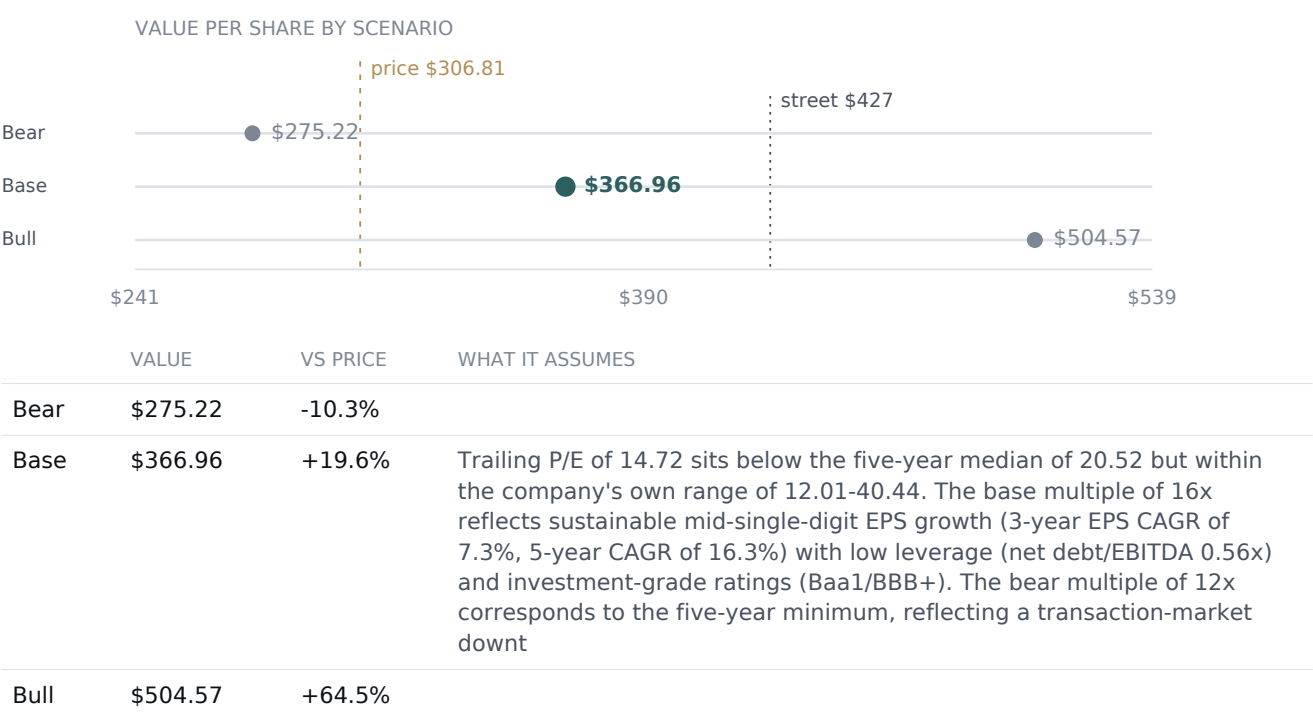


EQUITY RESEARCH / JLL

Jones Lang LaSalle Incorporated

LONG CANDIDATE · historical study through 2026-10-02 · horizon 540 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$306.81	\$366.96	+19.6%	\$378.43	\$14.12B	14.7x



STREET CHECK

Street target **\$427** (+39.2% vs price) · 8 buy / 4 hold / 0 sell · forward P/E 10.4x · EPS estimates \$25.11 this year, \$28.47 next

Our base case is **0.86x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

JLL trades at 14.7x trailing P/E, well below its five-year median of 20.5x, despite record Q2 2026 diluted EPS of \$4.59 (up 100% in local currency), year-to-date operating income growth of 56%, and management raising full-year Adjusted EPS targets by 34% at the midpoint. The base case assumes 10% EPS growth to \$22.93 and a 16x multiple, yielding \$366.96 versus the \$306.81 price, a 19.6% upside. The discount reflects the market's memory of the 2021-2023 transaction-cycle drawdown (operating income fell 44.75%, EPS fell 74.72%) and fear that the current spike in Capital Markets (+24%) and Leasing (+12%) revenues is unsustainable. However, the filing shows genuine operating leverage (platform expenses grew 8% vs 11% revenue growth), investment-grade ratings (Baa1/BBB+), net debt/EBITDA of 0.56x, and interest coverage of 12.4x, supporting a durable mid-single-digit growth profile rather than a cyclical peak. The probability-weighted value of \$378.43 implies 23.3% upside.

What the market may be missing

The market prices JLL at 14.7x, below its five-year median of 20.5x, because it anchors to the 2023 trough experience when transaction revenues collapsed and EPS fell to \$4.67. The price does not reflect the structural operating leverage visible in the filings: platform operating expenses grew 8% against 11% revenue growth in 2025, and YTD 2026 operating income grew 56% on 11% revenue growth. The market also underweights the technology and SaaS revenue streams (Building Engines, Corrigo) and the consolidation opportunity in a fragmented industry, which management explicitly frames as a long-term growth pillar. The 16x base multiple sits within JLL's own five-year range of 12.01-40.44x and below the 2024 P/E of 22.4x, so it is not an aggressive assumption.

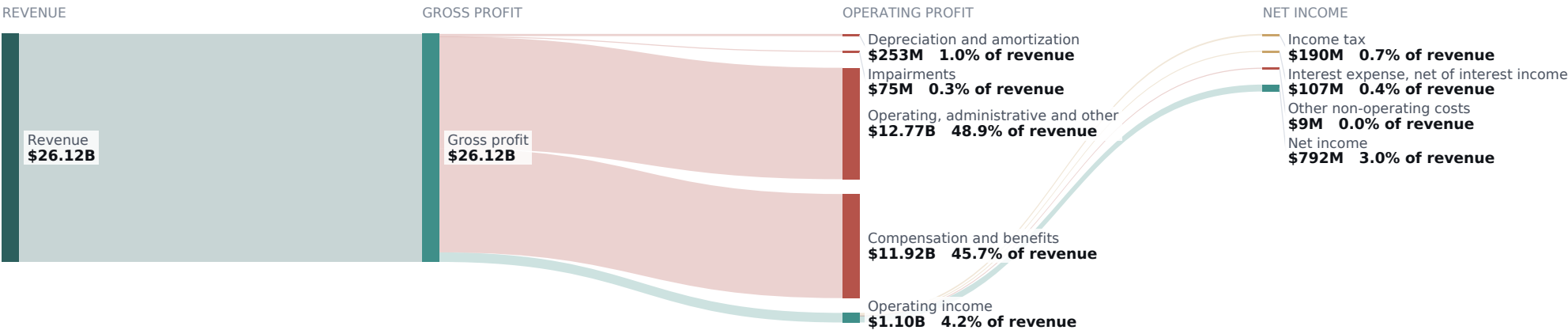
Why the opportunity exists

A cyclical trough. The market prices JLL at 14.7x, below its five-year median of 20.5x, because it anchors to the 2021-2023 transaction-cycle drawdown when operating income fell 44.75% and EPS fell 74.72%. The current strong results (record Q2 EPS, 56% YTD operating income growth, management raising targets) are treated as a cyclical peak rather than a new structural level. The discount reflects fear that transaction revenues will mean-revert, not a genuine deterioration in business quality. The operating leverage demonstrated in the filings (platform expenses +8% vs revenue +11%), investment-grade ratings, and low leverage suggest the market is over-discounting the cyclical risk and underpricing the structural growth potential. Evidence: Trailing P/E of 14.72x vs five-year median of 20.52x; five-year P/E minimum of 12.01x in 2022 (the trough year); operating income worst drawdown of -44.75% in 2021-2023; EPS worst drawdown of -74.72% in 2021-2023; platform operating expenses grew 8% vs 11% revenue growth in 2025; YTD 2026 operating income growth of 56%; management raising full-year Adjusted EPS targets by 34% at the midpoint.

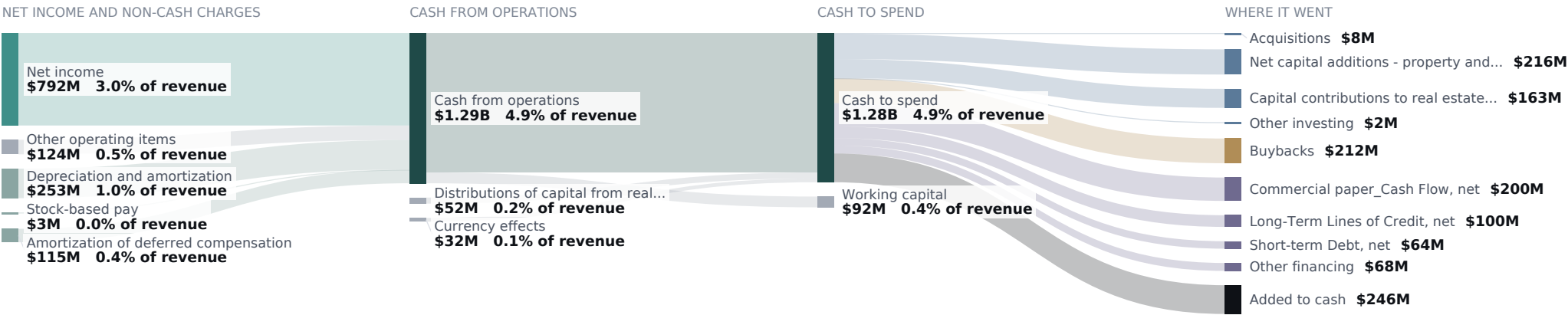
Follow the money: fiscal 2025

Of every \$100 of revenue, \$0.0 went to cost of revenue, \$96 to operating costs and \$0.7 to interest and tax, and \$3.0 became net income. Operations turned that into \$4.6 of cash; \$0.8 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT SHOWN 13.8 TIMES LARGER THAN PANEL 1



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0001037976-26-000037. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

JLL is a leading global commercial real estate services and investment management company with annual revenue of \$26.1 billion, operations in over 80 countries, and a global workforce of more than 113,000 as of December 31, 2025, serving owners, occupiers, investors, and developers across office, industrial, hotel, multi-family, retail, and data center properties.

What it sells

JLL sells end-to-end real estate services across five segments: (1) Real Estate Management Services (workplace/facility management, project management, property management, portfolio consulting); (2) Leasing Advisory (agency leasing, tenant representation, advisory/consulting); (3) Capital Markets Services (investment sales, debt/equity advisory, value and risk advisory, loan servicing); (4) Investment Management via LaSalle (private and public real estate funds, separate accounts, joint ventures, co-investments); and (5) Software and Technology Solutions (cloud-based SaaS subscriptions such as Building Engines and Corrigo, plus professional services). Proptech investments (fair value \$340.1 million as of Dec 31, 2025) are reported in All Other and do not constitute a reporting segment. JLL provides services across five segments: (1) Real Estate Management Services (Workplace Management, Project Management, Property Management, Portfolio Services) to occupiers and property investors; (2) Leasing Advisory (agency leasing, tenant representation, advisory/consulting); (3) Capital Markets Services (investment sales, debt/equity advisory, value and risk advisory, loan servicing); (4) Investment Management (institutional investors and private capital, managing \$86.4 billion AUM); (5) Software and Technology Solutions (software products and services). Revenue is earned as transaction commissions, advisory and management fees, and incentive fees. A significant portion of revenue represents reimbursement of costs incurred on behalf of clients (gross contract costs). JLL provides integrated real estate services across four segments: Real Estate Management Services (facility and property management, project management, portfolio services, software and technology solutions for occupiers and non-occupying property investors); Leasing Advisory (agency leasing, tenant representation, advisory and consulting); Capital Markets Services (investment sales, debt and equity advisory, value and risk advisory, loan servicing); and Investment Management (services to institutional investors and high-net-worth individuals, including private assets and publicly traded real estate securities through LaSalle Investment Management).

Customers and channels

Clients include for-profit and not-for-profit entities, public-private partnerships, governmental (public sector) entities, institutional and individual investors, developers, and large corporations with multi-market portfolios exceeding one million square feet. Delivery is through a globally-integrated platform combining JLL's own personnel with third-party vendors and subcontractors. Channels span local, regional, and global service delivery. Approximately two-thirds of employees are based outside the United States. In Project Management, public-sector clients (military, government, educational institutions) are served primarily in the U.S. and increasingly in other countries. Clients include occupiers of real estate (Workplace Management), non-occupying property investors (Property Management), institutional investors and private capital sources (Investment Management), and corporate clients for leasing and advisory. Revenue is earned through transaction commissions, advisory/management fees, and incentive fees. The company operates globally with local operations in the markets it serves, invoicing customers in the same currency as the source of costs. Regional employee hubs in London and Singapore act as partial operational hedges. Institutional investors, high-net-worth individuals, occupiers of real estate, non-occupying property investors. No customer concentration data disclosed in the excerpts. Channels include direct client mandates, transaction-based engagements, and managed investment vehicles.

Unit economics and costs

Workplace Management contracts are typically 3-7 years with 30-60 day termination notice; Property Management contracts 1-3 years with 30-120 day termination. Compensation models include fixed fee, guaranteed maximum, reimbursement-based, percentage of cash collections, or per-square-foot fees, plus performance-based fees tied to quantitative/qualitative measures. Reimbursable employees (54.6 thousand of 113.2 thousand total as of Dec 31, 2025) are fully reimbursed by clients, primarily in Real Estate Management Services. Non-variable operating expenses are relatively constant on a quarterly basis. Seasonality: smaller revenue and profit in Q1, increasing through Q2-Q4. Investment Management incentive fees and equity earnings/losses are excluded from seasonality patterns due to unpredictable timing. Revenue is commission- and fee-based, with a significant portion representing reimbursement of client-dedicated costs (gross contract costs, \$17,158.2M in 2025, +11%). Platform operating expenses grew 8% vs 11% revenue growth, demonstrating platform leverage. Platform compensation and benefits \$6,194.1M (+10%). Restructuring and acquisition charges \$75.3M (+226%) driven by lower earn-out liability decreases and higher severance. Effective tax rate 19.3% (vs 19.5%). Average effective interest rate on borrowings 4.9% (vs 5.9%). Employee loans structured as cash payments with interest, forgiven based on performance (predominantly Leasing and Capital Markets). Deferred compensation funded via insurance contracts. Defined benefit plans expected to receive immaterial contributions in 2026. Total operating expenses for Q2 2026 were \$6,637.0 million, up 10% from prior year. Gross contract costs of \$4,574.3 million (up 9%) are directly or indirectly reimbursed through fees received. Platform operating expenses of \$2,037.0 million (up 10%) driven by higher commission expense correlated to Advisory revenue growth. Restructuring and acquisition charges of \$25.7 million (up 21%) primarily driven by absence of earn-out fair value adjustments and lower severance. Interest expense net of interest income was \$26.4 million for Q2, down from \$35.3 million prior year due to lower average borrowings and lower effective interest rate. Effective tax rate 19.3% for Q2 and YTD 2026, down 20 bps from 19.5% prior year. Amortization of acquisition-related intangibles decreased from \$16.0 million to \$5.5 million as intangibles fully amortized in second half of 2025.

Segments

- **Real Estate Management Services** - Workplace Management (~2.8 billion sq ft managed), Project Management, Property Management (~2.9 billion sq ft managed), and Portfolio Services. Contracts typically 3-7 years (Workplace) or 1-3 years (Property Management). Workplace Management \$13,848.5M (+11%), Project Management \$3,797.9M (+20%), Property Management \$1,841.3M (+3%), Portfolio Services \$513.5M (flat). Gross contract costs \$17,102.0M (+12%).
- **Leasing Advisory** - Agency Leasing (~19,500 transactions, 340 million sq ft in 2025) and Tenant Representation (~23,500 transactions, 569 million sq ft in 2025), plus Advisory/Consulting/Other. Leasing \$2,901.6M (+12%), Advisory/Consulting \$108.3M (-1%). Growth led by office sector, U.S., Germany, Canada. Higher average deal size complemented higher volume.
- **Capital Markets Services** - Investment sales, debt/equity advisory, value and risk advisory, loan servicing. Provided capital markets services for approximately \$258 billion of client transactions in 2025. Services a loan portfolio of approximately \$140.3 billion. Investment Sales/Debt Advisory \$1,874.5M (+24%), Value and Risk Advisory \$379.6M (+2%), Loan

Servicing \$168.0M (+4%). Growth led by U.S., UK, Spain; sectors multifamily and office. Investment sales up 21% vs broader market 18%.

- **Investment Management (LaSalle)** - Global real estate investment management with AUM of \$86.4 billion as of December 31, 2025. Invests in 24 countries. Open-end funds represented approximately 34% of AUM. Co-investments of \$505.8 million alongside clients. Advisory fees \$373.7M (flat), Transaction fees \$37.3M (+11%), Incentive fees \$39.1M (-35%). AUM \$86.4B, down 3%. Equity earnings \$12.3M vs losses \$(22.6)M prior year.
- **Software and Technology Solutions** - Cloud-based SaaS subscriptions (Building Engines, Corrigo), professional services, and proptech investments (fair value \$340.1 million). Proptech investments moved to All Other effective July 1, 2025. Double-digit software growth outpaced declines in technology solutions. D&A up 37% on purchased/developed software. Proptech Investments moved to All Other effective July 1, 2025.

Revenue drivers

- Transaction-based fees derived from value of completed transactions or securities placed (Capital Markets, Leasing)
- Fixed fee, guaranteed maximum, or reimbursement-based pricing plus performance-based fees (Workplace Management)
- Percentage of cash collections or per-square-foot fees (Property Management)
- Advisory fees on capital committed/deployed plus incentive fees above hurdles and transaction fees (Investment Management)
- Subscription revenue recognized over time for cloud-based software (Building Engines, Corrigo)
- Periodic loan servicing fees based on proportion of cash collections
- Retainer fees for portfolio advisory or consulting services
- Incentive fees recognized when assets are sold or valuation increases occur (Investment Management, timing not predictable)

Competitive position

JLL is one of the largest commercial real estate services and investment management providers globally, though the industry remains fragmented. Competition exists at international, regional, and local levels, including non-traditional entrants such as investment banking firms, investment managers, accounting firms, technology firms, SaaS companies, co-working space providers, outsourcing firms, and companies self-performing real estate services. Key differentiators include the globally-integrated 'One JLL' model, technology leadership (AI platforms JLL Falcon, JLL Azara, JLL GPT, LeasingOS), brand strength (250+ year heritage), research capabilities, sustainability leadership, and investment-grade financial ratings (Baa1 Moody's, BBB+ S&P as of December 31, 2025). Corporate liquidity was \$3.9 billion as of December 31, 2025. Investment sales revenues grew 21% in 2025, outpacing the broader investment sales market which grew 18% per JLL Research. Two-year stacked growth: investment sales +43%, debt advisory +57%. Broad-based growth across most geographies in Project Management. Many geographies achieved double-digit Leasing revenue increases. The company states it will continue to consider acquisitions that strengthen market position, increase profitability, and supplement organic growth. Office leasing revenue growth outperformed global office volumes (up 20% vs market volumes up 2% per JLL Research), with U.S. revenue outperformance (up 24% vs U.S. market volumes up 12%). U.S. investment sales revenue growth of over 53% outpaced the broader market growth of 22% per JLL Research. Capital Markets Services growth outpaced softness in investment sales in parts of Europe where deal timelines elongated. Many geographies achieved double-digit revenue increases in Leasing Advisory, highlighted by U.S., Japan and UK.

Industry direction

The commercial real estate industry is consolidating with large players gaining market share organically and through M&A. Key macro trends include: growth in corporate outsourcing of real estate services (strong growth trajectory since early 1990s); rising investment allocations to real estate (approximately 110 basis points increase since 2015 per Cornell/Hodes Weill); demographics and urbanization (over 80% of global GDP generated from cities, city population expected to increase 1.5 times by 2045 per World Bank); AI and technology as the next frontier (thousands of proptech start-ups); and energy/sustainability pressures reshaping property valuation, operation, and occupancy. JLL positions itself to capitalize on consolidation through its investment-grade balance sheet. Results are significantly influenced by macroeconomic trends, geopolitical environment, global and regional real estate markets, and financial/credit markets. Seasonality: historically smaller revenue and profit in Q1, increasing through Q4, driven by year-end transaction focus. Transaction-based revenues are inherently variable by size, timing, and geography. Inflation did not have a material impact on 2025 results. AUM declined 3% in 2025 (dispositions/withdrawals \$8.7B exceeded acquisitions \$5.9B). Property valuation adjustments stabilized and in some cases rose. Results significantly influenced by macroeconomic trends, geopolitical environment, global and regional real estate markets, and financial and credit markets. Deal timelines elongated in parts of Europe for investment sales. Accelerated momentum in office, industrial and data center asset classes. Capital raise momentum continued in North America for Investment Management. Anticipated lower fees from funds in Asia Pacific. Seasonality pattern: smaller revenue and profit in Q1, increasing through subsequent quarters.

Recent developments

- Record second-quarter diluted EPS of \$4.59, up 100% in LC; adjusted diluted EPS of \$5.26, up 61% in LC
- Adjusted EBITDA of \$386.3 million for Q2, up 33% in LC; \$659.9 million YTD, up 29% in LC
- Segment reporting change effective January 1, 2026: Software and Technology Solutions moved from standalone segment to fifth business line within Real Estate Management Services; Leasing Advisory revenue disaggregation collapsed; Investment Management revenue simplified to two captions
- Absence of \$14 million loan loss expense recognized in prior-year quarter associated with enhanced loss-share agreement with Fannie Mae for a specific three-loan portfolio
- Proptech Investments equity losses of \$8.0 million in Q2 2026 vs \$27.4 million in prior-year quarter; YTD losses of \$6.7 million vs \$48.9 million prior year
- Uncommitted Facility terminated in June 2026; no draw in 2026
- February 2026: Board authorized additional \$2.2 billion for share repurchases, augmenting \$801.7 million remaining from prior authorizations
- Completed \$200 million ASR program initiated in March 2026, resulting in 638,400 total shares repurchased under the ASR

Management outlook

CEO Christian Ulbrich stated: 'Given our year-to-date performance and strong underlying business momentum, we are raising our full-year Adjusted EPS target range, reflecting 34% year-over-year growth at the mid-point.' No specific numeric revenue, margin, capex, or cash flow guidance ranges were disclosed in the excerpts. Management noted that results for periods ended June 30, 2026 are not fully indicative of results expected for the full fiscal year due to seasonality and quarterly estimation of incentive compensation. Management states that macroeconomic and other conditions have had and will continue to have a significant impact on the variability of results. The company will continue to use the Facility for working capital, co-investment, share repurchases, capex, and acquisitions. It will continue to consider acquisitions that strengthen market position, increase profitability, and supplement organic growth. Management expects immaterial contributions to defined benefit pension plans in 2026. The company does not expect to repatriate foreign earnings. No specific numeric guidance for 2026 is provided in the excerpt. Management's Beyond strategic framework (launched 2017) targets long-term sustainable and profitable global growth through five pillars: Clients, Brand, Technology, People & Values, and Sustainability. Management sees a long runway for growth in corporate outsourcing, rising real estate allocations, and technology/AI adoption. The consolidation of the industry is viewed as an opportunity for large players to gain market share. Management emphasizes maintaining investment-grade financial ratings and leveraging the balance sheet for selective inorganic growth. The 'One JLL' philosophy is expected to continue developing new revenue sources and growth through cross-selling across geographies and service offerings.

Accounting flags

- Segment reporting change effective January 1, 2026: Software and Technology Solutions reclassified from standalone segment to business line within Real Estate Management Services; prior-period financial information recast

- Non-GAAP measures used: Adjusted EBITDA, local currency percentage changes; management uses these for budgets, forecasts, and performance measurement
- OBBBA provisions effective in 2026 altered timing of deductions from depreciable assets, research and experimental expenses, interest expense, and international earnings taxation; impact not material
- No material changes to critical accounting policies and estimates during six months ended June 30, 2026
- Equity earnings/losses for segments other than Investment Management represent results of unconsolidated operating ventures, included in Adjusted EBITDA on both segment and consolidated basis
- Credit losses on convertible note investments in early-stage proptech enterprises consistently excluded from adjusted measures

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$27.43B	\$26.12B	+11.5% y/y
Operating income	\$1.28B	\$1.10B	4.7% margin
Net income	\$997.9M	\$792.1M	
Diluted EPS	\$20.85	\$16.40	14.7x trailing P/E
Operating cash flow	\$1.36B	\$1.19B	+52.1% y/y
Cash and short-term investments	\$458.2M	\$599.1M	
Net debt	\$841.5M		0.6x EBITDA
Captive finance debt, outside net debt	\$700.3M		
Share repurchases	\$560.6M	\$211.5M	4.0% yield
Market capitalisation	\$14.12B		11.7x EV/EBIT

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-07-30). Balance-sheet items are as of 2026-06-30 from the quarterly report. Captive finance borrowings of \$700.3M (Warehouse facilities) fund \$869.2M of finance receivables (5% of total assets). They are kept out of net debt and the WACC weights, and the loan book's growth is taken out of operating cash flow, so the DCF values the operating business with the finance arm's profits in its cash flow. Interest tax shield uses the 21.0% statutory rate from

The counter-case

The 10% forecast growth may be too optimistic if the current 11% revenue growth and 56% YTD operating income growth reflect a cyclical peak rather than a new structural level. The 2023 trough (net income \$225.4M, EPS \$4.67) shows how quickly earnings can compress when transaction volumes reverse. AUM is declining, incentive fees are falling, and the market may be correctly pricing in mean reversion to the 2023 trough rather than to the five-year median. The base multiple of 16x is below the median of 20.5x, but if the market's fear is justified, the multiple could stay at 14.7x or fall to 12x, leaving no upside. Transaction-based revenues are inherently variable by size, timing, and geography. The 2021-2023 drawdown showed operating income falling 44.75% and EPS falling 74.72% when transaction volumes reversed. AUM declined 3% to \$86.4B in 2025, with dispositions/withdrawals of \$8.7B exceeding acquisitions of \$5.9B. Incentive fees fell 35%. Anticipated lower fees from funds in Asia Pacific and elongated deal timelines in parts of Europe suggest the current transaction cycle may not be durable. If transaction revenues flatten or decline, the 4.65% operating margin could compress, and the multiple could revert to the five-year minimum of 12.01x, implying a bear target of \$275.22, 10.3% below the current price.

Valuation

JLL is a services business with low capital intensity (capex data unavailable in the fact sheet, making FCFF uncomputable), so the DCF calculator cannot run. Earnings are positive and sustainable: TTM diluted EPS of \$20.85, trailing P/E of 14.72, interest coverage of 12.4x, net debt/EBITDA of 0.56x, and a five-year history of positive EPS in every year. The business generates cash through commissions, management fees, and subscription revenue, making an earnings multiple the appropriate valuation lens.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	12.0x forward EPS \$22.93 (reported diluted, growth +10.0%)	\$275.22	-10.3%
Base (P/E)	16.0x forward EPS \$22.93 (reported diluted, growth +10.0%)	\$366.96	+19.6%
Bull (P/E)	22.0x forward EPS \$22.93 (reported diluted, growth +10.0%)	\$504.57	+64.5%

- Anchors from the company's own history: base-case growth band +1.4% to +52.1% a year; worst revenue decline -8% (2019-2020); own trailing P/E 12.01-40.44x (median 20.52x) over the last five fiscal year ends.
- Probability-weighted value \$378.43 (+23.3% vs price) at 25%/50%/25% weights.

Bear case (25% probability, \$275.22): Transaction-based revenues in Capital Markets and Leasing flatten or decline as deal timelines elongate in Europe and broader market volumes revert. AUM continues to shrink, incentive fees remain depressed, and the operating margin compresses from 4.65% toward the 2023 trough level. The multiple reverts to the five-year minimum of 12x, reflecting the market's memory of the 2021-2023 drawdown. Base case (50% probability, \$366.96): Transaction revenues grow at mid-single-digit rates, consistent with the 3-year revenue CAGR of 7.8% and 5-year CAGR of 9.5%. Operating leverage persists as platform expenses grow slower than revenue. The multiple expands modestly from 14.7x to

16x, within the company's own five-year range, reflecting investment-grade quality, low leverage, and the consolidation narrative. Bull case (25% probability, \$504.57): Technology and SaaS revenue streams become a larger share of the mix, reducing transaction-cycle sensitivity. Industry consolidation through M&A adds market share. AUM stabilizes or recovers, restoring incentive fees. The multiple expands to 22x, consistent with the 2024 P/E of 22.4x when earnings were recovering, reflecting a structurally higher-quality earnings stream.

No listed peer was judged comparable. No frozen peer tree is available for this quarter (anchors.peers status: unavailable). No comparables can be judged. JLL's own trailing P/E of 14.72x sits below its five-year median of 20.52x and within its own range of 12.01-40.44x. Revenue growth of 11.45% (last year) and 10.99% (YTD), operating margin of 4.65%, net margin of 3.64%, and net debt/EBITDA of 0.56x are the only available anchors. Without peer data, the multiple is justified solely against the company's own five-year P/E history and its growth, quality, and leverage profile.

What would change the view

Key debates

- Transaction-based revenue sustainability: Capital Markets (+24%) and Leasing (+12%) drove last year's 11% revenue growth and 45% EPS growth. These are inherently variable by size, timing, and geography. A reversal to flat or declining transaction volumes would compress operating income and EPS sharply, as the 2021-2023 drawdown showed (operating income fell 44.75%, EPS fell 74.72%). (Capital Markets Services revenue \$1,874.5M (+24%); Leasing \$2,901.6M (+12%); operating income worst drawdown -44.75% in 2021-2023; transaction-based revenues inherently variable by size, timing, and geography.)
- AUM trajectory and Investment Management fees: AUM declined 3% to \$86.4B in 2025, with dispositions/withdrawals (\$8.7B) exceeding acquisitions (\$5.9B). Advisory fees were flat, incentive fees fell 35%. If AUM continues to shrink, the fee base erodes and the 2023 trough (net income \$225.4M, EPS \$4.67) could recur. (AUM \$86.4B, down 3%; dispositions/withdrawals \$8.7B exceeded acquisitions \$5.9B; incentive fees \$39.1M (-35%); anticipated lower fees from funds in Asia Pacific.)
- Margin expansion through technology and platform leverage: Platform operating expenses grew 8% vs 11% revenue growth in 2025, demonstrating operating leverage. AI platforms (JLL Falcon, Azara, GPT, LeasingOS) and SaaS subscriptions (Building Engines, Corrigo) could sustain margin gains. If technology adoption stalls or competitive pressure forces fee concessions, the 4.65% operating margin could compress. (Platform operating expenses grew 8% vs 11% revenue growth; double-digit software growth outpaced declines in technology solutions; competitive environment may require compromising on liability limitations, indemnification, credit terms.)

Exposures (verified against the filing)

- Interest rates, negative for the equity: Variable-rate Facility borrowings increase interest expense when rates rise, compressing net income and reducing the earnings multiple's denominator quality.
- Currencies, mixed for the equity: Two-thirds of employees are outside the United States; revenue and operating income are affected by GBP, EUR, and other currency movements. A stronger USD compresses reported earnings for a US-listed company.

Sensitivities the company discloses

- Interest rates on variable-rate Facility: 50 basis points higher gives Interest expense, net of interest income, would have been \$3.5 million higher
- British pound-to-U.S. dollar exchange rate: 10% higher throughout 2025 gives Reported operating income would have increased by \$11.8 million
- Euro-to-U.S. dollar exchange rate: 10% higher throughout 2025 gives Reported operating income would have increased by \$7.4 million

Catalysts

- Management's raised full-year Adjusted EPS target (34% growth at midpoint) delivering in Q3/Q4 2026, confirming the operating leverage is structural rather than cyclical
- Continued outperformance in Capital Markets and Leasing relative to broader market volumes, reinforcing the consolidation narrative
- AUM stabilization or recovery in Investment Management, reversing the 3% decline and restoring incentive fee income
- Technology and SaaS revenue growth (Building Engines, Corrigo) becoming a larger share of the mix, reducing transaction-cycle sensitivity
- Share repurchases under the \$2.2 billion authorization reducing the share count and supporting EPS
- Industry consolidation through M&A, which management explicitly pursues, adding market share in a fragmented sector

Invalidation

- Capital Markets Services or Leasing Advisory revenue declining year-over-year in Q3 or Q4 2026, signaling the transaction cycle has peaked
- AUM falling below \$80 billion or incentive fees declining further, confirming structural fee-base erosion in Investment Management
- Operating margin compressing below 4.65% as platform expenses outpace revenue growth, reversing the demonstrated operating leverage
- Loss of a major client or disruption of key relationships across multiple business lines, as flagged in the risk disclosures
- Credit losses from the \$140.3 billion loan servicing portfolio or the \$869.2 million captive finance receivables book exceeding prior-year levels
- Management guidance for 2027 falling below the 34% Adjusted EPS growth midpoint, contradicting the current trajectory

Risks

- Transaction-based revenue volatility: Capital Markets and Leasing revenues are inherently variable by size, timing, and geography, creating earnings swings as large as the 2021-2023 drawdown (EPS fell 74.72%)
- AUM decline in Investment Management: dispositions/withdrawals of \$8.7B exceeded acquisitions of \$5.9B in 2025, and anticipated lower fees from Asia Pacific funds could further erode the fee base
- Credit exposure: \$140.3 billion loan servicing portfolio and \$869.2 million captive finance receivables create provisions risk, as the prior-year \$14 million loan loss charge

demonstrated

- FX sensitivity: two-thirds of employees are outside the U.S.; a stronger USD compresses reported earnings (GBP 10% higher would have added \$11.8M to operating income; EUR 10% higher would have added \$7.4M)
- Interest rate sensitivity: 50 basis points higher rates would have increased interest expense by \$3.5 million in 2025, compressing net income
- Client concentration: loss of a major client could jeopardize relationships across all business lines
- Cybersecurity and data privacy risks, particularly reliance on third-party cloud providers
- Talent retention in a competitive market, with recent increases in serious safety incidents including fatalities

Short side

A short is not compelling at the current price. The base-case value of \$366.96 exceeds the \$306.81 price by 19.6%, and the bear case at 12x on \$22.93 EPS yields \$275.22, only 10.3% below the price. The balance sheet is investment-grade (Baa1/BBB+), net debt/EBITDA is 0.56x, interest coverage is 12.4x, and the company is generating positive free cash flow with a \$3.4 billion liquidity position. Borrow availability is not assessed in the supplied material. Squeeze risk is low given the company's size and index inclusion. The unbounded loss on a short is not justified by a 10.3% bear-case downside when the base case shows upside. Timing is unfavorable for a short given management's raised guidance and record Q2 results.

Open questions

Will Capital Markets and Leasing transaction volumes sustain the 24% and 12% growth rates, or mean-revert toward the broader market growth of 18% and 2% respectively? (forecast uncertainty)

The base case assumes 10% EPS growth, below the current 11% revenue growth and well below the 45% EPS rebound. If transaction volumes flatten, the 16x multiple may not hold. Monitor Q3/Q4 2026 segment revenue for signs of deceleration. Watch: Capital Markets or Leasing Advisory revenue declining year-over-year in any quarter of 2026 or 2027

Will AUM stabilize or continue declining, and will incentive fees recover from the 35% decline? (forecast uncertainty)

AUM at \$86.4B is down 3%. Dispositions exceeded acquisitions by \$2.8B. Anticipated lower fees from Asia Pacific funds add downside. The base case does not assume AUM recovery, so this is a risk rather than a required assumption. Watch: AUM falling below \$80 billion or incentive fees declining further in Q3/Q4 2026

What is the capex and capitalized software spending level, given the data gap in the fact sheet? (missing fact)

Capex data is unavailable in the fact sheet, which is why the DCF could not be run. For an earnings-multiple approach, this does not block the conclusion. The technology segment's double-digit growth and D&A up 37% suggest meaningful investment, but the exact level is not disclosed in the excerpts. Watch: Capex or capitalized software figures disclosed in the next annual report or 10-K

Has any of the \$199.9 million current debt matured or been refinanced between 2026-06-30 and 2026-10-02? (missing fact)

The fact sheet notes 94 days between the balance-sheet date and the price date. The debt line items show \$199.9 million in current maturities. This does not change the earnings-multiple valuation but could affect interest expense in Q3. Watch: Q3 2026 10-Q debt schedule or refinancing disclosures

Limitations

The earnings-multiple approach relies on a 10% forecast growth rate, which is below the current 11% revenue growth and the 56% YTD operating income growth. If the current spike is cyclical rather than structural, the 10% assumption may be too high. The base multiple of 16x is below the five-year median of 20.5x but above the trailing 14.7x, so it assumes some multiple expansion. No peer comparables are available (the fund's peer tree is unavailable for this quarter), so the multiple is justified solely against JLL's own five-year P/E history. Capex data is unavailable, preventing a DCF or FCFF calculation. The captive finance book (\$700.3 million debt funding \$869.2 million receivables) is excluded from net debt and WACC weights, which is appropriate for a services business but means the finance arm's credit-loss risk is not fully captured in the multiple. The \$14 million prior-year loan loss charge is excluded from the TTM EPS calculation, which is correct for trailing figures but means the TTM EPS of \$20.85 does not reflect a potential recurring credit-loss provision. The assumption of 10% growth was reasonable at the time of the valuation plan but should be revisited if transaction revenues decelerate in Q3/Q4 2026. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: core line items missing:capex; exposure quote unverified:credit; exposure quote unverified:customer concentration.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-19 (accession 0001037976-26-000037).

10-Q for the quarter ended 2026-06-30, filed 2026-07-30 (accession 0001037976-26-000152).

8-K for the earnings release dated 2026-07-30, filed 2026-07-30 (accession 0001037976-26-000150).

- Price: historical close of \$306.81 on 2026-10-02.
- 8 cited claims and 14 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: qwen3.8-flash-next-iq2_xs · run discovery-20260911 · job 511 · memo SHA-256 233832c5eec0025d... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.