



# **CBRE GROUP, INC.**

First Quarter 2014: Earnings Conference Call

April 30, 2014

**CBRE**



# FORWARD-LOOKING STATEMENTS

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This presentation contains statements that are forward looking within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our future growth momentum, operations, financial performance, business outlook and ability to successfully integrate businesses we have acquired with our existing operations. These statements should be considered as estimates only and actual results may ultimately differ from these estimates. Except to the extent required by applicable securities laws, we undertake no obligation to update or publicly revise any of the forward-looking statements that you may hear today. Please refer to our first quarter earnings report, filed on Form 8-K, and our current annual report on Form 10-K, in particular any discussion of risk factors or forward-looking statements, which are filed with the SEC and available at the SEC's website ([www.sec.gov](http://www.sec.gov)), for a full discussion of the risks and other factors that may impact any estimates that you may hear today. We may make certain statements during the course of this presentation, which include references to “non-GAAP financial measures,” as defined by SEC regulations. As required by these regulations, we have provided reconciliations of these measures to what we believe are the most directly comparable GAAP measures, which are attached hereto within the appendix.

# CONFERENCE CALL PARTICIPANTS

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**Bob Sulentic**

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PRESIDENT AND CHIEF EXECUTIVE OFFICER

**Jim Groch**

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CHIEF FINANCIAL OFFICER

**Gil Borok**

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DEPUTY CHIEF FINANCIAL OFFICER

**Steve Iaco**

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INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

# BUSINESS OVERVIEW

## Q1 2014 Region Highlights



### Americas

- Revenue ▲ 10%
- Led by property sales with an increase of 17%
- Occupier outsourcing increased 13%
- Leasing grew by double-digits for third consecutive quarter

### EMEA

- Revenue ▲ 127% (▲ 122% in local currency)
- Double digit organic growth in every major business line
- Without Norland, revenue increased a robust 32% (27% in local currency)
- Property sales surged 61%

### Asia Pacific

- Revenue ▲ 8% (▲ 18% in local currency)
- Property sales increased 26% (or 38% in local currency)
- Strong growth in leasing and outsourcing in local currency
- Weakened currencies tempered growth rate when translated into U.S. dollars

# Q1 2014 BUSINESS LINE REVENUE

Contractual revenue plus leasing, which is largely recurring, is 80% of total revenue

**Revenue** (\$ in millions)

	Contractual Revenue Sources				Capital Markets				
	Global Corporate Services and Asset Services <sup>2</sup>	Investment Management	Appraisal & Valuation	Leasing	Sales	Commercial Mortgage Services	Development Services	Other	Total
Q1 2014	869.3	112.5	95.8	411.3	267.2	74.4	10.2	20.1	1,860.8
% of Q1 2014 Total	47%	6%	5%	22%	14%	4%	1%	1%	100%
Q1 2013 <sup>1</sup>	585.3	127.3	89.3	374.6	210.4	65.8	12.7	13.6	1,479.0
<b>Growth Rate (Change Q1 2014-over-Q1 2013)</b>									
USD	▲ 49%	▼ -12%	▲ 7%	▲ 10%	▲ 27%	▲ 13%	▼ -20%	▼ 48%	▲ 26%
Local Currency	▲ 50%	▼ -13%	▲ 9%	▲ 11%	▲ 29%	▲ 13%	▼ -20%	▼ 50%	▲ 27%

1. Includes revenue from discontinued operations. See slide 21 for details.

2. Global Corporate Services (GCS) and Asset Services revenue excludes all associated leasing and sales revenue, most of which is contractual.

# Q1 2014 PERFORMANCE OVERVIEW

	Revenue	EBITDA	Normalized EBITDA <sup>2</sup>	Net Income <sup>3</sup>	EPS <sup>3,4</sup>
Q1 2014	\$1,860.8 M	\$197.2 M	\$198.8 M	GAAP \$67.7 M	GAAP \$0.20
				Adjusted \$82.4 M	Adjusted \$0.25
Q1 2013 <sup>1</sup>	\$1,479.0 M	\$159.8 M	\$161.3 M	GAAP \$37.5 M	GAAP \$0.11
				Adjusted \$51.5 M	Adjusted \$0.16
	CHANGE FROM Q1 2013				
	▲ 26%	▲ 23%	▲ 23%	▲ 60% <sup>5</sup>	▲ 56% <sup>5</sup>

1. Includes discontinued operations. See slide 21 for details.

2. Normalized EBITDA excludes integration and other costs related to acquisitions and certain carried interest incentive compensation expense.

3. Adjusted net income and adjusted EPS exclude amortization expense related to certain intangible assets attributable to acquisitions, integration and other costs related to acquisitions, certain carried interest incentive compensation expense and the write-off of financing costs.

4. All EPS information is based upon diluted shares.

5. Based on adjusted results.

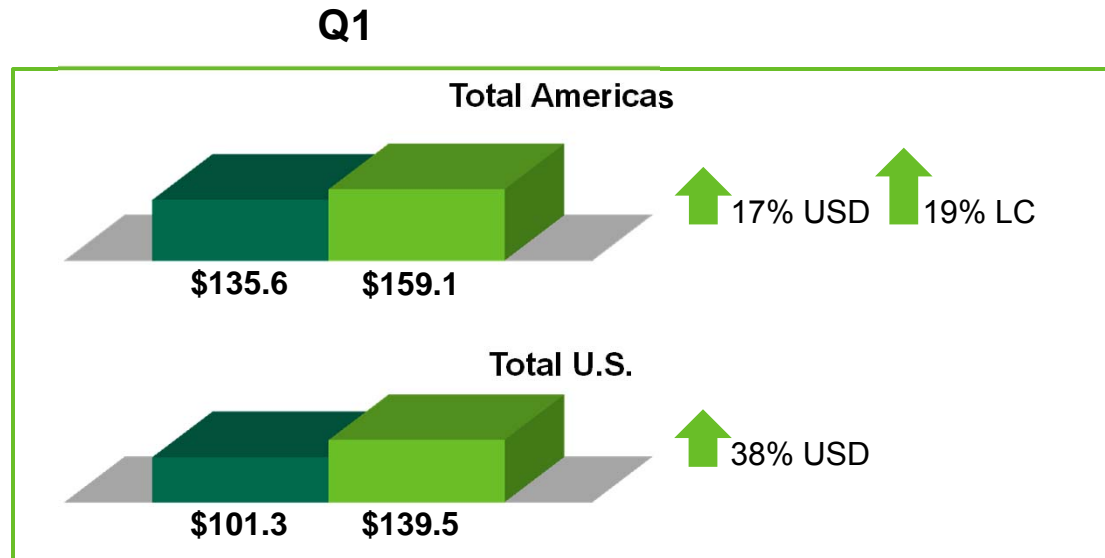
# AMERICAS REVENUE: MAJOR COMPONENTS

Total Q1 2014 revenue up 10% in USD or 11% in local currency

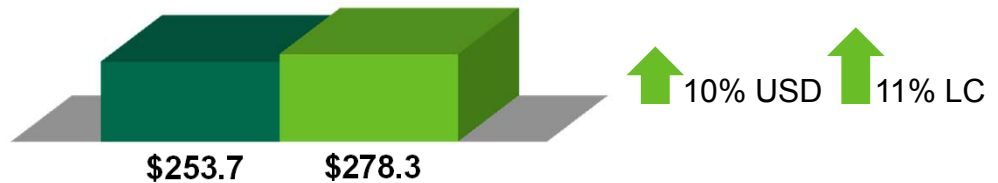
(\$ in millions)

2013 2014

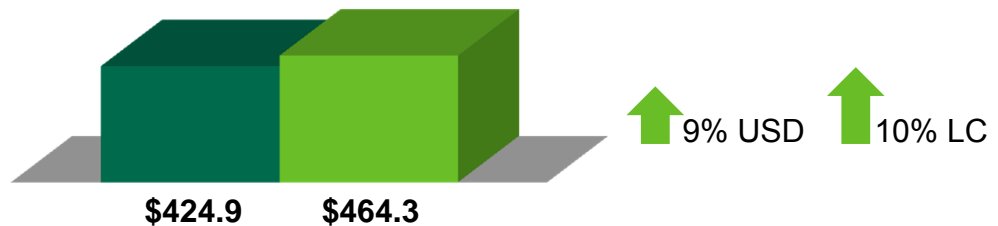
SALES



LEASING



GCS & ASSET SERVICES<sup>1</sup>



1. Global Corporate Services (GCS) and Asset Services revenue excludes all associated leasing and sales revenue, most of which is contractual.

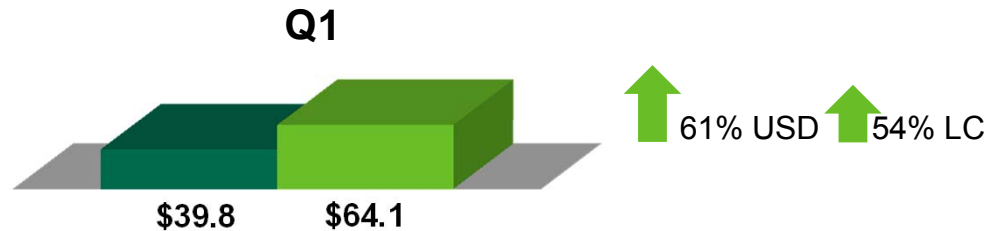
# EMEA REVENUE: MAJOR COMPONENTS

Total Q1 2014 revenue up 127% in USD or 122% in local currency  
 Excluding Norland up 32% in USD or 27% in local currency

(\$ in millions)

2013 2014

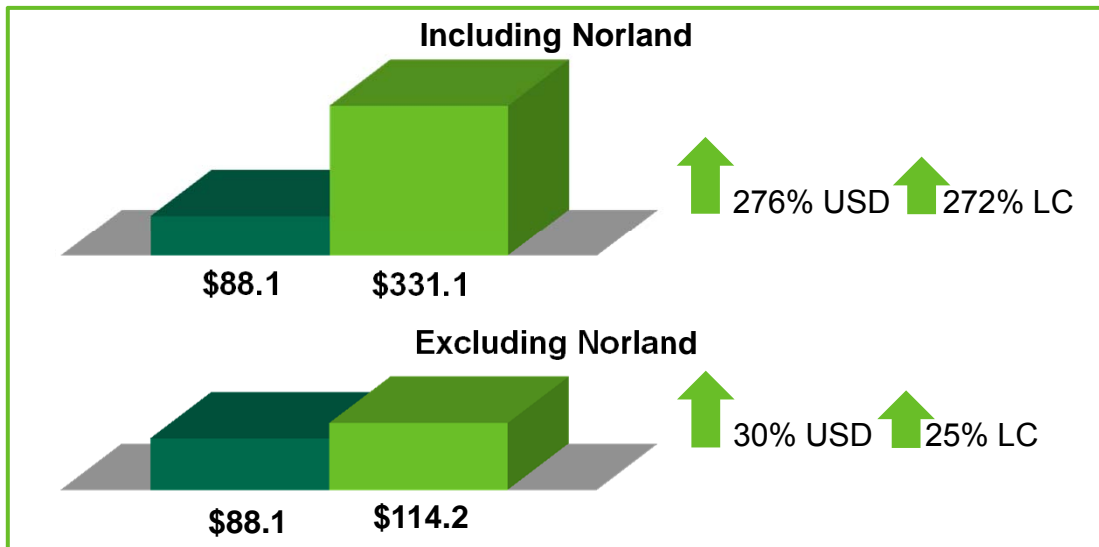
SALES



LEASING



GCS & ASSET SERVICES<sup>1</sup>



1. Global Corporate Services (GCS) and Asset Services revenue excludes all associated leasing and sales revenue, most of which is contractual.



# ASIA PACIFIC REVENUE: MAJOR COMPONENTS

Total Q1 2014 revenue up 8% in USD or 18% in local currency

(\$ in millions)

2013 2014

Q1

SALES



LEASING



GCS & ASSET SERVICES<sup>1</sup>

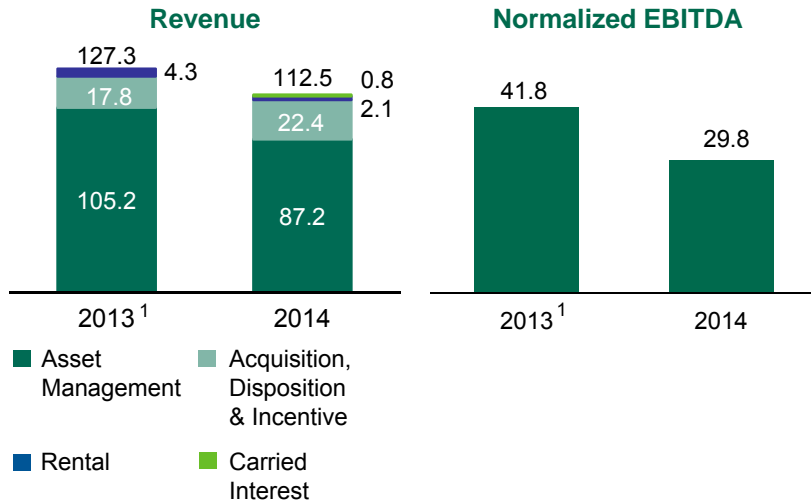


1. Global Corporate Services (GCS) and Asset Services revenue excludes all associated leasing and sales revenue, most of which is contractual.

# GLOBAL INVESTMENT MANAGEMENT

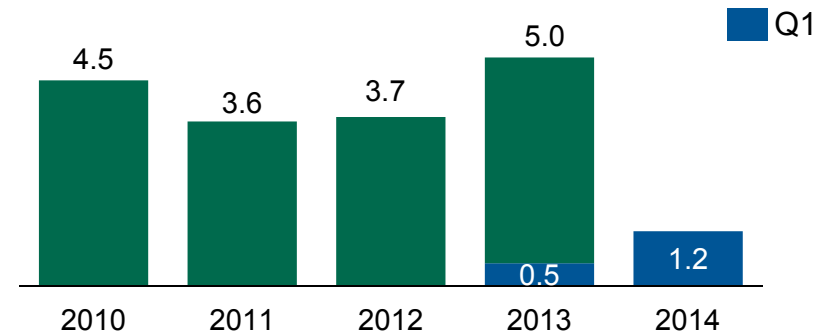
## Q1 FINANCIAL RESULTS

(\$ in millions)



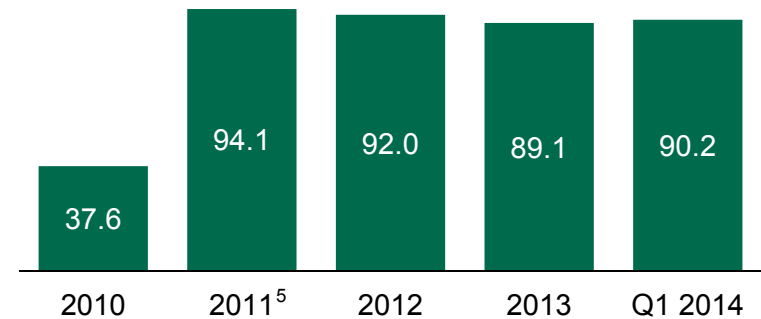
## CAPITAL RAISED<sup>2</sup>

(\$ in billions)



## ASSETS UNDER MANAGEMENT (AUM)

(\$ in billions)



- Capital to deploy \$5.3 billion<sup>3</sup>
- Co-Investment \$159.8 million<sup>4</sup>

1. Includes discontinued operations. See slide 21 for details.

2. Excludes securities business.

3. As of April 30, 2014.

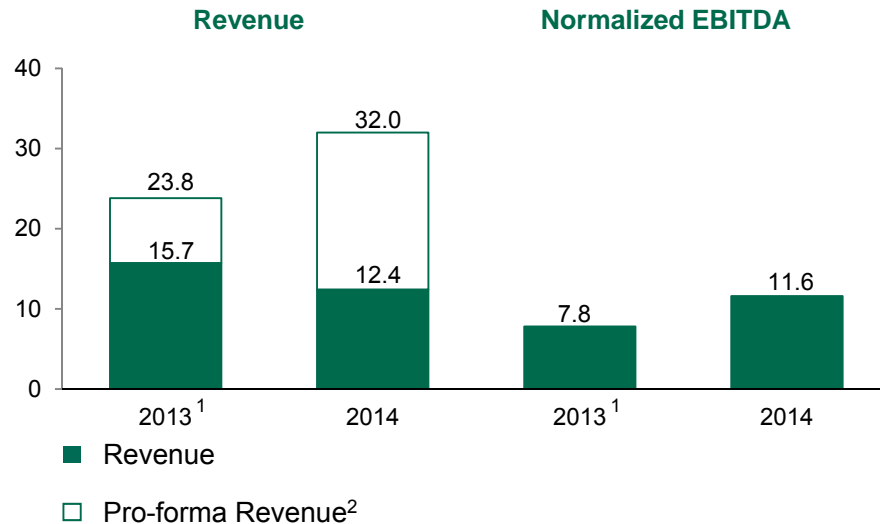
4. As of March 31, 2014.

5. In 2011, CBRE acquired the real estate investment management operations of ING Group in Europe, Asia and its global securities business.

# DEVELOPMENT SERVICES

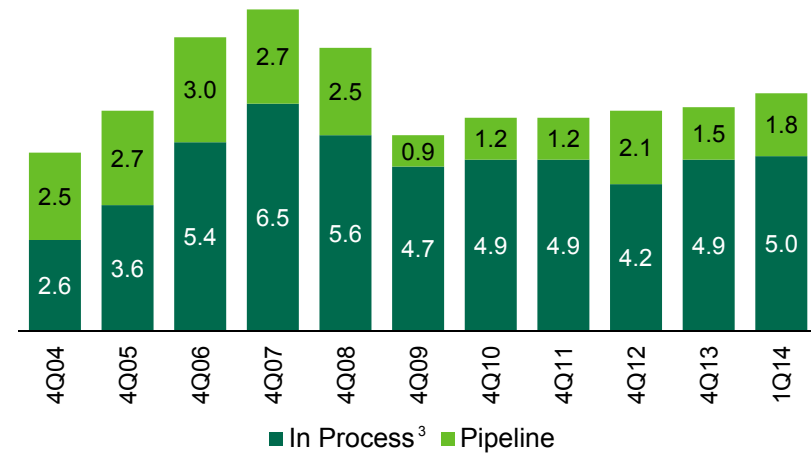
## Q1 FINANCIAL RESULTS

(\$ in millions)



## PROJECTS IN PROCESS/PIPELINE

(\$ in billions)



## HIGHLIGHTS

- \$87.6 million of co-investments at the end of Q1 2014
- \$7.7 million in recourse debt to CBRE and repayment guarantees at the end of Q1 2014

1. Includes discontinued operations. See slide 21 for details.

2. Pro-forma revenue includes gains on sales of assets and equity in unconsolidated subsidiaries net of non-controlling interest.

3. In Process figures include Long-Term Operating Assets (LTOA) of \$0.7 billion for 1Q 14, \$0.9 billion for 4Q 13, \$1.2 billion for 4Q 12, \$1.5 billion for 4Q 11, \$1.6 billion for 4Q 10, and \$1.4 billion for 4Q 09. LTOA are projects that have achieved a stabilized level of occupancy or have been held 18-24 months following shell completion or acquisition.

# GLOBAL CORPORATE SERVICES

## Q1 2014 TOTAL CONTRACTS

	Global
New	25
Expansions	24
Renewals	14

## NORLAND

- Best-in-class building technical engineering services in Europe
- Fits perfectly with growing international adoption of outsourcing
- High-growth, largely recurring business
  - Prestigious, sticky client base
- Exceeded growth target in Q1 2014
- Enhanced cross-selling opportunities

### Facilities Management



### Transaction Services



### Project Management



# BUSINESS OUTLOOK

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## 2014 Expectations

- CBRE's many strengths were evident in Q1 2014
  - Most business lines performed materially better than the market
  - Good momentum in the business continues
- Expectations for balance of 2014:
  - Property Sales should continue strong, double-digit growth
    - pace expected to moderate from Q1's robust level
    - more difficult comparisons as the year progresses
  - Declining GSE volume likely to remain a challenge, while activity increases with other capital sources
  - Leasing is expected to continue to grow well despite slow, uneven recovery
  - Occupier Outsourcing is expected to sustain double-digit growth
    - Norland provides enhanced growth prospects and long-term contractual revenue
  - Investment Management and Development, combined, still expected to perform roughly in line with 2013, excluding carried interest

# BUSINESS OUTLOOK

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## 2014 Expectations

- See more upside than downside to full-year guidance
  - Q1 is a relatively small portion of the year's earnings and not an adequate barometer of full-year performance
  - Year-over-year earnings comparisons will be more challenging in the quarters ahead
- At the present time, not updating our earnings expectation for full-year 2014
- CBRE well positioned for growth with measured investments in our people and platform as well as strong client service
  - Expect ongoing market share gains and strong long-term growth
  - Excellent liquidity, cash flow and a conservative balance sheet provide a strong foundation for future growth

**SUPPLEMENTAL SLIDES AND GAAP  
RECONCILIATION TABLES**

**CBRE**



# U.S. MARKET STATISTICS

## U.S. VACANCY

	1Q13	1Q14	2014F	2015F
<b>Office</b>	15.4%	14.8%	<b>14.6%</b>	<b>14.2%</b>
<b>Industrial</b>	12.2%	11.1%	<b>10.8%</b>	<b>10.6%</b>
<b>Retail</b>	12.5%	11.9%	<b>10.8%</b>	<b>10.0%</b>

## U.S. ABSORPTION TRENDS

(in millions of square feet)

	1Q13	1Q14	2013	2014F	2015F
<b>Office</b>	3.8	5.5	35.8	<b>29.9</b>	<b>35.5</b>
<b>Industrial</b>	61.8	43.5	233.5	<b>188.9</b>	<b>128.9</b>
<b>Retail</b>	7.0	8.2	26.8	<b>39.0</b>	<b>47.5</b>

Source: CBRE Econometric Advisors (EA) Outlooks 1Q 2014 preliminary

## CAP RATES AND OVERALL VOLUMES

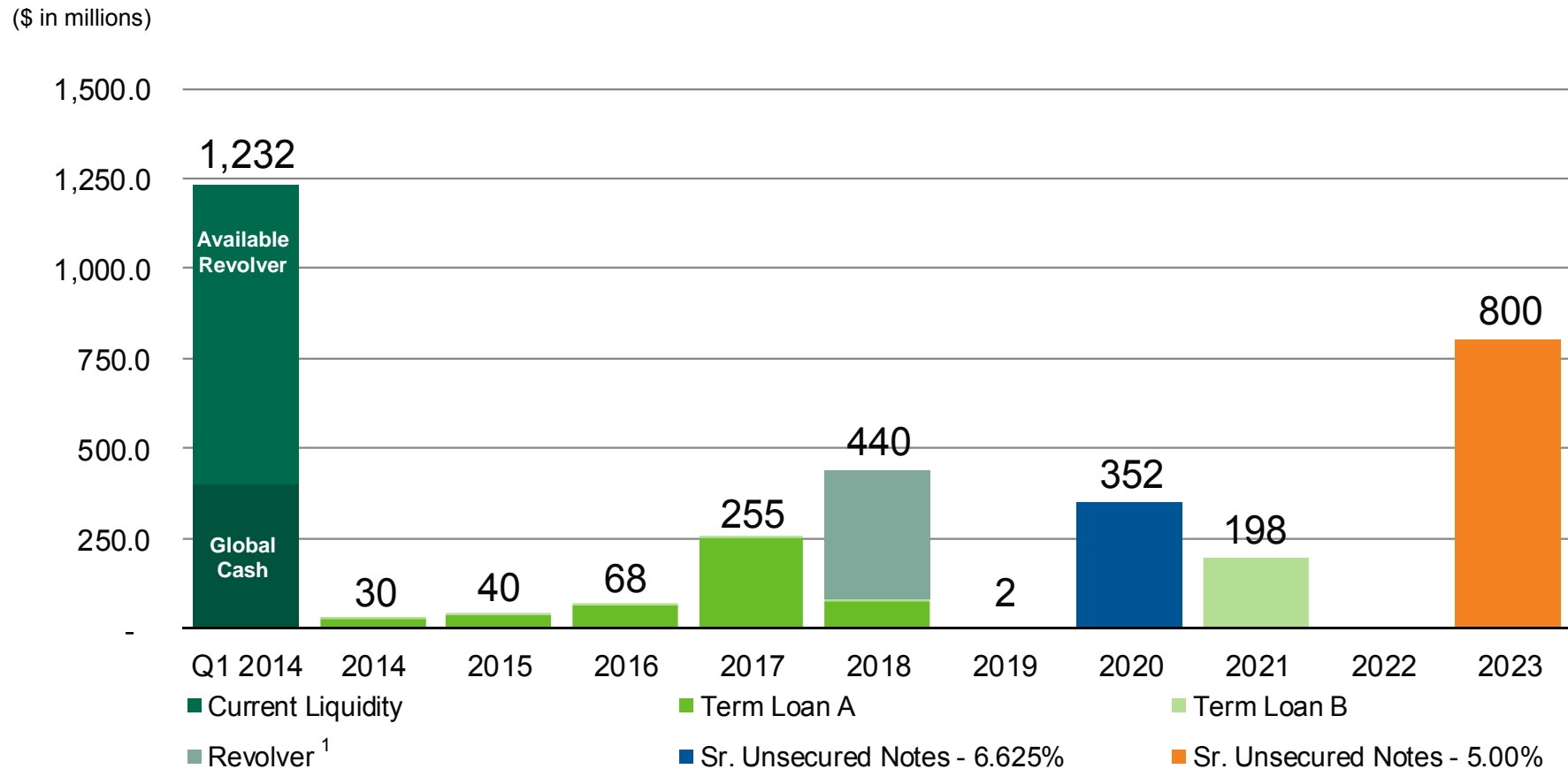
	1Q13	1Q14
<b>Office</b>		
Volume (\$B)	17.3	22.7
Cap Rate	7.1%	6.7%
<b>Industrial</b>		
Volume (\$B)	7.6	11.3
Cap Rate	7.6%	7.4%
<b>Retail</b>		
Volume (\$B)	9.3	22.9
Cap Rate	7.1%	6.8%

Source: RCA April 2014



# MANDATORY AMORTIZATION AND MATURITY SCHEDULE

As of March 31, 2014



1. \$1,200.0 million revolver facility matures in March 2018. As of March 31, 2014, the outstanding revolver balance was \$359.5 million.

# CAPITALIZATION

As of March 31, 2014 (\$ in millions)

<b>Cash<sup>1</sup></b>	<b>\$ 401.0</b>
Revolving credit facility	359.5
Senior secured term loan A (new)	462.5
Senior secured term loan B (new)	212.9
Senior unsecured notes 5.0%	800.0
Senior unsecured notes 6.625%	350.0
Notes payable on real estate <sup>2</sup>	4.0
Other debt <sup>3</sup>	5.5
<b>Total debt</b>	<b>\$ 2,194.4</b>
Stockholders' equity	1,989.6
<b>Total capitalization</b>	<b>4,184.0</b>
<b>Total net debt</b>	<b>\$ 1,793.4</b>
<b>Net debt to TTM Normalized EBITDA<sup>4</sup></b>	<b>1.69x</b>

1. Excludes \$27.2 million of cash in consolidated funds and other entities not available for Company use at March 31, 2014.

2. Represents notes payable on real estate in Development Services that are recourse to the Company. Excludes non-recourse notes payable on real estate of \$127.9 million at March 31, 2014.

3. Excludes \$306.6 million of aggregate warehouse facilities outstanding at March 31, 2014.

4. Calculation includes EBITDA from discontinued operations. See slide 21 for details.

# RECONCILIATION OF NORMALIZED EBITDA TO EBITDA TO NET INCOME

(\$ in millions)	Three Months Ended March 31,	
	2014	2013 <sup>1</sup>
Normalized EBITDA	\$ 198.8	\$ 161.3
Adjustments:		
Carried interest incentive compensation <sup>2</sup>	1.6	-
Integration and other costs related to acquisitions	-	1.5
EBITDA	197.2	159.8
Add:		
Interest Income	1.6	2.0
Less:		
Depreciation and amortization	65.2	46.6
Interest expense	28.0	44.2
Write-off of financing costs	-	13.6
Provision for income taxes	37.9	19.9
Net Income attributable to CBRE Group, Inc.	67.7	37.5
Revenue	\$ 1,860.8	\$ 1,479.0
Normalized EBITDA Margin	10.7%	10.9%

1. Includes discontinued operations. See slide 21 for details.

2. Carried interest incentive compensation is related to funds that began recording carried interest expense in Q2 2013 and beyond.

# RECONCILIATION OF NET INCOME TO NET INCOME, AS ADJUSTED

(\$ in millions)	Three Months Ended March 31,	
	2014	2013
Net income attributable to CBRE Group, Inc.	\$ 67.7	\$ 37.5
Amortization expense related to certain intangible assets attributable to acquisitions, net of tax	13.7	4.6
Carried interest incentive compensation, net of tax <sup>1</sup>	1.0	-
Integration and other costs related to acquisitions, net of tax	-	1.1
Write-off of financing costs, net of tax	-	8.3
Net income attributable to CBRE Group, Inc., as adjusted	\$ 82.4	\$ 51.5
Diluted income per share attributable to CBRE Group, Inc., as adjusted	\$ 0.25	\$ 0.16
Weighted average shares outstanding for diluted income per share	333,349,519	330,802,552

1. Carried interest incentive compensation is related to funds that began recording carried interest expense in Q2 2013 and beyond.

# RECONCILIATION OF DISCONTINUED OPERATIONS

	Discontinued Operations for the Three Months Ended March 31, 2013		
(\$ in millions)	Global Investment Management	Development Services	Total CBRE
Revenue	\$ 0.7	\$ 3.3	\$ 4.0
EBITDA <sup>1</sup>	\$ 0.6	\$ 3.8	\$ 4.4
Less:			
Depreciation & amortization	0.1	0.2	0.3
Interest expense	0.5	1.3	1.8
Provision for income taxes	-	0.9	0.9
Net income attributable to CBRE Group, Inc.	\$ -	\$ 1.4	\$ 1.4

1. There are no selected charges attributable to discontinued operations.