10 February 2022

MIRVAC GROUP HALF YEAR RESULT – 31 DECEMBER 2021

Mirvac Group (Mirvac) [ASX: MGR] today released its interim result for the half year ended 31 December 2021. The Group delivered a solid result, with statutory profit up 44 per cent to $565m and operating profit up 9 per cent to $297m, representing 7.5 cents per stapled security.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "Today's result reflects our continued focus on carefully navigating the ongoing disruption caused by the global pandemic, while highlighting the strength of our diversified and integrated business model.

"As we expected, the extended lockdowns in the first half of the financial year impacted the performance of our Integrated Investment Portfolio, concentrated in Retail. However, this was offset by a strong performance in our development businesses. In Residential, for example, we continued to see strong sales momentum despite the roll-off of government stimulus, with 95 per cent of forecast EBIT for FY22 already secured. Successful pre-leasing and execution in Commercial & Mixed Use also supported earnings and asset revaluations, as we continue to focus on creating and curating high-quality assets that will deliver future income to the Group.

"We also made significant strides in our commitment to having a positive impact on the planet during the reporting period, becoming the first Australian property group to be net positive carbon for our scope 1 and 2 emissions, nine years ahead of our 2030 target. This tremendous achievement delivers a number of benefits to our business, customers, and partners, and underscores our view that companies like ours must exist for more than just profit."

Group metrics and highlights:

- **statutory profit of $565m**, up 44 per cent (1H21: $392m[1]);
- **operating profit after tax of $297m**, up 9 per cent (1H21: $273m[1]);
- **operating earnings before interest and tax (EBIT) of $391m**, up 8 per cent (1H21: $361m[1]);
- **half year distribution of $202m**, representing 5.1 cpss, an increase of 6 per cent;
- **EPS of 7.5c**, a 9 per cent increase on 1H21[1];
- **net tangible assets (NTA) of $2.76**, up 3 per cent (FY21: $2.67);
- progressed our $29bn development pipeline[2], with topping out achieved at 80 Ann Street, Brisbane, new development applications lodged across a number of key commercial and mixed use projects, and strong momentum in our Residential business;
- leasing at our first build to rent project, **LIV Indigo increased to 93 per cent**[3], with a further $1bn of build to rent (BTR) assets under construction;
- cash collections reduced to 92 per cent (FY21: 98 per cent), impacted by lockdowns in Sydney and Melbourne and concentrated to Retail;
- **settled 1,303 residential lots** (up 21 per cent on 1H21) and remain on track to deliver more than 2,500 lot settlements in FY22;
- **exchanged over 1,800 residential lots** (up 33 per cent on 1H21), with four major apartment projects released and a further three apartment projects expected to be released in 2H22; and

1. Comparative information has been restated for the change in policy relating to accounting for SaaS arrangements.
2. Represents 100 per cent expected end value/revenue, subject to various factors outside Mirvac's control, such as planning outcomes, market demand and COVID-19 uncertainties.
3. As at 31 January 2022.

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- **achieved 80 per cent employee engagement**[1] (top quartile of Australian companies) and **retained 93 per cent of key talent**.

Capital management key metrics and highlights:
- **operating cash flow of $413m** (1H21: $443m);
- substantial available **liquidity of $750m** in cash and committed undrawn bank facilities held;
- weighted average debt maturity of 6.1 years;
- gearing of 22.3 per cent[2] at the lower end of the Group's target range of 20 to 30 per cent;
- **average borrowing costs reduced to 3.3 per cent per annum** as at 31 December 2021 (FY21: 3.4 per cent); and
- maintained **A-/A3 ratings** with stable outlooks from Fitch Ratings and Moody's Investors Service.

Ms Lloyd-Hurwitz said, "Our strong capital position continues to provide long-term stability and financial headroom to support existing and future growth opportunities, and positions us well as we activate our significant development pipeline over the coming years. Our substantial liquidity, together with a solid operating cash flow and debt profile, also supports our ability to adequately fund distributions."

Commercial & Mixed Use Development update:
- delivered **EBIT of $73m**, up 248 per cent (1H21: $21m[3]), driven by earnings from the Locomotive Workshop, South Eveleigh Sydney and 80 Ann Street, Brisbane;
- **achieved practical completion at the Locomotive Workshop**, South Eveleigh, Sydney, with 96 per cent of the office space and 100 per cent of the retail space pre-leased[4]. A 49 per cent interest in the asset was sold to Sunsuper in August 2021;
- achieved the **topping out of 80 Ann Street, Brisbane**, which remains on track for practical completion in FY22 (93 per cent pre-leased[4] with Suncorp as anchor tenant);
- commenced **demolition at 55 Pitt Street, Sydney**;
- announced the winner of the design competition stage for the redevelopment of Harbourside, Sydney;
- secured **DA approval for a mixed use development at Waterloo Metro Quarter**, **Sydney** which we are delivering in partnership with John Holland;
- **commenced construction on the Switchyard Industrial Estate in Auburn, Sydney**. Pre-commitments have been signed for approximately 38 per cent of net lettable area[4];
- progressed with initial **development applications for Aspect Industrial Estate at Kemps Creek and Elizabeth Enterprise Precinct in Badgerys Creek**, both in Sydney. Both estates are experiencing strong customer demand, with pre-commitments signed at Aspect for approximately 63 per cent of the estate[4]; and
- progressed the **BTR development pipeline with ~$1bn of assets under construction,** including LIV Anura, Brisbane, LIV Aston, Melbourne, and LIV Munro also in Melbourne, which is due for completion late 2022.

Ms Lloyd-Hurwitz said, "We continue to unlock significant long-term value through our asset creation capability, progressing a number of key commercial and mixed use development projects during the first half of the financial year. The topping out of 80 Ann Street in Brisbane — one of the first buildings in our portfolio to be all-electric in its operations — was a particular standout, with our major tenant, Suncorp, taking early occupation in October last year.

1. As measured by Culture Amp.
2. Net debt (at foreign exchange hedged rate) excluding leases (total tangible assets – cash).
3. Comparative information has been restated for the change in policy relating to accounting for SaaS arrangements.
4. Including non-binding heads of agreement.

"The breadth and diversity of our pipeline, which has grown fourfold in value since FY15 to $12.9bn, also demonstrates our continued focus on being well-positioned to flex through property cycles. This is further enhanced by our in-house construction model which ensures that we can continue to manage construction and supply chain constraints that have resulted from the pandemic."

Integrated Investment Portfolio (IIP) update:

- **delivered EBIT of $270m**, down 5 per cent (1H21: $284m[1]);
- cash collection rate of 92 per cent, with total aged tenant arrears of $54m as at 31 December 2021, 100 per cent covered by ECL provision;
- investment property **revaluations provided an uplift of $260m**, driven by strong demand for industrial assets (7.2 per cent net increase) and retail assets (2.5 per cent net increase);
- completed **162 leasing deals** across approximately 55,800sqm[2];
- maintained **high occupancy** of **97.0 per cent**[3] and a **WALE of 5.6 years**[4];
- resilient Office portfolio focused on quality, amenity, and sustainability driving outperformance (~300bps over past 3, 5 and 15 years);
- strategically located Sydney Industrial portfolio benefiting from e-commerce, robust tenant demand, and rising land values;
- 95 per cent of retail stores re-opened by calendar year end, and retail sales showed signs of recovering but remained lower in CBD locations;
- **leasing increased to 93 per cent[5] at LIV Indigo, Sydney** and is expected to stabilise in coming months; and
- progressed the strategic asset disposals program with settlement at Cherrybrook Village, Sydney, (43 per cent premium to book value), and exchanged contracts for the sale of Tramsheds and Quay West carpark, both in Sydney (53 per cent and 35 per cent premium to book value respectively).

"Our resilient, modern portfolio of high-quality, well-located assets with sustainability and technology at their core continue to position us well in a challenging environment. This is demonstrated by high occupancy, modest lease expiries, and strong asset revaluations, particularly in Industrial and Retail.

"While there is still uncertainty as to what the impact of Omicron will be on our Investment business over the remainder of FY22, we expect that leasing momentum will return once conditions normalise. Our portfolio of modern, sustainable assets that facilitate collaboration and innovation is positioned well to continue to attract tenant demand and deliver NOI growth into the future," said Ms Lloyd-Hurwitz.

Residential update:

- delivered **EBIT of $89m, up 17 per cent** (1H21: $76m), driven by higher lot settlements, largely from masterplanned communities (MPC) projects;
- **settled 1,303 residential lots and on track to deliver more than 2,500 lot settlements in FY22**. Defaults fell back below 2 per cent, in line with historical averages;
- **exchanged 1,814 lots** during the quarter, skewed to MPC, with strong sales particularly in our Melbourne projects;
- residential **pre-sales increased to approximately $1.5bn**, providing excellent visibility of future earnings; and
- released over 1,580 lots, including the launch of four major apartment projects in Sydney and Melbourne.

1. Comparative information has been restated for the change in policy relating to accounting for SaaS arrangements.
2. Excludes build to rent and leasing of assets under development.
3. By area.
4. By income.
5. As at 31 January 2022.

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Ms Lloyd-Hurwitz said, "Mirvac has delivered high-quality homes for our customers for 50 years, and ensuring we have the right product in the right place and at the right price point has been critical to our ongoing success. We have a robust pipeline of projects bought on capital efficient terms, which is expected to support Residential earnings into the future.

"Despite the roll off of stimulus measures, we continue to see strong demand from upgraders, right-sizers, and first-home buyers who are attracted to our reputation as a trusted developer, as well as our well-located, quality product. Broader fundamentals also remain positive, with limited supply, pent up demand and the impending return of overseas migration.

"Our integrated and diversified model has also positioned us to respond and adapt to market conditions quickly, and, as with our Commercial & Mixed Use Development business, has ensured that we are able to effectively manage supply chain impacts and labour shortages related to the pandemic."

Outlook

"While we had expected to see conditions normalise in the first half of 2022, the spread of Omicron has presented a number of challenges. This includes the impact of supply chain constraints and labour shortages on business activity, and the extension of the Commercial Code of Conduct for our retail tenants is also likely to put pressure on cash collection rates in the short term.

"However, our strong balance sheet, the secure income stream from our high-quality Investment portfolio, our robust commercial development pipeline, and a high level of residential pre-sales ensures our business remains resilient. As a result, we have retained guidance of at least 15.0 cents per stapled security in FY22, noting that we will continue to closely monitor our operating environment."

Mirvac's interim reporting suite sets out the Group's financial and operational performance for the half year ended 31 December 2021 and is accompanied by this announcement.

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About Mirvac

Founded in 1972, Mirvac is this year celebrating 50 years of enriching people's lives by creating extraordinary places and experiences. We are an Australian Securities Exchange (ASX) top 50 company and the first Australian property group to be net positive in carbon[i]. We own and manage assets across office, retail, industrial and build- to rent in our investment portfolio. We have over $26 billion of assets under management, together with a ~$12 billion commercial and mixed use development pipeline, and a $16 billion residential development pipeline, enabling us to deliver innovative and high-quality property for our customers, while driving long-term value for our securityholders.

[i] For activities within our operational control.