

ABACUS PROPERTY GROUP 2020 AGM CHAIR ADDRESS – Myra Salkinder Sydney, 17 November 2020

- Good morning and welcome to the 2020 Abacus Property Group Annual General Meeting.
- My name is Myra Salkinder, and I am the Chair of the Group.
- 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.
- Let me introduce my fellow directors here at the meeting:
 - Steven Sewell – our Managing Director
 - Mark Haberlin,
 - Holly Kramer,
 - Jingmin Qian, and
 - Trent Alston.
- This meeting comprises the annual general meetings of the members of:
 - Abacus Group Holdings Limited,
 - Abacus Group Projects Limited, and
 - Abacus Storage Operations Limited.in conjunction with the meetings of the members of:
 - Abacus Trust,
 - Abacus Income Trust, and
 - Abacus Storage Property Trust.
- During the year, Abacus continued to execute on its stated strategy to invest capital in real estate opportunities to deliver superior long term returns and maximise securityholder value.
- Steven and the whole Abacus team have successfully transformed the Abacus platform to 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 successfully transitioned the balance sheet, with 87% of total assets¹ now invested in our key sectors of Office and Self Storage. This has been achieved following a series of transaction and deployment of over \$800 million² of capital, together with a significant reduction in exposure to the non-core legacy investments, particularly in the Residential and Retail sectors.

¹ Excludes investments in cash and other assets

² Includes investments exchanged but not settled during FY20



- Post balance date, we have acquired the balance of our Self Storage operating platform, Storage King. This accelerated acquisition creates a fully internalised Self Storage business for Abacus and we are excited about its future prospects.
- I'll start with a summary of Abacus Property Group's performance and then hand over to Steven for some comments on the execution of our strategy and operating conditions. After Steven has spoken, we will move to the formal business of the meeting, including your questions.

COVID-19 RESPONSE

- With the onset of the COVID-19 pandemic, the primary focus for the team at Abacus was on providing safe and healthy environments and supporting our people and customers. The prompt establishment of a centralised COVID Support team facilitated direct and timely communication with our customers.
- In order to maintain our liquidity position, in early May the team negotiated and agreed terms to extend banking facilities putting us in a position with no debt expiring in FY21 and the majority of debt expiring from FY24 onwards.
- Abacus has not applied for or received any funds from the Australian Government's JobKeeper scheme.
- As we continue to navigate this evolving COVID-19 situation in collaboration with our asset and operating partners and customers, I would like to thank all our stakeholders for their ongoing cooperation.

FINANCIAL RESULTS

- Turning now to our FY20 results that were delivered to the market in August. Abacus Property Group delivered:
 - Group statutory profit of \$84.7 million, down 58% from FY19
 - Funds from Operations (FFO) of \$124.6 million, down 3.6% from FY19, and
 - Net tangible assets (NTA) per stapled security of \$3.32, down 0.3% on FY19
- We were pleased with the relative resilience of the result in a COVID-19 context and the progress made as the business transitioned to a strong asset backed, annuity style business model. Steven will elaborate on this performance shortly.
- The Group's balance sheet remains in a strong position and the Board is satisfied with the levels of liquidity and gearing. As at the end of the financial year gearing stood at 26.5%.

SUSTAINABILITY

- The Board and team at Abacus are proud of our commitment to Sustainability.
- Sustainable practices and enhancements continue to be embedded into how we conduct business. As part of our strategic repositioning, Abacus has made a considerable reinvestment in people, culture, processes, and systems.
- We actively explored business improvements throughout FY20 and continue to implement a range of new initiatives including: COVIDsafe work practices, ongoing solar feasibility assessments, evolution@abacus, process improvement and financial system upgrades, flexible working for all roles, formalisation of Abacus' values and the promotion of diversity and inclusion in our work practices.
- Some FY20 Sustainability achievements worth highlighting include:
 - an increase in Office Portfolio NABERS Energy and Water ratings,
 - development of Office and Retail energy, water and waste improvement pathways and targets, and
 - satisfaction of our target of 30% female new hires to the Group.
- The Abacus Board refresh is now complete with the appointment of Trent Alston during the year. The Abacus Board is proud to have gender equality with 50% female representation together with a diverse range of skills, expertise and backgrounds represented by our Non-Executive Director cohort.



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 transitioned 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 strategy and operating conditions, 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 2020 AGM MANAGING DIRECTOR ADDRESS – Steven Sewell Sydney, 17 November 2020

- 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.

EXECUTING ON OUR STRATEGY

- With continual review of prevailing market conditions, project status and outlook, Abacus has refined 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.
- Our deliberate allocations to these asset classes has facilitated Abacus' transition to a strong asset backed, annuity style business model and positions us to deliver superior long term returns and maximise securityholder value.

CAPITAL DEPLOYMENT TRANSITIONS BALANCE SHEET

- During FY20, Abacus 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.
- We are very excited at the progress we have made, and opportunities we see in the medium to long term in the Self Storage sector, including:
 - Over \$190³ million across 19 established, new store and land acquisitions,
 - An additional \$117 million investment into a listed Self Storage AREIT at attractive pricing, and
 - Post balance date we agreed to acquire the balance of our operating platform, Storage King, for \$50 million.
- Adding to the quality asset backing of the Group, in the Commercial Office sector, we have made the following investments:

³ Includes \$49 million of investments exchanged but not settled during FY20



- 99 Walker Street, North Sydney NSW,
- 201 Elizabeth Street, Sydney NSW – acquisition of a 32% interest with a Charter Hall lead consortium, and
- Church Street, Richmond VIC – progressed development with an estimated end value of \$230 million in co-ownership with Salta Properties

- These transactions were funded via a combination of:
 - Completion of a \$250 million institutional placement (July 2019), and
 - Disposal or refinancing of approximately \$200 million of legacy Residential/Land & Mortgages investments and non-core Retail assets,
 - Whilst maintaining conservative gearing levels on existing debt facilities.
- In aggregate, these transactions have resulted in the successful transformation of the balance sheet, with 87% of total assets⁴ now deployed in our key sectors of Office and Self Storage, or 94% if we include our remaining quality investment shares in three retail assets.

SELF STORAGE

- Abacus has been investing in the Self Storage sector since 2005, and has accumulated a Portfolio of 81 locations, with a valuation of over \$1 billion as at 30 June 2020, exclusively managed by Storage King.
- Post balance date we acquired the remainder of our operating platform, Storage King. The acquisition was identified as a key strategic imperative given our Self Storage exposure comprises 40% of our Balance Sheet. A more integrated management business is critical to driving our Self Storage business and enhancing associated asset returns.
- This transaction will facilitate Abacus' ability to invest actively and substantially into driving the operations, technological advancement and customer value proposition of the Storage King branded stores, owned by Abacus and its third party owners.
- Despite being impacted by the COVID-19 pandemic, trading conditions in our Self Storage Portfolio have proved resilient. The rebound in occupancy, following the COVID-19 related declines, has continued throughout the September quarter with Established Portfolio⁵ occupancy levels increasing to 89.7%.
- The requirement for promotions to stimulate demand has also moderated, with the overall average rental yield reverting to pre COVID-19 levels. As at 30 September 2020, Established Portfolio⁶ RevPAM was \$251psm with average rent at \$283psm, both up marginally compared to 30 June 2020.
- 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.

OFFICE

- Following a number of acquisitions, some as recently as over the last year or so, our Office Portfolio is positioned now with market value at \$1.5 billion on a 5.5% cap rate.
- Active leasing and asset management strategies delivered like for like Office rental growth of 2.3% over the year.
- Fourth quarter rent collection was impacted by COVID-19, however our Office Portfolio was resilient with 90% of Q4 rents collected and \$1.7 million of waivers provided.
- Noting that asset acquisitions made during FY20 have altered the composition of our Portfolio, occupancy declined by 30 basis points to 91.5%, and at year end the Office Portfolio weighted average lease expiry (WALE) increased to 3.6 years.

⁴ Excludes investments in cash and other assets

⁵ Established Portfolio – 57 facilities traded since FY18



- The investments I mentioned earlier have enhanced Portfolio quality and are expected to underpin long term stability of income.

NON-CORE AND LEGACY INVESTMENT UPDATE

- The Group remains committed to substantially realising and repatriating the equity historically invested in Residential and Retail sectors and has made solid progress during FY20. We are increasingly cautious as macro factors continue to negatively impact on market conditions which have been accelerated as a result of the COVID-19 pandemic.
- We have made significant progress with approximately \$200 million of disposals or refinancing conducted 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, Gazetta, planning approvals, sub-division etc, and aim for optimal market conditions in which to realise our equity.

GUIDANCE

- In light of the uncertainty surrounding the COVID-19 pandemic and impacts on our business together with the transactional nature of disposing non-core assets and the resultant volatility on earnings, our distribution guidance remains withdrawn.
- Abacus expects that the distribution for FY21 will reflect a payout ratio of between 85 – 95% of FFO with the higher payout ratio expected to be supported by the increased contribution from more consistent annuity style earnings.

CONCLUSION

- Following the successful execution of our strategic repositioning, Abacus is now a strong asset backed, owner and manager of Real Estate with a key focus on the Office and Self Storage sectors.
- Acknowledging the uncertainty caused by the COVID-19 pandemic, we remain positive on Abacus' differentiated AREIT positioning in the Office and Self Storage sectors. We expect active asset and development management together with responsive customer communication will deliver attractive risk adjusted returns for our stakeholders over the medium to long term.
- 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.