13 August 2015

MIRVAC GROUP FULL YEAR RESULTS – 30 JUNE 2015

Mirvac Group ("Mirvac") [ASX: MGR] today reported its full-year results for the year ended 30 June 2015 ("FY15").

Key highlights include:

- statutory profit after tax increased by 36 per cent to $609.9 million (30 June 2014: $447.3 million)[1];
- operating profit after tax increased by four per cent to $454.8 million[2] (30 June 2014: $437.8 million), representing 12.3 cpss which was at the top end of guidance;
- full year distributions of $347.6 million, representing 9.4 cpss, also at the top end of guidance;
- executed approximately $940 million of acquisitions in key strategic locations across the retail, industrial and residential property sectors;
- achieved asset sales of $406.7 million in FY15, with the sale of five office assets and two retail assets;
- maintained strong portfolio metrics within the Investment portfolio, with solid occupancy of 96.5 per cent[3] and a weighted average lease expiry of 4.5 years[4];
- secured a record $2.0 billion in residential pre-sales[5] and settled 2,271 residential lots, in line with the Group target of greater than 2,200 lots;
- secured 67 per cent of expected Development EBIT[6] for FY16, and 57 per cent for FY17;
- achieved an 11.1 per cent Development return on invested capital, and continue to target 12 per cent by FY17; and
- entered into exclusive due diligence with Morgan Stanley Real Estate Investing for the acquisition of the Investa Office Management Platform and co-investments in Investa Commercial Property Fund, Investa Property Trust and Investa Office Fund. The terms of the potential acquisition are confidential and the transaction remains uncertain and incomplete.

Key financial and capital management highlights:

- net tangible assets ("NTA")[7] per stapled security of $1.74, up from $1.69 (31 December 2014);
- reduced average borrowing costs to 5.2 per cent per annum (including margins and line fees), while maintaining the Group's weighted average debt maturity at 4.3 years;
- restructured the Group's revolving syndicated bank loan on more favourable terms and reduced the amount of debt maturing in any one year;
- maintained strong liquidity with $539.6 million of cash and undrawn committed bank facilities held; and
- gearing remained within the Group's target range of 20.0 to 30.0 per cent at 24.3 per cent[8].

1 For further details refer to 30 June 2015 financial statements.
2 Operating profit after tax is a non-IFRS measure, and is profit before specific non-cash items, significant items and related taxation.
3 By area.
4 By income.
5 Adjusted for Mirvac's share of JVA and Mirvac managed funds.
6 Development EBIT before overheads and sales and marketing
7 NTA per stapled security, based on ordinary securities including Employee Incentive Scheme ("EIS") securities.
8 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).

Commenting on the results, Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "We have delivered a solid result for FY15 at the top of our guidance range, which reflects our continued focus and discipline around executing our strategy.

"Our focus on repositioning the business over the past few years has resulted in a high quality investment portfolio comprised of well-located assets and a robust residential development pipeline that provides us with excellent visibility of earnings over the next five years.

"Our capital position is strong, supported by a number of important capital partnering initiatives, and we continue to drive an improved return on invested capital through our development activities."

Office portfolio highlights:

- solid portfolio occupancy of 94.0 per cent[1] and a WALE of 4.3 years[2];
- like-for-like net operating income growth of 2.6 per cent;
- secured heads of agreements over approximately 170,000 square metres of office space as at 30 June 2015;
- disposed of five office assets for $248 million, representing a combined premium to book value of 12 per cent;
- completed the development of 699 Bourke Street, Melbourne and achieved a 7.2 per cent yield on cost, in line with expectations;
- secured PwC as the major tenant for the development at 2 Riverside Quay, Melbourne, for over 91 per cent[3] of total lettable office area for an initial 12-year term, and entered into an agreement with ISPT for the sale of a 50 per cent interest; and
- achieved a 5.1 Star NABERS Energy rating average across the office portfolio up from 4.9 in FY14.

"Solid metrics were maintained in our office portfolio during the financial year, and these are expected to further improve once the significant amount of leases currently under heads of agreement have been executed. We will continue to focus on de-risking future income within our office portfolio by managing near-term lease expiries.

"Our ability to create prime assets was demonstrated with the completion of 699 Bourke Street in March this year, with the project improving the quality of the portfolio and achieving returns in line with expectations.

"We remain focused on delivering the balance of our committed office developments on time and on budget, including 200 George Street in Sydney, which is scheduled for completion in mid-2016, and 2 Riverside Quay in Melbourne, scheduled for completion in FY17," Ms Lloyd-Hurwitz said.

Retail portfolio highlights:

- high portfolio occupancy of 99.4 per cent[3];
- like-for-like net operating income growth at 2.1 per cent;
- strong total comparable MAT growth of 4.7 per cent and leasing spreads of 4.8 per cent;
- increased specialty sales productivity to $8,805 per square metre;
- reduced specialty occupancy costs to 16.0 per cent (30 June 2014: 17.7 per cent);
- acquired Birkenhead Point Outlet Centre, Drummoyne, NSW, for a total consideration of $310 million, which settled in January 2015; and

1 By area, including 8 Chifley Square, Sydney NSW.
2 By income, including 8 Chifley Square, Sydney NSW.
3 By area.

- disposed of Hinkler Central, Bundaberg and City Central Plaza, Rockhampton in Queensland at a premium to previous book value of 11 per cent.

Ms Lloyd-Hurwitz said, “The performance of our retail portfolio reflects the significant transformation that has taken place in this area of the business over the past two years, characterised by a reweighting towards urban markets, particularly Sydney, while exiting regional locations. The portfolio is almost entirely leased and our total comparable MAT growth and specialty sales productivity continue to improve.

“We have a proven ability in extracting value from our existing assets within the portfolio, and this was demonstrated with the completion of expansions at Stanhope Village in New South Wales and Kawana Shoppingworld in Queensland during the financial year.

“The acquisition of assets such as Birkenhead Point Outlet Centre in Sydney and the continued repositioning of our existing portfolio will ensure we can continue to deliver a strong performance in our retail portfolio.”

Industrial portfolio highlights:
- high occupancy of 98.7 per cent[1] and a WALE of 7.6 years[2];
- like-for-like net operating income growth of 3.4 per cent; and
- acquired a portfolio of assets from Altis Real Estate Equity Partnership Fund No. 1 (“Altis”), for a total consideration of $213.9 million, which settled in January 2015.

“The acquisition of a portfolio of industrial assets has bolstered the Group’s exposure to the industrial sector, and provides us with long-term redevelopment potential. We continue to progress our development plans for 60 Wallgrove Road, Eastern Creek, which is located in Sydney’s core industrial precinct,” commented Ms Lloyd-Hurwitz.

Residential highlights:
- a record $2.0 billion of exchanged pre-sales contracts[3];
- achieved 2,271 residential lot settlements;
- released over 4,000 residential lots across masterplanned communities and apartments;
- acquired over 7,100 lots in line with strategic mandates and return hurdles;
- continued strong sales at key residential projects, including:
  - Masterplanned Communities: Elizabeth Hills and Elizabeth Point, NSW (100 per cent of released lots sold across both projects); Alex Avenue, NSW (83 per cent sold); Googong, NSW (93 per cent of released lots pre-sold); and Tullamore, Doncaster, VIC (97 per cent of released lots pre-sold);
  - Apartments: Green Square, Stage 1 and Stage 2, NSW (100 per cent pre-sold); Harold Park, Precinct 5, Glebe, NSW (66 per cent pre-sold); and Stage 1 and Stage 2 of Waterfront, Unison, Queensland (83 per cent and 71 per cent pre-sold respectively); and
- delivered a residential gross margin of 23.6 per cent.

“We accelerated the release of a number of residential projects in Sydney and Melbourne during the financial year to capture strong market demand. Our overweight exposure to these markets has

1 By area.
2 By income.
3 Adjusted for Mirvac’s share of JVA, and Mirvac managed funds.

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supported a record $2 billion in exchanged residential pre-sales, with over 40 per cent expected to settle in FY16.

“We have also secured 67 per cent of development EBIT for FY16, and 57 per cent for FY17, as a result of the sales success we have achieved.

“We anticipate strong earnings growth in our residential business in FY16, with an increase in expected lot settlements to over 2,800 from 2,271 in FY15. We are well positioned with over 65 per cent of our target lot settlements already secured through pre-sales, and a significant number of these are expected to settle in the second half of FY16.

“Our strong residential pipeline provides us with more than 14,000 potential lot settlements over the next five years, which gives us excellent visibility of future earnings, and allows us to continue to be selective in where and how we acquire sites.”

Outlook
Mirvac has provided FY16 operating EPS guidance range of between 12.7 to 13.0 cpss, which is expected to be skewed to the second half of FY16, and distribution guidance range of 9.7 to 9.9 cpss.

Ms Lloyd-Hurwitz concluded, “Our continued strong performance in FY15 means we are extremely well-positioned to deliver earnings growth in FY16, and we continue to focus on maintaining strong metrics in our office, retail and industrial portfolios, while driving an improved return in our development business. This will ensure we can continue to deliver value to our securityholders.

“We also remain committed to supporting operational excellence within the Group and transforming the way we work, to allow us to work more effectively into the future.”

A management presentation of the results will be webcast live from 10:30am (Sydney) at www.mirvac.com.

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