8 August 2024

MIRVAC DELIVERS ON STRATEGY FOR FY24

Mirvac Group (Mirvac) [ASX: MGR] today released its full-year result for the financial year ended 30 June 2024, delivering an operating profit of $552m, representing 14.0 cents per stapled security (cpss), which was in line with guidance. We delivered a distribution of $414m, representing 10.5cpss, also in line with guidance.

GROUP METRICS AND OPERATIONAL RESULTS:

- **operating profit after tax of $552m**, down 5% (FY23: $580m)
- **operating earnings before interest and tax (EBIT) of $860m**, up 12% (FY23: $767m)
- **full year distribution of $414m**, representing DPS of 10.5cpss[1] and a 75% payout ratio
- **operating EPS of 14.0cpss**, down 5% on FY23
- **statutory loss of ($805m)**, down $640m (FY23: statutory loss $165m)
- **net tangible assets of $2.36**, down 11% (FY23: $2.64)
- **achieved ~$1bn in non-core asset sales**, helping to strengthen the balance sheet and improve financial headroom
- **secured aligned capital partner, Mitsui Fudosan**, for a 67% interest in 55 Pitt Street, Sydney
- **sold the Aspect North and South Industrial precincts** into the Mirvac Industrial Venture (MIV), with our existing capital partner, Australian Retirement Trust, acquiring a 49% interest
- **acquired a 47.5% interest in the ~$1bn Serenitas platform**, expanding our residential customer offering into the land lease communities sector
- **leased ~163,000sqm** across office, retail, and industrial[2]
- **settled 2,401 residential lots**
- **exchanged 1,509 residential lots**, with a healthy level of pre-sales maintained at $1.3bn
- continued to focus on leading sustainability initiatives and maintaining a strong culture.

Mirvac's Group CEO & Managing Director, Campbell Hanan, said: "We delivered a solid operational and financial result in FY24, and I am incredibly proud of the Mirvac team's unwavering focus throughout the year. A number of exceptional outcomes were achieved in a tough environment, and it is a credit to both our culture and the quality of our business and integrated model that we have been able to deliver on our strategic priorities.

"This included executing $1bn in non-core asset sales, securing a long-term capital partner for our new $2bn, state-of-the-art 55 Pitt Street office development in Sydney, selling down an interest in Aspect North and South to MIV, and expanding our exposure to the living sectors by investing in the Serenitas land lease platform. Importantly, we achieved these objectives in an environment where transactional activity was limited, the cost of debt remained high, and institutional capital became harder to access.

"Earnings before interest and tax were up 12 per cent on FY23, supported by a strong performance in Development and Funds and solid like-for-like growth in our Investment portfolio, while operating earnings were down 5 per cent to 14.0 cents per stapled security, in line with guidance. Our performance in FY24 reflects the execution of the strategy we outlined over a year ago, which focuses on improving the cash flow resilience of our Investment portfolio, maintaining balance sheet strength, growing our third-party capital relationships, and leveraging our development capability to deliver quality, modern assets to hold for the long term."

1. Taxable income will exceed distribution income for FY24.
2. Excluding co-investments.

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CAPITAL MANAGEMENT KEY METRICS:

- **headline gearing of 26.7%**[1], within our target range of 20 to 30%
- substantial available **liquidity of ~$1.4bn** in cash and committed undrawn bank facilities
- weighted average debt maturity of 4.4 years
- debt **74% hedged**, within policy target
- **maintained average borrowing costs of 5.6%** as at 30 June 2024 (FY23: 5.4%)
- **operating cash flow of $542m** (FY23: ($57m))
- all new or refinanced debt facilities certified as green loans, with 43% of our total debt portfolio now comprised of green loans
- maintained **A-/A3 ratings** with stable outlooks from Fitch Ratings and Moody's Investors Service respectively.

INVESTMENT RESULTS:

- **delivered EBIT of $612m**, down 1% (FY23: $619m), with the impact of non-core asset sales on earnings offset by additional income from completed developments (Switchyard, Auburn and the first warehouse at Aspect North, Kemps Creek), income from new investments (full year of Mirvac Wholesale Office Fund (MWOF) and initial earnings from Serenitas), and like-for-like growth from the Investment portfolio
- achieved strong leasing activity, with **331 leasing deals** completed across **~163,000sqm**[2], with particularly strong activity in the office sector, along with like-for-like growth of 3.0%
- maintained **high portfolio occupancy** at **97.1%**[3] (FY23: 96.9%) and a **WALE of 5.3 years**[4]
- investment property portfolio revalued down by $1.1bn, predominantly driven by negative revaluations in the office portfolio
- **completed ~$1bn of non-core asset sales**, including 60 Margaret Street and MetCentre, 40 Miller Street, and 1-3 Smail Street, Sydney; 383 La Trobe Street and 367 Collins Street, Melbourne[5]; and Cooleman Court, Canberra
- achieved 409 settlements[6] in Serenitas and 361 sales[7], with 100% of operational lots occupied.

Mr Hanan said: "We have a modern, high-quality Investment portfolio that has benefitted from our strategic decision to reweight to the attractive living and industrial sectors. Our 47.5 per cent acquisition in the Serenitas land lease platform, as well as the stabilisation of new developments across Industrial and Build to Rent, including Switchyard, Auburn and LIV Munro, Melbourne, are expected to generate earnings into the future, supported by continued strong market fundamentals.

"High portfolio occupancy of 97 per cent, very strong leasing activity, and like-for-like growth of 3 per cent demonstrate the appeal of our cash flow-resilient portfolio, as tenants continue to gravitate towards high-quality, well-located assets with strong sustainability credentials."

FUNDS RESULTS:

- delivered **EBIT of $33m**, driven by the full year impact of new funds established in the prior year, which included MIV, our Build to Rent (BTR) Venture, and MWOF. The result was partially offset by the absence of performance fees recorded in FY23 and lower asset valuations
- sold Aspect North and South into MIV, taking the expected end value of the venture to over $1bn
- MWOF sold a 50% interest in 255 George Street, Sydney to Keppel REIT.

1. Net debt (at foreign exchange hedged rate)/ (total tangible assets – cash).
2. Excluding co-investments.
3. By area, excluding co-investments.
4. By income, excluding co-investments.
5. Settlement expected to occur in 1H25.
6. Including 81 Development Services Agreement (DSA)-related settlements in FY24.
7. Including 66 DSA Projects (these include unconditional and conditional sales).

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Mr Hanan said: "Our unique co-investment model underpinned a solid performance in our Funds business in the financial year, with approximately $1.6bn raised with our aligned capital partners. We now have improved visibility around future funds under management earnings, with established growth platforms across Build to Rent, Industrial, and Premium-grade, core-CBD Office."

DEVELOPMENT RESULTS:
Commercial & Mixed-Use (CMU):

- delivered **EBIT of $146m**, up 22% (FY23: $120m), driven by the sell-down of key projects to aligned capital partners (55 Pitt Street, Sydney and Aspect North and South, Kemps Creek), development earnings from completed projects, and development earnings from projects under construction
- **achieved practical completion** at **Switchyard, Auburn**, the first warehouse at **Aspect North, Kemps Creek**, and post 30 June 2024, the second warehouse at Aspect North and **LIV Aston, Melbourne**
- progressed civil works at **Harbourside, Sydney**, with the residential component expected to launch in the second half of 2024. The commercial component (office and retail) has heads of agreement (HoA) for ~13% of net lettable area
- completed civil works and progressed structure works and leasing at **55 Pitt Street, Sydney**
- progressed construction at our build to rent projects, **LIV Anura, Brisbane** (396 apartments) and **LIV Albert Fields, Melbourne** (498 apartments), which are expected to complete in 1H25 and FY26 respectively
- progressed construction at **7 Spencer Street, Melbourne**, with HoA signed for ~8% of office space
- continued to progress the initial development application for our industrial site at **Elizabeth Enterprise, Badgerys Creek, Sydney**.

Mr Hanan said: "We had a successful year of delivery in our Commercial & Mixed-Use development business, with significant value realised across 55 Pitt Street, Sydney and Aspect, Kemps Creek, as well as our build to rent development assets, delivering $146m of earnings before interest and tax and a further $34m of development revaluation gains.

"The developments we have underway across Industrial, Build to Rent and Office are expected to provide over $90m of additional income to our securityholders as they complete over the next two to three years, while growing our funds under management by $2.6bn. This is a strong illustration of our asset creation model in action. We have a deep, diversified development pipeline with considerable value, which we will selectively unlock over time."

Residential:

- delivered **EBIT of $212m**, up 36% (FY23: $156m), driven by settlements at our Sydney-based apartment projects, increased masterplanned communities project settlements in Perth, and settlements from our first release at Cobbitty in Sydney
- **achieved gross margins of 17%**, impacted by a higher weighting toward apartment settlements and continued cost pressures from inclement weather and subcontractor insolvencies
- **exchanged 1,509 lots** over the year, impacted by uncertainty over interest rates, fewer product launches, and lower first home buyer activity
- maintained a good level of **$1.3bn pre-sales** on hand, skewed to upgraders and right-sizers, providing good visibility of future earnings
- defaults increased to 2.3%, driven by MPC projects and in line with long-term historical averages.

Mr Hanan said: "We achieved 2,401 residential lot settlements in FY24, underpinning strong residential earnings. Our residential gross margin was below our through-cycle target of between 18 and 22 per cent, impacted by higher costs across our apartment projects in New South Wales, and we expect this to

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continue throughout FY25, with Queensland apartment projects also expected to be affected. Despite this we are starting to see green shoots of market activity, with elevated inquiry and strong sales success at recent project launches, such as Highforest and Riverlands in Sydney, with the first releases 76 per cent and 100 per cent pre-sold respectively.

"Our residential pre-sales balance remains healthy at approximately $1.3bn and we have grown our development pipeline by over 20 per cent on capital efficient terms. We are well positioned to benefit from improved market conditions, with a range of new apartment launches planned for FY25 - including our flagship Harbourside development in Sydney - along with the release of approximately 1,700 masterplanned communities lots."

Outlook
Subject to no material change in the operating environment and delivering on key initiatives, the Group is targeting operating earnings in FY25 of between 12.0cpss to 12.3cpss and distribution of 9.0cpss.

"Earnings are expected to be lower next year, reflecting the impact of a lower contribution from our development business and higher net interest costs related to development activities. This includes lower margins at selected Queensland and New South Wales apartments projects, however we expect the next phase of apartment projects to return to our normal target range.

"While market conditions are likely to remain challenging in FY25, we are setting ourselves up for recovery. We have operated through numerous property cycles over the past 52 years, and our success lies in our ability to navigate through the challenges and adapt to market conditions.

"There is significant value to play for and multiple drivers of earnings growth in FY26 and beyond. Our diversified and integrated platform will continue to underpin our ability to carefully manage our risks, while providing us with the capacity to take advantage of opportunities as they arise," Mr Hanan said.

Our full-year reporting suite sets out Mirvac's financial and operational performance for the financial year ended 30 June 2024 and is accompanied by this announcement.

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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 the living sectors in our investment portfolio, with approximately $22bn of assets under management. Our development activities span commercial and mixed-use, build to rent, and residential, with a focus on delivering high-quality, innovative and sustainable real estate for our customers, while driving long-term value for our securityholders and capital partners.