
ASX ANNOUNCEMENT

Abacus Property Group 2015 Full Year Results

Results highlights

- The Group's consolidated AIFRS statutory profit is \$133.5 million up 23.3% from \$108.3 million in FY14
- Abacus underlying profit¹ \$128.3 million, up 26.7%
- Abacus underlying earnings¹ per security 24.5 cents, up 17.5%
- Abacus FY15 distribution per security increased to 17.0 cents
- Strong cashflow from operations for Abacus of \$122.2 million
- Net tangible assets (*NTA*) of \$2.49 per security, up 4.6%
- Gearing reduced to 18.2%
- Abacus sold assets totalling \$751 million in value and sourced acquisitions totalling \$633 million in value
- Cemented our credentials as a partner for global investment firms as we expanded third party capital platform
- Increased investment into residential developments during the year as they are offering strong risk adjusted returns at this point in the cycle
- Completed a non-renounceable entitlement offer raising a total of \$107 million

Abacus Managing Director, Dr Frank Wolf, commented "FY15 has been another good year for Abacus with strong contributions from all of Abacus' business sectors providing further increases to underlying profit and earnings per security. The success from recent sales transactions across our investment and development portfolios and another strong contribution from our storage portfolio have driven the results compared to the prior corresponding period."

¹ 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.

Capital management

The Abacus balance sheet was in a strong capital position at balance date with gearing at low levels of 18% as a result of recent sales and the March 2015 capital raising. At 30 June 2015, Abacus had \$207 million of available liquidity that provides capacity for future acquisitions and capital commitments. Abacus has committed capital to new acquisitions and projects in FY16 totalling \$112 million including recently announced acquisition of a 50% interest in 201 Pacific Highway, St Leonards, NSW for \$57.5 million.

The Group completed a non-renounceable entitlement offer to securityholders in March 2015 raising a total of \$107 million providing important growth capital and helping settle the acquisition of Oasis Shopping Centre in Broadbeach QLD at that time.

During the year, Abacus extended its bank loan facilities including its \$480 million syndicated facility by a further year to maintain it as a 6 year loan facility. Abacus also increased its storage loan facility to \$250 million and extended it to 2020. Abacus has no debt expiring in FY2016.

Mr Rob Baulderstone, Abacus Chief Financial Officer, noted "Our balance sheet continues to maintain good levels of liquidity and gearing, primed for opportunities to add to our investment portfolio and project pipeline in the 2016 financial year. We continue to improve and reweight the balance sheet to larger, higher quality assets with a focus on disciplined capital management strategies".

Segment review

Property

- 91 properties valued at \$1.3 billion
- Revaluation gains of \$29.4 million across the portfolio
- Shift in portfolio weightings and metrics as a result of transactional activity
 - Increase to office and storage portfolios
 - Reduction in the retail portfolio following the sale of Birkenhead Point

Commercial portfolio

- \$103.8 million underlying EBITDA contribution
- 37 commercial properties valued at \$848 million
- Portfolio capitalisation rate: 7.7%
- Occupancy²: 93.4%
- Like for like rental growth of 2.2%²
- Weighted average lease expiry (*WALE*) profile of 4.1 years².

The sale of investment assets throughout the year and the difficult leasing environment across the office sector impacted on the portfolio's metrics across the commercial portfolio with occupancy down to 93.4% from 94.6% and like for like rental growth of 2.2% down from 4.5%, 12 months ago. The portfolio offers embedded capital and earnings growth that Abacus is focused on delivering through this property cycle. Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions.

² Excluding development assets.

Abacus' third party capital joint ventures remain an integral strategic investment platform for the Group. Abacus expanded the platform further during the year with a number of new joint ventures with new investment partners. Since 2009, Abacus has acquired over \$1 billion of assets in partnership with third party capital. The third party capital business allows Abacus to leverage its capital and expertise across a larger number of properties.

A number of assets held in joint venture with our capital partners reached maturity during the year and were sold successfully for a total of \$248 million, delivering an aggregate equity IRR of 27.2% for Abacus securityholders. These results illustrate the strength of Abacus investment analysis and asset management skills.

Storage portfolio

- \$28.3 million underlying EBITDA contribution
- 54 storage facilities valued at \$457 million
- Portfolio capitalisation rate: 8.6%
- Occupancy: 84.9%
- Average rental pa: \$250 per m²
- Revenue per available m²: up 1.0% to \$212

Business trading across the portfolio improved, delivering EBITDA growth of 6.2% for the 12 months to 30 June 2015 over the prior corresponding period. This increase was largely driven by stabilised asset acquisitions and strong trading across the core portfolio.

The addition of recently acquired industrial sites for conversion to storage facilities has slowed growth in the portfolio's operating metrics while they undergo let up. Despite the addition of the new facilities, the portfolio's metrics were maintained in portfolio occupancy across the financial year at 84.9%, down slightly from 85.0% (FY14 average) and average portfolio rental yield at \$250 per m² average, matching the \$250 per m² in FY14.

The storage portfolio's stabilised assets continue to deliver improved operating performances across Australian and New Zealand markets and continue to be the key contributor to underlying growth across the portfolio. Adjusting the portfolio to remove the four converted facilities currently in let up mode (Castle Hill, Wodonga, Thornleigh and St Peters), portfolio occupancy grew to 86.0% from 85.0% and average rental rate increased to \$258m² from \$250m². This improved portfolio RevPAM³ (revenue per available square metre) across the stabilised portfolio to \$216m², a 1.4% increase from last year of \$213m². The fall in the New Zealand dollar during the year also negatively impacted the improvement in the NZ assets.

Property Ventures

The Property Ventures division continues to generate strong and consistent returns. The business delivered \$26.7 million underlying EBITDA contribution, a result in line with FY14. Abacus has total assets of \$419 million in property venture projects, an increase of \$110 million due to investment in new and existing projects. The low interest rate environment suggests the positive environment will continue into FY16/17.

During the year the Group added to its pipeline with a number of new projects which included:

- Erskineville, NSW (current investment \$15.6 million) – Proposal to redevelop an existing industrial site to accommodate approximately 172 residential apartments in an exciting inner city urban renewal precinct 5km South-West from the Sydney CBD. The project is a 50/50 joint

³ RevPAM measures the profitability and efficiency of the portfolio.

venture. The development application was lodged in June 2015 and the intention is to start the sales campaign mid to late August 2015. Completion is anticipated at the end of FY17.

- Campsie, NSW (\$21.8 million) – The Campsie project incorporates two adjacent development sites on Canterbury Road in Campsie NSW. Two sites under separate development applications for a total of up to 400 residential units and 16 retail shops. Abacus is entitled to receive 50% of the project's profits.

Funds Management

In line with a reduction in assets under management, the funds management business generated an underlying EBITDA result of \$8.5 million for the period. Abacus has \$153 million⁴ of funds invested across the platform. Abacus continues to manage these unlisted funds to try to optimise the returns with selective sales and acquisitions of assets where opportunities and market conditions allow. In line with this strategy, ADIF II acquired a 50% interest in an Adelaide CBD office asset for \$74 million while AHF successfully exited the Christchurch market selling the Chateau on the Park Hotel for NZ\$35 million during the year.

Outlook

Abacus has delivered another strong result with underlying earnings up 27% and earnings per security up 17%. This adds to last year's strong result that saw underlying earnings up 21% and underlying earnings per security up 11%. The year was again characterised with strong transactional activity, taking advantage of market conditions and remixing the portfolio to provide new opportunities. These opportunities we expect will crystallise strong capital returns, similar to those that helped grow our earnings in FY15. Recurring earnings are anticipated to increase over the coming year as our recent investments add to returns and we utilise our current surplus capital capacity for new opportunities.

The balance sheet remains strong with significant acquisition capacity which we believe will be utilised over the near term. At 30 June 2015, Abacus held sufficient acquisition capacity to acquire a further \$350 million of properties directly on the balance sheet.

Our focus in FY16 remains on the sourcing of opportunities and the delivery of core plus strategies across our asset base and residential development projects to maintain our current growth trajectory. Our growth strategies will continue to utilise third party capital relationships as opportunities arise.

Dr Frank Wolf said "We have delivered another strong result for FY15. The business is strong and the outlook is healthy. We have a suite of assets and projects that can continue to deliver these strong results to securityholders. We continue to remain active in the market despite the strong asset pricing and challenges across leasing markets. Our residential development opportunities should deliver strong risk adjusted returns over the coming years."

⁴ Includes \$12.1 million relating to an associate's equity accounted holdings in ADIF II and AHF

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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About Abacus

Abacus Property Group is a diversified property group that specialises in investing in core plus property opportunities across Australia's commercial property markets. Abacus was established in 1996 and listed on the ASX in November 2002. Abacus has achieved a successful track record of acquiring property based assets and actively managing those assets to enhance income and capital growth. Abacus has a market capitalisation of over \$1.6bn.