



Abacus Group Holdings Limited  
ACN 080 604 619  
Abacus Group Projects Limited  
ACN 104 066 104  
Abacus Funds Management Limited  
ACN 007 415 590  
Abacus Property Services Pty Limited  
ACN 050 739 001  
Abacus Storage Funds Management Limited  
ACN 109 324 834  
Abacus Storage Operations Limited  
ACN 112 457 075

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## ASX ANNOUNCEMENT

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### Abacus Property Group 2014 Full Year Results

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#### Results highlights

- The Group's consolidated AIFRS statutory profit is \$108.3 million up from \$61.1 million in FY13
- Abacus underlying profit<sup>1</sup> \$101.3 million, up 21%
- Abacus underlying earnings per security 20.8 cents, up 11%
- Abacus FY14 distribution increased to 16.75 cents per security
- Distribution per security sourced from 100% recurring earnings per security
- Net tangible assets (*NTA*) of \$2.38 per security, up 2.6%
- Gearing of 23.4%
- \$96 million raised through an institutional placement and SPP during the year
- Renewed \$720 million of bank loan facilities during the year
- Capital management initiatives provides \$294 million of acquisition capacity
- Commercial portfolio occupancy rises to 94.6%
- Commercial portfolio rent growth<sup>2</sup> of 4.5%

Abacus Managing Director, Dr Frank Wolf, commented: "FY14 has been another successful year at Abacus with all business sectors contributing to a great result. Growth in earnings across our commercial and storage assets and development projects have helped deliver 11% improvement to underlying earnings per security. We're pleased we have been able to increase distributions to our securityholders as a result".

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<sup>1</sup> 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.

<sup>2</sup> Like for like properties excluding those assets classified as development

## Capital management

The Abacus balance sheet continues to be strong with gearing remaining low at 23%, well within our target gearing limit of 35%. At 30 June 2014, Abacus had \$178 million of available liquidity that provides capacity for use for up to \$294 million of accretive acquisitions.

The Group completed an institutional placement in November 2013 and a security purchase plan in April 2014 and raised a total of \$96 million providing important growth capital for acquisitions and projects.

Abacus refinanced its \$480 million syndicated and working capital loan facilities into a single \$480 million syndicated loan facility with improved duration, terms and costs in June 2014. The loan facility has been spread over four tranches of varying size and maturities, with the Group accessing its first 6 year loan facility. The facility provides a better spread and diversification of tranche maturities, reduced concentration risk and makes the loan facility easier to manage over time. The average all in cost saving across the new facility is approximately 42bp pa. During the year, Abacus also renewed the \$200 million storage loan facility to October 2018 and a \$40 million bilateral loan facility to July 2019. There are no debt expiries in 2015 and our average debt term to maturity is over 4.6 years.

Mr Rob Baulderstone, Abacus Chief Financial Officer, noted "Our balance sheet continues to maintain good levels of liquidity and gearing, providing substantial ability to add to our investment portfolio and project pipeline through acquisitions in the coming year. We are pleased with the improvements to our recently renewed bank loan facilities that provide, extended term maturities, flexibility and cost improvements".

## Segment review

### Property

- 94 investment properties valued at \$1.32 billion
- Revaluation gains of \$22.1 million across the portfolio
- \$113 million of property acquisitions with \$114 million of sales during the period

### Commercial portfolio

- \$84.4 million underlying EBITDA contribution
- 43 commercial properties valued at \$909 million
- Portfolio capitalisation rate<sup>3</sup>: 8.2%
- Occupancy<sup>3</sup>: 94.6%
- Like for like rental growth of 4.5%<sup>3</sup>
- Weighted average lease expiry (*WALE*) profile of 3.9 years<sup>3</sup>.

Despite the uncertain economic environment and the pressure on retail and office rentals the Group's asset managers have achieved improved metrics across the commercial portfolio with occupancy up to 94.6% from 92.8% and like for like rental growth of 4.5% up from 3.4% 12 months ago. The Abacus portfolio offers embedded long term capital and earnings growth that Abacus is focused on delivering through the property cycle. Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions.

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<sup>3</sup> Excluding development assets.

While the office leasing environment remains weak, we believe Abacus' portfolio is well suited to these challenging conditions. The office portfolio has limited exposure to full floor or multi-floor tenants, and is configured more for multi-tenanted floors. Our tenants are also strongly connected to the property's location which is traditionally the reason they initially leased the property and results in a positive predisposition to remain. Due to the multi-tenanted floor structure we also have the ability to work proactively with our tenants to contract or expand and adjust their space requirements.

Our retail portfolio is largely based around properties that are the dominant trader in the respective trade areas. They are heavily centred on non-discretionary and convenience based shopping and trade well in their respective markets. They continue to deliver strong like for like rental growth on the back of above market MAT growth.

Our industrial portfolio is largely focused on assets with strong yields on sites that offer alternative strategic value.

### Storage portfolio

- \$26.7 million underlying EBITDA contribution
- 51 storage facilities valued at \$415 million
- Portfolio capitalisation rate: 8.8%
- Occupancy: 85.0%
- Average rental pa: \$250 per m<sup>2</sup>
- Revenue per available m<sup>2</sup>: up 4.7% to \$213 pa

The portfolio delivered improved operating performance in both Australia and New Zealand markets despite the soft economic and retail activity. The key driver was increased revenue from improved portfolio occupancy. This is evident with average portfolio occupancy across the financial year at 85.0%, up from 81.8% (FY13 average). This improvement in portfolio utilisation was despite the inclusion of additional area being developed at Riccarton (NZ) and stage one of the Castle Hill facility in May, both in let up phase post project completion. The average portfolio rental yield across the year was largely consistent year on year at \$250 per m<sup>2</sup> average for FY14, up from \$248 per m<sup>2</sup> (FY13 average).

Acquisition activity during the period also increased portfolio revenue, namely through the settlement of two acquisitions with existing storage operations or industrial tenants in place (Kingston, QLD and Rouse Hill, NSW). Other acquisitions during the period were mostly assets with future storage conversion potential. These opportunities are currently being advanced and at various stages of development from the planning approval stage to construction.

### Property Ventures

The Property Ventures division generated a strong and consistent underlying EBITDA of \$26.8 million for the year, a 0.4% increase to FY13 result of \$26.6 million. The Bay Street residential and retail development in Brighton, VIC completed during the year and generated a total profit to the Group of over \$10 million. Anticipating the completion of Bay Street project, Abacus initiated a number of new residential development projects during the year to maintain the pipeline of projects. Abacus has total assets of \$309 million in property venture projects which includes \$12 million of minority investments.

## Funds Management

The funds management business generated an underlying EBITDA result of \$15.3 million for the year providing a return of 9.0% on total funds invested across the platform of \$169 million<sup>4</sup>. This result was slightly below the FY13 result of \$16.6 million, which is consistent with a reduction of fee and interest income by virtue of a reduction in assets under management. Abacus continues to manage these unlisted funds to try to optimise the returns with selective sales of assets where opportunity and market conditions allow. In line with this strategy, Abacus sold six assets from ADIF II marginally above carrying value for \$60.8 million in June 2014.

## Outlook

Abacus has delivered another strong result with underlying earnings growth of 21%. Pleasingly we have delivered growth in underlying earnings per security that corrects a slight dip in FY13 and delivers growth of 11% on last year. Despite an active year, we continue to maintain the quantum of assets on the balance sheet while improving the quality. The balance sheet remains strong with significant acquisition capacity which we believe will be utilised over the near term.

Our focus in FY15 remains the sourcing of assets and the delivery of core plus activities across our asset base and residential development projects to maintain our current growth trajectory. We have had a successful start to the year so far with the joint venture acquisition of an interest in The World Trade Centre in Melbourne with global investment firm KKR. Our growth strategies will continue to utilise our third party capital relationships as opportunities arise.

Frank Wolf said: "The business is strong and we will stay true to our core plus active strategy despite the inconsistencies in the market. We are committed to delivering consistent and growing total returns to securityholders. We are confident we will continue to source strong core plus assets and projects to replace those that have and will be realised in the future".

## Further information

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

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28 August 2014

Ellis Varejes  
Company Secretary

Neil Summerfield  
Head of Investor Relations  
(02) 9253 8600

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<sup>4</sup> Includes \$11.2 relating to an associate's equity accounted holdings in ADIF II and AHF