Abacus PROPERTY

187 Todd Road, Port Melbourne VIC

'It's all about the property'

HY18 Results Presentation

HY18 financial summary

Statutory profit	Underlying profit	Net tangible asset
$117.5 million	$77.3 million	$3.13 per security
Down 39%	Up 11%	Up 4%

Underlying EPS	Underlying DPS	Payout ratio
13.4 cps	9.0 cps	67.2%
Up 10%	Up 3%	

Total assets	Group gearing	Interest cover ratio
$2.5 billion	21.3%	7.4x

HY18 highlights


IVY &EVE apartments, Brisbane QLD

Oasis Shopping Centre, Broadbeach QLD

710 Collins Street, Melbourne VIC

Record underlying profit of $77.3 million, up 11% from HY17

- Benefits of a diversified business continuing to be displayed

Continuing to invest available capital to enhance investment portfolio

- Acquired 4 commercial properties totalling over $200 million in value to date
- Added 2 self-storage assets valued at $10 million to the portfolio
- Acquisitions providing stable cashflows with good prospects for long term growth enhancing the Group's recurring earnings profile

Residential developments platform currently in active delivery period of FY18/19

- Realised over $88 million of cash from residential development projects in HY18
- Settlement environment of residential stock providing limited concerns at this time despite an extension of settlement timeframes in some markets

Third party capital platform delivering strong returns

- Developed relationships with global capital partners backed by real returns
- Track record augers well for potential new initiatives
- Actual and forecast performance fee income enhances investment returns of Group

Financial results and capital management

324 Queen Street, Brisbane QLD

Abacus PROPERTY

Diversified business delivers strong results

Key financial metrics	Dec 17	Dec 16
Consolidated Group[1] AIFRS statutory profit	$117.5m	$191.7m
Abacus AIFRS statutory profit	$117.0m	$161.4m
Underlying profit[2]	**$77.3m**	**$69.5m**
Underlying earnings per security	**13.4c**	**12.2c**
Distributions per security[3]	**9.00c**	**8.75c**
Cashflow from operations	**$91.3m**	**$64.6m**
Interest cover ratio[4]	7.4x	6.2x
Weighted average securities on issue	577m	568m

1. The Group consists of the merged Abacus Property Group, Abacus Hospitality Fund and Abacus Wodonga Land Fund
2. Calculated in accordance with the AICD/Finsia principles for reporting Underlying Profit
3. Includes distributions declared post period end (12 January 2018 and 12 January 2017)
4. Calculated as underlying EBITDA divided by interest expense

Underlying earnings per security growth of 10% to 13.4cps

Increased underlying results from all business units contributed to the first half record result with solid results from the commercial and self-storage sectors and our residential developments maintaining revenue on the prior corresponding period

Highlights of underlying profit result in HY18:

- $21.2 million of additional fee income
- $14.0 million of gains from investments
- $6.7 million of profits from residential development projects

Recent acquisitions and improvements in rental returns from strong leasing activity will enhance net rental income into FY18 and beyond

Self-storage business delivered 7.4% increase in EBITDA, with disciplined cost management

- High occupancy allowed for very strong rental rate gains driving RevPAM gains of 3.3%

NTA growth and low gearing

Balance sheet strength maintained

Balance sheet gearing increased slightly to 21.3% on the back of acquisitions and on balance sheet residential developments

- Remains well below target limit of up to 35%

NTA per security grew by 4% to $3.13 driven by strong earnings performance across the entire business and portfolio cap rate compression

Available liquidity of over $300 million provides substantial redevelopment, acquisition and investment capacity

- Combined with the monitoring of ABP security price relative to forecast returns from investment activities

Balance sheet metrics	Dec 17	Jun 17
NTA per security	$3.13	$3.02
NTA per security less distribution[1]	$3.04	$2.93
Abacus total assets	$2,475m	$2,369m
Net tangible assets[2]	$1,808m	$1,737m
Total debt facilities	$973m	$873m
Total debt drawn	$568m	$514m
Average cost of drawn debt	4.8%	5.2%
Abacus gearing ratio[3]	21.3%	20.5%
Gearing ratio calculated for covenant measures[4]	24.4%	23.9%
Debt term to maturity	2.9 yrs	3.4 yrs
% hedged of drawn debt	55%	49%
Weighted average hedge maturity	2.5 yrs	2.5 yrs

1. 9.00c distribution due in February 2018 and 8.75c that was due in August 2017 respectively
2. Excludes external non–controlling interests of $41.4 million (FY17: $48.5 million)
3. Bank debt minus cash divided by total assets minus cash. If joint venture and fund assets and debt are consolidated proportionately based on Abacus' equity interest, look through gearing is 25.3%
4. Covenant gearing calculated as Total Liabilities (net of cash) divided by Total Tangible Assets (net of cash)

Investment portfolio overview

710 Collins Street, Melbourne VIC

It's all about the property

Diverse investment portfolio

Key portfolio metrics	Dec 17	Jun 17
Investment portfolio value[1] ($m)	1,931	1,831
Commercial portfolio[1] ($m)	1,275	1,202
Self-storage portfolio ($m)	656	629
Investment portfolio WACR[1,4] (%)	6.95	7.08
No. of commercial assets[1]	34	34
Net lettable area (NLA) (m^2)[2,3]	227,495	226,811
Occupancy[2,3] (% by area)	90.4	90.5
WALE[2,3] (yrs by income)	4.1	4.1
Like for like rental growth[2,3] (%)	1.9	2.7

Investment portfolio remixing continues with increases across the self-storage and office portfolios during the period

Investment portfolio delivered $41.6 million revaluation gains in HY18

Commercial portfolio delivered a 3.8% increase in underlying EBITDA to $55.0 million

Rental income levels were maintained despite portfolio remixing during the period

Occupancy anticipated to continue to rise following delivery of a number of redevelopment/refurbishment projects particularly across our retail portfolio

Commercial portfolio like for like rental growth of 1.9%

1. Includes assets acquired under our third party capital platform, inventory and PP&E
2. Excludes self-storage assets
3. Excludes development assets
4. Weighted Average Cap Rate

It's all about the property
Building long term returns – Third Party Capital

$1.4 billion current AUM ($437m Abacus share)

- Abacus 'high conviction' manager and investor

Added further partnerships during HY18

- New mandate for private investors with acquisition of University of NSW building in August 2017

Announced a recent collaboration with a major global investor focused on lending to development finance projects

- Three loans with maximum facility limits of $121 million
- Two projects provided from Abacus balance sheet and one new project
- Recognised an $8 million exit fee on Abacus projects vended into collaboration
- Provides opportunity to leverage our capital and grow our footprint

Focused on finding opportunities for on balance sheet activity including new partnership initiatives across all commercial asset classes and the residential development sector

324 Queen Street since acquisition	Now	Acquisition
Occupancy (by area)	89.1%	79.5%
Vacant NLA (sqm)	2,153	4,113
WALE	4.4yrs	3.4yrs
Gross rent per annum ($'000)	13,119	12,306

324 Queen Street, Brisbane QLD

Creating value for tomorrow

Westpac House, Adelaide SA

33 Queen Street, Brisbane QLD

14 Martin Place, Sydney NSW

Key focus is acquiring assets that will create value over the long term

Office:

- Yield spread between CBD and metropolitan/fringe assets remains meaningful
- Greater tenant stability in city fringe markets than in the CBD which can fluctuate wildly with economic cycles
    - To benefit from greater tenant stability requires landlords to focus on assets with a point of difference which will attract/retain tenants
    - There is a growing recognition that office landlords have to recognise the specific expectations of millennials
- Tenant stability, incentive environment and greater affordability drives investment returns
- Abacus therefore is looking for assets with low relative base rents and solid cashflows in city fringe locations
- Locations with either low upcoming supply or areas of gentrification/urban renewal
- Main focus areas include Melbourne and Sydney fringe markets

Creating value for tomorrow


Greensborough facility , Melbourne VIC


Oakleigh facility, Oakleigh South VIC

St Peters facility, Sydney NSW

Self-storage:

- Self-storage industry has performed strongly over the last 5 years driven by increased demand from Australian consumers
- Key external drivers suggest continued growth in demand for storage space over the medium term
  - Increased levels of urbanisation
  - Increasing levels of online shopping
  - High levels of housing transfers
- Larger industry operators have remained aggressive acquirers of established facilities pushing yields lower and putting pressure of investment returns
- Abacus will continue to expand and grow our exposure to the sector
  - Growth through acquisition of established facilities remains possible although competition is strong
  - Abacus anticipates growth through development of new facilities via conversion of non-storage assets into self-storage facilities as the best use of capital at this point in the cycle
  - Abacus will also progress expansion programs across its existing portfolio to maximise returns

Creating value for tomorrow

Lutwyche City Shopping Centre, Brisbane QLD

Oasis Shopping Centre, Broadbeach QLD

710 Collins Street, Melbourne VIC

Retail:

- The retail landscape is in a state of flux
- Physical retail will remain robust – irrelevant and unremarkable retail is dead
- Retail thematic focused on Buying vs Shopping
  - Buying is focussed on task orientated, seeking value and convenience – drives our super convenience thematic for sub-regional and neighbourhood centres
  - Shopping is experiential, social, tactile with access to physical stores paramount – driving the super regional thematic
- Abacus is focused on inner suburban traders that dominate the convenience markets with proximity to transport hubs with sufficient parking infrastructure
- Assets with ability to incorporate up to 3 national brand supermarkets and minimal discretionary retail. This defines our super convenience model which should enable our centres to control their catchment
- Investigating options for potential third party investors to partner with

Industrial:

- Abacus has only a small exposure to industrial properties, seeing our self-storage portfolio as a surrogate
- Historically our greatest returns in industrial have resulted from assets on large parcels of land

Office city fringe value thematic – Melbourne

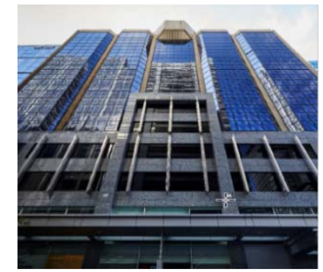
Gentrifying fringe markets offer fundamental value when compared to more mature fringe office locations

	187 Todd Road Port Melbourne	452 Johnston Street Abbotsford	110 Church Street Richmond	658 Church Street Richmond	312 St Kilda Road, St Kilda
					
Sale Price ($m)	$43,500,000	$93,500,000	$27,700,000	$44,650,000	$77,000,000
NLA	9,214 sqm	16,577 sqm	3,355 sqm	5,154 sqm	9,855 sqm
Sale Rate	$4,721 psm	$5,640 psm	$8,256 psm	$8,663 psm	$7,813 psm
Initial Yield	6.18%	5.85%	5.29%	4.90%	4.65%
Fully Leased Yield	6.21%	5.85%	5.29%	4.90%	5.20%
Occupancy	100% [1]	100%	100%	100%	92%
Average Gross Rent	$340 psm	$400 psm	$535 psm	$524 psm	$470 psm
Average Net Rent	$250 psm	$290 psm	$425 psm	$422 psm	$337 psm
WALE	4.10 years	5.50 years	9.36 years	5.58 years	4.30 years

1. The property has 8 vacant car spaces.

Office city fringe value thematic – Sydney

Gentrifying fringe markets offer fundamental value when compared to Sydney CBD and traditional fringe office markets

	11 Bowden Street Alexandria	299 Elizabeth Street Sydney CBD	1 Castlereagh Street Sydney CBD	130 Pitt Street Sydney CBD
				
Sale Price ($m)	$48,850,000	$90,800,000	$218,000,000	$229,000,000
NLA	5,577 sqm	5,974 sqm	11,432 sqm	10,893 sqm
Sale Rate	$8,759 psm	$15,199 psm	$19,069 psm	$21,023 psm
Initial Yield	5.99%	3.73%	3.71%	3.81%
Fully Leased Yield	5.99%	4.15%	4.23%	3.97%
Occupancy	100%	91%	93%	97%
Average Gross Rent	$583 psm	$724 psm	$897 psm	$840 psm
Average Net Rent	$485 psm	$577 psm	$727 psm	$712 psm[1]
WALE	6.01 years	3.20 years	2.40 years	2.21 years

1. Estimated based on available data and PCA benchmarks

It's all about the property
Self-storage: active asset management

Self-storage portfolio: $656 million

7.4% increase in underlying EBITDA to $23.4 million in HY18 driven by stronger trading

Portfolio delivered c.$20.6 million of valuation gains driven by an improvement in revenue and a decrease in average cap rate to 7.6% from 7.7%

Established portfolio's metrics again delivered another consecutive period of 3% or more RevPAM growth:

- 88.3% occupancy down 0.9%
- $271m² rental rate up 4.4%
- $239m² RevPAM[4] up 3.3%

Strong growth in rental rate drives RevPAM growth

- Continue to expect strong rental rate growth to flow through the portfolio
- High occupancy levels affords slight dilution as strong rate growth encourages the transition from users on lower rates to market rates

Key metrics	AUS	NZ	Dec 17	Jun 17
Portfolio value ($m)	527.8	128.4	656.2	629.5
No. of self-storage assets	55	12	67	65
WACR	7.5%	7.7%	7.6%	7.7%
NLA[1] (m²)	249,000	61,000	310,000	302,000
Land (m²)	410,000	105,000	515,000	504,000
Occupancy[2]	88.1%	89.4%	88.3%	89.2%
Average rental rate[2, 3] $psm	$273	NZ$289	$271	$260
RevPAM[4] (psm)[2]	$240	NZ$258	$239	$232


Tingalpa facility, Tingalpa QLD

1. Includes commercial and industrial properties held for redevelopment
2. Average over last 6 months (by area) of established facilities
3. Adjusted to HY18 FX rate of NZ/AUD $1.0991 for comparison purposes
4. RevPAM: Revenue per available square metre

It's all about the property

Self-storage: active asset management

Portfolio consists of:

- 53 established self-storage facilities and
- 7 converted self-storage facilities with further expansion potential – average age 2 years
- 7 non self-storage assets with conversion potential of 26,000m^2 of NLA

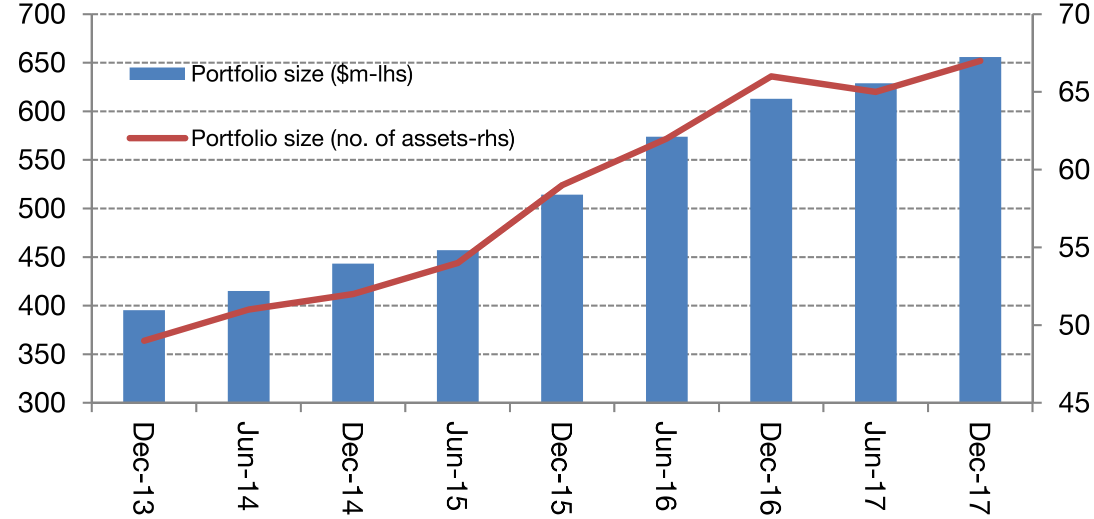
Portfolio growth continues with a further 2 assets added in HY18

- $9.8 million on a further 2 non self-storage assets with development potential
- $1.7 million of growth capex spent during period

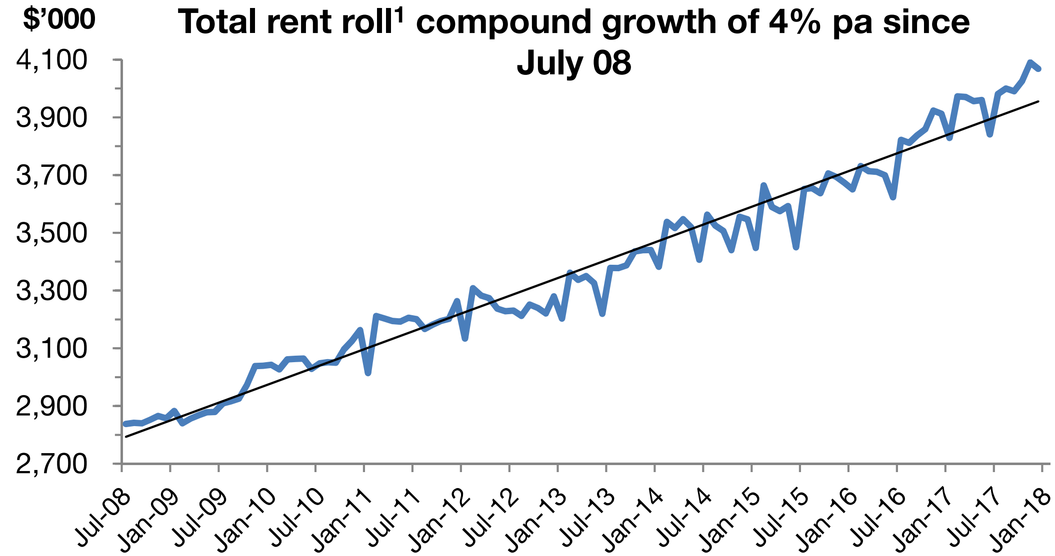
Like for like portfolio – comprises 56 facilities

- 5.0% rent roll growth year on year driven by rental rate growth of 4.9%

Portfolio value compound growth of 13.5% pa since HY14



Total rent roll[1] compound growth of 4% pa since July 08



1. Total rent roll per month for like for like portfolio of 41 facilities held since July 2008

It’s all about the property
Self-storage: active asset management

Brookvale was acquired in FY16 for $7.3 million

Site provides c.4300sqm of land in a prime Sydney northern beaches established location, opposite Westfield Warringah Mall

Site acquired for new purpose built 4 level facility providing over c.6,700sqm of NLA

Development approval achieved and construction commencing imminently with a anticipated FY19 opening

Hoppers Crossing in Melbourne has been part of the portfolio for many years and provides c.3,600sqm of NLA, facility occupancy has been consistently c.90%+

Opportunity to capitalise on strong demand in local market

Limited surplus land available on site so staged build over next viable option

- Stage 1 of the build over project will deliver an additional 1,350sqm of NLA
- Allows retention of existing customer base and cash flow

It’s all about the property
Super convenience retail: Ashfield Mall – Sydney

Ashfield Mall, acquired in 1997 for $64 million, is a unique sub–regional shopping centre located 10 kilometres south–west of Sydney CBD next to bus and train interchanges

The centre is a template for our super convenience retail strategy with 3 long standing and well performing supermarkets with strong parking infrastructure and good proximity to transport hubs while being the main food and convenience offer that dominates its Main Trade Area

Future strategy focused on utilisation of site and tenancies to best maximise retail spend through food and services offering

The demographic in Ashfield encourages further expansion of our retail offering to the Chinese marketplace

- In addition to the 3 supermarkets already in Ashfield Mall we are looking to increase the food offering for the specific market segment

High conviction to hold asset into long term – as part of strategy we are investigating options for capital partners to share in our long term vision

Key metrics

Rate per square metre at acquisition	$2,523
Cap rate	5.50%
GLA (sqm)	24,935
WALE (yrs by income)	4.9
Occupancy (by area)	99%
Average rent psm (specialties – gross rent)	$1,134

It's all about the property
Super convenience retail: Lutwyche City – Brisbane

Abacus acquired Lutwyche City Shopping Centre in October 2015

The centre is the dominant neighbourhood convenience centre providing four levels servicing local residents and is well located with exposure to major transport corridors 5km north of the Brisbane CBD

The property offered strong re-development potential to reposition the centre and cement its position as the dominant convenience based centre in its main trade area

The re-development strategy commenced in 2017 and has focused on an improved retail offer in a contemporary layout and design. Including the addition of a third national branded supermarket to compliment the existing Coles and ALDI, a thorough remixing of tenancies, new food court and childcare centre and c.8,000sqm of refurbished office space

Key metrics

Rate per square metre at acquisition	$3,450
Cap rate	7.25%
GLA (sqm)	20,842
WALE (yrs by income)	4.8
Occupancy (by area)	65%
Average rent psm (specialties – gross rent)	N/A

The Eminence residential development, Carlton, Melbourne VIC

Developments overview

It's all about the property
Developments – delivering on strategy

$28.1 million underlying EBITDA contribution

- 14.9% increase on prior period due to increased returns from delivered development projects
- $10 million of fee income

Reduction of $4.5 million to $443.8 million of assets reflects:

- $82 million of capital and interest repayments offset by additional interest accruals and drawdowns on new and existing loans
- Additional drawdowns heavily weighted to increased external construction funding for Ashfield Central as it nears completion

Pipeline remains heavily focused on the Sydney residential market

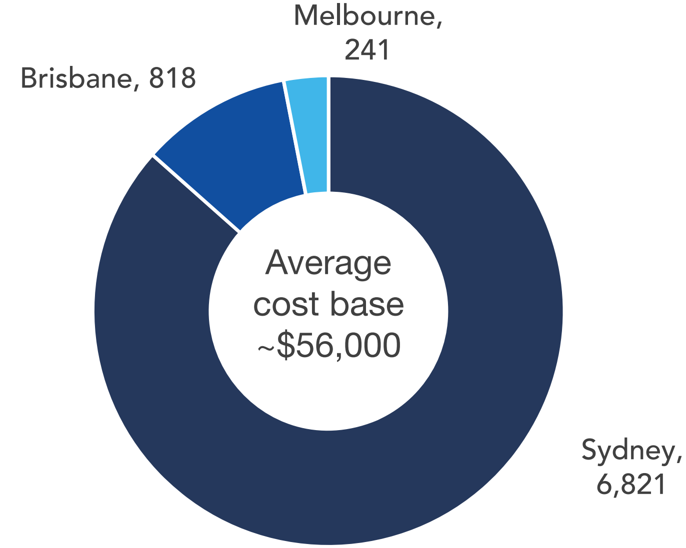
- Despite completion of projects 82% of units or land lots are located in this market

Anticipating over $100 million of realisation in CY18

- Ashfield Central, OneA (Erskineville) and IVY and EVE (Merivale)

Key metrics	Dec 17	Jun 17
Residential exposure	98.9%	95.8%
Sydney exposure (by $)	82%	77%
Loans	$283.2m	$308.0m
Equity	$160.6m	$140.3m
Average interest rate	9.7%	9.3%

Unit and land lot diversification by state and average cost base per unit/land lot (subject to planning approval)



It's all about the property

Residential pipeline – developments

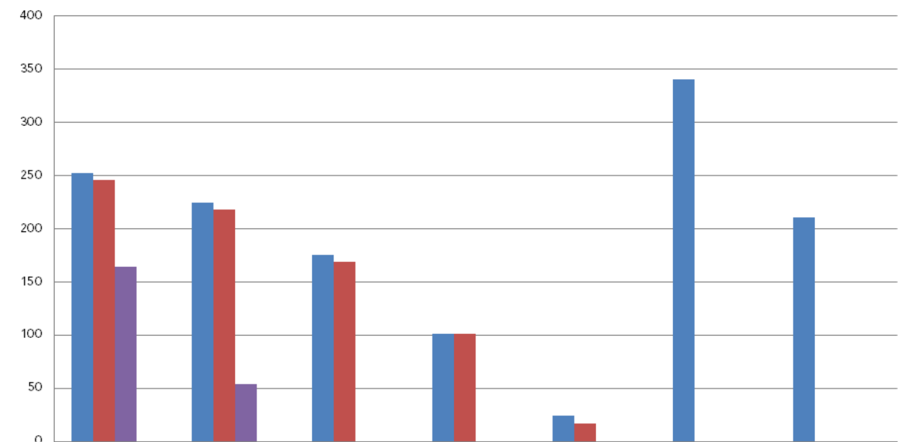
$145 million of invested capital across 7 major residential development projects completing, under construction or planning for c.1400 units

Completed and committed projects of 752 units are 98% sold down

- IVY project completed with over 65% settled in first few weeks
- 3 projects that remain under construction are 98% pre-sold

FY18 pipeline project updates:

- Ivy and Eve: 12 sales remaining. IVY settlements commenced in late January and are tracking well with over 65% settlements to date. EVE settlements commenced in mid February with both towers anticipating the substantive settlements to complete in FY18
- Ashfield Central: All units sold. Construction on track with settlements due in May 2018 with substantive settlements achieved in FY18
- One A Apartments: 6 sales remaining. Construction well advanced and settlements anticipating to commence in June 2018 with substantive settlements achieved in FY18



	FY18 Ivy Apts (Merivale 1)	FY18 Eve Apts (Merivale 2)	FY18 One A Apts (Erskineville)	FY18 Ashfield Central (Ashfield)	FY19 Hawthorn	FY20 Mina Parade	FY21 Spencer West
Units	252	224	175	101	24	340	210
Sold	246	218	169	101	17	0	0
Settled	164	54	0	0	0	0	0
% of FIRB Sales	45.7%	59.3%	21.3%	21.0%	8.4%	0	0


The Eminence, Carlton, Melbourne VIC

It's all about the property
Residential pipeline – land approvals

$241 million of capital invested largely across 12 residential land projects actively progressing through the local and state government approvals process

100% exposure to the Sydney metropolitan market

- Majority of our development sites are in areas in Sydney where there is forecast to be strong growth in the medium to long term
- Parramatta, Marsden Park, Kellyville, Bankstown and Liverpool

On 12 February, Parramatta City Council voted in favour of our planning proposal of 5.3:1 floor space ratio

- Council will now forward our planning proposal to the Department of Planning and Environment (DP&E) to take carriage of the proposal to finalise rezoning
- The DP&E recently released its Draft Camellia Town Centre Master Plan[1] endorsing residential on our site
- Negotiations with DP&E will finalise density on site

Partner has progressed DA with council on Riverlands project

- Negotiating with council on lot sizes with expectation of c.422 lots of varying sizes
- Expected gross realisations remain

Potential layout for Stage 1 of Riverlands residential development

1. http://planspolicies.planning.nsw.gov.au/index.pl?action=view_job&job_id=9087

Summary

Artist's impression of Ashfield Central residential development, Sydney NSW

Summary – strong value proposition


Artist's impression of residential development Hawthorn, VIC


Greensborough self-storage facility, Melbourne VIC


Oasis Shopping Centre, Broadbeach QLD

The strength of the business is underpinned by our investment philosophy and our commitment to acquiring assets that will yield rental income and superior capital value growth through our active management over time

- Diversity of income sources is the key to long term sustainable results

Strong first half results

- Results reflects diversity of individual business units
- Bringing together of results across each sector

FY18 outlook remains positive

- Confident about long term value proposition
- Focused on ensuring that H218 deliverables will be achieved
- Recent acquisitions will enhance groups recurring earnings in H218
- Value capture in Camellia site now validated by recent council endorsement
- Liquidity levels remain robust for further acquisitions of investment assets
- Enhancing third party relationships through opportunities to share in 'city fringe' office and/or 'super convenience' retail strategy

Irrespective of the timing or quantum of Camellia or other major land bank projects, our H218 result will be at least comparable with our H118 result

- FY18 DPS target of 18.0c per security maintained

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