

# ASX ANNOUNCEMENT

4 May 2016

## **Lendlease presentation at Macquarie Australia Conference in Sydney**

Attached is the presentation given by Lendlease Group Chief Financial Officer, Tarun Gupta at today's Macquarie Australia Conference being held in Sydney.

**ENDS**

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# Macquarie Australia Conference

Tarun Gupta, Group Chief Financial Officer  
Lendlease

**lendlease**

# Indigenous engagement and reconciliation

Lendlease's vision for Reconciliation is one in which all our employees **acknowledge and celebrate the proud heritage of Australia's First Peoples** and promote opportunities for **career development, sustainable business growth, and economic participation** of Aboriginal and Torres Strait Islander Australians within our sector.



## Strong 1H16 performance

EBITDA

**\$512 million**

Up 10%

EPS

**60.9 cents**

Up 12%

NPAT

**\$354 million**

Up 12%

Return on Equity

**13.4 %**

Up 50 bps

Distribution

**30.0 cents**

Up 11%

Residential pre-sold  
revenue

**\$5.4 billion**

Up 49%

Development pipeline

**\$46.6 billion**

Up 15%

Construction backlog

**\$18.6 billion**

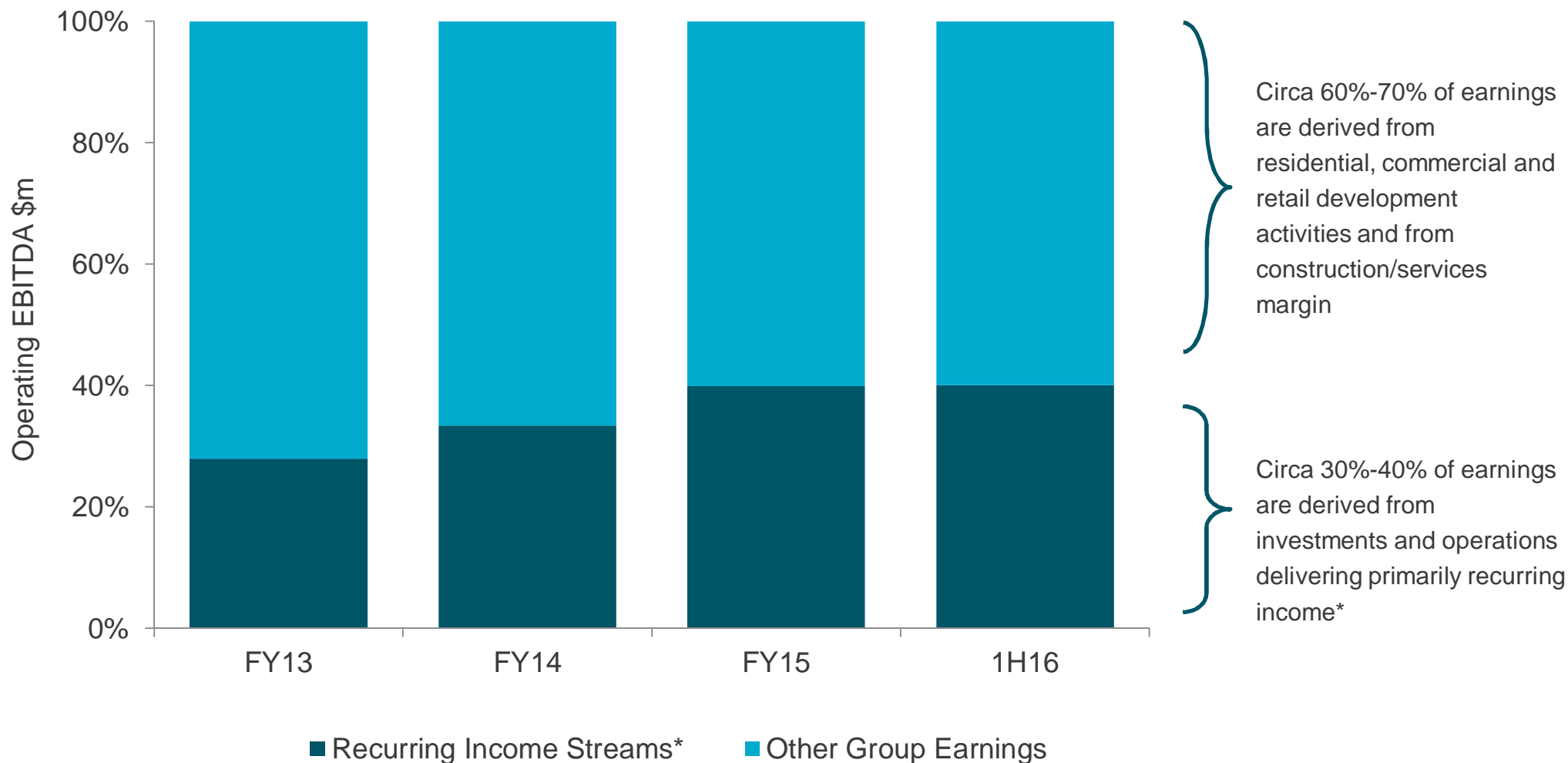
Up 19%

FUM

**\$22.0 billion**

Up 26%

## Delivering growing earnings underpinned by a strong base of recurring income



# Continued momentum in 2H16

## Development

- Continued residential demand:
  - Victoria Harbour (One Collins Wharf launched) in Melbourne
  - Future apartment launches in progress
- No change to our disciplined approach to pre-sales, portfolio management and diversification
- Revised planning approval for Circular Quay redevelopment
- Sale of NZ Retirement Villages<sup>1</sup>

## Construction

- Commenced excavation and tunnelling work on NorthConnex in Sydney
- Secured circa \$500m D9 Level Crossings Removal in Melbourne (part of the circa \$8 billion of construction work at preferred status at 31 December 2015)

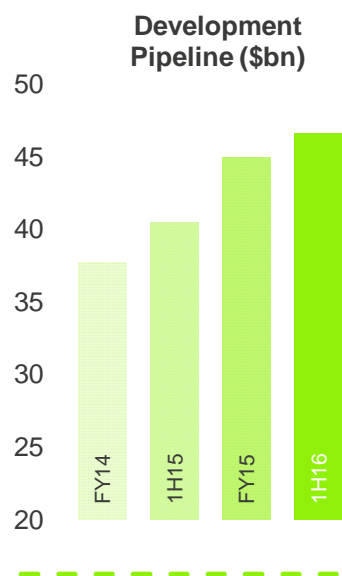
## Investment Management

- Sale of 25% interest in Tower One to Asian-based investor completed / FIRB approval received



\* Image – Darling Quarter, Sydney

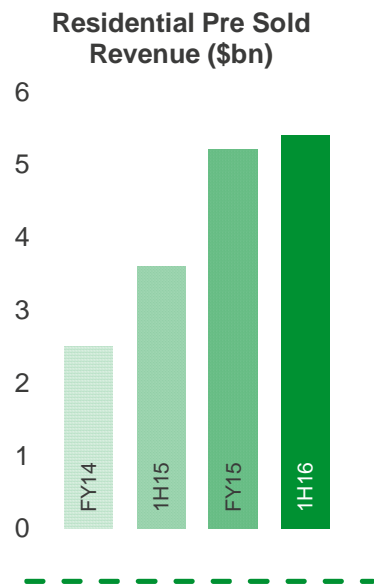
# Consistent long term performance and growth



## Development

Urbanisation projects now make up circa 75% of Lendlease's \$46.6 billion development pipeline globally.

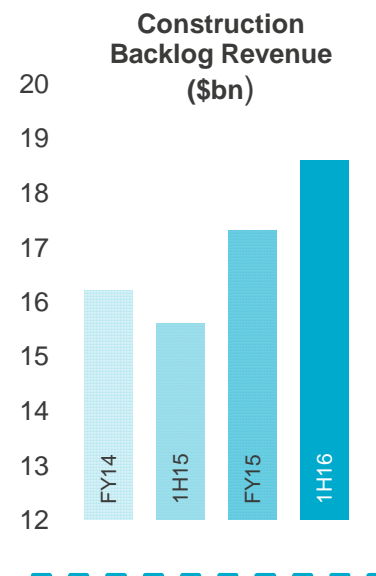
In addition Lendlease has \$415 million of committed and invested equity in Infrastructure Development projects.



## Apartment Pre sales

Lendlease has pre sold over 5,000 apartments that are expected to settle between FY16 and FY19. The vast majority of apartments are on urbanisation projects.

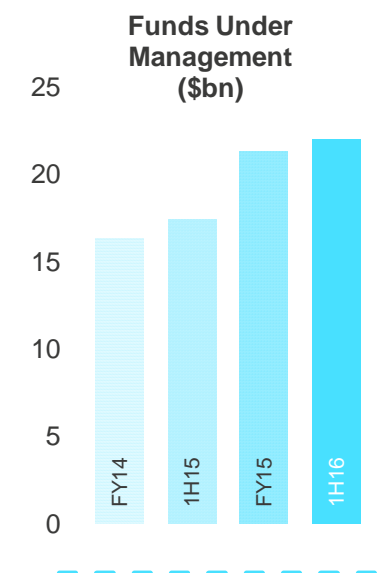
At 31 December 2015, residential pre sold revenue associated with apartments totalled \$4.7 billion and Communities pre sold revenue totalled \$0.7 billion.



## Construction

With core skills in building, engineering and services we have the internal delivery capability to deliver urbanisation projects.

\$18.6 billion of backlog revenue at 31 December 2015, with a further circa \$8 billion of work at preferred status.



## Investment Management

The creation of new investment vehicles associated with assets on major urbanisation sites has driven growth in funds under management and supports circa \$3.0 billion of future embedded growth.

Lendlease has raised circa \$10 billion of new equity since 2009 (including reinvested dividends).



## URBAN REGENERATION

Urbanisation creates increasing pressure to plan for, and accommodate a denser population.

By 2030, over

60%



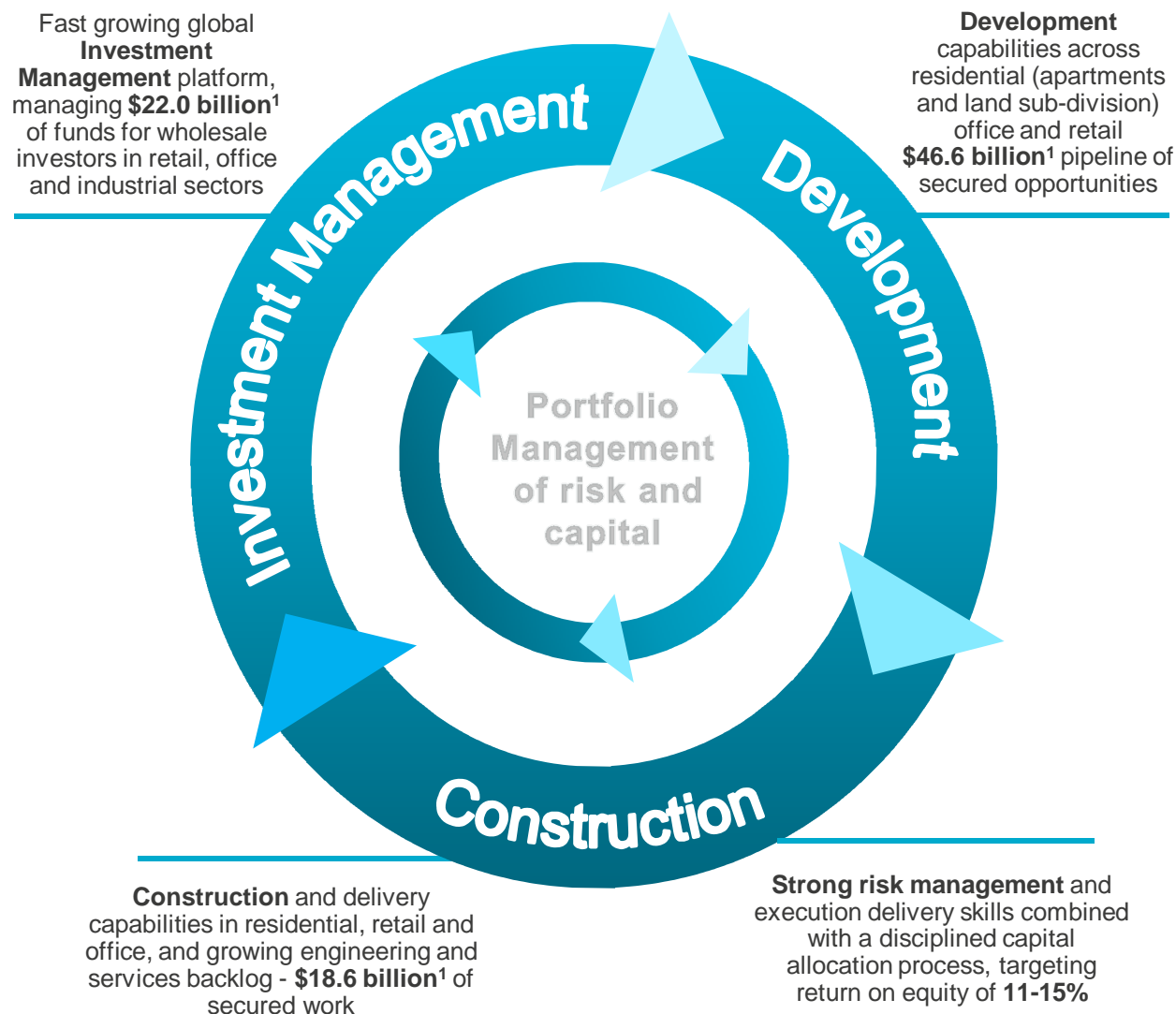
of the world's population will live in urban areas.<sup>1</sup>



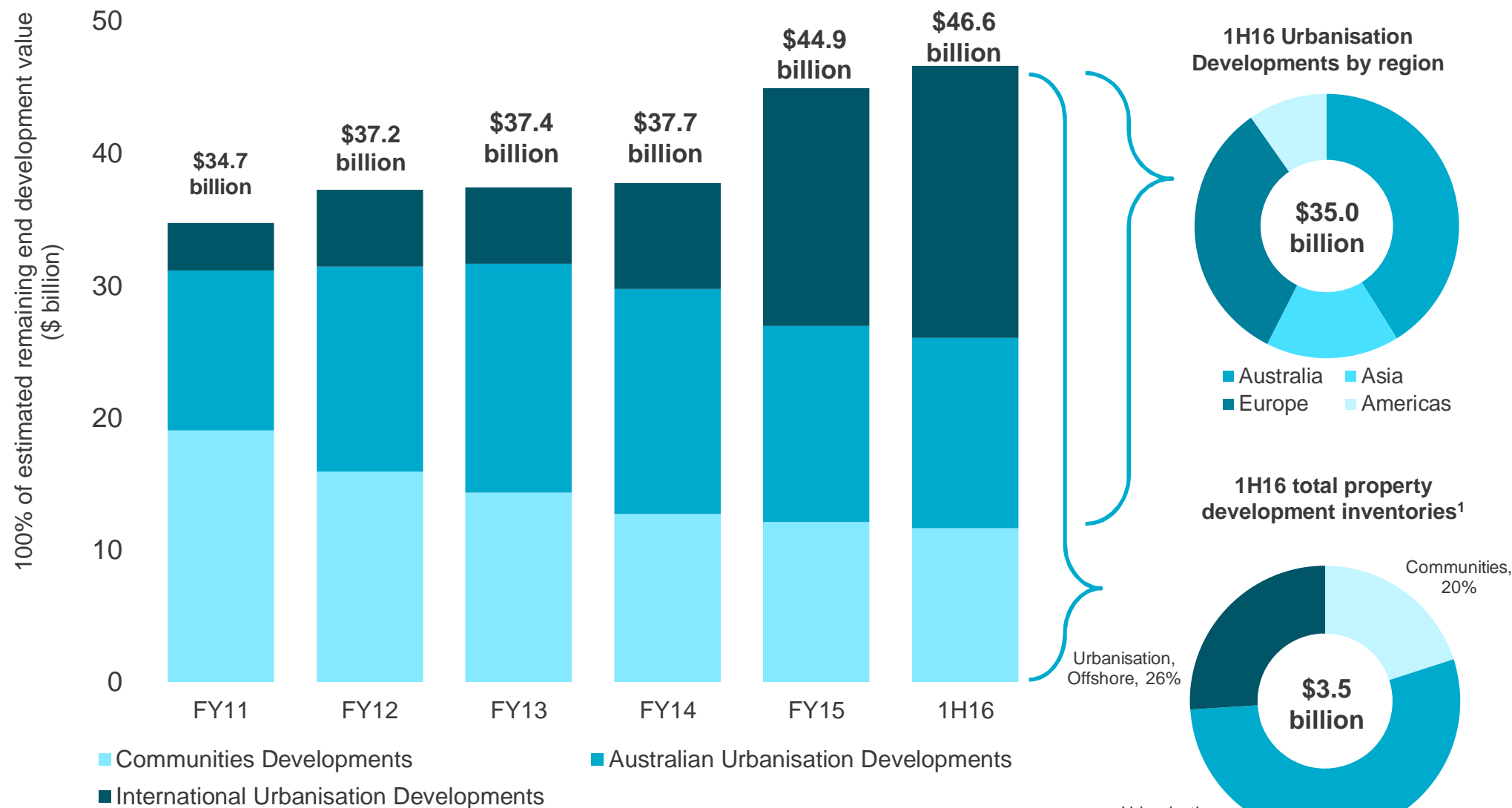
<sup>1</sup> 'World Urbanisation Prospects : The 2014 Revision – United Nations

## Competitive positioning

- Lendlease operates in a number of markets and disciplines across property and infrastructure, with leading businesses in Development, Construction and Investment Management, supported by strong risk management skills
- Proprietary internal research-led decision making process
- When Lendlease's four key elements are combined they optimise the origination, design and delivery of large scale, long dated urbanisation projects
- Returns are captured across its entire value-chain



## Urbanisation remains a key driver of future growth for the Group



## Our approach to Urban Regeneration provides delivery flexibility and optimises risk adjusted returns across the integrated model

	Capital Model	Benefits to Lendlease	Examples
Land	<ul style="list-style-type: none"> <li>Typically staged land and infrastructure commitments or land management structure</li> <li>JV model typically utilised where large up front commitment is required</li> </ul>	<ul style="list-style-type: none"> <li>Enables control of diversified portfolio of long dated projects and ability to leverage global cycles</li> <li>\$2.8 billion of inventory against \$35.0 billion urbanisation pipeline (December 2015)</li> </ul>	<ul style="list-style-type: none"> <li><b>Darling Square:</b> staged land payment structure</li> <li><b>Paya Lebar Central:</b> JV with 70% capital partner</li> </ul>
Production / Delivery	<ul style="list-style-type: none"> <li>Production capital committed only upon project stage reaching an appropriate level of risk mitigation</li> <li>Seek to match capital to risk return profile, i.e. typically forward fund commercial / retail with third parties once pre-leased</li> </ul>	<ul style="list-style-type: none"> <li>Enables management of Lendlease exposure</li> <li>Improved velocity and return on capital</li> <li>Incremental earnings streams for Construction and Investment Management</li> </ul>	<ul style="list-style-type: none"> <li><b>Barangaroo Towers 2 and 3:</b> sale to LLITST at circa 70% pre-leased</li> <li><b>Apartment pipeline</b> flexibility to deliver on balance sheet or JV to optimise risk-return outcomes</li> </ul>
Ownership	<ul style="list-style-type: none"> <li>Investment assets convert to long term ownership positions in managed funds / mandates</li> <li>Co-investment position provides alignment and exposure to core returns</li> </ul>	<ul style="list-style-type: none"> <li>Create new investment product for global investors seeking exposure to quality assets</li> <li>Growth in fee and co-investment income, delivering attractive long term recurring earnings</li> </ul>	<ul style="list-style-type: none"> <li><b>Barangaroo South/LLITST:</b> initial 25% co-investment, sold down to 15%</li> <li><b>Target 5-10% long term</b> position on core funds</li> </ul>

# Diversified portfolio of major urban regeneration projects delivering long term earnings streams

Project	Land ownership structure	Project secured	Delivery commenced	End value <sup>1</sup>	FY16	FY17	FY18+
<b>Integrated development projects</b>							
Barangaroo South, Sydney	Staged payments	2009	2012	A\$6.9 billion	✓	✓	✓
Darling Square (including ICC Hotel), Sydney	Staged payments	2013	2013	A\$2.6 billion	✓	✓	✓
Victoria Harbour, Melbourne	Land management	2001	2004	A\$5.5 billion	✓	✓	✓
Melbourne Quarter, Melbourne	Land management	2013	2016	A\$1.9 billion	-	✓	✓
Brisbane Showgrounds, Brisbane	Land management	2009	2011	A\$2.3 billion	✓	✓	✓
Waterbank, Perth	Land management	2013	-	A\$1.2 billion			
Tun Razak Exchange, Kuala Lumpur	Staged payments (in JV)	2014	-	MYR8.4 billion (A\$2.7 billion)			
Paya Lebar Central, Singapore	Land acquisition upfront (in JV)	2015	2016	S\$3.2 billion (A\$3.1 billion)	✓	✓	✓
Elephant & Castle, London	Land management	2010	2012	£2.3 billion (A\$5.0 billion)	✓	✓	✓
The Wharves, Deptford, London	Land acquisition upfront	2014	2016	£0.7 billion (A\$1.4 billion)	-	-	✓
The International Quarter, London	Land management (in JV)	2010	2014	£2.4 billion (A\$5.1 billion)	✓	✓	✓
Riverline, Chicago (previously River South)	Land acquisition upfront (in JV)	2014	-	US\$1.5 billion (A\$2.1 billion)			

## FUNDS GROWTH

Continuing growth in funds under management, consolidation of large pension funds and emergence of sovereign wealth funds as dominant investors.



Global assets under management are forecast to rise to USD\$102 trillion by 2020, up from USD\$64 trillion in 2012.<sup>4</sup>

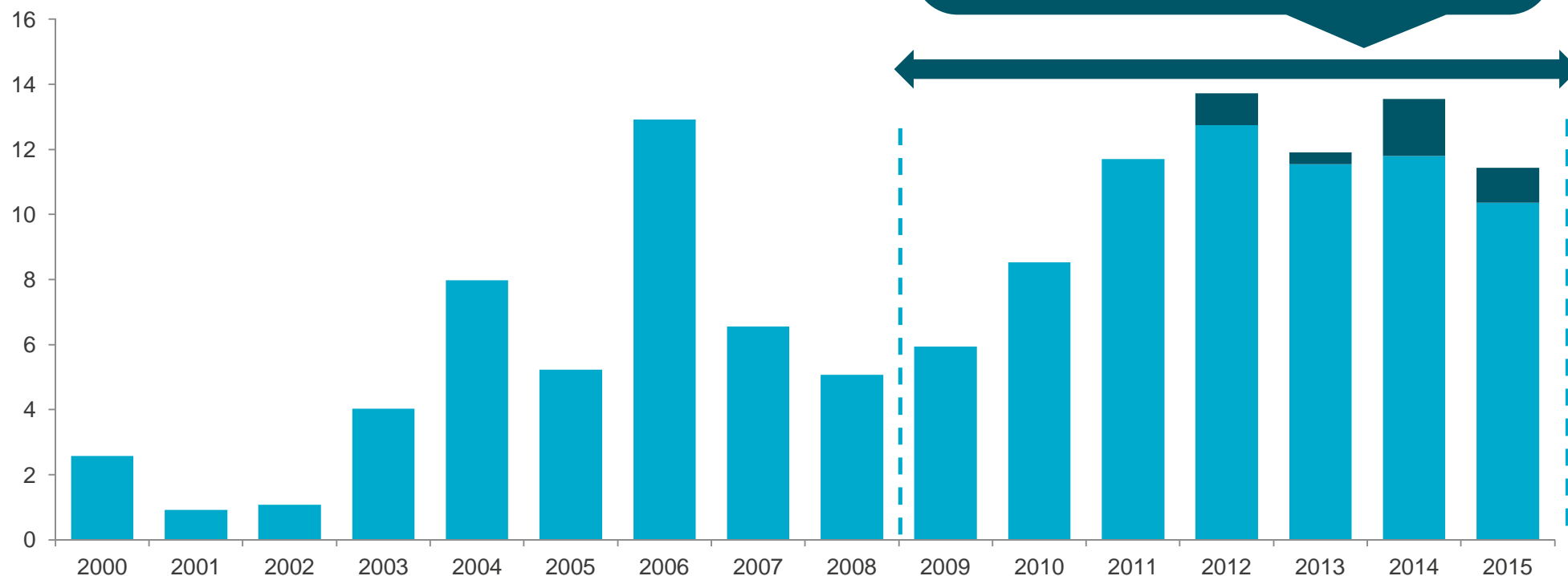
<sup>4</sup> 'PwC Report, 'Asset Management 2020: A Brave New World'

## Globally real estate remains a favoured alternative asset class for major investment and sovereign wealth funds



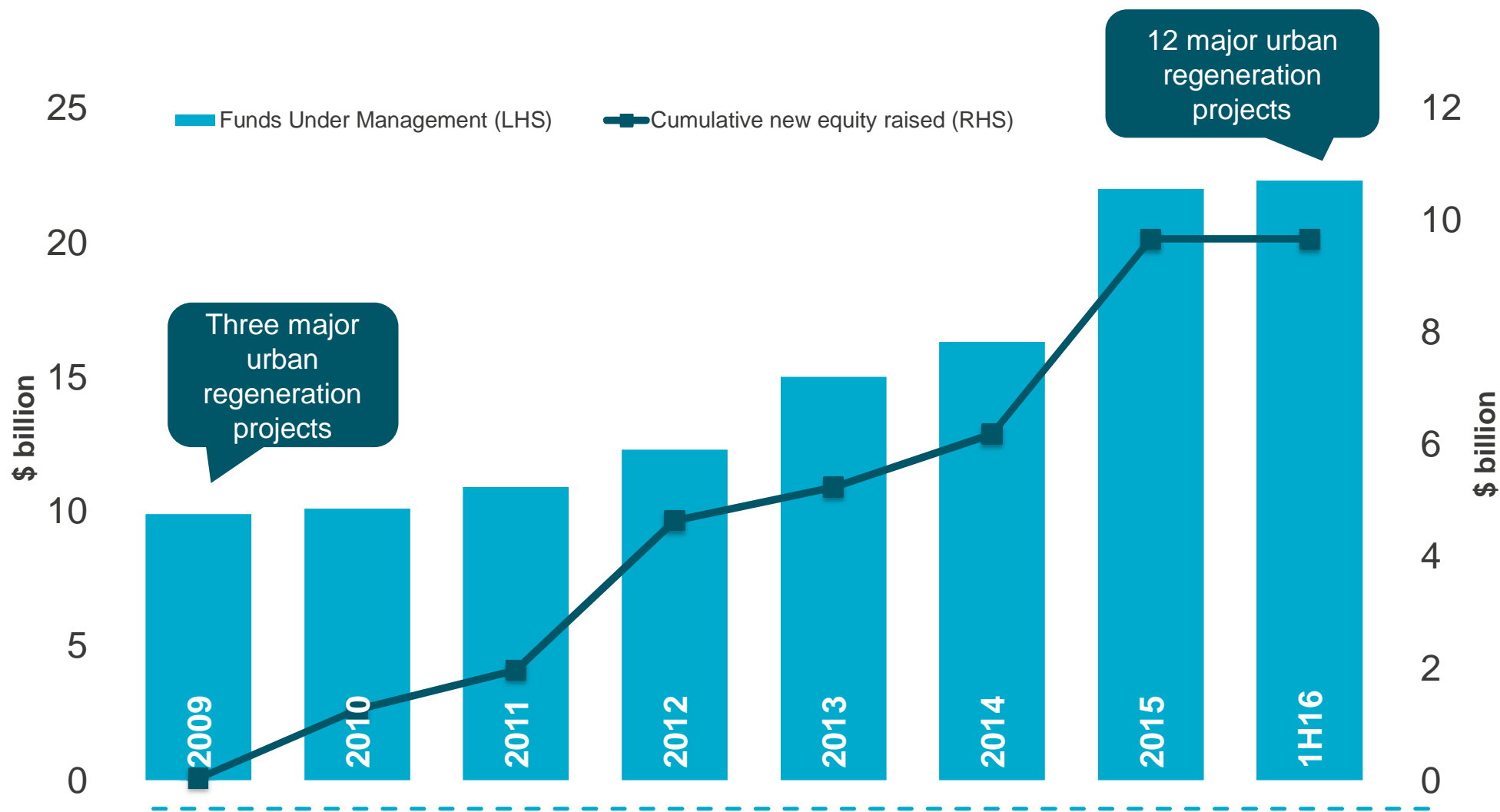
## Total equity raised globally for core mandates By vintage year in US\$bn

- Latest interim close for funds currently in the market seeking capital (US\$bn)
- Total equity raised for funds which have reached a final close (US\$bn)



Note: total equity raised only captures data for funds which have reached a final close and funds which are currently in the market seeking capital and have reached interim close

## Funds under management growth correlated to increase in our urbanisation portfolio



## Disciplined approach to portfolio management and capital allocation



- Urbanisation trends mean there is no shortage of large scale opportunities
- Significant current appetite from investors for urbanisation product
- Opportunities need to align to our portfolio goals
- Diversification by sector and geography

## Outlook

- Strong financial performance with continued focus on urbanisation trends. International markets delivering further geographic diversity and growth opportunities
- Strong relationships with third party capital partners a key component of our future growth
  - Funds under management continue to grow strongly, currently \$22.0 billion with a further \$3.0 billion of future embedded growth (related to committed equity positions)
  - Continued demand from sovereign wealth funds for real estate and infrastructure
- Continued residential demand, with a number of future apartment releases in progress
- Continued increase in secured construction backlog including Engineering with circa \$500m D9 Level Crossings Removal in Melbourne
- Maintain disciplined investment and risk management processes
- Strong growth trajectory and earnings visibility with solid base of recurring earnings



Image – Melbourne Quarter, Melbourne

THANK YOU



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A reference to 1H16 refers to the half year ended 31 December 2015 unless otherwise stated. All figures are as at 31 December 2015 and in AUD unless otherwise stated.