

8 February 2024

MIRVAC DELIVERS SOLID 1H24 RESULT

Mirvac Group (Mirvac) [ASX: MGR] today released its interim result for the half year ended 31 December 2023. We delivered an operating profit of \$252m, down 17% on 1H23, which represents 6.4 cents per stapled security (cpss). Our statutory loss of \$201m was also down on 1H23, driven by property devaluations.

Financial metrics:

- **operating profit after tax of \$252m** (1H23: \$305m)
- **operating earnings before interest and tax (EBIT) of \$372m** (1H23: \$387m)
- **half-year distribution of \$178m**, representing DPS of 4.5cpss
- **operating EPS of 6.4cpss**
- **statutory loss of (\$201m)** (1H23: \$215m profit)
- **net tangible assets of \$2.56** (1H23: \$2.79)

Group highlights:

- **executed ~\$480m in non-core asset sales**, helping to strengthen our balance sheet and improve the quality of the Investment portfolio
- **maintained high occupancy of 96.9%** in our Investment portfolio¹ and **leased ~90,000sqm** of net lettable area across Office, Industrial and Retail
- **contracted to acquire a 47.5% interest in the ~\$1bn Serenitas platform**, alongside Pacific Equity Partners (PEP) and Tasman Capital Partners (Tasman), expanding our residential customer offering into the land lease communities sector
- **achieved practical completion** at Switchyard, Auburn delivering new, recurring income to the Group
- **secured Aspect North** into the Mirvac Industrial Venture
- **settled 1,131 residential lots**, with defaults remaining low at 0.7%²
- **restocked our Residential pipeline with ~8,400 lots**, securing ~7,200 lots on capital efficient terms in Qld and ~1,200 lots in Mulgoa, NSW
- **achieved Australia's first 6 Star Green Star Buildings certified rating** at Heritage Lanes, Brisbane.

Mirvac's Group CEO & Managing Director, Campbell Hanan, said: "We delivered a solid first-half result, executing our key strategic objectives. This included progressing our \$1.2bn non-core asset sales program, expanding into the land lease sector through the acquisition of Serenitas, and increasing our industrial exposure with the completion of Switchyard in Sydney.

"Our high-quality investment portfolio remains resilient, with a particularly strong period of leasing, high occupancy of 97 per cent, continued like-for-like NOI growth, and positive momentum across our build to rent assets, with LIV Munro 92 per cent leased at the end of January and LIV Indigo 98 per cent occupied.

"We settled 1,131 residential lots and continued to see good levels of enquiry at our projects, indicating strong underlying demand. While residential sales activity remained subdued during the first half, we have a flexible launch program with well-located product that is ready to benefit from improved buyer sentiment.

"Our focus on growing our relationships with aligned capital partners and selectively deploying capital across our development pipeline will deliver growth and balance sheet resilience over time."

1. Excluding build to rent.

2. 12-month rolling default rate to 31 December 2023.

Authorised for release by the Mirvac Group Board

ASX: MGR

Level 28, 200 George Street
Sydney NSW 2000
Australia

T +61 2 9080 8000
www.mirvac.com

Mirvac Limited
ABN 92 003 280 699

Mirvac Funds Limited
ABN 70 002 561 640 AFSL 233 121
as responsible entity of the Mirvac
Property Trust ARSN 086 780 645

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Capital management key metrics and highlights:

- **gearing of 27.2%¹**, within the Group's target range of 20 to 30%
- **substantial available liquidity of ~\$1.1bn** in cash and committed undrawn bank facilities held
- weighted average debt maturity of 4.7 years, with no debt maturing in FY24
- debt is **73% hedged**
- **average borrowing costs increased to 5.5%** as at 31 December 2023 (FY23: 5.4%), in line with the market
- total debt portfolio now **comprised of 43%** green loans
- maintained **A-/A3 ratings** with stable outlooks from Fitch Ratings and Moody's Investors Service.

Investment update:

- **delivered EBIT of \$309m** (1H23: \$320m²), driven by additional income from completed developments and our co-investment in MWOFF, offset by non-core asset sales
- investment property devaluations of **\$396m**
- achieved strong leasing activity, with **198 leasing deals** completed across **~90,000qm³**. Leasing across the office portfolio was particularly strong, with ~36,000sqm leased during the period (up 47% on 1H23) and a further 32,500sqm under heads of agreement
- maintained **high portfolio occupancy at 96.9%⁴** (1H23: 97.6%) and a **WALE of 5.2 years⁵**
- **contracted to acquire a 47.5%** interest in Serenitas platform, alongside PEP and Tasman, for an enterprise value of ~\$1bn (100% basis). The transaction is due to complete in February 2024
- **completed ~\$480m of non-core asset sales**, including 60 Margaret Street and MetCentre, Sydney, and exchanged contracts for 383 La Trobe Street, Melbourne
- **increased our Industrial exposure** with the completion of Switchyard, Auburn (96% leased).

Mr Hanan said: "Our modern, sustainable investment portfolio, with low capital expenditure, continues to outperform the market benchmark, helping us to attract high-quality tenants and customers to our business. This is particularly evident within our office portfolio, where we have seen strong leasing momentum, driven by tenant and capital preference for Premium, core-CBD assets with high sustainability credentials.

"We've seen positive income growth across office, industrial and retail, while our build to rent portfolio, supported by strong market fundamentals, is delivering resilient earnings to the Group.

"Our expansion into land lease through our acquisition of the Serenitas platform, together with Pacific Equity Partners and Tasman Capital Partners, is also expected to deliver attractive cash returns, and establishes Mirvac as the only residential developer in Australia delivering across a wide spectrum of housing typologies.

"We expect the living sectors will make up a greater share of the portfolio over time."

Funds update:

- delivered **EBIT of \$16m** (1H23: \$15m), driven by a full six months' contribution from new funds on the platform, offset by the absence of a performance fee recorded in 1H23
- expanded the Mirvac Industrial Venture with Australian Retirement Trust, following the exchange of Aspect North, Sydney
- MWOFF continued to perform solidly, with the fund outperforming the benchmark over the two-, three-, five-, and seven-year periods and \$600m of debt successfully raised.

1. Net debt (at foreign exchange hedged rate)/(total tangible assets – cash).

2. Restated to reflect Mirvac's new segment reporting structure, which commenced the financial year ended 30 June 2023.

3. Across Office, Retail, and Industrial.

4. By area, excluding Build to Rent.

5. By income, excluding Build to Rent.

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Mr Hanan said: "We continued to expand our relationships with existing partners during the first half of the year, with Aspect North secured into the Mirvac Industrial Venture. We expect that our recently established funds vehicles will deliver future embedded growth to the business, as our commercial and mixed-use pipeline projects complete over the coming years.

"We are focused on exploring opportunities to further broaden our external funds offering, with capital partnering discussions progressing for 55 Pitt Street and Harbourside, Sydney."

Development update:

Commercial & Mixed-Use:

- delivered **EBIT of \$19m** (1H23: \$67m¹), driven by recognised earnings on Switchyard, Auburn, and on projects under construction, including 7 Spencer Street, Melbourne
- **topped out at LIV Aston**, Melbourne, with completion expected in June 2024. Our ~\$1.2bn build to rent development pipeline continues to progress, with LIV Anura, Brisbane (396 apartments) and LIV Albert Fields, Melbourne (498 apartments) under construction
- **progressed construction** at Aspect Industrial Estate, Kemps Creek, with the first warehouse expected to be our first carbon neutral embodied carbon development. The project is currently ~57% pre-leased, with firm tenant engagement on the remaining space
- **commenced early works** at our mixed-use project, Harbourside, Sydney, with DA approval received. The residential component is expected to be launched to market in mid-2024
- **progressed civil works** at 55 Pitt Street, Sydney, and increased pre-leasing to ~27%, including agreements for lease and heads of agreements.

Mr Hanan said: "Our integrated model provides us with considerable flexibility in our deployment of capital. The consolidation of our development division has also allowed us to drive efficient capital allocation and leverage skills across the business, while providing diversity and resilience of earnings through cycles.

"During the first half, we continued to selectively unlock value within our active commercial and mixed-use development pipeline, with a focus on progressing our build to rent and industrial development projects. We achieved practical completion at Switchyard, which is already contributing income to the Group, and topped out at LIV Aston in Melbourne, which will be our third operational build to rent asset."

Residential:

- delivered **EBIT of \$94m**, up 62% (1H23: \$58m¹), driven by apartment project settlements at NINE Willoughby, Green Square and The Langlee in Sydney, along with increased MPC settlements at Smiths Lane and Olivine in Melbourne
- **settled 1,131 residential lots**, with defaults remaining low at 0.7%²
- **exchanged 629 lots**, impacted by rising interest rates, fewer product launches, and lower first home buyer activity
- **grew our residential development pipeline to ~30,000 lots**, with contracts exchanged for a new ~7,200 lot masterplanned communities project in Qld and a site secured at Mulgoa, NSW, for ~1,200 lots
- residential **pre-sales of ~\$1.5bn**, skewed to upgraders and right-sizers.

Mr Hanan said: "Taking advantage of market conditions, we have prudently restocked our residential development pipeline on capital efficient terms, securing approximately 8,400 masterplanned communities lots. These new opportunities, combined with upcoming apartment completions and a number of ready-to-

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release projects, position us well to take advantage of the deep undersupply of housing and continued population growth across Australia.

"Despite subdued sales activity over the period, we are encouraged by underlying residential market fundamentals and high levels of enquiry at our projects, particularly from upgraders and right-sizers - who make up the majority of our customer base and are attracted to Mirvac's track record for delivery and reputation for quality."

Outlook

Mr Hanan said: "Signs that interest rates are at or near peak level and falling inflation are positive, and we are well positioned to capitalise on a market recovery across all of our operating segments. Our modern investment portfolio, with low capital expenditure, is well located and will continue to deliver a resilient and stable passive income stream over time.

"Our key priorities for the remainder of the financial year are to achieve our planned residential lot settlement target, progress tenant pre-commitments and secure capital partners for 55 Pitt Street in Sydney, and finalise the sell-down of Aspect South.

"We are also in discussions with capital partners in our residential business. Combined with the other transactions, this will ensure we have headroom on our balance sheet.

"Subject to no material change in the operating environment and to delivering on key initiatives, we have reaffirmed guidance of operating earnings per security of 14.0-14.3 cents in FY24 and distribution per security of at least 10.5 cents."

Mirvac's half-year reporting suite sets out the Group's financial and operational performance for the half year ended 31 December 2023 and is accompanied by this announcement.

Securityholders are able to watch the 1H24 results webcast live on our website [here](#).

For more information, please contact:

Media enquiries:
Kate Lander
General Manager, Communications
+61 439 770 390

Investor enquiries:
Gavin Peacock, CFA
General Manager, Investor Relations
+61 477 299 729

About Mirvac

Founded in 1972, Mirvac is an Australian Securities Exchange (ASX) top 100 company. We own and manage assets across office, retail, industrial and build to rent in our investment portfolio, with ~\$26 billion of assets under management. Our development activities span commercial and mixed-use and residential, and our ~\$29 billion development pipeline enable us to deliver innovative and high-quality property for our customers, while driving long-term value for our securityholders.