

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](#).

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Authorised for lodgement by the Lendlease Group Disclosure Committee

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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

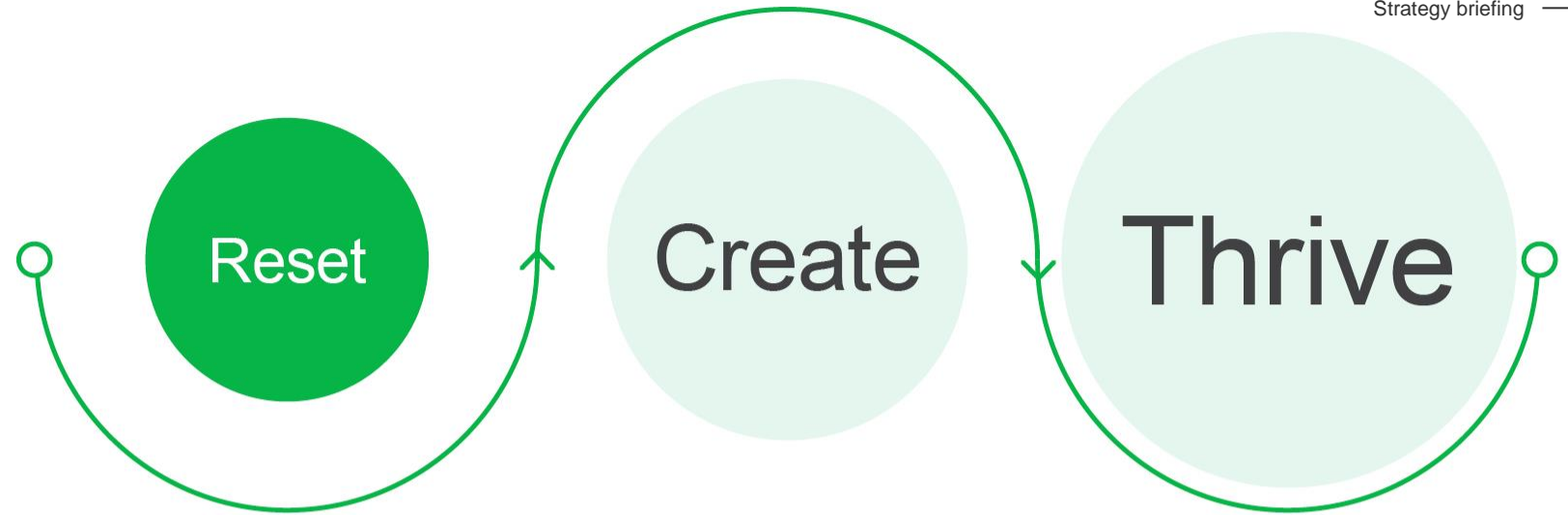
Scale investments

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

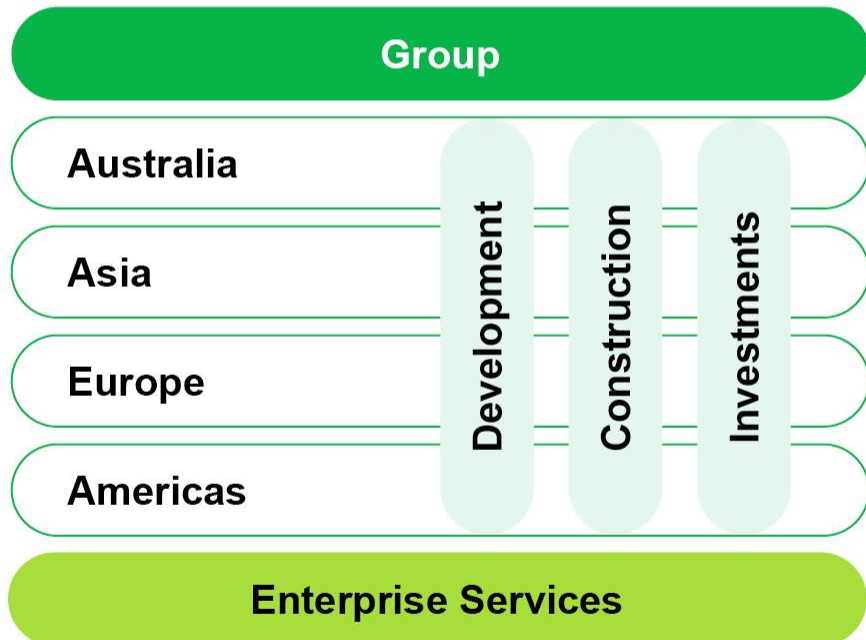
Global property leadership built on sustainable foundations

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

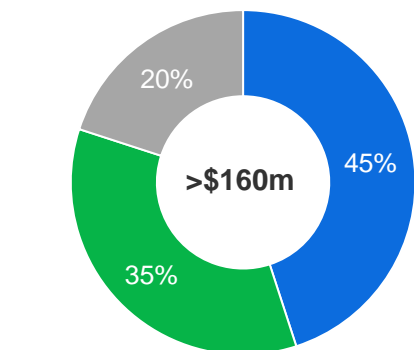
People and culture

- 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

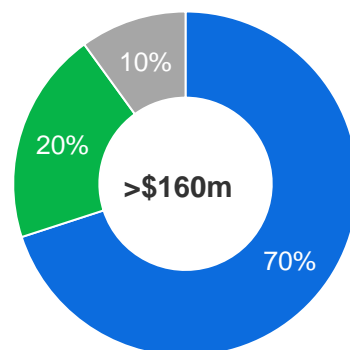
Target annualised savings of >\$160m, >20% from overhead base¹

Composition of savings²



- Downsizing
- Australia consolidation
- Group

Composition of savings²



- 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 ¹	FY21 Pipeline ^{1,2}	FY21 Capital
Conversion	\$59b	\$0.5b
Master planned	\$40b	\$1.2b
Work in progress	\$15b	\$2.7b
Total	\$114b	\$4.4b³

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 >\$16b⁴ commencements in FY22-23

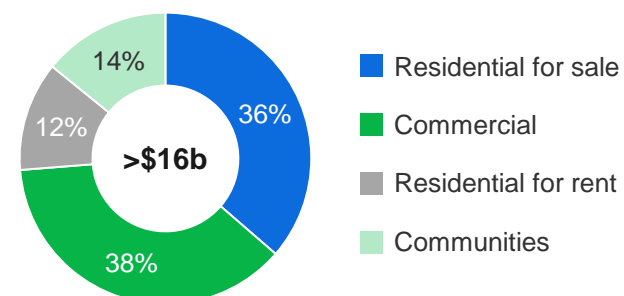
Master planned¹

- 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

Conversion¹

- High Road West, London
- La Cienega, Los Angeles
- San Francisco Bay project
- 60 Guest Street, Boston
- Pine Valley, Queensland⁵

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

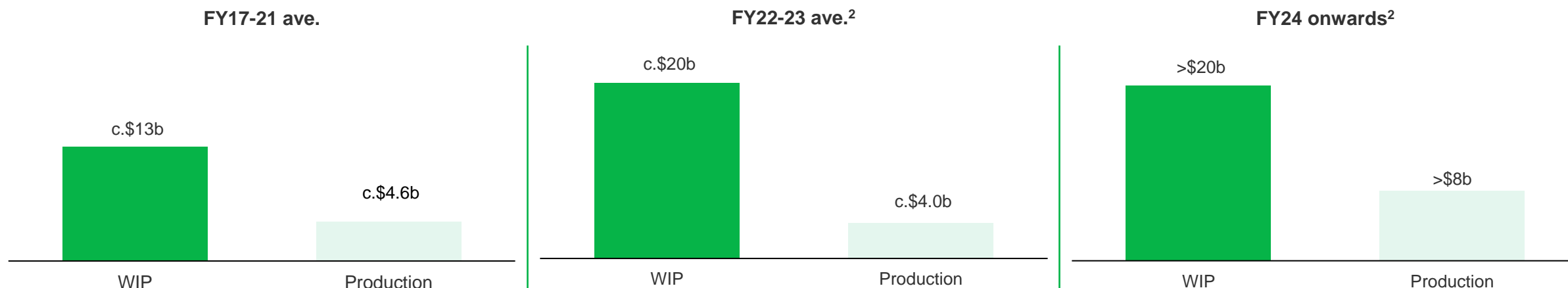
Drivers of >\$8b annual production¹ target by FY24

- 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

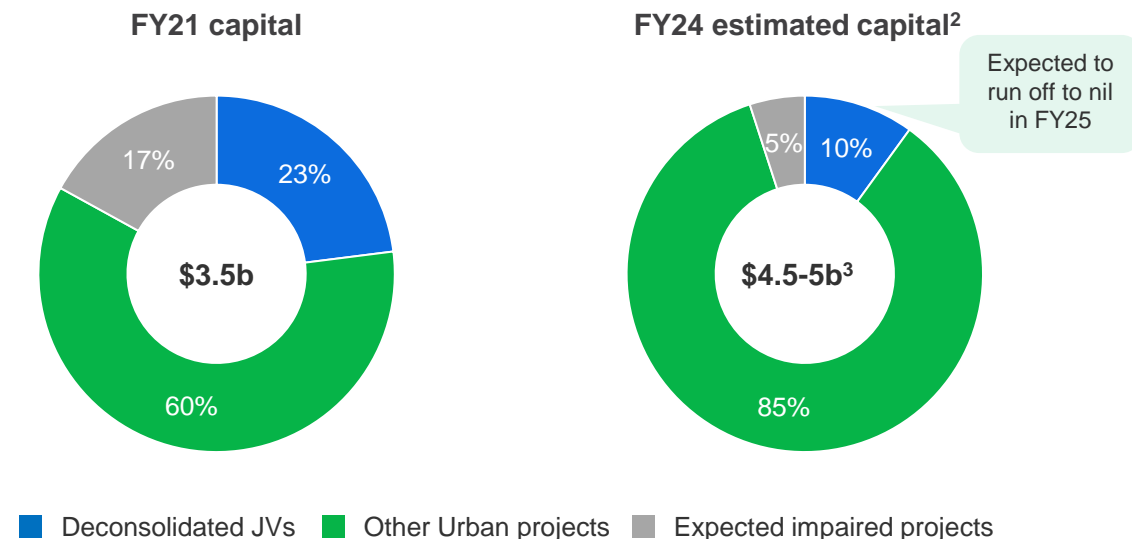
Near term returns subdued, reflecting:

- >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; Waterbank¹
- 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



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 ¹
Revaluation (75% retained)	~\$90m	-
Upfront profit	~\$120m	~\$30m
Future anticipated earnings	\$50-100m	\$140-190m
Total profit	~\$170-220m	~\$170-220m

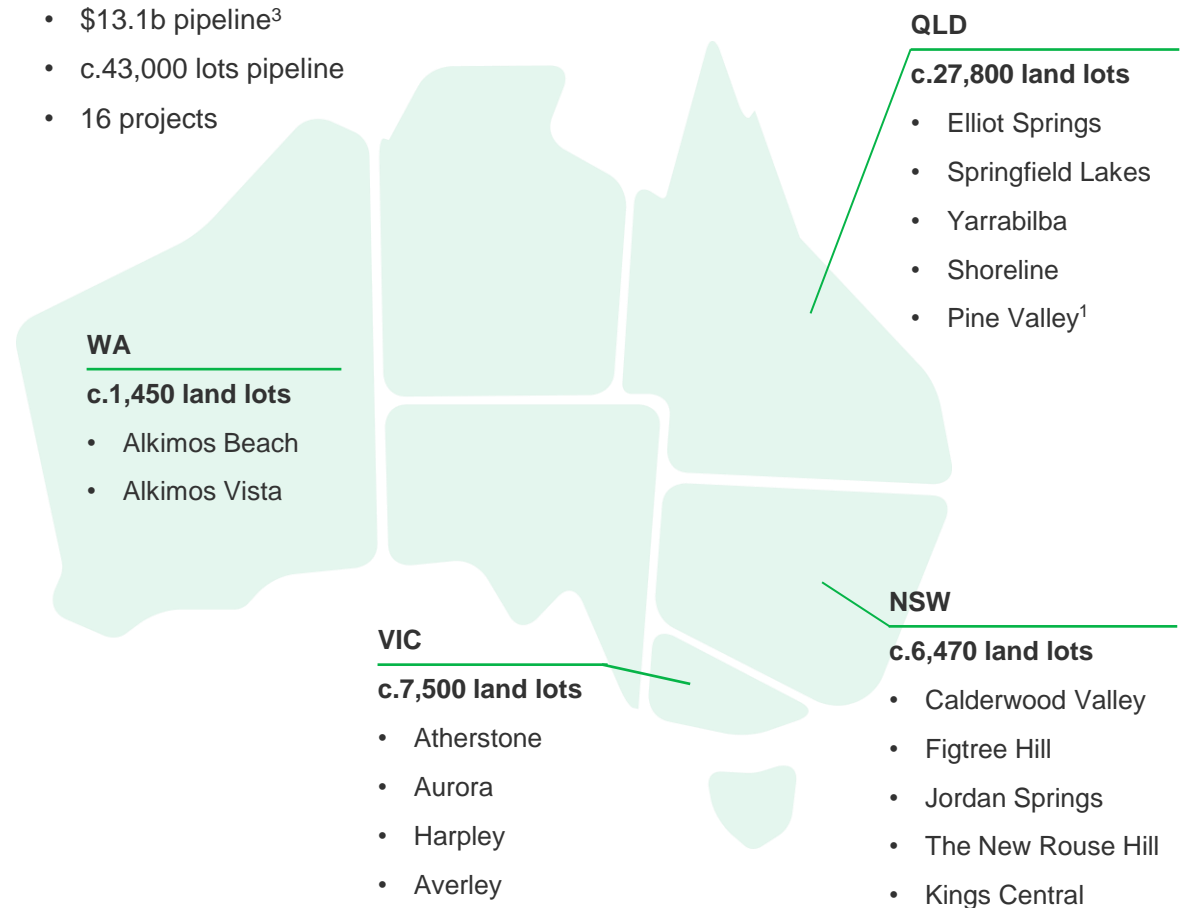
1. The gain on sale is indicative, and the quantum would have been subject to commercial negotiations and outcomes.

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 Valley¹
- Capital of c.\$0.9b²
 - Bingara Gorge divestment in FY21, deferred settlement terms
- Assessment of potential alternate capital strategies once performance restored

Australian Communities portfolio²



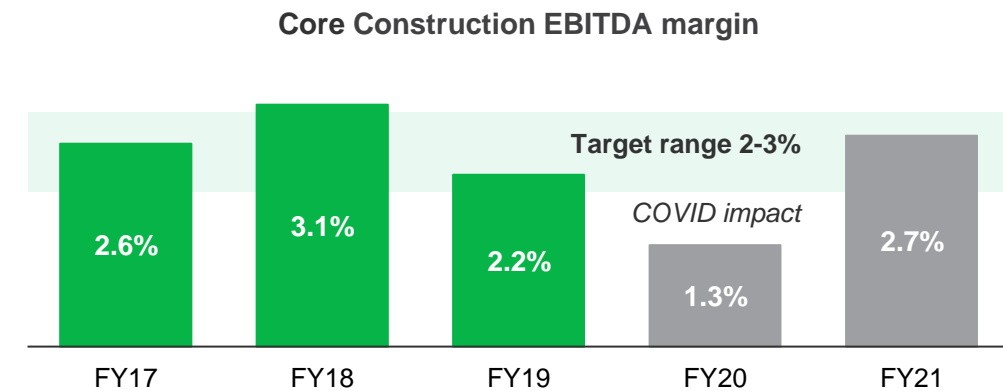
1. Not in current pipeline, and subject to master planning. 2. As at 30 June 2021. 3. Total estimated project revenue of all development work secured (representing 100% of project value).

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

Focus on sector expertise, strong market positions and client relationships

Delivery model flexibility

Retain flexibility for internal development pipeline, with key construction management capability controlled inhouse

Digital capability

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%^{1,2}
 - Capital in short term expected to be overweight Development
- EBITDA mix 35-45% from 30%¹

Key sources of long term growth underpinned by:

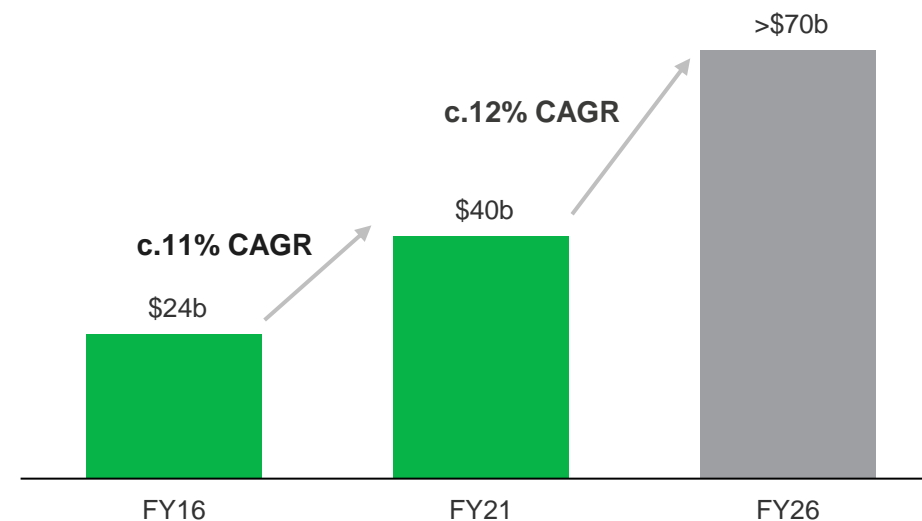
- >\$55b potential from Development pipeline¹
 - Commercial \$34b; Apartments for rent \$25b
- Expand product offering
- External market opportunities

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% CAGR³
- Targeting growth of >12% CAGR to FY26
 - Development pipeline - c.55%
 - External market - c.30%
 - Other growth - c.15%



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.\$60m¹
- Opex of c.\$25m for FY21²
- 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.



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

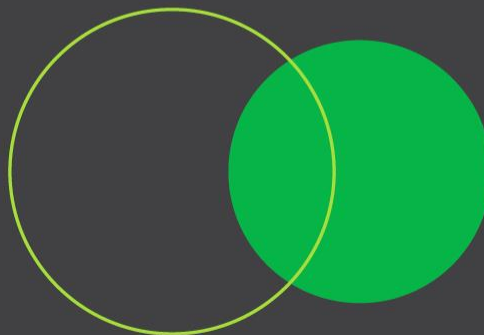
- Target 8-11% core operating ROE anticipated by FY24
- Triple bottom line focus
- Strong focus on our Core business
- Supported by Reset phase

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



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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.
