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JLL - Q2 2018 Jones Lang LaSalle Inc Earnings Call

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OVERVIEW:

JLL reported 2Q18 revenue of $3.9b, adjusted net income of $104m and adjusted diluted EPS of $2.26.

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Jones Lang LaSalle Incorporated Second 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 second 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 second quarter and first half of 2018.

Our CFO, Christie Kelly, joins us as usual, and she will provide details about our performance in a few minutes.

To summarize, we had a very strong second quarter and first half. Revenue increased 12% to USD 3.9 billion for the quarter. And fee revenue increased to $1.5 billion, a 13% increase. For the first half, revenue totaled $7.5 billion, up 13% from the previous year, while fee revenue reached $2.8 billion, also a 13% increase.

Second quarter growth reflected organic revenue expansion across all our business segments. Highlights included growth in our Americas transactional businesses and Corporate Solutions' continued increases in annuity-based revenue. In addition, of LaSalle's $60 billion in assets under management at the end of the quarter, private equity capital accounted for a record $52.3 billion.

Adjusted net income reached $104 million for the quarter and $148 million for the first half. Adjusted diluted earnings per share totaled $2.26 for the quarter, up from $2.17 for the same period a year ago. For the first half, adjusted diluted earnings per share reached $3.23 compared with $2.55 for the first 6 months of 2017.

Even as global economic uncertainty persisted during the second quarter, world economic conditions remain positive. Annual GDP growth is expected to reach 3.8% for the full year, up from 3.7% a year ago. For more details, see Slide 2 in the supplemental information document posted in the Investor Relations section of jll.com.

Slide 6 summarizes activity in global Capital Markets and Leasing. Second quarter Capital Markets transaction volumes rose to $173 billion, a 10% year-on-year increase. First half activity reached $341 billion, 13% higher than last year and the strongest performance since 2007.

Income growth continued to fuel capital appreciation, which grew by 5.7% year-on-year for prime office assets in 30 major markets. Strong Leasing conditions continued through the quarter, reaching 121.6 million square feet across 96 global markets. This represents a 15% increase from a year ago and the second-highest leasing level since 2007 when we began to track global leasing activity. With continued occupier demand, the global office vacancy rate was pushed down to 11.5%, 20 basis points below the first quarter rate.

Rental growth for prime offices across 30 major markets remained steady at 3.6% with annual rental growth keeping within the 3% to 4% range seen since the beginning of 2017. Several office markets registered double-digit rental growth during the quarter, including Singapore, Berlin, Sydney, Milan and Madrid.

So taken together, we have seen a very good (inaudible) and first half for commercial real estate and for JLL. Now let's turn to Christie for more detailed comments on our performance in this market environment.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Thank you, Christian, and welcome to everyone on our call. Christian provided the headline summary of our results for the current quarter and first half. So I will move directly to the details of our performance.

All references to prior year are represented on a recast basis.

Revenue growth occurred across all segments, driven by strong organic gains in both annuity and transactional businesses. On a local-currency basis, both consolidated GAAP revenue and fee revenue grew 11% compared to second quarter 2017 and reflected 10% growth for the first half of 2018. Fee revenue growth was broad-based across service lines and segments for both the quarter and first half, with exceptional results in Leasing, Project & Development Services and Property & Facility Management. All consolidated fee revenue growth for the first half of the year was organic.

Turning to service line and segment results, where we report percentage changes in local currency, except for Capital Markets, which aligns with the U.S. dollar-denominated research data. Consolidated Leasing fee revenue grew 8% for the quarter and 6% for the first half, led by the Americas, which represented 60% of the year-to-date Leasing growth. For both the quarter and first half, growth was particularly impressive when compared with the prior year's double-digit growth.

Consolidated Capital Markets fee revenue grew 8% for the quarter and 13% for the first half. Growth was led by the Americas for the first quarter and by both EMEA and the Americas for the first half.

For both the quarter and first half, nontransactional real estate services businesses, such as Property & Facility Management, Project & Development Services, advisory and consulting, drove nearly 60% of the fee revenue growth.

For the quarter, our Property & Facility Management fee revenue grew by 8%, Project & Development Services grew 18% and advisory and consulting grew 19%.

Turning to margins. Please refer to Page 7 and 21 of our supplemental slides for details on the performance for the quarter. Adjusted EBITDA margin, calculated on a fee revenue basis, was 13% for the quarter. The decrease of 20 basis points after accounting for ASC 606 represents strong organic gains, primarily from the Americas, followed by Asia Pacific, offset by EMEA performance and incremental company-wide technology investments.

We believe our ongoing investments in innovation and cutting-edge digital solutions, combined with an enhanced platform, will generate future growth and contribute towards achieving our 2025 targets. To provide color on the continued investments associated with our global ERP implementation and client-facing technology. First, we completed the upgrade of the ERP systems in the Americas and are moving to implement in EMEA, followed by APAC in 2019. From a technology investment perspective, excluding depreciation, we spent approximately $6 million of incremental investment dollars in the quarter. 60% relates to front-end tools like our patent for Blackbird, a proprietary visualization and data capability that enables quicker client site selection, and 40% on platform enhancements like our ERP system upgrade. We also announced the creation of JLL Spark Global Venture Fund, which plans to invest in real estate companies focused on leveraging technology.

We are hitting significant milestones and establishing a strong team, including the hiring of a Chief Digital Product Officer. We are investing for the future of JLL with a focus on our growth priorities and commitment to an investment-grade balance sheet.

We continue to manage our leverage profile to below 2x net debt to adjusted EBITDA. Total net debt increased $62.5 million for the quarter to $972.6 million as of June 30, 2018, but decreased $294.3 million from June 30, 2017. The year-over-year decrease reflected the company's trailing 12-month performance and effort to improve working capital management.

Since second quarter of 2017, we have decreased our net debt to adjusted EBITDA from 2x to 1.2x, while most recently being upgraded from a BBB stable rating to a BBB+ stable rating by S&P. In addition, during the quarter, we amended our bank credit facility to increase operating flexibility and support our growth strategy. The borrowing capacity remains at $2.75 billion with a new 5-year term, which extends the maturity to May 2023 from June 2021 with have improved pricing.

Our stronger credit facility, supported by top-tier banking group, provides liquidity and capacity at attractive pricing. During the quarter, we added 2 new banks to better represent our global footprint.

From an M&A standpoint, while we did not close any strategic acquisitions in the second quarter, we maintain our disciplined focus on transactions that meet our cultural fit, which helped drive strong operating performance and, ultimately, maximize return on invested capital for our shareholders.

We remain focused on growing our Capital Markets footprint, combined with continued strategic acquisitions in Corporate Solutions and LaSalle Investment Management, complemented with the deployment of capital into JLL Spark.

Moving on to the segment results. Second quarter fee revenue in the Americas increased 12% over second quarter 2017. The region drove nearly 70% of the total real estate services growth for the quarter by delivering strong transactional activity. On a year-to-date basis, fee revenue increased 9% over 2017, evenly balanced between transactional and annuity businesses.

Our Leasing fee revenue grew by 9% for the quarter and 6% for the first half. For the quarter, the Americas growth represented over 75% of our total consolidated Leasing growth. Against the market's growth absorption, performance was softer due to timing of transactions and a tough year-over-year comparable, driven by strong 2017 Corporate Solutions leasing transactions.

For the quarter, we saw strength in the Northwest, New York and the Mid-Atlantic region, with a decline in activity in Texas and Florida. Capital Markets fee revenue was up 18% for the quarter and up 12% for the first half. Investment sales, representing nearly half of our Capital Markets business, was up 3% driven by New York and Midwest activity and positive performance against flat market volumes. The remaining 50% of the business had strong growth in debt placement, followed by multi-family financing and M&A advisory services.

Property & Facility Management fee revenue grew 9% for the quarter and 12% for the first half. We continued our growth momentum from new contract awards combined with organic expansion from our existing client base.

Looking at the outsourcing picture. Our multiservice Corporate Solutions contracts, inclusive of leasing, Project & Development Services as well as consulting, grew fee revenue by 8% for the quarter and 11% for the first half. Project & Development Services and advisory and consulting businesses turned in fee revenue growth for the quarter of 11% and 44%, respectively, driven by organic growth from existing clients and new business wins, while continuing to leverage the trend around the Future of Work.

Project & Development Services and advisory and consulting businesses saw fee revenue increases for the first half of 7% and 30%, respectively. Adjusted EBITDA margin in the Americas, calculated on a fee revenue basis, was 16.7% for the quarter. The 140 basis point improvement, after accounting for ASC 606, was driven by a higher proportion of growth from transactional businesses, accretive new wins in outsourcing as well as strong operating performance in Canada and continued cost controls.

Turning to EMEA. Total fee revenue for the quarter grew 5% over second quarter 2017, led by Property & Facility Management and Project & Development Services. Capital Markets underperformed due to revenue timing as the first quarter benefited from a pull forward to second quarter transactions.

For the first half, total fee revenue in EMEA grew by 9%. EMEA leasing revenues were flat against second quarter 2017 and up 3% for the first half. The growth was soft relative to market growth absorption with the biggest challenges being: first, supply constraints; second, deals taking longer to close in Germany; and increasing bid-ask spreads.

For the quarter, we saw growth in office and residential offset by lower retail and industrial activity. EMEA Capital Markets fee revenue for the second quarter decreased by 9% compared to 11% growth in market Investment sales volumes. This decline is timing related. To this point, fee revenue growth in the first quarter was 50%, generating a total first half increase of 13% and above year-to-date market investment sales volume.

Overall, the outlook is healthy, based upon the latest research, and we are encouraged by our work in progress.

Property & Facility Management fee revenue increased by 19% for the quarter and 8% for the first half. Growth in the second quarter helped offset the slow start to the year. Growth in facility management plus growth in Integral, our U.K. mobile engineering business, drove the growth for the quarter. Considering performance beyond facility management, our multiservice Corporate Solutions contracts delivered nearly 40% fee revenue growth in the first half.

Project & Development Services fee revenue was up 24% for the quarter and 30% for the first half, primarily driven by our Tetris business in Continental Europe. Advisory and consulting grew 7% for the quarter and 10% for the first half driven by residential advisory work.

For the second quarter, EMEA delivered adjusted EBITDA margin, calculated on a fee revenue basis, of 2.9%. The decline in profitability reflects the shift in service mix toward annuity revenue, transaction and compensation timing and increased investments in our platform and people.

For the first half, margins are tracking ahead of 2017, largely due to the elimination of prior year expenses associated with the wind down of a noncore U.K. business combined with continued cost management. This is partially offset by increased spend in investments related to technology, data and people.

Moving to Asia Pacific. Fee revenue increased 10% over the prior quarter last year and 7% for the first half. For the quarter, Capital Markets fee revenue was up 26% and in line with market investment sales growth. For the year, fee revenue grew 15%. In the quarter, Japan led the Capital Markets activity, followed by Korea and China. The second quarter helped us recover from the slow start to the year and pipelines remain healthy.

Leasing fee revenue for the first quarter grew 9% over the prior quarter and 10% for the first half. Growth was primarily from office leasing, driven by Hong Kong and China. Comparability with market growth absorption is challenged by growth in market volume driven by cities where fees are typically lower as compared to deal size. This makes it hard to directly correlate our fee revenue growth with market growth of 45%. This type of anomaly is most common in Asia with markets having significant differences in terms of rent per square foot or meter.

Property & Facility Management fee revenue declined by 5% for the quarter and 2% for the first half. The first half of the year was challenged by negative organic growth partially offset by timing of business. In addition, we also had operating expense overruns on 2 separate contracts, which created margin dilution.

Considering performance beyond facility management, our multiservice Corporate Solutions contracts delivered 4% fee revenue growth in the first half. Project & Development Services fee revenue was up 23% for the quarter and 20% for the first half, primarily driven by government contracts in Australia and activity in Japan. Advisory and consulting, which grew 18% for the quarter and 9% for the first half, was driven by Greater China. For the quarter, adjusted EBITDA margin in Asia Pacific on a recast basis for bonus phasing was 12%. The margin expansion of 40 basis points after accounting for ASC 606 was largely attributable to productivity gains coupled with organic growth.

Moving to our investment management business. LaSalle's second quarter performance reflects diverse fee revenue contribution across the platform totaling $86 million and $199 million for the first half. LaSalle fee revenue growth for the quarter was 24% and 27% for the first half. Performance was primarily driven by higher incentive fees from asset dispositions in Asia Pacific.

LaSalle's results also reflect solid margin expansion on private equity advisory fees, which partially offset the margin contraction from a decrease in the securities business. The annuity mix shift and decline in equity earnings is reflected in the adjusted EBITDA margin for the quarter, which was 28.5%, down from the second quarter 2017 margin of 33.7%. Although LaSalle margins is down for the quarter, it's accretive to the consolidated margin as LaSalle is proportionately a larger part of consolidated adjusted EBITDA. For the first half, LaSalle margins are ahead of last year due to increased incentive fees combined with increased equity earnings.

For the quarter, LaSalle raised $1.2 billion in new capital and also announced that we entered into agreements to acquire the Real Estate Multi-Manager business of Aviva Investors and full ownership of the management of the Encore+ fund. This is an exciting and significant addition to the breadth and strength of LaSalle's global investment management platform. These acquisitions mark the latest step in JLL's broader Beyond strategic vision as laid out at our Investor Day last December.

Assets under management was $59.9 billion as of June 30, 2018. Noting the breakout on Page 13 of our supplemental slides, we continued to see robust growth in private equity and alignment with our strategy.

Last year, public securities represented 22% of our assets under management and that's decreased to 13%.

Lastly, LaSalle is on track to notably exceed its $70 million to $80 million 5-year average in incentive fees, with outstanding performance in Asia Pacific contributing to its success. From a pipeline perspective, we would be surprised if the second half doesn't generate a minimum of $50 million in incentive fees.

We will keep you updated on the pipeline as the year progresses.

I will now turn it back to Christian for final remarks.

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

Thank you, Christie. As examples of how we generated these results, Slide 19 shows a few recent wins across service lines and geographies.

In our Corporate Solutions business, we won 64 new assignments during the first half of 2018, expanded existing relationships with another 38 clients and renewed 17 contracts. These 119 wins total 245 million square feet of space across all regions. One example is the new business we won from the Rush University Medical Center to provide integrated facilities management services across 5.5 million square feet of space in the greater Chicago area.

And in India, we were chosen by HCL Technologies for facilities management services of 9 sites totaling 5.7 million square feet. Representative wins in Capital Markets include 5 Bryant Park in New York, where we secured $463 million in acquisition funding and completed the $640 million sale of this iconic office tower.

We also advised Stockmann plc on the EUR 109 million sale of the Book House property in Helsinki, a landmark retail and office building. The quarter's new leasing and management assignments included being retained by TMG, a leading developer in Egypt, to lease and then manage their 926,000 square-foot Mall of Madinaty, part of a planned community near Cairo.

In China, we were selected to lease Taiping Financial Center, a 920,000 square-foot office property in Beijing. And in April, LaSalle was awarded a $1.1 billion separate account portfolio takeover for the Pennsylvania State Employees' Retirement System.

Now let's look to the near-term future and turn again to Slide 6, which summarizes our market outlook for the full year.

In global Capital Markets, investor demand remains strong. With a growing number of investors increasing their real estate allocations, attracted by steady income streams and relative performance compared with other asset classes. For the full year, we project global investment in commercial real estate to match 2017 levels at about $715 billion.

In leasing markets worldwide, the second quarter volumes 15% higher than a year ago, we see full year totals matching 2017 levels of 442 million square feet. Despite high levels of new supply coming to market, strong occupier demand indicates that global vacancy rates will move only slightly higher to just under 12% by year-end.

As Christie mentioned in her remarks, we believe that LaSalle's incentive fees for the full year will be well above our historical average. We recognized $50 million of incentive fees in the first half, and we anticipate that second half incentive fees could be at least that much, if not more. But as you know, the timing of incentive fees is notoriously hard to predict and not fully in our control.

Should the bid-ask spread on pricing expand, for example, transactions could easily flip into 2019. As we learn more, we will let you know.

All in all, we remain optimistic about our own business prospects in this environment. We will continue to be guided by our 2018 priorities, which you will find on Slide 14. They include leveraging our Corporate Solutions platform for profitable growth, expanding our Capital Markets capabilities across the capital stack, continuing to transform the global JLL platform to increase operational efficiency, maintaining a rigorous approach to capital allocation, delivering an adjusted EBITDA margin in the range of 12% to 14%, and continuing to invest in technology to further differentiate JLL.

These technology investments are paying dividends, both for our clients and for JLL. In June, as Christie said, our JLL Spark business announced a global venture fund with plans to invest in companies focused on leveraging technology to benefit everything from real estate, leasing and investing, to development and management.

Pre-investments have already been identified.

And in July, we were awarded in London the inaugural EG Tech Award for innovation for JLL NXT Office, a new way for occupiers to search for office space. NXT Office makes the process dramatically faster, helping clients to manage their location strategies more efficiently and effectively. Originally developed by JLL France, NXT Office is currently being exported to our teams in other markets globally. Additional awards received in the second quarter. We were again named to the Fortune 500 where we continue to rise in the rankings. We were selected to Forbes' America's Best Employers list. We were included in CR's Magazine's [CR Magazine's] 100 Best Corporate Citizens rankings. And at the recent European Property Investor Awards, LaSalle Real Estate Debt Strategies Fund III won the best debt Fund of the Year's honors.

Congratulations to all our people who made these and other awards possible. And thanks to our employees around the world for continuing to provide excellent service to our clients and to JLL.

Now let's take your questions.

Operator, will you please explain the process?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Mitch Germain with JMP Securities.

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

I wanted to know about the M&A environment. Obviously, you've, for the most part, have taken a pause and gotten your balance sheet in order. Well, you've got plenty of capacity here. So I'm curious if the pricing environment has gotten to be a bit more rational and -- a, and then maybe b, if you can just maybe talk a little bit about the pipeline and what you're seeing out there.

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

Mitch, it's Christian. Well, I don't want to really comment whether the pricing is more rational now. It's rational for us if it creates value for our shareholders and for our business. And so we are very critical in analyzing targets. There's a lot out there, a lot is being offered to us. And as you have read, we are active on the LaSalle side at the moment. And so it's not that we're not identifying potential targets. But it has to really create value of our shareholders. And that's where we are at the moment. We are not as successful in identifying targets as we were in 2015.

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

That's helpful. And I was curious about the incentives in LaSalle. I know in the first half of the year, they seem to have been driven from some dispositions in Asia. Where is the next bucket of incentives being delivered from?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Mitch, we're still seeing a very strong performance throughout the Asia Pacific region. And we've got additional performance coming through in EMEA and the Americas. And so expect primarily, though, Asia Pacific in terms of the drive in incentive fees.

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

Got you. Just onto technology investments. It's -- obviously, one of Christian's priorities when he took leadership of the firm was really to enhance the -- and make JLL more innovative. And I'm curious, is -- do you believe these investments in technology are just going to be a multiyear continuation project or do you get some relief maybe on the ERP side or some employee type and then the investment becomes more client facing? I'm just curious how you think the playbook looks over the course of next several years.

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

Mitch, I would say that any company has to be very focused on technology. We call it every company has to become a technology company to some degree. You are right that you would expect that on the ERP side, it will not continue on the same level of investment as we are currently investing. It's a 3-year program, where we are heavily investing to renew our ERP platform. But even on that side, the average spend will be higher than it was 5 to 10 years ago on the platforms side, because we have to offset the pressures we have on the employee side with wage inflation and the war for great talent, which is everywhere in the world, by using always the optimal technology within our organization to drive productivity. On the client-facing side, it will never go away. It will be a continuous investment into the best possible client-facing technology which we can identify. And that is one of the reasons why we are so strongly pushing on the JLL Spark side with our new venture capital fund to be really early and on the front foot in identifying new technology which will drive value to our clients.

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

Great. Last one for me is with regards to JLL Spark. I guess you, Christian, have mentioned a couple of investments that were made. Is there any sort of theme in terms of what types of investments you're making or underwriting?

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

Yes, sure. I mean we screened, since the announcement, more than 200 companies. At roughly 20, we took a closer look, and as we stated, 3 will become an investment out of these more than 200. And these 3 are in different areas of technology which will enhance value for our clients. It's -- one is in the area of the deal tracking, pipeline tracking of deals. The other one is in the aggregator space, and the third one is something which is in the AI space. We will announce that as quickly as we can. But all of them are really, really exciting, and it's amazing how quickly that whole proptech scene is gearing up and is becoming super professional.

Operator

Our next question comes from the line of Stephen Sheldon with William Blair.

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

So you upgraded your view for global investment volumes to being flat this year. And I think given better trends to start the year and it looks like projections moved up (inaudible) regions. So I guess what do you qualitatively attribute the outperformance to so far relative to your initial expectations? And has your outlook for the second half changed at all compared to what you would have thought coming into the year?

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

I start with the second part of the question, Stephen. The outlook hasn't really changed for the second half. It was the first half which was coming in stronger than we expected. And that created now that we overall updated our outlook for the year. It is across the board. We were too cautious. I mean, the overall political environment is not that easy. And so our researchers were a bit too cautious how that would impact markets. So far, that hasn't been the case, and that's great. And we are very happy that, that this will continue that strong interest into real estate as an asset class.

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

Okay. Helpful. And then looking at the Property & Facility Management business. Can you talk about trends in Asia Pacific? Sounds like contract starts may have been pushed out and you noted to, I think, contract expense overruns, so can you maybe provide some more detail on those items and how the pipeline there looks like right now?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Sure, Stephen. So a couple of things. First of all, the pipeline looks strong. We had outsized performance over the past couple of years on significant new wins. So the team's really in the process of executing. And as it relates to the contract overruns, we had, as sometimes we do with new contracts, new clients, we went into a couple of those transactions with not the most accurate baseline data. So the teams are working hard with the clients to rectify that. And we'll be off to a better start during the second half of the year.

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

Got it. And then just last one. With the ERP rollout in EMEA and Asia Pacific, will some of those investments start to hit this year? Or is that -- will that be predominantly felt in -- more in 2019?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Stephen, some of those investments are hitting this year as it relates to specific efforts around the EMEA go-live. And then we'll see in 2019 the investments associated with the ERP system hit for 2019 related to the Asia Pacific go-live. So more to come. Everybody's working hard.

Operator

Our next question comes from the line of Jade Rahmani with KBW.

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

The commercial real estate brokerage business on the Leasing side and capital market side historically has been very people-intensive. Are there proptech technologies you think that could potentially be transformational? And do you view those as complementary or disruptive to the overall brokerage landscape?

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

Well, Jade, that's a question which cannot be answered in kind of for the whole world the same way, because markets tend to be quite different. I don't think that we have seen so far any technology which will be completely transformational. It's more complementary at the moment. You will see technology which will -- and our next technology is a great example in the leasing environment, which is a process which will significantly speed up the whole process of identifying new space for a tenant. And that makes it much more efficient from a client's perspective but it also makes it much more efficient from our perspective. So the broker who is using NXT as his key tool will be able to be significantly more productive than a broker who doesn't that technology. And this is kind of the theme you see across the board. Most of these new technologies are supporting the brokers in their work and make them more productive. And so the revenue per head is going up.

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

And in terms of your clients, where do you think they are most excited about technology? Is it the ability to see properties virtually without having to travel? Or is it using Google Earth and mapping technologies, data analytics to give them a better picture of information flows hidden in the submarket that they're in? Where would clients be most excited?

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

Well, they are very excited if the whole process becomes for them more efficient. So that is a big piece of it. And obviously, any kind of technology which allows them to be better informed. That doesn't mean that they want to cut out the advice which we are providing, but it is a much better situation in communicating with your client when the client has a good knowledge base of what's going on. It drives the efficiency of the overall process when you talk to an educated client rather to a client who doesn't have a clue what's going on on the market. And that's what clients really enjoy.

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

In terms -- could you give the operating cash flow for the second quarter? And do you have any full year expectations you could share?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Sure, sure, Jade. For the quarter, we had cash flow from operations that was down a little bit, primarily as a result of the ERP go-live in the Americas and the fact that we had some significantly larger-sized transactions that came through in the Americas late in the quarter. Overall, when you take a look at the receivables performance though, we've had over $200 million reduction in receivables, $225 million since the end of last year, and some really nice pickup in days sales outstanding. And as we look towards the remainder of the year, we are well on track to drive our cash-flow-targeted objectives as a percentage of fee revenue at 8% or above. And when you take a look at cash flow performance versus last year, some very nice improvement on a trailing 12-months basis.

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

Turning to adjusted EBITDA margins. Where did you see the most improvement by business line?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

From an adjusted EBITDA margin perspective, the Americas business saw substantial improvement in EBITDA margins. Recast for ASC 606, well over 140 basis points for the business. And specifically, we're seeing not only leverage on the platform, technology investments that are paying off from a productivity and cycle time perspective, as Christian gave examples of in terms of increasing revenue per head, but also we're seeing very nice cost controls associated with the business that we've been working on for well over a couple of years, including supply chain management, that's really starting to drive to the bottom line thanks to some great team effort. So overall, outstanding results in the Americas. And we also saw some very nice performance in Asia Pacific from both a mix perspective as well as cost controls.

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

In terms of Capital Markets, you mentioned growing the footprint. And I believe there's a lot of growth opportunity in the Americas for JLL. Would you look at M&A at this point in the cycle? Or is there too much risk of a decline in volumes, and so potentially you would focus on recruiting and then in some kind of a softer environment, maybe be opportunistic on the M&A side and Capital Markets?

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

Well, the idea to strengthen our...

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

Is there a reasonable way to think about it?

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

Yes, well, the idea to...

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Oh, I'm sorry, Jade.

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

Strengthen our Capital Markets business in the Americas has been on our plate for a couple of years. And so far we have been very hesitant to do major M&A around Capital Markets in the U.S. because we always saw the risk/reward profile not favorable enough to propose that to our shareholders. But we will continue to analyze the opportunities and see whether that is changing. For the time being, we are very focused on growing it organically. We are making real fantastic progress. When you see the revenue growth in our Capital Markets business in the U.S., it's absolutely stunning. And it will continue to be the case over the foreseeable future.

Operator

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

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

So last quarter, there was some talk about being more focused on the bottom line versus the top line within your property and facilities management business. Obviously, you had a couple of contracts in Asia Pac with overruns. But that -- and it does follow on some of the issues you've had in EMEA, where I understand there's growth-oriented investments as well as kind of a client-specific bankruptcy there that are sort of nonrecurring issues. But I guess one thing that would be helpful for investors to sort of better understand this is, what percentage of your properties, facilities contracts earned their targeted or above target profitability versus the percentage of these contracts that fall below?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

I think, David, we can take a look at that. We don't have those statistics specifically on hand. So give us the opportunity to take that away. But one of the things that I just want to impress upon you is that this is -- it's a big business and with hundreds and hundreds of key client relationships. And we make good money in that business. And there are, occasionally, out of the significant wins and in the Corporate Solutions space, the hundreds of millions of square feet that we have under management, there are occasionally a few blips in the road. So for the Asia Pacific situation, like I said, there was some fumbling on baseline data. It happens from time to time. And we're working with our clients to rectify that, and so we'll get that well in order as we always do. And then as it relates to, for example, the challenge that you mentioned as it relates to the U.K., there was just a fallout in the contractor construction business in the U.K. as a result of Brexit. And we're a big player in this space. And we had some challenges there, but I will say again that we recouped that bad debt. So while we might have a few stumbles here and there, our team is very focused on operational excellence and superior client service and, at the end of the day, driving returns for our shareholders.

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

And just to follow-on on that question. Could you give sort of a maybe not quantitative but qualitative view of the sort of key metrics that you track on that? Are renewal rates still trending up? Are you still being selective in terms of the percentage of deals that you ultimately bid on? Are your win rates holding up? That sort of thing.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Yes, absolutely, David. So we track, from an overall business perspective, number of pursuits. We track win rates. We track deals that we've decided not to pursue. We look at renewals, expansions. We look at overall margins in terms of bids that are made. And then we also look at client satisfaction. I mean the team is very measured on client sat and how that comes in. And then further things, we look at certification, the talent and training of our engineers and people around the globe who are delivering these services for our clients. And then finally, we always have an eye towards sustainability.

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

And well, if I could sneak one more in. Could you share any financial details on the Aviva acquisitions? And should we expect the acquired funds to have similar dynamics, similar economics to LaSalle's existing offerings?

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

We are not in a position to share any details on that yet. Once the deal is finalized, we will give a little bit more detail around that. But as you can take from my earlier comments, how analytically we assess M&A opportunities, it will be a business with is very complementary to our very strong U.K. LaSalle business. And once that transaction is closed, it will be adding value to the LaSalle margins overall.

Operator

Our next question is from Marc Riddick with Sidoti.

Marc Frye Riddick - *Sidoti & Company, LLC - Research Analyst*

I wanted to just get some general thoughts on where you feel you are with cross-selling efforts and having the opportunity of providing multiple services with clients, how clients are -- what level of receptivity that you're seeing there and whether or not that is different by geographic region.

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

Well, generally speaking, Marc, our clients are very receptive. We have, I can say, a global trend that clients want to reduce the numbers of their providers. And so that concentration process is also happening in our industry. And with that backwind, we usually are very successful year-by-year to increase the cross-selling and the numbers of services we are selling to 1 client. And obviously, it's always getting more complicated when it goes cross-regional, but that is exactly one of our big strengths, that our organization is incredibly well-connected and that we are leading in servicing clients in more than 1 region and in several countries. So that is something which drives a lot of our optimism going forward with regards to the growth perspective of JLL.

Marc Frye Riddick - *Sidoti & Company, LLC - Research Analyst*

Is that something that you would see having greater insight into and greater detail around as the worldwide rollout with the ERP system is executed over the next couple of years?

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

Sure. I mean that is a very important aspect that, if you bring an established organization like JLL, which goes back to ['70, '60,] we have hundreds of different systems. In our current program, we are significantly reducing the systems we are using. And if we agreeing on 1 ERP system around the world that allows us to tie into that information much more easy and to share that information much more efficiently, so that is one of the reasons why we are investing so much money into that platform.

Operator

And our next question is from Patrick O'Shaughnessy with Raymond James.

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

So Christian, you spoke to maybe some of the challenges that you're seeing on the talent retention angle and you spoke to wage inflation. Are you seeing pressure in terms of the payouts that top talent is demanding? Or is that manifesting itself in other ways?

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

No, no. We don't see much pressure on what top talent is expecting because it's very important for top talent that they are in a absolute superior platform and that they have the best technology at hand because that makes them more productive. It doesn't help you if you have a slightly higher payout but you don't have any technology supporting you. You are making much more revenue as a broker when you have the best technology at your hand. What I was mentioning is more the general wage inflation in the wider arena of our employee base, which you have across the board, very much so in Asia Pacific, in China, in India, where we have large number of employees, and there is strong wage inflation. And what you can say across the board wherever you go in the world, well-educated people are a scarce resource. And many years ago, it was really easy for us, as an international top brand, to get the best talent into our organization. Today, we also have to work hard to get them all in, because everybody tries to hunt the same people.

Operator

Thank you, and I'm not showing any further questions. I'll now turn the call back over to management for closing remarks.

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

Okay. With no further questions, we will end today's call. Thank you for joining Christie and me once again and for your continued interest in JLL. We look forward to talking with you again following the third quarter. So thanks.

Operator

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