

18 February 2020

Abacus Property Group HY20 Results

Abacus Property Group (ASX:ABP) (Abacus) today announced its results for the half year ended 31 December 2019.

During the six months to 31 December 2019, Abacus acquired (or contracted to acquire) over \$600 million of business transforming investments. Abacus has increased exposure to its key focus sectors of Office and Self Storage through a series of acquisitions and joint ventures, aligned with the value-accretive, identified opportunities outlined at the institutional placement in July 2019. In addition, Abacus has undertaken several transactions to reduce exposure to its non-core legacy investments, particularly in the Residential Land and Mortgages legacy sector. In aggregate, these transactions have resulted in the successful transformation of the balance sheet, with 92% of investment assets deployed into key sectors.

Financial results

- Group statutory profit of \$82.1 million in HY20, down 36% from \$127.8 million in HY19
- Abacus Funds from Operations (FFO) of \$67.3 million, up 3% from \$65.3 million in HY19
- FFO per security of 10.59 cents, down 6% from 11.27 cents in HY19
- Distribution per security (DPS) of 9.45 cents, up 2.2% on HY19
- Distribution payout ratio 89% of FFO
- Gearing at 16.2%, down 810 basis points on FY19
- Proforma¹ gearing of 26.8%, up 270 basis points on FY19
- Net tangible assets (NTA) per stapled security of \$3.41, up 2.4% on FY19

Executing on strategy

Abacus' Managing Director, Steven Sewell, commented "Our strategy is simple and focused, to position Abacus as a strong asset backed, annuity style investment house, concentrating on the ownership and management of Office and Self Storage assets. The calibre and dedication of our team, together with our market insight and repositioning capability are the key enablers of our strategy and have underpinned the result for this half year ended 31 December 2019."

"A combination of established and new collaborative joint ventures have created enduring investment opportunities and facilitated our capital recycling program."

¹ Post settlement of 99 Walker Street, North Sydney for \$311 million in January 2020 and \$63 million of exchanged Self Storage acquisitions

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Deployment of over \$600m of capital

- **99 Walker Street, North Sydney NSW** – acquired in November 2019 for \$311 million²
- **201 Elizabeth Street, Sydney NSW** – acquisition of a 32% interest for \$202 million³ with a Charter Hall lead consortium
- **Church Street, Richmond VIC** – progressed development with estimated end value of c.\$230 million in co-ownership with Salta Properties
- **Self Storage** – Over \$150 million⁴ of acquisitions, contracts exchanged and developments

Non-core capital recycling of over \$150 million

- **Residential:** c\$150 million of non-core legacy investments sold or refinanced
- **Retail:** Settlement of Liverpool Plaza for \$46 million

Office and Self Storage performance solid

Commercial portfolio

- \$33.5 million FFO contribution, from owned Commercial portfolio valued at \$1.5 billion
- Active leasing and asset management strategies delivered like for like Office rental growth up 3.2% - predominantly in CBD locations on the Eastern Seaboard of Australia
- Recent portfolio additions expected to underpin long term stability of income and enhanced portfolio quality

Self Storage portfolio

- \$26.9 million FFO contribution, from Self Storage portfolio valued at \$995 million, with the number of stores expanding materially
- 1.2% Self Storage established⁵ portfolio RevPAM growth over HY20, driven by quality of locations and operating platform strength
- Strong passing yield of 6.4% on established portfolio valued at \$716 million
- Multi-pronged growth strategy with over \$150 million⁶ of acquisitions, contracts exchanged, enhancement projects/redevelopments and other operating platform initiatives

Financial and capital management

Commenting on the Group's financial metrics, Abacus' Chief Financial Officer, Rob Baulderstone, noted "Following the successful completion of a \$250 million institutional placement and post the acquisition of 201 Elizabeth Street, Sydney and 99 Walker Street, North Sydney our Balance Sheet is well positioned below our target gearing level and maintains healthy levels of liquidity. Strategic initiatives executed during the half have underpinned our higher credit quality."

Non-core and legacy investments update

As previously foreshadowed, the Group remains committed to substantially realising and repatriating the equity historically invested in Residential and Retail sectors, as macro factors continue to impact on market conditions.

Our approach remains for legacy interests at Camellia and our remaining component of land at Riverlands in Milperra to continue value enhancement activity - including gazettal, planning approvals, sub-division, and aim for optimal market conditions in which to realise our equity. We fully expect this may be a medium to long term realisation.

² Excluding transaction costs

³ Excluding transaction costs

⁴ Including post balance date transactions

⁵ Established portfolio - 57 facilities traded since FY17

⁶ Including post balance date transactions



Sustainability focus now fully embedded in our business operations

As our asset base grows, sustainable practices and enhancements are being embedded into how we conduct business at Abacus. We have continued to actively explore improvements in HY20 and are implementing a range of initiatives including: ongoing solar feasibility assessments, Innovation@Abacus, flexible working for all roles, promotion of Abacus' values and the promotion of diversity and inclusion in our work practices at Abacus.

The Abacus Board refresh is now complete with the appointment of Trent Alston during the half. The Abacus Board is proud to have gender equality with 50% female representation together with a diverse range of skills, expertise and backgrounds represented by our Non-Executive Director cohort.

Summary and Outlook

Abacus remains positive on its outlook and market differentiated AREIT positioning in the Office and Self Storage sectors. We expect the combination of judicious investment and active management in both sectors to drive attractive risk adjusted returns for our stakeholders in the medium to long term.

Abacus' Managing Director, Steven Sewell, commented "Abacus remains committed to executing on its investment strategies as evidenced in HY20, resulting in Abacus increasing its investment in quality Office and Self Storage assets in target markets and strengthening recurring earnings."

"Our clear focus remains on acquiring assets that will provide income growth, create value over the longer term and deliver superior risk adjusted returns for our investors."

Abacus confirms distribution guidance of 2 – 3% growth for FY20.

Market briefing

Abacus will conduct a market briefing on Tuesday 18 February 2020 at 10:00am (AEST). Access will be via teleconference or webcast.

Briefing details:

Conference ID: 10003651

Australia: +61 2 9007 3187

International: +61 2 9007 3187

Webcast: <https://webcast.openbriefing.com/5784/>

INVESTOR & MEDIA ENQUIRIES

Cynthia Rouse

Head of Investor Relations and Corporate Communications

(+61) 2 9253 8600

abacusproperty.com.au