

15 February 2019

## Abacus Property Group HY19 Results

Abacus Property Group today announced its results for the half-year ended 31 December 2018.

### Financial results

- Group<sup>1</sup> statutory profit of \$127.8 million in HY19, up 9% from \$117.5 million in HY18
- Abacus underlying profit<sup>2</sup> of \$72.0 million, down 7% from \$77.3 million in HY18
- Distribution per security (DPS) of 9.25 cents, up 2.8% on HY18
- Distribution payout ratio 82% of FFO (65.5% at HY18)
- Abacus Funds from operations (FFO) of \$65.3 million, down 18% from \$79.3 million in HY18
- FFO per security of 11.3 cents, down 18%
- Net tangible assets (NTA) per stapled security of \$3.29, up 3.5% on FY18
- Gearing at 22.8%, down 50 basis points on FY18

### Office and Self Storage sector performances a highlight

#### Commercial portfolio

- \$33.8 million FFO contribution, from Commercial portfolio valued at \$1.365 billion
- Like for like rental growth in Office up 9.2%, driven by eastern seaboard CBD

Acquisitions completed within the Commercial portfolio during the half including:

- 50% interest in “Kingsgate”, a quality fringe office asset in Brisbane QLD, in partnership with Heitman LLC
- 50% interest in fringe office development site in Church Street, Richmond VIC, in partnership with Salta Properties.

#### Self Storage portfolio

- \$23.6 million FFO contribution, with Self Storage portfolio valued at \$835 million
- 16.1% compound annual growth in Self Storage AUM, since HY14
- Strong passing yield of 7.0% on established portfolio

Multi-pronged growth strategy in Self Storage with \$153 million<sup>3</sup> of acquisitions, developments and operating platform initiatives including acquisition of a minority 25% stake in Storage King, driving self storage profitability and synergistic benefits.

<sup>1</sup> The Group consists of Abacus Property Group, Abacus Hospitality Fund and Abacus Wodonga Land Fund

<sup>2</sup> 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.

<sup>3</sup> Including \$36 million settled post HY19

Abacus' Managing Director, Steven Sewell, commented "Our focused and evolving strategy together with our people and active strategic investment approach has underpinned the result for the half year ended 31 December 2018."

"As we continue to monitor prevailing macro-economic conditions, we constantly review our core and non-core legacy 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."

### Financial and capital management

Commenting on the Group's financial metrics, Abacus' Chief Financial Officer, Rob Baulderstone, noted "Our balance sheet continues to maintain good levels of liquidity and low gearing, with capacity to add to our Self Storage and Commercial portfolios in line with our stated strategy."

"The revaluation process for Abacus resulted in a net increase in investment property values for HY19 of approximately 3.2% or \$60.1 million, comprising \$43.6 million across the Self Storage portfolio and \$16.5 million across the Commercial portfolio."

### Non-core and legacy investments update

- \$32.8 million FFO contribution, with total property development assets valued at \$385.1 million

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 (e.g. 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.

### Sustainability & Governance

As our asset base expands and changes, sustainable practices and enhancements will be enshrined in how we conduct business at Abacus. We are actively exploring improvements and during HY19 have commenced a solar panel program across many of our Self Storage sites – an initiative forecast to both reduce our environmental footprint and concurrently enhance forecast returns.

The Abacus Board refresh has progressed with the appointment of two new directors following retirements. These changes have improved gender diversity with now 50% female representation.

## Capital partnering – asset ownership and development

In line with our desire to partner with key long-term institutional capital and drive sustainable returns via our third-party capital platform, we have facilitated joint ventures with a number of sophisticated global third party capital providers during HY19 and continue to explore additional partnerships.

It is anticipated that a number of ownership/asset management initiatives will eventuate in the near term, along with joint participation with expert partners, (such as Salta Properties in Melbourne) to create new quality product.

## Outlook

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

The Group remains cautious on the Residential and discretionary Retail sectors. In light of this, we will continue to work judiciously to realise equity from legacy investments in Residential development projects and Residential land and mortgages.

The Group's capital allocation priorities are confirmed as:

- Increasing our investment in longer dated core plus and develop to core Office assets
- Increasing our investment in Self Storage
- Exploring capital partnering opportunities with experienced groups

Abacus confirms distribution guidance of 18.5 cents per security for FY19.

## Market briefing

Abacus will conduct a market briefing on Friday 15 February 2019 at 10:00am (AEST). Access will be via teleconference or webcast.

### Briefing details:

Conference ID: 6956596

Australia: 1800 123 296

International: +61 2 8038 5221

Webcast: <https://webcast.openbriefing.com/4906/>

## INVESTOR & MEDIA ENQUIRIES

### Cynthia Rouse

Head of Investor Relations

(+61) 2 9253 8600

[abacusproperty.com.au](http://abacusproperty.com.au)