11 August 2022

MIRVAC GROUP FULL YEAR RESULT – 30 JUNE 2022

Mirvac Group (Mirvac) [ASX: MGR] today released its full-year result for the financial year ended 30 June 2022, delivering a strong result ahead of guidance, with a statutory profit of $906m and operating profit of $596m, representing 15.1 cents per stapled security (cpss).

Group metrics and highlights:

- **statutory profit of $906m**, a $5m increase on FY21 ($901m[1]);
- **operating profit after tax of $596m**, up 8 per cent (FY21: $550m[1]);
- **operating earnings before interest and tax (EBIT) of $773m**, up 10 per cent (FY21: $704m[1]);
- **full year distribution of $404m**, representing 10.2cpss, an increase of 3 per cent;
- **operating EPS of 15.1cpss**, an 8 per cent increase on FY21[1];
- **net tangible assets of $2.79**, up 4 per cent (FY21: $2.67);
- progressed our **~$30bn development pipeline**[2] across Commercial & Mixed Use and Residential;
- **settled 2,523 residential lots**, ahead of our 2,500-lot settlement target;
- **exchanged approximately 2,900 residential lots**, across apartments and masterplanned communities;
- **increased external assets under management to $10.2bn,** up 3 per cent on FY21, and secured management rights to the $7.7bn AMP Wholesale Office Fund (AWOF) post 30 June 2022;
- **achieved net positive carbon for scope 1 and 2 emissions** nine years ahead of our target; and
- **awarded number one** in the **2022 AFR BOSS Best Places to Work List** for the Property, Construction and Transport sector, and named **number one in the world for gender equality** by Equileap, leading a global field of 4,000 companies.

Mirvac CEO & Managing Director, Susan Lloyd-Hurwitz, said: "There is no doubt that FY22 presented a more challenging operating environment. We experienced the ongoing impacts of COVID-19, supply chain issues, labour shortages, rising inflation and interest rates, geopolitical tension, and extreme wet weather, particularly across the east coast of Australia.

"Despite this, we have delivered a strong financial and operational result ahead of guidance, demonstrating the continued resilience of our people and the value of our integrated and diversified business model. We progressed our substantial development pipeline, improved the quality of our investment portfolio, secured new capital partners, and achieved our ambition to be net positive for our scope 1 and 2 emissions, nine years ahead of our target.

"At the same time, we maintained a strong balance sheet and capital position, with sufficient liquidity and appropriate hedging. Combined with our planned $1.3bn of non-core asset sales, this helps ensure that we are well placed to capitalise on opportunities as they emerge, so that we can continue to deliver value to our securityholders into the future.

"Subsequent to year end, we secured the management rights to AWOF, accelerating our Funds Management strategy, broadening our investor base, and introducing new accretive income streams. The fund's modern, sustainable, high-quality $7.7bn investment portfolio is aligned with our portfolio and investment approach, and we look forward to driving future returns for investors."

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.

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as reponsible entity of the Mirvac Property Trust ARSN 086 780 645

Capital management key metrics and highlights:

- **operating cash flow of $896m,** up 41 per cent (FY21: $635m);
- substantial available **liquidity of $1.4bn** in cash and committed undrawn bank facilities held;
- weighted average debt maturity of 5.6 years;
- **gearing of 21.3 per cent**[1], at the lower end of the Group's target range of 20 to 30 per cent;
- debt is **55% hedged** in line with policy target;
- **average borrowing costs increased to 3.9 per cent** as at 30 June 2022 (FY21: 3.4 per cent); and
- maintained **A-/A3 ratings** with stable outlooks from Fitch Ratings and Moody's Investors Service.

Commercial & Mixed Use Development highlights:

- delivered **EBIT of $90m**, up 173 per cent (FY21: $33m), driven by earnings from $1.3bn of development completions;
- achieved practical completion at the **Locomotive Workshop**, South Eveleigh, Sydney, which was 97 per cent leased on completion and achieved a 6.1 per cent yield on cost. A 49 per cent interest in the asset was sold to Australian Retirement Trust in August 2021;
- achieved practical completion at **Heritage Lanes, Brisbane**, which was 98 per cent leased on completion, with Suncorp as major tenant, and achieved a 6 per cent yield on cost, with income contributions due to commence in FY23;
- completed **demolition at 55 Pitt Street, Sydney**, with civil works due to commence in 1Q23;
- announced the winner of the design competition stage for the redevelopment of Harbourside, Sydney and undertook work to prepare for commencement on site;
- **commenced construction on the Switchyard Industrial Estate in Auburn, Sydney**. Pre-commitments have been signed for approximately 58 per cent of net lettable area[2];
- initial development application (DA) approved for **Aspect Industrial Estate at Kemps Creek, Sydney**, with pre-commitments signed for approximately 48 per cent of the estate[2]. Construction is expected to commence in 1H23. In addition, zoning was achieved and a DA was lodged at Elizabeth Enterprise Precinct, also in Sydney;
- progressed the **BTR development pipeline with ~$1bn of assets under construction** and development approval achieved at LIV Albert Fields in Melbourne.

Ms Lloyd-Hurwitz said: "Our $12.4bn commercial and mixed use development pipeline progressed well during the financial year and we achieved a number of key milestones on our major development projects. While cost inflation remains a headwind, our integrated design and construction capabilities provided a strong base from which to manage these risks, allowing us to continue to deliver value for our stakeholders. Overall, our extensive pipeline has the potential to deliver approximately $250m of recurring annual income over time, along with approximately $1.8bn in potential development value creation."

Integrated Investment Portfolio (IIP) highlights:

- **delivered EBIT of $570m**, down 1 per cent (FY21: $576m);
- cash collection rate of 97 per cent, with total aged tenant arrears of $17m as at 30 June 2022, 100 per cent covered by ECL provision;
- investment property **revaluations provided an uplift of $305m**, driven by strong demand for industrial assets (14 per cent net increase) and office assets (2.9 per cent net increase), partially offset by a $216m write-down of Toombul, Brisbane, following flood impacts in February this year;
- completed **406 leasing deals** across approximately 110,900sqm[3];

1. Net hedging debt (at foreign exchange hedged rate) excluding leases (total tangible assets – cash).
2. Includes non-binding heads of agreement.
3. Excludes build to rent and leasing of assets under development.

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- maintained **high occupancy** of **97.3 per cent**[1] and a **WALE of 5.6 years**[2];
- office portfolio quality improved with 99 per cent of Prime grade assets, an average portfolio age of 9.8 years, and an average NABERS Energy rating of 5.3 stars;
- fully occupied and strategically located Sydney industrial portfolio continued to benefit from robust tenant demand, shortage of supply and rising land values;
- retail sales recovered to pre-COVID-19 levels across the portfolio, excluding CBD assets, with improved leasing activity;
- **LIV Indigo now 98 per cent leased** supported by low market vacancy; and
- progressed our strategic asset disposals program, selling Cherrybrook Village, Tramsheds and Quay West carpark, all in Sydney, at an average 43 per cent premium to book value.

Ms Lloyd-Hurwitz said: "We have significantly improved the quality of our investment portfolio across all asset classes, which has stood us in good stead against the ongoing impacts of COVID-19. Occupancy remained steady and we continued to see leasing activity improve in each sector. The quality of our portfolio also ensures that we are benefitting from the current bifurcation of tenant and capital demand for modern, sustainable real estate.

"Our planned disposal of an additional $1.3bn of office and retail assets over the coming financial year will see a further improvement in portfolio quality, while our development activity underway increases our exposure towards the industrial and build to rent sectors, where underlying fundamentals remain attractive."

Residential highlights:
- delivered **EBIT of $195m, up 16 per cent** (FY21: $168m), driven by settlements being weighted towards stronger EBIT contributing projects across masterplanned communities (MPC) and apartments;
- **settled 2,523 residential lots, exceeding our >2,500 lot settlements target**;
- **achieved gross margins of 25 per cent**, above our through-cycle target of 18-22 per cent;
- **exchanged 2,898 lots** over the year, supported by the release of approximately 2,750 lots. This included the successful launch of six major apartment projects, including NINE Willoughby in Sydney and Forme at Tullamore in Melbourne, as well as over 2,000 lot releases across our masterplanned communities;
- established a new residential joint venture at our Smiths Lane, Melbourne masterplanned community, contributing to EBIT; and
- residential **pre-sales increased to approximately $1.6bn**, providing excellent visibility of future earnings.

Ms Lloyd-Hurwitz said, "Our residential team delivered an outstanding result in FY22, particularly in light of the many challenges faced, including weather and COVID-19-related delays. We achieved our lot settlement target and launched six major apartment projects that will further contribute to our $1.6bn of pre-sales, supporting future earnings.

"While conditions have normalised following 18 months of heightened demand, the underlying fundamentals of the residential market in which we operate remain solid, including low unemployment, tight vacancy levels, rising rents, restricted supply, and the return of overseas migration. Our apartment projects are expected to complete into an undersupplied market, positioning us well to capture demand. Our brand, focus on owner-occupiers, diversity of product, and reputation for quality, will help us to remain resilient in a rising interest rate environment."

1. By area.
2. By income.

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Outlook

“Uncertainty in macroeconomic and geopolitical environments is expected to continue, however, the quality of our integrated investment portfolio, strength of our residential development platform and pipeline, and the embedded value in our commercial and mixed use development pipeline position us well to manage risks and continue our track record of delivering strong returns to securityholders through the cycle.

“We will continue to focus on progressing our active development pipeline, further improving our high-quality investment portfolio through our targeted and accelerated asset sales, and growing our external assets under management. As we do this, we will also continue to focus on maintaining a prudent and disciplined approach to capital management to capitalise on opportunities as they emerge.

“Sustainability also remains a key focus, and we look forward to sharing an update on our sustainability strategy, *This Changes Everything*, which will include new targets for our scope 3 emissions and our social performance,” said Ms Lloyd-Hurwitz.

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

Mirvac’s full-year reporting suite sets out the Group’s financial and operational performance for the full year ended 30 June 2022 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 for our scope 1 and 2 emissions. 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 $12.4 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.

1. Assumes weighted average cost of debt of approximately 4.6 per cent over FY23