Abacus Group Holdings Limited
ACN 080 604 619
Abacus Group Projects Limited
ACN 104 066 104
Abacus Funds Management Limited
ACN 007 415 590
Abacus Property Services Pty Limited
ACN 050 739 001
Abacus Storage Funds Management Limited
ACN 109 324 834
Abacus Storage Operations Limited
ACN 112 457 075

ASX ANNOUNCEMENT

Abacus Property Group
2015 Half Year Results

Results highlights

- The Group's consolidated AIFRS statutory profit is $62.2 million up from $47.3 million in HY14
- Abacus underlying profit[1] $69.1 million, up 50%
- Abacus underlying earnings[1] per security 13.4 cents, up 37%
- Abacus HY15 distribution of 8.5 cents up 3% from HY14
- Distribution per security sourced from 100% recurring earnings
- Strong cashflow from operations of $63.5 million
- Net tangible assets (*NTA*) of $2.42 per security, up 1.7%
- Gearing stable at 23.4%
- Over $300 million of new property acquisitions including third party capital assets
- Sale of Birkenhead Point Shopping Centre and Marina for $310 million
- Continue to grow our third party capital platform with $220 million of acquisitions including World Trade Centre and Oasis Shopping Centre with global investment firm KKR
- Commercial portfolio occupancy maintained at 94.5%
- Weighted average lease expiry profile improved to 4.3 years

Abacus Managing Director, Dr Frank Wolf, commented "We are pleased with the strong start to FY15 with this interim result showing continued strong contribution from the Abacus' business sectors. The success from recent sales transactions across our investment and development portfolios while maintaining rental revenues have driven strong improvements to underlying earnings and earning per security over the prior corresponding period. The balance sheet remains strong with projects and properties that should deliver strong results into FY15 and beyond".

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 maintained at low levels of 23%. At 31 December 2014, Abacus had $106 million of available liquidity that provides capacity for future acquisitions following a number of strong transactional sales. Abacus has committed capital to a number of acquisitions and development projects that will replenish the balance sheet's future opportunities.

Segment review

Property

- 94 properties valued at $1.31 billion
- Revaluation gains of $14.7 million across the portfolio
- $118 million of Abacus equity invested in new acquisitions and $165 million of sales during the period

Commercial portfolio

- $56.6 million underlying EBITDA contribution
- 42 commercial properties valued at $865 million
- Portfolio capitalisation rate: 8.1%
- Occupancy[2]: 94.5%
- Like for like rental growth of 2.5%[2]
- Weighted average lease expiry (*WALE*) profile of 4.3 years[2].

Despite the transactional activity during the period Abacus' asset managers have maintained metrics across the commercial portfolio with occupancy at 94.5% and a slight improvement to the Abacus' WALE at 4.3 years.

Strong transactional sales of $165 million delivered profits on sale of $22 million to Abacus. This included the sale of Birkenhead Point Shopping Centre and Marina for a total $310 million (Abacus ownership 50%). The sale generated an IRR of over 24% to Abacus since its acquisition in late 2010. Abacus has subsequently utilised the realised capital from the sale to acquire Oasis Shopping Centre for $103.5 million in joint venture with KKR. The asset is located in Broadbeach on the Gold Coast and provides similar short term leasing and revenue improvement opportunities while also offering long term redevelopment options.

The Abacus portfolio offers embedded long term capital and earnings growth that Abacus aims to deliver through the property cycle. Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions.

Storage portfolio

- $13.5 million underlying EBITDA contribution
- 52 storage facilities valued at $443 million
- Portfolio capitalisation rate: 8.8%
- Occupancy: 84.3%

2 Excluding development assets.

- Average rental pa: $257 per m^2
- Revenue per available m^2: up 1.9% to $217

Business trading across the portfolio improved, delivering revenue growth of 6.3% for the period over the prior corresponding period. This was largely driven by recent portfolio additions and an increase in average rent across the portfolio to $257 per m^2. Importantly we continue to see steady growth in revenue per available square metre (RevPAM), which indicates the productivity of the portfolio. RevPAM grew 1.9% to $217 over the six month period to 31 December 2014.

New acquisitions and the continued conversion of assets into storage facilities will contribute to future revenue growth. We have made good progress across our conversion projects with a number of stages completed and the commencement of trading at a number of new facilities.

Property Ventures

The Property Ventures division continues to generate strong and consistent growth in underlying EBITDA of 6.6% to $12.9 million for the period. The strong result was driven by increases in finance income and a $6 million transactional profit following the part sale of our Jack Road development site. We have invested $88 million into new and existing projects which will provide longevity of returns across the business. We continue to make progress with the Camellia residential development project following its gateway determination to rezone the land. We are working with council to achieve full planning approval and a sale in FY16.

Abacus has total assets of $371 million in property venture projects.

Funds Management

In line with a reduction in AUM, the funds management business generated an underlying EBITDA result of $3.8 million for the period. Abacus has $169 million of funds invested across the platform. Abacus continues to manage these unlisted funds to try to optimise the returns with selective sales of assets where opportunities and market conditions allow. Abacus Hospitality Fund sold Chateau on the Park during the period and now leaves 3 hotels in the fund following settlement in January 2015.

Outlook

We are pleased with the good start to the financial year and indicators point to a positive FY15. We have delivered a 50% increase to underlying earnings to $69.1 million from $47.3 million in HY14. We continue to deliver growth to earnings per security and NTA to securityholders. Strong transactional results have contributed to our positive outperformance.

The Group's balance sheet remains in a healthy position and we continue to source opportunities to invest in properties and projects to provide the Group's future profits. We have continued to prudently identify opportunities and have utilised our capital as opportunities arise with a number of transactions finalised late in the period and into the second half.

We are pleased with our second transaction with global investment house KKR. The acquisition of Oasis Shopping Centre in February 2015 follows the acquisition of the World Trade Centre office complex in October 2014. This joint venture further enhances our credentials as a strong investment partner in the Australian real estate sector. We will look to continue to access third party capital to enable Abacus to purchase a wider number of opportunities where appropriate.

Abacus is targeting a distribution of 17.0 cps for FY15.

Further information

Further information on Abacus' half year results and an update on current operations are provided in the financial report and investor presentation.

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18 February 2015

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