

ASX RELEASE

27 FEBRUARY 2024

ABACUS GROUP DELIVERS ON CREATION OF SELF STORAGE REIT GROUP NOW POSITIONED AS LOWLY GEARED COMMERCIAL REIT

Solid Commercial HY24 result with resilient occupancy and WALE and low capital expenditure near term

Abacus Group (ASX:ABG) ('Abacus' or 'the Group') today announced its results for the half year ended 31 December 2023, delivering HY24 FFO of \$40.1 million (4.5 cents per security), with FFO from continuing operations up 4.0% and a statutory net loss of \$143.6 million, impacted by property revaluations.

During the half year, most notably, Abacus successfully de-stapled its Self Storage segment, taking effect on 3 August 2023¹, into the standalone Self Storage REIT, Abacus Storage King (ASX:ASK) ('ASK').

Post de-staple, Abacus is the manager of the ASK REIT and following the transaction also remains invested with a strategic stake of 19.8% of ASK. This strategic stake is enshrined on the Abacus balance sheet as its largest asset and source of income, both through distributions received and from the fees it earns providing management services to ASK.

As a standalone entity, the Group has a more focused portfolio of Commercial assets and is well positioned to drive income growth over the short to medium term. Abacus has limited capital expenditure forecast in the near term, with major capital projects completed in recent periods, positioning the portfolio for growth. Looking forward, we expect these investments to contribute positively to FFO as leasing up is achieved.

During the period, Abacus exchanged unconditional contracts to dispose of two assets (100% interest in 63 Ann Street, Surry Hills NSW and the remaining 50% interest in Ashfield Mall, Ashfield NSW) for net consideration of approximately \$107 million, at a 4.5% discount to 30 June 2023 carrying values.

Key financial metrics as at 31 December 2023

EARNINGS	HY24	BALANCE SHEET	DEC-23
Group statutory profit/(loss)	(\$143.6m)	Gearing	31.6%
FFO per security	4.49cps	Total assets	\$2.8bn
Distribution per security	4.25cps	Net tangible assets (NTA)	\$1.92ps

¹ ASK listed on the ASX 1 August 2023 conditional upon the de-stapling from Abacus Group which was implemented on 3 August 2023.

Solid Commercial operating performance, with income growth potential and limited capex

The Commercial portfolio (21 assets as at 31 December 2023) supported Group FFO² growth of 4% when compared to HY23, to \$38.9 million. This solid result reflects the resilience in our occupancy and income growth levels, supported by our diversified lease profile with a Commercial WALE of 4.3 years (flat on FY23). Key attributes of our portfolio are summarised below.

- a \$1.6 billion Office portfolio of 15 assets diversified across several key portfolio attributes including; market, asset grade, asset life cycle, customer industry and customer profile.
- a \$0.7 billion Retail and Other portfolio including two non-discretionary, grocery anchored shopping centres and two further centres underpinned by mixed use fundamentals.

	OFFICE		RETAIL	
	DEC-23	JUN-23	DEC-23	JUN-23
Occupancy	92.6%	95.0%	94.5%	95.2%
WALE (years)	3.8	3.7	5.5	5.8
WACR	5.95%	5.59%	6.36%	6.16%

The Commercial real estate sector shows signs of stabilisation as interest rate volatility eases, and the Group's high quality Commercial portfolio has remained resilient with strong occupancy and rental growth. Abacus' HY24 results have demonstrated the income growth potential from the portfolio, with the combination of A-grade buildings in prime locations affording above market rent growth. Additionally, the Group is weighted to small and medium enterprise customers (63% of total Office customers) reducing our exposure to large lease agreements. Leasing momentum remained positive during the half, with 53 Office leasing agreements completed (new and renewals), at 12.5% leasing spreads. Average Retail rent reviews were also strong, up 5.4%, driven by over 40% of the portfolio being linked to CPI reviews.

The Group's 19.8% ownership of ASK also performed well in HY24 with ASK delivering FFO of \$37.6 million (3.0cps) driven by strong RevPAM growth of 4.8% compared to HY23. Other ASK operational highlights include \$161 million of acquisitions and delivery of 11,000 sqm of development NLA to the portfolio. Abacus continues to view the Self Storage sector favourably and is positioned to benefit from ASK's various growth initiatives moving forward. The equity returns from Abacus' investment in ASK was \$7.4 million during the half and the fees earned from managing ASK contributed a further \$7.1 million.

Abacus balance sheet strong with solid asset backing and liquidity

The HY24 revaluation process saw an expansion of Office cap rates by 36 basis points to 5.95%, and the Retail portfolio cap rate expanded by 20 basis points to 6.36%. As a result, the overall carrying value of the Group's investment properties reduced in value by \$139 million or 6.4%. Our HY24 net tangible assets per security was \$1.92 with the investment in ASK representing 29 cents³ (or 15%) of total net tangible assets.

² FFO from continuing operations.

³ Tangible liabilities allocated proportionately to segment value for NTA calculation.



Following the de-staple, Abacus Group is in a solid capital position with negligible near term capital requirements and minimal debt expiry until FY27, with gearing at the end of HY24 of 31.6%, forecast to reduce to 30.2%⁴ following the settlement of the asset sales contracted. The average cost of debt in FY24 for Abacus Group is forecast to be 4.5%, with 76% of drawn debt currently hedged.

Abacus Group's Chief Financial Officer, Evan Goodridge commented "During the period, Abacus diversified its income streams and continued to direct the Group's capital towards assets delivering the best risk adjusted returns in the near term. During the half it was pleasing to be able to extend the Group's bank debt and increase its limit by \$125 million to \$1.2 billion."

Ongoing sustainability focus

Sustainable practices and enhancements continue to be embedded into how we conduct business, consistent with our ambition for continuous improvement in all of our ESG settings, standards and activities. Following our recently brought forward commitment to achieve Net Zero scope 1 & 2 emissions⁵ by 2030 from 2050 previously, the Group is pleased to report a 39% reduction in Scope 1 and 2 GHG emissions intensity compared to our FY19 baseline. This organisation wide commitment will better position the Group's ESG credentials and meet the increasing expectations of investors and customers.

Summary and outlook

Abacus Group remains well positioned to leverage its key enablers by remaining focused on real estate sectors that deliver long term and sustainable outcomes enhanced through our active asset management strategies. The Group continues to constantly review the income and capital returns from all assets within the existing portfolio with an aim to invest capital in assets that provide a strong and growing income stream in the medium to long term.

The Group's Managing Director, Steven Sewell commented "As a strong asset backed, conservatively geared, diversified portfolio of assets exposed to the Office, Self Storage and Retail sectors, Abacus Group delivered a solid HY24 result as a standalone entity. Our active asset management capability combined with our portfolio of well located, resilient investments drives our confidence in the outlook for Abacus Group."

Abacus Group reaffirms FY24 distribution guidance of 8.5 cents per security and a full year payout ratio of between 85% and 95% of FFO. Our guidance is predicated on no material decline in current business conditions.

Market briefing

Abacus Group will conduct a market briefing on Tuesday, 27 February at 10:00am (AEST).

Access will be via webcast:

<https://abacusgroup.com.au/investor-centre/key-dates-events/>

⁴ Pro forma: includes \$107 million of proceeds from non-core assets divested post balance date and payment of the HY24 distribution to be paid on or about 29 February 2024.

⁵ Office assets owned and managed by Abacus.



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