

17 August 2021

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Lendlease Group

Real Estate

HOLD

LLC A\$11.86
TARGET PRICE A\$12.16

LLC's Principal Activity is the development, construction, investment management and ownership of property and infrastructure assets.

Company Data

Number of shares	688.6 M
Market Capitalisation	\$8,669.3 M
Free float (%)	99.9
12-month high/low	\$14.89/\$10.86
Average Daily Turnover (\$m)	17.9584
% S&P/ASX200	0.41%
DDM Ranking	167
% All Ordinaries	0.35%
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	8,741.0	12,136.0	13,032.6	14,939.4
EBITDA (\$M)	757.0	950.1	1,169.9	1,458.0
Reported NPAT (\$M)	222.0	518.5	660.3	946.0
Adjusted NPAT (\$M)	377.0	519.1	685.2	946.0
Reported EPS (c)	32.3	73.8	94.5	137.0
Adjusted EPS (c - FD)	54.8	75.4	98.8	137.0
Adjusted EPS growth (%)	60.0	37.3	31.1	38.6
Adjusted P/E (x)	21.6	16.7	12.7	9.2
Dividend (c/sh)	27.0	36.6	48.2	65.0
Gross yield (%)	5.0	3.2	4.2	5.7
Net yield (%)	2.7	2.9	3.8	5.2
ROIC (%)	4.4	6.1	7.7	8.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year Results Media Release

On 16th August, Lendlease Group (LLC) announced their results for the full year ended 30 August 2021 with the following highlights:

- Core operating Profit after Tax of \$377 million and Earnings Per Security of 54.8 cents
- Full year distribution of 27 cents, payout ratio of 49%.
- Statutory Profit after Tax of \$222 million
- Operating EBTIDA of \$757m.
- A strong Financial position of 5.0% gearing.

Key achievements:

- Launched mission zero raising awareness of our carbon targets.
- \$47.3 million social value created
- Launched second elevate Reconciliation Action Plan 2020-2023.
- Published Modern Slavery Statement covering all operations globally
- First ranked office fund in 2020 Global Real Estate Sustainability Benchmark.
- Net zero carbon US Multifamily portfolio.
- Reduced in 50% of Melbourne Quarter precinct is green and publicly accessible
- Australian Building business providing Carbon Neutral construction three consecutive years.

Outlook

- Target savings of more than \$160 (pre tax) annualised
- Restructuring charge estimate of \$130m to \$170m (pre tax) expected in H1 FY22 statutory profit.
- Benefits of cost reduction expected to be realised from H2 FY22
- COVID to impact timing and profitability of projects over the next two years.
- Statutory Profit in H1 FY22 is expected to include a restructuring charge and impairment expense, based on outcomes arising from the business review.
- Expect to reach \$8b production target for FY24.

Global Chief Executive Officer and MD, Tony Lombardo said:

“As an international real estate group with a presence in targeted global gateway cities, the pandemic has had a significant impact across each of our markets and operating segments. Despite COVID impacts, profit recovered and the Group made significant strategic progress.”

Earnings changes

For FY21, LLC reported NPAT of \$377m, which is higher than market expectations of \$345.4m. However, the outlook statement is concerning. Hence, on balance, we expect don't expect any significant earnings revisions.

Valuation

We are updating our target price from \$11.55 to \$12.16 and retaining our HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)