ASX Release

mirvac

9 February 2023

MIRVAC GROUP HALF YEAR RESULT – 31 DECEMBER 2022 – ON TRACK FOR FY23

Mirvac Group (Mirvac) [ASX: MGR] today released its interim result for the half year ended 31 December 2022. Despite challenging market conditions, we delivered an operating profit of $305m, up 3% on 1H22 and representing 7.7 cents per stapled security (cpss). This was primarily driven by growth in our Integrated Investment Portfolio (IIP). Our statutory profit of $215m was down on 1H22 (1H22: $565m), primarily due to lower investment property revaluations.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said: "During the first half, we continued to deliver on our asset creation and curation strategy, with the integration of the Mirvac Wholesale Office Fund growing our third-party capital to approximately $18bn. Improved cash collections, the stabilisation of recent development completions, and positive like-for-like NOI growth resulted in a 24 per cent increase in our Integrated Investment Portfolio earnings. We have made good progress on our asset sales program, improving our portfolio composition, and while conditions across the residential sector have softened, our pre-sales grew to $1.7bn, providing us with good visibility of future earnings.

"While ongoing supply chain constraints, labour shortages, wet weather, inflationary pressures, and higher interest rates continued to impact our business, our integrated and diverse business model, the quality of our portfolio, our strong balance sheet, and disciplined capital management have positioned us well to navigate through the cycle."

Group metrics and highlights:

- **Operating profit after tax of $305m**, up 3% (1H22: $297m)
- **Statutory profit of $215m**, down 62% (1H22: $565m)
- **Half year distribution of $205m**, representing 5.2cpss, an increase of 2%
- **EPS of 7.7c**, a 3% increase on 1H22
- **Net tangible assets (NTA) of $2.79** (FY22: $2.79)
- Completed our second build to rent project, **LIV Munro, Melbourne**, which is approximately 32% leased[1]
- Cash collections stabilised at 98% (FY22: 97%)
- Progressed our **$1.3bn asset sales** program, with approximately $445m of asset sales achieved in the period[2]
- **Settled 807 residential lots** (1H22: 1,303), with wet weather and labour constraints impacting completion schedules. We maintain a target to deliver >2,500 lot settlements in FY23[3]
- **Exchanged 845 residential lots** (1H22: 1,814), impacted by uncertainty over rising interest rates, lower first home buyer activity, and fewer project launches
- **External assets under management increased to ~$18bn** (up 75%), with the successful integration of the $7.9bn Mirvac Wholesale Office Fund
- **Released the third iteration** of our sustainability strategy, with a target to be net positive in our scope 1, 2 and 3 emissions by 2030.

Capital management key metrics and highlights:

- Maintained **A-/A3 ratings** with stable outlooks from Fitch Ratings and Moody's Investors Service
- Substantial available **liquidity of $1.2bn** in cash and committed undrawn bank facilities held
- Weighted average debt maturity of 5.3 years

1. As at 31 January 2023. LIV Munro was 18% leased as at 31 December 2022.
2. Reflects net sales price and includes the exchange of Stanhope Village, Sydney, which is expected to settle in 2H23.
3. Subject to the impact of inclement weather and labour shortages on construction programs.

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- Gearing of 24.5%[1] at the middle of the Group's target range of 20 to 30%
- **Average borrowing costs of 4.8% per annum** as at 31 December 2022 (FY22: 3.9%).

Investment update:
- **Delivered EBIT of $335m**, up 24% (1H22: $270m), driven by improved cash collections, additional income from completed developments, like-for-like NOI growth of $9m, and higher fees from growth in asset and funds under management
- Cash collection rate stabilised at 98%
- Net valuations stable[2], and portfolio capitalisation rates flat at 4.99%, with modest capitalisation rate expansion offset by the impact of asset sales over the period
- Strong leasing activity, with **403 leasing deals** complete across approximately **107,000sqm**
- Improved **portfolio occupancy** to **97.6%**[3] (FY22: 97.3%) and a **WALE of 5.3 years**[4]
- Progressed our non-core asset sales program, with the sale of Allendale Square, Perth and 189 Grey Street, Brisbane, and contracts exchanged for the sale of Stanhope Village, Sydney, at an average 2% discount to book value[5].

"Our portfolio performed well during the period, as market conditions continue to normalise. Leasing and occupancy improved in all asset classes, retail sales have recovered to pre-COVID-19 levels, and cash collection has stabilised at 98 per cent. The strength of our office and industrial portfolios in particular is evidenced by their outperformance against the benchmark on a one, three, five and 15-year basis.

"We made good progress on our asset sales program, which, as well as enhancing the quality of our market-leading portfolio, allows us to invest in the creation of our next generation of assets. Our asset valuation uplift of $35m in 1H23 also demonstrates the resilience of our young, modern, sustainable portfolio in an otherwise challenging environment," said Ms Lloyd-Hurwitz.

Commercial & Mixed Use Development update:
- Delivered **EBIT of $58m**, down 21% (1H22: $73m), primarily driven by the sale of 34 Waterloo Road, Macquarie Park, Sydney
- **Achieved practical completion at LIV Munro, Melbourne**, which is approximately 32% leased[6]. We continued to progress the remainder of our BTR development pipeline, with approximately $740m of assets under construction
- Progressed **demolition at 55 Pitt Street, Sydney**, with potential construction commencement in 2023, subject to pre-leasing
- Attained vacant possession at **Harbourside, Sydney**, with early demolition works underway
- Commenced construction at **Aspect Industrial Estate, Kemps Creek,** which is expected to be our first carbon neutral embodied carbon development. The project is approximately 64% pre-leased[7], with strong tenant engagement for the remaining space
- Progressed construction on the **Switchyard Industrial Estate in Auburn, Sydney**, which is approximately 76% pre-leased[7], and acquired the remaining 49% interest in the development.
- Continued to progress the initial development application at **Elizabeth Enterprise, Badgerys Creek, Sydney**, with the Western Sydney Aerotropolis Precinct Plan finalised in March 2022.

1. Net debt (at foreign exchange hedged rate) / (tangible assets – cash).
2. Excludes development revaluation.
3. By area.
4. By income.
5. Net price includes settlement adjustments and excludes selling costs.
6. As at 31 January 2023. LIV Munro was 18% leased as at 31 December 2022.
7. Including non-binding heads of agreements.

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Ms Lloyd-Hurwitz said: "Our integrated model provides us with the agility to respond to market conditions and take a prudent approach to the deployment of our capital. We continue to focus our active capital on our industrial and build to rent pipelines, which are supported by strong fundamentals, along with select mixed use and office projects, while deferring a number of office developments in the short-to-medium term.

"The recent completion of our second build to rent project, LIV Munro, highlights our asset creation capability, as we progress our capital partnering strategy for our build to rent platform."

Residential update:

- Delivered **EBIT of $36m, down 60%** (1H22: $89m), with 1H22 having benefitted from government stimulus, historically low interest rates, and elevated apartment settlements
- **Settled 807 residential lots,** impacted by wet weather and labour constraints on delivery schedules. We maintain our target **to deliver >2,500 lot settlements in FY23**[1]
- Recorded no defaults during the period, with the default rate remaining low at 3.2% (0.1% excluding Voyager at Yarra's Edge, Melbourne)
- **Exchanged 845 lots** during the half year
- Residential **pre-sales increased to $1.7bn**, providing excellent visibility of future earnings. This includes pre-sales of 63% at Isle at Waterfront Newstead, Brisbane (launched in July 2022).

Ms Lloyd-Hurwitz said: "Rising interest rates have impacted buyer sentiment, particularly for first-home buyers, with sales activity moderating following a period of heightened demand and historically low interest rates. Despite this, we remain well positioned in the current environment, and our strategy to develop for the owner-occupier, along with the strength of our residential brand, continue to drive demand and customer loyalty.

"The fundamentals supporting the outlook for the residential sector remain positive, with immigration forecast to return to pre-COVID levels, coupled with low upcoming supply. Relative affordability of apartments is also expected to underpin demand for our apartment projects, with the potential for five project releases over the next 12 months."

Outlook

Ms Lloyd-Hurwitz said: "While high inflation and interest rates have created uncertainty for consumers and placed pressure on economic growth, the continued normalisation of business activities, the resumption in overseas migration, and the flight to high-quality assets place Mirvac in a strong position to navigate the current climate.

"For the balance of FY23, our focus remains on executing our strategic objectives, maintaining a disciplined approach to capital management, and delivering outstanding customer experiences through our focused asset creation and curation capability.

"Growing our third-party capital will also be a key focus, particularly at this point in the cycle. As well as helping to diversify our sources of capital, it will allow us to leverage our scale, accelerate our secured development pipeline, and improve returns for our stakeholders."

1. Subject to the impact of inclement weather and labour shortages on construction programs.

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Subject to no material change in the operating environment, the Group has reaffirmed a target of operating earnings in FY23 of at least 15.5cpss and distributions of at least 10.5cpss, along with a target of greater than 2,500 residential lot settlements[1].

Today's half year results also mark the last to be presented by Susan Lloyd-Hurwitz as CEO & Managing Director, with Campbell Hanan to commence in the role of Group CEO & Managing Director on 1 March 2023.

Ms Lloyd-Hurwitz said: "It has been a remarkable decade for Mirvac, during which the team has driven a deep-seated transformation. Over the past 10 years, we have delivered $6bn of commercial assets, $14.8bn of residential dwellings, and grown our third-party capital to approximately $18bn. The quality of our investment portfolio is market leading, and we have the largest forward-looking development pipeline in our history.

"We have also become net positive in our scope 1 and 2 emissions; published detailed plans for our approach to scope 3 emissions, water and waste; significantly improved employee engagement; and received more than 280 awards across all asset classes. We are ranked #1 company in the world for gender equity by Equileap and have maintained a zero like-for-like gender pay gap for seven years in a row.

"It has been an honour and a privilege to have led Mirvac for the past 10 years as we have worked hard, every day, to bring our purpose to Reimagine Urban Life to life and leave the world a little better than when we found it. I am incredibly proud of what we have achieved, but more importantly, how we have achieved it.

"I leave the Group in the very capable hands of Campbell and the rest of the executive leadership team, and I have no doubt that they will do an outstanding job driving this next phase of Mirvac's next evolution."

Mirvac's interim reporting suite sets out the Group's financial and operational performance for the half year ended 31 December 2022 and is accompanied by this announcement.

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About Mirvac

Founded in 1972, Mirvac is an Australian Securities Exchange (ASX) top 50 company with an integrated asset creation and curation capability. For more than 50 years, we've dedicated ourselves to creating extraordinary urban places and experiences. We have over $35 billion of assets under management, together with a $12 billion commercial and mixed use development pipeline, and a $17 billion residential development pipeline, enabling us to deliver innovative and high quality property for our customers, while driving long-term value for our securityholders.