

# **Second Quarter 2004 Financial Results**

## **Investor Conference Call August 5, 2004**



This presentation contains statements that are forward looking within the meaning of the Private Securities Litigation Reform Act of 1995. 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, CB Richard Ellis undertakes no obligation to update or publicly revise any of the forward-looking statements that you may hear today. Please refer to our annual report on Form 10-K and our quarterly reports on Form 10-Q, which are filed with the SEC and available at the SEC's website (<http://www.sec.gov>), for a full discussion of the risks and other factors, that may impact any estimates that you may hear today. This is a public call and our responses to questions must be limited to information that is acceptable for dissemination within the public domain. In addition, we may make certain statements during the course of this presentation which includes 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 available in the second quarter earnings press release.

**Ray Wirta – Chief Executive Officer**

**Brett White - President**

**Ken Kay – Senior Executive Vice President and Chief Financial Officer**

**Ron Platisha – Executive Vice President of Finance**

**Gil Borok – Executive Vice President and Global Controller**

**Debbie Fan – Senior Vice President and Treasurer**

**Shelley Young – Director of Investor Relations**

- **Solid Second Quarter Performance**

- ✓ Strong revenue, EBITDA, net income and earnings per share performance

- **Deleveraging Balance Sheet**

- ✓ In 2004 (post-IPO), the company has repaid \$153 million or 19% of its debt, resulting in annual interest savings of \$16 million

- **Macro Trends**

- ✓ Stable job growth
- ✓ Robust investment property sales market
- ✓ Strong U.S. financing market
- ✓ Improving leasing fundamentals

- **Consolidated Financial Results**
- Segment Review
- Trends
- Guidance
- Summary
- Questions and Answers

## Q2 2004 Performance: Overview

- Revenue totaled \$550.9 million, 71% higher than the prior year quarter<sup>1</sup>
  - 7th straight quarter of double digit year over year organic revenue gains, 17% for the current quarter
- Net Income totaled \$3.0 million, as compared to \$5.2 million for the same quarter last year
  - Excluding one-time items, net income for the quarter was \$22.4 million, nearly three times the second quarter last year<sup>1</sup>
  - One-time items include the following:
    - \$0.9 million (\$0.6 million after tax) of amortization expense relating to the Insignia revenue backlog
    - \$15.0 million (\$9.4 million after tax) of merger-related charges and integration costs.
    - \$15.0 million (\$9.4 million after tax) one-time IPO-related compensation expense
- GAAP EPS was \$0.04 vs. Adjusted EPS of \$0.32<sup>2</sup>

1. Prior year quarter does not include results of Insignia. Net income was adjusted for one time merger-related items of \$3.3 million (\$2.8 million after tax).

2. All EPS information is based upon diluted shares.

- Operating Income totaled \$25.4 million, 18% higher than the same quarter last year<sup>1</sup>
  - Operating Income, excluding merger-related charges, integration costs, and IPO-related compensation expense, totaled \$56.3 million, 126% higher than last year
- EBITDA totaled \$39.0 million, 23% higher than the same quarter last year<sup>1</sup>

EBITDA was negatively impacted by the following one-time items:

- \$15.0 million of merger-related charges and integration costs
- \$15.0 million of one-time IPO-related compensation expense

1. Prior year quarter does not include results of Insignia. Operating income was adjusted for one time merger-related items of \$3.3 million.

# Q2 Financial Results

(\$ in millions)	2003				
	2004	Reported	% Change	Incl. Insignia <sup>1</sup>	% Change
Revenue	550.9	321.7	71	471.9	17
Cost of Services	272.6	153.1	78	231.6	18
Operating, Admin. & Other	230.5	137.4	68	201.4	14
Depreciation & Amortization	10.8	6.3	71	10.5	3
Merger-Related Costs	11.6	3.3	250	3.3	250
Operating Income	25.4	21.6	18	25.1	1
<u>One Time Costs:</u>					
Merger-Related Costs	11.6	3.3	250	3.3	250
Integration Costs	3.4	-	100	-	100
IPO-Related Compensation Expense	15.0	-	100	-	100
Backlog Amortization	0.9	-	100	-	100
Operating Income, excluding One Time Costs	56.3	24.9	126	28.4	98

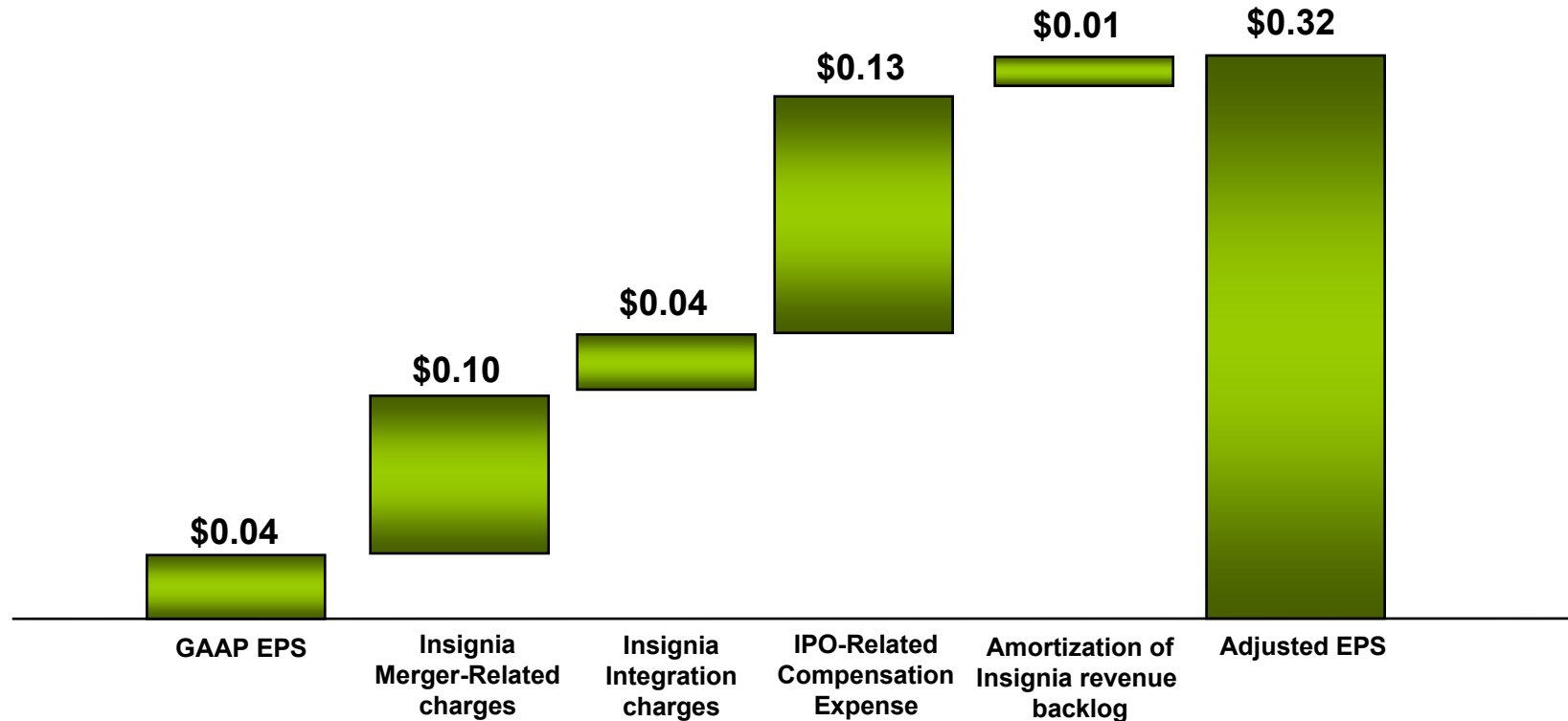
1. Includes reported results of Insignia's commercial operations which were purchased on 7/23/03. The financial information including Insignia is presented for informational purposes only and does not purport to represent what CB Richard Ellis' results of operations or financial position would have been had the Insignia acquisition in fact occurred prior to Q2 2003.

# Year-to-date Financial Results

(\$ in millions)	2003				
	2004	Reported	% Change	Incl. Insignia <sup>1</sup>	% Change
Revenue	991.9	585.4	69	865.6	15
Cost of Services	496.8	276.7	80	427.1	16
Operating, Admin. & Other	429.8	263.6	63	391.3	10
Depreciation & Amortization	27.7	12.5	121	20.7	34
Merger-Related Costs	21.5	3.3	551	3.3	551
Operating Income	16.1	29.4	-45	23.2	-31
<u>One Time Costs:</u>					
Merger-Related Costs	21.5	3.3	551	3.3	551
Integration Costs	8.8	-	100	-	100
IPO-Related Compensation Expense	15.0	-	100	-	100
Backlog Amortization	7.7	-	100	-	100
Operating Income, excluding					
One Time Costs	69.2	32.7	112	26.5	161

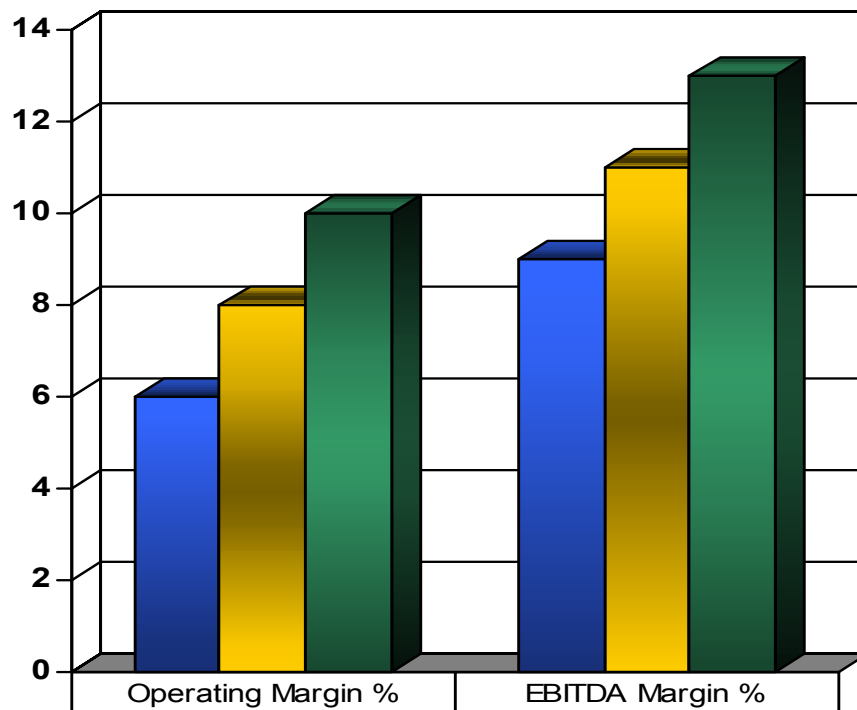
1. Includes reported results of Insignia's commercial operations which were purchased on 7/23/03. The financial information including Insignia is presented for informational purposes only and does not purport to represent what CB Richard Ellis' results of operations or financial position would have been had the Insignia acquisition in fact occurred prior to the first half of 2003.

## *Excluding One Time Costs related to Merger and IPO<sup>1</sup>*



1. All EPS information is based upon diluted shares.

# Q2 2004 Financial Margins



*Margin improvement due to:*

- *Revenue growth*
- *Disciplined cost management which resulted in lower operating expense rate*

	Operating Margin %	EBITDA Margin %
2003 Incl. Insignia	6	9
2003 Reported	8	11
2004	10	13

■ 2003 Incl. Insignia ■ 2003 Reported ■ 2004

Notes:

Operating and EBITDA margins exclude merger-related costs, integration expenses and IPO-related compensation expense. The financial information including Insignia is presented for informational purposes only and does not purport to represent what CB Richard Ellis' results of operations or financial position would have been had the Insignia acquisition in fact occurred prior to 2003.

# Consolidated Balance Sheets

**CB RICHARD ELLIS GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(\$ in millions)  
(Unaudited)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>	<u>YTD Variance</u>
<b>Assets:</b>			
Cash and cash equivalents	179.6	163.9	15.7
Restricted cash	12.0	14.9	(2.9)
Warehouse receivable <sup>(1)</sup>	219.9	230.8	(10.9)
Other current assets	422.4	429.4	(7.0)
Property and equipment, net	123.4	113.6	9.8
Goodwill and other intangible assets, net	946.3	951.3	(5.0)
Deferred compensation assets	79.1	76.4	2.7
Other assets, net	<u>236.3</u>	<u>233.3</u>	<u>3.1</u>
<b>Total assets</b>	<b><u><u>2,219.1</u></u></b>	<b><u><u>2,213.5</u></u></b>	<b><u><u>5.6</u></u></b>

1. Represents Freddie MAC loan receivables which is offset by the related non-recourse warehouse line of credit liability.

# Consolidated Balance Sheets (cont.)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>	<u>YTD Variance</u>
Liabilities:			
Current liabilities, excluding debt	468.0	552.0	(84.0)
Warehouse line of credit <sup>(1)</sup>	219.9	230.8	(10.9)
Senior secured term loan tranche B	280.0	297.5	(17.5)
11 <sup>1/4</sup> % senior subordinated notes	204.9	226.2	(21.3)
9 <sup>3/4</sup> % senior notes	200.0	200.0	0.0
16% senior notes	35.8	35.5	0.3
Other debt <sup>(2)</sup>	73.3	82.9	(9.6)
Deferred compensation liability	143.8	138.0	5.8
Other long-term liabilities	<u>131.9</u>	<u>111.0</u>	<u>20.9</u>
Total liabilities	1,757.7	1,873.9	(116.2)
Minority interest	8.2	6.7	1.5
Stockholders' Equity	<u>453.2</u>	<u>332.9</u>	<u>120.3</u>
Total liabilities and stockholders' equity	<u><u>2,219.1</u></u>	<u><u>2,213.5</u></u>	<u><u>5.6</u></u>

1. Represents the non-recourse warehouse line of credit which supports the Freddie MAC loan receivables.

2. Includes non-recourse debt relating to a building investment in Japan of \$42.6 million and \$43.7 million at June 30, 2004 and December 31, 2003, respectively.

# Year-to-date Cash Flow

(\$ in millions)	2004		2003	% Change vs. Normalized
	Reported	Normalized <sup>2</sup>		
Net Income	(13.6)	19.8	3.8	421
Depreciation and Amortization	32.7	28.2	15.6	81
Change in Working Capital and other Assets and Liabilities	(58.2)	(58.2)	(94.0)	38
Cash Flow from Operations	(39.1)	(10.2)	(74.6)	86
Capital Expenditures	(22.1)	(11.7)	(1.2)	-875
Net Co-Investment Activity	(4.7)	(4.7)	(6.3)	25
Other Investment Activity	1.1	1.1	9.9	-89
Cash Flow from Financing Activities <sup>1</sup>	82.7	82.7	14.2	482
Net Change in Cash <sup>1</sup>	17.9	57.2	(58.0)	199

1. Includes \$120.0 million of IPO proceeds paid out in 7/04 for bond redemption and payment of expense.

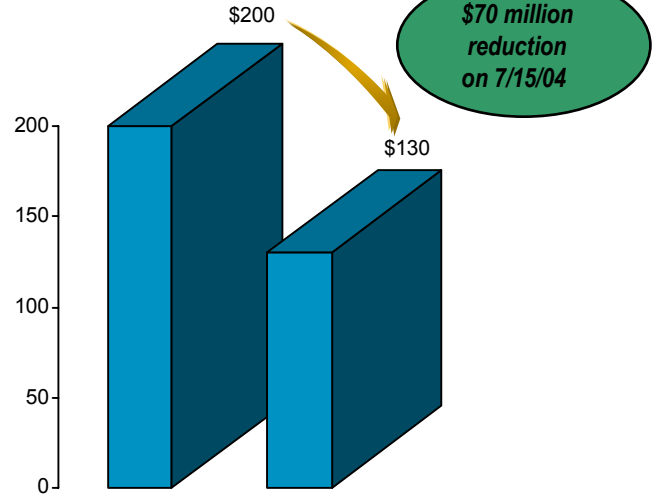
2. Normalized cash flow excludes amortization of Insignia revenue backlog (\$7.7 million pre-tax); Insignia merger and integration charges (\$30.3 million pre-tax); one-time IPO-related compensation expense (\$15.0 million pre-tax), and capital expenditures of \$10.4 million related to the Insignia integration.

# Year-to-date Cash Flow (cont.)

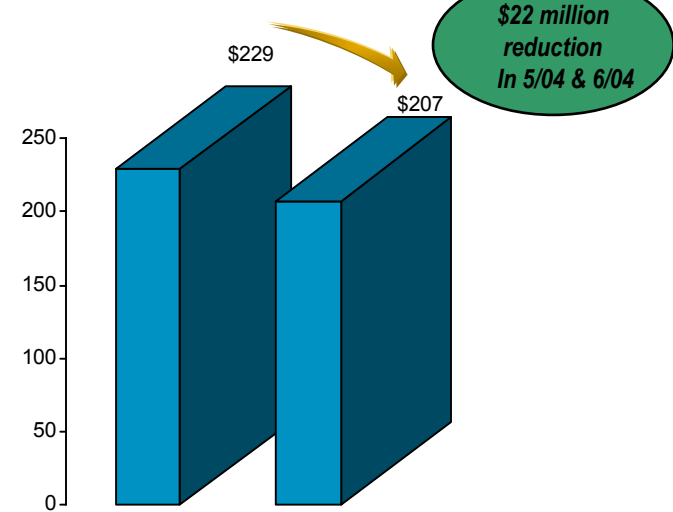
(\$ in millions)	<u>2004</u>	<u>2003</u>
Net Change in Cash (per cash flow statement)	57.2	(58.0)
Less:		
IPO proceeds used for bond redemption in July	(120.0)	
Revolver borrowing	-	(11.3)
Euro Line payments / (borrowing)	10.7	(8.0)
Redemption of 11 1/4% bonds	<u>21.6</u>	<u>-</u>
Adjusted Change in Cash	<u>(30.5)</u>	<u>(77.3)</u>

# Significant Debt Reduction from IPO Proceeds and Working Capital

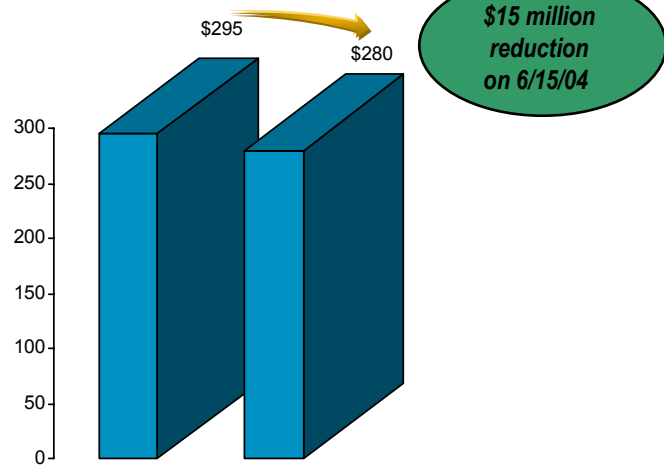
**9 3/4% Senior Notes**



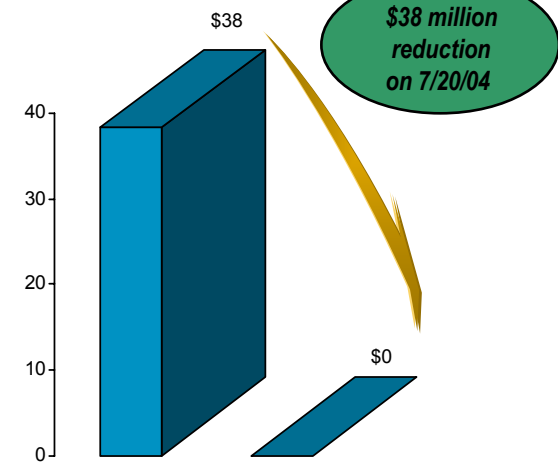
**11 1/4% Senior Subordinated Notes**



**Term B Loan**



**16% Senior Notes**



**\$145 Million Debt Reduction**

# Capitalization

(\$ in millions)	As of 6/30/04	
	Reported	Post IPO <sup>2</sup>
Cash	179.6	59.6
Revolver	0.0	0.0
Term B Loan	280.0	280.0
Other Debt <sup>1</sup>	30.7	30.7
9 3/4% Senior Notes	200.0	130.0
11 1/4% Senior Subordinated Notes	204.9	204.9
<b>Total CB Richard Ellis Services Debt</b>	<b>715.6</b>	<b>645.6</b>
16% Senior Notes	35.8	0.0
<b>Total Debt</b>	<b>751.4</b>	<b>645.6</b>
Shareholders' Equity	453.2	453.2
<b>Total Capitalization</b>	<b>1,204.6</b>	<b>1,098.8</b>

1. Excludes \$42.6 million of non-recourse debt related to co-investments and \$219.9 million of warehouse facility.

2. Post IPO reflects \$70.0 million of 9 3/4% Senior Note and \$35.8 million of 16% Senior Note redemptions that occurred in 7/04.

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# Q2 2004 Segment Performance

(In \$ millions)	Revenue			Adjusted Operating Income <sup>2</sup>		
	2004	2003 <sup>1</sup>	% Chg.	2004	2003 <sup>1</sup>	% Chg.
Americas	396.2	343.5	15%	43.2	19.2	125%
EMEA	115.2	96.0	20%	8.3	7.8	6%
Asia Pacific	39.6	27.1	46%	4.8	2.8	71%

1. Includes results of Insignia's commercial operations which were purchased on 7/23/03. The financial information including Insignia is presented for informational purposes only and does not purport to represent what CB Richard Ellis' results of operations or financial position would have been had the Insignia acquisition in fact occurred prior to Q2 2003.
2. Adjusted operating income excludes one time items including the amortization expense relating to the net revenue backlog acquired in the Insignia acquisition, merger-related and integration charges related to the Insignia acquisition, and IPO-related compensation expense.

# Q2 2004 Performance: Americas

(In \$ millions)	Revenue			Adjusted Operating Income <sup>2</sup>		
	2004	2003 <sup>1</sup>	% Chg.	2004	2003 <sup>1</sup>	% Chg.
Advisory Services	335.3	273.4	23%	40.0	17.8	125%
Outsourcing Services	49.2	61.6	-20%	1.4	1.3	8%
Investment Management	11.7	8.5	38%	1.8	0.1	1700%

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2. Adjusted operating income excludes one time items including the amortization expense relating to the net revenue backlog acquired in the Insignia acquisition, merger-related and integration charges related to the Insignia acquisition, and IPO-related compensation expense.

## Americas

- CIGNA – 8 million sq. ft. national outsourcing
- Sears Tower - 3.8 million sq. ft. leasing and management in Chicago

## EMEA

- Time Warner - completed a 450,000 sq. ft. office building sale in London
- Hammerson Plc - sale of its leasehold interests in the 302,000 square foot Euston Square Estate for \$225 million

## Asia Pacific

- Capital Land - \$100 million office building sale in Tokyo
- AIG Tower – Appointed leasing agent for new office tower in Hong Kong

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## Favorable

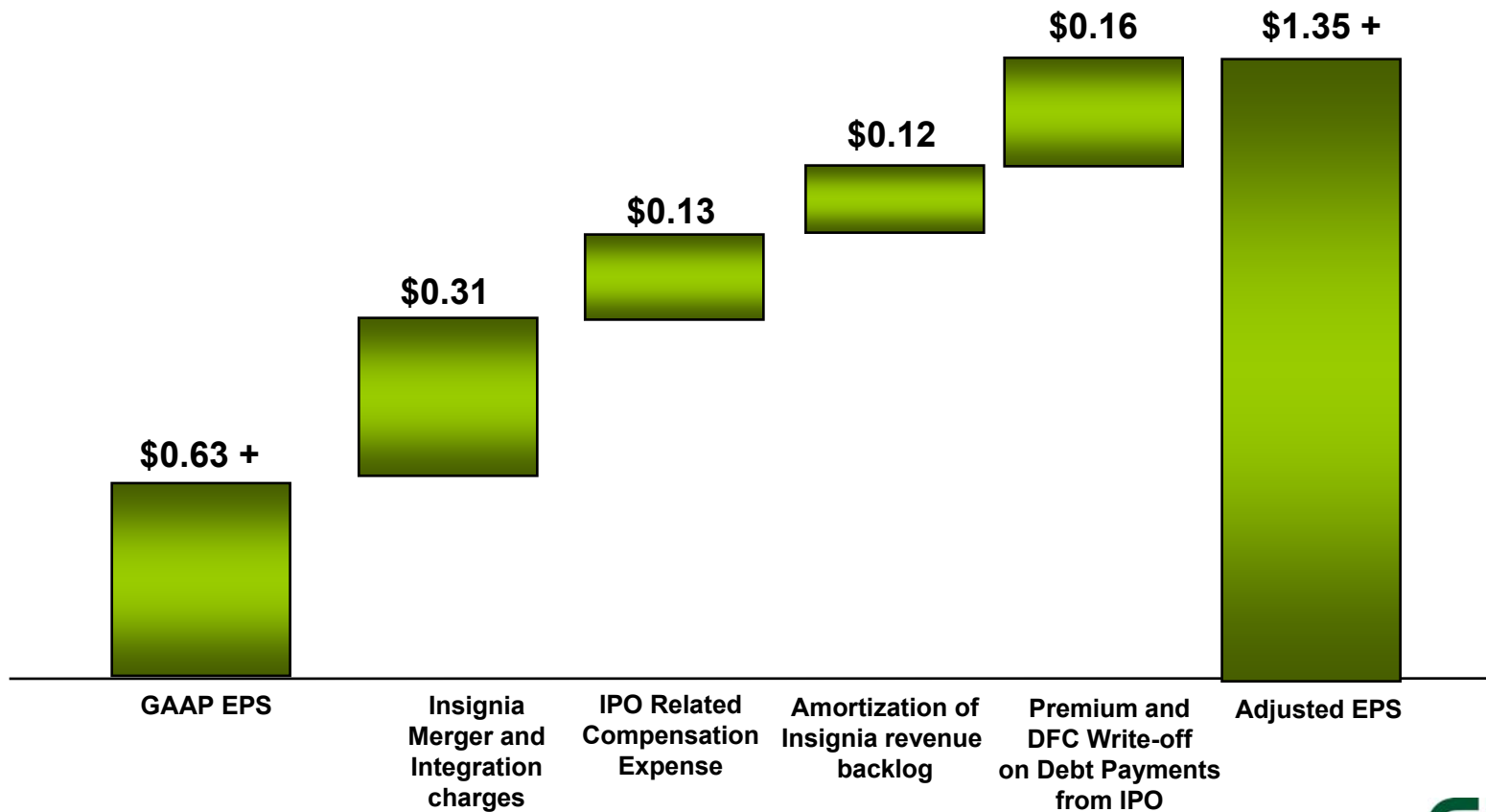
- *U.S. Sales transaction volume has surpassed 2003 by 26%*
- *Integration of Insignia acquisition is complete. Synergy savings exceeded expectations*
- *More management focus can be directed to further operational efficiency*
- *Sarbanes-Oxley compliance is ahead of SEC required schedule*
- *Lower interest expense due to debt reduction generates annual savings of \$16 million.*

## Unfavorable

- *Higher interest rate environment*
  - ✓ *We have seen increases in interest rates during 4 of the last 10 years. During these 4 years, the Company averaged organic revenue growth in excess of 12%.*
  - ✓ *Despite increases in interest rates, our mortgage banking business, L.J. Melody & Co., is running 42% ahead of last year's revenue on a year-to-date basis.*

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- Full year revenue is anticipated to be \$2.1 billion



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- **Deleveraging Balance Sheet**

- ✓ In 2004 (post-IPO), the company has repaid \$153 million or 19% of its debt, resulting in annual interest savings of \$16 million

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- ✓ Stable job growth
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# CBRE

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