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24 July 2019

Abacus business update and launch of \$250 million Placement to fund value accretive identified opportunities

Abacus Property Group (ASX:ABP) (**Abacus**) today announces preliminary unaudited FY19 Underlying Profit¹ of 24.0 cents per security, Funds From Operations of 22.2 cents per security and declared distribution of 18.5 cents per security (growth of 2.8% on FY18). This result is in the context of Abacus making solid progress during FY19 on its transition towards being a high conviction active owner, investor and manager, of long term value enhancing investments driving increases to preliminary unaudited net property rental income of \$114 million, an 8% growth on FY18.

Over the course of FY19, Abacus has increased exposure to its key focus sectors of Office and Self Storage through a series of acquisitions and partnerships. In addition, Abacus has undertaken several transactions to reduce exposure to its non-core legacy investments, particularly in the residential and retail sectors. Investment portfolio revaluation uplift of c.\$70 million (to approx. \$2.3 billion) over FY19 drove an expected increase in unaudited Net Tangible Assets (NTA) per security to \$3.33 (from \$3.18 in FY18) with gearing² at approximately 24%.

Abacus also announces that it is undertaking an equity raising comprising:

- a fully underwritten institutional placement to raise approximately \$250 million (**Placement**)³; and
- a non-underwritten security purchase plan to raise up to \$25 million (**SPP**)⁴

(together the **Equity Raising**).

Proceeds of the Equity Raising will be used to pursue in excess of \$710 million of value-accretive identified opportunities⁵ in line with its strategic priorities and key sector focus of Office and Self Storage. Identified opportunities include:

- **Australian Unity Office Fund (AOF)** - Abacus (50% of a consortium) submitted a non-binding indicative best and final proposal to acquire the remaining units in AOF, for a cash consideration of

¹ All FY19 (including pro forma) figures are preliminary, unaudited and may change. Underlying Profit calculated in accordance with the AICD/Finsia principles for reporting underlying profit.

² Bank debt less cash divided by total assets less cash.

³ Abacus has entered into an underwriting agreement with the Joint Lead Managers on customary terms (including termination events).

⁴ Abacus may (at its absolute discretion) determine a higher amount to be raised or decide to scale-back applications under the SPP.

⁵ There is no certainty that any of these opportunities will complete.



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\$3.04 per unit via a trust scheme of arrangement. The consortium currently holds 19.9% of AOF units. Abacus' incremental capital commitment is approximately \$308⁶ million;

- **Self Storage** – FY20 acquisition and development pipeline of up to \$118 million including \$63 million of Self Storage assets currently under contract, an additional \$34 million currently under consideration and an expected \$21 million in new store development spend;
- **Church Street, Richmond VIC** – Asset development in joint venture with Salta Properties. Abacus' incremental capital commitment is approximately \$68 million; and
- **Sydney CBD Office asset** – Potential off-market acquisition of a minority interest in a strategic income producing Sydney CBD Office asset with repositioning potential. Abacus' capital commitment is approximately \$220 million.

Abacus' Managing Director, Steven Sewell, said, "It has been immensely pleasing for Abacus to be able to execute on its stated strategy in FY19 to transition the platform and pursue long term value enhancing investments across the Office and Self Storage asset classes, as well as realising non-core assets."

"In particular, within the Office portfolio, we have embarked on several value creating partnerships - resulting in us moving to acquire units in AOF, acquiring a high quality Brisbane office tower for \$170 million with a partner and acquiring a strategically valuable Melbourne inner fringe development site in a 50/50 joint venture for a project with an estimated end value of c.\$230 million. Our focus on the Self Storage sector encompassed a number of initiatives, including the purchase of a strategic minority stake in our operator, Storage King, and acquisitions totaling over \$180 million."

"In addition to building on investments in our key sectors, we have divested in excess of \$250 million of non-core residential and retail assets at or around book value in FY19."

"Abacus is well advanced on its strategy to transition to a more annuity style, strong asset backed business model. The Equity Raising enables Abacus to accelerate this transition and positions Abacus for future growth beyond the near-term identified opportunities, with low gearing and over \$900 million of acquisition capacity".

⁶ In the absence of a superior offer. Abacus share. Assumes an implied enterprise value of \$690 million (offer price of \$3.04 per security), AOF net debt as disclosed at December 2018. Abacus expected to utilise approximately 50% off-balance sheet debt in the entity acquiring the units in AOF.



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FY19 investment portfolio revaluations help drive 5% uplift in NTA⁷

Abacus announces that the preliminary revaluation of its investment portfolio as at 30 June 2019 has resulted in an increase of c.\$70 million for the 12 months to 30 June 2019 valuing at approximately \$2.3 billion. As a result of these valuations, Abacus' unaudited NTA per security is expected to increase by 15 cents to \$3.33 from \$3.18 in FY18.

Investment portfolio	FY19 valuation ⁸ (\$m)	FY18 valuation (\$m)	FY19 weighted average cap rate	FY18 weighted average cap rate
Office	\$1,078	\$879	5.7%	6.2%
Self storage	\$908	\$666	6.9%	7.5%
Retail	\$238	\$425	5.8%	5.8%
Industrial & Other	\$99	\$160	7.1%	8.3%
Total Abacus investment portfolio	\$2,323	\$2,130	6.3%	6.6%

55% of valuations undertaken during the year were independently valued with the remainder being internally valued and adopted as Directors' valuations.

Details relating to specific individual property valuations will be available in Abacus Property Group's 2019 annual results which will be released on Friday, 16 August 2019.

Equity raising

Placement

Abacus has today launched a \$250 million fully underwritten Placement of approximately 63.3 million new securities⁹ (**New Securities**) at a fixed issue price of \$3.95 per New Security, representing a:

- 7.5% discount to the last closing price of \$4.27 on 23 July 2019
- 6.0% discount to the 5-day VWAP of \$4.20 on 23 July 2019
- 4.8% FY20 DPS yield¹⁰

New Securities issued under the Placement represent 10.9% of total Abacus securities currently on issue and will rank equally with existing Abacus securities on issue. As the New Securities will be issued after the record date for the distribution for the half year ending 30 June 2019 of 9.25 cents per security, they will not be entitled to the 2H19 distribution.

⁷ All FY19 (including pro forma) figures are preliminary, unaudited and may change.

⁸ All FY19 (including pro forma) figures are preliminary, unaudited and may change.

⁹ New Securities are securities issued under the Placement and not the SPP.

¹⁰ Based on the midpoint of FY20 DPS guidance of 18.9 – 19.1, representing 2 – 3% growth on the declared FY19 distribution.



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The Kirsh Group, which holds approximately 49.9% of Abacus are ineligible from participating in the Placement. The Equity Raising is an opportunity to facilitate the introduction of new institutional investors onto the register with the objective of increasing liquidity in Abacus securities, increasing free float market capitalisation and S&P/ASX 200 index weighting.

SPP

Abacus will also offer eligible securityholders with registered addresses in Australia or New Zealand on Abacus' register at 7.00pm (AEST) on Tuesday, 23 July 2019 (**Record Date**) the opportunity to apply for up to \$15,000 of new securities, free of brokerage and transaction costs via the SPP. Abacus new securities under the SPP will be issued at a price of \$3.95 per security (being the same issue price as New Securities issued under the Placement).

Abacus new securities issued under the SPP will rank equally with existing Abacus securities on issue.

The SPP is not underwritten and will be capped at \$25 million. Abacus may (at its absolute discretion) determine a higher amount to be raised or decide to scale-back applications.

Further details on the SPP, including the terms and how to apply, will be set out in the SPP booklet, which is expected to be lodged with ASX and sent to eligible securityholders on or around Monday, 5 August 2019.

Financial impact

On completion of the Placement, pro forma gearing¹¹ is expected to reduce to 15% prior to funding the identified opportunities.

- Assuming all the identified opportunities are undertaken, pro forma gearing is expected to be c.27% remaining well below its target maximum gearing limit of 35%
- Pro-forma unaudited NTA of \$3.39 per security

Abacus provides preliminary guidance for FY20 distribution per security growth of 2% - 3% on the declared FY19 distribution, including the impact of the Placement. The payout ratio for FY20 is expected to increase to 85% to 95% of FFO, with the higher payout ratio expected to be supported by the increased contribution from more annuity style earnings¹².

¹¹ Bank debt less cash divided by total assets less cash.

¹² Group level results continue to be impacted by execution of the stated strategy toward a more annuity style business. Therefore, FY20 is expected to be impacted by timing and quantum of deployment of capital within key focus sectors of Office and Self Storage, as well as divestment of non-core assets.



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Indicative Timetable

Event	Date
Record Date for the SPP	Tuesday, 23 July 2019
Trading Halt and announcement of Placement	Wednesday, 24 July 2019
Placement Bookbuild	Wednesday, 24 July 2019
Announcement of completion of the Placement	Thursday, 25 July 2019
Trading Halt lifted	Thursday, 25 July 2019
Settlement of New Securities issued under the Placement	Monday, 29 July 2019
Allotment and normal trading of New Securities issued under the Placement	Tuesday, 30 July 2019
Expected SPP Offer opening date and despatch of booklet	Monday, 5 August 2019
FY19 Results market presentation	Friday, 16 August 2019
Expected SPP Offer closing date	Friday, 23 August 2019
SPP Allotment date	Friday, 30 August 2019
SPP holding statements despatched and trading in Abacus new securities issued under the SPP	Monday, 2 September 2019

The timetable is indicative only and subject to change. All times represent Australian Eastern Standard Time. Abacus reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. The commencement of quotation and trading of Abacus' new securities is subject to confirmation from ASX.

Additional Information

Additional information regarding the Equity Raising, including certain key risks, is contained in the investor presentation released to ASX today.

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The timetable is indicative only and subject to change. All times represent Australian Eastern Standard Time. Abacus reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. The commencement of quotation and trading of Abacus' new securities is subject to confirmation from ASX.

Financial data

All dollar values are in Australian dollars (A\$) and financial data is presented as at 30 June 2019 unless otherwise stated. Investors should note that this announcement and presentation to which it is attached contains pro forma financial information. The pro forma financial information and past information provided in this announcement and presentation to which it is attached is for illustrative purposes only and is not represented as being indicative of Abacus' views on Abacus', nor anyone else's, future financial condition and/or performance. FY19 financial information is unaudited and preliminary and may change.

The pro forma historical financial information included in this announcement and presentation to which it is attached does not purport to be in compliance with Article 11 of Regulation S-X under the U.S. Securities Act and was not prepared with a view towards compliance with the rules and regulations or guidelines of the U.S. Securities and Exchange Commission or the American Institute of Certified Public Accountants for the preparation and presentation of pro forma financial information. Investors should be aware that certain financial data included in this announcement and presentation to which it is attached are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by the Australian Securities and Investments Commission (ASIC) and 'non-GAAP financial measures' under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include Net Tangible Assets (NTA), pro forma NTA, NTA per security, net debt, net property income, 'gearing', pro forma 'gearing', Funds From Operations. Such financial measures are not recognised under the Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). Moreover, the disclosure of such non-GAAP



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financial measures in the manner included in this announcement and presentation to which it is attached may not be permissible in a registration statement under the U.S. Securities Act. These non-IFRS / non-GAAP financial measures do not have a standardised meaning prescribed by the AAS and IFRS and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with the AAS and IFRS. Although Abacus believes these non-IFRS / non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of Abacus' business, readers are cautioned not to place undue reliance on any non-IFRS / non-GAAP financial measures included in this announcement and presentation to which it is attached.

Future performance

This announcement and presentation to which it is attached contains certain "forward-looking statements" with respect to the financial condition, results of operations and business of Abacus and certain plans, strategies and objectives of the management of Abacus, within the meaning of securities laws of applicable jurisdictions. The words "expect", "should", "could", "may", "predict", "outlook", "foresee", "guidance", "plan", "estimate", "anticipate", "aim", "intend", "believe", "projection", "forecast", "target", "consider" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, as well as statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors (including those described in this presentation), many of which are beyond the control of Abacus and its related bodies corporate and affiliates and each of its securityholders, directors, officers, employees, partners, agents and advisers (**Beneficiaries**), that may cause actual results or performance of Abacus to differ materially from those predicted or implied by any forward-looking statements. Such forward-looking statements speak only as of the date of this presentation. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements and Abacus (and its Beneficiaries) assume no obligation to update such information.