

15 November 2024

## 2024 Annual General Meeting – Chairman and Group Chief Executive Officer Addresses

In accordance with ASX Listing Rule 3.13, attached are the addresses to be given at the 2024 Annual General Meeting of shareholders of Lendlease Corporation Limited and General Meeting of Unitholders of Lendlease Trust (together Lendlease Group).

The meeting will be held at Wesley Theatre, Wesley Conference Centre, 200 Pitt Street Sydney, New South Wales and online today at 10:00am (AEDT). The addresses will be given by the Chairman and Group Chief Executive Officer.

**ENDS**

FOR FURTHER INFORMATION, PLEASE CONTACT:

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

# ADDRESS BY THE LENDLEASE CHAIRMAN TO THE LENDLEASE ANNUAL GENERAL MEETING

**15 November 2024**

Good morning and welcome to the 2024 Lendlease Annual General Meeting.

My name is Michael Ullmer and I am Chairman of the Lendlease Group.

Thank you for joining us today at the Wesley Conference Centre in Sydney and online.

The meeting is being held on the land of the Gadigal people. They are the traditional custodians of this land, and on behalf of the Board, we extend our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples joining today's meeting.

Securityholders attending virtually may be joining us from other ancestral lands, and we pay our respects to the traditional custodians of those lands and their elders past and present.

For those who have joined online, our team has worked hard to ensure you have a smooth experience. However, should you have any technical difficulties, please contact Computershare per the details on the meeting platform. A recording of the meeting will also be available on our website following the meeting.

For people in the room, in the event of a fire or other safety incident, should the alarm sound, please follow the instructions of the safety wardens. If there is a need to adjourn the meeting, we will provide updates via the ASX platform and on our website.

It is now my pleasure to introduce your Board of Directors and Company Secretary, starting from my far right:

- Margaret Lui
- Philip Coffey
- Elizabeth Proust, Chair of the People and Culture Committee
- Nicholas Collishaw, Chair of our Risk Committee and standing for re-election today
- Karen Pedersen, Chief Legal Officer and Company Secretary
- And from my left, Tony Lombardo, Group Chief Executive Officer and Managing Director
- Chair-elect, John Gillam, appointed to the Board in October 2024 and standing for election today
- Nicola Wakefield Evans, Chair of our Sustainability Committee who will be retiring after today's meeting
- David Craig, Chair of our Audit Committee
- Barbara Knoflach, and
- Robert Welanetz, Chair of our Nominations Committee

Members of Lendlease's Corporate Leadership Team are either here in person or joining the meeting virtually.

Eileen Hoggett and Paul Rogers from KPMG, the Group's Auditor, are also here and available to answer any questions relating to the audit of the Group's financial statements.

Barry Azzopardi from our share registry, Computershare, is in attendance and will act as returning officer.

I now confirm that a quorum is present and formally declare the meeting open.

Before we begin, our Chief Legal Officer and Company Secretary, Karen Pedersen, will outline the procedure for asking questions and voting.

I now declare voting open on all items of business, so please submit your votes at any time.

Before commencing the formal business of the meeting, our Group CEO Tony Lombardo and I will briefly address the challenges of the past year, how we have responded, our business achievements, as well as the outlook ahead.

Let me turn first to the strategic review announced in May.

The past year was another period of significant change for Lendlease, with our operating environment continuing to be impacted by pressure on global property markets, due to uncertainty about economic growth, inflation and monetary policy.

As a developer of large urban projects, our operations and financial performance were materially impacted, as was the performance of Lendlease's security price, resulting in disappointing returns for securityholders, for which I as Chairman of the Board am ultimately accountable.

Despite proactively responding to these challenging market conditions by simplifying our business, reducing costs and reducing headcount, the impact of the prolonged property downturn on Lendlease's operating earnings and security price, necessitated a fundamental review of our five-year strategy.

Accordingly, Tony and our leadership team worked with the Board on a comprehensive update of the Group's strategy, with the decisions taken reflecting the need for significant and rapid action to restore value for securityholders. The strategy refresh is grounded in leveraging Lendlease's competitive strengths and simplifying the company to become a leading integrated real estate business in Australia, with an international investment management capability.

Throughout this period, we engaged extensively with our securityholders who provided valuable input into the strategic review. I am pleased with the widespread endorsement of the decisive plan of action that we have committed to delivering.

Tony and the management team have wasted no time implementing the strategy. This includes making strong progress already toward our FY25 divestment target of \$2.8 billion, with a further \$1.7 billion of net capital targeted for release.

We are confident we have the right strategy in place, which prioritises the liberation and return of capital to securityholders, investing in our high performing Australian business, simplification of our operations through the exit of international construction, accelerated release of capital from long-dated international development projects, and further streamlining of our overhead structures.

Turning to our core operations:

Despite the headwinds experienced, I am pleased with Lendlease's operational performance in FY24.

In our Investments business, funds under management (FUM) ended the year at \$47.3 billion, together with \$3.4 billion of new asset creation, including completion of The Exchange TRX in Kuala Lumpur, Melbourne Quarter Tower, a build to rent asset in Chicago and our first 70MW data centre in Tokyo.

In Development, activity increased during the year, with \$8.2 billion of completions across Sydney, New York and Kuala Lumpur, and \$1.9 billion of commencements.

Supporting the replenishment of our Australian development pipeline, we secured the \$1.3 billion Gurrowa Place project at the Queen Victoria Market site in Melbourne. We have continued this momentum into FY25, securing the \$500 million luxury development, One Darling Point, and are actively pursuing other value accretive development opportunities.

In our Construction segment, we wound down our US West Coast and Central operations, and recently completed the sale of our US East Coast operations and are now preparing our UK operations for sale.

The Group's FY24 operating earnings improved 23 per cent on the prior year due to a higher contribution from our business segments and lower corporate costs.

Core Operating Profit after Tax was modestly higher year-on-year at \$263 million, impacted by higher funding costs that reflected peak development capital expenditure and higher interest rates.

Our strong operational performance also extended to our safety outcomes and focus on our people, which remain high priorities.

Across more than 400 operations encompassing more than 80 million hours worked, this year there were no fatalities recorded, and I thank all our people and supply chain partners for their continuing focus on safety.

As we undergo significant organisational change, our focus has been to strengthen our performance culture, retain key talent and support our people.

Our recent global engagement survey had an 85 per cent participation rate and resulted in a modest one-point decrease, which is a creditable result given the transformation underway across the business – but we need to improve on this.

I thank all our teams around the world for their resilience and ongoing commitment to delivering exceptional outcomes for our customers.

In terms of our Statutory Result:

As a result of the costs associated with implementing the strategy, largely relating to historic goodwill and asset impairments, the Group recorded a Statutory Loss after Tax of \$1.5 billion for the year. I recognise this is a disappointing outcome for securityholders. However, it is imperative we make these changes to set Lendlease up for long-term, sustainable success.

The full year distribution and dividend payment of 16 cents per security was maintained and reflects a payout ratio of 42 per cent of Core Operating Earnings.

On our Reward structure:

In response to the 'first strike' received on the 2023 Remuneration Report, Elizabeth Proust, our People and Culture Committee Chair, and I met with many of Lendlease's key stakeholders to listen and understand the reasons for the strike. This reinforced our view of the need to demonstrate strong alignment between remuneration outcomes for executive management and the experience of our securityholders.

Accordingly, given the poor financial outcomes for securityholders, the Board, with the support of the CEO, exercised downward discretion in assessing the FY24 performance, with the CEO and leadership team not receiving a Short-Term Award for FY24.

The FY25 remuneration outcomes for the CEO and the leadership team will be further aligned with the securityholder experience. The Short-term Award for FY25 will be replaced with a Transformation Award involving the issue of options, with vesting linked to security price

performance – we will discuss this further, later in the meeting. The FY25 Long-term Award has also been modified to place greater weighting on securityholder returns.

I note that our CEO has met his mandatory securityholding requirement ahead of the 5 year accumulation period, including buying securities on market, thereby demonstrating his commitment to our refreshed strategy.

Turning to the transition to a new Chair:

As announced in May, I will retire as Chairman as planned at the conclusion of this meeting, to be succeeded by John Gillam, who joined the Lendlease Board as a director on 14 October 2024.

John received the Board's unanimous support as Chair-elect. He is both an accomplished executive and non-executive director, with extensive commercial and leadership experience and a strong track record of operational delivery and execution working for some of Australia's largest companies.

John has more than six years of listed Chair experience, including as former Chair of CSR Limited and current Chair of Nufarm Limited. This follows a successful 20-year executive career with Wesfarmers, where he led the Bunnings Group through its formative expansion.

Throughout his career, John has demonstrated a strong focus on instilling the right culture to deliver bottom line outcomes and drive securityholder returns. These attributes give the Board great confidence that John is the right person to support Tony and the leadership team to continue executing the Company's refreshed strategy, further simplifying Lendlease and supporting the future growth of the business.

John's appointment follows a comprehensive and disciplined succession process that commenced in March of this year. Conducted with the support of a leading board advisory firm, the process included extensive engagement with securityholders to assist in the identification of potential candidates. Following a rigorous preliminary assessment process, a shortlist of candidates was interviewed by the Board using a strict set of criteria, before a final decision was made.

I was delighted that John was able to join Elizabeth Proust and me in our meetings with key investors and stakeholders in the lead up to the AGM. And I am pleased to report that all the securityholders we engaged with during the selection process have advised that John has their full support.

On behalf of my fellow directors, I welcome John to the Board and congratulate him on his upcoming appointment as Chairman.

Nicola Wakefield Evans will join me in retiring from the Board at the conclusion of today's meeting. On behalf of the Board, I thank Nicola for her contribution to Lendlease since her appointment in September 2013. Nicola has been Chair of the Sustainability Committee since 2019 and a member of the Audit Committee and Risk Committee. The Board has appreciated her counsel and insights and wishes Nicola the best for her future endeavours.

In September last year, we welcomed Barbara Knoflach as a Non-Executive Director. Barbara has been an outstanding addition to the Board, bringing a strong background in real estate, asset management and investment management. Her appointment, together with the appointments of Bob Welanetz, Nick Collishaw and Margaret Lui in recent years, reflects the Board's commitment to building significant depth of director talent drawn from Lendlease's core sectors of real estate and investment management.

As to the future:

Looking ahead, under John's leadership, I am confident the Board is well positioned to hold management to account for the execution of the Company's refreshed strategy and support them in developing the growth agenda that will unlock value for securityholders.

Reflecting on my six years as Chairman of Lendlease, it has been a period of significant challenge for the Company, both strategically and in the operating environment we have faced.

There is no doubt that Lendlease is at a critical juncture in its history. The Board and management have thought very carefully about the necessary strategic actions and taken the tough decisions to set the Company up for long-term success. I am confident in our team and their ability to realise the value inherent in our business on behalf of securityholders.

The culture of Lendlease is a special and resilient one. The diligence and commitment of our people across the business has been truly remarkable, and the achievements and outcomes for our clients around the world during this time deserve to be recognised and commended.

I would like to thank my fellow Directors and the entire Lendlease team for their ongoing dedication to repositioning the organisation for sustainable future growth.

It has been a great privilege to serve you, our securityholders, on the Lendlease Board since 2011 and I thank you for your support over that time.

I will now hand over to Tony.

## **ADDRESS BY THE LENDLEASE GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR TO THE LENDLEASE ANNUAL GENERAL MEETING**

Thanks, Michael, and good morning everyone.

I also acknowledge the Gadigal People and pay my respects to their elders past and present.

As the Chairman said earlier, FY24 was a year of significant change for Lendlease.

Since becoming CEO three years ago, my priority has been to transform our company into one that delivers more sustainable returns to securityholders. In simple terms, our financial performance in recent years hasn't met our securityholders' expectations. Nor has it met our own.

The turnaround plan we launched in early 2022 was an important first step. However, with the global property market downturn running into a third year, it became clear that we needed to make more fundamental changes. A high proportion of capital was allocated to offshore development projects that, in some cases, wouldn't deliver profits for many years.

In May 2024, we announced our refreshed strategy. Its objectives are simple – focus our time, expertise and capital on Lendlease's market-leading Australian business and grow our international Investments platform.

To achieve this fundamental shift in how and where Lendlease does business, we identified three key actions:

1. Simplify our organisational structure to further reduce our cost of doing business
2. Divest our offshore Construction businesses
3. Recycle \$4.5b of securityholders' money through the divestment of businesses and assets while releasing capital from offshore development projects

In the six months since we launched, we've moved with considerable pace to make the changes necessary to set Lendlease up for future success.

This includes announcing the sale of our US Military Housing business in July, the sale of our integrated life sciences interests in Asia into a new joint venture in August, and the sale of our US East Coast Construction business in September. Combined with the sale of 12 Australian master-planned Communities projects, which we expect to complete by the end of 2024, these four transactions represent more than half of the \$2.8 billion capital recycling target we set ourselves for FY25. And, we have initiated plans to liberate an additional \$1.7 billion of capital through new asset and project sales.

In parallel, we have announced and actioned more than \$125m of pre-tax cost savings across Lendlease as we simplify our management structure and create a much leaner and more focussed organisation.

From a capital allocation perspective, we're continuing to focus on three key priorities:

1. Strengthening our balance sheet and achieving our FY26 gearing targets
2. Returning up to \$500 million of capital to securityholders once stated objectives are satisfied, and
3. Investing in our high-return Australian operations – including further building our local development pipeline – while also achieving profitable growth within our Investments platform.

Across our Australian business, we have made a strong start in FY25 including:

- The establishment of a new joint venture with Mitsubishi Estate Asia to secure One Darling Point in Sydney – a \$500 million luxury residential-led project;
- The first-ever partnership with Nippon Steel Kowa Real Estate to deliver a \$500 million build-to-rent apartment development in Melbourne; and
- The Exemplar Health consortium securing the new Melton Hospital project in Victoria valued at over \$900 million.

In addition, the Vita life sciences platform recently announced the acquisition of a A\$1.8 billion portfolio of Singapore real estate assets. This will deliver profitable FUM growth and returns comfortably above Lendlease's cost of equity – and will contribute to the increased scale of our international Investments platform.

Now to our outlook for the balance of FY25 and beyond.

In Australia, the breadth and depth of our service offering, and the capabilities of our people, are at the core of our competitive advantage. As I outlined earlier, the opportunities for us to grow Lendlease in our home market are significant – with a project pipeline that plays to our core competitive strengths especially in urban regeneration. And our valued relationships with major global capital partners provide a long-term growth pathway to extend our international funds platform.

Our earnings guidance for FY25 remains unchanged, with Group Earnings per Security of 54 to 62 cents, with a number of transactions targeted for completion.

Gearing is anticipated to remain elevated at 1H25 due to the timing of key capital recycling transactions and planned capital expenditure across major development projects. However, gearing is expected to trend down significantly in 2H25 towards the top end of our target 5-15% gearing range.

A launch of a security buyback of up to \$500 million in the near-term is subject to completing certain key capital recycling transactions to provide confidence that we will be within our target gearing range by the end of FY26.

Looking beyond FY25 to FY26, we anticipate that improved market and operating conditions for the Investments segment will support profitable FUM growth, an improvement in co-investment yields, and higher transaction volumes.

In the Development segment, the focus remains on origination of new opportunities, noting Development earnings in FY27 are supported by the targeted completion of One Circular Quay which is already 76% pre-sold by value.

In Construction, projects won during COVID continue to impact margins in FY25. A return to more normal operating conditions in FY26 is expected, which will support improved EBITDA margins, while higher revenues are forecast.

In the Capital Release Unit, FY26 is expected to see a number of international joint venture projects complete, while an improvement in market conditions will support further capital recycling of land and inventory.

Continued progress in our capital recycling program should see debt and associated interest costs materially reduce in FY26.

Our cost out program remains on track, with half of the announced \$125m of annual savings to be realised in FY25 and the full run-rate benefit expected to be realised in FY26, noting we are working to exceed this target.

I firmly believe that the decisive actions announced in May provide a clear pathway to performance for our people, our customers and our securityholders. While I am pleased with the progress we've achieved so far, I also acknowledge there is more we need to do for Lendlease to deliver the sustainable returns that securityholders should expect.

In closing, I'd like to express my thanks to our Board, particularly our Chairman, who retires today. Having worked closely with Michael for more than a decade, I have greatly valued his counsel and support. I look forward to working closely with our Chairman-elect, John Gillam, to expedite the delivery of our refreshed strategy and develop meaningful growth options for us to pursue.

I'd also like to thank my Management Team and the people of Lendlease for their unwavering dedication and resilience through a time of significant change.

Finally, to you, our securityholders, I'd like to restate our commitment to restore securityholder returns and extend my thanks for your ongoing support.

I'll now hand back to the Chairman.