ASX release



18 August 2020

## **Abacus Property Group FY20 Results**

Abacus Property Group (ASX:ABP) (Abacus) today announced its results for the full year ended 30 June 2020.

Over the course of FY20, Abacus has successfully deployed \$820 million<sup>1</sup> of capital into our key sectors of Office and Self Storage.

This was achieved through a series of acquisitions and joint ventures, with most being identified opportunities outlined at the institutional placement in July 2019.

## Deployment of \$820 million<sup>2</sup> of capital, included the following notable transactions:

- 99 Walker Street, North Sydney NSW acquired in November 2019 for \$311 million<sup>2</sup>
- 201 Elizabeth Street, Sydney NSW acquisition of a 32% interest for \$202 million<sup>2,3</sup> with a Charter Hall lead consortium
- Church Street, Richmond VIC progressed development with estimated end value of \$230 million in co-ownership with Salta Properties
- Self Storage \$190 million<sup>4</sup> of acquisitions and an additional \$117 million investment into a listed Self Storage AREIT at attractive pricing

In addition, Abacus has undertaken several transactions to reduce exposure to its non-core legacy investments, particularly in the Residential Land and Mortgages sector.

#### Non-core capital recycling of approximately \$200 million

- Residential/Land & Mortgages: Over \$150 million of non-core legacy investments sold or refinanced
- Retail: Settlement of Liverpool Plaza for \$46 million

In aggregate, these transactions have resulted in the successful transformation of the balance sheet, with 87% of total assets<sup>5</sup> now deployed in our key sectors of Office and Self Storage.

<sup>&</sup>lt;sup>1</sup> Includes investments exchanged but not settled during FY20

<sup>&</sup>lt;sup>2</sup> Excluding transaction costs

<sup>&</sup>lt;sup>3</sup> Final tranche \$50.4 million expected to settle on 20 August 2020

<sup>&</sup>lt;sup>4</sup> Includes \$49 million of investments exchanged but not settled during FY20

<sup>&</sup>lt;sup>5</sup> Excludes investments in cash and other assets



Abacus' Managing Director, Steven Sewell, commented "Following a pivotal year of capital deployment into our key sectors of Office and Self Storage, Abacus is positioned as a strong asset backed, annuity style investment house focused on the ownership and management of our assets. A combination of established and new collaborative joint ventures has created enduring investment opportunities and facilitated our capital recycling program."

"The emphasis of the Group is now on sustainable, active asset and development management of our investments. The calibre and dedication of our people, together with our market insight and repositioning capability are the key enablers of our strategy, seen as underpinning this result for the full year ended 30 June 2020, and over the long term."

"With continued emphasis and focus on collaboration with our asset and operating partners we strive to provide safe and secure environments for our people and customers given the evolving COVID-19 situation."

#### Financial results

- Group statutory profit of \$84.7 million in FY20, down 58.2% from \$202.7 million in FY19
- Abacus Funds from Operations (FFO) of \$124.6 million, down 3.6% from \$129.2 million in FY19
- FFO per security of 19.38 cents, down 13% from 22.28 cents in FY19
- Distribution per security (DPS) of 18.50 cents, flat on FY19
- Distribution payout ratio was 95% of FFO
- Gearing at 26.5%, up 240 basis points on FY19
- Net tangible assets<sup>6</sup> (NTA) per stapled security of \$3.32, down 0.3% on FY19

## COVID-19 response

In light of the COVID-19 pandemic, the focus for the team at Abacus has been 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.

We continue to navigate this evolving situation in collaboration with our asset and operating partners and customers. Abacus has not received any funds from the Australian Government's JobKeeper scheme.

## Office and Self Storage operating performance solid, especially in COVID-19 context

#### Commercial portfolio

- \$70.2 million FFO contribution, from owned Commercial portfolio valued at \$1.7 billion.
- Active leasing and asset management strategies delivered like for like Office rental growth of 2.3%. Fourth quarter rent collection was impacted by COVID-19. The Office portfolio was resilient with 90% of Q4 rents collected and \$1.7 million of waivers provided, and Retail also impacted with 49% of Q4 rents collected and \$0.7 million of waivers provided.
- Portfolio additions made during FY20 have enhanced portfolio quality and are expected to underpin long term stability of income.

## Self Storage portfolio

- \$60.2 million FFO contribution, from Self Storage portfolio valued at \$1.2 billion, with the number of stores expanded to 81.
- Despite being impacted by the COVID-19 pandemic, RevPAM was flat across the Self Storage established<sup>7</sup> portfolio over FY20, driven by quality of locations and operating platform strength.
- Strong passing yield of 6.2% on established portfolio valued at \$742 million.
- Multi-pronged growth strategy with over \$300 million of acquisitions<sup>8</sup>, including a strategic investment in a listed Self Storage AREIT at attractive pricing.

<sup>&</sup>lt;sup>6</sup> Includes right-of-use property assets and lease liabilities of \$2.3 million

<sup>&</sup>lt;sup>7</sup> Established portfolio - 57 facilities traded since FY17

<sup>8</sup> Includes \$49 million of investments exchanged but not settled during FY20



## **Property valuations**

Independent valuations were conducted over 54% of Commercial investment properties and 62% of Self Storage facilities during the year. The revaluation process for Abacus resulted in a net decrease in investment property values of \$41 million. The Self Storage portfolio recorded a gain of \$28 million or 2.8%, while the Commercial portfolio recorded a loss of \$69 million or 4.1%.

## Financial and capital management

Abacus' deployment of \$820 million of capital into our key sectors of Office and Self Storage during FY20 was funded via completion of a \$250 million institutional placement (July 2019), divestment of non-core assets and debt. Post balance date we increased our bank facility limit by \$247 million on terms below the current weighted average cost of debt.

Commenting on the Group's financial metrics, Abacus' Chief Financial Officer, Rob Baulderstone, noted "Over the course of FY20, Abacus has maintained a strong Balance Sheet with healthy levels of liquidity and gearing currently below our target gearing level."

## Non-core and legacy investments 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.

Our 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 over the medium to long term.

### Sustainability focus embedded in our business operations

Sustainable practices and enhancements continue to be embedded into how we conduct business at Abacus. As part of our strategic repositioning, Abacus has made a considerable reinvestment in people, culture, processes, and systems. We actively explored improvements throughout FY20 and continue to implement a range of initiatives including: COVIDsafe work practices, ongoing solar feasibility assessments, evolution@abacus, process improvement and financial system upgrades, flexible working for all roles, promotion of Abacus' values and the promotion of diversity and inclusion in our work practices.

The Abacus Board refresh is 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.

## **Summary and Outlook**

Following the successful execution of a strategic repositioning, Abacus is now a strong asset backed, owner and manager with a focus on the Office and Self Storage sectors.

Abacus' Managing Director, Steven Sewell commented; "Acknowledging the uncertainty caused by the COVID-19 pandemic, Abacus remains positive on its 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."

"With 87% of total assets<sup>10</sup> 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."

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

<sup>&</sup>lt;sup>9</sup> Excluding acquisition costs, the loss was 2.7%

<sup>&</sup>lt;sup>10</sup> Excludes investments in cash and other assets



# Market briefing

Abacus will conduct a market briefing on Tuesday 18 August 2020 at 10:00am (AEST). Access will be via webcast or teleconference.

Briefing details:

Webcast: https://services.choruscall.com.au/webcast/abacus-200818.html

### **INVESTOR & MEDIA ENQUIRIES**

Cynthia Rouse
Head of Investor

Head of Investor Relations and Corporate Communications (+61) 2 9253 8600 abacusproperty.com.au