



ABACUS PROPERTY GROUP 2018 AGM
CHAIRMAN'S ADDRESS – John Thame
Sydney, 15 November 2018

- Good morning and welcome to the 2018 Abacus Property Group annual general meeting.
- On behalf of the Board, I'd like to acknowledge the Gadigal people of the Eora nation who are the Traditional Owners of the land on which we meet today. We pay our respects to their Elders past, present and emerging.
- As it is past the appointed time of 10 am, I declare the meeting open.
- This meeting comprises the annual general meetings of the members of:
 - Abacus Group Holdings Limited,
 - Abacus Group Projects Limited, and
 - Abacus Storage Operations Limited

in conjunction with the meetings of the members of:

- Abacus Trust,
- Abacus Income Trust, and
- Abacus Storage Property Trust.
- It is with sadness that I would first like to acknowledge the passing of the founder and Managing Director of the Abacus Group, Dr Frank Wolf. Frank passed away in April 2018, following a short battle with cancer. Abacus was the culmination of Frank's life work, and we extend sympathy to his wife and family.
- Frank was succeeded by Steven Sewell who joined the Group in October 2017, after previous roles with Macquarie Group and Federation Centres.
- I'll start with a summary of Abacus Property Group's performance and then hand over to Steven Sewell for some brief comments.
- After Steven has spoken, we will move to the formal business of the meeting, including your questions.

SOLID PERFORMANCE

- As we were pleased to tell the market in August, Abacus Property Group delivered a solid result for the 2018 financial year.
 - While underlying profit was steady at \$183.3 million, down 2% on FY17;
 - funds from operations was \$169.8 million, up 9%;
 - distributions per security were up 3% to 18.0 cents; and
 - our return on equity was strong, at 14.7%.
- All parts of the Abacus platform contributed to this solid result – and Steven will elaborate on this performance shortly.
- We committed to grow distributions by 2-3% per annum at our FY16 AGM and I am pleased to report that our strong results this year underwrote growth in distributions per security of 2.9%, the upper end of our range.

- The Group's balance sheet remains in a strong position and we are maintaining prudent levels of liquidity and gearing. As at the end of 2018 gearing was 23.3%, and post year end this level dropped to 18%.
- While this level is below the lower end of the Group's target range, we believe Abacus is well placed to take advantage of investment opportunities that may arise.
- In summary, the business outlook remains positive. With expected growth in our recurring earnings base, our distribution growth remains sustainable, despite any fluctuations in earnings per security due to higher or lower levels of transactional profits.

SUSTAINABILITY

- The Board and team at Abacus are proud of the commitment to our sustainability protocol, all of which were further enhanced during the year.
- We have a strong commitment to our people and focus on providing a safe, healthy and constructive work environment. Following the implementation of our Work, Health and Safety Strategic Plan we have delivered significant improvements in our performance.
- Pleasingly we continued to achieve several Diversity and Inclusion objectives, including;
 - increasing female representation on the Board to over 30%, and
 - satisfying our target of 30% female new hires to the Group.

CONCLUSION

- The Abacus Board remains focused on ensuring the Group delivers long-term value to securityholders.
- The Board and I believe we have a focused and capable executive team in place to take advantage of the opportunities the business has - and I would like to thank them for their dedication.
- In closing, I would like to thank all securityholders for their continued support.
- I'll now ask Steven to give you an update on the Group's performance and strategic direction, before we then move to the business of the meeting.
- At the conclusion of the business of the meeting, I will open the meeting to general questions.



ABACUS PROPERTY GROUP 2018 AGM
MANAGING DIRECTOR'S ADDRESS – Steven Sewell
Sydney, 15 November 2018

- Good morning and welcome everyone.
- I'd also like to acknowledge the Traditional Owners of the land on which we meet, and pay my respect to their Elders past, present and emerging.

EVOLVING STRATEGY

- Following a review of current market conditions, project status and outlook, Abacus has refined its strategic direction giving prominence to sectors where we have a clear competitive advantage.
- Abacus' future capital allocation framework will focus heavily upon increasing our exposure to the self storage and office markets while reducing our exposure to retail and residential markets at this point in the cycle.
- Increasing exposure to these asset classes will enhance our ability to grow recurring earnings sources to maintain the Group's targeted distribution growth of 2-3% per annum.
- This investment strategy will continue to be funded via the realisation of our residential developments over the coming years and reducing our exposure to non-core retail assets at this point in the cycle.
- Our evolving strategy aims to leverage the established Abacus platform, while redirecting our key focus areas.

GROUP PERFORMANCE

- Abacus delivered another strong performance in 2018.
- The Abacus balance sheet is in a robust position following strong realisations during the year across the investment property and residential development portfolios. Net tangible assets (NTA) per security grew 8.5% to \$3.18 at year end.
- As John mentioned, our debt position is prudent. There are no debt expiries in FY19 and the average debt term to maturity is 3.8 years.

OFFICE

- After a number acquisitions, our office portfolio is now valued at \$879 million on a 6.23% cap rate.
- Our existing and stabilised office portfolio delivered like for like rental growth of 3.1%, occupancy gains of 5.4% to 86.9%, and at year end the office portfolio weighted average lease expiry (WALE) was 3.6 years.

SELF STORAGE

- Our \$666 million self storage portfolio experienced both income and occupancy growth. Stabilised occupancy grew 30 basis points to 89.4% and the average rental rate increased by 5.3% to \$276/m².

- The increased rental and occupancy improved portfolio revenue per available metre (RevPAM) by 5.6% to \$247/m².
- We believe the outlook for the self storage sector in Australia remains strong and as a result, we remain focused on a multi-pronged growth strategy including: acquisition, development, expansion and optimisation of the existing portfolio.

RETAIL

- While our total retail portfolio value grew to \$425 million during the year, Abacus' interest reduced post year end as a result of our strategic partnership activity and in line with our view to own 'super convenience retail' assets.
- Retail assets that are considered non-core have or will be sold.

RESIDENTIAL DEVELOPMENTS AND LAND

- Our residential development and land business is now considered non-core.
- The Group is committed to completing development projects and concurrently seeking to realise the value of our investments.

CAPITAL PARTNERING

- Our capability and track record have facilitated joint ventures with a number of sophisticated global third-party capital providers during the year.
- We will continue to partner with key long term institutional capital to drive sustainable returns via our third-party capital platform.

GUIDANCE

- We are targeting FY19 distribution per security of 18.5 cents, a 2.8% increase over this year.
- Given the transactional nature of disposing non-core assets, there is potential for a near term adjustment to a higher distribution payout ratio from the current historical low.

CONCLUSION

- Overall, we remain confident about the outlook for the Group and that our evolving strategy will position us to deliver distribution growth over the course of this year, and beyond.
- I would like to take this opportunity to thank the Abacus team for their continued hard work and commitment.
- I would also like to thank my fellow Directors for their expertise and guidance, and of course, our securityholders for your continued and valued investment in the group.