

ABACUS PROPERTY GROUP 2019 AGM
CHAIR'S ADDRESS – Myra Salkinder
Sydney, 15 November 2019

- Good morning and welcome to the 2019 Abacus Property Group Annual General Meeting.
- My name is Myra Salkinder, and I am the Chair of the Group, having been appointed effective 1st September this year following the retirement of our founding chairman, Mr John Thame.
- On behalf of my fellow directors, and all at Abacus, I would like to record our thanks to John for all his efforts and dedication to the success of Abacus over many years, and wish him well in his retirement.
- On behalf of the Board, I'd like to acknowledge the Gadigal people of the Eora nation who are the Traditional Owners of the land on which we meet today. We pay our respects to their Elders past, present and emerging.
- As it is past the appointed time of 10 am, I declare the meeting open.
- This meeting comprises the annual general meetings of the members of:
 - Abacus Group Holdings Limited,
 - Abacus Group Projects Limited, and
 - Abacus Storage Operations Limitedin conjunction with the meetings of the members of:
 - Abacus Trust,
 - Abacus Income Trust, and
 - Abacus Storage Property Trust.
- During the year, Abacus has executed on its stated strategy to invest capital in real estate opportunities to deliver superior long term returns and maximise securityholder value.
- Steven and the team have made solid progress transitioning the Abacus platform towards a strong asset backed, annuity style investment house where capital is directed towards assets that provide potential for enhanced income growth and ultimately create value.
- They have increased exposure to our key focus sectors of Office and Self Storage through a series of acquisitions and partnerships and undertaken several transactions to reduce exposure to its non-core legacy investments, particularly in the residential and retail sectors.
- I'll start with a summary of Abacus Property Group's performance and then hand over to Steven Sewell for some brief comments.



- After Steven has spoken, we will move to the formal business of the meeting, including your questions.

PERFORMANCE IN TRANSITION

- With our transition well underway we updated the market in August. Abacus Property Group delivered the following results for the 2019 financial year.
 - Group statutory profit of \$202.7 million, down 17% from FY18
 - Funds from Operations (FFO) of \$129.2 million, down 24% from FY18, and
 - Net tangible assets (NTA) per stapled security of \$3.33, up 4.7% on FY18
- We were pleased with the result and the progress made as business continues its transition to a strong asset backed, annuity style business model. Steven will elaborate on this performance shortly.
- We remain committed to growing distributions by 2-3% per annum and were able to deliver a distribution per security (DPS) of 18.5 cents, growth of 2.8% on FY18.
- The Group's balance sheet remains in a strong position and we are maintaining prudent levels of liquidity and gearing. As at the end of 2019 gearing was 24.1%, and post the Institutional Placement ("Placement") we completed in July, this level dropped to 15.2%.
- Our balance sheet positions us to pursue value-accretive investment opportunities in line with our strategic priorities and key sector focus of Office and Self Storage.
- In summary, the business outlook remains positive. As we continue the transition, our distribution growth remains sustainable, despite fluctuations in earnings per security due to higher or lower levels of transactional profits.

SUSTAINABILITY

- The Board and team at Abacus are proud of the commitment to our sustainability protocol, all of which were further enhanced during the year.
- We have a strong commitment to our people and focus on providing a safe, healthy and constructive work environment. Following the implementation of our Work, Health and Safety Strategic Plan we have delivered significant improvements in our performance.
- Pleasingly we continued to achieve several Diversity and Inclusion objectives, including;
 - increasing female representation on the Board to 50%, and
 - satisfying and exceeding our target of 30% female new hires to the Group.

CONCLUSION

- The Abacus Board remains focused on ensuring the Group delivers long-term value to securityholders.
- The Board and I believe we have a focused and capable executive team in place to take advantage of the opportunities the business has - and I would like to thank them for their dedication as we transition the business.
- In closing, I would like to thank all securityholders for their continued support.
- I'll now ask Steven to give you an update on the Group's performance and strategic direction, before we then move to the business of the meeting.
- At the conclusion of the business of the meeting, I will open the meeting to general questions.



ABACUS PROPERTY GROUP 2019 AGM
MANAGING DIRECTOR'S ADDRESS – Steven Sewell
Sydney, 15 November 2019

- Good morning and welcome everyone.
- I'd also like to acknowledge the Traditional Owners of the land on which we meet, and pay my respect to their Elders past, present and emerging.

REFINING OUR STRATEGY

- With continual review of prevailing market conditions, project status and outlook, Abacus continues to refine its strategic direction, giving prominence to sectors where we have a clear competitive advantage.
- Abacus' capital allocation framework focuses heavily upon increasing our exposure to the Office and Self Storage markets while reducing our exposure to Retail and Residential markets at this point in the cycle.
- Increasing exposure to these asset classes we believe will ensure our smooth and deliberate transition to a strong asset backed, annuity style business model and enhance our ability to maintain the Group's targeted distribution growth of 2-3% per annum.

TRANSITION CONTINUES

- Pleasingly, during FY19, Abacus has executed on its stated strategy to direct capital towards assets that provide potential for enhanced income growth and ultimately create value. Our people, market insight and repositioning capability together with strategic partnering are the key enablers of our strategy.
- A combination of established and new collaborative partnerships have created enduring investment opportunities and facilitated our capital recycling program. Capital redeployment initiatives (including some post balance date) include:
 - In the Commercial Office sector,
 - 2 King Street, Fortitude Valley QLD – \$170 million partnership with Heitman LLC
 - Church Street, Richmond VIC – \$51 million land acquisition in partnership with Salta Properties
 - 201 Elizabeth Street, Sydney – acquisition of a 32% interest for \$202 million with a Charter Hall lead consortium
 - Australian Unity Office Fund (AOF) – in new partnership with Charter Hall Group, proposed to acquire all units in AOF, to gain access to its portfolio of 9 office assets
 - And in the Self Storage sector,
 - Over \$180 million of established or new store acquisitions, developments and
 - Our investment in and continued efforts with our partners in respect of the Storage King operating platform
- Pleasingly we were able to dispose of over \$250 million of legacy Residential investments and non-core Retail at circa book value.
- Post our \$250 million Placement, the Abacus balance sheet is in a robust position with 15.2% gearing. Net tangible assets (NTA) per security grew 4.7% to \$3.33 at year end and \$3.38 post Placement.
- Our post Placement debt position is prudent. Over \$1 billion of banking facilities were refinanced during the year – extending debt duration to 5.3yrs, and there are no debt expiries in FY20.



OFFICE

- After a number of acquisitions, our Office portfolio is now valued at \$1.08 billion on a 5.71% cap rate.
- Our existing and stabilised office portfolio delivered like for like rental growth of 7.1%. Occupancy improved by 490 basis points to 91.8%, and at year end the office portfolio weighted average lease expiry (WALE) was 3.5 years.

SELF STORAGE

- We continue to direct capital to the Self Storage sector and during the year made \$180 million of acquisitions, developments, and
- Platform initiatives including acquisition of a minority 25% stake in our operator Storage King.
- Subdued residential market conditions across much of the financial year, and the prevailing economic conditions impacted trading conditions across our Self Storage portfolio with stabilised occupancy falling by 90 basis points to 88.5% and revenue per available metre (RevPAM) growing moderately by 1.2% to \$251¹.
- In spite of this, our outlook for the Self Storage sector in Australia remains strong and as a result, we remain focused on a multi-pronged growth strategy including: acquisition, development, expansion and optimisation of the existing portfolio.

NON-CORE AND LEGACY INVESTMENT 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.
- We have made significant progress with \$250 million of divestments throughout the year and continue to seek to repatriate capital from several long-held investments in the Residential Land and Mortgages business.
- Where appropriate, 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.

GUIDANCE

- Abacus re-confirms distribution guidance of 2 – 3% growth for FY20.
- Given the transactional nature of disposing non-core assets, the payout ratio 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 earnings².

CONCLUSION

- Overall, we remain confident about the outlook for the Group and that our strategy will position us to deliver distribution growth over the course of this year, and beyond.
- I would like to take this opportunity to thank the Abacus team for their continued hard work and commitment. I would also like to thank my fellow Directors for their expertise and guidance, and of course, our securityholders for your continued and valued investment in Abacus.

¹ Across established portfolio (Owned for more than 36 months. Comprising 55 facilities out of a portfolio of 70)

² 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.