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16 FEBRUARY 2023

ABACUS GROUP HY23 RESULTS

Abacus Group (ASX:ABP) (**Abacus**) today announced its results for the half year ended 31 December 2022.

Financial results

- Group statutory profit of \$84.5 million in HY23, down 73.2% on HY22
- Funds From Operations (FFO) of \$81.4 million, up 0.4% on HY22
- FFO per security of 9.1 cents, down 7.0% on HY22
- Distribution per security (DPS) of 9.0 cents, up 2.9% on HY22
- HY23 gearing at 32.2%, up 350 basis points on FY22
- HY23 net tangible assets (NTA) per stapled security of \$3.86, up 0.3% on FY22

Abacus has delivered HY23 FFO of \$81.4 million, up 0.4% on HY22 and FFO per security of 9.1 cents, down 7.0% on HY22. This result was underpinned by the Group's investments in its core Commercial and Self Storage sectors, and aided by longer term growth strategies inclusive of our recent development completions, that have contributed to higher quality and more resilient income streams.

The Group's 108¹ asset Self Storage portfolio delivered 25% growth in net property rental income to \$72.2million³ when compared to HY22. The operating conditions for Self Storage remain resilient, despite the current macro economic headwinds. Abacus has acquired eight new assets during the half for \$87 million and completed four projects from our development pipeline, inclusive of two new stores and two expansions sites.

The Group's 22² asset Commercial portfolio delivered 6% growth in net property rental income to \$50.8 million³ when compared to HY22. The notable positive contributors for the half were, the \$93 million deployed on the settlement of the remaining 50% of 324 Queen Street, Brisbane QLD and the continuing lease up of our two recently completed Commercial developments at 459 Church Street, Richmond VIC and 452 Johnston Street, Abbotsford VIC.

¹ Excludes 19 development sites.

² Excludes 2 greenfield development sites.

³ Excludes equity accounted investments.

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Abacus remains focused on the ownership and management of Commercial and Self Storage real estate and operation of storage locations with our portfolio currently allocated 52% to Self Storage and the remaining 48% to Commercial assets.

The **\$2.8 billion Self Storage portfolio** consists of:

- 127 assets including 19 development sites, intentionally constructed with 65% of stores located in Top 3 Significant Urban Areas⁴
- A \$212 million development pipeline across high quality locations (identified by the Abacus Network Strategy mapping process) to deliver 17 stores in the short to medium term

The **\$2.6 billion Commercial portfolio** consists of:

- a \$2 billion Office portfolio comprising of 18 assets diversified across several key portfolio attributes including: market, asset grade, asset life cycle, customer industry and customer profile, and
- a \$0.6 billion Retail and Other portfolio comprising two non-discretionary, grocery anchored shopping centres and two further sites underpinned by mixed use fundamentals

Abacus' Managing Director, Steven Sewell, commented "Abacus Group continues to deliver on its strategy concentrating on select real estate sectors that deliver long term, sustainable outcomes through active investment and asset management with a strong focus on customer and brand awareness".

Operating performance

Self Storage portfolio

The Self Storage segment EBIT contribution increased to \$59.3 million up 12% from \$53.0 million in HY22.

- RevPAM growth was 8.8% across the established portfolio⁵ (HY23 on HY22) driven by the combination of rate and occupancy dynamics, and
- Four **developments completed** during HY23 that are now expected to contribute increasingly in future periods, as stabilisation and leasing up is achieved, and,
- A continued disciplined priority on securing assets within high quality locations saw \$87 million invested in HY23 including eight new Self Storage sites and a further \$58 million invested across six other sites due to settle in 2H23.

⁴ Significant Urban Areas, as defined by the Australian Bureau of Statistics. Top 3 markets by population are Sydney, Melbourne and Brisbane.

⁵ Established portfolio: 76 mature stores open at 1 July 2021.



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The HY23 revaluation process saw the Self Storage portfolio increase in value by \$83 million or 3.5%. Net income growth contributed \$124 million of the revaluation while 9 basis points of cap rate expansion to 5.54% drove a \$41 million decline.

Commercial portfolio

The Commercial segment EBIT contribution increased to \$50.3 million up 7% from \$47.1 million in HY22.

- Over 25,000 sqm of Office leasing completed across 54 leasing deals, with positive leasing spreads
- Continuing application of site specific available space offerings, including Flex by Abacus, is increasing our customer pool and broadening our exposure to different customer industries
- Over 3,000 sqm of Retail leasing completed across 30 leasing deals, with positive momentum

The HY23 revaluation process saw the Office portfolio reduce in value by \$49 million or (2.7%). Net income reduced valuations by \$5 million, while 13 basis points of cap rate expansion to 5.28% contributed to a further \$44 million decline.

Over the half, the Retail portfolio reduced in value by \$28 million or (4.8%), which was a blend of \$25 million of valuation reduction due to income declines, and a further \$3 million decline driven by 3 basis points of cap rate expansion to 6.02%.

Financial and capital management

The Group is in a solid capital position with minimal debt expiry until HY26, gearing remains within the Board set target range, at 32.2%, and our weighted average cost of drawn debt during HY23 was 2.6%.

Abacus' Chief Financial Officer, Evan Goodridge, commented "Abacus has a solid Balance Sheet following our HY23 revaluation process where a reduction in Commercial asset values was more than offset by gains in our Self Storage investment portfolio. Pleasingly our weighted average cost of debt for the half was 2.6% and despite inflationary pressures having an impact on the cost of our debt book, the hedging we have in place has limited the increases for the full year where we anticipate the full year weighted average cost of debt to be in the range of 2.75 – 3.00%."

Sustainability focus embedded in our business operations

Sustainable practices and enhancements continue to be embedded into how we conduct business. To strive for continuous improvement of all our ESG settings, standards and activities, we are reviewing our Sustainability Strategy for FY23. This will include a revision of our Net Zero target, enhanced governance and management systems, and reporting to meet the Sustainability Audit Standards.

During HY23, an external sustainability consultant completed a review of our group, systems, people and processes and the outcomes are being applied across the business to enhance the Group's sustainability practices.



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We continue focusing on understanding and responding to our people and customers changing needs and improving our customer experience when interacting with the Abacus Group.

Completed during the half, Abacus has established a new corporate office in owned 77 Castlereagh Street, Sydney, showcasing the opportunity for superior workspaces within non-A and premium grade buildings. The workspaces were co-created by a cross functional group at Abacus together with a team of designer and builders, to deliver a modern workspace that aligns with our strategy and values.

Proposed de-stapling to create a \$3.0bn ASX Listed Self Storage REIT

Post balance date Abacus announced its intention to create a new ASX listed Self Storage REIT to be known as Abacus Storage King REIT (ASK). Subject to market conditions ASK is to be established by de-stapling Abacus' existing Self Storage assets⁶ and will be an externally managed REIT with a majority independent Board of Directors. Abacus will be the manager of ASK and intends to retain a minority interest of up to 19.9% of the stapled securities in ASK. For more information please see the separate de-stapling announcement released to the ASX on 16 February 2023.

Summary and outlook

Abacus Group is focused on the ownership and management of Self Storage and Commercial real estate assets, and the fully internalised operation of Self Storage locations.

Abacus' Managing Director, Steven Sewell commented "We remain confident that the Group is positioned to leverage our key enablers and deliver recurring income and value creation over the medium to long term. The prevailing macro factors including; upward pressure on interest rates, inflationary impacts and the ability to capture higher income through rent growth, and building and labour cost inflation, are under constant review".

Abacus reaffirms distribution guidance of at least 18.4 cents per security for FY23. Guidance is predicated on no material deterioration in current business conditions.

Market briefing

Abacus will conduct a market briefing on Thursday, 16 February 2023 at 12:00pm (AEST). Access will be via webcast.

Briefing details

Webcast: <https://ccmediaframe.com/?id=xk6ybSJI>

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⁶ Abacus Storage Operations Limited and Abacus Storage Property Trust are intended to be de-stapled from Abacus Group.



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