

16 August 2019

Abacus Property Group FY19 Results

Abacus Property Group (ASX:ABP) (Abacus) today announced its results for the full year ended 30 June 2019.

Over the course of FY19 and into FY20, Abacus has increased exposure to its key focus sectors of Office and Self Storage through a series of acquisitions and partnerships. In addition, Abacus has undertaken several transactions to reduce exposure to its non-core legacy investments, particularly in the residential and retail sectors.

Financial results

- Group¹ statutory profit of \$202.7 million in FY19, down 17% from \$243.7 million in FY18
- Abacus underlying profit² of \$139.4 million, down 24% from \$183.3 million in FY18
- Distribution per security (DPS) of 18.5 cents, up 2.8% on FY18
- Abacus Funds from Operations (FFO) of \$129.2 million, down 24% from \$169.8 million at FY18
- FFO per security of 22.3 cents, down 24%
- Distribution payout ratio 83% of FFO
- Net tangible assets (NTA) per stapled security of \$3.33, up 4.7% on FY18
- Gearing at 24.1%, up 80 basis points on FY18

Post Placement

- NTA per stapled security of \$3.38, up 6.3% on FY18
- Gearing at 15.2%, down 810 basis points on FY18

Transition to a strong asset backed, annuity style business model continues

During the year, Abacus has executed on its stated strategy to pursue long term value enhancing investments and realise non-core assets.

Abacus' Managing Director, Steven Sewell, commented "Our transition to a strong asset backed, annuity style business model continues to progress well. The focus and dedication of our people together with our evolving investment approach has underpinned the result for the year ended 30 June 2019."

Non-core disposals over \$250 million

- **Residential:** c\$150 million of legacy investments realised at circa book value
- **Retail:** \$108 million³ of non-core divestments at circa book value

¹ The Group consists of Abacus Property Group, Abacus Hospitality Fund and Abacus Wodonga Land Fund

² Underlying profit and earnings per security are non-AIFRS measures that Abacus uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles

³ Including Liverpool Plaza which settles in December 2019



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

Redeployment of capital (in line with strategic evolution)

- 2 King Street, Fortitude Valley QLD – \$170 million⁴ partnership with Heitman LLC
- Church Street, Richmond VIC – \$51 million⁵ land acquisition in partnership with Salta Properties
- Self Storage – Over \$180 million of acquisitions, developments and operating platform initiatives⁶
- 201 Elizabeth Street, Sydney – acquisition⁷ of a 32% interest for \$202 million with a Charter Hall lead consortium

Office performance a highlight, Self Storage resilient but impacted by residential market

Commercial portfolio

- \$59.2 million FFO contribution, from Commercial portfolio valued at \$1.415 billion
- Like for like rental growth in Office up 7.1%, driven by eastern seaboard CBD

Self Storage portfolio

- \$49.8 million FFO contribution, with Self Storage portfolio valued at \$908 million
- 1.3% annual Self Storage portfolio rental growth
- 16.0% compound annual growth by value since FY13
- Strong passing yield of 6.7% on established portfolio
- Multi-pronged growth strategy with \$180 million of acquisitions, developments and operating platform initiatives including acquisition of a minority 25% stake in Storage King, driving self storage profitability and synergistic benefits

Financial and capital management

Commenting on the Group's financial metrics, Abacus' Chief Financial Officer, Rob Boulderstone, noted "Pleasingly our debt duration has been extended to over five years and our balance sheet continues to maintain good levels of liquidity and is positioned to support our strategic initiatives."

"Weighted to the first half, the revaluation process for Abacus resulted in a net increase in investment property values for FY19 of approximately 3.5% or \$69.6 million."

Non-core and legacy investments update

The Group remains increasingly cautious as macro factors continue to negatively impact on market conditions, particularly in the Residential and discretionary Retail asset sectors. Accordingly, we continue to review the short to medium term strategy, project by project in the Residential Developments business while seeking to repatriate capital from several long-held investments in the Residential Land and Mortgages business.

Where appropriate (i.e. in the case of the first stage of Riverlands in Milperra, and the large Camellia site in Paramatta) we will continue value enhancement activity such as, Gazettal, planning approvals, sub-division etc, and aim for optimal market conditions in which to realise our equity.

⁴ Property partnership price (excluding costs). Abacus share is 50%

⁵ Excluding costs. Abacus share is 50%

⁶ Minority interest in Storage King platform acquired in August 2018

⁷ Post balance date



Sustainability & Governance

As our asset base evolves, sustainable practices and enhancements will be enshrined in how we conduct business at Abacus. We have actively explored improvements during FY19 and have commenced a solar panel program across our Self Storage and Office sites – an initiative forecast to both reduce our environmental footprint and concurrently enhance forecast returns.

The Abacus Board refresh progressed during the year with the appointment of two new directors following retirements. In addition, Ms Myra Salkinder has been appointed as Chair (effective 1 September 2019). These changes have improved gender diversity with now 50% female representation.

Post balance date Equity Raising

In the context of Abacus making solid progress during FY19 on its transition towards being a high conviction active owner, investor and manager, of long term value enhancing investments, the Group successfully raised \$250 million via an institutional placement and launched a non-underwritten security purchase plan to raise up to \$25 million, (together the **Equity Raising**).

Proceeds of the Equity Raising will be used to pursue in excess of \$710 million of value-accretive identified opportunities in line with strategic priorities and key sector focus of Office and Self Storage.

For more information on the Equity Raising visit our website www.abacusproperty.com.au/investors/abacus-property-group/asx-announcements.

Summary and Outlook

Abacus remains positive on its outlook and market positioning in the Office and Self Storage sectors. We expect these activities to drive attractive risk adjusted returns for our stakeholders in the short to medium term.

As foreshadowed at the recent Equity Raising we have pleasingly delivered our Sydney CBD Office identified opportunity with the acquisition of a 32% interest in 201 Elizabeth Street, Sydney NSW. We continue to evaluate the AOF opportunity and pursue the Church Street, Richmond VIC development and Self Storage growth initiatives.

Abacus' Managing Director, Steven Sewell, commented "As we continue to monitor prevailing macro-economic conditions, we constantly review all aspects of the business. Assessment of project status, forecast risk and return metrics, together with sector outlook analysis has confirmed our strategic direction and driven the process of recalibrating the business."

Pleased with non-core realisation progress made during the year, the Group remains cautious on the Residential and discretionary Retail sectors, and in light of this, will continue to work judiciously to realise equity from legacy investments in Residential and non-core Retail.

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

The payout ratio for FY20 is expected to increase to 85% – 95% of FFO, with the higher payout ratio expected to be supported by the increased contribution from more consistent annuity style earnings⁸.

⁸ Group level results continue to be impacted by execution of the stated strategy toward a more annuity style business. Therefore, FY20 is expected to be impacted by timing and quantum of deployment of capital within key focus sectors of Office and Self Storage, as well as divestment of non-core assets.



Market briefing

Abacus will conduct a market briefing on Friday 16 August 2019 at 10:30am (AEST). Access will be via teleconference or webcast.

Briefing details:

Conference ID: 10000838

Australia: +61 2 9007 3187

International: +61 2 9007 3187

Webcast: <https://webcast.openbriefing.com/5278/>

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