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EDITED TRANSCRIPT

CBG - CBRE Group Inc Enters into Definitive Agreement to Acquire the Global Workplace Solutions Business of Johnson Controls Inc Corporate Call

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OVERVIEW:

CBG reported that it has reached an agreement with Johnson Controls (JCI) to acquire its Global Workplace Solutions (GWS) business for $1.475b or $1.300b, after netting the present value of expected tax benefits.

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CORPORATE PARTICIPANTS

Steve Iaco *CBRE Group Incorporated - Senior Managing Director, IR & Corporate Communications*

Bob Sulentic *CBRE Group Incorporated - President & CEO*

Jim Groch *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Bill Concannon *CBRE Group Incorporated - CEO, Global Corporate Services*

CONFERENCE CALL PARTICIPANTS

Tony Paolone *JPMorgan - Analyst*

Brad Burke *Goldman Sachs - Analyst*

David Ridley-Lane *BofA Merrill Lynch - Analyst*

Brandon Dobell *William Blair & Company - Analyst*

PRESENTATION

Operator

Greetings, and welcome to the conference call on CBRE's acquisition of Global WorkPlace Solutions. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation.

(Operator Instructions)

As a reminder, this conference is being recorded. It's now my pleasure to introduce your host, Steve Iaco, Director of Investor Relations. Please go ahead, sir.

Steve Iaco - *CBRE Group Incorporated - Senior Managing Director, IR & Corporate Communications*

Thank you and welcome to CBRE's conference call to discuss our acquisition of the Global WorkPlace Solutions business from Johnson Controls. About two hours ago, we issued a press release announcing this acquisition. The release is available on the web -- on the homepage of our website at www.cbre.com.

This conference is being webcast and is available on the Investor Relations section of our website. Also available is a presentation slide deck, which you can use to follow along with our prepared remarks. An audio archive of the website and a PDF version of the slide presentation will be posted to the website later today, and a transcript of our call will be posted tomorrow.

Please turn to the slide labeled Forward-Looking Statements. This presentation contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding the expected closing date of the acquisition, expected cost synergies and earnings accretion, expected tax benefits, expected financing sources for the transaction, and the ability of the parties to successfully integrate the Global WorkPlace Solutions business with CBRE's existing operations globally.

Except to the extent required by securities laws, we undertake no obligation to update or publicly revise any of the forward-looking statements you may hear today. For a full discussion of the risks and other factors that may impact any forward-looking statements that you may hear today, please refer to our most recent annual report on Form 10-K, which is filed with the SEC and is available at www.sec.gov.

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Please turn to slide 3. Joining me on today's call to discuss the Global WorkPlace Solutions acquisition are Bob Sulentic, our President and Chief Executive Officer, and Jim Groch, our Chief Financial Officer and Global Director of Corporate Development. In addition, our CEO of Global Corporate Services, Bill Concannon, will join for the Q&A period. Please turn to slide 4 as I hand the call over to Bob. Thanks.

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Thank you, Steve, and thanks to all who are joining us for this call this morning. We're delighted to have reached agreement with Johnson Controls to acquire its Global WorkPlace Solutions business. We expect to complete the acquisition in the third quarter or early fourth quarter of this year and it is expected to be materially accretive to our adjusted earnings per share in 2016.

GWS is a business we've long admired. It is a leader in the delivery of integrated facilities management services with best-in-class expertise in building technical engineering and has deep relationships with a long list of premiere global corporations. We are particularly excited about how well this acquisition fits with our strategy.

First, it is consistent with our strategy of having a full suite of top-quality integrated services delivered by top talent in key markets around the world. Next, it is consistent with our strategy of growing our relationships with the world's leading occupiers, and creating outcomes for them that are hard for others to replicate.

Third, it is a consistent with our strategy of maintaining a business balanced across business lines with strong and resilient secular growth. Finally, this acquisition is consistent with our strategy of prudently managing our balance sheet, as we invest our cash flow over time to grow the business.

We are also excited about how well the two cultures fit together. When the transaction closes, John Murphy, GWS's President and his talented team will become an integral part of our GCS business. The top dozen GWS leaders have signed employment agreements with us effective on closing, and John will serve as Global Chief Operating Officer for the combined outsourcing business under our CEO of Global Corporate Services, Bill Concannon.

The skills of the two leadership teams are complementary and fit together extremely well. With today's announcement, our Company is again demonstrating the key role that M&A plays in complementing and supporting our organic growth strategy. M&A has long been a well-developed competency for our firm, and one that we have sharpened significantly in recent years.

This is our third large acquisition since year-end 2010, plus more than 30 in-fill acquisitions over that period, all designed to improve our ability to serve clients with the best, most comprehensive suite of services. We believe the capabilities of our corporate development team are unparalleled in our sector and provide a distinct advantage as we continue to drive CBRE's growth.

Now, I'm pleased to turn the call over to Jim Groch, who among other duties, has been responsible for leading our M&A activities for the past six years.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Thank you, Bob.

Please turn to slide 5. As you saw from our press release we are acquiring JCI's Global WorkPlace Solutions business, or GWS, for $1.475 billion, or $1.300 billion after netting the present value expected tax benefits. This net purchase price reflects a multiple of approximately 8 times GWS's calendar year 2014 EBITDA with run rate synergies.

We expect to fund the acquisition through a combination of cash and the proceeds from the occurrence of debt, while maintaining a strong and secure balance sheet. We project our net debt to normalized EBITDA ratio after the transaction to be approximately 1.7 at year-end 2015, and this ratio should decline relatively quickly from there.

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Please turn to slide 6. A little more background on GWS; it is a leading provider of integrated facilities management solutions for major occupiers of commercial real estate, with operations in more than 50 countries around the world. It helps multinational companies reduce costs while improving the performance of their facilities.

GWS is particularly adept and leads our sector in serving mission-critical facilities, such as data centers, labs, and manufacturing plants. These are highly specialized facilities often in rapidly growing sectors. GWS is also at the leading edge of innovation in engineering excellence, management of global supply chains and energy management.

Total GWS revenue in 2014 was $3.4 billion, with fee revenue of $1.9 billion. It employs about 16,000 people globally, many of whom are dedicated, on site, building mechanical and electrical engineers. These professionals serve a well-balanced portfolio, totaling 1.2 billion square feet, with about 45% in Europe, 30% in the Americas, and 25% in Asia Pacific. Combined with our existing property and corporate facilities management portfolio, we expect to manage nearly 5 billion square feet when the transaction closes.

GWS also has an enviable client roster. It serves about a third of the 100 largest global companies, as tracked by Forbes Magazine. A typical contract is for five years. The average tenure of their 50 largest clients is approximately 12 years and these leading global companies account for approximately 90% of GWS's total revenue in 2014.

Please turn to slide number 7 as we discuss the strategic rationale for this acquisition. I will take a moment to describe key benefits for our clients, our shareholders and our employees. For our clients, GWS furthers our mission of helping to enhance their competitive position by aligning every aspect of how they lease, own, use, and operate their real estate. GWS adds scale, depth and expertise to our already robust occupier services platform.

For our shareholders, we are significantly augmenting a business line that already is both our fastest growing and our most stable business, with double-digit compounded annual revenue growth over the last decade. In addition, it is highly synergistic with our high-margin transaction businesses, most particularly, leasing. This acquisition solidifies CBRE's transformation to a balanced business mix, built around a focused and defensible strategy that is geared for long-term growth.

For our employees, it means more opportunity. This is especially true for our leasing professionals. The buying patterns of the largest companies continue to evolve where there are corporations purchasing their services on a national or global basis and demanding more from their service providers. We will continue to step in front of these trends to be best positioned to meet the needs of our clients, and to help our professionals protect and expand their key business relationships. Today, GWS derives less than 2% of its revenue from transaction services. We believe we can create significant value for GWS clients as they experience, over time, the depth of resources and talent that CBRE has to offer.

Finally, we are pleased to be establishing a ten-year strategic relationship with Johnson Controls. CBRE will provide Johnson Controls with a full suite of integrated corporate real estate services, including facility management, project management and transaction services on more than 50 million square feet of properties that they occupy around the world. In addition, Johnson Controls will now offer CBRE a factory direct relationship on HVAC equipment, building automation systems, and related services for our managed properties, allowing us to bring incremental value to our clients. Further, Johnson Controls and CBRE will also be jointly funding an initiative to drive innovation, to lower energy costs and create enhanced work environments for our clients.

Please turn to slide number 8. Clients have an increasing desire for fully integrated global real estate solutions, including the ability to self-perform building technical services. With the acquisition of Norland in late 2013, we added a best-in-class capability to fill this need in the UK and Ireland. With GWS, we are now adding an equally capable business and with scale, expertise and coverage across industry sectors, property types, and geographies in more than 50 countries.

The GWS team complements CBRE in numerous ways; they bring leadership and expertise in areas that are vital to our clients, including engineering excellence, global supply chain management and energy management. They also have a highly developed quality assurance program built around Lean Six Sigma principles. We believe GWS will greatly enhance our ability to create advantages for our clients and drive growth for CBRE.

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Please turn to slide 9. GWS's client base is highly complementary to our existing client base, with little overlap between the two firms. GWS has strong penetration in life sciences, technology, and industrial/manufacturing, which complements CBRE's traditional strength in financial services, healthcare and technology services. Together, we will several a highly diversified mix of business verticals that are well-represented across the global economy.

Please turn to slide 10. As our Global Corporate Services, or GCS, and Asset Services lines of business have become larger, we will be adding incremental information to our traditional line of business revenue reporting. Specifically, we have separated Asset Services, or landlord property management from GCS. We are also offering investors more information with a view of fee revenue by line of business.

Specifically, fee revenue will provide a view that comprises gross revenues less, one, client reimbursed costs associated with our employees who are dedicated to client facilities, and two, revenue related to subcontracted vendor work on behalf of our clients, typically, but not always structured as a pass-through expense.

The fee revenue view is a convention used by others in the real estate services industry. We have made this adjustment to the revenue for both GWS and CBRE and the adjustment takes place in the GCS and Asset Services revenue lines. Going forward, we intend to adopt this convention as a supplemental view for our quarterly reporting.

Please turn to slide number 11. The acquisition of GWS solidifies a more stable, resilient and long-term growth-oriented revenue and earnings profile for CBRE. Since 2006, fee revenue from contractual sources has increased nearly 5.5 times. Contractual revenue plus leasing, which is largely recurring, represents 76% of 2014 combined total fee revenue.

Notably, with GWS in 2014, we would have had three major business lines: Global Corporate Services, Leasing and Capital Markets, that each generated greater than $300 million of normalized EBITDA. Global Corporate Services is one of our contractual lines of business, which, together with Investment Management and our other contractual businesses in 2014, we've generated approximately $600 million of normalized EBITDA.

Please turn to slide number 12. We expect that GWS transaction to produce run rate annual synergies of $35 million, which we anticipate realizing over eight to ten quarters after closing. Now, I will turn the call back over to Bob for closing remarks.

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Thank you, Jim. Please turn to slide 13. As we conclude our remarks this morning, we want to be sure to leave you with a few key takeaways. We see the acquisition of GWS as highly complementary to CBRE's long-term strategy of building a balanced business geared for long-term growth.

The acquisition of GWS is a truly unique opportunity within our industry. GWS is a high quality business with long-term contractual relationships with leading global companies. It adds expertise, scale, and geographic coverage allowing us to do -- to deliver more value to our clients.

Needless to say, we are energized by today's announcement and what it means for CBRE's clients, employees and shareholders. GWS has enjoyed great success as a standalone, integrated facilities management business and we believe it will flourish as an integral part of CBRE's broadest -- broader service offering. With that, operator, we'll now open up the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. At this time, we'll be conducting a question-and-answer session.

(Operator Instructions)

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Our first question today is coming from Tony Paolone from JPMorgan. Please proceed with your question.

Tony Paolone - *JPMorgan - Analyst*

Thanks, good morning, and congratulations on the transaction. My first question is on just covering the purchase price and making sure I understand this. Is the $1.475 billion the full-on cash out the door? Just trying to understand the allocation to the tax benefit and what that meant?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes, Tony, that's correct.

Tony Paolone - *JPMorgan - Analyst*

So, so what it -- so you're writing $1.475 billion checks of calling out the tax benefit; is that an NOL that you're picking up or what is that?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

No, no, it's -- Tony, that's the amortization of goodwill and other assets.

Tony Paolone - *JPMorgan - Analyst*

So does that mean it, I guess, you're just allocating part of the price to some of the write-offs and thus the tax savings you'll get from that? I'm just trying to understand how you allocated it?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes. It's just simply the present value of the amortization of the goodwill and other assets that we're allowed to amortize for tax.

Tony Paolone - *JPMorgan - Analyst*

Okay.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

That's relatively conservatively calculated.

Tony Paolone - *JPMorgan - Analyst*

Got it. Okay. In terms of -- just trying to bridge if we look at sort of JCI's disclosure, they had about $4.1 billion of revenue associated with that business in their filings and you've got, I think, $3.4 billion. Just wondering what that difference is or if there's a part of the business you're not getting or something?

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Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Sure, Tony. Johnson Controls had joint venture operations in Canada and Australia, and they had a buy/sell provision earlier in the process where they sold their JV position in those ventures, so that's a piece of it. That a bit -- that explains the majority of it, really.

Tony Paolone - *JPMorgan - Analyst*

Okay. And just out of curiosity, if we look at that business under their ownership the last couple of years, it was actually declining a little bit on the top line. I'm just wondering how you guys think about it, and also, in the context of -- your existing facilities business has been growing, you know, double digits and what you kind of look like -- what you think the post-close growth rate of the combined business will be going forward?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes, so, I would say a couple of things. One, just looking at their numbers is a little tricky over the last few years. They've sold the JVs recently. There's -- there was some changes in how they allocate some of their internal overhead costs, and then they had a couple of clients that they were vacating basically. But I think we're quite excited about how that business will do within our full-service platform and feel pretty confident that the combined FM and Project Management business, there will be double-digit revenue and EBITDA growth.

Tony Paolone - *JPMorgan - Analyst*

And can you frame for us how you think about the cross-selling of leasing, sales, other services that you all provide and what that opportunity looks like? And also just as we look out maybe a year or two, what you'd look at to kind of measure the success of the deal?

Bill Concannon - *CBRE Group Incorporated - CEO, Global Corporate Services*

Sure. This is Bill Concannon. First of all, Tony, they run a larger account business, just like we do. But heretofore, it's been the IFM services, right, Integrated Facilities Management services, largely, to those large customers, and now the cross-sell opportunity inside CBRE has expanded given our larger Project Management business, our ability to do portfolio work, including transactions. So their business model, however, is very similar in a sense that they have account leaders or alliance directors running these large relationships the way we do here at CBRE.

Tony Paolone - *JPMorgan - Analyst*

Okay. Just, last question for me. As -- what do you think you'll use in terms of your line capacity to close this, given that, I guess you'll produce some free cash flow between now and the time it gets wrapped up?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes, Tony, we've, probably in the end, will end up using much of, if any, of our line capacity. In other words, you know we're generating a lot of cash flow, so we'll use cash and we'll -- and we'll put some -- put on place some new longer term debt for the remainder. And the line is just simply a back-up if the markets have any issues in the interim.

Tony Paolone - *JPMorgan - Analyst*

Okay. Thanks.

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Operator

Thank you.

(Operator Instructions)

Our next question today is coming from Brad Burke from Goldman Sachs. Please proceed with your question.

Brad Burke - *Goldman Sachs - Analyst*

Thank you. Good morning, guys. It's actually a question for Bill. I wanted to go back to something you had touched on just on the opportunity for revenue growth with the business. And I was hoping you could put it in the context of what you've -- what we've seen you do with the Norland. I mean, clearly, you've been successful taking that business, cross-selling some of the Norland products across the broader Global WorkPlace Solutions business.

I was hoping that you could compare the opportunity that you have with GWS with what you've already been able to do with Norland and how much of that is cross-selling some of the GWS businesses? And how much of that is being able to sell some of the transaction services that you had mentioned as offering upside?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Well, I mean, Brad, you're hitting right on the point there. It can -- it will go in both directions, right? We'll be able to sell the engineering, the maintenance excellence, some of their capability to our existing clients where we're not self-performing engineering today.

So round that out, and then on the other side, bring CBRE's kind of full suite of services, the transactions, et cetera, to those large customers. So to go in both directions, and we'll have very detailed programs by customer across geography to make sure they're getting full access to the combined business. So we're pretty enthused about that, but it's all going to be based at the account level.

Brad Burke - *Goldman Sachs - Analyst*

Is there any way to quantify the potential upside from that, or is it too early to say?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

It's probably too early to say, other than to say that the market, if you look at the market, it's really moving in the direction of supply chain management, so they don't want companies like CBRE to come in and be just the agent for the supply chain.

They want us to give them certainty and predictability of their total spend, so the way the market is buying, the way customers are expecting service now, this is one of the key reasons why we're enthused about the ability to grow off this space with GWS.

Brad Burke - *Goldman Sachs - Analyst*

Okay. That's helpful. I appreciate it. And then the margins on this business going back to look at the disclosures historically, I think that they had been doing a 2.3% EBIT margin in 2014. I think the Company had guided that the GWS would grow to 3.2% to 3.5% over the course of 2015.

So I'm wondering whether or not that's consistent with what you've expected, as you were underwriting the transaction there. I guess I'm wondering what you're expecting in terms of margin growth as you were underwriting, before the impact of the cost synergies that you laid out?

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Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes, Brad. We won't get too specific on margins, but what I would say is a couple of things. One, they -- just the way they account for some of their client contracts, they tend to have more pass-throughs in some of these contracts. If you look at it on a fee revenue basis, we anticipate with synergies to their margins will be pretty comparable to ours in the Facilities Management business.

Brad Burke - *Goldman Sachs - Analyst*

Okay. So and that's to next point, a lot of the difference between where they've historically run and what you have talked about would be attributed just to the mix of free revenue or pass-through revenue; is that right?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Exactly. And that's one the reasons that we've -- we're showing this, this additional view on fee revenue. A, it makes it more consistent with how we show our other lines of business, i.e., the other lines of business don't really have this pass-through impact. And B, just by virtue of the design of some of the contracts, you have a mix where some have more revenues included than others on the pass-through side, so that the fee revenue convention gives you, I think, a more clear view of the underlying margins.

Brad Burke - *Goldman Sachs - Analyst*

Got it. Okay. And you had said on the financing for the acquisition, it's going to be predominantly cash flow that you generate over the course of the year and then you're going to put in some permanent debt as opposed to using a revolver. I'm wondering because so much of this business is denominated in Europe and outside of the US, whether you would consider doing Euro-denominated debt or whether you would continue to issue US dollar debt.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

We have done Euro-denominated debt once in the past in recent years and we'll definitely consider all options, obviously, the Euro denominated debt is attractive today. There's a little bit of offset from the fact that we have a higher deduction and higher tax rate in the US on interest expense, but we'll run through all the options pretty thoroughly.

Brad Burke - *Goldman Sachs - Analyst*

Okay.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

We've got some time.

Brad Burke - *Goldman Sachs - Analyst*

Sure. And I guess this is a follow-up to what Tony was asking on the tax rate. So if I'm understanding this right, the acquisition is going to create a pretty significant increase in intangibles, you'll be amortizing those intangibles relatively quickly that creates the tax benefit and that's what you're referring to is the $200 million or so of present value of tax benefit. And I think historically, you've excluded that amortization from your normalized EPS. Would we anticipate that you would continue to do that?

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Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes, yes.

Brad Burke - *Goldman Sachs - Analyst*

Okay. And a tax rate on this business, just because it's so much outside of the US, would we assume that it would be lower than what you're currently running at, which is in the mid-30%s. I think that the way we've looked at that business historically, the GWS business being around 20%; is that a fair way to think about it?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

No, we won't be that low. We're estimating about 31% on the business, JCI and Industrial Company has a lot of other NOL and other tax benefits that have brought -- you know that has their rate that's lower. But just given the geographic mix on business we're acquiring, we're estimating about 31% tax rate on that.

Brad Burke - *Goldman Sachs - Analyst*

Got it. Okay. That's it for me. I appreciate it. Thanks, guys.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

You bet. Thank you.

Operator

Thank you. Our next question today is coming from David Ridley-Lane from Bank of America, Merrill Lynch. Please proceed with your question.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Sure. Trying to gauge the revenue synergies that this acquisition presents, if GWS generates 2% from transactions, what's the comparable metric for CBRE's Global Corporate Services business?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

The comparable metric about 15%, but I don't think -- we're not anticipating that to ramp up too quickly. I think we're going to take our time with these customers to make sure that they have a chance to get fully integrated and then begin to experience the other resources available to them. But, so I -- we see big opportunities over time, but we're not anticipating heavy revenue synergies in the first year or two.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Got it. And then the cost synergies of $35 million, just sort of comparing that to maybe the fee revenue base, it looks like only 2% to 3% of the cost based on, looking, you know, excluding the pass-throughs. Is that a pretty conservative number that you penciled in, you want to try and get it integrated and maybe there could be potential upside, or is that kind of your best estimate at this point?

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Bob Sulentic - *CBRE Group Incorporated - President & CEO*

I think it's a realistic estimate at this point. We are excited about bringing the combined resources of two really strong platforms together to put in front of our clients, so most, most of that is some back office type synergies that will be available to us as we put the two businesses together.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Okay. And then a quick numbers question. What is the 2014 GWS adjusted EBITDA number? We're not quoting that specifically, just because, but you can back into it a bit through the multiple that we've put out. Okay. Thank you.

Operator

Thank you. Our next question today is coming from Brandon Dobell, from William Blair. Pease proceed with your question.

Brandon Dobell - *William Blair & Company - Analyst*

Thanks, guys. What's been, I guess, customer reaction so far, and I guess on both sides? The GWS as well as the CBRE side? Did you have a chance to talk to customers going into this deal and get their feel for it or how is that process going to work now that you've got the acquisition out there?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Well, I -- we did not speak to clients in advance of this, but if you could, the email is buzzing pretty strong this morning, and it's all very, very positive. I mean, I think our big clients recognize there's very, there's really very few, if any other assets out there in the marketplace like GWS, and they know that the serving Global 1,000 companies means you have to be global, and, and we're really getting very favorable feedback.

Brandon Dobell - *William Blair & Company - Analyst*

Okay. As you guys think about the parallels between this deal and the Norland deal, looking at your expectations for, let's call it, revenue or cross-sell synergies with Norland, when you went into the transaction versus how the last year or so has played out, how did that work relative to your own expectations? And if there's any, you know, noticeable areas or parts of the thesis where it fell shorter or was above expectations, could you highlight those?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Well, you know, on Norland, first of all, they've hit plan, so a basic understanding, they've hit plan. The customer's reaction has been very positive. Our ability to cross-sell has definitely improved. Norland was a business primarily in the UK and Ireland. It enhanced our ability just in those markets. This business is going to be in 50 plus countries, so and once again, a large account business where Norland was executing more in the local, you know, within the country market or even the city market like London.

Brandon Dobell - *William Blair & Company - Analyst*

Right. Okay, so jumping on that for a second. From a larger account perspective, you know, do you guys feel you have the transactional cross-sell incentives set up the right way to really take advantage of kind of the crossover now with GWS? Or is it going to require any kind of, you know, switching around of the (inaudible) of the -- you know kind of how people are compensated or how they're aligned now?

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Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Yes, Brandon, we won't change our compensation schemes for our brokers or for our leadership team. We expect our people to cross-sell our services everywhere. And it's a deep-seated part of our culture that's worked well, and has elevated our Company. In this case, we have plans in place in a very organized way, with our global brokerage leadership to pursue additional work with these clients.

But only after, as Jim said, only after we have ensured that we're delivering to them the business, the core services that they're already receiving from GWS in a very top tier way, and the transition has been done in a satisfactory way, and then we'll go after that in an organized basis. But we have, within our business today, mechanisms to make sure that we're pursuing this kind of business on a cross-sell basis and our leadership team and our brokers have ample motivation as we're organized and compensated today.

Brandon Dobell - *William Blair & Company - Analyst*

All right. Guys, thanks. Appreciate it.

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Thanks Brandon.

Operator

Thank you. Our final question today is a follow-up from Tony Paolone from JPMorgan. Please proceed with your question.

Tony Paolone - *JPMorgan - Analyst*

Thanks, just on -- I just want to try to better understand the impact on your reported EPS going forward. So I guess we have a sense as to where EBITDA will shake out. We can apply some sort of capital costs, and then you know, what will be any incremental D&A that you'll bring on to the P&L for this transaction, like, what will that look like?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

It will, you know, we'll have some D&A that comes off of integration costs, but otherwise, it -- you know, we'll probably pick up another $25 million or so, consistent with their -- GWS's historical run rate.

Tony Paolone - *JPMorgan - Analyst*

So if we think about stabilized EBITDA after the cost saves of $185 million thereabouts, you would take off $25 million of D&A, and then apply kind of taxes to just understand what the sort of reported EPS impact is going to be; does that sound fair?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Well, we haven't quoted an EBITDA number for them, but the $185 million is high if you go to back in to the multiple that we've presented, I think you'll get to a lower number. But, yes, then if you back off from that, the run rate D&A, I think you'll get pretty close.

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Tony Paolone - *JPMorgan - Analyst*

Okay. I'm sorry. So the EBITDA, I guess, I was using the $1.475 billion, think about it as the $1.3 billion, and the 8 times, so it would be $160 million to $165 million of EBITDA; is that the way to think about it?

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Tony, what you're talking with is the -- with synergies. You're just basically backing into the net purchase price and the rough multiple that Jim quoted to get to the EBITDA number. Is that simply what you're doing?

Tony Paolone - *JPMorgan - Analyst*

Yes. And ultimately trying to get a sense of how this flows through on your reported results. So it sounds like the 8 times EBITDA is based on the $1.3 billion, not the $1.475 billion. Is that correct?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes. That's correct.

Tony Paolone - *JPMorgan - Analyst*

Then if I just do that math, it's something like in the low $160s million, and then if I think about what that will look like on your income statement, it sounds like you would then have another, call it, $25 million of D&A against that?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes. And some incremental interest expense, obviously.

Tony Paolone - *JPMorgan - Analyst*

Right. We'll assume some capital costs and then apply, I guess, sort of your normalized tax rate at this point for lack of a better number?

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes. That's correct.

Tony Paolone - *JPMorgan - Analyst*

Okay. Got it. And then just last question. It seems between this transaction and Norland, as you kind of talked about, it moves you into a little bit of a different spot in the supply chain versus where you historically kind of were. Does it introduce any other types of risks with respect to cyclically or changes in technology because it does seem like it's getting a bit more technical than it used to be as a business, and just how do you think about that?

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Bob Sulentic - *CBRE Group Incorporated - President & CEO*

Yes, Tony, I'm going to comment on that and then I'm going to ask Jim to comment on the technology side because he worked in a very deep way on this agreement that we have with JCI going forward. But in term -- we view this as a balancing of our business, a continued balancing of our business. This will be very contractual, very recurring revenue and EBITDA.

And it will be business that, over time, provides us with a significant cross-sell opportunity. So we believe from that perspective, it's a risk mitigant in of our Company overall. We're going to have -- this is a very large business. Our leasing business is very large, which is almost recurring.

Our Capital Markets business is very large, and then we have a group of other businesses that, in aggregate, are both a mixture of recurring and not recurring. We'll have over $600 million of contractual EBITDA. So we think that this is a balancing investment, a risk mitigating investment from an earning stream perspective.

And it does add technical capability that will, in fact, enhance our risk mitigation profile as it relates to underwriting contracts. We'll have capabilities we don't have today. And then beyond that, Jim, you may want to talk about the technology side of this thing, particularly as it relates to energy management and what we're doing there.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Yes. I mean, on that front, it just gives us a deeper base of technology resources to pull from, so Johnson Controls has done quite a bit of work with GWS on data around energy management and use of energy, and as you know, we've ramped up our focus on technology and data and being able to apply both better, to getting better outcomes for our clients, so this continues our focus on that front as well.

So I mean, I would just echo Bob's comments that this continues our focus on balancing the business in a holistic way, and increasing the contractual base of revenue and EBITDA that the firm enjoys today, and I think this is a very positive contribution in that direction.

Tony Paolone - *JPMorgan - Analyst*

Okay. Great. Thanks.

Jim Groch - *CBRE Group Incorporated - CFO & Global Director of Corporate Development*

Thank you.

Operator

Thank you. We've reached the end of our question-and-answer session. I would like to turn the floor back over to management for any further and closing comments.

Bob Sulentic - *CBRE Group Incorporated - President & CEO*

That's it. Thank you, everybody, for joining us. We're really excited about this opportunity and what it will do for our clients and our shareholders, and our employees. We look forward to talking to you more about it when we report our first quarter results in about a month.

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Operator

Thank you. That does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today. Thank you.

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