

JONES LANG LASALLE INC
Form 10-Q
August 06, 2008

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-13145

Jones Lang LaSalle Incorporated
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or
organization)

36-4150422
(I.R.S. Employer Identification No.)

200 East Randolph Drive, Chicago, IL
(Address of principal executive offices)

60601
(Zip Code)

Registrant's telephone number, including area code: 312-782-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock (par value \$0.01) as of the close of business on August 1, 2008 was 32,446,150.

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Part I
Item 1. Financial Information
Financial Statements

JONES LANG LASALLE INCORPORATED

Consolidated Balance Sheets

June 30, 2008 and December 31, 2007

(\$ in thousands, except share data)

	June 30, 2008 (unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,650	78,580
Trade receivables, net of allowances of \$26,796 and \$13,300	665,137	834,865
Notes and other receivables	65,155	52,695
Prepaid expenses	39,017	26,148
Deferred tax assets	89,281	64,872
Other	22,857	13,816
Total current assets	949,097	1,070,976
Property and equipment, net of accumulated depreciation of \$228,751 and \$198,169	220,174	193,329
Goodwill, with indefinite useful lives	865,184	694,004
Identified intangibles, with finite useful lives, net of accumulated amortization of \$24,676 and \$68,537	44,663	41,670
Investments in real estate ventures	177,399	151,800
Long-term receivables, net	46,927	33,219
Deferred tax assets	52,578	58,584
Other, net	55,740	48,292
Total assets	\$ 2,411,762	2,291,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 254,221	302,976
Accrued compensation	290,533	655,895
Short-term borrowings	23,288	14,385
Deferred tax liabilities	4,997	727
Deferred income	30,364	29,756
Deferred business acquisition obligations	45,168	45,363
Other	73,354	60,193
Total current liabilities	721,925	1,109,295
Noncurrent liabilities:		
Credit facilities	441,529	29,205
Deferred tax liabilities	1,470	6,577
Deferred compensation	40,718	46,423
Pension liabilities	1,101	1,096
Deferred business acquisition obligations	34,384	36,679
Other	53,237	43,794
Total liabilities	1,294,364	1,273,069

Commitments and contingencies		
Minority interest	9,939	8,272
Shareholders' equity:		
Common stock, \$.01 par value per share, 100,000,000 shares authorized; 31,929,669 and 31,722,587 shares issued and outstanding	319	317
Additional paid-in capital	476,312	441,951
Retained earnings	495,908	484,840
Shares held in trust	(1,980)	(1,930)
Accumulated other comprehensive income	136,900	85,355
Total shareholders' equity	1,107,459	1,010,533
Total liabilities and shareholders' equity	\$ 2,411,762	2,291,874

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Earnings

For the Three and Six Months Ended June 30, 2008 and 2007

(\$ in thousands, except share data) (unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue	\$ 659,515	676,086	1,223,435	1,166,139
Operating expenses:				
Compensation and benefits	431,175	436,265	810,047	761,922
Operating, administrative and other	171,875	126,517	332,741	242,253
Depreciation and amortization	18,268	12,309	34,714	24,935
Restructuring credits	—	—	(188)	(411)
Operating expenses	621,318	575,091	1,177,314	1,028,699
Operating income	38,197	100,995	46,121	137,440
Interest expense, net of interest income	3,560	3,830	4,736	5,668
Gain on sale of investments	—	3,703	—	6,129
Equity in earnings (losses) from real estate ventures	969	6,368	(1,244)	6,502
Income before provision for income taxes and minority interest	35,606	107,236	40,141	144,403
Provision for income taxes	8,973	28,632	10,116	38,556
Minority interest, net of tax	1,114	—	1,666	—
Net income	\$ 25,519	78,604	28,359	105,847
Net income available to common shareholders (Note 9)	\$ 24,516	77,932	27,356	105,175
Basic earnings per common share	\$ 0.77	2.45	0.86	3.30
Basic weighted average shares outstanding	31,876,045	31,828,364	31,824,435	31,878,811
Diluted earnings per common share	\$ 0.73	2.32	0.82	3.12
Diluted weighted average shares outstanding	33,458,081	33,655,359	33,340,225	33,664,471

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED
 Consolidated Statement of Shareholders' Equity
 For the Six Months Ended June 30, 2008
 (\$ in thousands, except share data) (unaudited)

	Common Stock Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Shares Held in Trust	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2007	31,722,587	\$ 317	441,951	484,840	(1,930)	85,355	\$ 1,010,533
Net income	—	—	—	28,359	—	—	28,359
Shares issued under stock compensation programs	207,082	2	4,479	—	—	—	4,481
Tax benefits of vestings and exercises	—	—	2,214	—	—	—	2,214
Amortization of stock compensation	—	—	27,668	—	—	—	27,668
Dividends declared	—	—	—	(17,291)	—	—	(17,291)
Shares held in trust	—	—	—	—	(50)	—	(50)
Foreign currency translation adjustments	—	—	—	—	—	51,545	51,545
Balance at June 30, 2008	31,929,669	\$ 319	476,312	495,908	(1,980)	136,900	\$ 1,107,459

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Cash Flows
 For the Six Months Ended June 30, 2008 and 2007
 (\$ in thousands) (unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from operating activities:		
Net income	\$ 28,359	105,847
Reconciling net income to net cash from operating activities:		
Depreciation and amortization	34,714	24,935
Equity in losses (earnings) from real estate ventures	1,244	(6,502)
Gain on sale of investments	—	(3,703)
Operating distributions from real estate ventures	59	8,147
Provision for loss on receivables and other assets	14,075	6,518
Amortization of deferred compensation	31,523	26,280
Minority interest, net of tax	1,666	—
Amortization of debt issuance costs	674	296
Change in:		
Receivables	166,139	27,124
Prepaid expenses and other assets	(25,429)	(7,652)
Deferred tax assets, net	(20,394)	(1,064)
Excess tax benefits from share-based payment arrangements	(2,214)	(3,754)
Accounts payable, accrued liabilities and accrued compensation	(403,621)	(156,169)
Net cash (used in) provided by operating activities	(173,205)	20,303
Cash flows from investing activities:		
Net capital additions – property and equipment	(50,785)	(45,396)
Business acquisitions	(168,249)	(66,697)
Capital contributions and advances to real estate ventures	(23,643)	(20,663)
Distributions, repayments of advances and sale of investments	6	24,075
Net cash used in investing activities	(242,671)	(108,681)
Cash flows from financing activities:		
Proceeds from borrowings under credit facilities	926,032	609,629
Repayments of borrowings under credit facilities	(504,806)	(509,119)
Debt issuance costs	(5,683)	(450)
Shares repurchased for payment of employee taxes on stock awards	(1,832)	(857)
Shares repurchased under share repurchase program	—	(21,815)
Excess tax benefits from share-based payment arrangements	2,214	3,754
Common stock issued under stock option plan and stock purchase programs	6,312	6,193
Payment of dividends	(17,291)	(12,056)
Net cash provided by financing activities	404,946	75,279
Net decrease in cash and cash equivalents	(10,930)	(13,099)