

# ASX RELEASE

18 AUGUST 2023

# ABACUS GROUP FY23 RESULTS

Abacus Group (ASX:ABG)<sup>1</sup> today announced its results for the full year ended 30 June 2023. These results were delivered prior to the implementation of the successful destapling post balance date.

#### **Financial Results**

The metrics listed below refer to the statutory Abacus Property Group accounts as at 30 June 2023 (before the de-stapling impact) unless stated otherwise.

- Group statutory profit of \$25.5 million in FY23, down 95.1% on FY22
- Funds from Operations (FFO) of \$175.0 million, up 8.8% on FY22
- FFO per security of 19.6 cents, up 3.0% on FY22
- Distribution per security (DPS) of 18.4 cents, up 2.2% on FY22
- Distribution payout ratio was 94% of FFO
- FY23 gearing of 33.2%, up 450 basis points on FY22
- FY23 net tangible assets (NTA) per stapled security of \$3.70, down 3.9% from \$3.85 in FY22

Abacus Group has delivered FY23 FFO of \$175.0 million, up 8.8% on FY22 and FFO per security of 19.6 cents, up 3.0% on FY22. This result was underpinned by the Group's investments in its core Commercial and Self Storage sectors, and aided by longer term growth strategies inclusive of our recent development completions that have contributed to higher quality and more resilient income streams.

The Commercial portfolio (comprised of 21 assets as at 30 June 2023) delivered 13% growth in net property rental income contribution to FFO to \$114.9 million<sup>2</sup> when compared to FY22. This positive result reflects the resilience in our occupancy and income growth levels, which were supported by our diversified lease profile with an Office WALE of 3.7 years (2022: 3.8 years) and our portfolio of majority A grade Office buildings. During the year we acquired the remaining 50% interest in 324 Queen Street, Brisbane QLD, and disposed of three non-core Office investments.

<sup>&</sup>lt;sup>1</sup> Abacus Group (formerly Abacus Property Group trading as ASX:ABP) at balance date comprised of a Commercial Portfolio (continuing operations) and a Self Storage portfolio (discontinuing operations). Post balance date, the Self Storage portfolio is now trading as a separate standalone entity, referred to as Abacus Storage King trading as ASX:ASK. <sup>2</sup> Excludes equity accounted investments.

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Operating conditions for Self Storage were resilient in FY23, with the drivers of Self Storage demand including population growth, housing density and the rise of e-commerce, outweighing the macroeconomic headwinds experienced in the latter half of FY23. The Group's 131<sup>3</sup> asset Self Storage portfolio delivered 19% growth in net property rental income contribution to FFO to \$147.5 million<sup>2</sup> when compared to FY22. Our strong Self Storage result was underpinned by the diversity of our store locations and customer base, as well as the strength of the Storage King brand. During the year, Abacus acquired 12 new Self Storage assets and delivered four new stores and two expansions from our development pipeline.

#### Post balance date de-staple of Abacus Storage King

Post balance date, Abacus Property Group (ASX:ABP) held an Executive General Meeting (EGM) on 27 July 2023 with 99.97%<sup>4</sup> of shareholders voting in favour of the de-stapling proposal to create two new ASX listed REITs to be referred to as Abacus Group (ASX:ABG); and Abacus Storage King (ASX:ASK). As previously announced, Abacus Group will be the manager of Abacus Storage King and has retained a strategic minority interest of 19.9% in Abacus Storage King.

Post de-staple, Abacus Storage King will be the standalone owner, operator and manager of the Storage King operating platform, and a \$3.1 billion Investment Portfolio including 131 Self Storage Properties and Other Investments. Abacus Storage King will be externally managed by Abacus Group and will provide securityholders with access to Australia and New Zealand's most recognised Self Storage brand.

Post de-staple, Abacus Group will continue to own and manage its high quality, Australian eastern seaboard focused \$2.5 billion portfolio. Abacus Group will have diverse income streams including: rental income, investment income from its 19.9% interest in, and management fees from the management of Abacus Storage King.

The two entities will provide separate results from 1H24 onwards. To assist our stakeholders, we have provided a range of pro forma FY23 metrics for Abacus Group post de-stapling and Abacus Storage King in our FY23 Results Presentation.

Abacus Group's Managing Director, Steven Sewell commented "We were delighted to reach this important milestone in the evolution of Abacus Group. After deploying over \$1.4 billion into Self Storage assets over the last five years, we were pleased with the resounding securityholder support and approval for separating the Self Storage portfolio with its own capital structure."

#### Commercial Portfolio (continuing operations), now trading as Abacus Group (ASX:ABG)

The Commercial Portfolio comprises of a \$1.7 billion Office portfolio with 15 assets diversified across several key portfolio attributes including; market, asset grade, asset life cycle, customer industry and customer profile and a \$0.8 billion Retail and Other portfolio including two non-discretionary, grocery anchored shopping centres and two further sites underpinned by mixed use fundamentals.

 $<sup>^4</sup>$  Refer to Resolution 11 from the Results of EGM released on the ASX on 27 July 2023.



<sup>&</sup>lt;sup>3</sup> Includes 20 development sites.

#### Commercial operating performance

- Over 44,000 sqm of Office leasing completed across 94 leasing deals, with positive leasing spreads
- LFL income growth of 1.7%<sup>5</sup> in the Office portfolio
- Continuing application of site specific available space offerings, including Flex by Abacus, is increasing our customer base and broadening our exposure to different customer industries
- LFL income growth of 3.8% in the Retail portfolio

The FY23 revaluation process resulted in the Commercial investment property portfolio reducing in value by \$248 million or 10.5%. The valuation decline was predominantly driven by the 38 basis points of cap rate expansion to 5.71%.

#### Self Storage Portfolio (discontinuing operations), now trading as Abacus Storage King (ASX:ASK)

The \$3.1bn Self Storage portfolio comprises of 131 assets, intentionally curated with 66% of stores located in Top 3 Significant Urban Areas<sup>6</sup>. The components of this portfolio include \$1.7bn of established assets, \$378 million of recently acquired<sup>7</sup> assets and \$608 million of stabilising assets (16 trading stores and 20 development sites).

The short to medium term development pipeline<sup>8</sup> (18 development sites) has an estimated completion value of \$579 million with an NLA of 117,000sqm and an estimated cost to complete of \$268 million. In addition, the portfolio has \$41 million of expansion opportunities covering 18,400sqm.

#### Self Storage operating performance

- Year on year RevPAM growth was 9.2% across the established portfolio<sup>9</sup> driven by the combination of rate and occupancy dynamics
- Four developments completed during FY23, expected to contribute positively to FFO in future periods, as stabilisation and leasing up is achieved
- A continued disciplined priority on securing assets within high quality locations saw \$159.1 million invested in FY23 including 12 new Self Storage sites and a further \$37.5 million invested across five other sites due to settle in 1H24

The FY23 revaluation process resulted in the Self Storage investment property portfolio increasing in value by \$150 million or 6.1%. Net income growth contributed to a \$208 million increase in value, while 12 basis points of cap rate expansion to 5.57% drove a \$58 million decline.

<sup>&</sup>lt;sup>5</sup> Excludes development affected assets. Excluding intra period vacancy, YTD LFL income growth is 4.0%.

<sup>&</sup>lt;sup>6</sup> Significant Urban Areas, as defined by the Australian Bureau of Statistics. Top 3 markets by population are Sydney, Melbourne and Brisbane.

<sup>&</sup>lt;sup>7</sup> Acquisitions portfolio: 19 mature stores acquired post 1 July 2021.

<sup>&</sup>lt;sup>8</sup> Includes assets exchanged but not yet settled.

<sup>&</sup>lt;sup>9</sup> Average over financial year (by area) of all established assets excluding one store due to mixed site use composition.

#### Financial and capital management

The Group is in a solid capital position with minimal debt expiry until FY26 for both Abacus Group and Abacus Storage King. We expect the average cost of debt in FY24 for Abacus Group to be  $4.7\%^{10}$  and to be  $3.6\%^{10}$  for Abacus Storage King.

Abacus Group's Chief Financial Officer, Evan Goodridge, commented "During the year, the Group continued to focus its investment capital on acquisitions across the Self Storage and Commercial property sectors in line with its capital allocation strategy, which is focused on growing recurring earnings. Post de-stapling, both Abacus Group and Abacus Storage King's balance sheets have been reset with both vehicles positioned with balance sheet capacity to fund growth initiatives including acquisitions and developments."

#### Sustainability focus

Sustainable practices and enhancements continue to be embedded into how we conduct business. Consistent with our ambition for continuous improvement in all our ESG settings, standards and activities, we are pleased to report that we have brought forward our commitment to achieve Net Zero scope 1 & 2 emissions from our previous target of 2050 to 2030. We are confident this commitment will better position the Group's ESG credentials and meet the increasing expectations of investors and tenants.

#### Summary and outlook

Abacus Group is pleased to reconfirm FY24 guidance of 8.5 cents per Abacus Group Security with a payout ratio assumed to be in the range of 85%-95% of FFO.

Abacus Storage King also reconfirms FY24 distribution guidance of 6.0 cents per Abacus Storage King Security, targeting a distribution payout ratio in the range of 90%-100% of FFO.

These guidance statements are predicated on no material deterioration in current business conditions.

Abacus Group's Managing Director, Steven Sewell commented "FY23 was a transformational year for Abacus Group. We remain confident that both vehicles are positioned to leverage our key enablers and deliver recurring income and value creation over the medium to long term. In a more challenged economic environment, where higher inflation combined with restrictive monetary policy settings is impacting capitalisation rates throughout the Commercial property sector, we remain focused and disciplined on directing capital towards assets that provide potential for enhanced income growth and the creation of medium to long term value."

## Market briefing

Abacus Group will conduct a market briefing on Friday, 18 August 2023 at 10:00am (AEST).

Access will be via webcast. abacusgroup.com.au/investor-centre/key-dates-events/

 $<sup>^{\</sup>rm 10}$  Assumes average floating rate of 4.1%.

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## Investor & Media Enquiries

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Authorised for release by Belinda Cleminson, Company Secretary ASX:ABG