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EDITED TRANSCRIPT

JLL - Q3 2018 Jones Lang LaSalle Inc Earnings Call

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OVERVIEW:

Co. reported 3Q18 revenue of just under \$4b, adjusted net income of \$139m and adjusted diluted EPS of \$3.02.



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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Jones Lang LaSalle Incorporated's Third Quarter 2018 Earnings Conference Call. For your information, this conference call is being recorded. I would now like to turn the conference over to Grace Chang, Managing Director of Investor Relations. Please go ahead.

Grace T. Chang - Jones Lang LaSalle Incorporated - MD of Corporate Finance & IR

Thank you, operator. Good morning, and welcome to our third quarter 2018 conference call for Jones Lang LaSalle Incorporated. Earlier this morning, we issued our earnings release, which is available on the Investor Relations section of our website, ir.jll.com, along with the slide presentation intended to supplement our prepared remarks.

During the call, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of non-GAAP financial measures, where appropriate, to GAAP in our earnings release and supplemental slides. As a reminder, today's call is being webcast live and recorded. A transcript of this conference call will also be posted on our website. Any statements made about future results and performance or about plans, expectations and objectives are forward-looking statements. Actual results and performance may differ from those forward-looking statements as a result of factors discussed in the annual report on Form 10-K for the fiscal year ended December 31, 2017, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

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

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

Thank you, Grace, and welcome, everyone to this review of our results for the third quarter and first 9 months of 2018. I'm also pleased to welcome Trish Maxson, our Chief Administration Officer, who has more recently added the role of Interim CFO to her responsibilities. As you know, Christie Kelly left JLL in September. We wish her well and thank Christie for all the significant contributions she made during 5 successful years as our CFO.

On today's call, following my opening remarks, Trish will share details of our performance. Later, Trish, Grace and I will take your questions.

In summary, we had a record third quarter at JLL, building on a strong first half of 2018. For the quarter, revenue increased 15% in local currency to just under \$4 billion. Fee revenue was up 14% to \$1.6 billion. For the first 9 months, revenue increased 12% to \$11.4 billion. And fee revenue for



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the same period totaled \$4.4 billion, 11% higher than a year ago. Our gross through this quarter and year-to-date represents healthy organic expansion across the business. Adjusted net income totaled \$139 million in the quarter, up 37% and \$287 million year-to-date, up 32%. Adjusted diluted earnings per share totaled \$3.02 for the quarter, up from \$2.21 in the third quarter of 2017.

For the first 9 months, adjusted diluted earnings per share reached \$6.25, increasing from \$4.76 during the same period a year ago. We realized strong margin expansion in the quarter, helped by excellent results in the Americas, exceptional LaSalle incentive fees and improving performance in our EMEA business. For the quarter, adjusted EBITDA margins calculated on a fee-revenue basis was 14.7% in both U.S. dollars and local currency, up from 13.2% in 2017.

Recognizing our performance and momentum, our Board of Directors has declared a semiannual dividend of \$0.41 per share. This brings total 2018 dividends to \$0.82 per share, up from \$0.72 a year ago. To put these results in context, as we complete the final months of 2018, global real estate markets are exceeding original expectations. They are set to maintain the momentum through the end of the year despite headlines about trade tensions, political uncertainty and volatile equity markets. Annual GDP growth is expected to reach 3.7% this year, matching last year's figures. For more details, see Slide 2 in the supplemental information document posted at ir.jll.com.

Slide 6 tracks activity in global Capital Markets and Leasing. Investment in commercial real estate globally remains steady in the third quarter with \$170 billion of investment volumes. Year-to-date, total stand at \$507 billion, 7% above 2017 levels.

Prime office capital values, the product of robust income growth grew by 6.2% year-on-year with Europe, specifically Amsterdam, Madrid, Berlin and Milan, accounting for 4 of the top 5 performing markets globally.

At the end of the quarter, global office leasing markets volumes stood at the highest levels since 2007 with year-to-date totals 8% higher than in 2017. Asia Pacific led the way, where year-to-date volumes were 24% up on a year ago. Europe and the U.S. have maintained steady growth with Leasing volumes for the first 9 months 5% above impressive 2017 levels. Even with this relatively high levels of new delivering -- deliveries, strong occupier demand pushed the global office vacancy rate to cyclical low of 11.5% in the third quarter.

Rental growth for prime offices across 30 major global cities is on track to reach nearly 4% of the full year, the strongest uplift since 2011. With this market backdrop, our performance continues to build on the positive business fundamentals and operating strengths of our diversified platform. This is reflected in our Leasing business, which has continued to deliver impressive growth ahead of the market. Our focus on driving our Corporate Solutions business has also been strongly rewarded. The win rate in both 2017 and year-to-date has seen our performance rise to new highs and we expect this trend to continue well into 2019.

To further our Corporate Solutions strategy, we have recently acquired ValuD, a technology-based real estate and facility management consulting business. Beyond our real estate services, LaSalle has continued to outperform, delivering superior risk-adjusted returns to its clients and thereby realizing incentive fees that are significantly ahead of our historical average. This combination of our overall performance across the business has enabled us to accelerate investments to enhance the long-term performance and competitiveness of our business.

Having said that, even with normalized LaSalle incentive fees and these continued investments, we would have expected to deliver adjusted EBITDA margins closer to the higher end of our 12% to 14% range as previously communicated. So taken as a whole, we have witnessed a very strong third quarter and first 9 months for commercial real estate and for JLL.

Now we will turn to Trish for more detailed comments on our performance.

Patricia Maxson - Jones Lang LaSalle Incorporated - Chief HR Officer, Chief Admin Officer, Executive VP, Member of Global Executive Board & Interim CFO

Thank you, Christian. Christian provided the headline summary of our results for the current year and year-to-date. It's a pleasure to be able to report the details of such exceptional performance. All 4 segments achieved revenue growth driven by strong performance in Leasing, Corporate Solutions and LaSalle. As Christian noted, on a local currency basis, consolidated revenue and fee revenue increased 15% and 14% compared to

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third quarter, 2017. On a year-to-date basis, consolidated revenue and fee revenue increased 12% and 11% respectively. For both the quarter and year-to-date, results were organic across all segments.

Now let me turn to service line and segment results for the remainder. We report percentage changes in local currency, except for Capital Markets, which aligns with U.S. dollar-denominated research data. Consolidated Leasing fee revenue grew at a very impressive 17% for the quarter, representing outperformance across all segments against flat global market growth absorption. Year-to-date, fee revenue grew 10% compared with global market gross absorption of 8%.

Growth for the quarter and year-to-date was led by the Americas, which represents nearly 70% of the growth. Consolidated Capital Markets fee revenue declined 6% for the quarter compared to flat global investment sales volumes. The decline was due to deal timing and prior year outperformance in Asia Pacific. On a year-to-date basis, fee revenue grew 6%, largely in line with global market volumes. The Americas and EMEA led year-to-date growth.

For the quarter, our Property & Facility Management fee revenue grew 9%, driven by the Americas. Project & Development Services grew 13%, driven by our Tetris fit-out business in EMEA. Advisory & Consulting grew 5%. Year-to-date, Property & Facility Management fee revenue grew by 8%, Project & Development Services grew 15% and Advisory & Consulting grew 11%.

We saw growth in all segments, most notably in the Americas. Year-to-date, we also saw double-digit fee revenue growth in Corporate Solutions. As a reminder, Corporate Solutions is our multiservice outsourcing business and includes integrated facility management and Corporate Solutions-related services from Leasing, Project & Development as well as Advisory & Consulting.

Turning to margins, adjusted EBITDA margin calculated on a fee revenue basis was 14.7% for the quarter. This margin represents a 150 basis point increase over prior year on an as-reported basis and includes approximately 50 basis points of headwind after accounting for ASC 606. On a like-for-like basis, the third quarter margin expanded by 200 basis points, driven first by LaSalle, which contributed 100 basis points due to outsize incentive fees; and second, by organic expansion from Americas and EMEA which contributed 170 basis points.

Lastly, we continued to make strategic investments, including technology, which represents 90 basis points of margin.

Please see Slide 7 of the supplemental materials for the EBITDA margin walk and Slide 21 for additional information on the impact of ASC 606.

Concerning our technology strategy, we continue investing in both client-facing tools and internal platform enhancements. For the quarter, over 80% of the additional investment spend was related to technology investments. As previously mentioned, last quarter, we went live with our new financial system upgrade in the Americas and in third quarter, we completed the global implementation of Workday for HR.

Financial system upgrade in EMEA and Asia Pacific is in progress, due to complete by the end of 2019.

Turning now to our debt management, our results reaffirm our commitment to an investment-grade balance sheet. Total net debt was \$743 million at quarter-end, reflecting a decrease of \$229 million from the second quarter and a decrease of \$270 million from the third quarter, 2017. The year-over-year decrease reflects improved trailing 12-month performance and continued working capital discipline. Since the third quarter of 2017, net debt to adjusted EBITDA has declined from 1.5 to 0.9x.

From an M&A standpoint, as you heard from Christian, we continue to be active and opportunistic, while keeping our disciplined focus on completing transactions that meet both our strategic and cultural fit and drive strong operating performance. Our M&A strategy remains focused on growing our Capital Markets, Corporate Solutions and LaSalle Investment Management businesses and is complemented by the deployment of capital into JLL Spark.

Moving onto segment results. Third quarter fee revenue in the Americas increased 12% over 2017. The segment drove nearly half of the total real estate services growth for the quarter, driven by outstanding Leasing and Facility Management results. On a year-to-date basis, Americas fee revenue increased 10% over 2017 with broad-based growth across all services.



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For the quarter, Leasing fee revenue grew by 15% on the back of strength in the mid-Atlantic, Southwest, Houston and Midwest markets. Year-to-date, Leasing fee revenue grew 9%. Capital Markets fee revenue, which is split nearly evenly between investment sales and debt activity, was up 2% for the quarter and up 9% for the first 9 months. For the quarter, investment sales were up 11%, driven by the Southwest and South-central regions in the U.S. Our debt business was down 2%, primarily due to a large portfolio transaction in 2017.

Property & Facility Management fee revenue grew 14% for the quarter and 13% for the first 9 months. This is largely attributable to growth in Corporate Solutions with new contract awards and expansion of services with existing clients. Project & Development Services and Advisory & Consulting businesses turned in fee revenue growth for the quarter of 6% and 25%, respectively, driven by expanding services to existing clients and new business. Fee revenue for Project & Development Services and Advisory & Consulting businesses increased for the first 9 months by 7% and 28% respectively. Americas adjusted EBITDA margin, calculated on a fee revenue basis, was 16%, an increase of 40 basis points on an as-reported basis. Taking into account an approximate 100 basis point headwind after accounting for ASC 606, margin expanded by 140 basis points on a like-for-like basis. The improvement was driven by growth in Leasing, accretive new wins and outsourcing and strong operating performance.

Turning now to EMEA. Total fee revenue for the quarter grew 5% over third quarter 2017, led by Project & Development Services and Leasing. For the first 9 months, total fee revenue was broad-based across all services, up 8% from 2017. EMEA Leasing revenues were up 14% against third quarter 2017 and up 7% year-to-date. For the quarter, we saw strength in Poland and Italy and we benefited from a strong pipeline conversion in Germany. EMEA Capital Markets fee revenue was flat for the third quarter and up 8% to date. For the third quarter, increases in France and Portugal were offset by a large transaction in the prior year. Year-to-date, growth was driven by Germany and France. Property & Facility Management fee revenue increased by 3% for the quarter and 6% for the first 9 months. Project & Development Services fee revenue was up 20% for the quarter and up 26% for the first 9 months driven by recent project wins in our Tetris business in Continental Europe.

Advisory & Consulting declined 8% for the quarter and grew 3% for the first 9 months.

For the third quarter, EMEA delivered adjusted EBITDA margin calculated on a fee revenue basis of 5.8%, a 190 basis points expansion on a like-for-like basis. The improvement in profitability resulted from Leasing performance, the stabilization of Integral and reduced expenses.

Moving now to Asia Pacific. Fee revenue increased 7% for both the quarter and for the first 9 months. For the quarter, Capital Markets fee revenue declined 33% and 7% on a year-to-date basis against 2017. The decline is largely due to prior year outsized performance. Leasing fee revenue for the third quarter grew 35% over 2017 and 20% year-to-date. Growth came primarily from Australia, Japan and China.

Property & Facility Management fee revenue increased 11% for the quarter and 2% for the first 9 months. For the quarter, Corporate Solutions benefited from a strong win rate and growth with existing clients. As noted last quarter, the first half was challenged by overruns in 2 contracts, which we continue to manage.

Project & Development Services fee revenue was up 17% for the quarter and 19% for the first 9 months, driven by growth in all markets, including most notably continued growth in government contract revenue in Australia. Advisory & Consulting growth of 5% for the quarter and 7% for the first 9 months was driven by Greater China.

For the quarter, adjusted EBITDA margin in Asia Pacific was 11.4%, a contraction of 90 basis points, which was largely attributable to revenue mix of reduced activity in Capital Markets and growth in lower-margin annuity businesses.

Moving to our investment management business. LaSalle's third quarter reflects strong performance across the platform with a substantial contribution from incentive fees, from asset dispositions in Asia Pacific. LaSalle fee revenue growth for the quarter was 76% and 46% for the first 9 months. Over 80% of the growth for both the quarter and year-to-date was attributable to higher incentive fees compared with 2017, a testament to the value we create for our clients. Incentive fees of \$95 million for the quarter and \$146 million for the year drove expansion in adjusted EBITDA margin by 90 basis points from prior year quarter and 370 basis points compared with the first 9 months. For the quarter, LaSalle raised \$2.1 billion in new capital. Assets under management were \$60 billion as of the end of the quarter. We continue to see robust growth in private equity in alignment with our strategy.

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We expect additional incentive fees in the coming months. However, the magnitude is dependent on 3 to 4 transaction that would need to complete by year-end. On that basis, incentive fees could range between \$30 million and \$50 million for the quarter, but clearly, timing delays are possible and would impact the final outcome. Finally, I would like to mention our ESG webcast, which we held in the third quarter, highlighting our accomplishments and initiatives around environmental, social and governance matters. We are very proud of our progress in this area. The webcast is available for replay on our Investor Relations website. I will now turn the call back to Christian for final remarks.

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

Thank you, Trish. To show how we achieved these results, Slide 19 lists a few recent wins across service lines and geographies. Year-to-date, in our Corporate Solutions business, we have won 138 new assignments, expanded existing relationships with another 68 clients and renewed 24 contracts. These 230 wins total 426 million square feet across all regions. One example is our 4.5 million square foot Facilities Management assignment from HCL Technologies, a leading multinational technology company headquartered in India. In Capital Markets, we represented the seller and the \$600 million disposition of the New York's iconic Plaza Hotel. And in Spain's, we advised Blackstone on the sale of 215,000 square foot development site, the property is planned for use as a 750-room student-housing development, which will be Spain's largest. The quarter's leasing assignment include being retained as the primary leasing advisor for the 2.2 million square foot China Life Building in Qingdao's new Xin'an Central Business District. We also represented Serviceplan, Germany's largest advertising agency group and the relocation of its Munich headquarters to 431,000 square feet of space in the city's new Werksviertel District. This was Munich's largest leasing transaction since 2006.

In another third quarter highlight, LaSalle, on behalf of its client, the National Pension Service of Korea signed an agreement to acquire Goldman Sachs new European headquarters of Plumtree Court in London. The transaction was structured as a selling leaseback and the price for the 826,000 square foot building was \$1.5 billion.

Finally, late last week, LaSalle entered into an agreement to make the majority acquisition of the U.S. real estate debt investment management business of Latitude Management Real Estate Investors, which has \$1.2 billion in assets under management. The transaction is expected to close in the first quarter of 2019.

Now let's consider the near-term future. Slide 6 summarizes our market outlook for the full year. In global Capital Markets, we project that annual investment volumes will edge up from 2017 to about \$730 billion. In 96 leasing markets worldwide, volumes are on track to exceed 452 million square feet this year. Institutional investors continue to maintain and often increase their allocations to real estate in search of higher returns than they can achieve in other asset classes. We expect this trend to continue through year-end and onto 2019. So all in all, we remain confident about our performance for the full year and about our business prospects going into 2019.

To close our prepared remarks for these calls, we like to mention a few of the awards and honors our people have earned. In the third quarter, we won the 2018 Asia Pacific Facilities Management Company of the Year award, also winning the competition's a local awards for Thailand, Australia, the Philippines and Singapore. In the United Kingdom, we received the Innovation Award of the Estate Gazette's Tech Award and in the U.S., we were named one of Working Mothers 100 Best Companies for 2018. Congratulations to everyone who made these and so many other awards possible, and thanks to all our people around the world for continuing to serve our clients and JLL so well.

Now let's take your questions. Operator, will you please explain the process?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes on the line of Stephen Sheldon with William Blair.



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

I guess, just first in the Leasing business, you've obviously produced really strong growth there over the last few years and I think it's pretty similar to your competitors. But just thinking about over the next year, how are you thinking about trends in that business? I think it's probably benefited in the U.S. from strong employment growth and increasing competition for skilled talent? But now I think you could argue that the U.S. has been potentially getting close to full employment so that the tailwind could be abating at least a little and you'll be facing some continued tough comparison. So I guess, just generally, how are you thinking about the potential growth in Leasing and looking out over the next year at this point?

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

Stephen, it's Christian. We are very confident about the Leasing business also going forward. First of all, it obviously correlates very much with the global GDP and the outlook for 2019 is still very healthy. Secondly, we have that strong trend that companies have to go where the talent is that means they have to move their facilities into the big cities of the world, that's where we do majority of our business. And thirdly, with the lack of available talent, companies have to upgrade their office space very significantly and that causes them to move into more modern buildings, into new development and again, that paid us our business. So for the time being, I think we have enough reason to believe that 2019 will continue to be a very strong year for our Leasing business.

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

Got it. That's very helpful. And then on margins in EMEA, great to see improving trends there this quarter. I think you noted that there's been some improvement on the cost side of the Integral as it's been integrated. So 2 things I wanted to us. One, has revenue growth in Integral's continued to improve. And then two, how are you thinking about profitability in that business heading into 2019? And specifically, what's your level of optimism that it should be profitable, I guess, next year?

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

Well, the Integral business is going through major restructuring. We implemented complete new technology in the second quarter of this year and so third quarter was the first quarter with that new technology. We are expecting to see major benefits coming from that of because of 2019. So the efficiency of running that business will continue to improve. For the time being, our focus wasn't so much on revenue growth, it was much more on driving productivity in that business and getting back on the business plan, where we are still running behind. Overall, EMEA has done a great job in 2018 to really take steps to become more productive and drive margins going forward. So again, for 2019, we will expect further improvement in our EMEA business.

Operator

(Operator Instructions) Your next question comes from the line of Jade Rahmani from KBW.

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

I apologize if I missed it, but did you give any update on the search for a replacement CFO?

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

You didn't miss it, we haven't given any update. But as you can imagine, we are very focused on that point and so we are constantly interviewing new candidates. But we have a great CFO in place. So for the time being, we will not compromise on the quality of candidate which we want to bring in.



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

Is the target something by year-end or lengthier than that?

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

We don't have a target. We are looking for a real great candidate who will drive our finance function for the next 10 years. And so when we have identified that person and it is a mutual fit then, we have achieved our ambitions. And if that takes another 6 weeks or another 3 months, doesn't really concern us.

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

Okay. On the Capital Market side, what can you say about the outlook for next year? Do you think that additional interest rate increases by the Federal Reserve is likely to impact volumes?

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

Well, as I have said before, as long interest rate increases are in line with market expectations, we don't expect any negative impact on volumes going forward when we are thinking about the overall interest rate levels, we are still playing in. There is still a very advantageous positive gap between real estate years and interest rate levels. And as long as that continues to be the case, people will be attractive to -- attracted to invest into real estate. And so going forward for 2019, we expect another reasonably strong year in 2019 around the globe in Capital Markets. That may mean that it can be slightly less volumes than we have seen in 2018. But in the longer run of the comparison of the years, it will be a strong year. We have used 2018 to invest heavily in our Capital Markets business and so for JLL, we are very confident for 2019.

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

In terms of the recent debt investment management platform that you -- that LaSalle is investing in, what drove that decision? The debt from space seems pretty saturated right now.

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

Yes, we believe that playing along the whole capital stack is not only important for us in our Services business, but also in our investment management business and we have looked at that space for several years and we have been very disciplined in -- on M&A opportunities in the past. This one was one we thought is a real great fit where we can complement the company with skill sets we have within LaSalle so that we will drive it to the next level going forward.

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

Can you comment on what drove the decline in APAC Capital Markets volumes?

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

Yes, we have some specific challenges in 2 of our APAC countries around that, which we have solved in the third quarter. And so going forward in 2019, we see those countries being back on track. And overall, we have a strong reason to believe to see a very strong fourth quarter in APAC in



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Capital Market. And then you always have to keep in mind that Capital Markets is in itself a bit of a volatile business. So year-on-year comparisons on quarters can sometimes be quite misleading. We had last year, a very, very strong third quarter and so it creates a bit of a tough comparison.

Operator

Your next question comes from the line of David Ridley-Lane from Bank of America Merrill Lynch.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Wanted to sort of get your broader thoughts on possibilities of a hard Brexit, what that would mean for your business? And if you have been making any preparations for that outcome?

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

Sure. I mean, that is obviously a very difficult question to answer. I think everybody is really struggling to see the longer-term implications of a hard Brexit. Short-term we expect that there will be a bit of a pause in transactions and then it depends how quickly people will get their head around the situation when the market is coming back. When you look at the very surprising bode in June 2016, we saw a bit of that. I don't know whether that kind of sets an example, but it took about 5 months until kind of end of October, beginning of November when the market was coming back. And then obviously, we had a very, very strong rebound in the following year 2017. We, obviously, have all those contingency plans in place. It's part of our normal management routine that we look at downward scenarios. So our U.K. leadership has been working intensively to prepare for it. Not that we are looking forward to a hard Brexit by no means, but overall, the implications on our total global profitability will be limited.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Understood. And then, I wanted to just check in on LaSalle. In the past, you've given sort of some guide rules for what to expect in a normalized environment, that being around \$40 million to \$50 million in incentive fees and around \$20 million or so in equity earnings. Are those still appropriate guidelines going forward as we lookout to next year and beyond?

Patricia Maxson - *Jones Lang LaSalle Incorporated - Chief HR Officer, Chief Admin Officer, Executive VP, Member of Global Executive Board & Interim CFO*

So, David, this is Trish. So I mentioned that for fourth quarter, we look at a range of \$30 million to \$50 million and then when we look at beyond into 2019, we definitely are going to see a year that's more like a normalized year versus 2018, which was exceptional.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Okay. And those older guidelines still roughly hold in terms of what normal year looks like?

Patricia Maxson - *Jones Lang LaSalle Incorporated - Chief HR Officer, Chief Admin Officer, Executive VP, Member of Global Executive Board & Interim CFO*

Yes, just for the provides -- of course that we don't provide guidance.

Operator

Your next question comes from the line of Mitch Germain from JMP Securities.



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Mitchell Bradley Germain - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Christian, just curious about hiring the competitive backdrop, has anything really changed in terms of what you've been seeing over the course of last 12 to 18 months?

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

Mitch. I think it is kind of a very intense labor market. And so with every market participant really fighting for talent, you have to have a real convincing story to bring new talent in and that goes far beyond just the compensation package. We feel that we are well-positioned for that. But it is something where you constantly have to be very focused on and once in a while, we have great successes in bringing talent in. And sometimes, we also target for competitors and we sometimes lose some people. So I think it's kind of a normal environment, but it's getting increasingly kind of tight on talent.

Mitchell Bradley Germain - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Got you. I'm curious about how you measure your technology spend. I know you've been -- I know, I think -- I believe, as Trish mentioned a couple of technology investments that were more, I think, it was accounting at back-office focus, but I know that there's also a customer-centered technology spend. So I'm curious about how you guys -- how you look at measuring the return on the capital that's invested?

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

Well, as you may have heard before, we have kind of 3 major work streams. One is around platform technology, which we have been running for a couple of years and which will be finished by the end of next year. There, the measuring is relatively easy, because we have a significant increase in productivity. We have our global platforms running on the same technologies. So we have clear guidelines around payback, what we see from those investments. Besides that, even if those investments wouldn't have been positive, we still have to make them, because you need to update your technology, because it will not be supported anymore. But that is ongoing and it will be finished by the end of 2019. The other work stream is that we are trying to bring many of our service lines on the same platform. That is an ongoing undertaking and it will be constantly something we do. Again, we have made great progress, especially in our Capital Markets business and we have different kind of metrics to analyze the success of that. And it has been, so far, very promising and we are starting now to look into other service lines. The third piece, which is the most difficult piece is client-facing technology, where we are, as you know, very -- staying very close to the startup community, analyzing business models. We have analyzed since the 1st of June, more than 300 business models in proptech startups. And those are the areas where we see kind of hope to identify those technologies, which are really bringing benefit to our clients and make our clients more productive or increase the employee experience. There is no general rule around that topic, how we see return on investments there, because many of those activities are very much driven how we can provide our clients with best-in-class technology first. And so the return is coming from different ways of measuring it.

Mitchell Bradley Germain - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Got you. And then, last one for me. I think you said that there was a positive organic contribution to EBITDA. I mean, how should I -- I might have missed this, I apologize. But what was the -- it was -- the revenue growth almost entirely organic, is that the way you think about it?

Patricia Maxson - *Jones Lang LaSalle Incorporated - Chief HR Officer, Chief Admin Officer, Executive VP, Member of Global Executive Board & Interim CFO*

Yes, that's right. It was almost completely organic. The level of acquisitions that we've had over the past couple of years meant that that growth, which was 170 basis points of margin expansion was really almost completely organic.



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Operator

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

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

My first question is on the balance sheet with leverage under a turn and seemingly going a bit lower. How are you thinking about acquisitions versus returning capital to shareholders?

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

Well, we have, obviously, a close eye to our balance sheet and to our leverage situation. As you have seen, we have done a couple of small acquisitions lately and just announced a further 1 earlier this week. The -- we expect that the M&A market will become very active over the next 18 months, because with people having more visibility around the economy going forward, I think many people, will -- who are considering an exit from their interest in the company will see 2019 as a great opportunity to do so. So we will continue to be analyzing what's coming to the market. Another area for us to use our capital and strategic hires, you may have followed that. We did something like that in our New York Capital Market team very successfully a couple of weeks ago. And then, we will continue to use the very positive market environment for us to increase our spend to technology. And then looking at the dilution, which we have created to our shareholders around the part of the compensation of our senior folks with shares, we are, obviously, also analyzing the opportunity for share repurchasing as well as continuing our dividend policy.

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

Okay. And my other question is related to outsourcing. If we get the annuity-based business versus things like Tetris and Project Management, how should we think about the growth rates for those going forward? Do we -- does annuity growth in the traditional annuity-based outsourcing kind of drop in Project Management goes up? Or just trying to think through the interaction of various buckets, because, I think, when you out disclose that, you kind of have outsourcing across those few buckets versus some of your peers that kind of want it all into one?

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

Well, as we have said before, what we call the Corporate Solutions Business, which is part -- which is, obviously, consisting of a large chunk of our annuity business, the Facility Management business is growing very, very strongly. We had a quarter-to-date growth in our Corporate Solutions business of 15% and a year-to-date growth of 18%. And so this is something which we are seeing continuing over the next couple of years, because there is a very strong trend in that industry and we have an excellent, healthy pipeline going forward. If you ask about how the annuity businesses are interacting compared to other parts of our business, as I said, this trend in Corporate Solutions is a very strong fundamental, what we would call a macro trend. And this is going to continue, whereas other parts of our business are obviously more impacted by more short-term economic developments. There is one specific trend, which we see especially in those markets which are very tight on new developments and resources in the construction industry. So you see that very much in Europe, where because of the tightness in the construction industry, there is a lot of upgrading of existing buildings, because that is easier to be done than building a completely new one. So you have a bit of a additional run on Project Management in our Tetris business. And we have made note about that in our commentary that our Tetris business has very, very strong growth rate in 2018 and again, we expect that to continue in 2019.

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

Okay, so we think the -- so we think Tetris is in your Project & Development Services and that's grown substantially. If you think about just the Property & Facility Management component in line item, though you do think that that business continues to grow double-digits in the next year?



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

The Facility Management business, definitely. The Property Management business, which is also part of that, is running a slightly different dynamic. That is a business, which is highly competed in parts of the world. And therefore, it shows a very different dynamic than our Facility Management business.

Operator

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

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

So with no further questions, we will end today's call. Thank you for joining Trish, Grace and me and for continued interest in JLL. We look forward to speaking with you following the fourth quarter.

Operator

Ladies and gentlemen, this does conclude the program. You may now disconnect. Everyone, have a wonderful day.

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