7 February 2019

MIRVAC GROUP HALF YEAR RESULTS – 31 DECEMBER 2018

Mirvac Group (Mirvac) [ASX: MGR] today released its interim results for the half year ended 31 December 2018, tightening operating EPS guidance for FY19 to between 16.9 cents and 17.1 cents per stapled security (growth of between 3 and 4 per cent), and confirming distribution guidance of 11.6 cents per stapled security (5 per cent growth). Net tangible assets per stapled security increased 6 per cent from FY18 to $2.44.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "We have delivered a strong half year performance with a 26 per cent increase in our operating profit to $290 million, driven primarily by our high-performing Investment portfolio, while our proven in-house asset creation capability remains a key competitive advantage for the Group, allowing us to generate value through the strength of our integrated model.

"Despite the challenging residential market, we believe our high-quality residential product, located close to amenity and transport, will continue to outperform the wider market. The resilience of our Residential division along with the robustness of our Investment portfolio, means we remain confident in our ability to deliver operating earnings growth of between 3 and 4 per cent and distribution growth of 5 per cent in FY19."

Key highlights across the Group:

- operating profit after tax increased by 26 per cent to $290 million (31 December 2017: $230 million), representing 7.8 cents per stapled security[1];
- statutory profit of $648 million (31 December 2017: $465 million);
- half-year distribution of $193 million, representing 5.3 cents per stapled security;
- strong portfolio metrics maintained within the Investment portfolio, with a high occupancy of 98.6 per cent[2] and a weighted average lease expiry of 5.8 years[3];
- 83 per cent of expected residential earnings (before interest and tax) secured for FY19;
- achieved 1,067 residential lot settlements, with defaults remaining below 2 per cent and on track to meet the Group's target of more than 2,500 residential lot settlements in FY19; and
- residential pre-sales of $2 billion[4] with an existing pipeline that supports over 12,000 lot releases over the next four years.

Key financial and capital management highlights:

- net tangible assets (NTA)[5] per stapled security increased 6 per cent to $2.44 (30 June 2018: $2.31);
- weighted average debt maturity of 6.1 years, following $430 million of debt issuance over the past six months;

[1] Excludes specific non-cash items, significant items and related taxation. The December 2017 operating profit after tax has been restated to align with the new operating profit definition adopted by the Group from 1 July 2018.
[2] By area, including investments in joint ventures and excluding assets held for development.
[3] By income, including investments in joint ventures and excluding assets held for development.
[4] Adjusted for Mirvac's share of JVA and Mirvac managed funds.
[5] NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

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

- substantial available liquidity totalling approximately $570 million of cash and committed undrawn bank facilities held;
- average borrowing costs reduced to 4.5 per cent per annum as at 31 December 2018 (December 2017: 4.8 per cent), including margins and line fees, following the issuance of new debt; and
- received a new credit rating from Fitch of A- with a stable outlook and maintained an A3 rating from Moody's Investor Services (equivalent to A-).

"Mirvac's financial output is characterised by highly visible cash flows and sustainable distribution growth. Our focus on enhancing our secure income stream from our Investment portfolio and our prudent approach to capital management has ensured we have maintained a healthy and flexible balance sheet. This is critical as we move through this next phase of the cycle and positions us well for the future," said Ms Lloyd-Hurwitz.

Office portfolio highlights:

- delivered operating earnings before interest and tax of $265 million, up 40.2 per cent on the prior corresponding period;
- occupancy of 97.2 per cent[1], with a long WALE of 6.6 years[2];
- like-for-like net operating income growth of 5.4 per cent;
- over 66,000 square metres of leasing activity completed[3];
- strong valuations provided an uplift of $286 million[4] (or 4.7 per cent) over the previous book value for the six months to 31 December 2018, reflecting a capitalisation rate of 5.46 per cent; and
- progressed the Group's $3 billion office development pipeline which is 84.3 per cent pre-committed and includes 477 Collins Street, Australian Technology Park, South Eveleigh, Sydney and 80 Ann Street, Brisbane.

Ms Lloyd-Hurwitz commented, "With over 95 per cent of our office assets either prime or A-grade, and an 84 per cent overweight to the Sydney and Melbourne CBD markets, our office portfolio is ideally placed to take advantage of the favourable office market conditions, including vacancy rates at their lowest in 30 years in Sydney and Melbourne.

"Looking forward, our committed $3 billion development pipeline provides significant earnings potential. We expect to deliver more than $95 million of additional annual NOI, $200 million of development profit and $200 million of fair value uplift by FY23, positioning us to deliver value for our securityholders into the future," Ms Lloyd-Hurwitz said.

[1] By area, including investments in joint ventures and excluding assets held for development.
[2] By income, including investments in joint ventures and excluding assets held for development.
[3] Excludes leasing of assets under development.
[4] Includes investments in joint ventures.

Industrial portfolio highlights:

- occupancy at 100 per cent[1], with a long WALE of 7.6 years[2];
- over 50,600 square metres[3] of leasing activity achieved;
- acquired stage one of a future 244-hectare industrial estate at Badgerys Creek in Western Sydney, NSW for a total consideration of $71 million, under a put-and-call option arrangement; and
- sold a 50 per cent interest in Calibre at Eastern Creek, NSW to the Mirvac Industrial Logistics Partnership (MILP) for approximately $125 million. Practical completion was achieved on Buildings 2 and 5 during the half year and the development is now 100 per cent complete and leased.

"The industrial sector in Sydney is benefiting from the significant growth of e-commerce, with strong levels of occupier demand relative to supply resulting in low levels of vacancy and upward pressure on rental rates. The 100 per cent weighting of our Industrial portfolio to Sydney means it is well-placed to take advantage of the high demand from both retail and wholesale tenants, as well as the capitalisation rate compression we are seeing in the sector," Ms Lloyd-Hurwitz said.

"Calibre is now complete and 100 per cent leased to high-quality long-term tenants reflecting the strategic location and premium product, and our acquisition of stage one of a 244-hectare site at Badgerys Creek, located just 800 metres from the new Western Sydney Airport, provides us with an excellent opportunity to develop a number of industrial assets in response to market demand within this exciting precinct, which is set to benefit from a substantial infrastructure commitment."

Retail portfolio highlights:

- high occupancy maintained at 99.3 per cent[4];
- executed approximately 28,800 square metres of leasing activity, with positive leasing spreads of 2.7 per cent;
- valuation uplift of $69 million reflecting a capitalisation rate of 5.4 per cent;
- solid 2.6 per cent like-for-like income growth;
- comparable moving annual turnover sales growth of 2.5 per cent and comparable specialty sales growth of 2.9 per cent including apparel growth of 5.0 per cent;
- strong specialty sales productivity of over $10,000 per square metre;
- specialty occupancy costs of 15.4 per cent;
- South Village Shopping Centre launched, anchored by Coles and ALDI with a mixed retail offer;
- Kawana Shoppingworld dining and cinema expansion and the Rhodes Waterside development, which introduced ALDI and strengthened the fresh food and homewares offer, both complete ahead of schedule and 100 per cent leased; and
- commenced the 4,500 square metre $43 million re-development of Toombul, introducing an entertainment and dining precinct due for completion in mid FY20.

[1] By area.
[2] By income.
[3] By area.
[4] By area, excludes South Village Shopping Centre, which has a 100% income guarantee.

Ms Lloyd-Hurwitz commented, "While conditions in the retail sector remain competitive, our focus on strategic, urban growth corridors has enabled us to benefit from the higher discretionary spend, population increase, strong employment levels and burgeoning tourism typical of areas such as Sydney's Inner Ring and South East Queensland.

"By refreshing our retail mix towards more destinational offers including dining, entertainment, services and community amenity, and focusing on creating engaging and tailored experiences that meet the lifestyle needs of our customers, we are confident we can continue to maintain the strong metrics for the remainder of the year."

Residential highlights:

- settled 1,067 residential lots, and over 110 settled in January 2019. The Group is on track to meet its target of more than 2,500 residential lot settlements in FY19. Defaults remained below 2 per cent, in line with historical averages;
- secured future income with $2 billion of residential pre-sales[1], with 83 per cent of expected residential earnings before interest and tax secured for FY19;
- released over 720 lots across new and existing projects, and secured exchanges on over 900 lots; and
- remain on track to release approximately 950 lots[2] in the second half of the financial year, supporting future sales momentum.

"Although residential markets continue to deteriorate, we are still seeing consistent demand for our high-quality, well located product from our predominantly owner-occupier target market, particularly for our masterplanned communities, which will bolster our residential division as the cycle plays out.

"Our strong pipeline, which supports the potential of over 12,000 lot releases over the next four years, will enable us to build the right product at the right time to take advantage of the next cycle. At the same time our strong balance sheet will enable us to capitalise on future development opportunities as they become available," Ms Lloyd-Hurwitz commented.

Outlook

"Our urban strategy, diversified and integrated business model, and our proven asset creation capability sets us up for continued growth in FY19," said Ms Lloyd-Hurwitz.

For more information, please contact:

Media enquiries:
Kate Lander
General Manager, Communications
+61 2 9080 8243

Investor enquiries:
Bryan Howitt
General Manager, Investor Relations
+61 2 9080 8749

[1] Adjusted for Mirvac's share of JVA and Mirvac managed funds.
[2] Subject to planning approvals and market conditions.