

# LEND LEASE Investor Day 2014

*9 October 2014*

  
Lend Lease



Image: Artist Impression – 432 Park Avenue, New York

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The Group's statutory results are prepared in accordance with International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures in presenting the Group's results. Certain non-IFRS financial measures have not been subject to audit or review.

A reference to 2014 refers to the financial year ending 30 June 2014, and a reference 2015 refers to the financial year ending 30 June 2015 unless otherwise stated. All figures are in AUD unless otherwise stated.

- 1 Lend Lease Strategy Overview
- 2 Australian Residential and Investment Management Trends
- 3 Urban Regeneration
- 4 Infrastructure
- 5 Healthcare and US Development
- 6 Risk Management and Capital Allocation
- 7 Closing and final Q&A

# AGENDA

# 1 STRATEGY

**Steve McCann**  
Group Chief Executive Officer  
and Managing Director



Image: Amy Dreher – National September 11 Museum Pavilion – New York

# The Journey So Far

Since 2009 we have delivered total securityholder returns<sup>1</sup> of 19.1 per cent per annum versus 10.6 per cent per annum for the ASX200

- In 2009 during a period of economic uncertainty, we set strategic principles to secure future growth
- Successful execution since 2009 has delivered outperformance for our securityholders
- Earnings diversification by sector and geography



<sup>1</sup> Source IRESS . Compound annual TSR between 30 June 2009 to 3 October 2014 shown. ASX200 TSR based on ASX200 Accumulation Index

# Leadership performance

	Critical Impact	Leadership in core markets	
1 Urban Regeneration	Urbanisation creates increasing pressure to plan for, and accommodate a denser population	<ul style="list-style-type: none"> <li>11 major projects under development</li> <li>~\$25b of urban regeneration secured</li> </ul>	✓
2 Ageing Population	An ageing population stretching housing and support services in all of our major markets	<ul style="list-style-type: none"> <li>Australasia's largest owner, operator &amp; developer of senior living communities</li> <li>Delivered major Healthcare projects/PPPs</li> </ul>	✓
3 Sustainability	Sustainability is a key focus for Governments and private sector. A pre-requisite for future growth opportunities	<ul style="list-style-type: none"> <li>Sustainability, innovation and delivery - first 6 Star v3 building in the market</li> <li>100% of secured major development pipeline targeting green certification</li> </ul>	✓
4 Funds Growth	Continuing growth in FUM, consolidation of large pension funds and emergence of sovereign wealth funds as dominant investors	<ul style="list-style-type: none"> <li>FUM growth of 9% over last 12 months (\$16.3b)</li> <li>Continued focus on driving 3<sup>rd</sup> party capital solutions</li> </ul>	✓
5 Infrastructure	Urbanisation & resource demand driving need for infrastructure at both the social and economic levels	<ul style="list-style-type: none"> <li>Infrastructure platform at scale in Australia</li> <li>~\$5b major engineering backlog revenue<sup>1</sup></li> </ul>	✓

*We regularly revisit our leadership themes and how they continue to shape our business*

<sup>1</sup> Engineering backlog at 30 June 2014 \$2.1bn. ~\$5bn includes projects at preferred status or contractual close post balance date.

# Understanding the property cycle

*Develop platforms and capability  
for earnings growth*

## Disciplined Origination

- Barangaroo
- Elephant & Castle
- Valemus
- Dasco

*Capital recycled and reinvested  
into key growth platforms*

## Efficient recycling

- Bluewater
- Jem
- King of Prussia
- Greenwich Peninsula

# Evolution of our strategy

*Deliver optimal performance safely*

*Disciplined growth around our integrated model*

**Focus**

**Grow**

- *Disciplined execution of existing pipeline*
- *Production of \$2.5 billion of residential pre-sales revenue*
- *Risk and capital management*
- *Commitment to safety*
- *Leverage competitive advantage in urban regeneration*

- *Disciplined origination and delivery of new pipeline of opportunities*
- *Seek appropriate geographic diversification in offshore markets*
- *Continue to invest in our people and attract best talent*
- *Expand engineering footprint*
- *Increase investment and passive income streams*



## Development<sup>1</sup>

**\$37.7b** pipeline



## Construction & Infrastructure<sup>1</sup>

**\$16.2b** backlog



## Investments<sup>1</sup>

**\$16.3b** FUM

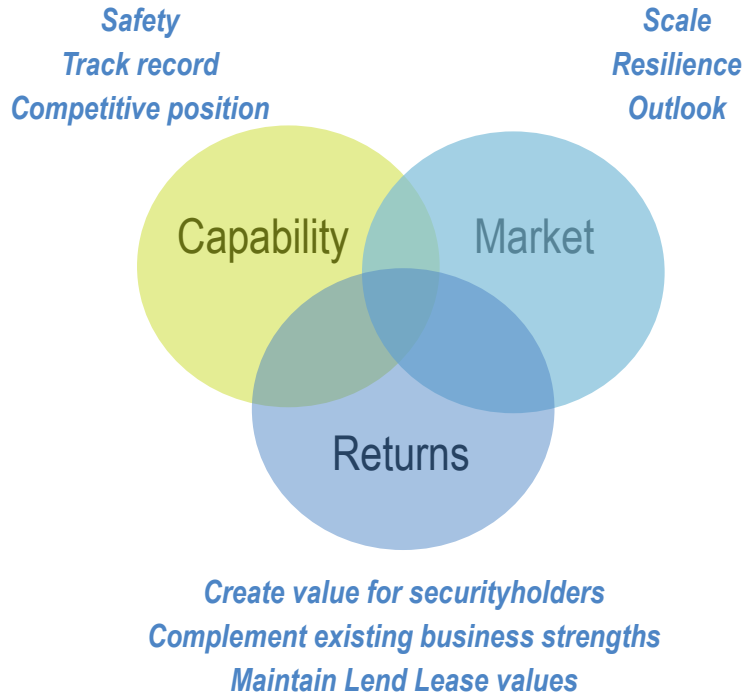


**Deliver optimal performance safely**

<sup>1</sup> As at 30 June 2014

## Disciplined Growth

Focused origination in growth sectors where we have strong capabilities valued by our investors



## Integrated platforms

Target sectors where we can differentiate with our integrated model



- Target opportunities in defined cities within portfolio guidelines, supported by focused capital & funding plans



- Continue to drive operational excellence & potentially expand into adjacent sectors and regions



- Build on our global healthcare footprint, international track record and proven partnerships with government, investors and operators

Disciplined growth around our integrated model

# Depth of management experience



## Steve McCann

### Group Chief Executive Officer and Managing Director

- Joined Lend Lease in 2005 as CEO Investment Management. Appointed Group CFO February 2007, Group CEO December 2008 and Managing Director in March 2009
- Over 25 years of experience in real estate development and investment management, finance, investment banking and mergers and acquisitions law



## Tony Lombardo

### Group Chief Financial Officer

- Joined Lend Lease in 2007 as Group Head of Strategy and Mergers and Acquisitions. Appointed as Group CFO in 2011
- Almost ten years at GE, with responsibilities across numerous functional disciplines including Strategy, Mergers & Acquisitions and Finance, for both GE Capital and GE Corporate



## Bob McNamara

### Group Chief Risk Officer

- Joined Lend Lease in 2010 as CEO Americas and appointed Group Chief Risk Officer in 2014
- Over 35 years of experience managing global businesses in the development, design and delivery of projects



## Vivienne Bower

### Group Head of Corporate Affairs

- Joined Lend Lease in 2012
- More than 20 years experience in Corporate Affairs and Investor Relations, in-house and consulting. Including roles at Westpac, Multiplex Group and Aristocrat Leisure



## Karen Pedersen

### Group General Counsel

- Joined Lend Lease in 2013
- More than 20 years experience in the property industry included complex highly structured transactions, funds management, new products, and corporate transactions



## Dan Labbad

### Chief Executive Officer, International Operations

- Joined Lend Lease in 1997. From July 2012 until August 2014 Dan was Group Chief Operating Officer. He has extensive leadership experience across the Lend Lease platform both in Australia and internationally
- Appointed Chief Executive Officer, International Operations in 2014, overseeing Europe, Americas and Asia regions



## Rod Leaver

### Chief Executive Officer, Asia

- Joined Lend Lease in 2008
- Over 30 years experience in the property industry and has worked extensively throughout Australia and Asia



## Denis Hickey

### Chief Executive Officer, Americas

- Joined Lend Lease in 2012 as Managing Director of Australian development and appointed CEO Americas in 2014
- Over 20 years of experience across all aspects of real estate development and investment management



## David Saxelby

### Chief Executive Officer, Construction & Infrastructure, Australia

- Joined Lend Lease in 2012 as Chief Operating Officer of the Australian business
- Former Managing Director of Thiess, part of the Leighton Group, where he managed a diverse business across Australia and South East Asia, working in the construction, mining and the services sectors



## Tarun Gupta

### Chief Executive Officer, Property, Australia

- Joined Lend Lease in 1994
- Tarun has held a number of senior executive positions within Lend Lease's investment management business. Prior to his current role Tarun was appointed Group Head of Investment Management



## Michael Vavakis

### Group Head Human Resources

- Joined Lend Lease in 2010
- Over 20 years experience in Global HR and HR strategy in senior executive positions in Australia, Singapore, Hong Kong and USA

# Depth of management experience

Established management team with a proven track record



Recent appointments further support our strategic goals

## **Bob McNamara**

New Chief Risk Officer to ensure consistent and disciplined approach to origination and operational risk across the Group

## **Dan Labbad**

New Chief Executive International Operations evaluating and managing international growth opportunities from a portfolio perspective

## **Denis Hickey**

Appointed as Chief Executive Americas to expand our capabilities and footprint in the broader US market

# 2 AUSTRALIAN RESIDENTIAL & INVESTMENT TRENDS



Artist Impression: Barangaroo South, Sydney

## Growth

*“In Sydney, the city has experienced a residential undersupply, with the past five financial years seeing completed dwellings total only 79,500, against an estimated underlying demand of 122,900<sup>1</sup>.”*

Undersupply of housing for

9 years

Resulting in increased demand for new housing/upward house price pressure<sup>2</sup>

Australian population growth

3<sup>rd</sup> strongest in OECD

1.7 % per annum in the last decade<sup>3</sup>

*“Increasing the supply of developable land would serve to reduce its cost and promote new development. This need not just be releasing new land on the city fringes, but also by rezoning existing commercial and industrial land that may be more valuable as residential or increasing the height and density limits of sites<sup>2</sup>.”*

## Opportunity

Significant backlog of built-form and land units at Lend Lease

67,560

zoned

Lend Lease pre-sales revenue in Australia now

\$1.5 billion

1,283 pre-sold built-form units and 1,842 pre-sold land units

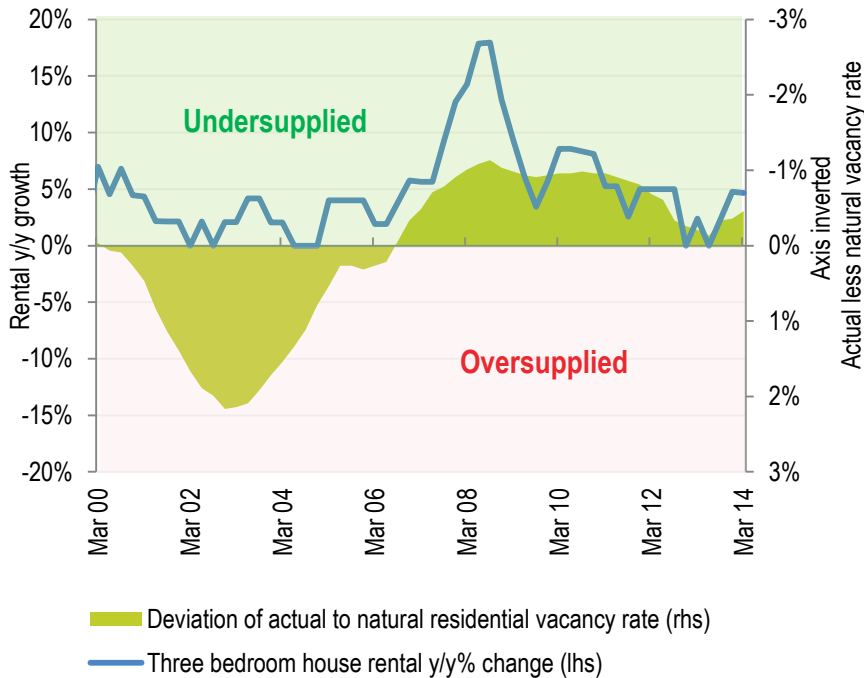
<sup>1</sup> JLL Research – May 2014

<sup>2</sup> ABS/BIS Shrapnel - Affordable Housing in Australia, February 2014

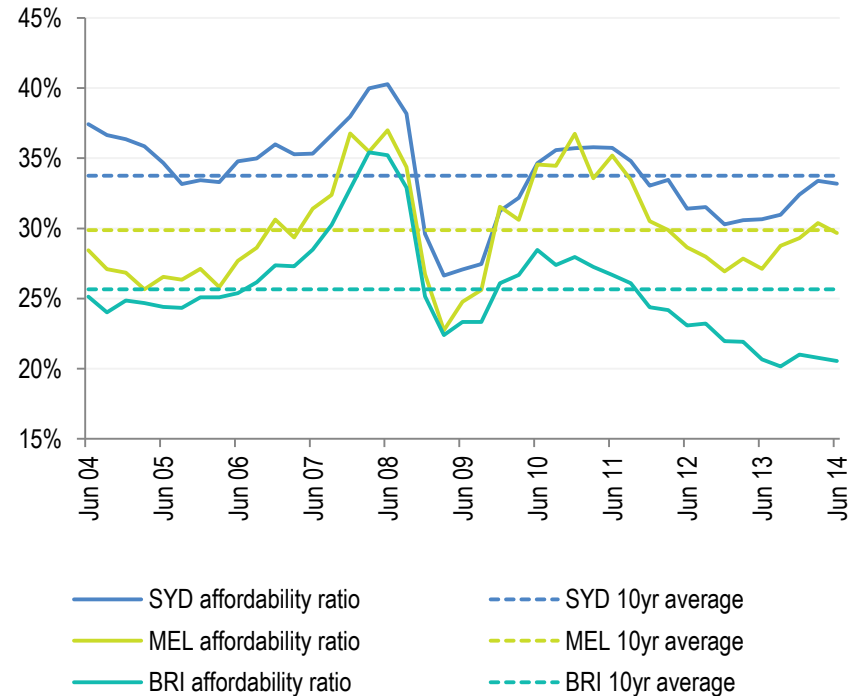
<sup>3</sup> Oxford Economics

# Affordability ratios below 10 year average

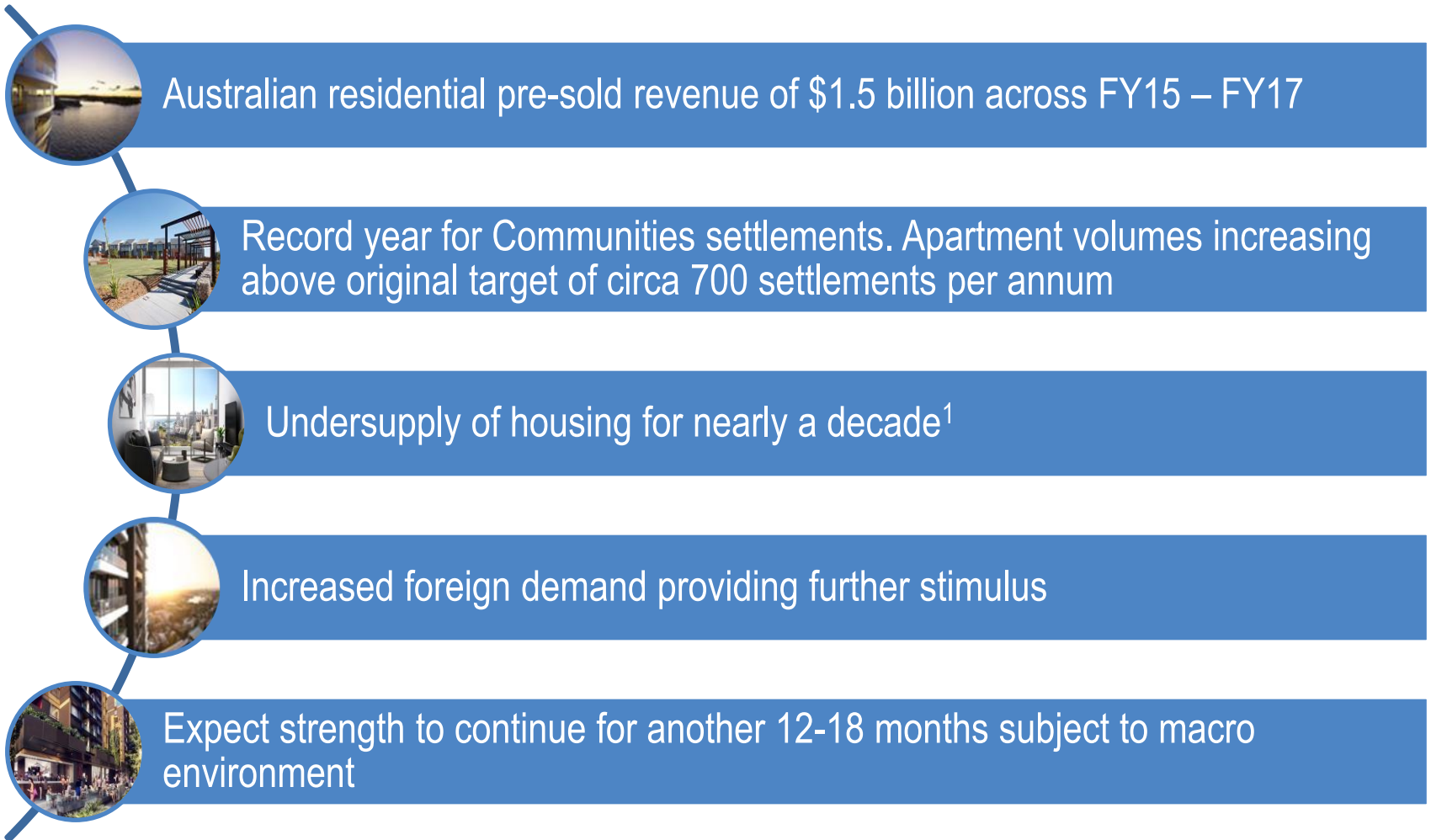
*Sydney rent growth and vacancy  
Quarterly observations*



*Affordability ratio – Sydney, Melbourne and Brisbane  
Quarterly observations*



# Australian residential driving near term growth





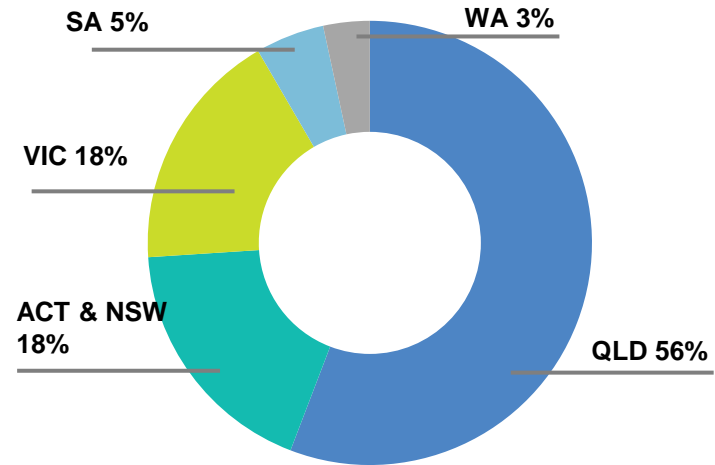
# Communities - volumes up strongly in 2014

Residential land lots settled, up

# 32%

In FY14. Land Lot pre-sales of 1,842 up 40% providing strong platform for growth in FY15

Communities residential land lots  
Backlog units by geography



Zoned Backlog

# 100%









All 28 sites in Australia are zoned. Positioned to meet market demand and leveraged to access price and volume growth



Yarrabilba Display Village - QLD

# Australian apartment pre-sales at record highs

## Apartments – pre sold and in delivery

		Pre-sold % / pre-sold \$m revenue	FY14	FY15	FY16	FY17+
<b>Barangaroo South</b>	<ul style="list-style-type: none"> <li>2 apartment buildings: Anadara and Alexander</li> <li>159 units</li> </ul>	100% ~\$300 million				
<b>Darling Square</b>	<ul style="list-style-type: none"> <li>3 apartment buildings: Darling One, St Leon &amp; Wirth House</li> <li>538 units</li> </ul>	100% ~\$580 million <sup>1</sup>				
<b>Victoria Harbour</b>	<ul style="list-style-type: none"> <li>2 apartment buildings</li> <li>251 units (Concavo)</li> <li>578 units (888 Collins)</li> </ul>	91% 59% ~\$460 million				
<b>Brisbane (RNA) Showgrounds</b>	<ul style="list-style-type: none"> <li>5 apartment buildings: The Green</li> <li>356 units</li> </ul>	92% ~\$160 million				
<b>Richmond</b>	<ul style="list-style-type: none"> <li>1 apartment building: Studio 9</li> <li>203 units (completed)</li> </ul>	88%				
<b>Wandsworth</b>	<ul style="list-style-type: none"> <li>1 apartment building: Cobalt Place</li> <li>104 units</li> </ul>	78% ~\$75 million				
<b>Elephant &amp; Castle</b>	<ul style="list-style-type: none"> <li>3 apartment buildings:</li> <li>284 units (One The Elephant)</li> <li>235 units (Trafalgar Place)</li> <li>360 units (South Gardens)</li> </ul>	89% 93% 60% ~\$570 million				
<b>The International Quarter</b>	<ul style="list-style-type: none"> <li>2 apartment buildings: Glasshouse Gardens</li> <li>333 units</li> </ul>	79% ~\$200 million				

● Indicates profit earned in financial year

<sup>1</sup> Darling Square – 227 units pre-sold at 30 June 2014. 311 units pre-sold in 1H15.

# Darling Square



- **Circa 1,400** apartments and sky homes
- **5,500 sqm** of new retail space
- **First apartment launch in June 2014** – significant interest and 100% pre-sales for the first release of 538 apartments (\$580 million of revenue)
- **Pre-sales** occurred ahead of schedule
- **Project Development Agreement** expected to be signed by end of CY14
- **Registrations** currently being taken for phase 2 of the project

# 888 Collins Street

- **Residential phase** of Victoria Harbour progressing well
- **Tallest tower in the Victoria Harbour Precinct** – at the intersection of Bourke and Collins Street in Melbourne
- **40 floor tower**, 578 apartments over 36,000 square metres
- **Strong pre-sales** leading to construction ahead of planned schedule
- Expected to be delivered in FY17

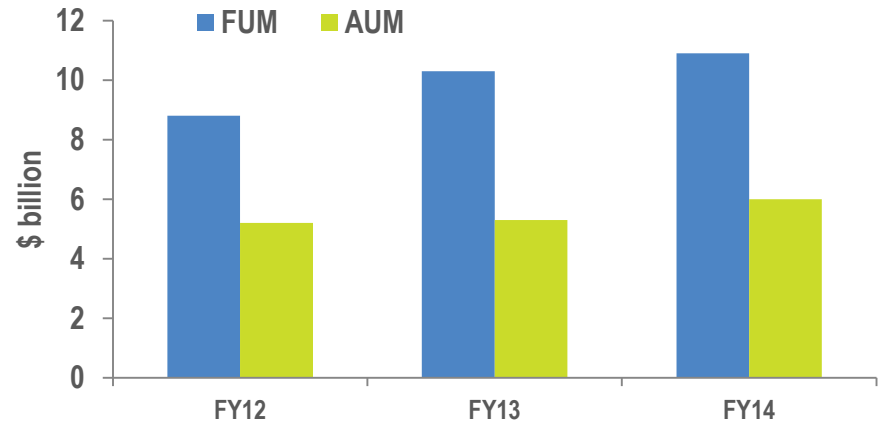
# Investment Management – growing platform

FUM of

**\$10.9 billion**

Up 6% in 12 months

3 year growth in FUM and AUM



**Institutional investors**

**~90**

Across the Australian platform

*9 major Lend Lease projects financed by third party capital in the last 5 years including Darling Quarter, and Lend Lease International Towers Sydney Trust*



# Q&A

## AUSTRALIAN RESIDENTIAL & INVESTMENT MANAGEMENT TRENDS



# 3 URBAN REGENERATION




Image: Victoria Harbour, Melbourne

# Urban Regeneration - trends

## Growth

*“Continuing population growth and urbanisation are projected to add 2.5 billion people to the world’s urban population by 2050<sup>2</sup>”*

Urban population in 2014 accounted for

54%  Up 34% since 1960

of the global population<sup>1</sup>

Since 1990 ten mega-cities have now grown to

28  Mega cities are expected to grow to 41 by 2030

globally, housing 453 million people<sup>2</sup>.

## Opportunity

*“Harnessing the involvement of the private sector can often be more cost effective, particularly when the stages of the renewal project (design, construction, financing, operations and maintenance) are bundled together<sup>3</sup>”*

Lend Lease is a world leader with

11 urban regeneration

projects currently under development – pipeline of \$25 billion

Integrated capabilities

Development	Master Planning
Construction	Maintenance / Services
Investment Management / Third party capital	

<sup>1</sup> World Health Organisation – 2014

<sup>2</sup> UN Department of Economic and Social Affairs; mega-cities house more than 10 million inhabitants – July 2014

<sup>3</sup> KPMG/Clayton Utz – Urban Renewal Guidebook 2014

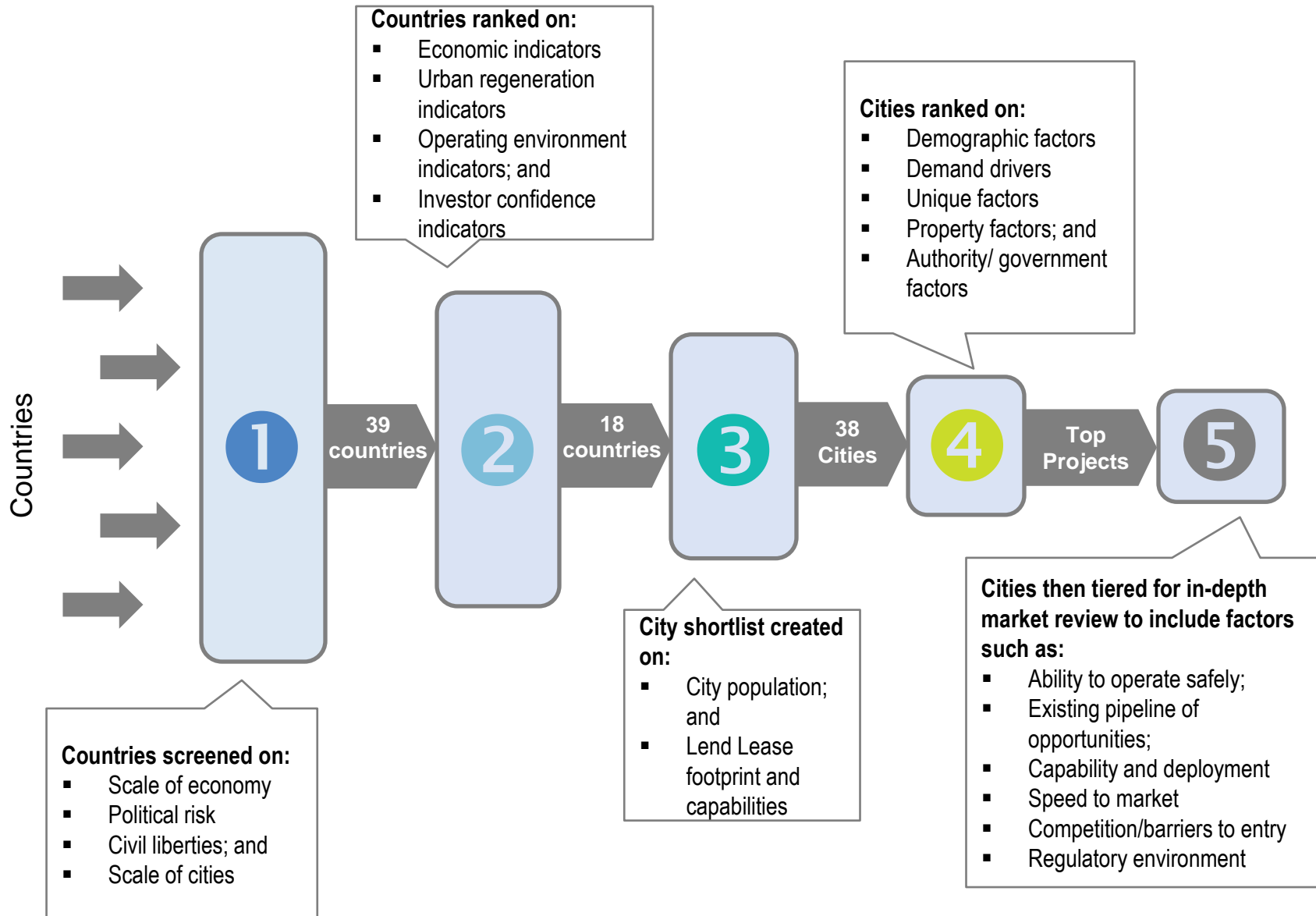


# Urban Regeneration Characteristics

- 1 Scale – estimated end development value
- 2 Location - city and city fringe, typically government owned land
- 3 Mixed-use – residential, retail, commercial, infrastructure and place making
- 4 Density - medium to high density development
- 5 Timeframe - long-dated development
- 6 Sustainability – Economic, Social and Environment and ability to create a legacy



# Urban Regeneration Origination Process – Phase 1



# Barangaroo

- **1970s** – Concrete apron created to accommodate bulk offloading for shipping containers
- **1979** – Port Botany constructed, gradually becoming the main port for Sydney
- **2003** – Government of New South Wales closes the shipping and stevedoring facilities, designating the site for redevelopment
- **2006** – Site renamed Barangaroo
- **2007** – Tenders submitted for redevelopment
- **2008** – Lend Lease shortlisted for Barangaroo South
- **2009** – Lend Lease selected as developer with a Lord Rogers architectural design

# Barangaroo

Over **75** new retail outlets

**490,000** sqm  
Gross Floor Area

New headland park  
and recreated  
foreshore with  
**6,600** sandstone  
blocks<sup>1</sup>

**7.7** Hectares  
Mixed Use Development

Australia's first large scale  
**Carbon Neutral**  
community

<sup>1</sup>Headland Park being delivered for the Barangaroo Delivery Authority

# Elephant & Castle



- **1974** – Heygate Estate in Elephant & Castle, South London completed housing over 3,000 tenants
- **2004** – Southwark Council announces master-plan for regenerating the site
- **2007** – Lend Lease selected as preferred developer for the scheme
- **2011** – Master-plan approvals granted including 25% affordable housing
- **2011** – Demolition of the Heygate Estate begins

# Transforming Elephant & Castle

**3,000**  
new homes

Over **50** shops

Largest new park in over  
**70 years**  
In Central London

ONE THE  
ELEPHANT  
284 New  
Homes  
from 2016

ELEPHANT  
PARK  
Circa 2,500  
homes by  
2025

TRAFALGAR  
PLACE  
235 homes  
from 2015

# Tun Razak Exchange

- **70-acre** development in the centre of Kuala Lumpur
- **Master-developer** 1MDB
- **2 years** of lead time to securing the opportunity
- **Competitive tender process** with 8 other developers bidding
- **Phase 1 - Lifestyle Quarter** is the retail/residential led component of the site
- **2014** – Lend Lease selected as preferred developer to partner with 1MDB on phase 1 to develop the Lifestyle Quarter at TRX

# Tun Razak Exchange

Phase 1 - Lifestyle Quarter

Retail Mall over  
**150,000** sqm  
Gross Floor Area

One hotel and **3**  
Residential Towers

Estimated End Development Value  
**RM 8 billion**

**17 Acres**  
Mixed Use Development



# Long dated major urban regeneration projects



# Q&A

## URBAN REGENERATION



# 4 INFRASTRUCTURE



## Growth

*“Australia’s buoyant economy, growing population and increasing freight volumes are creating high demand for new infrastructure and opening up major opportunities for international investment.”<sup>1</sup>*

Forecast Australian Infrastructure investment<sup>1</sup>

**\$50** billion

↑ Rising to \$125 billion with state, territory and private sector contributions

Since the late 1980s

↑ **127** PPP's

Have developed more than A\$60 billion of new roads, rail, water facilities, energy assets, defence housing, hospitals and schools

## Opportunity

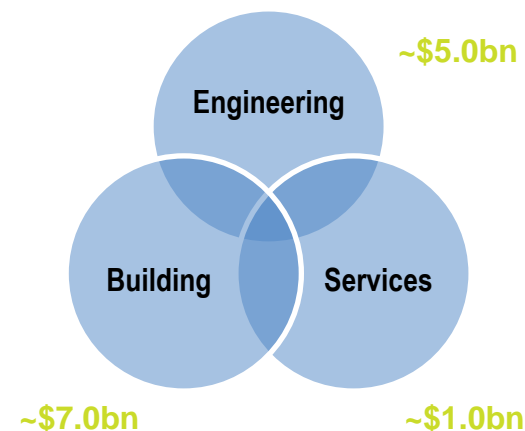
*“Urbanisation and a growing population are placing increasing pressure on city infrastructure. The economic cost of congestion is expected to cost Australians A\$20.4 billion by 2020, providing a significant incentive to build more infrastructure.”<sup>1</sup>*

Leading construction entity with

**~\$13** billion

Backlog revenue in Australia<sup>2</sup> (including projects at preferred status/contractual close)

Integrated capabilities

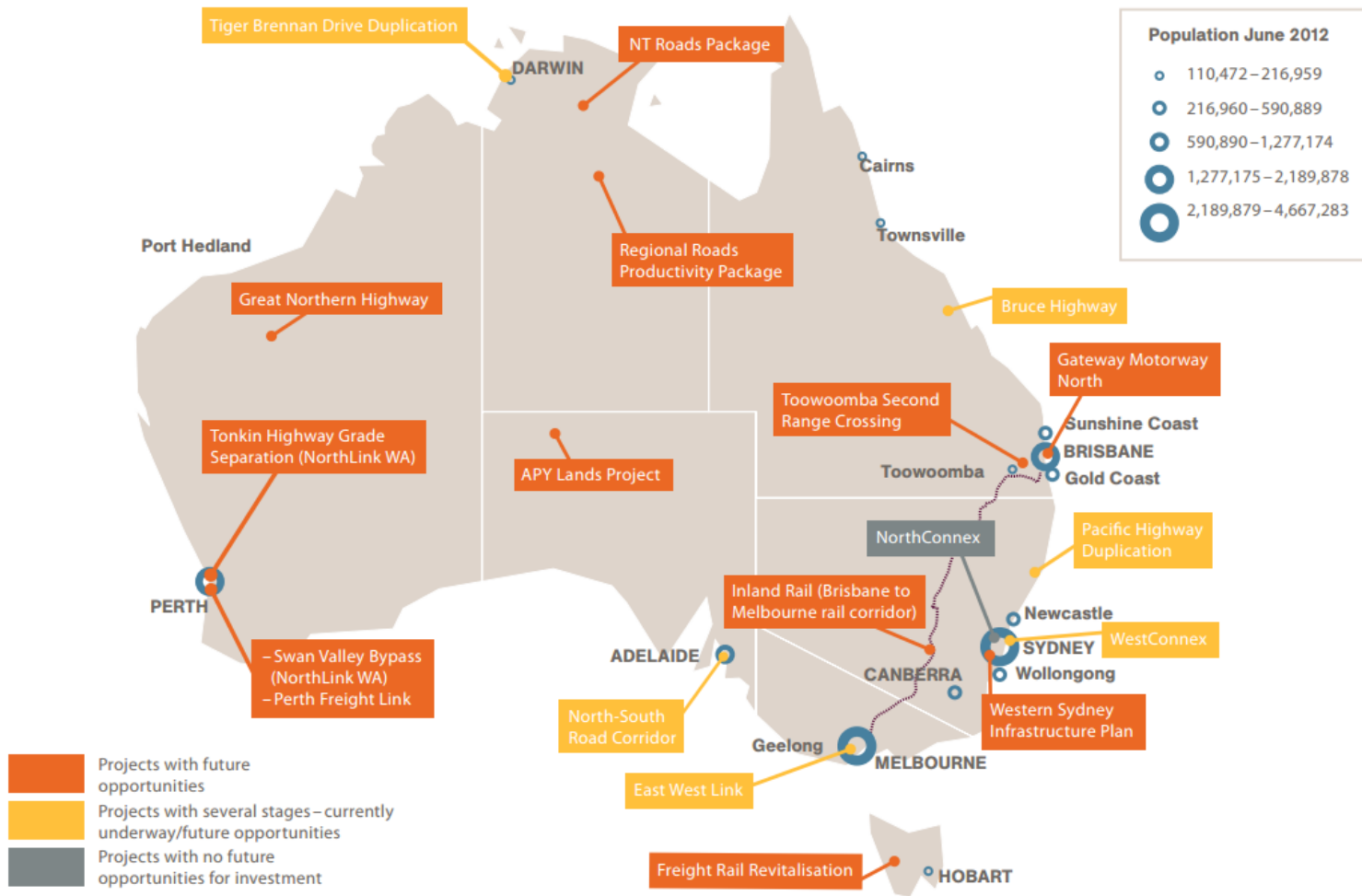


<sup>1</sup> Australian Federal Budget – May 2014/Australian Trade Commission

<sup>2</sup> Australian Construction backlog revenue at 30 June 2014 \$9.6bn. ~\$13bn includes projects at preferred status or contractual close post balance date.

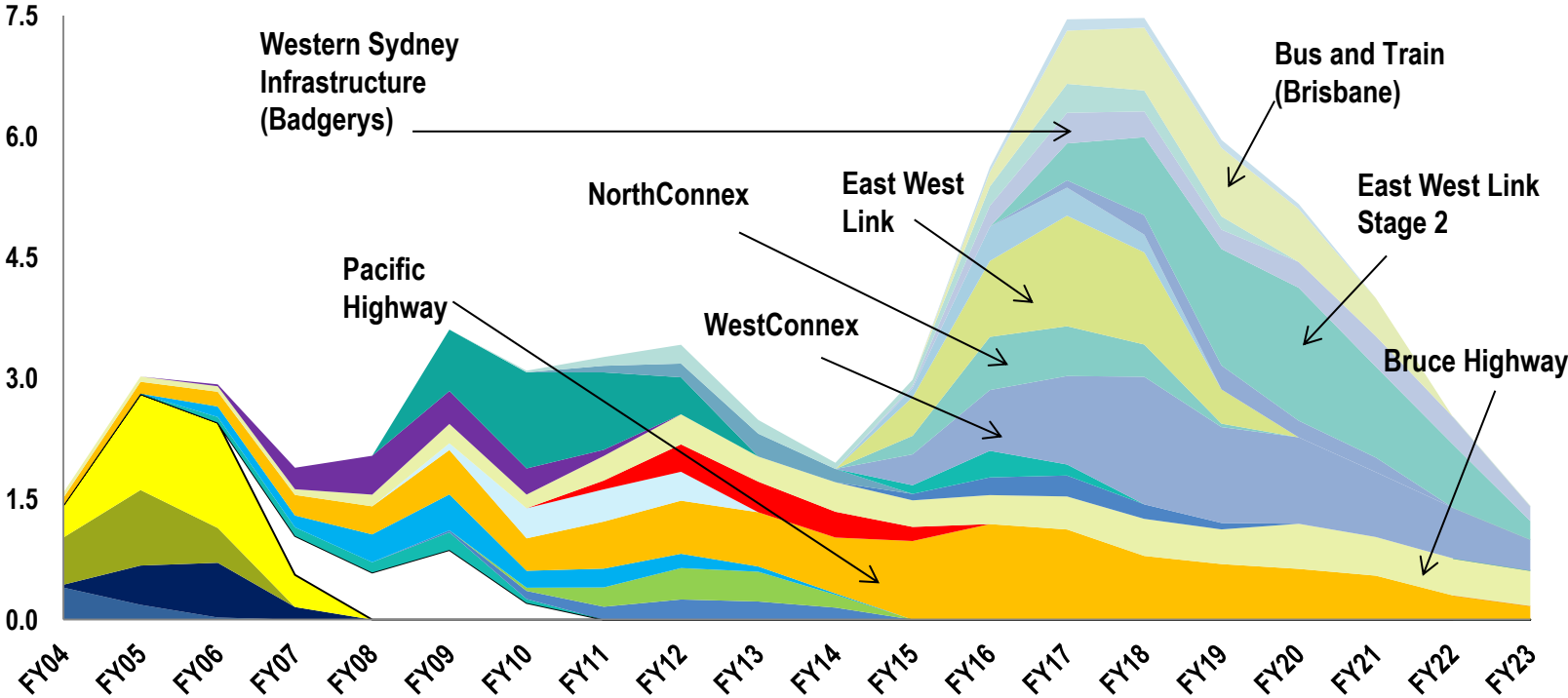
# Significant Australian Government infrastructure pipeline

## MAJOR AUSTRALIAN GOVERNMENT TRANSPORT INFRASTRUCTURE PROJECTS



# Australia-wide – major project pipeline

Major Road Project Construction – Australia \$ billion  
 Adjusted for cost changes (FY2012 dollars) in work done terms



Source: ABS, Lend Lease Group Research. Major Project = toll road or public project greater than \$500 million

# NorthConnex



- **Transurban** road and tunnel facilitated through the NSW unsolicited proposals process
- **Efficient** bid/tender process
- **Project size** ~\$2.65 billion
- **Linking the M1 and M2**, circa nine kilometres of tunnel and motorway interchanges to the north and south
- **Lend Lease** in Joint Venture with Bouygues to deliver Australia's longest tunnel



# East West Link



- **18 kilometre cross-city road** connecting the Eastern Freeway to the Western Ring Road in Melbourne
- **First fully-integrated Engineering project for Lend Lease:**
  - Structuring and financing of PPP
  - Design and construction contract
  - 25 year services and maintenance contract
  - Equity investment in PPP
- **September 2014** - East West Connect the consortium comprising Lend Lease/Capella Capital and its D&C JV partners Bouygues and Acciona, selected as preferred bidder for the eastern section of the project
- **October 2014** – financial close



# Future opportunities - WestConnex



Estimated capital cost<sup>1</sup>

- Stages 1a & 1b: ~\$3.4b to \$3.6b
- Stage 2: ~ \$3.6b to \$3.8b

## Stage 1a (M4 widening)

- Parramatta to Homebush Bay Drive
- 7km motorway widening, 2km of new viaduct, 17 Bridge improvements and 2 Rail crossings

## Stage 1b

- Widening 1km of the existing motorway and 5km 2x3 lane tunnels
- Linking M4 at Homebush Bay Drive with Parramatta Road and City West Link at Haberfield

## Stage 2

- Widening of M5 East and upgrade of King Georges Road interchange
- Duplication of M5 East twin tunnels

<sup>1</sup> Westconnex Delivery Authority – 2013 estimated capital costs (\$2012 including contingency)

# Q&A

## INFRASTRUCTURE



# Morning tea break

Webcast will resume at  
11.15am AEDT



# 5 HEALTHCARE & US DEVELOPMENT

Lend Lease



Image: Bon Secours St Francis Medical Pavilion

## Growth

*“The shared, long-term trends of an ageing population and an increase in people inflicted with chronic diseases are expected to drive demand for health care services in both developed and emerging economies in 2014 and beyond<sup>1</sup>”*

Number of people over 60 has tripled in the last

50 years

And will more triple again over the next 50 years<sup>2</sup>

By 2030 over 60 population will grow 3.5 times as fast as the total population<sup>1</sup>

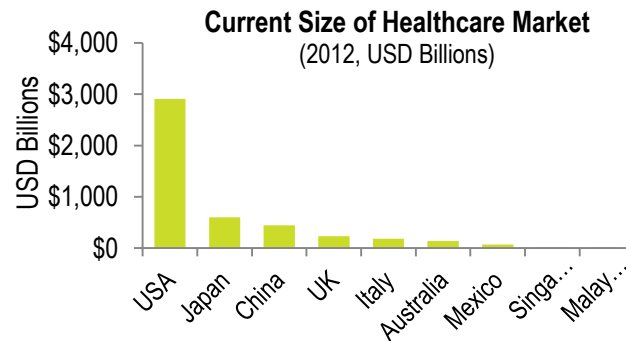
US spending on private health insurance accounts for

59%

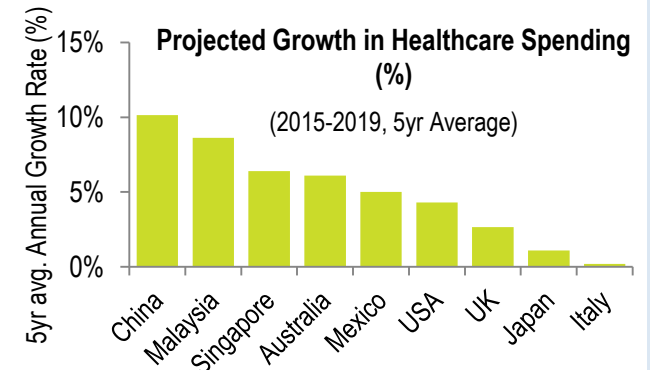
Of total private healthcare services

## Opportunity

*“US opportunity remains strong with a market size of \$2.9 trillion, almost five times the overall average for countries globally”*



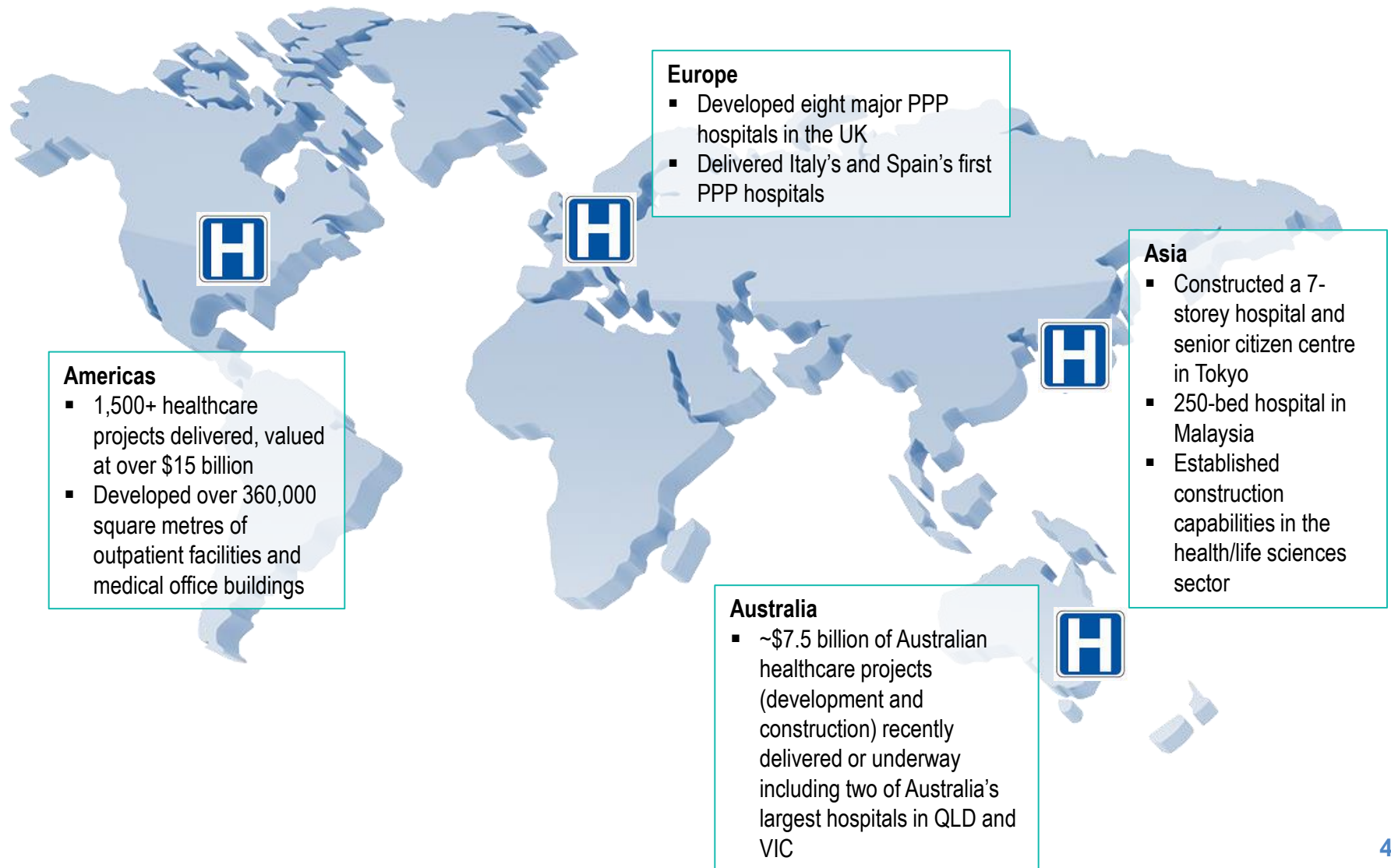
Source: Oxford Economics, Lend Lease Group Research



Source: Oxford Economics, Lend Lease Group Research

<sup>1</sup> Deloitte - 2014 Global health care outlook  
<sup>2</sup> UN – World Population Ageing 1950 - 2050

# Healthcare track record



# Royal Children's Hospital Melbourne

Lend Lease

- **\$1.0 billion** hospital completed in 2013
- **165,000 square metre** hospital over seven levels purpose-built for children and the way they are cared for
- **Sustainable solution:**
  - Rainwater collection from 75 per cent of new roof areas
  - Blackwater treatment plant, a 10 per cent reduction in overall energy use (compared to a normal hospital)
  - 2.4 megawatt gas-fired tri-generation plant
  - Chilled-beam air conditioning, biomass boiler, solar panels and parking for 500 bikes.

# Sunshine Coast University Hospital

**450**

beds by 2016, increasing to 738 by 2021

New public hospital on **20 hectares** at Kawana, Sunshine Coast

**\$1.8 billion** public private partnership





# Healthcare Development

## Department of Veteran's Affairs Healthcare Center



- **Winston-Salem , first integrated service offering for Lend Lease -** designing, building and operating expansive health care center in Kernersville under a 20-year lease
- Expected to treat **34,000** veterans annually
- **375,000 gross square feet**, four storey center

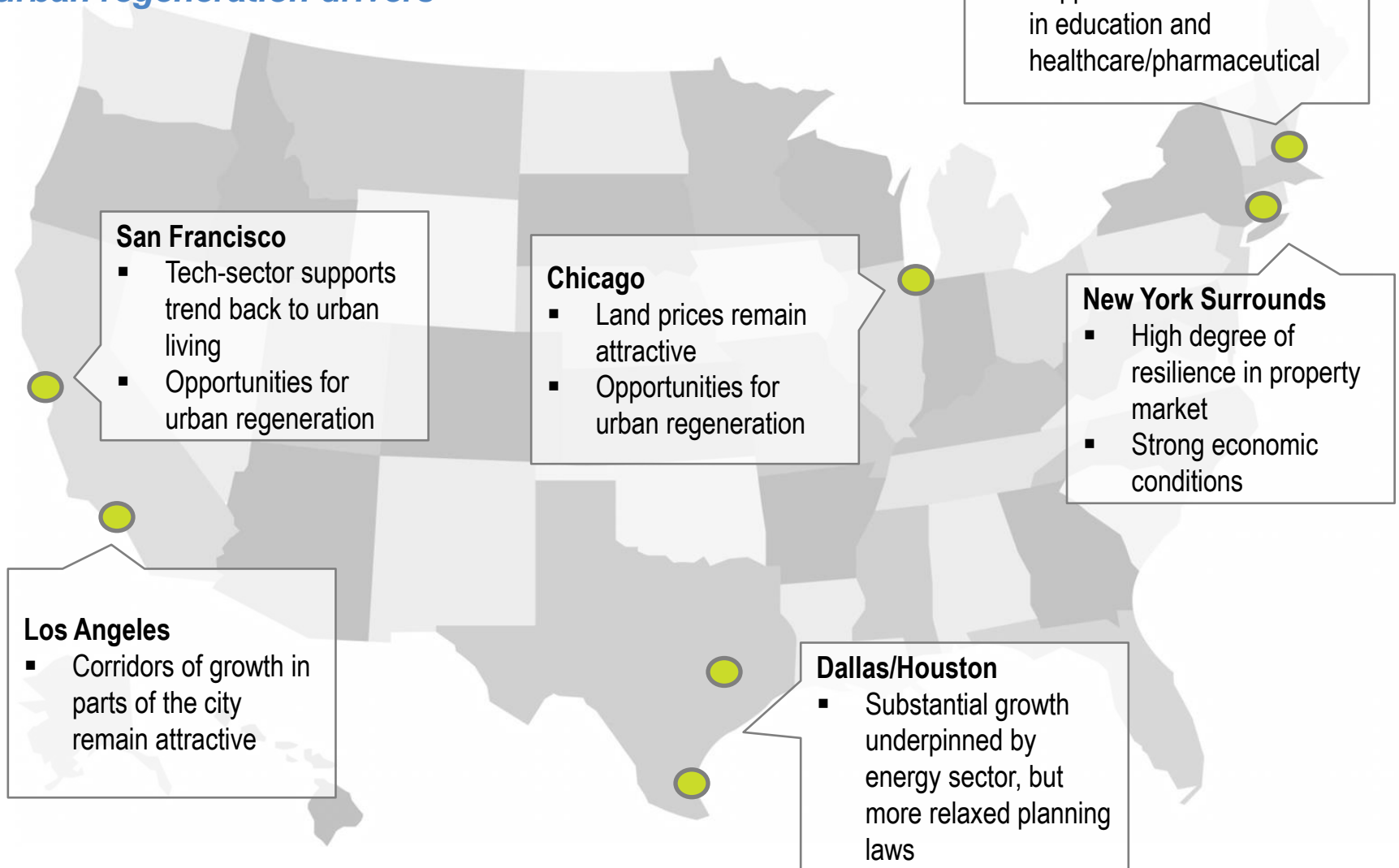


# US Development



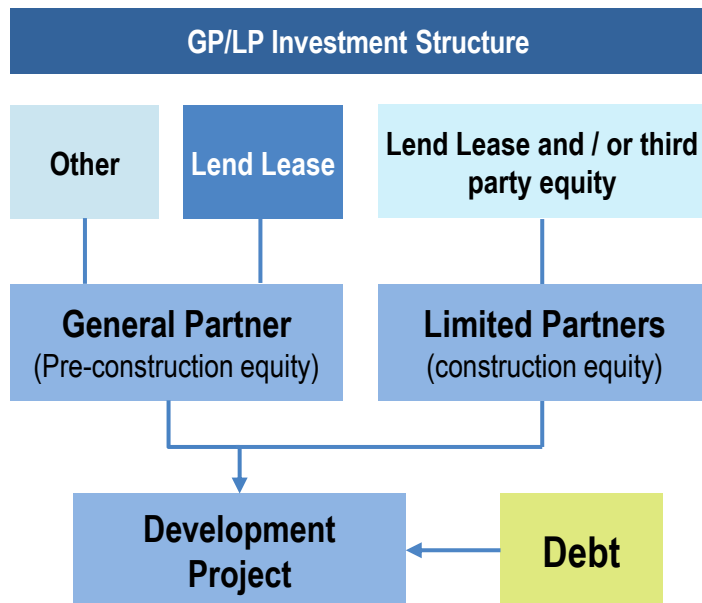
# US Development

*We are focusing on core gateway cities as these are the deepest, most diverse markets and have strong urban regeneration drivers*



## Adopt a flexible capital model for US development opportunities

- Fund in our own capacity;
- Fund through partnership / joint-venture; or
- Fund through General Partner (GP) / Limited Partner (LP) model, using non-recourse project specific debt



## Illustrative capital model in US development

### Returns

- GP/LP - Equal equity distribution until project achieves circa 10% IRR
- Tiered returns to GP above 10%

### Benefits

- Diversification risk
- Upside returns to GP
- Leverages capital reach

# Q&A

## HEALTHCARE & US DEVELOPMENT



Image: Bon Secours St Francis Medical Pavilion

# 6 RISK MANAGEMENT & CAPITAL ALLOCATION



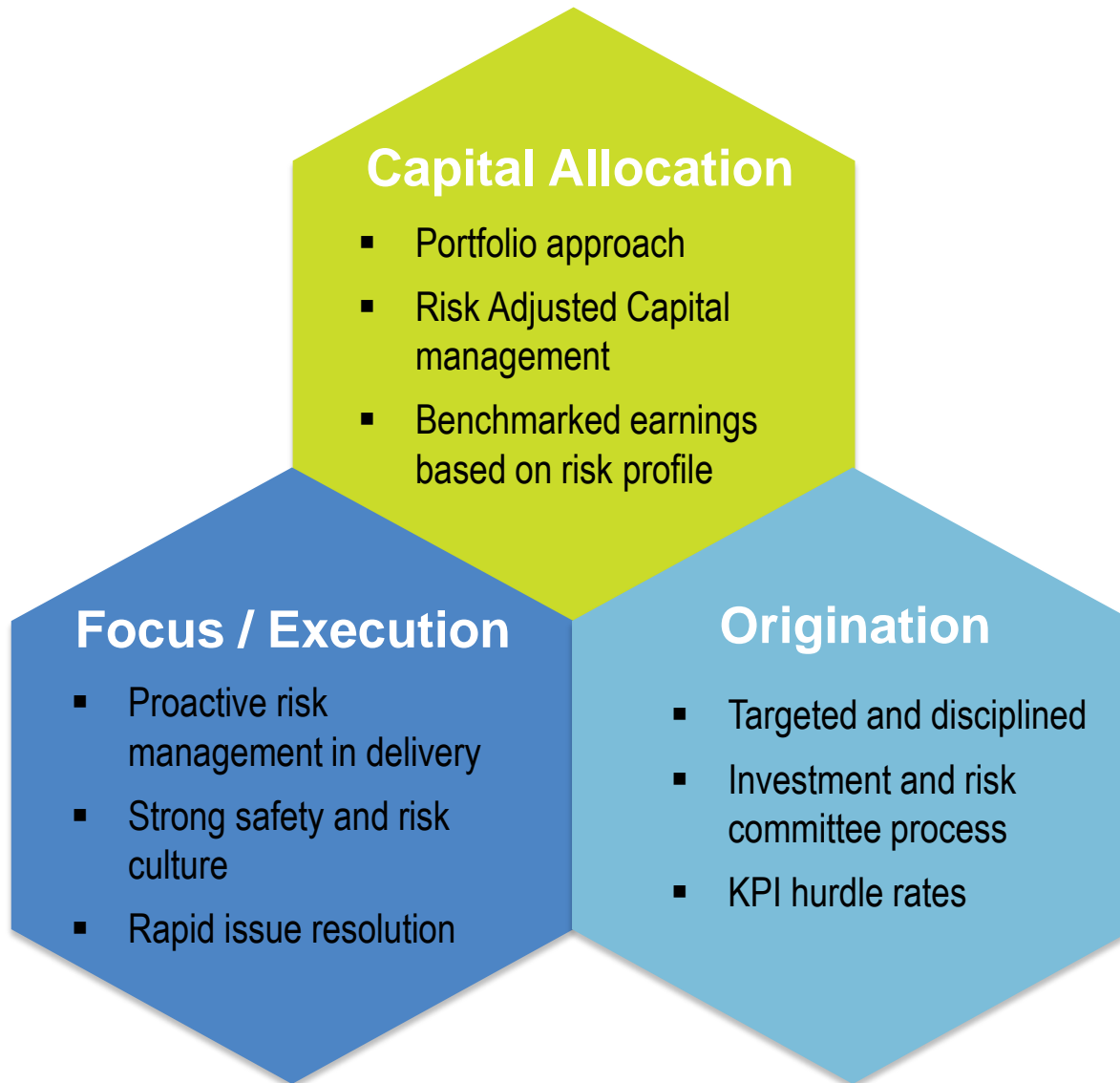
Image: The Dock Library, Victoria Harbour, Melbourne

# Enterprise Risk Management Framework



- The Lend Lease Enterprise Risk Management framework, identifies, evaluates, addresses, monitors, quantifies and reports material risks to the Risk Management and Audit Committees
- 2014 – creation of a new Chief Risk Officer role reporting directly to the Group Chief Executive Officer incorporating Health & Safety, Risk & Insurance and the Centres of Excellence

# Core components of Risk Management





# Execution Risk

*Reducing the impact when a challenging issue occurs*

## Proactive



- Safety, health & wellbeing, sustainability & innovation investment
- Project in Delivery (PiD) system enables comparative measurement of performance, anticipation and flagging of potential issues
- Cost / time contingency, technical expertise

## Reactive



- Dealing with an issue when it occurs
- Implementing mitigation and contingency plans
- Dedicated, experienced resources available

# Capital Allocation Framework

*We set capital and earnings benchmarks internally based on the risk profile of our portfolio*

Group benchmarks	
Return on Equity	12 - 15%
Gearing	Up to 20%
Dividend Payout Ratio	40% - 60% of Profit after Tax
Interest Coverage Ratio	5x

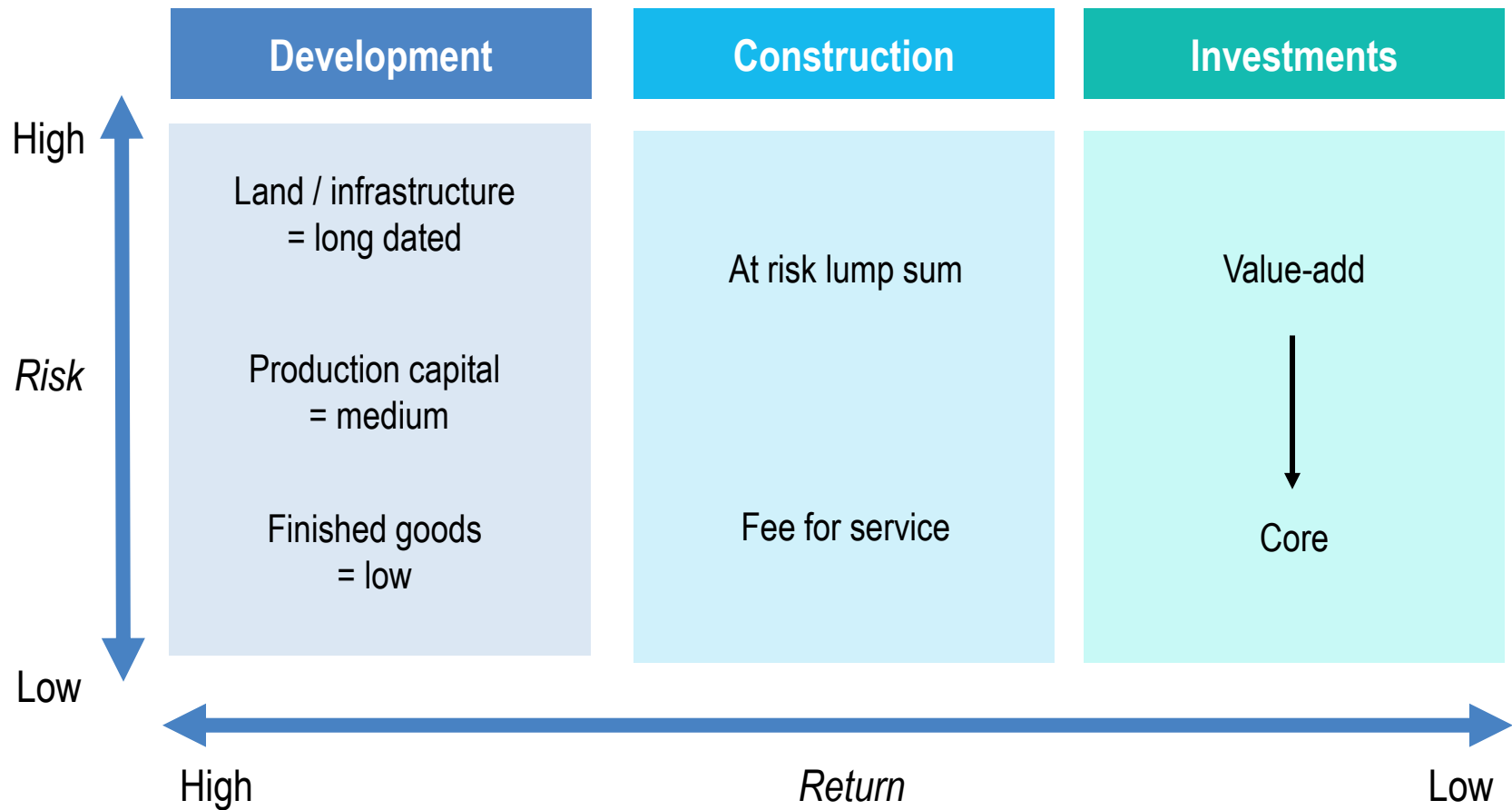
	Projects / Segment benchmarks		
	Development	Construction	Investments
Margin on Cost (MoC)	~15 - 20%	~2 - 12%	~30 - 40%
Return on Risk Adjusted Capital (RRC %)	~17 - 20%	~20 - 25%	~12 - 20%

Priorities
<ul style="list-style-type: none"> <li>Ensure Group financial metrics drive long term value creation</li> <li>Set simple financial metrics and clear performance targets based on the risk profile</li> <li>Focus on securityholder value creation and strong cash flow incentivisation</li> </ul>

**Targeted metrics are adapted to relevant risk profile of the project and with respect to the position of the portfolio**

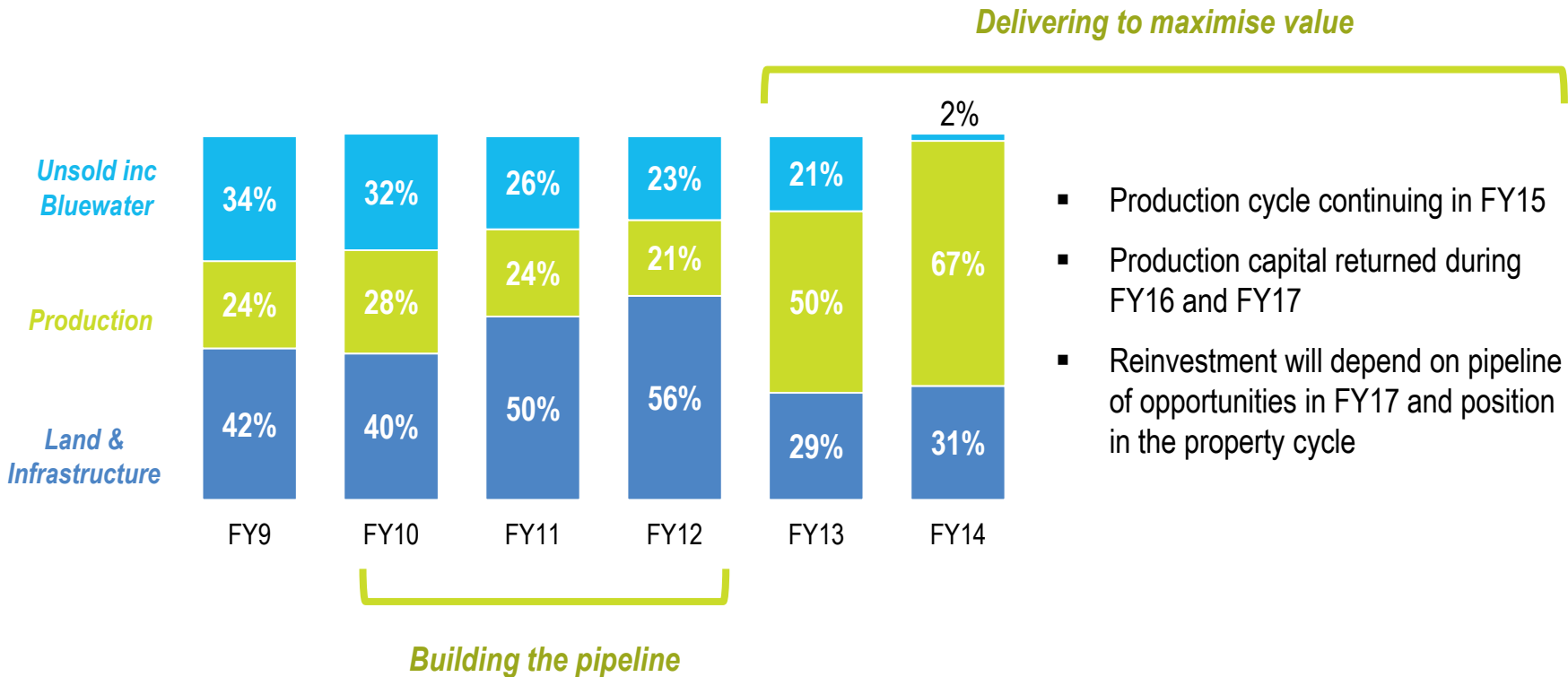
# Risk Adjusted Capital

*As risk profile in each segment increases, we assign a higher capital charge and/or set a expected a higher margin*



# Development capital<sup>1</sup>

*Capital requirement remains focused on production to maximise development earnings*



*In the medium term we will aim to build further pipeline through disciplined origination*

1. Indicative view based on inventories at 30 June each Financial Year

# Indicative net cash flow from major projects in-delivery

	Overview	FY15	FY16	FY17
<b>Communities</b>	<b>Net cash proceeds</b> Assuming 2,500 annual lot settlements	Cash Positive	Cash Positive	Cash Positive
<b>Apartments</b>	<b>Net cash proceeds</b> 19 apartment buildings currently in delivery	Investing	Cash Positive	Cash Positive
<b>Commercial</b>	<b>Net cash proceeds</b> Barangaroo office towers – development and investment; commercial tower at RNA; commercial tower at TIQ	Investing	Cash Positive	Cash Positive
<b>Infrastructure Development</b>	<b>Net cash invested</b> Secured Australian PPP projects	Investing	Investing	Cash Positive
<b>Total</b>		Investing	Cash Positive	Cash Positive

All cash flow based on portfolio/investments at 30 June 2014

# Q&A

## RISK MANAGEMENT & CAPITAL ALLOCATION



Image: The Dock Library, Victoria Harbour, Melbourne

# 7 CLOSING AND FINAL Q&A



Image: Dr Chau Chak Building, UTS Sydney

- Understanding the property cycle and successful execution of our strategy since 2009 has delivered outperformance for our securityholders
- Strong growth trajectory and earnings visibility over coming years, with embedded earnings in our existing pipeline
- Established management team with proven track record
- Evolution of our strategy
  - Diversified sources of income
  - Committed focus and disciplined execution to realise value
  - Enhanced risk and capital management framework
  - Disciplined growth through cycles



# LEND LEASE Investor Day 2014

9 October 2014

  
Lend Lease



Image: Artist Impression – 432 Park Avenue, New York