
ASX ANNOUNCEMENT

Abacus Property Group 2016 Half Year Results

Results highlights

- The Group's¹ consolidated AIFRS statutory profit increased 21% to \$75.5 million from \$62.2 million in HY15
- Abacus underlying profit² was \$57.1 million and compares favourably to HY15 underlying profit of \$69.1 million (given that included the gain of \$20.8 million on the sale of Birkenhead Point)
- Abacus underlying earnings² per security 10.3 cents
- Abacus HY16 distribution of 8.5 cents
- Distribution per security sourced 100% from recurring earnings
- Net tangible assets (*NTA*) of \$2.54 per security, up 2.0%
- Gearing conservative at 25.1%
- Added over \$50 million of storage assets
- Further \$64 million invested in residential development projects
- Entered into a \$275 million residential development joint venture project with City Developments Limited (*CDL*), a listed Singaporean residential developer
- Like for like rent growth from the commercial portfolio of over 3.0% for the period
- RevPAM³ growth from the storage portfolio of 3.2% for the period

Abacus Managing Director, Dr Frank Wolf, commented "The business is performing and we have delivered a good result in HY16. The benefits of our multi-platform business have been illustrated with strong contribution from our property ventures business. We have invested selectively across our residential development platform, utilising available capital in sectors offering the best risk adjusted returns. This has increased the contribution to underlying profit from property ventures while profits on sale transactions reduced over the

¹ The Group consists of the merged Abacus Property Group, Abacus Hospitality Fund, Abacus Wodonga Land Fund and ADIF II

² Underlying profit and earnings per security are non-AIFRS measures that the Group uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles.

³ RevPAM: Revenue per available square metre. This metric excludes assets in lease up and assumes a steady FX rate of \$1.0667.

period. Pleasingly we added to our third party capital platform with our residential development joint venture with CDL. We are very happy to welcome CDL as an investment partner.”

Segment review

Property

- 93 properties valued at \$1.49 billion
- Revaluation gains of \$48.6 million across the portfolio

Commercial portfolio

- \$27.9 million underlying EBITDA contribution
- 34 commercial properties valued at \$976 million
- Portfolio capitalisation rate: 7.8%
- Occupancy⁴: 93.5%
- Like for like rental growth of 3.0%⁴
- Weighted average lease expiry (*WALE*) profile of 4.1 years⁴.

Abacus has achieved a strong improvement in its like for like rent growth across the commercial portfolio of 3.0% for the six months to 31 December 2015. This was driven by strong leasing successes, in particular at Ashfield Mall in Sydney, Bacchus Marsh Village Shopping Centre in VIC and 14 Martin Place also in Sydney. The commercial portfolio maintained occupancy at 93.5% and WALE at 4.1 years.

We continued to remix the portfolio with the sale of 4 small assets totalling \$21 million. Continuing our shift to larger assets, we settled on our purchases in late 2015 of Lutwyche City, Brisbane and 201 Pacific Highway, St Leonards. These new assets grew the portfolio from \$848 million in June 2015 to over \$976 million in December 2015 and will contribute a full period of revenue and grow net rental income for the six months to 30 June 2016.

Our development pipeline throughout the commercial portfolio has a number of projects that we anticipate completing over the coming years that we believe will be strongly accretive.

Storage portfolio

- \$15.9 million underlying EBITDA contribution
- 59 storage assets valued at \$514 million
- Portfolio capitalisation rate: 8.6%
- Occupancy⁴: 87.3%
- Average rental pa⁴: \$259 per m²
- RevPAM⁴: up 3.2% to \$226 per m²

Business trading across the portfolio continues to improve, delivering rental growth of 10.8% for the period over the prior corresponding period. This was largely driven by recent portfolio additions and an increase across the stabilised portfolio⁴ in occupancy to 87.3% and the average rent to \$259 per m². These lead to a

⁴ Excluding development assets or assets in lease up.

very strong improvement in revenue per available square metre (RevPAM), which indicates the productivity of the portfolio. RevPAM grew 3.2% to \$226 over the six month period to 31 December 2015.

We continue to add to the portfolio through acquisition, adding 5 new assets for \$42.6 million and a further 7.0% of net lettable area (NLA).

Importantly we have a small portfolio of development assets that are in various stages of conversion or lease up. These assets will add an additional 21,200m² of NLA over the next two years. This should add a minimum of \$24 million of capital value.

Property Ventures

The Property Ventures division generated strong growth in underlying EBITDA, more than doubling to \$30.8 million for the period. This was driven by increases in finance income consistent with the increase in invested capital across the platform. Abacus also enjoyed strong gains of \$9 million from development projects. We have invested a further \$64 million into new and existing projects providing Abacus total assets of \$449 million in property venture investments.

We continue to work with all stakeholders to ensure the expeditious delivery of rezoning approvals, including projects in Camellia and Campsie both in Sydney NSW.

Regretfully, we were required to take an impairment of \$40.6 million to our Muswellbrook residential subdivision in regional NSW. Muswellbrook is heavily dependent upon the resource sector, which has suffered significantly over the last 12 months. The outlook for future lot sales is greatly reduced, particularly following the recent decisions to close mines in the area. The impairment is a result of characteristics specific to the area and is not expected to impact any of Abacus' other residential developments.

Finally, our residential development joint venture with CDL will build a \$275 million, two towers, 472 unit building in South Brisbane QLD. Abacus and CDL will jointly provide the majority of equity funding via a preferred equity interest of approximately \$30 million each. The project has achieved strong pre-sales across both towers of 380 units and early works has begun. Senior debt funding has been approved and early works have commenced with completion anticipated in 2018.

Funds Management

The funds management business generated an underlying EBITDA result of \$5.6 million for the period. Abacus has \$161 million⁵ of capital invested across the platform. Abacus continues to manage these unlisted funds to optimise the returns. ADIF II sold two assets during the period with proceeds used to repay debt. AHF's remaining three hotels continue to see improved market conditions overall and recorded higher profits for the period.

Outlook

We have had a good start to the financial year. We have delivered a strong underlying profit. A strong contribution from the property ventures platform illustrates the benefits of our multi-business model at this time in the cycle.

Our strong and conservatively geared balance sheet delivered growth in net tangible assets of 2.0%. Investments during the period utilised the balance sheet's available capital in higher returning investment and development opportunities that should deliver further NTA gains over time.

⁵ Includes \$11.5 million relating to an associate's equity accounted holdings in ADIF II and AHF

Our third party capital platform continues to grow and a strong development pipeline across the investment portfolio and property venture platforms has potential to deliver significant value creation.

Lastly, we have a world class portfolio of storage assets that continues to deliver consistent, above sector returns. The portfolio is well diversified in core markets across Australia and New Zealand with great potential to improve returns and strengthen the portfolio.

Abacus is targeting a distribution of 17.0 cps for FY16.

Further information

Further information on Abacus' half year results and an update on current operations are provided in the financial report and investor presentation.

18 February 2016

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