HMCapital

Partners Fund I

HMCapital

Lendlease Group

Rebuilding an iconic Australian company

Accelerate transition to a more focused, capital efficient business

lendlease

August 2023

Executive Summary

We believe LLC has the potential to become one of Australia's leading global success stories

Company overview & background	▪ Lendlease Group (LLC) is an Australian real estate and construction company which operates a fully integrated (i.e. own, develop & manage) model across Australia, Asia, Europe and the Americas ▪ LLC is midway through a five-year strategic reset (2021 to 2026) under CEO Tony Lombardo after a prolonged and severe earnings downgrade cycle (2018 to current) ▪ LLC is seeking to transition to an investment led company with a higher quality recurring earnings base and much greater capital efficiency in its development segment
Current situation	▪ Despite its rich history, LLC is the 5th worst performing ASX200 company over the last 30 years[1], with the company consistently failing to achieve its return on equity target and sustainable EPS[2] growth (pages 3 & 4) ▪ We attribute LLC's poor shareholder returns over this period to suboptimal capital allocation and the company's overly complex and diversified conglomerate business model ▪ LLC's share price is currently trading close to 30-year lows which in our view reflects limited investor support and growing concerns that LLC will undertake a dilutive equity raising to repair its balance sheet (page 5) ▪ The current share price is implying extreme asset and profit write-downs which we believe are incongruent with comparable listed and private market valuations (page 6)
HMC Capital Investment	▪ HMC Capital (HMC)[3] has acquired a ~4% strategic stake in LLC at an average price below NTA backing[3] ▪ Despite the challenges currently facing LLC, we believe its shares are significantly undervalued (page 10) ▪ **While we broadly support the current CEO's strategy, we strongly believe LLC's transition to a more focused, high return on equity business needs to be accelerated and executed decisively** (page 8)

1. As at 19 July 2023. 2. Earnings per share. 3. HMC Capital and its managed entities including HMC Capital Partners Fund I. 4. As at 31-Dec-22.

Over the last three decades, LLC has been one of the most disappointing companies on the ASX[1], based on shareholder returns

Total shareholder returns (TSR)

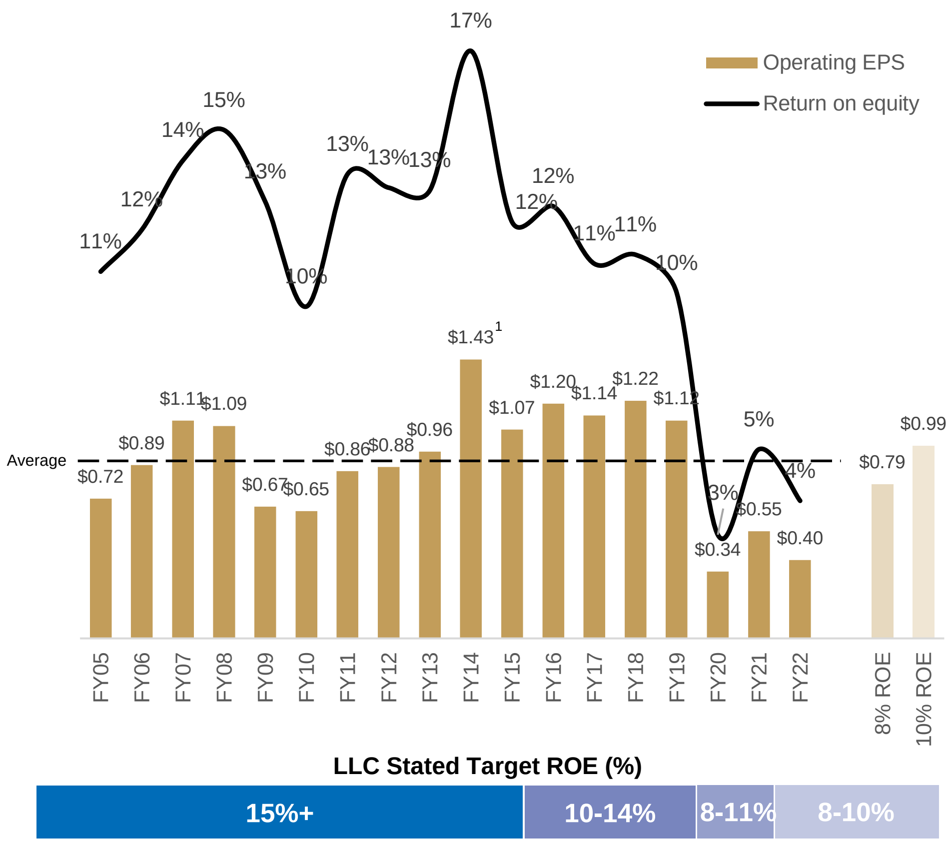
	lendlease	ASX200[1]	A-REITs[1]
1 year	**-13%**	15%	5%
3 years	**-27%**	36%	29%
5 years	**-52%**	42%	21%
10 years	**45%**	123%	116%
20 years	**114%**	457%	182%
30 years	**188%**	1290%	740%

- LLC has materially underperformed the **S&P/ASX 200 & S&P/ASX A-REIT 200** accumulation indices over 1, 3, 5, 10, 20 and 30 years
- LLC's TSR of 188% over the past 30 years places it as the fifth worst ASX-listed[2] company over this period

Source: IRESS. As at 19 July 2023. 1. Accumulation index. 2. S&P/ASX 200 accumulation index.

LLC has consistently failed to achieve its ROE targets and sustainable earnings per share growth

Lendlease EPS and return on equity

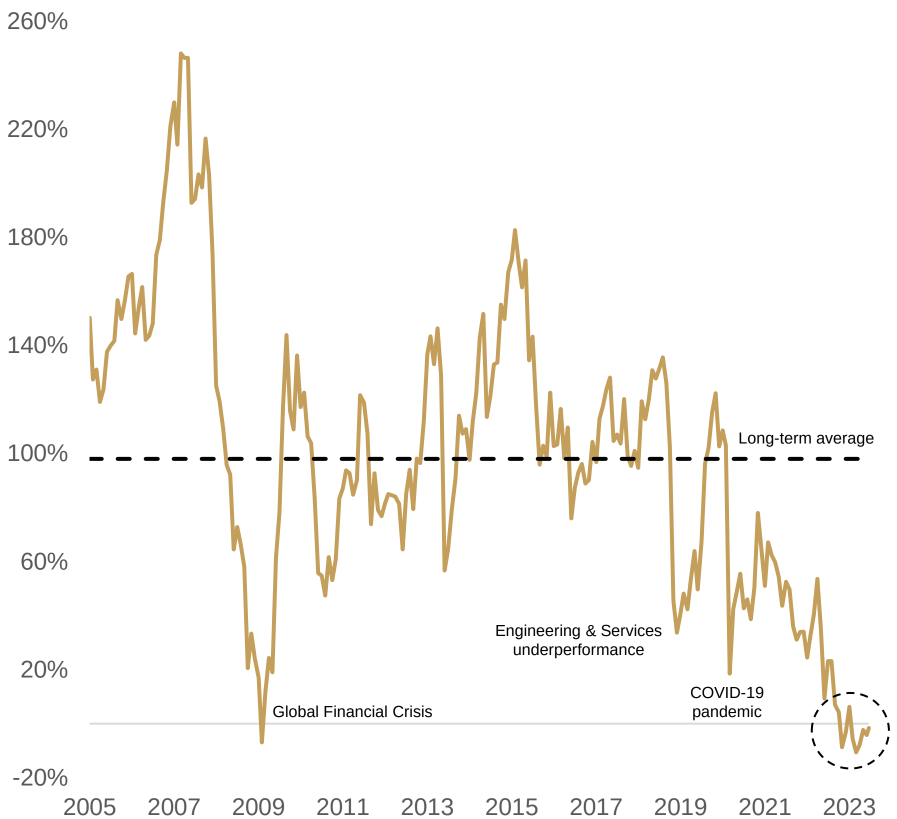


- We believe the primary reason LLC has failed to create long-term shareholder value can be attributed to its inability to sustainably grow earnings per share (EPS) over the past 20 years
- The company has also failed to consistently achieve its stated return on equity (ROE) targets, which have also been steadily reducing over the past two decades

Source: IRESS, company filings. As at 19 July 2023.
ROE based on dividing operating profit after tax over net assets at period end. FY17-22 EPS based on core business. 1. Significant one-off profit from Bluewater disposal.

Significant value has emerged with the share price implying extreme profit and asset write-downs

Historical premium / (discount) to NTA per share



- LLC is currently trading at a **2% discount** to its net tangible assets (NTA) versus a historical average **premium of 98%**
- The only previous occasion LLC traded at a discount to NTA over the past 20 years was during the GFC which was short lived
- **NTA does not capture the value of LLC's funds management and construction businesses which generate ~$300m[1] of EBITDA**

Source: IRESS, company filings. As at 19 July 2023.
1. Based on average Funds Management and Asset Management EBITDA and construction EBITDA over FY21 and FY22.

Significant value has emerged with the share price implying extreme profit and asset write-downs

- We believe LLC is trading at a significant discount to its sum-of-the-parts valuation
- At the current share price, the market is pricing in extreme write-downs across LLC's investments and developments which are incongruent with comparable listed and private market valuations
- Development inventories are largely held on the balance sheet at the lower of cost or net realisable value which we believe is conservative and provides further valuation buffer

What valuations do you need to believe to backsolve to the current share price?

	Book value ($m)	EBITDA ($m)[1]	Premium / discount (%)	Implied value	Comment
Investments	**5,037**		**-24%**	**3,846**	
Office	1,497		-50%	749	Office A-REITs trading at ~24% discount to book values[5]
Ardor Gardens, China	300[2]		-40%	180	LLC looking to bring in capital partner at premium to book
Residual apartments	174		-40%	105	Predominantly unsold apartments at Lakeshore East, Chicago
Retail	200		-30%	140	Retail mall A-REITs trading at 12% discount to book values[5]
Retirement Living	535		-25%	401	Expected to sell at 5-10% discount to book value
Singapore REIT (SGX: JYEU)	519		-25%	389	LLC managed Singaporean REIT trading at 14% discount to NAV
Build to rent	530		-20%	424	US Apartment REITs trading at 12.6% discount to NAV[6]
Industrial	349		-10%	314	
Military Housing	212		n.a	423	Consistent with pricing of recent sell-down of asset management
Other	721		0%	721	
Funds Management		**126**	**7.4x**	**926**	**Represents 2% of FUM ($47bn) vs 3% implied for CHC & CNI[7]**
Development	**5,542**	**850**	**5.5x**	**4,678**	**16% write-down to book value (lower of cost or net realisable value)**
Construction		**150**	**6.0x**	**900**	
Group services		-152	7.5x	-1,132	Excludes Jul-23 job cuts expected to deliver $80-100m of annual savings
Net debt & provisions[3]	-3,874			-3,748[4]	
Working capital	-1,128				
Total equity ($m)	**5,577**			**5,470**	
Equity value per share	**$8.09**			**$7.94**	

Source: IRESS, company filings, HMC Capital analysis. As at 19 July 2023. Book values as at 31-Dec-22. 1. Normalised EBITDA based on HMC estimates. 2. Based on feedback from company. 3. Includes deferred land payments. 4 Proforma for post balance date sale of additional 21% of Military Housing asset management income stream. 5. As at 19 July 2023. 6. Green Street Research as at 21 July 2023. 7. Charter Hall Group (ASX: CHC), Centuria Capital (ASX: CNI).

Strategy Roadmap

To reverse underperformance, LLC must go further and faster in delivery of its current strategic plan

- Our LLC investment is predicated on its competitively advantaged business model as the market leading owner, manager and developer of large-scale urban projects

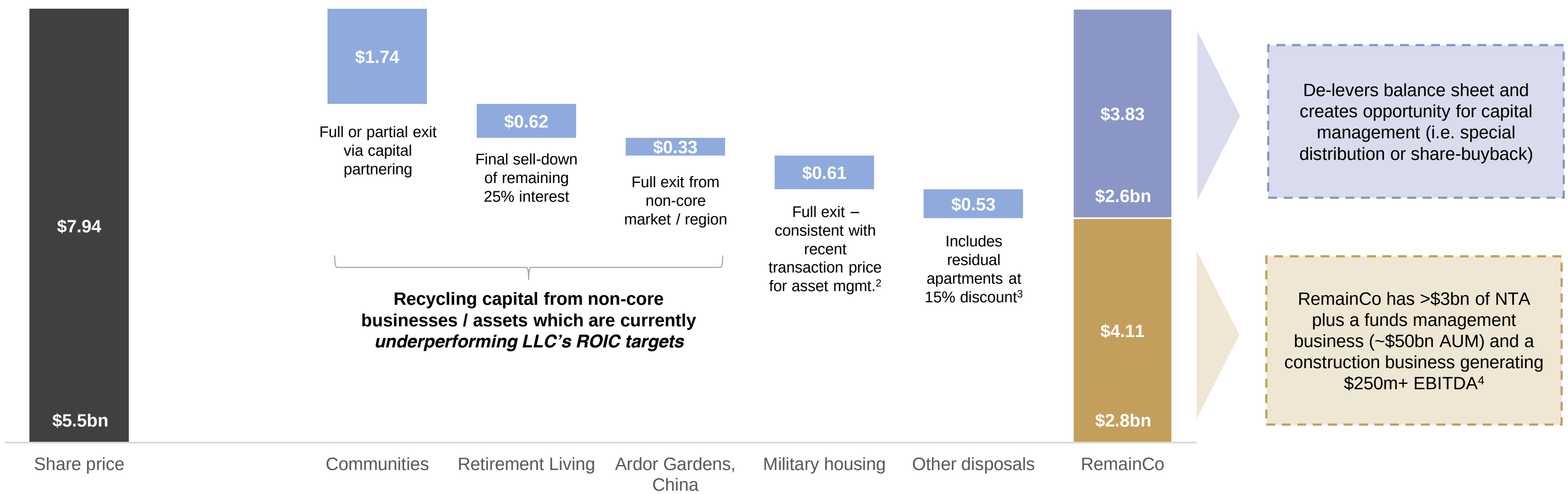
#	Proposed strategies to improve long-term shareholder returns		Timeframe
1	**EXIT NON-CORE BUSINESSES**	**We want LLC to sell up to $2.6bn of low ROE and low multiple investments** ▪ Residential Communities (up to 100%) ▪ Retirement Living (sale of remaining 25%) ▪ Military Housing (100% exit) ▪ Ardor Gardens, China (100% exit)	Timeframe: 6-12 months
2	**RESET TARGETS**	**We want LLC to avoid compromising its balance sheet to hit its targets** ▪ Reset >$8bn p.a production target post asset sales to more sustainable level ▪ Avoid capital intensive acquisitions to achieve $70bn FUM target by FY26	Timeframe: 6-12 months
3	**GEOGRAPHIC SIMPLIFICATION**	▪ Exit non-core markets (e.g. Shanghai, Malaysia, Milan) ▪ Reduce low margin 3rd party construction work in offshore markets	Timeframe: 6-12 months
4	**RIGHT SIZE COST BASE**	▪ Further reset of cost base following execution of steps 1, 2 & 3 to improve focus, agility, and accountability as a more streamlined business	Timeframe: 6-12 months
5	**DOWNWEIGHT CONSTRUCTION**	▪ Over time consider options to reduce exposure to construction division (e.g. demerger with a significant retained holding)	Timeframe: 12-24 months

Why?

- ✓ **Increased focus on core competency – large-scale urban regeneration projects**
- ✓ **Fortify balance sheet and avoid dilutive equity raising**
- ✓ **Greater focus on markets where LLC has real competitive advantages and scale**
- ✓ **Restore confidence in LLC's ability to hit return targets**
- ✓ **Greater focus on higher quality / multiple earnings streams**

Accelerate non-core asset sales to reset balance sheet and streamline business

- Potential asset sales we have identified could realise up to $2.6bn of proceeds and reduce exposure to low multiple and low return on equity investments
- We believe LLC should be decisive and focused in executing asset sales in order to de-lever the balance sheet and avoid another dilutive equity capital raising



	Communities	Retirement Living	Ardor Gardens, China	Military housing	Other disposals	RemainCo
Proceeds ($m)[5]	$1,200m	$428m	$225m	$423m	$365m	$2,642
Premium to BV (%)	20%[1]	-20%	-25%	100%	-8%	
Process underway?	✓	✓	✓	?	✓	

Source: Company filings, HMC Capital analysis
1. Estimated book value of $1bn as at 31-Dec-22. Analysis assumes 100% exit at 20% premium to assumed book value. 2. Includes $2*12m of LLC's equity interest in Military Housing business plus estimated value of LLC's 32%* interest in the asset management income stream. 3. Includes assets already sold or currently held for sale. 4. Based on average Funds Management and Asset Management EBITDA and construction EBITDA over FY21 and FY22. 5. Gross estimated proceeds.

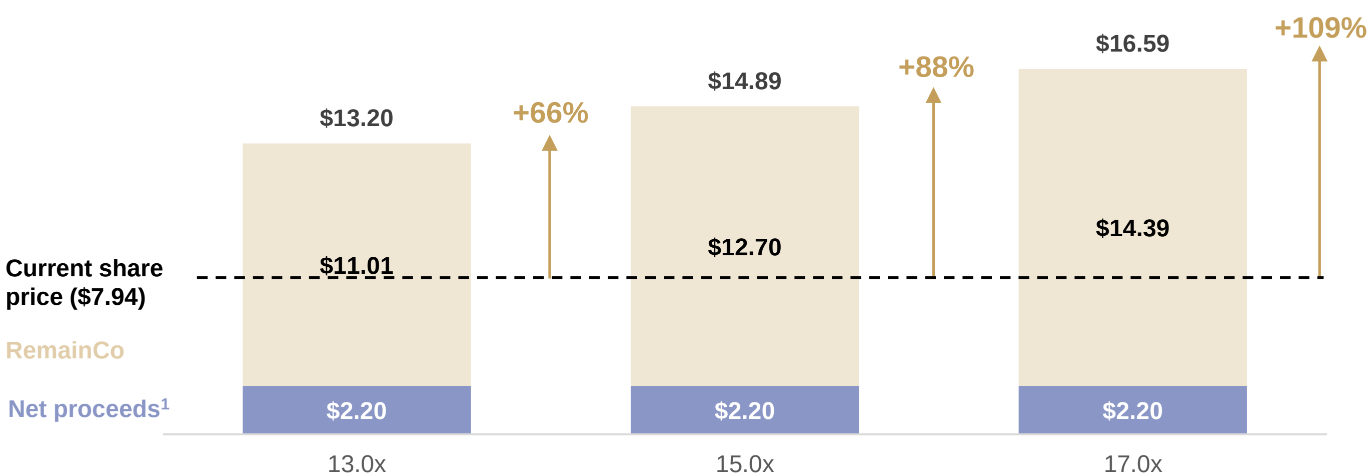
Significant upside as a more focused and streamlined business

- If LLC can return to normalised level of profitability, significant shareholder value can be restored – with a potential share price of **~$13.20** without a multiple re-rate
- We believe as a more focused business, LLC can command a higher P/E multiple which is more in-line with real estate fund manager peers (i.e. ~17x average[1] vs LLC historical average of ~13x[2]) – implying a share price of ~**$14.90 - $16.60**

P/E Multiple	13.0x	15.0x	17.0x
RemainCo NPAT (normalised) ($m)[1]	584	584	584
RemainCo equity value ($m)	7,586	8,753	9,920
Net proceeds from asset sales ($m)	1,514	1,514	1,514
Total equity value ($m)	**9,100**	**10,267**	**11,434**

Refer to page 12 for more information

Based on gross proceeds of $2.6bn less debt paydown of $0.5bn, post-tax provisions of $0.5bn[3] and assumed transaction costs of $0.1bn

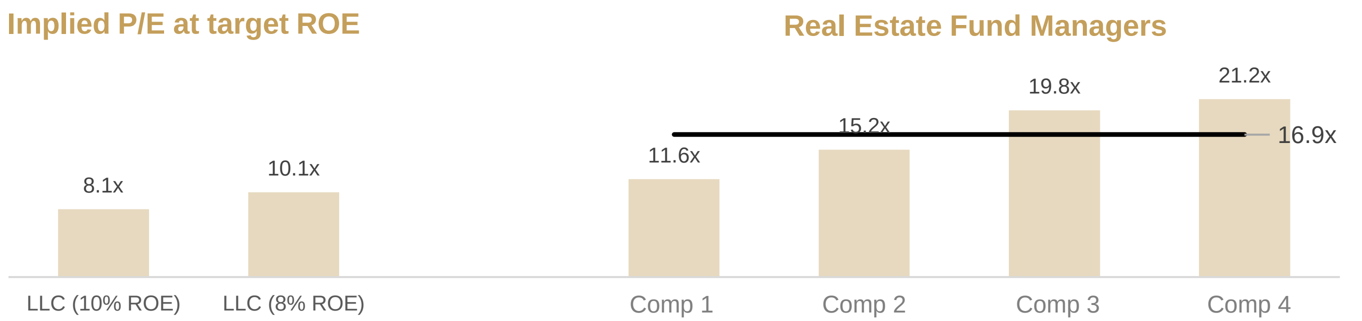


Source: IRESS, company filings, HMC Capital analysis. As at 19 July 2023. Book values as at 31-Dec-22. 1. Refer to page 12. 2. FactSet. 3. Based on development and construction provisions of $670m (pre-tax) which includes the $200m provision for UK building remediation.

APPENDIX

Supporting Information

Comparable FY24 P/E Multiples[1]



RemainCo assumptions (Normalised P&L)[2]

$m	P&L	Balance sheet	Return assumptions	Comment
Investments	337	3,592	6.9%	6-9% target ROIC
Development	711	4,542	11.5%	10-13% target ROIC
Construction	150		2.5%	2-3% target revenue margin
Group services	-106			Includes 30% cost reduction
EBITDA[3]	**1,092**	**8,133**		
D&A	-140			$146m in FY22 (core business)
Finance costs	-118	-1,970	6.0%	15% gearing[4] at 6% cost of debt
Tax / other	-250	-1,479	30.0%	Assumed tax rate
Goodwill		1,217		As at 31-Dec-22
NPAT	**584**	**5,902**	**9.9%**	**Return on equity**

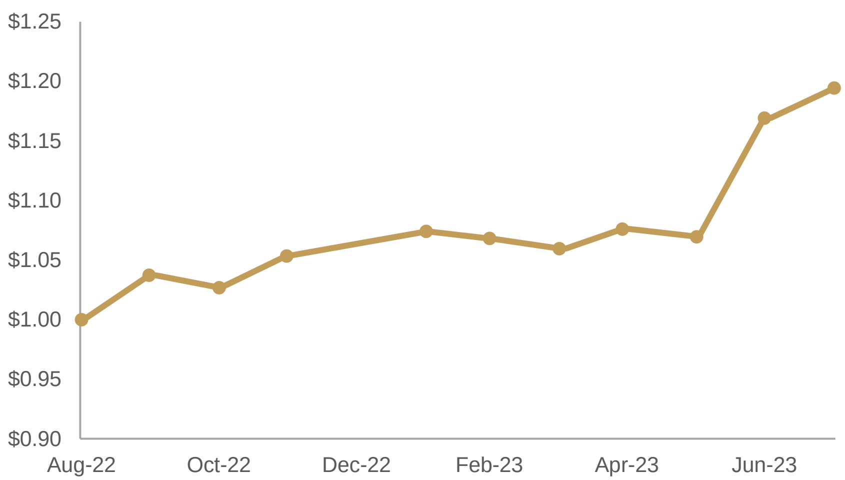
Source: IRESS, HMC Capital analysis. Pricing as at 19 July 2023.
1. FactSet. 2. HMC estimates. 3. Development and investment EBITDA calculated by dividing ROIC implied returns by 70%. 4. Proforma for assumed $527m debt paydown with asset sale proceeds.

About HMC Capital Partners Fund 1

HMCCP Fund 1 provides a differentiated investment opportunity, looking to unlock value through a highly engaged, private equity style investment approach

- High conviction investment strategy targeting predominantly real asset backed investment opportunities in Australian and New Zealand listed equities
- The Fund seeks to invest in high quality, undervalued businesses where we can influence outcomes to unlock value
- Open ended, unlisted fund structure available to wholesale investors
  - eligible retail investors may invest in the strategy via the HMC Capital High Conviction Alternatives Fund
- For further information, refer to the Fund website at www.hmccapital.com.au or contact us at invest@hmccapital.com.au

Summary of HMC Capital Partners Fund 1 performance and holdings



- Since inception on 31 August 2022 to 31 July 2023, HMC Capital Partners Fund 1 has returned 19%[1,3], outperforming the S&P/ASX 300 accumulation index by ~10%
- The Fund currently holds three positions, including:
  - a ~19% stake in Sigma Healthcare (ASX: SIG). This strategic investment is up ~35% following announcement of $3bn contract win from Chemist Warehouse
  - a strategic stake in Lendlease
  - a third, undisclosed, high conviction investment that is current being accumulated

1. All performance figures are quoted net of fees. Figures may not sum exactly due to rounding.
2. Inception date 31 August 2022. Past performance should not be taken as an indicator of future performance.
3. 30 June 2023 NAV is unaudited.

Disclaimer

This presentation has been prepared by HMC Capital Limited ACN 138 990 593 (ASX: HMC) (**HMC Capital**) for general information purposes only.

This presentation is proprietary to HMC Capital and its related bodies corporate (**HMC Group**) and may not be used or reproduced without the prior written consent of HMC Capital.

Summary information

This presentation contains views and opinions of HMC Group on various matters and is based on publicly available information. It contains summary information as at the dates set out in the presentation. The information in the presentation is of a general nature and does not purport to be complete.

Certain market and industry data used in connection with this presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. HMC Group and their representatives have not independently verified any such market or industry data or publications provided by third parties.

To the maximum extent permitted by law, HMC Group and their respective affiliates, related bodies corporate, officers, directors, employees, partners, agents and advisers make no representation or warranty (express or implied) as to the accuracy, currency, reliability, reasonableness or completeness of the information in this presentation and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence).

Not an offer nor financial product advice

This presentation is for information purposes and is not a product disclosure statement, prospectus, disclosure document or other offering document under Australian law or any other law. This presentation is not and should not be considered an offer or an invitation to subscribe for, acquire or trade any securities or any other financial products.

Investors should not construe the contents of this presentation as tax, legal or investment advice. No financial product advice is provided in this presentation and nothing in it should be taken to construe a recommendation or statement of opinion that is intended to influence a person in making any investment decision (including with respect to the securities of Lendlease Group). Investors should not rely on the information or views contained in this presentation to make investment decisions.

Nothing in this presentation takes into account any person's investment objectives, financial situation or particular needs.

Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance

This presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as

Forward looking statements can generally be identified by the use of forward looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance", "continue" and other similar expressions and include.

Such statements are based on HMC Group's current expectations as of the date of this presentation and involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Any forward looking statements in this presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties, many of which are beyond the control of HMC Group.

Although HMC Group currently believes that the assumptions underlying any forward looking statements are reasonable, HMC Group does not make any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this presentation will actually occur.

The forward looking statements are based on information available to HMC Group as at the date of this presentation. To the maximum extent permitted by law, HMC Group and its directors, officers, partners, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions. Except as required by law or regulation, HMC Group undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Financial data

Unless otherwise stated, all references to dollar values, cents, $, AUD or A$ in this presentation are to Australian dollars.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Disclosure

HMC Group owns securities in Lendlease Group. HMC Group may trade in these securities, either buying or selling, at any time. Except as required by law or regulation, HMC Group is under no obligation to advise of such changes. HMC Group is not retained by and, other than as set out in this presentation, has no relationship with Lendlease Group.