

16 August 2022

FY22 delivers record self storage growth

Abacus Property Group (ASX:ABP) (Abacus) today announced its results for the full year ended 30 June 2022.

Financial results

- Group statutory profit of \$517.2 million in FY22, up 40.0% from \$369.4 million in FY21
- Funds from Operations (FFO) of \$160.9 million, up 18.0% from \$136.4 million in FY21
- FFO per security of 19.0 cents, up 3.3% from 18.4 cents in FY21
- Distribution per security (DPS) of 18.0 cents, up 2.9% from 17.5 cents in FY21
- Distribution payout ratio was 95% of FFO
- FY22 gearing at 28.7%, up 620 basis points on FY21. Proforma¹ gearing at 30.5%
- FY22 net tangible assets (NTA) per stapled security of \$3.85, up 12.2% from \$3.43 in FY21

During FY22 and including some post balance date transactions, Abacus invested over \$1.2 billion of capital into our key sectors of commercial and self storage. Achieved through a series of acquisitions and joint ventures these initiatives were funded with a combination of debt, proceeds from the divestment of \$452 million of non-core assets and repatriations from legacy residential business, and the \$200 million equity raising undertaken in March 2022. Notably these investments included:

- **Self storage** - acquisitions including 31 stores and development sites for \$526 million
- **77 Castlereagh Street, Sydney NSW** - 100% interest acquired for \$252 million, settled February 2022
- **Myer Bourke Street, Melbourne VIC** - 33.3% acquired for \$135.2 million, settled July 2021
- **324 Queen Street, Brisbane QLD** - remaining 50% interest acquired for \$93.8 million, settled August 2022

In addition, during FY22 the Group exited its remaining residential loan positions and in July 2021 settled on a development JV with Walker Corporation at 710 Collins Street, Melbourne VIC where Walker acquired a 50% interest for \$56 million.

The cumulation of four years of transactions now sees the strategic evolution of Abacus complete. The portfolio is currently equally allocated between our two key sectors of commercial and self storage.

¹ Includes acquisition of remaining 50% interest in 324 Queen Street, Brisbane QLD and \$47 million of self storage sites (**post balance date transactions**).



The proforma² \$2.6 billion commercial portfolio consists of:

- a \$2 billion office portfolio comprising of 18 assets diversified across a number of key portfolio attributes including; market, asset grade, asset life cycle, customer industries and customer profile
- a \$0.5 billion retail portfolio comprising of two non-discretionary, grocery anchored shopping centres and two further sites underpinned by mixed use fundamentals

The proforma² \$2.6 billion self storage portfolio consists of:

- 124 assets including 18 development sites, intentionally constructed with 64% of stores located in Top 3 Significant Urban Areas³
- A \$435 million development pipeline across high quality locations (identified by the Abacus Network Strategy mapping process) is expected to enhance the existing portfolio when conditions permit

Abacus' Managing Director, Steven Sewell, commented "The past several years has witnessed a material transformation of both our commercial and self storage portfolios. Driven by a combination of investment management, active asset management and the development of our customer and brand management capability, Abacus is positioned to deliver on our vision to create exceptional value for our customers and stakeholders as an owner and manager of real estate and operator of storage locations."

Operating performance

Abacus' Managing Director, Steven Sewell, commented "Overall FY22 operating performance was solid, demonstrating the benefits of our portfolio diversification. Trading conditions continued their positive momentum across our self storage portfolio and while COVID-19 related disruptions impacted our commercial portfolio performance in the first half, it was pleasing to see leasing momentum return in the second half."

Self storage portfolio

- EBIT contribution increased 57.5% on FY21 to \$109.6 million⁴
- Portfolio valuation increased by \$305.2 million or 15.8%, cap rates compressed 29 basis points to 5.45% during the year
- Proforma² self storage portfolio is valued at \$2.6 billion with the number of stores expanded to 124, including 18 new development sites
- RevPAM increased by 16.1% across the established portfolio during FY22, driven by quality of locations and operating platform strength
- Passing yield of 5.5% on the established portfolio valued at \$1.3 billion
- Multi-pronged growth strategy with over \$526 million of acquisitions completed during FY22², and a flexible medium term development pipeline

Commercial portfolio

- EBIT contribution increased 10.0% on FY21 to \$95.6 million
- Portfolio valuation increased by \$40.3 million or 1.8%, cap rates compressed 21 basis points to 5.33% during FY22
- Proforma² commercial portfolio is valued at \$2.6 billion
- Active office leasing of over 46,000 sqm with positive leasing spreads together with the increased asset base delivered 14% growth in commercial net property rental income on FY21 to \$97.2 million⁵
- Rent collection resilient in COVID-19 context with 99% of office and 97% of retail rents collected. \$0.8 million and \$0.4 million of waivers were provided in the office and retail portfolios respectively

² Includes post balance date transactions.

³ Significant Urban Areas, as defined by the Australian Bureau of Statistics. Top 3 markets by population are Sydney, Melbourne and Brisbane.

⁴ Note impact from elimination of Storage King (SK) management fees (SK acquired in November 2020).

⁵ Excludes equity accounted investments.



Financial and capital management

The Group was active from a capital management perspective during FY22. We extended our debt maturity profiles and increased interest rate hedging to a profile of 76%, 55% and 43% hedged in FY23, FY24 and FY25 respectively⁶. In addition, we undertook a fully underwritten \$200 million institutional placement to replenish investment capacity for continued deployment into acquisitions and developments.

Abacus' Chief Financial Officer, Evan Goodridge, commented "Following an active year including strong valuation gains across the self storage portfolio, Abacus has a solid Balance Sheet with FY22 gearing of 28.7%. Pleasingly our weighted average cost of debt was 2.1% for the FY22 year. Inflationary pressures are having an impact on the cost of our debt book but with the hedging we have in place we anticipate the FY23 cost of debt to approximate 2.75%."

Exiting legacy residential loan positions

During FY22 the Group exited its remaining residential development and mortgage loan positions by acquiring a 100% freehold interest in the remaining land at 56 Prescott Parade, Milperra NSW (**Riverlands**) and 181 James Ruse Drive, Camellia NSW (**Camellia**), converting Abacus' interest from lender to owner and refinancing the final remaining loan at Doonside NSW.

These transactions bring to a close this non-core business activity and the two properties at Riverlands and Camellia will now be managed internally with a focus on realising the medium term development potential in these two infill suburban Sydney land parcels.

Sustainability focus embedded in our business operations

Sustainable practices and enhancements continue to be embedded into how we conduct business and as part of our strategic repositioning, Abacus has made a considerable reinvestment in people, culture, processes, and systems.

During FY22 we have progressed a number of improvement pathways that move us closer to achieving the sustainability targets set by the Board and designed to improve our environmental performance, transparency and accountability. These targets are focused on energy, emissions, water and waste across our property portfolio and were developed in conjunction with our asset management team.

Summary and outlook

Abacus is positioned as a strong asset backed, annuity style A-REIT focused on the ownership and management of commercial and self storage real estate and operation of storage locations.

Abacus' Managing Director, Steven Sewell commented "Despite being cautious on the outlook given various inflationary pressures we remain confident that the Group is positioned to leverage our key enablers, being our people and culture, market insight and repositioning capability, to deliver recurring income and value creation over the medium to long term".

Abacus is pleased to provide distribution guidance of at least 18.4 cents per security for FY23 reflecting a payout ratio in the range of 85-95% of FFO. Our FY23 guidance is predicated on business conditions continuing to normalise in FY23 and no further material COVID-19 impacts.

⁶ Based on 30 June 2022 drawn debt balance. Includes derivatives entered into post balance date.



Market briefing

Abacus will conduct a market briefing on Tuesday 16 August 2022 at 11:00am (AEST). Access will be via webcast or teleconference.

Briefing details:

Webcast: <https://services.choruscall.com/mediaframe/webcast.html?webcastid=AWtAgne4>

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