

18 February 2021

Abacus continues to execute on strategy and performs well in key sectors

Abacus Property Group (ASX:ABP) (Abacus) today announced its results for the half year ended 31 December 2020.

Financial results

- Group statutory profit of \$151.8 million in HY21, up 85.0% from \$82.1 million in HY20
- Abacus Funds from Operations (FFO) of \$60.6 million, down 9.9% from \$67.3 million in HY20, with increased contribution from key sectors
- FFO per security of 9.06 cents, down 14.4% from 10.59 cents in HY20
- Distribution per security (DPS) of 8.50 cents, down 10.1% on HY20
- Distribution payout ratio was 94% of FFO
- Gearing at 18.2%, down 830 basis points on FY20
- Net tangible assets¹ (NTA) per stapled security of \$3.26, down 1.8% on FY20

Over the course of HY21, Abacus has successfully deployed \$205 million of capital into our key sectors of Office and Self Storage. This was achieved through a series of acquisitions and joint ventures and funded with a combination of debt and the divestment of non-core assets, notably these investments included:

- **201 Elizabeth Street, Sydney NSW** – final tranche settled of a 32% interest for \$202 million² with a Charter Hall lead consortium
- **Self Storage** – \$94 million of acquisitions and \$50 million for the remaining 75% of the Storage King operating platform

In addition, the Group achieved repayment of \$48 million of residential land and mortgages during the period. Abacus continues to reduce exposure to its non-core legacy investments, particularly in the Residential Land and Mortgages sector.

In aggregate, these transactions have continued the transformation of the balance sheet, with 89% of total assets³ now deployed in our key sectors of Office and Self Storage.

Abacus' Managing Director, Steven Sewell, commented "Following an active half year including the Entitlement Offer, Abacus is in a position to extend its strong track record of investing into long term value enhancing assets.

¹ Includes right-of-use property assets and lease liabilities of \$1.8 million.

² Final tranche \$50.4 million settled on 20 August 2020.

³ Excludes investments in cash and other assets.



Realisation of non-core assets, together with the funds raised from the Entitlement Offer provides substantial acquisition capacity, ensuring Abacus will be in a strong position to continue to take advantage of opportunities in our key sectors of Office and Self Storage.”

Self Storage and Commercial operating performance

Self Storage portfolio

- FFO contribution increased 17.4% on HY20 to \$31.7 million.
- Portfolio valuation increased by \$97.5 million or 8.4%, cap rates compressed 50 basis points to 6.08%.
- Self Storage portfolio is valued at \$1.5 billion with the number of stores expanded to 92.
- RevPAM increased by 1.8% across the Self Storage established⁴ portfolio over HY21, driven by quality of locations and operating platform strength.
- Passing yield of 6.0% on established portfolio valued at \$812 million.
- Multi-pronged growth strategy with over \$150 million of acquisitions, including acquisition of the remaining 75% of operating platform Storage King for approximately \$50 million on 30 November 2020.

Commercial portfolio

- FFO contribution increased 23.9% on HY20 to \$41.5 million.
- Portfolio valuation decreased by \$3.6 million or (0.2%)⁵, cap rates were relatively steady at 5.63%.
- Commercial portfolio is valued at \$1.8 billion.
- Active leasing and asset management strategies delivered:
 - Office net property income growth of 33.9%⁶ to \$34.6 million, and
 - Retail net property income growth of 13.1%⁶ to \$4.8 million.
- Rent collection resilient in COVID-19 context with 96% of Office and 87% of Retail rents collected. \$1.1 million and \$0.7 million of waivers were provided in the Office and Retail portfolios respectively.

In a post balance date announcement, the Group has entered into a Development Joint Venture with Walker Corporation to jointly plan development and own the asset at 710 Collins Street, Docklands VIC.

Financial and capital management

The Entitlement Offer completed in early December raised \$402 million and provides Abacus with over \$900 million of acquisition capacity⁷.

Abacus’ Chief Financial Officer, Rob Baulderstone, commented “Following completion of the Entitlement Offer and other capital recycling initiatives, Abacus has a solid Balance Sheet with healthy levels of liquidity that position us to support future growth initiatives.”

Non-core and legacy investments update

The Group continues to successfully execute on its stated strategy to realise legacy exposures. Non-core assets reduced by 26% during HY21 and now represent 4% of total assets⁸, or \$135 million.

The approach remains for legacy interests at Camellia and our remaining component of land at Riverlands in Milperra to continue value enhancement activity - including gazettal, planning approvals, sub-division, and aim for optimal market conditions in which to realise our equity.

⁴ Established portfolio - 57 facilities traded since FY19.

⁵ Excluding acquisition costs, the Commercial portfolio fair value movement would have been flat for the period.

⁶ Excludes equity accounted investments.

⁷ Borrowing capacity until Abacus reaches its target maximum gearing limit of 35%.

⁸ Excludes investments in cash and other assets.



Storage King platform

Over the course of HY21, we were able to agree terms with our operating partners at Storage King to fully internalise the business, and have Michael Tate (Storage King, CEO) join our team.

This positive development is an important milestone in Abacus' evolution to a now completely vertically integrated Self Storage investment platform.

Sustainability focus embedded in our business operations

Sustainable practices and enhancements continue to be embedded into how we conduct business at Abacus. During HY21 Abacus set clear sustainability targets to improve our environmental performance, transparency and accountability. Our targets are focused on energy, emissions, water and waste across our property portfolio and were developed in conjunction with our asset management team. To achieve these targets, we have developed sustainability improvement pathways for our assets which are aligned with our operational and capital works upgrades.

In light of the COVID-19 pandemic, the focus for the team at Abacus continues to be on providing safe and healthy environments and supporting our people and customers. Establishment of our centralised COVID Support team facilitated direct and timely communication with our customers. Together and in collaboration with our asset and operating partners and customers we will continue to navigate this evolving situation.

Summary and Outlook

Abacus remains a strong asset backed, annuity style A-REIT specialising in the Office and Self Storage sectors.

Abacus' Managing Director, Steven Sewell commented "A combination of established and new collaborative joint ventures has created enduring investment opportunities and facilitated our capital recycling program."

"With 89% of total assets⁹ now deployed in Office and Self Storage investments, the size, nature and market positioning of these key sector investments will permit the Group to deliver recurring income and value creation over the long term."

Given the prevailing market conditions, the Abacus Board expects that the distribution for FY21 will reflect a payout ratio of between 85 – 95% of FFO¹⁰.

Market briefing

Abacus will conduct a market briefing on Thursday 18 February 2021 at 10:00am (AEST). Access will be via webcast or teleconference.

Briefing details:

Webcast: <https://services.choruscall.com.au/webcast/abacus-210218.html>

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Cynthia Rouse

General Manager - Investor Relations and Corporate Communications

(+61) 2 9253 8600

abacusproperty.com.au

⁹ Excludes investments in cash and other assets.

¹⁰ Subject to timing of acquisition settlements.