you would see those markets to recover quite significantly because there's clearly pent-up interest, which is currently still on the sidelines.

Mitch Germain
Analyst, Citizens Bank

Q

Thank you.

Operator: Your next call comes from the line of Seth Bergey from Citibank Group. Your line is open. Please go ahead.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Hey, thanks for taking my question. I think JLL is just kind of outpacing kind of the market data everywhere that you disclosed there in terms of leasing investment sales. And just curious how much of that is kind of a durable share gain versus a mix of a kind of deal size and large deal timing. And I guess, just how does the guide kind of assume that spread process are compressed? And then, maybe along with that, you attribute some of that share gains to kind of the data in the AI platform and what would we see in the numbers to kind of prove that in terms of win rates, revenue per producer or just anything non-comp cost ratios?

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

A

Well, listen, we are obviously very focused on our own platform. And so, I cannot provide you with any type of comparison to other players in the market. But just the last point you made about revenue per producer, when we talk about the capital markets business, we have been able to grow our capital markets revenue for the last two years since it started to recover in 2024 very, very significantly without adding any additional brokers. This is all being digested by the existing teams because our technology platform is enabling them to be just much more productive than within any other platform.

And even going forward, we believe that our colleagues have significant room to further grow their revenues, perhaps within our existing environment. And so, as long as the clients of us appreciate the intelligence we are bringing to them and the quality of our brokers, we believe that this trend will continue on the capital markets side, as well as on the leasing side. But maybe, Kelly, do you want to add anything on the leasing side?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So, I guess the only other thing I would say is, I mean, we are confident when we look at the market data that we're gaining share in the space. I do think that per some of the comments that we made earlier about what clients are actually looking for, they're looking for a full service providers that actually can bring a range of capabilities to them in our leasing businesses. And capability is one of them. And so, we do see that in our share data that we review. And the other thing that I would say around the data and AI piece, as you look to link it back specifically to performance, we don't have numbers we disclose on this, but I will say we track very carefully where our lead flow comes from and where we're generating leads from. And you know what that connects through to in terms of like actually closing deals.

And so, we feel very good about the investments we're making around data and AI specifically and the support to the momentum that, that is providing.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. And then, just as a follow-up, I think last quarter, you mentioned that the commission tier headwinds would kind of peak early and moderate throughout the year. And in this quarter, they were consistent with the first quarter. I guess what changed there? And how should we think about that through the back half of the year? And then, do they reset kind of cleanly next January?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So, thanks. It's a really good question in both our capital markets and in our leasing business, we've had really outsized performance the first half of the year, the first and the second quarter and it's also been driven by larger deal sizes, which has the impact of pushing a set of our producers up into higher commission tiers earlier in the year. And that just had a bigger impact on the first and the second quarter than we thought it would, because if top-line performance.

The second element, I would say, is since the – a lot not all, but a lot of the growth has been driven from the US, which is a much more variable compensated environment. It's in overall – in terms of overall geo mix, it's had a bigger impact than it might normally have in a typical year where we have a bit more balance across our geos. So, we do expect that to moderate as we go through the second half of the year. And then, in January, we'll reset again.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Thanks.

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

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Hey, thanks. I wanted to circle back to the guidance increase just because it's very, very notable. It sounds like things are broadly trending better than expected. But we just love to get some more detail on what's giving you the confidence to increase the guidance for adjusted EPS by this much. And specifically, are there kind of two to three main drivers to call out that, I guess, are boosting your expectations for the year?

Kelly Howe
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Thanks for the question. There are a couple of drivers that are driving our confidence such that we are increasing our adjusted EPS. So first is just performance in the first half of the year, which we're very, very pleased with. That would be number one. I think second, when we look at the mix of our business and particularly the advisory business, we see continued strength as we move through the second half of year. The pipelines are good. The kind of indicators, broader indicators about business confidence, GDP growth, etcetera are good. And we're seeing continued momentum around the advisory businesses. And so, that is giving us confidence as we go into the second half of the year.

When we kind of put, I guess, all of that together, the other piece that is really compelling is we're making a lot of progress on, like I said earlier, our platform investments. And so, just the amount of operating leverage that we expect to get from that, the revenue that we are looking at for the year, we're quite pleased with and has given us confidence to increase those targets for the year next year.

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Makes sense. Thank you. And then, just as a follow-up and maybe for Christian, assuming you're still there. Welcome back. Would be great to get an update on the progress towards that One JLL approach. Where are you seeing success as more holistically serving client needs across the different business lines? And I guess, yeah, you're starting to see any notable improvements in cross-selling, I guess as you prioritize it more, is that becoming a bigger driver of the strong growth that you're delivering?

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

A

Well, we are working very hard on that. This is a muscle which you are training. And as you know, when you go into the gym, you don't see the results immediately. You have to go there over a longer period of time. And so, I wouldn't put our performance in the second quarter necessarily down that we have already trained that muscle to the extent where we want it to end up. But there is an overall culture within our organization about sharing information and about working together with clients. What we are doing is we are working very hard to support that also from a platform point of view, from a technology point of view, to make that very easy for our colleagues to cross-sell to each other, not only within business line and not only within country, but what we are very focused on to do that seamlessly across service lines and across the geographies.

We just recently had a very nice transaction coming from Asia, sourced in Asia and executed in Europe, and those are the things where we can really differentiate against our clients, against our competitors and service our clients well. And so, that's where we are working on, I would say, the whole Accelerate 2030 strategy. The earliest days because it is more immediate is clearly the progress which Kelly mentioned on the overall platform efficiency. It's not only AI. It's also general automation where we are making very, very significant progress, which allows us to be so confident about our forward performance and then the whole topic around data and AI because we were investing, as you know, into that topic for very long time.

And so, we are starting from a very strong base. And so, the acceleration on these two things are already part of our Q2 result. And then, the piece about cross-selling and this One JLL notion, it is an evolvement. We have some of those deals coming in, but there will be many more to come over the next couple of years.

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Great to hear. Thank you.

Operator: Your next question comes from the line of Brendan Lynch with Barclays. Your line is open. Please go ahead.

Brendan James Lynch
Analyst, Barclays Capital, Inc.

Q

Can you talk a little bit about the pace of adoption for your software and tech solutions and the outlook for these initiatives to accelerate profitability this year?

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

Well, as you know, we moved our software and technology business into our overall rents P&L. We promised to the Street that this will be now profitable in 2027. It was profitable in the fourth quarter of 2026, and we are – after the two quarters, we are well ahead of our own plan. So, the move has turned out to be absolutely the right move. A lot of friction points which we had before have disappeared. And so, from a profitability point of view, it's going really, really well. And we are also expecting a bit more revenue growth in that whole sector coming the second half of the year.

Brendan James Lynch
Analyst, Barclays Capital, Inc.
Q

Great. Thank you. And then, just on global office leasing volume, it's now on pace to come pretty close to the peak in 2019 and also the peak in 2007. So, the question is, how much runway do you think is left for growth over the next couple of years?

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

So, I will take that question. You know, we have around the world something, which is really interested and didn't have a [indiscernible] (00:43:24) previous times. We see new rent records for office space in almost every city around the world, whenever new product is coming to market. Even in those geographies where the economic environment is weak, we have that situation that we see new record rents. And at the same time, you go half a mile down the road and you have vacant buildings and no one wants to pick up that space. And so, this bifurcation between the most successful companies who are working on bringing their people into the best available spaces and those who are not that focused on spaces and the employee experience, this is ongoing.

And so, overall, I would see that as the ongoing trend of the market, whether that price ongoing higher absolute volumes, I would say, for the foreseeable future, overall volumes will continue to grow. But at least for our business, that is not as relevant as that trend of bifurcation because as you know, we are very, very focused on the Grade A space. So that's where we have the majority of our market share. And so for us, this trend is more important compared to whether the overall volume is 2% up or down.

Brendan James Lynch
Analyst, Barclays Capital, Inc.
Q

Very good. Thank you, Christian.

Operator: Your next question comes from the line of Tony Paolone with JPMorgan. Your line is open. Please go ahead.

Anthony Paolone
Analyst, JPMorgan Securities LLC
Q

Yeah, thanks for – around some follow-ups here. Just – you talked about free cash flow running above your target conversion rate. And I guess besides buying back stock and where do you see the biggest opportunities to invest in the business or where do you see there may be capabilities you might want to add?

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

Well, I want to start off with saying that buying back stock is a very important element of our capital allocation because we believe that there's a – this is a great investment to buy our own stock back. But putting that to the side, we still have an ongoing long list, and it will probably never get much shorter of potentially investments into our platform. At the moment, we are significantly increasing literally month by month our investment into our AI tools. And that is something where we see really nice progress on not on the adoption but also on the value creation around that.

But then, there's also just very basic. There are always areas in our business where we have geographies where we in a certain asset class would like to add more capacity, where we invest into new teams, which is something where some of that money flows into. So, the good thing is you are never running short of ideas how you can and where you can invest into the platform to drive value for our shareholders. So on that end, I'm not concerned that we will run short of ideas.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Got it. And then, I guess on the data center side, can you maybe give us a sense as to where the largest revenue and profit buckets lie today across the business lines? Maybe kind of what the growth rates look like or just, again, what kinds of capabilities do you see yourselves having the most strength or opportunity to build there?

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

A

Yeah. I mean, as you know, this is a super dynamic market at the moment. We had at the end of the quarter 340 data centers in our facility management. And from a gigabit point of view, because we have contracted now numerous very large data centers, we expect from a just gigabit perspective that number to grow by a third within the two quarters because we have already signed those contract and those data centers will be finished over the next couple of months. So, this is ongoing recurring revenue, which, as you know, we are very focused on.

And so that is from our point of view, obviously very good revenue and that is complemented by revenue on the transactional side on with data centers. And that drives obviously in that very moment, higher margins and profits. But then once that is booked, then it's over. So, kind of – you kind of said, you almost make the distinction, what is the more attractive one. Longer term, it's a mix of both things. Our overall mix is 80% recurring and 20% transactional, and that's probably also what we like to see on the data center side.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: We have reached the end of the Q&A session. I will now turn the call back to Christian Ulbrich, President and Chief Executive Officer, for 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 joining our call today. We look forward to speaking with you again following the third quarter.

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