ASX ANNOUNCEMENT

28 March 2019

Lendlease Presentation at Credit Suisse Asian Investment Conference

Attached is the presentation to be given by Lendlease Group Chief Financial Officer, Tarun Gupta at today's Credit Suisse Asian Investment Conference in Hong Kong.

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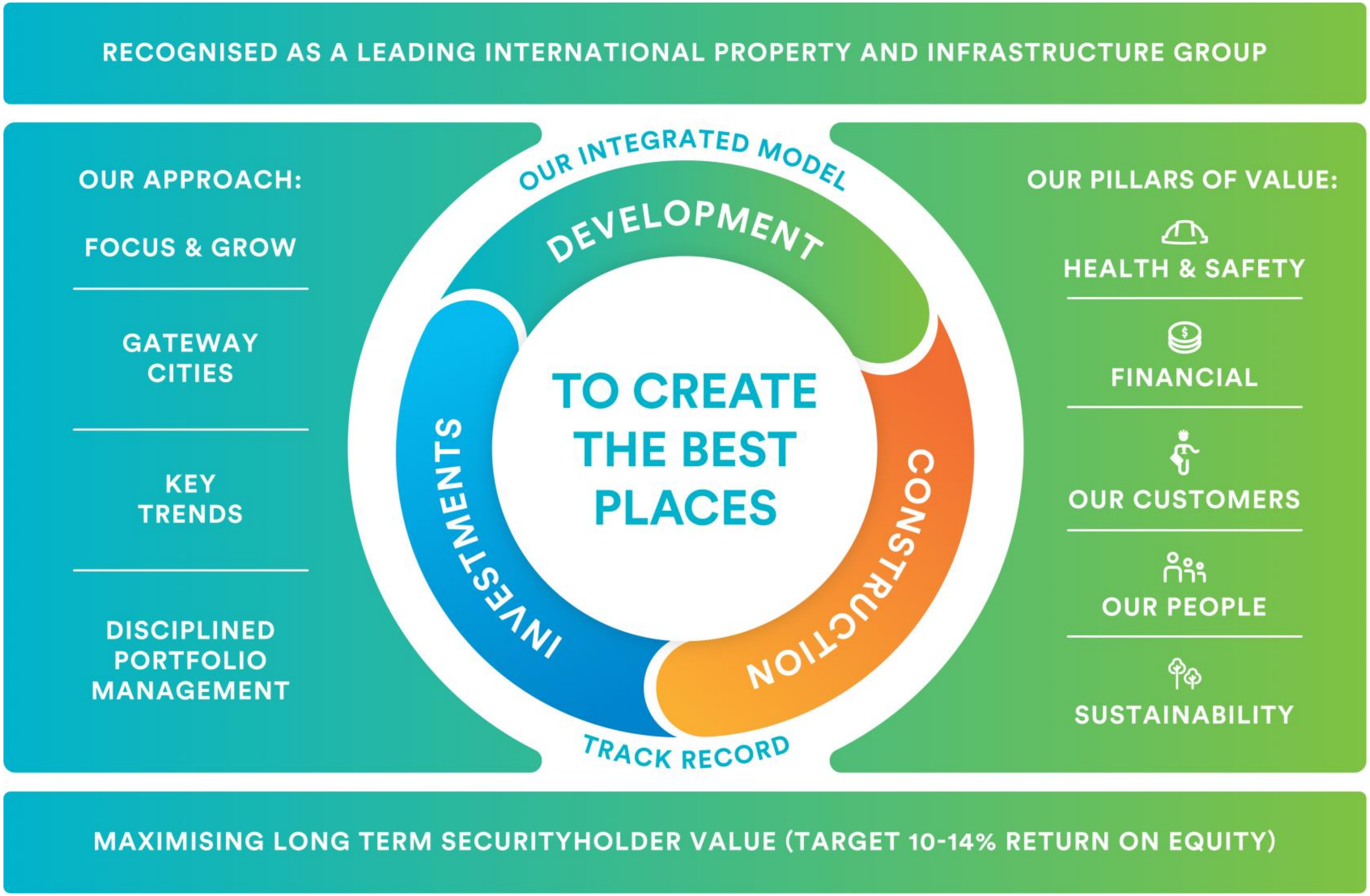
Credit Suisse Asian Investment Conference

Tarun Gupta
Group Chief Financial Officer
Lendlease

28 March 2019

Artist's impression: Paya Lebar Quarter, Singapore

Our approach



Global trends influencing our strategy

		Lendlease leadership
Urbanisation	By 2030, over 60% of the world's population is expected to live in urban areas[1]	• $59.3b urbanisation pipeline[2] • 20 major urbanisation projects[3] across 10 gateway cities
Infrastructure	Global infrastructure spending is estimated to rise to an average of US$5.1 trillion per year between now and 2035[4]	• c.$10b PPPs secured[5] • Transport related development opportunities
Funds growth	Global assets under management are forecast to rise from US$85 trillion in 2016 to US$145 trillion by 2025[6]	• 17.8% annual growth in funds under management since FY14
Sustainability	With over two thirds of the world's population living in urban areas by 2050[1], the built environment faces increasing challenges	• For a second year in a row our APPF Commercial fund is rated as worlds best for Sustainability by GRESB[7] • Endorsed the recommendations of the TCFD[8], climate is a key consideration influencing our strategy
Ageing population	Internationally, people aged 60+ are projected to grow three times faster than the overall population (2.4% vs 0.8% pa) in average annual terms between 2015 and 2050[9]	• Operate one of the largest Retirement Living businesses in Australia • Seeking to establish a scale platform in China. In FY18 secured first senior living project in Shanghai
Technology	Global venture capital investment in real estate technology has grown from US$1.8b in 2015 to US$12.6b in 2017[10]	• A pioneer of new delivery technologies e.g. Cross Laminated Timber, digital design, pre-fab, online sales channels; a leader in new safety initiatives

1. World Urbanization Prospects: The 2018 Revision, United Nations.
2. Remaining estimated development end value.
3. Urbanisation development projects with end value >$1b.
4. McKinsey Global Institute: Bridging Infrastructure Gaps – Has the World Made Progress? October 2017. Includes some Group Research calculations.
5. Cumulative data from FY12 to FY18.
6. Asset & Wealth Management Revolution: Embracing Exponential Change, PwC 2017.
7. Lendlease managed Australian Prime Property Fund Commercial ranked first out of 874 respondents in the 2018 Global Real Estate Sustainability Benchmark.
8. Taskforce on Climate-related Financial Disclosure (TCFD).
9. World Population Prospects: The 2017 Revision, United Nations.
10. RE: Tech: Real Estate Tech Annual Report 2017.

Globally diverse pipeline

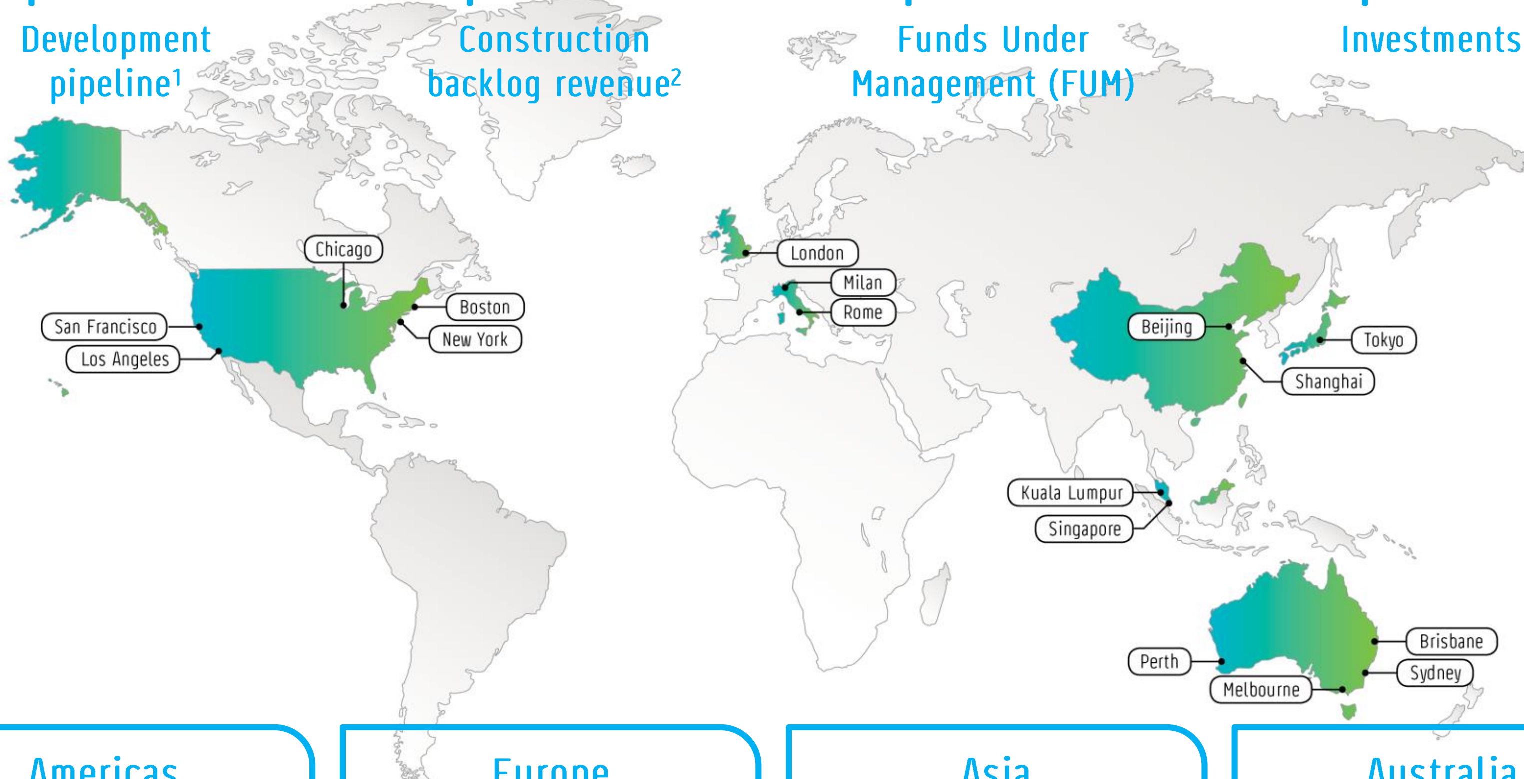
Our globally diverse pipeline provides long term earnings visibility

$74.5b
Development pipeline[1]

$14.8b
Construction backlog revenue[2]

$34.1b
Funds Under Management (FUM)

$3.6b
Investments



Americas
$7.9b Development pipeline[1]
$6.2b Construction backlog
$0.4b FUM
$0.4b Investments

Europe
$30.1b Development pipeline[1]
$1.2b Construction backlog
$1.6b FUM

Asia
$5.4b Development pipeline[1]
$0.8b Construction backlog
$8.0b FUM
$0.4b Investments

Australia
$31.1b Development pipeline[1]
$6.6b Construction backlog[3]
$24.1b FUM
$2.8b Investments

1. Remaining estimated development end value.
2. Construction backlog including Engineering and Services is $21.4b.
3. Australia construction backlog including Engineering and Services is $13.2b.

Lendlease to focus on urbanisation

Engineering and Services business non-core; alternative options being considered

- Comprehensive strategic review determined Engineering and Services is no longer a required part of Group strategy:
  - Enables both Engineering and Services and Lendlease Group to focus on their core competitive advantages
  - Group strategic focus increasingly directed towards urbanisation projects and investments platform
  - Limited integrated model opportunities for Engineering and Services
  - Risk return profile of Engineering not closely aligned with that of the broader business
  - Alternatives for Engineering and Services are being considered to maximise securityholder value
- New lower risk business strategy for Engineering to facilitate participation in the growing transport infrastructure sector
- Preliminary estimate of $450m - $550m pre-tax of future restructuring costs[1] that may be incurred

Lendlease going forward

- Strategy remains focused on:
  - Integrated model which leverages more than one operating segment across a diversified portfolio
  - Three segments: Development; Construction; Investments
- Revised Portfolio Management Framework reflecting Engineering and Services as non-core:
  - Earnings mix: Construction segment to be down weighted with corresponding lift to Development and Investments
  - The Group intends to review its capital structure given the change in business mix and expected lower volatility of earnings

1. These restructuring costs may include implementation costs, such as technology and system costs, employee costs and advisor costs, and costs to conclude customer contracts as a result of the Group’s decision. This estimate excludes any anticipated revenue from ongoing operations or proceeds received for the business.

Revised Portfolio Management Framework

Following decision that Engineering and Services is non core

Business model

Target EBITDA mix:

	Prev. Target	Revised Target
• Development	35-45%	**40-50%**
• Construction	20-30%	**10-20%**
• Investments	30-40%	**35-45%**

Removal of Engineering and Services:
- Reduces Construction contribution to EBITDA mix
- Construction segment EBITDA margin target 2-3%

Reclassification of internal Construction margin[4]:
- Shift from Construction to Development:
  – Reduces Construction contribution to EBITDA mix
  – Increases Development segment ROIC 10-13%

Regional capital allocation

Unchanged from:
- Focused on gateway cities
- 50-70% capital in Australia
- 20% max per international region

Target returns

	Prev. Target	Revised Target
• Group ROE	10-14%	10-14%
• Development ROIC	9-12%[1]	**10-13%[1]**
• Construction EBITDA[2]	3-4%	**2-3%**
• Investments ROIC	8-11%[1]	8-11%[1]

Distribution policy

Unchanged from:
- Payout 40-60% of earnings
- Capital management discipline

Capital structure

Current:
- Investment grade credit rating
- Optimised WACC
- Gearing[3] 10-20%

1. Through-cycle target based on rolling three to five year timeline.
2. EBITDA margin.
3. Net debt to total tangible assets, less cash.
4. The shift in Construction margin on integrated projects from the Construction to Development segment results in lower Construction EBITDA and both higher Development EBITDA and ROIC.

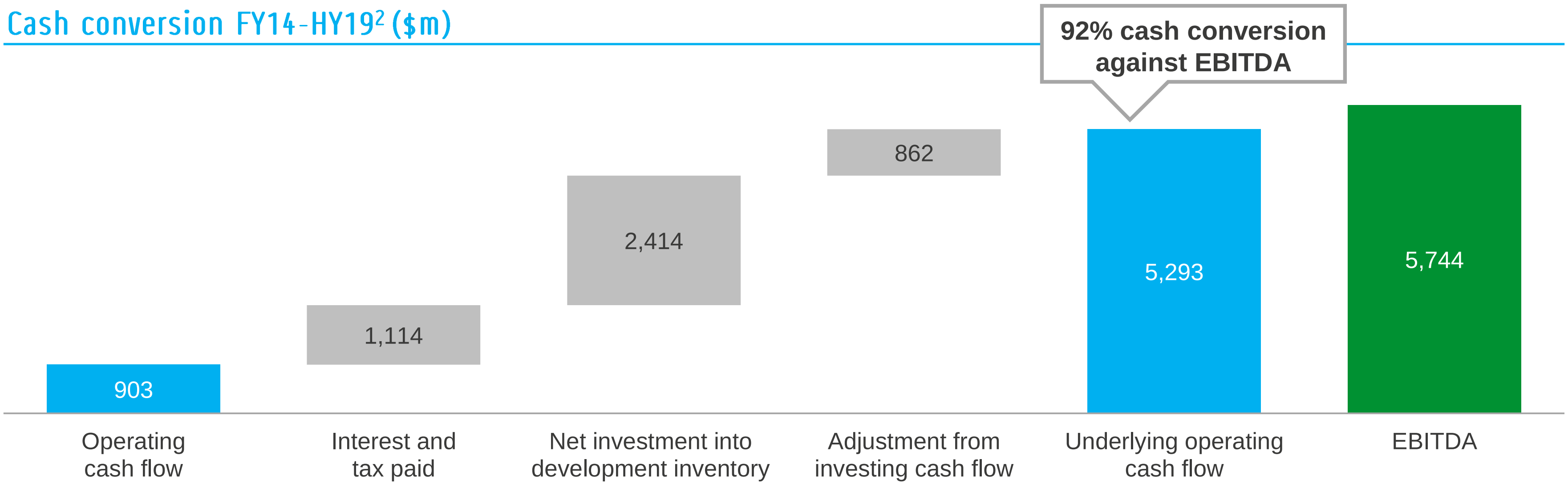
Underlying operating cash flow

New metric introduced

- Underlying operating cash flow will be reported to better reflect operating cash generated by the Group from its operating model
- Represents the amount of operating cash flow derived in a period, prior to payment of interest and tax, and reinvestment in the Group's pipeline
- **Statutory operating cash flow, plus:**
  - Interest and tax paid
  - Net investment into development inventory
  - Adjustment from investing cash flow[1]

= Underlying operating cash flow

Cash conversion FY14-HY19[2] ($m)



1. Reallocation reflects cash proceeds from sell down of deconsolidated development entities and realised gains on sale of assets not reflected in operating cash flow.
2. Cash conversion is the ratio of underlying operating cash flow to EBITDA.

Development segment

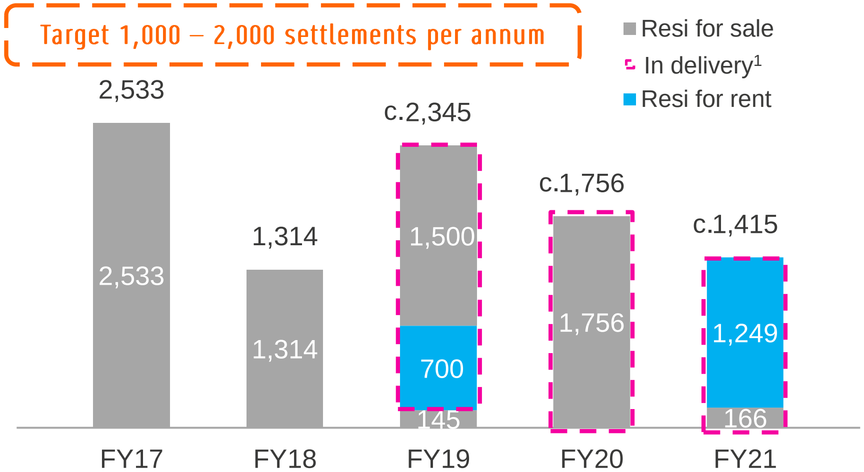
ROIC target 10-13%[1]; Invested capital $5.1b; Pipeline[2] $74.5b

	Urbanisation *20 major projects in 10 gateway cities*		Communities *15 communities projects across Australia*	Telco Infrastructure	Infrastructure Development	Military Housing
Business	**Apartments**	**Commercial**	**Communities**	**US Telco Towers**	**Australian Infrastructure Development**	**US Military Housing Portfolio**
Returns and Metrics	Target 1,000 - 2,000 settlements per annum	Target 2 - 3 buildings commenced per annum	Target 3,000 - 4,000 settlements per annum	Development margin	Origination fees	Development fees
Pipeline[2]	31,180 units $34.5b	1,977,000 sqm $24.8b	51,361 lots $15.1b	188 tower pipeline on balance sheet	Periodic bids for PPP projects	Periodic bids for major projects

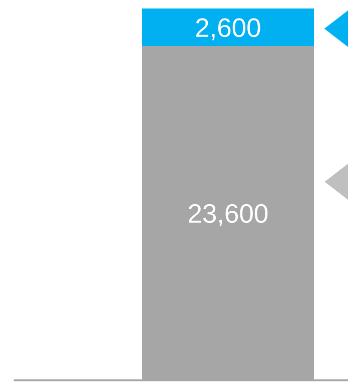
1. Revised target for FY19 and beyond following reclassification of internal construction margin to the Development segment. Through-cycle target based on rolling three to five year timeline.
2. Remaining estimated development end value.

Development segment - urbanisation

Apartments settlement profile



Secured apartments pipeline[3]

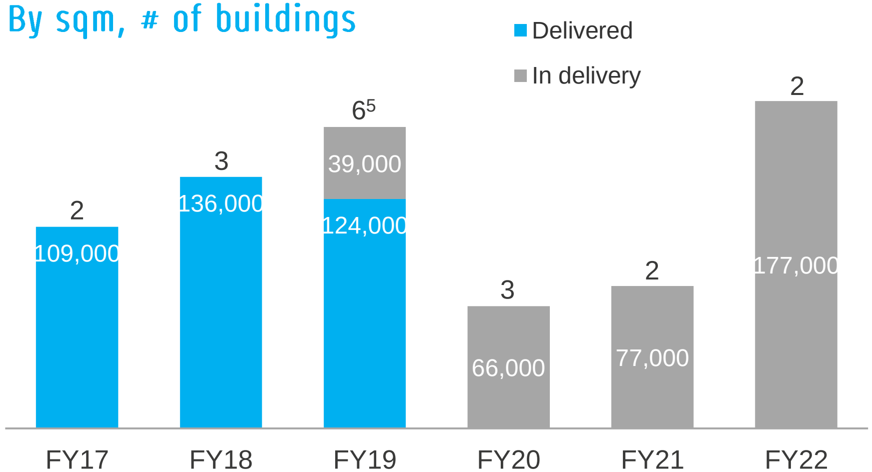


- **c.2,600 apartments for rent** across six urbanisation projects, expected launch H2FY19 – FY23

- **Apartments for rent** across nine urbanisation projects, expected to launch after FY23
- **Apartments for sale** across 17 major urbanisation projects, launch dates subject to market conditions

Commercial building completion profile[2]

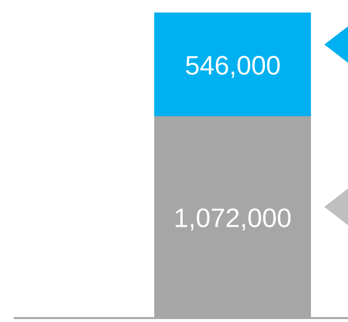
By sqm, # of buildings



Secured commercial pipeline[4]

By sqm

Target 2 – 3 commencements per annum



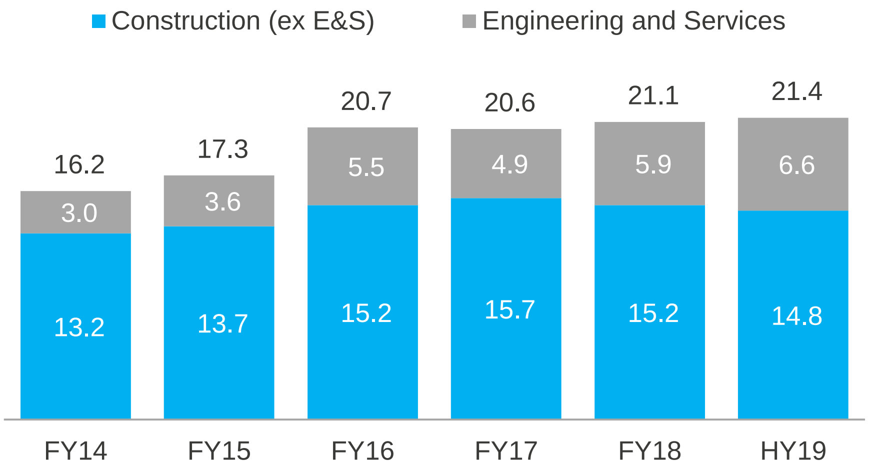
- **16 buildings** across six urbanisation projects, expected launch H2FY19 – FY23

- **Future pipeline**

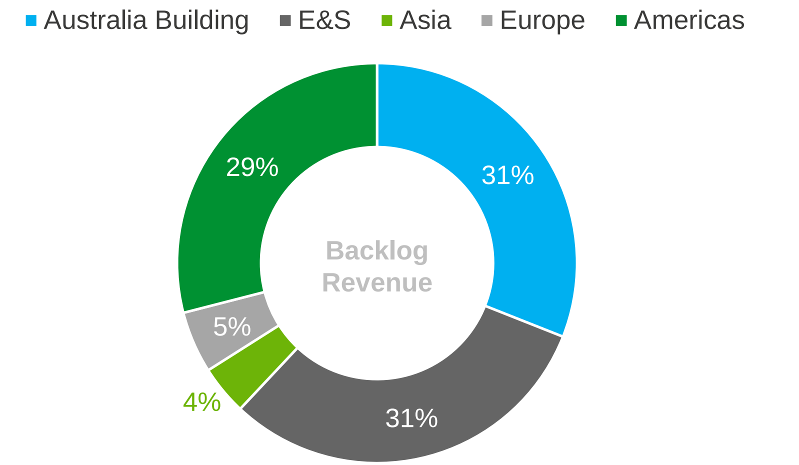
1. Expected settlement of apartments in delivery, subject to changes in delivery program.
2. FY19 – FY22 based on expected completion date of underlying buildings, subject to changes in delivery program. Not indicative of cash or profit recognition.
3. Estimated remaining apartments in urbanisation pipeline.
4. Estimated remaining commercial square metres in urbanisation pipeline.
5. Five buildings delivered, one in delivery.

Construction segment

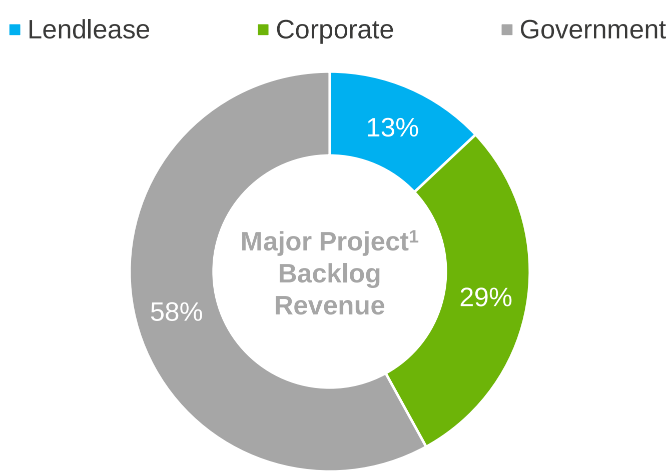
Backlog ($b)



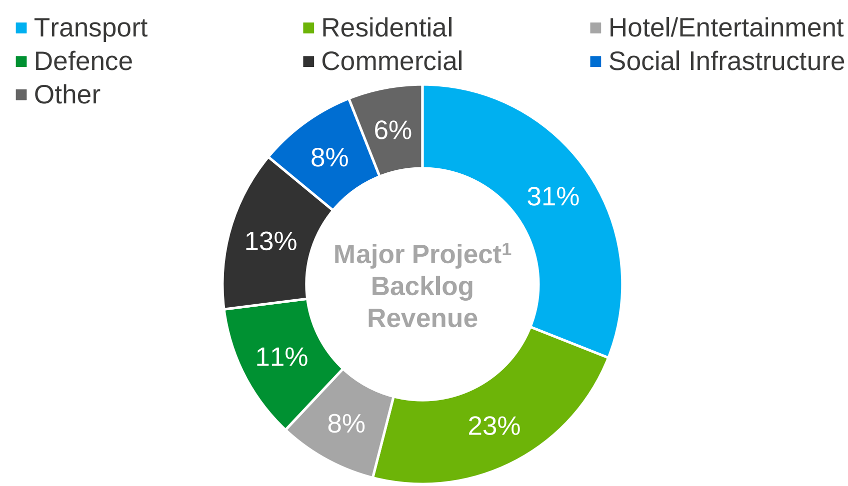
HY19 backlog by region



HY19 backlog by client



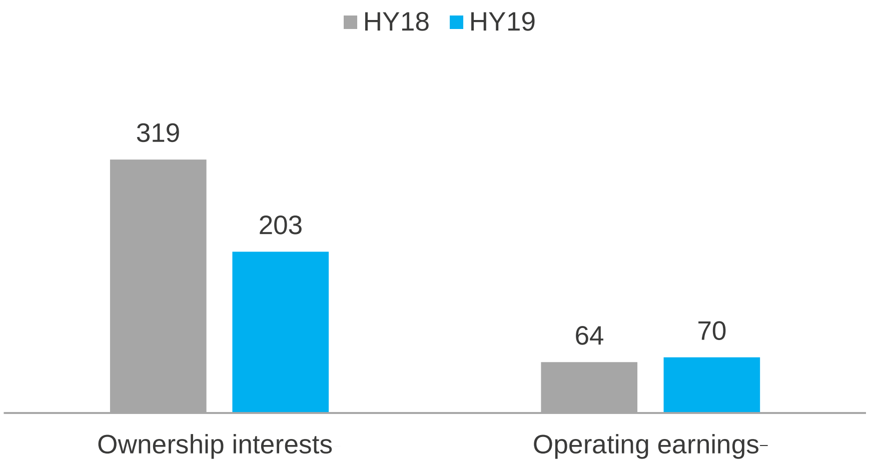
HY19 backlog by sector



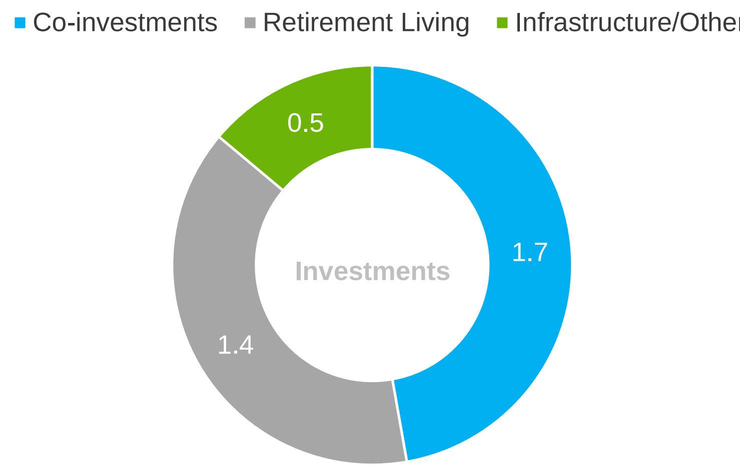
1. Includes all Construction projects with backlog greater than $100m, which represents 79% ($17.0b) of secured backlog.

Investments segment

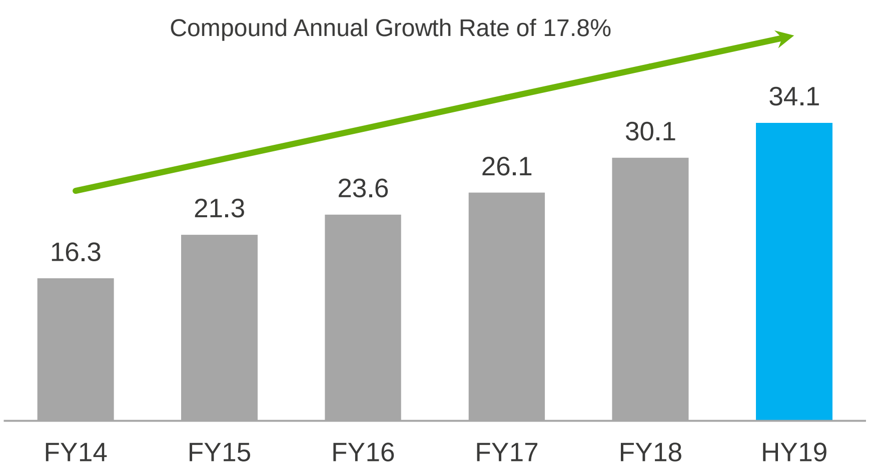
Investments EBITDA by activity ($m)



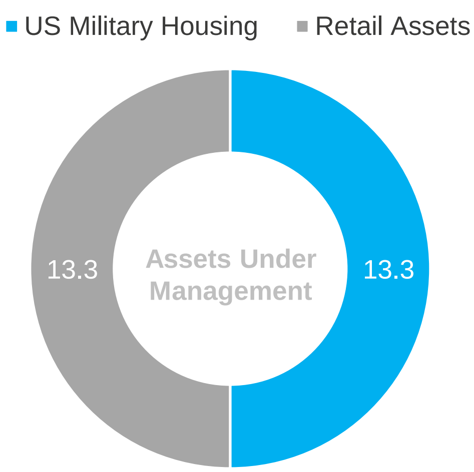
Ownership earnings derived from $3.6b investments ($b)



Operating earnings derived from $34.1b FUM ($b)



Operating earnings derived from $26.6b AUM ($b)



Outlook

Laying the foundations for future growth

- Re-setting the business:
  - Engineering and Services non-core:
    - Discussions with key stakeholders underway
    - Information memorandum and data room being established
  - Revised Portfolio Management Framework; targeting enhanced risk adjusted returns

- Development pipeline of $74.5b:
  - Origination and place making capability for the integrated model
  - 20 major urbanisation projects across 10 gateway cities
  - Pivot to targeted international markets materialising into tangible earnings contribution

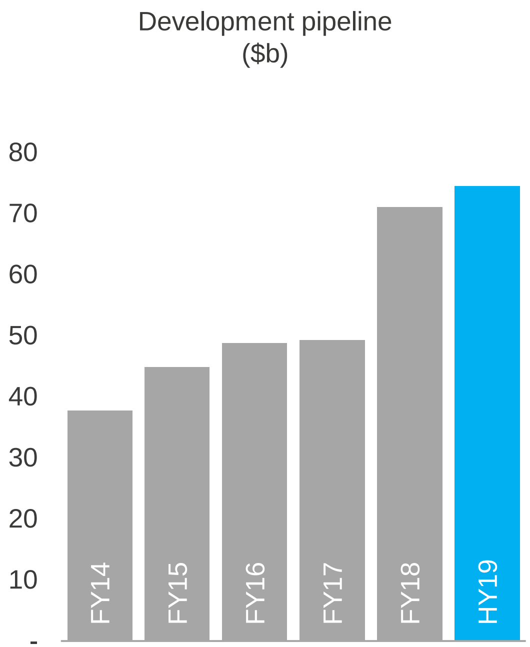
- Construction backlog revenue (ex Engineering and Services) of $14.8b:
  - Design and delivery capability for integrated model
  - External backlog diversified by client, sector and geography

- Investments segment with $3.6b of investments, $34.1b in FUM and $26.6b in AUM:
  - Funding and investment capability for integrated model
  - Strong capital partner relationships, fund and asset management platforms

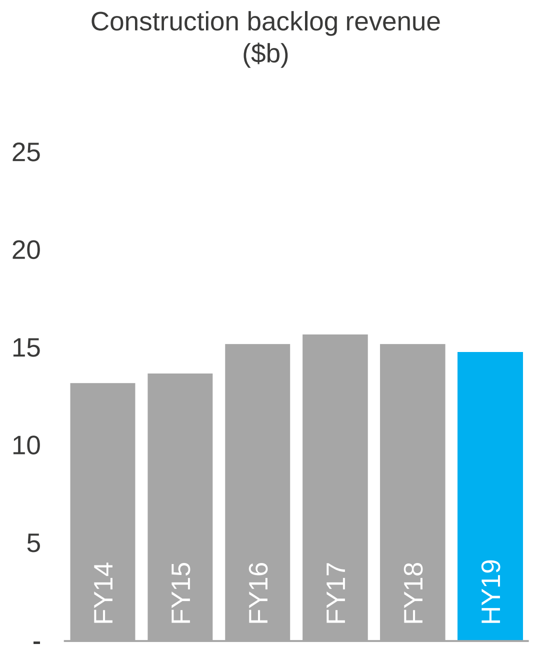
- Focus on leveraging the Group’s competitive advantage via the integrated model; urbanisation projects and investments platform:
  - Unwavering commitment to health and safety
  - Disciplined approach to origination and managing individual project and property cycle risk
  - Diversification across segment, sector and geography provides resilience

Earnings visibility from strong pipeline across all segments

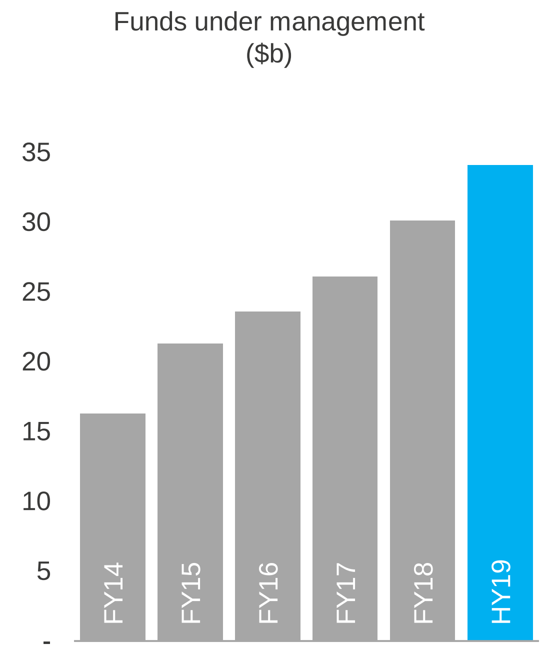
Development pipeline
$74.5b



Construction backlog revenue
$14.8b[1]



Funds under management
$34.1b



1. Construction backlog revenue including Engineering and Services is $21.4b.

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A reference to HY19 refers to the half year period ended 31 December 2018 unless otherwise stated. All figures are in AUD unless otherwise stated.