ASX Release

8 August 2019

MIRVAC GROUP FULL YEAR RESULTS – 30 JUNE 2019

Mirvac Group (Mirvac) [ASX: MGR] today announced its full-year results for the financial year ended 30 June 2019 (FY19). The Group achieved a statutory profit of over $1 billion for the fourth consecutive year and successfully delivered at the top end of guidance, with an EPS of 17.1 cents per stapled security (cpss), up 4 per cent on FY18, and DPS of 11.6 cpss, up 5 per cent on FY18.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "The strength and resilience of our business were evident throughout the year, underpinned by our award-winning urban asset creation capability, our high-quality investment portfolio and our diversified model. Our robust capital position and the acceleration of passive earnings growth means we are well placed to continue to generate strong returns for our securityholders, while making a positive contribution to our urban landscape."

Key highlights across the Group:

- operating profit increased by 4 per cent to $631 million (FY18: $608 million)[1], representing 17.1 cpss, at the top end of guidance, driven particularly by a strong performance in the Group's Office & Industrial business;
- full-year distributions increased 5 per cent to $440 million, representing 11.6 cpss
- completed approximately 250,000 square metres[2] of leasing across the investment portfolio, with high occupancy maintained at 99.0 per cent[3] and a WALE of 5.7 years[4];
- achieved a Group Return on Invested Capital (ROIC) of 10.1 per cent;
- realised strong net property revaluation uplifts across the Investment portfolio of $516 million[5] (4.9 per cent), supported by the portfolio's 82 per cent weighting to Sydney and Melbourne;
- settled 2,611 residential lots, with $1.7 billion[6] in residential pre-sales secured;
- further extended the build-to-rent (BTR) development pipeline, with a second purpose built BTR project confirmed close to Queen Victoria Market in Melbourne;
- completed a fully underwritten $750 million institutional placement and a $46 million Security Purchase Plan to support the delivery of the next generation of value accretive office, industrial, residential and mixed-use projects;
- maintained an employee engagement score of 90 per cent, 3 percentage points above the global high performing norm[7]; and
- released *Planet Positive*: setting out the steps we will take to become net positive carbon by 2030, including developing buildings powered by 100 per cent renewable energy.

Ms Lloyd-Hurwitz said, "At Mirvac, our people are our greatest asset. We are committed to creating a safe, respectful and inclusive environment where individuals are driven to look beyond profit to genuinely make a difference to people's lives. Underscoring our commitment to being a force for good, we've far exceeded our goal to triple our community investment three years ahead of target, and have introduced unlimited paid volunteer leave so that our people feel supported and empowered to give back."

[1] Excludes specific non-cash items, significant items and related taxation. The June 2018 operating profit after tax has been restated to align with the new operating profit definition adopted by the Group from 1 July 2018.
[2] Excludes leasing of assets under development.
[3] By area, including investments in joint ventures and excluding assets held for development.
[4] By income, including investments in joint ventures and excluding assets held for development.
[5] Includes Mirvac's share of the joint ventures' net property revaluation.
[6] Adjusted for Mirvac's share of joint ventures and Mirvac managed funds.
[7] As defined by the Group's survey provider, Willis Towers Watson.

Financial and capital management highlights:

- net tangible assets (NTA)[8] per stapled security increased to $2.50 (30 June 2018: $2.31);
- delivered operating cashflow of $518 million (June 2018: $663 million);
- reduced gearing to 20.5 per cent, within the Group's target range of 20 to 30 per cent[9];
- increased liquidity to $1.4 billion in cash and committed undrawn bank facilities;
- increased weighted average debt maturity to 8.5 years from 6.8 years (June 2018);
- maintained stable average borrowing costs at 4.8 per cent per annum (June 2018: 4.8 per cent), including margins and line fees;
- issued $665 million US Private Placement notes with tenors of 11,13, 15 and 20 years; and
- received an A- rating with a stable outlook from Fitch Ratings during the first half year and maintained the A3 rating from Moody's Investor Service (equivalent to A-).

Ms Lloyd-Hurwitz said, "Our disciplined approach to capital allocation and recent capital raising has resulted in a healthy balance sheet enabling the business to continue to invest through market cycles and respond quickly to new investment opportunities when they arise."

Office portfolio highlights:

- increased occupancy to 98.2 per cent[10] with a WALE of 6.4 years[11];
- achieved net operating income of $338 million and a like-for-like net operating income growth of 5.7 per cent;
- completed 82 leasing deals over approximately 96,400 square metres[12], with positive leasing spreads of 16.6 per cent;
- total office asset revaluations provided an uplift of $392 million[13] (or 6.3 per cent) over the previous book value, supported by an overweight to prime assets in Sydney and Melbourne;
- assets under management increased to $15 billion[14], leading to a significant increase in asset management fees to $19 million;
- reached practical completion on Buildings 1 and 3 at the reimagined South Eveleigh precinct, Sydney in March 2019;
- acquired 383 La Trobe Street, Melbourne, with potential to create a 40,000 square metres, A-grade office tower; and
- maintained a 5.0 star NABERS Energy rating average across the office portfolio.

Ms Lloyd-Hurwitz said, "In FY19 the strategic weighting in our office portfolio of 85 per cent to the Sydney and Melbourne CBDs maximised our exposure to the favourable market conditions in these locations. This is reflected in our strong leasing performance, high occupancy and net revaluation gains.

"We are now Australia's second largest office manager, with $15 billion[15] of assets under management. Our young, low capex portfolio attracts high calibre customers who typically prefer long lease periods and share our vision to reimagine the future of work.

"We continue to deploy our unique asset creation capability to improve the quality of our portfolio and generate increasing passive earnings for the Group. Our robust development pipeline, which includes

[8] NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.
[9] Net debt (at foreign exchange hedged rate) excluding leases (total tangible assets – cash).
[10] By area, including investments in joint ventures and excluding assets held for development.
[11] By income, including investments in joint ventures and excluding assets held for development.
[12] Excludes leasing of assets under development.
[13] Includes Mirvac's share of the joint venture net property revaluation.
[14] Includes IPUC.
[15] Includes IPUC.

South Eveleigh, Sydney, 477 Collins Street, Melbourne and 80 Ann Street, Brisbane, is expected to add approximately $90 million in additional recurring net operating income by FY23, as well as over $200 million in fair value uplift and over $130 million in development profit."

Industrial portfolio highlights:

- maintained high occupancy of 99.7 per cent[16], with a WALE of 7.7 years[17];
- achieved over 91,700 square metres of leasing activity[18];
- increased our future industrial development pipeline in Sydney to $1.2 billion by securing the following sites:
  - Stage 1 of a future 244-hectare industrial estate at Badgerys Creek in Western Sydney[19], NSW, located just 800 metres from the new Western Sydney International Airport, for a total consideration of $71 million, under a put-and-call option arrangement. The site is set to benefit from excellent transport links and approximately $20 billion of infrastructure investment in the Western Sydney region;
  - a 56-hectare future industrial estate and logistics hub at Mamre Road, Kemps Creek, approximately 6 kilometres from the new Western Sydney International Airport;
  - a 14-hectare, future industrial estate and logistics hub at Manchester Road, Auburn, Sydney, 3.3 kilometres from the Parramatta CBD and 18 kilometres from the Sydney CBD, for $94 million[20]. The project is a joint venture with an investment vehicle sponsored by Morgan Stanley Real Estate Investing and has an estimated end value of $250 million[21]; and
- sold a 50 per cent interest in Calibre at Eastern Creek, Sydney to the Mirvac Industrial Logistics Partnership for approximately $125 million. Practical completion was achieved on the Estate during the year and the development is 100 per cent leased.

"During FY19 we extended our industrial pipeline by utilising our asset creation capability to respond to our customers demand for high-quality, well located assets maintaining a 100 per cent weighting to Sydney. We see significant earnings potential for these future industrial estates," Ms Lloyd-Hurwitz said.

Retail portfolio highlights:

- achieved solid net revaluation gains of 2.2 per cent underpinned by like for like income growth of 2.6 per cent;
- maintained high occupancy at 99.2 per cent[22];
- achieved comparable MAT sales growth of 2.7 per cent[23] and comparable specialty sales growth of 2.0 per cent;
- maintained comparable specialty sales productivity of $10,063 per square metre;
- increased specialty occupancy costs to 15.5 per cent;
- closed a record amount of leasing transactions with 432 deals (including 36 across the Office portfolio), with average leasing spreads of 1 per cent;
- completed the construction of a 6,900 square metre expansion of Kawana Shoppingworld, Sunshine Coast, QLD, introducing Event Cinema's only Gold Class offering on the Sunshine

[16] By area.
[17] By income.
[18] Includes leasing of assets under development.
[19] Subject to satisfaction of conditions precedent, rezoning and planning approvals.
[20] Subject to satisfaction of conditions precedent.
[21] Subject to planning approvals.
[22] By area.
[23] Total comparable MAT sales growth would equate to approximately 2 per cent adjusting for major supermarkets and DDS categories reporting 53 weeks of sales.

Coast as well as an expanded dining precinct. The project was 100 per cent leased at completion;
- completed the construction of a 3,700 square metre redevelopment of Rhodes Waterside, Sydney, NSW, introducing ALDI and relocating Bing Lee to strengthen the fresh food and homewares offer. The project was fully leased on completion; and
- progressed a $43 million, 4,500 square metre re-development of Toombul, Brisbane, introducing a dining and entertainment precinct. The precinct will be anchored by Archie Brothers, Cirque Electriq and an upgraded cinema. The development is due for completion in mid-FY20.

"Our Retail division delivered another solid result, which is pleasing given the highly competitive and rapidly evolving retail sector. Our commitment to constantly curating retail mixes and creating unique experiences has created a portfolio of thriving retail centres that offers the right retail in the right urban locations – densely populated with low unemployment, high incomes and strong population growth. We are also seeing the increase in value that our retail expertise is able to deliver to our office and residential portfolio," Ms Lloyd-Hurwitz said.

Residential highlights:
- settled 2,611 residential lots, exceeding the Group's FY19 target. Defaults remained below 2 per cent;
- secured future income with $1.7 billion of residential pre-sales[24]; Mirvac's existing pipeline supports the ability to release over 10,000 lots over the next four years;
- delivered gross development margins of 27 per cent[25], driven by the Group's ability to buy and sell at the right time, and in the right markets;
- released over 1,280 residential lots across both new and existing projects and exchanged over 1,700 lots in FY19;
- supplemented the Group's residential pipeline of approximately 28,000 lots with the acquisition of a 33.5-hectare site at Henley Brook, WA, 22 kilometres north of Perth and a 171-hectare, quarry site at Wantirna South, VIC, 25 kilometres south-east of Melbourne; and
- won the prestigious Lloyd Rees Award for Urban Design and the Lord Mayor's Prize at the 2019 NSW Australian Institute of Architecture Awards for Harold Park. The new precinct was also named a 'great new place to live and/or work' by the Greater Sydney Commission at its 2019 Planning Awards.

Ms Lloyd-Hurwitz said, "Despite a challenging market, we have seen sustained sales throughout the financial year, and we achieved our settlement target and maintained our default rate at less than 2 per cent. This is testament to the enduring quality of our products and our trusted brand.

"Looking forward, our strong residential gross margin reflects the capital efficiency of our development structures, and we have carefully restocked in the changing market, with a number of new development opportunities in established Mirvac sub-markets including Henley Brook, WA and Wantirna South, VIC, putting us in a strong position to take advantage of the anticipated upswing."

[24] Adjusted for Mirvac's share of joint venture agreements and Mirvac managed funds.
[25] Excludes previously provisioned projects.

Outlook and guidance

Mirvac has provided operating EPS guidance of between 17.6 to 17.8 cpss for FY20, which represents an increase in earnings of between 3 to 4 per cent, and distribution guidance of 12.2 cpss, which represents DPS growth of 5 per cent.

Ms Lloyd-Hurwitz concluded, "In FY19 we continued our strong growth trajectory with financial results in line with expectations, and operational excellence which continues to differentiate the Group. We continue to grow our highly visible and secure passive income while also carefully managing our active development portfolio. Our passionate team, the high calibre of our projects and our commitment to making a difference, as well as delivering financial returns, have created a brand that inspires the trust and loyalty of our customers, partners and our securityholders."

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