

LENLEASE GROUP (LLC)

22 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue (\$m)	16,572.1	16,671.0	-0.6%
Development Earnings (\$m)	673.2	552.4	+21.9%
Investments Earnings (\$m)	668.9	495.3	+35%
Construction Earnings (\$m)	78.2	338.3	-76.9%
Profit after Tax (\$m)	792.8	758.6	+4.5%
Bloomberg Consensus (\$)	768.8		
Final Distribution (\$)	0.35	0.33	+6.1%

Lendlease (LLC) profits lift thanks to Development & Investment segments

- Property group, **Lendlease (LLC)** posted a modest 4.5% lift in Profit after Tax to \$792.8m driven by its Development and Investment Segments. While the company's bottom line was ahead of six analyst forecasts who were surveyed by Bloomberg, revenue and underlying earnings fell short. The result was held back by a substantial drop in earnings from its Construction unit.
- While the **group's underlying earnings** only edged higher by a modest 2% over the year mainly due to its Construction operations, savings in corporate costs and a slight drop in finance expenses due to lower net debt helped provide an additional bump to its bottom line.
- Its **Development business** remained its biggest earner, posting a 22% lift in underlying earnings to \$673.2m. The uplift in earnings was boosted by its residential build-to-rent partnerships and the completion of residential work. While LLC said it completed apartment-for-sale buildings across urbanisation projects in four cities, presold properties in residential communities fell by more than 600 over the year to 3,231 lots. According to CoreLogic's Home value index, home prices have fallen by 1.6% over the year in Australia – the biggest annual fall in six years. Commercial development was a strong contributor to the division, including work for the University of Melbourne and at Barangaroo South.
- Its **Investments business** closed the gap on its Development unit and was the group's best improver. Earnings rose by 35% to \$668.9m. A lift in the value of its assets, recurring earnings and solid leasing over the year helped.
- Its **Construction segment** was negatively impacted by its Australian Engineering business, which underperformed. The division's earnings fell by 77% to \$78.2m and was largely held back by a \$218m loss from Engineering and Services which was partially offset from strength in Building.
- LLC will be paying eligible **shareholders a \$0.35 per share final dividend**, payable on 21 September and will trade ex-dividend on 28 August. It currently has a yield around 3.3%. LLC shares have fallen following the results however has still gained by more than 20% so far this calendar year.

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