

# ASX ANNOUNCEMENT

30 August 2021

## Lendlease Strategy briefing

Attached is the presentation to be given today by Tony Lombardo, Global Chief Executive Officer, Lendlease.

The presentation will be webcast at 10:30am (AEST) via <https://www.lendlease.com>

A summary of Lendlease's Major Urban Projects can be found on the Lendlease website, or by clicking on the link [here](#).

**ENDS**

FOR FURTHER INFORMATION, PLEASE CONTACT:

**Investors:**

Justin McCarthy  
Mob: +61 422 800 321

**Media:**

Stephen Ellaway  
Mob: +61 417 851 287

***Authorised for lodgement by the Lendlease Group Disclosure Committee***

Lendlease Corporation Limited ABN 32 000 226 228 and  
Lendlease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983  
as responsible entity for Lendlease Trust ABN 39 944 184 773 ARSN 128 052 595

Level 14, Tower Three, International Towers Sydney Telephone +61 2 9236 6111  
Exchange Place, 300 Barangaroo Avenue Facsimile +61 2 9252 2192  
Barangaroo NSW 2000 Australia lendlease.com







lendlease

**Tony Lombardo**  
Global Chief Executive Officer

30 August 2021

Strategy briefing



# Acknowledgement of country

As a developer, builder and manager of assets on land across Australia, we pay our respects to the Traditional Owners, especially their Elders past and present, and value their custodianship of these lands.





# Sustainability is in our DNA

The time is not far off when companies will have to justify their worth to society, with greater emphasis placed on environmental and social impacts than straight economics. **Lendlease Founder Dick Dusseldorp 1973**



Our commitment is simple - to create value for all those who interact with us through a triple bottom line focus. This is the key for strong securityholder returns.

### Targets

Target 8-11% core operating ROE anticipated by FY24  
Strong securityholder returns

### Recent history



Securityholder expectations not achieved  
Engineering underperformance and COVID impacts in FY20/21

### Targets

Net zero carbon by 2025 (scope 1 & 2)  
Absolute zero carbon by 2040 (scope 1, 2 & 3)

### Recent history



100% of developments producing sustainable outcomes  
Net carbon neutral in Australia Core Construction last three years  
Seven funds in the top 20 in the 2020 GRESB

### Targets

\$250m of social value over 5 years to 2025  
Incident and injury free

### Recent history



Positive legacy via community impact  
People want to work with us given our leadership position and triple bottom line focus

# Disciplined execution of the existing strategy

## Our strategy | reaffirmed

Employ our placemaking expertise and integrated business model in global gateway cities to deliver urban projects and investments that generate social, environmental and economic value.

## Strategic priorities | reaffirmed

Leverage competitive edge

Accelerate development

Scale investments

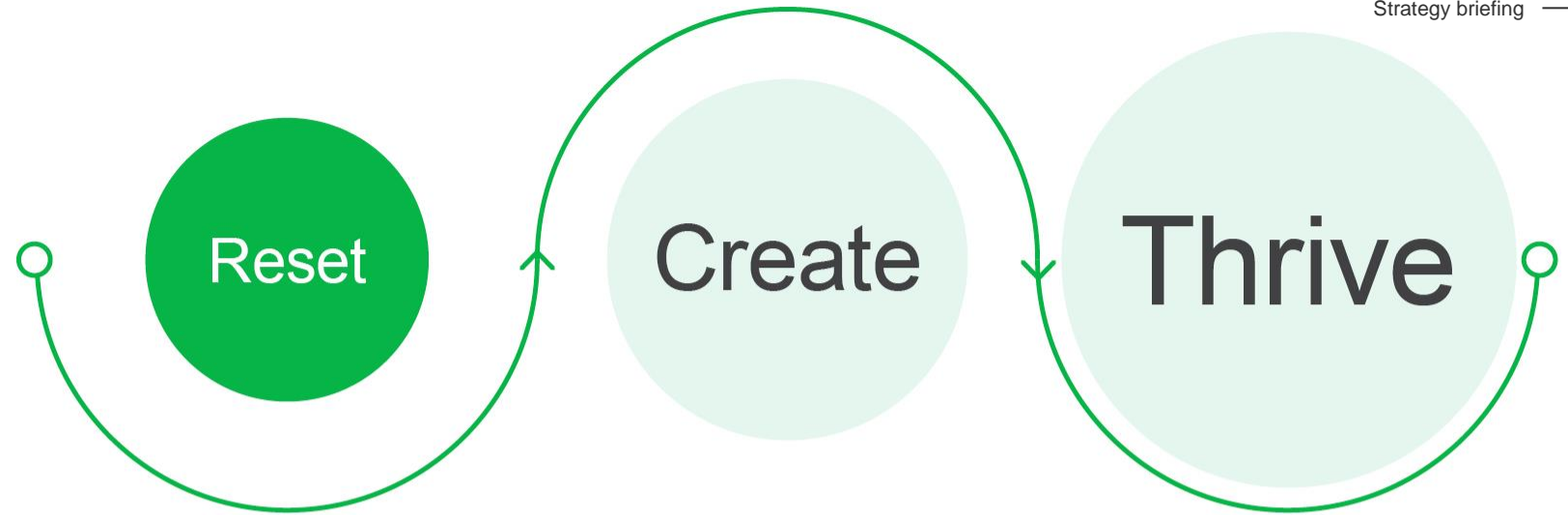
Best practice construction delivery

Leadership in sustainability





# Five year roadmap for delivering sustainable performance



## Reset platform for delivery and growth

Focused business model  
Optimised structure and businesses  
Recalibrate cost base  
Portfolio review completed

**FY22**

## Focus and execute on existing strategy

Operational excellence  
Increase Development WIP  
>\$8b production by FY24  
Launch new funds/mandates  
Invest in our people  
Progress sustainability targets

**FY23-24 Targets**

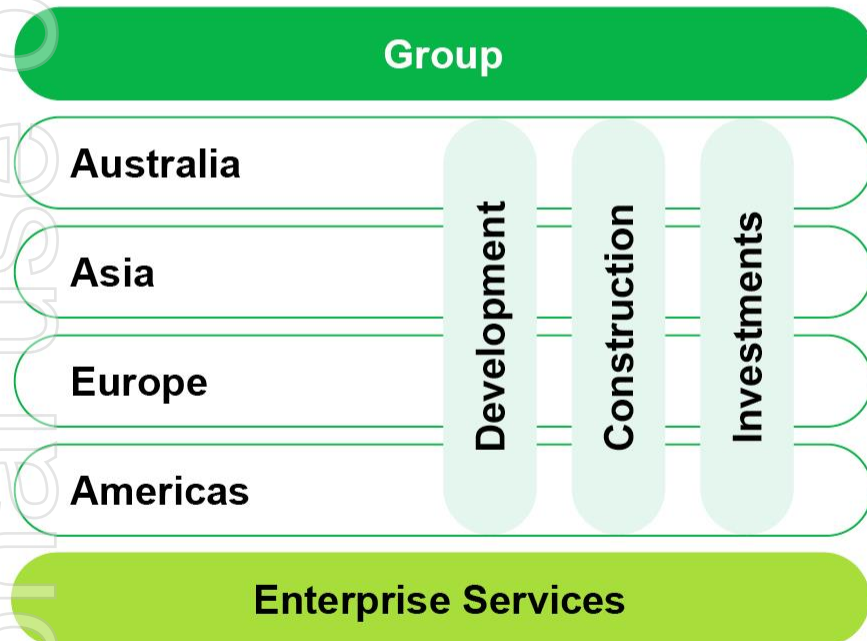
## Global property leadership built on sustainable foundations

Sustained financial performance  
Annual production >\$8b  
Best practice construction  
FUM >\$70b by FY26  
Global employer of choice  
Net zero carbon  
\$250m social value created by 2025

**FY25-26+ Targets**

# An optimised operating structure to enable greater consistency and alignment

## New operating model



## Foundations of new operating model

- Customer and stakeholder centric
- Repositioned and streamlined Group team
  - Management company to holding company approach
  - Focused on strategy and delivery of returns
- Empowering regions to grow and execute
- Enhancing efficiencies and consistency
- Flexibility for growth

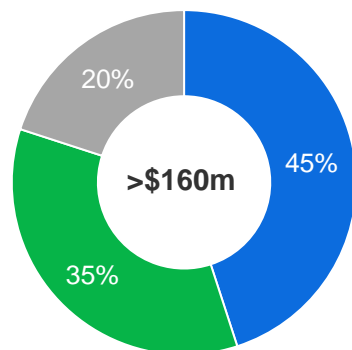
## People and culture

- Safety, diversity and wellbeing a priority
- Refreshed people strategy to develop, retain and attract talent
- Investment in core training to provide diverse and challenging careers

# Recalibrating the cost base as we focus on our Core business

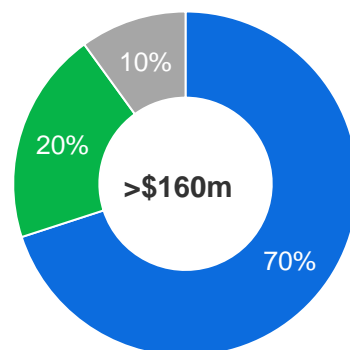
Target annualised savings of >\$160m, >20% from overhead base<sup>1</sup>

Composition of savings<sup>2</sup>



- Downsizing
- Australia consolidation
- Group

Composition of savings<sup>2</sup>



- People
- Occupancy
- Other

- Restructure charge estimate of \$130m to \$170m pre tax expected in H1 FY22 statutory profit
- Benefits of cost savings expected to be realised from H2 FY22

## Downsizing

- c.4,000 non core FTE departures post sale of Engineering and Services
- Reduced ongoing functional support
- Lower Australian occupancy need
- Realigned discretionary/capex spend
- Global application of operating model

## Australia consolidation

- Benefits from simplification and regional consistency
- Savings through establishment of Enterprise Services

## Group

- Streamlined with a focus on global strategy, capital management and governance
- Group management team reduced

1. Overhead represents costs not directly related to projects or assets. 2. Indicative breakdown of targeted cost savings from revised operating structure.



# Conversion of secured pipeline key for >\$8b annual production

## Phases of development

Operational stage <sup>1</sup>	FY21 Pipeline <sup>1,2</sup>	FY21 Capital
Conversion	\$59b	\$0.5b
Master planned	\$40b	\$1.2b
Work in progress	\$15b	\$2.7b
<b>Total</b>	<b>\$114b</b>	<b>\$4.4b<sup>3</sup></b>

## Focus of operational stage

**Conversion:** Master planning approvals; typically 2-3 years

**Master planned:** Individual building approvals, investment partnerships, pre-sales/pre-leasing

**Work in progress:** Delivery, marketing, additional sales and customer experience

## Origination

- Renewed focus on Australia and Asia Regions

## Targeting >\$16b<sup>4</sup> commencements in FY22-23

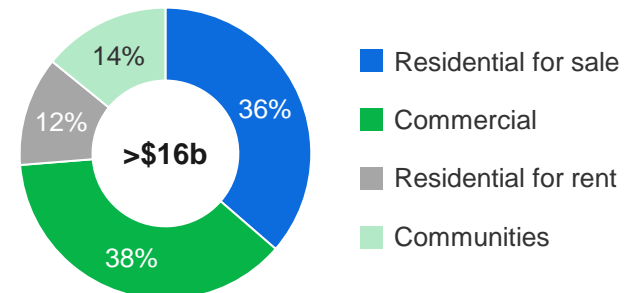
### Master planned<sup>1</sup>

- One Sydney Harbour, Tower 3
- Melbourne Quarter
- Victoria Harbour, Melbourne
- The Exchange TRX, Kuala Lumpur
- Certis Cisco Centre, Singapore
- Data Centre, Greater Tokyo
- Milan Innovation District
- Milano Santa Giulia
- Elephant Park, London
- Lakeshore East, Chicago
- Southbank, Chicago
- Shoreline, Queensland
- Averley, Victoria
- Figtree Hill, New South Wales

### Conversion<sup>1</sup>

- High Road West, London
- La Cienega, Los Angeles
- San Francisco Bay project
- 60 Guest Street, Boston
- Pine Valley, Queensland<sup>5</sup>

### Target commencements (indicative breakdown)



1. Status as at 30 June 2021. 2. Total estimated project revenue of all development work to be delivered by Lendlease (representing 100% of the value of project, including joint ventures). 3. Comprised of Urban \$3.5b and Communities \$0.9b. 4. Key commencements listed below. 5. Not in current pipeline.

# Increased WIP to underpin anticipated >\$8b production by FY24

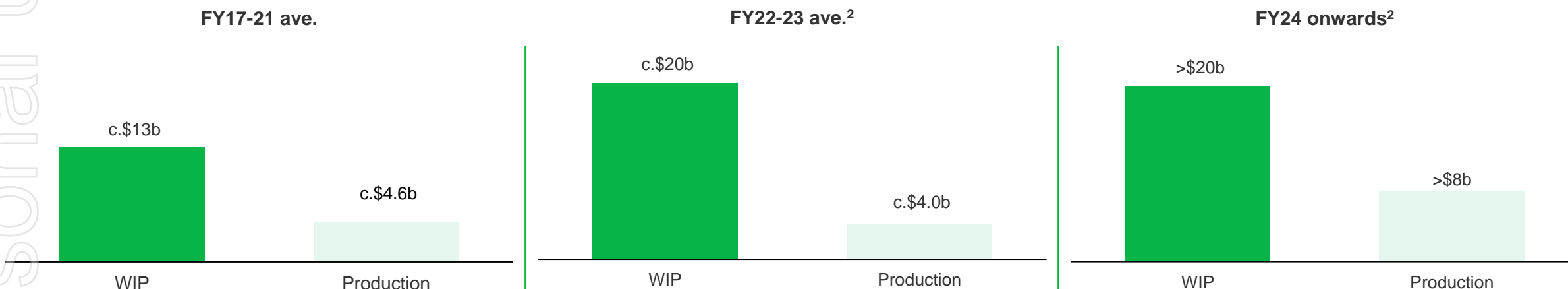
## Drivers of >\$8b annual production<sup>1</sup> target by FY24

- Anticipated FY24 production (completions) driven by c.\$7b of projects currently in delivery
- Production target supported by expected near term commencements, diversified by product type
- Forecast significant increase in work in progress (WIP) critical to achieving and maintaining production target
- Increased production to be supported by existing pipeline conversion, market size, demand for quality assets and investment partner appetite

## FY24 key production contributors (currently in WIP)

- Barangaroo South Residences One and Two
  - Significant profit contribution expected on completion
- Melbourne Quarter Tower
  - Leasing performance to drive final return outcome
- Other contributors
  - Elephant Park, London
  - Southbank, Chicago
  - The Exchange TRX, Kuala Lumpur (Residences, Hotel, and Office)

## WIP - future indicator of production



1. Production represents development completions in the year. 2. Anticipated WIP/production profile based on current estimates and remains subject to change in delivery programs and market conditions.



# Pathway to Development ROIC target of 10-13% anticipated by FY24

## Urban portfolio review completed

### Project level assessment highlights quality of portfolio:

- 32 projects, \$100b pipeline
- Capital efficient land management models across most projects
- Strong embedded whole of life project returns

### Near term returns subdued, reflecting:

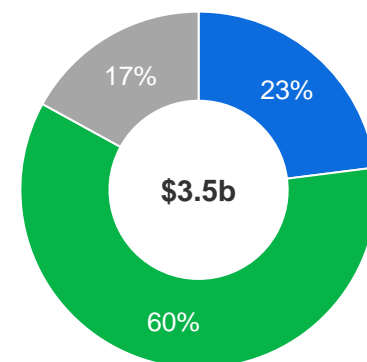
- >50% of portfolio in conversion (>40% secured last three years)
- COVID related production delays
- Upfront profit recognition on historical JV projects which remain in delivery
  - Deconsolidated joint ventures

### Portfolio review identified material change in strategy across small number of projects:

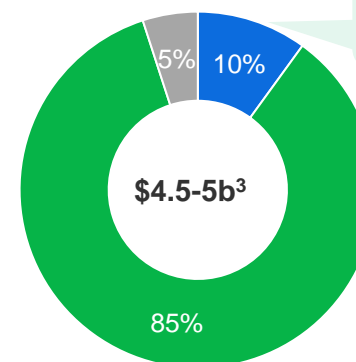
- Brisbane Showgrounds; Deptford Landings; Waterbank<sup>1</sup>
- Change in strategy to enable c.\$0.5b in capital to be deployed in higher returning opportunities over the medium term
- \$230m to \$290m pre tax impairment expected in H1 FY22 statutory profit

## Urban portfolio capital and returns

FY21 capital



FY24 estimated capital<sup>2</sup>



■ Deconsolidated JVs ■ Other Urban projects ■ Expected impaired projects

### Anticipated return to target performance by FY24:

- Project conversions and increased production
- Deconsolidated JV project completions and capital run-off
- Work through on expected impaired projects

1. Account for c.90% of estimated expected impairment. 2. Analysis is illustrative only, and represents indicative growth. 3. Includes impact of anticipated impairments.

# New structuring approach improves alignment of profit with cash and risk/reward

## Change in capital partnering approach across urban projects

### Prior JV structuring approach (Deconsolidated JVs)

- Revaluation profit on retained interest recognised on initial sell down
- Refer Victoria Cross integrated station development example

### Improved alignment of profit with cash and risk/reward profile

- Alternate transaction structures to be employed
  - No change in accounting policy or funding profile
- Overall earnings unchanged
  - Improved alignment with cash realisation and risk/reward
- Supports underlying operating cash conversion
- Reduced capital at risk through delivery

### Example: Victoria Cross integrated station development

- 25% sell down to capital partner in FY20
- Deconsolidated JV structure
  - Up front revaluation of retained interest
- Vertical delivery expected to commence in FY22
- Completion expected in FY25

Profit component (pre tax)	Actual structure	New structure
Gain on sale (25% sold)	~\$30m	~\$30m <sup>1</sup>
Revaluation (75% retained)	~\$90m	-
<b>Upfront profit</b>	<b>~\$120m</b>	<b>~\$30m</b>
Future anticipated earnings	\$50-100m	\$140-190m
<b>Total profit</b>	<b>~\$170-220m</b>	<b>~\$170-220m</b>

1. The gain on sale is indicative, and the quantum would have been subject to commercial negotiations and outcomes.

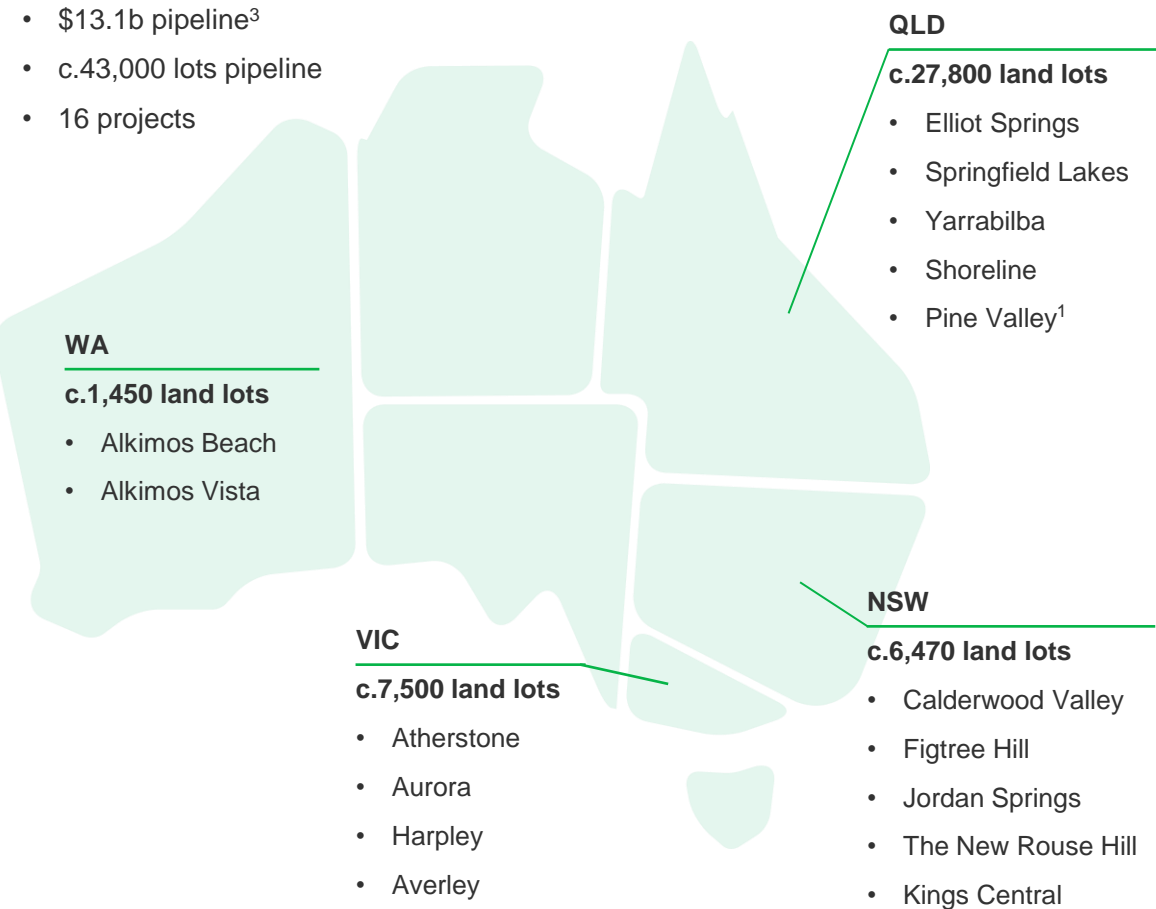


# Repositioning Australian Communities to restore performance

## Return to target performance anticipated by FY23

- Underperformed settlement target past three years
  - Ave. c.2,200 lots settled p.a. vs. target 3,000-4,000 lots p.a.
- Strategy in place to optimise business operations
  - Implementation of new leadership team
  - Review of portfolio completed
- Focus on progressing four key projects in FY22
  - Shoreline, Averley, Figtree Hill, and Pine Valley<sup>1</sup>
- Capital of c.\$0.9b<sup>2</sup>
  - Bingara Gorge divestment in FY21, deferred settlement terms
- Assessment of potential alternate capital strategies once performance restored

## Australian Communities portfolio<sup>2</sup>



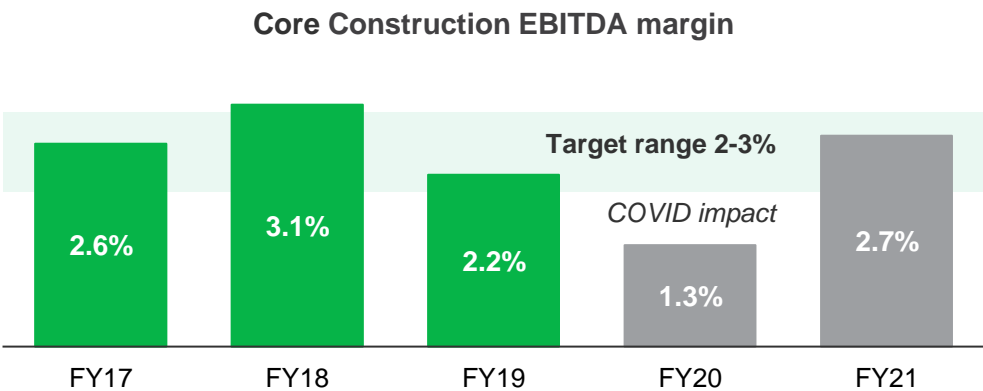
1. Not in current pipeline, and subject to master planning. 2. As at 30 June 2021. 3. Total estimated project revenue of all development work secured (representing 100% of project value).

# Construction delivery capability drives value

## Differentiated capabilities

- Rich heritage with more than six decades of experience
  - Global scale combined with local capability
- Project management capabilities critical for origination and delivery of urban projects
  - Fully integrated client proposition
  - Flexibility to adjust masterplan and delivery
- Project management, design and construction excellence across a range of sectors, clients, and markets
- Leading risk, safety, and sustainability processes and credentials

## Stable historical returns



## Strategic focus maintained

### Strategy to deliver internal development pipeline and maintain steady backlog position

Sector expertise	Delivery model flexibility	Digital capability
Focus on sector expertise, strong market positions and client relationships	Retain flexibility for internal development pipeline, with key construction management capability controlled inhouse	Embed digital capability across delivery platform to drive productivity



# Pathway to achieving scale Investments platform

## Strategic direction

### Medium term strategic targets:

- Investments capital >50% from 45%<sup>1,2</sup>
  - Capital in short term expected to be overweight Development
- EBITDA mix 35-45% from 30%<sup>1</sup>

### Key sources of long term growth underpinned by:

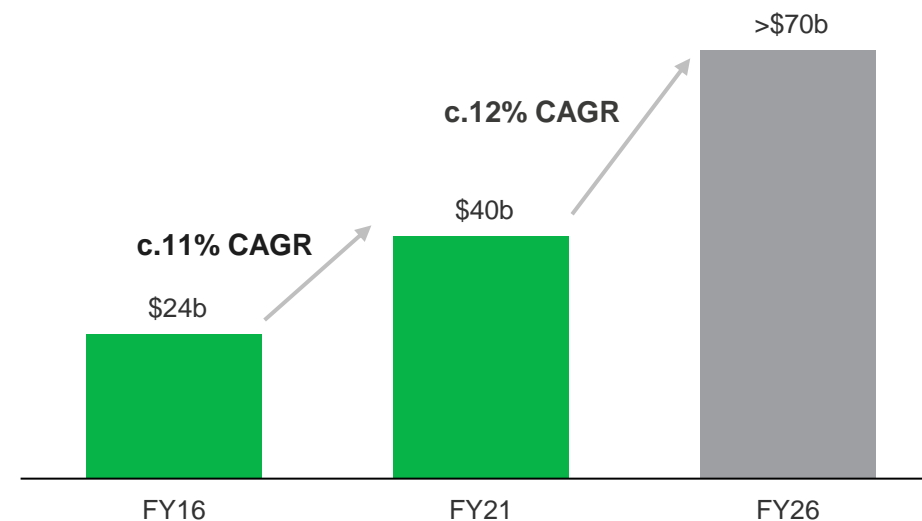
- >\$55b potential from Development pipeline<sup>1</sup>
  - Commercial \$34b; Apartments for rent \$25b
- Expand product offering
- External market opportunities

### Investments portfolio:

- Increase co investment stakes from current c.5% of FUM
- Expect strong growth from Global Commercial REIT
- Warehouse assets and seed new products
- Portfolio optimisation
  - Retirement Living
  - Military Housing
  - Recycle co investments

## Funds under management

- Targeting FUM >\$70b by FY26
- Historical growth of c.11% CAGR<sup>3</sup>
- Targeting growth of >12% CAGR to FY26
  - Development pipeline - c.55%
  - External market - c.30%
  - Other growth - c.15%



1. As at 30 June 2021. 2. Reflects Investments to Development capital mix. 3. Represents 5 year CAGR: FY16-21.

## Investment partnerships

c.\$6b of additional FUM expected from:

National Pension Service of Korea

Melbourne Quarter Tower

Ivanhoe Cambridge

60 Guest Street, Boston

Aware Super

La Cienega, Los Angeles

1 Java Street, New York

Canada Pension Plan Investments

Milan Innovation District

Lendlease Data Centre Partners

Data centre, Greater Tokyo

# Investment partnerships underpin near term and future FUM growth



## Apartments for Rent

Current FUM of \$2.5b

Investment partnership commitments c.\$2b

Secured pipeline opportunity \$25b



## Data Centres

Lendlease Data Centre Partners

\$1.3b committed capital

Secured first site in Greater Tokyo

Estimated end value \$0.8b

Demonstrated delivery capability



## Life Sciences

First development opportunity secured

Estimated end value of \$0.8b

Demonstrated delivery capability

Built >350 life sciences projects in north-eastern US

Strategy to grow across key US markets



## Office repositioning

Certis Cisco Centre joint venture

Estimated end value \$0.5b

Value add repositioning opportunity

Targeting launch of next Real Estate Partners fund (REP 4) in Australia





Accelerating our digital capability to change the way we develop, build and invest

## Digital leadership in real estate

Commenced investment in digital capabilities in FY19 to support the Group's strategic priorities

### Expected benefits:

- Faster construction time
- Reduction in on-site labour; lost time injuries
- Improved visibility on asset performance; value appreciation
- Overall reduction in project costs

### Investment:

- Capex investment in Podium platform of c.\$60m<sup>1</sup>
- Opex of c.\$25m for FY21<sup>2</sup>
- Estimated capex of c.\$30m expected in FY22

## Podium platform

Product suite designed to deliver solutions for the real estate sector by adopting a partnership approach

- Envision - building design
- MX studio - design services
- Supply automation - supply chain connections
- Services - data led insights for asset optimisation
- Property insights - single platform integrating building data

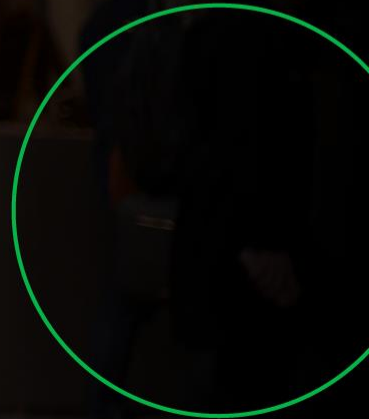
1. As at 30 June 2021. 2. Digital overheads are included in reported Group Services cost base.





Personal use only

# Outlook





# The future is bright for gateway cities post pandemic

## Cities remain the centrepiece of modern society

### The economic benefits of City agglomeration are proven:

- London and New York's finance sectors
- Milan's high-end manufacturing and fashion scene
- Silicon Valley's technology smarts
- Singapore's global trading hub

### Challenges and change create opportunities:

- Major pandemics periodically disrupt city life
- Environmental impacts are forcing change
- Social and community pressures demand responses

### Resilient cities adapt:

- Proactive cities rebound and organisations respond
- Cities of the future need organisations who can adapt to these changes

Our proven capability and leadership position in the delivery of large scale mixed use urban projects positions us as the partner of choice for future opportunities in targeted gateway cities.





Our proven placemaking and community creation capability positions us well to respond to evolving market and customer preferences.

### Fundamental drivers of urbanisation to remain

- Capital allocation to real estate forecast to rise
- Place, sustainability, connectivity in demand
- Partnering, integration and mixed use increasingly required
- Key features include innovation districts and transport oriented hubs

# Strategy resilient to an evolving market environment



## Sectors spanning Development and Investments

### Residential

Continued structural undersupply

Focus on amenity, services, and place

#### Sub-sector opportunities:

Land sub-division  
Apartments for sale  
Apartments for rent  
Senior Living

### Office

Shift to smarter workplaces

Significant repositioning opportunities

Focus on collaboration, innovation, and health and wellbeing

### Retail

Continued structural headwinds

Demand for mixed use retail precincts

Significant repositioning/remixing opportunities

### Other

Industrial

Health and Life Sciences

Data Centres

Education





# Competitive edge and strategic focus underpins long-term securityholder value

## Economic performance

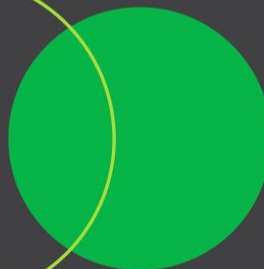
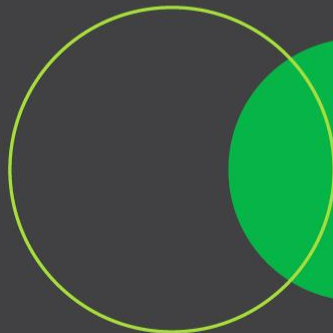
- Target 8-11% core operating ROE anticipated by FY24
- Triple bottom line focus
- Strong focus on our Core business
- Supported by Reset phase

## Active portfolio management

- Quality of portfolio reaffirmed
- Pathway to deliver target performance
  - Anticipated >\$8b production by FY24
  - Best practice construction delivery
  - Target FUM >\$70b anticipated by FY26
- Continued management of legacy projects
- New structuring approach to improve risk/reward alignment



# Questions





# Important notice

This document has been prepared and is issued by Lendlease Corporation Limited (ACN 000 226 228) (Lendlease) in good faith. Neither Lendlease (including any of its controlled entities), nor Lendlease Trust (together referred to as the Lendlease Group) makes any representation or warranty, express or implied, as to the accuracy, completeness, adequacy or reliability of any statements, estimates, opinions or other information contained in this document (any of which may change without notice). To the maximum extent permitted by law, Lendlease, the Lendlease Group and their respective directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered, howsoever arising, through use or reliance on anything contained in or omitted from this document.

This document has been prepared without regard to the specific investment objectives, financial situation or needs of any recipient of this presentation. Each recipient should consult with, and rely solely upon, their own legal, tax, business and/or financial advisors in connection with any decision made in relation to the information contained in this presentation.

Prospective financial information and forward looking statements, if any, have been based on current expectations about future events and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations expressed in or implied from such information or statements.

A reference to FY21 refers to the full year period ended 30 June 2021 unless otherwise stated. All figures are in AUD unless otherwise stated.

---